AID TO LESOTHO:
DILEMMAS OF STATE SURVIVAL
AND DEVELOPMENT

BY

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<u>**DECLARATION**</u>

I hereby declare that the material presented in this thesis is entirely my own work and that it has not been submitted previously for a degree in this or any other University; neither is it a joint work.

DATE: 26 JUNE 1996.....

PLACE: UNIVERSITY OF THE WESTERN CAPE

SIGNED: ....
Khabele Teboho Matlosa

To my parents Ntate Ramodiane le Me Maphoka Matlosa.

ABSTRACT

This thesis discusses the triangular relationship of aid, state and development since Lesotho's independence. It builds on three key hypotheses. First, during the preadjustment period aid entrenched bureaucratic state power, but this changed with the adoption of the adjustment programme which only facilitates state survival. Secondly, hemmed in by external developemts and internal political and economic crisis, the state is caught between survival and shrinking resources. Thirdly, given the above, development has remained elusive inspite of the infusion of aid at highly preferential terms.

Since the Cold War, aid issues have undergone three phases. Until the 1960s, donor concerns focussed primarily on economic growth. Growth with redistribution or the basic needs approach dominated aid disbursement up to the late 1970s. Since the 1980s, aid has been influenced predominantly by the IMF/World Bank orthodoxy of adjustment. Much of the debate on aid to Africa generally and to Lesotho specifically has revolved around whether aid develops or underdevelops recipient countries.

The view that aid bolsters state power is not new. This study argues, however, that this may not be the case under adjustment conditions. Aid facilitates state survival in the context whereby donors mount a systematic offensive agianst **dirigisme** and economic nationalism. As they do that, the locus of economic production and interaction is shifted to private agents and autonomous social movements and the role of the state is cut back. Donor confidence, therefore, shifts from states to markets. The implications of these processes for the Lesotho state and prospects for development form the central thrust of this study.

Non-probability purposive sampling was used for data collection. This approach rests on qualitative research methodology. Respondents were chosen on the basis of their position and influence on decion-making processes that impinge on the interface amongst aid, state and development. Primary data sources are clustered into three categories: Government; Donor agencies and embassies; and Non-governmental Organisations.

ABBREVIATIONS

ADB: African Development Bank.

ADC: African Development Corporation.

AET: The African Educational Trust.

ANC: African National Congress (RSA).

BASP: Basic Agricultural Service Programme.

BCP: Basutoland Congress Party.

BEDCO: Basotho Enterprise Development Corporation.

BDP: Botswana Democratic Party.

BMLC: Basotho Mineworkers Labour Cooperative.

BNP: Basotho National Party.

CARE: Cooperative for American Relief Everywhere.

CBD: Central Banking Department.

CBL: Central Bank of Lesotho.

CCPP: Cooperative Crop Production Programme.

CFTC: Commomwealth Fund for Technical Cooperation.

CIDA: Canadian International Development Agency.

CMA: Common Monetary Area Agreement.

CMEA: Council for Mutual Economic Assistance.

CODESRIA: Council for the Development of Social Science Research in Africa.

COM: Chamber of Mines.

CONSAS: Constellation for Southern African States.

CPL: Communist Party of Lesotho.

CRS: Catholic Rellief Services.

DANIDA: Danish International Development Agency.

DBSA: Development Bank of Southern Africa.

ECA: Economic Commission for Africa.

EEC: European Economic Community.

EIB: European Bank of Southern Afrrica.

ESAF: Enhanced Structural Adjustment Facility.

ESKOM: South African Electricity Corporation.

EU: European Union.

FAD: Fiscal Advising Department.

FAO: Food and Agriculture Organisation.

FFHC: Freedom from Hunger Campaign.

FSSP: Food Self-Sufficiency Programme.

GDP: Gross Domestic Product.

GNP: Gross National Product.

GNU: Government of National Unity (RSA).

GOL: Government of Lesotho.

GSP: Generalised System of Preferences

HBP: Hareeng Basotho Party.

IDA: International Development Agency.

IDAF: International Defence and Aid Fund.

IDS: Institute of Development Studies (Sussex).

IFAD: International Fund for Agricultural Development.

ILO/JASPA: International Labour Office Jobs and Skills Programme for Africa.

IMF: International Monetary Fund.

KBP: Kopanang Basotho Party.

LADB: Lesotho Agricultural Development Bank.

LAPIS: Lesotho Agricultural Production and Institutional Project Support.

LBFC: Lesotho Building Finance Corporation.

LCN: Lesotho Council of Non-Governmental Organisations.

LDCs: Less Developed Countries.

LEC: Lesotho Electricity Corporation.

LEP: Lesotho Education Party.

LFS: Labour Force Survey.

LHDA: Lesotho Highlands Development Authority.

LHWP: Lesotho Highlands Water Project.

LLA: Lesotho Liberation Army.

LLB: Lesotho Labour Party.

LNDC: Lesotho National Development Corporation.

LPC: Lesotho Pharmaceutical Corporation.

LPL: Lesotho Liberal Party.

LTC: Lesotho Telecommunications Corporation.

LWF: Lutheran World Federation.

MADWA: Miners and Dependants' Welfare Association.

MHSC: Muela Hydropower Station Consortium.

MMD: Movement for Multi-Party Democracy.

MTP: Marema-Tlou Party.

NAFTA: North American Free Trade Agreement.

NDSO: National Dispensary Service Organisation.

NIP: National Independence Party.

NGOs: Non-Governmental Organisations.

NUL: National University of Lesotho.

NUM: National Union of Mineworkers.

ODA: Overseas Development Assistance.

OECD: Organisation for Economic Cooperation and Development.

OPEC: Organisation for Petroleum Exporting Countries.

PASEC: Pacific Asian Economic Cooperation.

PFD: Popular Front for Democracy.

PFP: Policy Framework Paper.

RMB: Rand Merchant Bank.

ROAPE: Review of African Political Economy.

RSA: Republic of South Africa.

RUPSEA: Association of Rural and Urban Planners in Southern and Eastern Africa.

RWG: Redistribution with Growth.

SACU: Southern African Customs Union.

SADC: Southern African Development Community.

SADF: South African Defense Force.

SDR: Special Drawing Rights.

SAF: Structural Adjustment Facility.

SAP: Structural Adjustment Programme.

SAPEM: Southern African Political Economy Monthly.

SCF: Save the Children Fund.

SIDA: Swedish International Development Agency.

TA: Technical Assistance.

TEBA: The Employment Bureau of Africa.

TOU: Technical Operations Unit.

VAT: Value-Added Tax.

VDCs: Village Development Councils.

VMB: Volkskas Merchant Bank.

UDP: United Democratic Party.

UK: United Kingdom.

UN: United Nations.

UNDP: United Nations Development Programme.

UNHCR: United Nations High Commission for Refugees.

UP: United Party.

US: United States.

USA: United States of America.

USAID: United States Agency for International Development.

USCC: Unitarian Services Committee of Canada.

USSR: Union of Soviet Socialist Republics.

WFP: World Food Programme.

WCC: World Council of Churches.

WUS: World University service.

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INTRODUCTORY CHAPTER

AID, STATE AND DEVELOPMENT

Lesotho is one of the poorest countries in Sub-Saharan Africa. It is a small mountainous country totally surrounded by South Africa. Its size is about 30 000 square kilometres with a population of about 2 million people. About 87% of the country comprises rugged foothills and mountains suitable largely for livestock production rather than crop farming. Some 13% of the land is arable but due to pervasive encroachment of this land by human settlements and enormous soil erosion, this may have shrunk to 9% (Agricultural Situation Report, 1990). Lesotho loses 2% of its land annually through erosion (The Courier, 1984:7). Landlessness is rife especially in the lowlands where the largest proportion of the population is concentrated.

The current population growth rate is about 3% per annum (Bureau of Statistics, 1992). "While lower than in most other African countries, continued population growth at this rate will overburden the capacity of the country to provide inadequate education, health and other services. In addition, this rate translates into a swiftly growing labour force, few of whom can realistically expect to find employment in the domestic formal sector" (World Bank, 1987:3). With the ever shrinking arable land, the proportion of landless rural households is estimated to have soared from 12.7% in 1970 to 25.4% in 1986. In 1990, it rose further to 40%. If this trend does not change, rural landlessness may rise to 50% by the year 2000 (Matlosa, 1993a).

Lesotho's economy is an enclave labour reserve which is more of distributive-cum-consumerist than a productive economy (Bardill and Cobbe, 1985; Baffoe, 1989; Ferguson, 1990; Petersson, 1991). The country lacks the domestic resource endowment necessary to drive and sustain development[1]. As an exchange and service economy of a labour reserve type, it relies overwhelmingly on foreign sources of capital formation especially foreign aid and, revenue from South Africa, via the nexus of migrant labour and the Southern African Customs Union (SACU)[2].

Given its dependence, most scholars have argued that Lesotho's economy lacks basic properties of a fully-fledged national economy (Bardill and Cobbe, 1985; Ferguson, 1990). This observation is authenticated by the complete integration of Lesotho's economy into the South African economy both structurally and institutionally (for further details see Bardill and Cobbe, 1985; Kimble, 1982a; Kimble, 1982b; Kimble, 1985; Lundahl and Petersson, 1991).

Due to this high dependence, in the mid-1960s Ward projected Lesotho's gloomy prospects in the following words: "the economic prospects for Lesotho ... are dim and in the short-run it has virtually no hope of becoming economically viable or independent of South Africa and foreign aid" (Ward, 1967:368). Another scholar echoed this pessimism 20 years later by observing that "there can be few countries with poorer prospects than Lesotho for the development of a viable domestic economy. Whilst international aid has become increasingly important to Lesotho's development effort, the country survives only through its participation in the South African regional economy, and remains heavily dependent on South Africa" (Wellings, 1985:193).

Lesotho has a narrow resource and productive base. Diamonds and water are the only natural resources with the potential to contribute to development. De Beers closed its R30 million diamond mine at Letseng-La Terai in 1982 laying off about 800 workers: since then this natural resource has not been fully exploited (Baffoe, 1983:130). The extent to which the Lesotho Highlands Water Project run by Lesotho and South Africa will spur a sustainable development drive in Lesotho still remains a moot point (See Senaoana, 1992).

With a narrow export base (wool and mohair, asparagus and unskilled labour), Lesotho relies heavily on imported consumer, inter mediate and capital goods (90% of total imports) from South Africa through the Southern African Customs Union (see Lundahl and Petersson, 1991). Thus, Lesotho is not only a labour reserve but is also a lucrative market for South Africa. The 1974 Rand Monetary Area Agreement (currently Common Monetary Area Agreement-CMA) involving Botswana, Lesotho and Swaziland has pegged Lesotho currency (Loti-single: Maloti-plural) to the South African Rand on a one-to-one basis in terms of use and exchange value. Lesotho's monetary policy, and in most instances fiscal policy too, is therefore shaped by financial developments in South Africa (see Sejanamane, 1987; Bardill and Cobbe, 1985; Guma, 1985).

Given these circumstances, Lesotho's industrial and agricultural sectors have been experiencing decline and stagnation. Where growth has been manifest it has been either ephemeral, sluggish or insignificant. Industry is based on both import-substituting and export-oriented strategies and is largely dominated by foreign, especially South African capital. The key organisations in the management of Lesotho's industrialisation are the 1967 Lesotho National Development Corporation (LNDC) which is in charge of medium to large-scale capital investment and the 1976 Basotho Enterprise Development Corporation (BEDCO) in charge of small scale capital investment (for details see Baffoe, 1989; Selwyn, 1975). Details of Lesotho's industrial and agricultural crisis are provided later in Chapter Two.

In sum, therefore, agricultural decline and stagnation in Lesotho has been largely a factor of the following: (a) shrinking arable land in the face of increasing human and livestock population, (b) increasing soil erosion and long spells of drought, (c) labour migration to South Africa, (d) lack of infrastructure and marketing outlets, (e) mismanagement of agricultural projects, (f) lack of instruments of production by small farmers and (g) the all-pervasive traditional land tenure which debilitates against optimum utilisation of available arable land (see Sterkenberg, 1980; Wellings, 1982; GOL, 1988a; Ketso, 1991; Ngqaleni, 1990; Mkandawire and Matlosa, 1993).

In addition, Lesotho's economic crisis has been exacerbated by the politico-constitutional paralysis that beset the Mountain Kingdom for the best part of its post-colonial existence. politics in Lesotho has been characterised by instability, constitutional crisis and authoritarian rule. Praetorian rule has been a political norm since 1970 when the Basotho National Party (BNP) seized power after annulling the general election which was evidently won by the opposition Basutoland Congress Party (BCP) by a convincing margin. Since then government proceeded through an admixture of repression of opposition and accommodation of some moderate elements and factions of the opposition. Clinging to power with a narrow support base internally and the guaranteed South African political succour, the BNP ruled the country for about 20 years and was unceremoniously toppled by the military in 1986 (see Edgar, 1987; Matlosa, 1993; Matlosa, 1994). The military dictatorship also lasted for some eight years until the 1993 general elections which was, again, won by the BCP in a landslide victory.

This outline emphasises Lesotho's precarious economic and political situation, its vulnerability to external forces and its total integration within the South African economy. Lesotho's historical dependence on foreign aid from the industrialised countries of the North is a feature of this dependence. The term 'foreign aid' is used synonymously with development assistance for the purpose of this study. The exact definition of 'aid' remains a matter of debate in development literature (Hadjor, 1993:23). In common usage, aid is conceived as economic, technical, social and military assistance given to a recipient country by a donor government or international institution (Plano and Olton, 1988:122). Theoretically, such assistance has to be non-commercial and should have a concessionary or grant element whose interest rates are below market rates, but "in practice, it is very difficult to distinguish between aid and ordinary commercial transactions" (Hadjor, 1993:24).

Since 1966, Lesotho has relied on various types of aid from multiple donors for a variety of purposes. The key sources of bilateral aid have been Germany, Unites States of America, United Kingdom, Sweden and Denmark. Key sources of multi-lateral aid have been the European Union, African Development Bank (ADB), the World Food Programme, the International Monetary Fund and the World Bank. Different types of aid have been forthcoming: (a) recurrent and capital budget aid from Britain in the period 1966-1971 (Jones 1977, Wellings 1982); (b) food aid largely from the World Food Programme; (c) rural development/agricultural projects aid from various donors including the European Union; (d) military aid mainly from South Africa (Khaketla, 1971) and later North Korea (Weisfelder, 1992:653); (e) technical assistance primarily through the UNDP; (f) emergency/disaster relief aid either directly to government or through the NGOs, and (g) concessional loans through Lome Conventions etc.

In the period 1966-1972 Lesotho's principal aid donor was Britain: the former colonial metropole. Since the mid 1970's through the early 1980's, Lesotho managed to diversify its sources of aid through political manoeuvring and lobbying (Jones, 1977, Wellings 1985). Its bargaining chips for the massive aid flows of the 1970's and early 1980's were: (a) its landlockedness[3]; (b) its smallness[4]; (c) its impoverishment[5]; and above all (d) its proximity to the then apartheid[6]. Much of foreign aid to Lesotho was acquired, in this era, through the government's lobbying on the latter issue. Consequently, much of foreign development assistance to Lesotho during the 1970's and early 1980's was a politically inspired "sympathy aid"[7] intended to rescue a small impoverished and landlocked country surrounded by pariah South Africa.

In this period Lesotho established diplomatic relations with the Eastern Bloc countries much to the irritation and demur of South Africa. This move aggravated the already soured relations between Maseru and Pretoria. The urge for making diplomatic overtures to the East was to exploit the Cold War psychosis in order to diversify aid sources[8]. Diplomatic relations were established with China, Cuba, North Korea and Soviet Union in the early 1980's not only to the chagrin of apartheid, but also Western countries. According to Wellings, "Communist donors have (...) given very little to Lesotho in comparison to the West .... it may be best to interpret Maseru's strategy as aiming...(to)... increase ... the flow of aid from western powers anxious to maintain their 'influence in Lesotho'" (Wellings, 1985;206).

Despite the 1970's aid boom, Lesotho was confronted with this chain of development dilemmas. Aid tended to be politically motivated rather than being development-oriented. As such it tended only to contribute to increasing the bureaucratic power and survival of the state while narrowing sovereignty of the country. For instance, it enabled expansion of the Public Service, a major domain of political support for the ruling elite. It was also used to beef up the security apparatus of the State. last but not least, it was also used to buy political support for the ruling elite. The ephemeral nature of the aid boom was demonstrated by declining flows in the late 1980's, as a response to the ending of the Cold War, to the political developments in South Africa, and to a political statement from the donors to the then military government in Lesotho to open the political process. Finally much of the aid which was assumed to reduce Lesotho's economic dependence on South Africa leaked back into that country thus strengthening Pretoria's political and economic hold over Maseru. Contraction of aid flows to government during the 1980s was accompanied by increased donor support to Non-Governmental Organisations (NGOs).

From the late 1980s, aid flows to Lesotho began to be re-channelled to non-governmental organisations (NGOs). This trend reduced the power of the state whilst not necessarily threatening its sheer survival. Channelling aid through the NGOs seems to be a trend that is currently in vogue and it is likely that it will be intensified during the 1990s. Business International captures this trend poignantly:

> political change internationally means that in the 1990s, Africa will be less of an economic and political preserve for any single country or economic bloc. It will increasingly command the attention of multilateral agencies, especially the World Bank, the UN and an enlarged EC. Bilateral aid will decline in importance as donors channel their funds through the multilaterals. Both bilateral and multilateral donors will channel more assistance to non-governmental recipients - eg. private-sector enterprises, NGOs, church groups, women's associations - in an attempt to improve aid efficiency and ensure that their assistance trickles down to grassroots levels rather than being distributed by politicians driven by political, vote-winning considerations (quoted in Whiteside, 1991:48).

How effective has aid to Lesotho been? The search for an answer to this question runs through this thesis. It is preceded, however, by a number of other questions. Does aid contribute to development or does it merely ensure Lesotho's bureaucratic power/survival and reproduction of the post-colonial state? Does aid reduce or increase Lesotho's economic integration into the South African economy? What are the future prospects of aid flows to Lesotho in the context of the changing world economy?. And what accounts for the recent popularity of NGO's within the donor community? The general question that is being posed is what does aid do to Lesotho's economy and polity?

This thesis attempts to provide answers to these, not necessarily new, questions. However, the new condition in the world political economy demands new insights in answering these questions. These new insights are lacking in much of the literature, especially that on the politico-economic interface between aid and the state which is the major concern of this thesis.

LITERATURE REVIEW

Lesotho is no exception to the African experience of the new politics of foreign aid. Like the general literature, (see Chapter One) the Lesotho - specific literature is characterised by controversy over the efficacy of aid in Lesotho's development drive since independence. Paradigmic and programmatic shifts in aid discourse and process have influenced the aid debate in Lesotho: arguments range from pro-aid neoclassical analysis informed by the modernisation paradigm (Jones, 1977; Singh, 1982) to neo-Marxist discourse (Wellings, 1982; Wellings, 1985; Cobbe, 1990).

Jones's study was published in 1977. It provides a comparative analysis of aid to Botswana, Lesotho and Swaziland. Informed by a modernisation theory (see Chapter One), the study concluded that aid could play a positive role in developing Lesotho. Jones argues that "aid can achieve most if it provides specific resources that could not or would not have been obtained without aid, rather than simply providing general resources; and the scope of breaking development bottlenecks is likely to be greater, the more backward and inflexible is the economy concerned" (Jones, 1977:48).

He suggests, however, that the developmental impetus of aid was thwarted by poor governance in Lesotho since independence. The role of aid was, therefore, relegated to maintaining the <u>status quo</u> rather than contributing to development. To paraphrase Woodward, the fundamental and overt objective of multilateral and bilateral aid to Lesotho is to maintain a socially and politically stable situation (Woodward, 1982:175). As will become clear later in Chapter Three, aid to Lesotho, therefore, is couched more in political rather than developmental terms. Cnsequently "donor assistance has gone into firming the pillars of State" (Woodward, 1982:175). With specific reference to the United Kingdom, Jones maintains that "in effect Britain contributed to keeping the system going, rather than to improving it and on balance, it was probably better to do that than to do nothing. Had Britain not given aid, Lesotho would have been forced to go, cap in hand, to the Republic of South Africa, and it is not inconceivable that the Republic would have tried to obtain some formal suzerainty over the country" (Jones, 1977:213). Corroborating Jones' thesis, Singh observes that:

> Without minimising the difficulties of absorptive capacity and recurrent costs associated with foreign aid, it surely provides by virtue of its sheer size, a major opportunity for Lesotho to break out of the circle of economic backwardness. A fundamental issue of economic policy is therefore how best to use this aid to reduce dependence on migrant labour and to generate long-term, self-sustaining growth in the domestic economy (Singh, 1982:305).

Coming closer to the primary thrust of this study, Jones argued that aid had not propped up governments in Lesotho. "... (T)he experience of Lesotho seems to indicate that British aid is not a necessary prop, and there is a considerable likelihood that without it the Republic of South Africa would have been able to extent its influence" (Jones, 1977:60). On the contrary, this study suggests that aid has effectively ensured increased bureaucratic power and survival of the state together with the ruling elite. That process might have entailed propping of governments even if it is indirectly and not by design.

Other studies have presented a different outlook on the political economy of aid in Lesotho. In his seminal article, published five years after Jones'book, Wellings persuasively argued that aid allows the Lesotho government to "divert domestic revenue to projects of dubious developmental value and to the expansion and entrenchment of the state apparatus" (Wellings, 1982:267). Later he extended the argument further:

> Whilst aid has played a fundamental role in financing Lesotho's development effort, there can be little doubt that it has also helped the Lesotho government to consolidate its position in the face of popular opposition. One of the most tangible aspects of this has been the extension of the state apparatus, financed, in large measure, by the domestic revenue released from the Development Vote by the inflow of aid allocations... Aid has also been instrumental in buying support in both rural and urban constituencies not only through programmes aimed at alleviating poverty and increasing employment but also through the opportunities it provides for embezzlement and other forms of corruption (Wellings, 1985:195).

Besides strengthening the state apparatus, aid in Lesotho further strengthens Lesotho's integration into and dependence on South Africa. As such, aid to Lesotho indirectly benefits South Africa (Wellings, 1982; Wellings, 1983; Wellings, 1985; Cobbe, 1992). This starkly contrasts with the donors' declared intention of reducing Lesotho's dependence on South Africa. For Wellings, "Lesotho is, in essence, no more than a peripheral organ within the South African space-economy and the government makes no real attempt to escape or limit this incorporation. There is, for example, no hesitation at all in using government funds to purchase South African goods or services, nor restrictions on the activities of, and the tendering of contracts to South African companies whether they are based in Lesotho or the Republic" (Wellings, 1982:284).

Besides aid leakage to South Africa through purchases and tendering, it could also be argued that Technical Assistance (TA) to Lesotho has partly contributed to brain drain to South Africa: certainly anecdotal evidence suggests this tendency (see Cobbe, 1992). Cobbe illustrates that when providing TA,

> Donors rarely, if ever, enquire in detail whether there might be qualified local candidates working outside the country, who might be induced to return if pay or other conditions were improved. Further, the very presence of the 'experts' who will enjoy a total remuneration substantially in excess of their local equivalents, will tend to make qualified locals feel they are underpaid and undervalued, and therefore more willing to consider alternatives that would pay them better (Cobbe, 1992:92-3).

In his book, "The Anti-Politics Machine" (1992), Ferguson also comes to similar conclusions, albeit taking cue from anthropological epistemology. Ferguson and Wellings are in agreement, for instance, that aid to Lesotho strengthens/ entrenches the state apparatus and depoliticises development. Ferguson argues eloquently:

> In this perspective the "development" apparatus in Lesotho is not a machine for eliminating poverty that is incidentally involved with the state bureaucracy; it is a machine for reinforcing and expanding the exercise of bureaucratic state power, which incidentally takes "poverty" as its point of entry - launching an intervention that may have no effect on the poverty but does in fact have other concrete effects. Such a result may be no part of the planners' intentions - indeed, it almost never is - but resultant systems have an intelligibility of their own (Ferguson, 1992:255-6).

From the above discussion, it is clear that Wellings and Ferguson, though from different epistemological stands, propound a thesis that aid reinforces the bureaucratic power of the state: Jones and Singh tend to dispute this.

This study argues that aid has historically played a critical role in expanding the political and economical power base of the ruling classes in Lesotho. But it pushes the debate further by arguing that the re-emergence of neo-liberal perspectives driven by the International Monetary Fund (IMF) and World Bank, this process is far more nuanced than it was a decade ago. What aid seems to do in the new era of the IMF/World Bank Structural Adjustment Programmes is to ensure the survival of the state rather than strengthen its leverage on the development processes.

If during the Cold War, the IMF and World Bank mounted an ideological counter to socialism and central planning; in the present era, these institutions are unequivocally opposed to statism and economic nationalism. Hence Chazan et al conclude that "if the dynamic of statism prevailed through the heady years immediately after independence, the pendulum in the 1980s has begun to shift in the direction of less direct control and perhaps more supervision and regulation" (Chazan et al., 1988:65).

The conceptualisation of this study suggests that aid reinforced and entrenched bureaucratic state power in Lesotho until the late 1980s. But with the 1988 adoption of the IMF/World Bank Structural Adjustment Programme, and its attendant privatisation process, bureaucratic power of the state is considerably reduced. In these circumstances, the ruling class merely survives within an ambience of reduced power both at the political and economic levels.

Rather than adopt the thesis that aid reinforces bureaucratic power, this study departs from the premise that "state survival" describes the impact of aid in Lesotho since the late 1980s. Aid flows since the late 1980s no longer reinforce the state power, although they still ensure the survival and self-reproduction of the ruling classes. The gap between increasing power of a particular institution/class and merely helping that institution/class to survive is crucial. In their neo-classical (read neo-liberal) orthodoxy, which aims to roll back the state from its development activities towards the unfettered market forces, the IMF and World Bank want the state to survive to create a conducive legal and political environment for private economic agents to operate. This explains the reduction of the state's economic leverage. The IMF/World Bank's newly found conditionalities for multi-party politics and respect for human rights explain the reduction of the state's political leverage in Lesotho.

This needs further explanation. The emphasis accorded civil society organisations in Lesotho by the donors leads to what some scholars have termed "political informalisation" (for details see Gibbon et al, 1992). The realm of politics is shifted from state to non-state institutions and structures. As such, "formal politics becomes marginalised ..." (Gibbon, 1992:19) as non-governmental organisations and other organs of civil society assume bigger role in society. The same process leads to the retreat of the state as both the politics and the economy become liberalised through the adjustment process (see Beckman, 1992; Chazan and Rothchild, 1993).

According to the World Bank, this retreat is a strategy for liberating civil society and is aimed at "the fostering of grassroots organisations capable of promoting entrepreneurship" (Beckman, 1992:85). This process is inextricably linked to the World Bank privatisation programme and retrenchment of state employees which also reduce the levels of state penetration, extraction and appropriation in the economy. Chazan and Rothchild conclude that:

> By reducing the amounts of resources at the disposal of the state and limiting the size of the state agencies, reform measures have had the effect of curtailing the scope of state activities. At the same time social groups have been able to take advantage of local initiatives to expand the informal economy, generate a new breed of entrepreneurs and enrich associational life... to alter the distribution of power... (Chazan and Rothchild, 1993:183).

So if the Lesotho state has been bolstered by aid during the 1960s up to the early 1980s, the very same state has been threatened by the shifting paradigm and politics of aid since the late 1980s and is being forced to survive on a shaky economic and political ground.

THE CONCEPT OF THE STATE

So far the concept of the 'state' in Lesotho has been used without coming to grips with an operational definition. A plethora of studies debate the conceptualisation of the post-colonial state in the developing countries (see Goulbourne, 1987; Forrest, 1988; Chazan et al, 1988; Haggard and Kaufman, 1992; Mengisteab and Logan, 1995). This literature is replete with heated controversy on the nature and functions of the state in the political economy of developing countries. The dividing wall in this debate is constructed on the paradigmic and ideological predispositions of the authors which are informed by various schools of thought.

The modernisation or neo-liberal school perceives the state as an entity which need not intervene in economic management except only to create the legal, infrastructural and institutional environment conducive for the operation of private economic agents[9]. The neo-marxist school conceives of the state as a parasitic institution enhancing primitive accumulation by the bureaucratic bourgeoisie and in the process marginalising lower social classes from centres of economic activity[10].

This study conceives of the state as a set of institutions comprising primarily the decision-making structures, decision-enforcing organs, decision-mediating agencies and decision-informing bodies (see Chazan et al, 1988; Dunleavy and O'Leary 1987; Forrest, 1992). The Lesotho state is controlled by a multiplicity of elitist social forces which, since independence, have been thrust into power, albeit, with a weak economic base. It does not, therefore, represent a particular hegemonic social class. This character of the state is applicable to the whole of Sub-Saharan Africa as Mengisteab rightly argues.

> ...the state does not truly represent any particular social class since no social class has established a viable hegemony. In some cases, the state represents a fragile coalition of small bourgeoisie and certain segments of the petty bourgeoisie. In other cases, the state merely represents the interests of individuals or a particular social strata, such as the military who control the state and through state power obtain control of the means of production and essentially maintain the prevailing dependent structures. This type of state often resorts to brute force to maintain order (Mengisteab, 1995:170).

The second category above fits the Lesotho situation neatly. The modern and traditional elite in Lesotho have historically used the state for self-serving purposes both in the economic and political arenas. This is explicable in terms of the marginalisation of the Basotho entrepreneurial and professional classes during the colonial period. The British colonialists had no interest in developing a local entrepreneurial class with its own economic base. Such a class would have diverted focus from their embedded commercial interests locally and in the South African mining industry.

When independence was granted and the economically weak Basotho elite assumed state power, this class set about to utilise the newly found 'political kingdom' to build an economic 'haven' for itself. This laid a basis for self-serving state interventionism of the 1970s through to the 1980s. The tendency of the state to intervene and engage in accumulation both for stateholders and on behalf of the ruling classes, led Holm to conclude that "the state in Lesotho has in many ways become the dominant force in society, pursuing objectives that are independent of and frequently at variance with those of other groups and classes. The principal objective has been the self-aggrandizement of the holders of state power, whether motivated simply by political ambition and economic greed, or by more complex desires to leave a mark on posterity" (cited in Bardill and Cobbe, 1985:154-155).

The expansion of state power largely through the process outlined above "has depended to a considerable extent on a corresponding growth in state revenue, which in turn has been premised largely on the rapid increase in foreign aid and customs union revenue. Although the increase in aid has obviously accentuated the state's reliance on the international aid community, it has nevertheless been defended as a way of reducing the more debilitating dependence on South Africa" (Bardill and Cobbe, 1985:158). The key distinction between earlier studies and this one is that in the era of adjustment, aid politics no longer reinforce state power, it only facilitates state survival at best. This is the central theme of this study which keeps recurring throughout most of the chapters.

END NOTES

1. The term 'development' is used in this study to denote progressive advancement of society in providing wide-ranging necessities of life. Early theories of development perceived development purely in economic terms (Todaro, 1989; Foster-Carter, 1985). It is used here in a broad sense that encompasses socio-economic and political aspects of human life. At the individual level, this process involves self-respect, self-confidence and acquisition of necessary skills for a decent living (Burkey, 1993). At the socio-economic plane, development means a growing economy that is able to provide basic necessities of life such as food, shelter, health, education, employment, energy and transport (Burkey, 1993). Political development denotes the existence of political structures that are representative and responsive to the population. This has to be anchored to a democratic culture that allows room for respect of basic human rights and transparency of government institutions.

2. The South African Customs Union (SACU) is one of the earliest economic integration schemes in African. Established in 1910 and renegotiated in 1969, the Union comprises the Republic of South Africa, Botswana, Lesotho, Swaziland and, since 1990, Namibia. It provides for free movement of goods and services among member-states through a common tariff. Customs and excise duties collected are paid into a common pool administered by the South African Reserve Bank. Revenues from SACU is apportioned to members on the basis of their imports and dutiable domestic production in proportion to the total revenue in the common pool. However, Botswana, Lesotho, Namibia and Swaziland receive an additional 42% mark-up to compensate for disadvantages such as loss of liberty to determine fiscal policy and slow industrialisation as a result of being in economic league with a stronger neighbour - South Africa (The Courier, 1984:15). Theoretically, SACU receipts are supposed to contribute to Lesotho's development as the country is forced to forego certain development options (especially those relating to trade and industrial isolation) for being in an economic league with a stronger partner - South Africa. In practice these receipts only strengthen further South Africa's economy hegenomy over Lesotho. At the same time the SACU revenue has helped in many ways to sustain and shore up the Lesotho state. Current efforts by South Africa to revise the composition of SACU which may also reduce revenue accruing to lesotho, thus, threatens one of the critical survival pillars of the state.

3. There are twenty-eight landlocked countries in the world, fourteen of which are in Africa (Cervenka, 1973:17). Lesotho is one of them. A landlocked country is that which has no access to the sea. This location inhibits trade links with other countries. "[A]s the bulk of international trade is still transported by sea, access to the sea is synonymous with access to world markets" (Cervenka, 1973:17). Lesotho is completely surrounded by the Republic of South Africa. All its trade links and modes of international communication are controlled by South Africa. Donors are sympathetic to Lesotho's awkward geo-political location. In some sense aid expresses that empathy.

4. Lesotho's small size coupled with a weak domestic economic base has also acted as bargaining chip for increased aid flows at highly concessional terms. Its classification as a least developed country by the United Nations in the 1970s put Lesotho in that bracket of low-income countries qualifying for preferential aid.

5. Poverty in the country has been one of the pressing economic problems and a concern for donors. Since one of the stated objectives of aid (since the 1970s) is alleviation of poverty, Lesotho has ranked high among aid recipients in Africa.

6. International pressure against apartheid and Lesotho's geo-political location conspired together to exhort increased donor sympathy and support. South Africa's bellicose regional strategy of destabilisation, which entailed military and economic squeeze of Lesotho in the 1980s, increased this donor support.

7. The term 'sympathy aid' is used here to refer to a pervasive tendency among donors to link aid to Lesotho to the country's public disdain for, and victimisation by, the apartheid system.

8. Establishment of diplomatic relations with Eastern bloc countries was not an ideological **volte face** on the part of the BNP government. This move was meant to tease the West to provide more assistance by elevating the Cold War bargaining chip.

9. This paradigm perceives of the state as being aloof from the struggle over control and distribution of scarce resources and relatively above society except that it regulates societal affairs.

10. This paradigm views the state as an institution that is directly involved in the struggle over the control of the means of production and political power. Seen as representing the interests of dominant social classes, the state, therefore, is not a neutral arbiter in this struggle.

CHAPTER ONE

AID IN TRANSITION: THE CONCEPTUAL FRAMEWORK

INTRODUCTION

Various theories and donor perceptions have influenced aid flows. Aid to Lesotho is no exception to this rule. The interplay of theory and donor priorities and how this impinges on the relationship of aid, state and development is of crucial importance for this study. In this context, a general overview of the evolution and paradigmic transitions of aid since the Second World War is helpful. It is through this process that those paradigms that have shaped aid flows and donor priorities can be understood.

Most importantly, the manner in which these paradigms defined [and redefined] the relationship of aid, state and development at different historical moments needs to be grasped. Aid has bolstered bureaucratic state power during the pre-adjustment period. During the present adjustment era, aid facilitates state survival. The misuse and abuse of aid by the bureaucratic elite for self-serving goals also reduces its intended developmental impact.

The plethora of literature on foreign aid is informed by various epistemological constructs and conceptual orientations which have driven the debate in development economics (see Cassen, 1986; Riddell, 1987; Mosley, 1987; Browne, 1990 and Madeley et al, 1991; Griffin, 1991; Hewitt, 1994). The foreign aid debate has always been in a state of flux: it has been responsive to, and shaped by, the dynamics and contradictions of inter-state relations and changes in world politics. It has metamorphosed from its 1950s/60s concerns with economic growth; through the 1970s concerns with redistribution with growth and basic needs approaches (Riddell, 1987:95); to the 1980s/90s focus on the IMF/World Bank economic recovery programmes (Riddell, 1987; Browne, 1990).

The foreign aid debate has its foundations in Keynesian economic thought[1] and the allied Rostowian "linear stages theory" (Riddell, 1987:86,87; Todaro, 1989). Following Keynesian economic theory, aid encourages non-market interventions in economic activity; this, however, should not fundamentally inhibit the free play of market forces in a free enterprise economic system. It, thus, ensures some limited state intervention in economic activity. The aid debate is also anchored to the Rostowian "stages theory": this assumes that aid is a temporary relief or a 'rescue operation' which may be halted when the recipient country has reached a particular stage of economic advancement. Arguing that aid was only required prior to the stage of 'take-off', Rostow predicted that it would only last for ten to fifteen years: after that domestic and external private sources would have to be used (Riddell, 1987:88).

Based on the above theories, the justification for foreign aid includes the assumption that the injection of external resources help in facilitating growth by relieving domestic obstacles caused by poor resource-endowment of recipient countries (Riddell, 1987:157). The importance of aid is reinforced by the inability of poor nations to access commercial loans from private banks. This was especially so after the 1980s debt crisis. Aid provides poor countries a wide range of external resources on concessional terms. Neo-Keynesian theorists also justify aid on the grounds that domestic markets are inadequate to "deliver high levels of economic growth and development" (Riddell, 1987:157). But the long-term expectation is that

> there will eventually no longer be any necessity to provide ...[aid]..., because markets will then be sufficiently developed to throw up signals and lead to responses that no longer require sustained non-market external intervention (Riddell, 1987:157).

This chapter traces the paradigmic transitions in aid debate and policy at different historical conjunctures. It highlights how these have shaped the relationship of aid, state and development. Section one shows that during its first phase that lasted until the 1960s, aid evolved within the confines of modernisation paradigm whose central pillar was economic growth of recipients along the lines of industrialised Western countries. Section two considers a conceptual shift towards redistribution with growth which focused aid to micro-economic issues around poverty alleviation in the 1970s. Section three examines the current influence of the International Monetary Fund (IMF) and the World Bank as structural adjustment policies gain ascendency in global aid flows. This links up to a discussion of the current global politics of aid which is the subject of section four. Finally, section five provides a critique of aid from both the liberal and the radical schools of thought.

AID AND ECONOMIC GROWTH

Foreign aid theory in the 1950s emerged in the context of the evolving development paradigms of the time. Modernisation paradigm[2] dominated development discourse up to the latter part of the 1960s. Proponents of this paradigm assumed that developing countries had to follow the growth path of the industrialised Western countries, if they were to experience meaningful prosperity (Foster-Carter, 1985). This earliest modern theory of development was purely economic and was thus premised upon simple models of growth, in which capital formation was the key factor (Blomstrom and Hetne, 1984:19). This theory assumed that the continuous expansion in the size of a country's economy would lead to higher living standards for its people. "The role of aid was seen principally as a source of capital to sustain and spur economic growth through higher investment" (Browne, 1990:101).

The most influential strand of the modernisation paradigm which formed the core of neo-classical economic orthodoxy of the time was the Linear stages of growth model advanced by the American economic historian, Walt Whitman Rostow in his two books viz <u>The Process of Economic Growth</u> (1960) and <u>The Stages of Economic Growth</u> (1963). Development thinking of the 1950s and 1960s was dominated by the 'growth stages' concept. Rostow (1960, 1963) identified five key stages of economic growth which developing countries had to pass through before reaching a "self-sustaining" growth path: these are the traditional society, the preconditions for take-off, take-off, drive to maturity and the age of high mass consumption[3]. As Todaro aptly argues, "one of the principal tricks of development necessary for any takeoff was the mobilisation of domestic and foreign savings in order to generate sufficient investment to accelerate economic growth" (Todaro, 1989:65).

Using an analogy with an aircraft, Rostow assumed that foreign aid would act as a pump-priming factor for the "take-off" to "self-sustaining" growth in view of limited domestic savings and investment. This confidence in aid was widely embraced by the donor community (Riddell, 1987:86; Todaro, 1989:64). A multiple factors accounted for the apparent optimism of neo-classical economic theory on foreign aid. Riddell identifies four: optimism that economic expansion among industrialised Western nations would continue; a belief in the global replicability of Keynesian economic policies anchored on non-market interventions for development process to get started; confidence that the success of the Marshall Aid programme was replicable in the developing world and "confidence, too, that, as in Europe, concentration on accelerating economic growth would lead to economic development in other places and in different circumstances" (Riddell, 1987:86).

For other writers, aid was perceived as crucial in filling up structural gaps that inhibited growth of developing countries. In their seminal work entitled "Foreign Assistance and Economic Development", Chenery and Strout (1966) identified two interlinked gaps that throttle growth in developing countries: the investment limited growth (or resource gap) whereby skills, saving and investment are perceived as either lacking or constrained and the trade limited growth (or trade gap) whereby an acute balance of payment deficit constrains progress towards a self-sustaining growth (Riddell, 1987:90, Chenery and Strout, 1966:683; Healey, 1971; Browne, 1990). For Chenery and Strout, therefore:

> The achievement of growth depended on the expansion of productive capacity through investment, and investment depended on the availability of investible resources, that is savings. In developing countries, domestic savings, rates... were low because most people and enterprises consumed nearly the whole of their incomes, and because of limited opportunities. Low savings and investment were part of what some termed the 'poverty trap.' Since there was little scope for squeezing domestic consumption in order to make available more savings to support investment... the way out of the trap was through import of capital through aid or direct investment (Browne, 1990:104).

The dominant aid discourse of the 1950s and 1960s was conducted in a panegyrical fashion to the extent of viewing aid as <u>sine qua non</u> of development. By the close of the 1960s the principal conceptual edifice of modernisation theory (i.e. economic growth) was questioned for its empirical validity, its theoretical adequacy and its policy effectiveness (Foster-Carter, 1985:15). According to Foster-Carter, "Rostow has been found wanting on all three counts" (Foster-Carter, 1985:15). General disenchantment began to creep in among donors, scholars and recipients regarding the economic efficacy of aid. This was a result of unfulfilled expectations, the misuse of aid by the ruling elites, and the utilisation of aid for political and strategic interests (Byres, 1972:4; Johnson, 1972:141).

As aid failed to set the less developed countries on a growth path envisioned by modernisation theorists, donor confidence on this paradigm waned. But confidence on the centrality of aid to economic advancement did not fizzle off. Confronted by reversal and criticism, donors were bound to review aid priorities and policies. It was in this context that the aid programmes and discourse underwent a transformation from Rostowian growth models to welfarist economic concerns of redistribution and poverty alleviation.

AID AND REDISTRIBUTIVE ECONOMIC THEORY

The shift in aid debate was part of the paradigmic transition in development discourse during the 1970s. The modernisation paradigm was subjected to a penetrating critique during the late-1960s by various scholars from the structuralist and dependency schools (Webster, 1984; Foster-Carter, 1985; Blomstrom and Hetne, 1984; Higgot, 1983; Todaro, 1991; Burkey, 1993). Much as the critique came from marxist scholarship, but even within the liberal school the modernisation paradigm was questioned. An alternative conceptual explanation of the role of aid in development had to be devised: so it was that welfarist economics came to assume centre-stage in development discourse since the 1970s. It was within the mould of economic thought that the Redistribution With Growth (RWG) thesis evolved.

The central tenet of RWG is that aid was not only aimed at growth, but that it should facilitate redistribution of resources and the alleviation of poverty. This approach - which was also embraced by the World Bank President, Robert MacNamara - channelled aid "into small-scale, low-technology projects such as irrigation systems, basic sanitation programmes and rural health clinics" (Stiles and Akaha, 1991:268). Attention, therefore, systematically shifted from macro- towards micro-economic concerns: from programme towards project focus. Basic needs became critical concerns in aid policy and discourse (see Sandbrook, 1982; Burkey, 1993). Addressing basic needs (that is food, shelter, housing and health) was perceived as appropriate if poverty was to be reduced.

In this process, poverty alleviation became the principal 'rationale' for aid disbursements. The theory assumed that by abandoning the abstract concern with economic growth, aid would, ipso facto, filter down to the poor. Aid effectiveness in this regard still remains a controversy. Clark, for instance, argues that instead of triggering the much vaunted 'trickle down of wealth', aid invariably reinforces the 'trickle down of poverty' (Clark, 1991:25).

The paradigmic re-orientation of aid policies was also a result of the evaluation and recommendations of the 1969 Pearson Commission. Led by Lester Pearson, former Canadian Prime Minister and comprising seven experts, this Commission was mooted in 1967 by the then World Bank President, George Woods, but implemented by his successor Robert McNamara in 1968. The Commission Report which came out in 1969 under the title: Partners in Development: Report of the Commission on International Development became quite influential in refocussing aid and poverty issues.

The Pearson Commission Report provoked controversy and polemic in academic circles much as it contributed to the critical re-thinking of aid effectiveness in policy-making circles (see Sutcliffe, 1971; Byres, 1972; Riddell, 1987). One of its central tenets is that the primary justification for aid is the moral obligation on the part of rich nations hence in answer to the question "why aid?" the Report is unequivocal; "The simplest answer to the question is the moral one: that it is only right for those who have to share with those who have not" (Byres, 1972; Riddell, 1987:7).

This view has been contested by various scholars (see Griffin and Enos 1970; Arnold, 1979; Byres, 1972; Hayter, 1971; Hayter, 1981; Hayter and Watson, 1985; Griffin, 1991) who have argued that generally the driving force for aid is not some altruistic moral obligation, rather that the donors pursue their own self-serving interests. A more recent review isolates five factors for aid-giving: humanitarian reasons; commercial interest; security consideration; historical/cultural links and international prestige (Dassu and De Andreis, 1994:38).

The second central assumption of the Pearson Report is that "aid has been crucial to the development so far achieved in underdeveloped countries and that future development will be prevented unless more aid on better terms is forthcoming" (Byres, 1972:94). In this light, Pearson made a proposal that official aid should be raised to 0.70 per cent of the Gross National Product (GNP) of the donors by 1975, against the average of 0.39 per cent in 1968. This increase in official aid would require a major effort by some donors but "we believe this difficult and demanding challenge must be met if the basis for international communities is to be secured." (Byres, 1972:6). The 0.70 per cent bench mark was later adopted by both the UN and the OECD countries, though little progress has been made in that direction. Of all 18 OECD/DAC donors only four (Denmark: 0.89%, Netherlands: 0.98%, Sweden: 0.88% and Norway: 1.11%) had in fact surpassed the target by 1988 (Browne, 1990:159-160). The socialist countries did not abide by the UN's benchmark of 0.70% of GNP "since this was interpreted as a 'development tax' applicable only to Western countries which had been historically responsible for underdevelopment" (Howell, 1994:307). This however, ignores the fact that some of the major donor countries - the Nordic Group - never had colonies. So, this perception is built on fairly flimsy ground. The Report's perception of an ostensible positive correlation between aid and development/growth also ignited reaction from aid critics, as we shall see.

Thirdly, Pearson Report's most path-breaking proposal was the urge for fundamental restructuring of aid channels in a manner that elevated the role of multilateral institutions. It argued strongly for the strengthening of multilateral sources and channels of aid relative to bilateral ones: the former were perceived to be neutral whilst the latter tended to be highly influenced by the politico-strategic motives.

The extent to which these recommendations were put into effect remains unclear. What is obvious, however, is that the Pearson Report contributed towards a conceptual shift in the determination of aid priorities and the surrounding debate in the 1970s. The emphasis was not only on redistribution and poverty alleviation as against growth, but the macro-economic framework of aid disbursement tended to be replaced progressively by micro-economic framework. These emphasised sector-specific projects such as agriculture, rural development and roads construction. "Directing aid to the poor" became a household phrase within the donor community. Ironically, however, most foreign-aid driven agricultural, rural development and infrastructural projects benefited the rural and urban elites because socio-economic benefits failed to trickle down (Madeley et al, 1991; Clark, 1991; Burkey, 1993). Despite the re-ordering of aid priorities, therefore, the record among recipient countries remained far from donor expectations. A second review of aid re-directed debate and donor focus towards economic adjustment.

The major architects and proponents of the adjustment orthodoxy are the IMF and World Bank (World Bank, 1981; World Bank, 1984; World Bank, 1986). This orthodoxy, however, is now embraced by all major bilateral donors. Hence the IMF stabilisation programmes and the World Bank structural adjustment lending (SAL) became the dominant rituals in aid disbursement since the 1980s.

AID AND ADJUSTMENT

The principle of adjustment has redirected aid back to macro-economic programmes; thus 'reversing' history back to the 1960s. While the project-focused aid, which rested on the basic needs approach, has been scaled-down, programme aid has increased since the 1980s. Both the Pearson Report and the 1982 debt crisis strengthened the shift towards multilateralisation of aid; this became even more deep-rooted under adjustment. The two kings of the 'adjustment jungle' are the International Monetary Fund (IMF) and World Bank. They set the new rules of adjustment and enforce compliance by aid recipients. Non-compliance with the set rules is met with punitive action: such as freezing external resources to the defaulting state. Aid policy takes cue from the Fund and the Bank and bilateral agencies have to follow suit. Wilson sums it up:

> ...bilateral aid agencies began to accept the lead position of the IMF and the World Bank in setting the framework and many of the conditions for economic reform....Bilateral reform programmes would be designed more or less in concert with the Fund and the Bank. This implied more of a "united front of donors than had existed hithertofore. This "united front" of donors has been more and more frequently manifested in UNDP-sponsored "roundtables" and Bank-led "consultative groups" which bring donors and recipients together for policy dialogue (Wilson, 1993:334).

The Fund and the Bank have influenced policy focus and conditions for financial assistance. At the level of policy, emphasis is placed on getting the prices right and bringing the market 'back in'. These go in tandem with deliberate policies aimed at 'rolling back the state'. Propelled by the demise of socialism and informed by the experience of the Newly-Industrialising Countries (NICs), economic adjustment is an article of faith in liberal economic orthodoxy. The collapse of the socialist system "gave the Western states an enormously enhanced sense of the universal validity of their own political and economic arrangements" (Clapham, 1995:92).

The phenomenal economic growth of the NICs in East Asia since the 1970s is also regarded as an 'economic miracle' that Africa must emulate (World Bank, 1993). This growth has been based on a foreign capital driven manufacturing of textiles, clothing, and footwear primarily for export. Structural and regional disparities between Africa and the NICs are rarely considered. What is also intriguing is that the NICs evolved on the basis of interventionist - and sometimes authoritarian - developmental states: the trend that the IMF and World Bank wants to reverse in Africa (Padayachee, 1995). The linkage here, therefore, is both obscure and tenuous.

Stringent conditionalities have been tied to adjustment programmes: these have aimed at both political and economic reforms (Onimode, 1989; Gibbon et.al., 1992; Haggard and Kaufman, 1992; Callaghy and Ravenhill, 1993; Simon et. al., 1995; Mengisteab and Logan, 1995). In line with this, aid is also increasingly linked to these reforms in the recipient countries (see Chapter Five).

Mengisteab and Logan (1995:3) isolate three categories of conditionality. First, deflationary measures which include public expenditure cuts and the removal of subsidies. Secondly, structural changes through privatisation and decontrol of prices, interest rates, imports and foreign exchange. Thirdly, expenditure-switching policies through devaluation and export promotion.

Political reform gives pride of place to 'good governance' (World

Bank, 1992). The World Bank argues that:

> bilateral lending and aid agencies have become increasingly sensitive to public criticism of concessional aid flows to governments which lack democracy, have a poor human rights record, or are seen to be corrupt (World Bank, 1992: 4).

Adjustment has centralised power in the hands of the Fund and the Bank. Adoption of this programme bestows "a seal of approval" upon poor nations which, in turn, facilitates access to donor aid (Korner, 1984). This pressurised most African countries to adopt these programmes despite the intensity of the debt crisis.

Economic crisis in the poor countries is perceived by the Fund and the Bank as of mainly domestic origin: an overextended and inefficient state sector; overvalued currencies; controlled prices and interest rates and lack of export promotion. It is also explained in monetarist terms whereby the key obstacle to economic growth is seen as a high public expenditure in proportion to revenue. Adjustment, therefore, takes place within a monetarist framework wherein "there is a ... well-defined relationship between money, the balance of payments and domestic prices, in which the supply of, and demand for, money play a central role" (Dell, 1982:607).

Finally, and most importantly, the neo-liberal adjustment policies represent an ideological 'onslaught' on dirigisme (IDS, 1987; Gibbon et.al., 1992; Mengisteab and Logan, 1995; Simon et.al., 1995). Dirigisme refers to a process of state intervention, control and expansion in economic activity. It has assumed various forms including valorisation, supporting welfare programmes and expansion of the parastatal sector. The neo-liberal economic logic is that this has two deleterious effects on sound macro-economic policy: first, it results in the 'crowding-out effect' on private entrepreneurs and secondly, it undermines the economic law of demand and supply and, thus, inhibits the free play of the much vaunted market forces. The Bank's position is unequivocal:

> ...experience demonstrates that too much investment has gone into projects that have failed to generate significant increases in output. Genuine mistakes and misfortunes cannot explain the excessive number of "white elephants". Too many projects have been selected on the basis of inadequate regard for their likely economical and financial rate of return (World Bank, 1984:24).

Dirigisme is largely perceived as the 'root cause' of the general economic crisis, and specifically the crisis of governance. It has led to, inter alia, pursuit of self-serving predatory ambitions of the bureaucratic class, bureaucratic delay and arbitrary decisions. The conclusion derived from this is that:

> [r]ed tape and corruption impose a heavy cost on the private sector, undercutting its international competitiveness. The breakdown of the judicial system scares off foreign investors who fear that contracts cannot be enforced. Such an environment cannot readily support "a dynamic economy" (Beckman, 1992:84).

Part of the solution to this is seen as privatisation which will shift power towards market forces and political liberalisation which will enhance the role of civil society on matters of governance.

CHANGING GLOBAL POLITICS OF AID

The Cold War shaped and influenced foreign aid flows in a particular direction consistent with the bipolarity. With its ending, the politics of aid has experienced identifiable shifts and twists which are consistent with the vision and interests of dominant forces in an emerging 'new' world order. The post-Cold War aid flows are bound to be affected by two new realities: the global military supremacy of the United States of America (USA) and its economic competition with Europe and Japan.

Griffin isolates three basic functions of aid during the Cold War. With both the liberal and neo-marxist scholars he concurs that, firstly, aid bolstered the power of the bureaucratic elite in the recipient countries. Secondly, it prolonged authoritarian (mostly military) rule and weakened democratic procedures. Thirdly, it beefed up the heavy hand of the state, by further weakening the social roots and political vibrancy of civil society (Griffin, 1991:670). These arguments reinforced the view that aid served the covert and overt ideological interests of donors (Hayter, 1971; Griffin, 1991). "The disappearance of ideological confrontation will reduce the political inclination to sustain global aid programme" (Griffin, 1991:673). The decline of politically motivated aid is likely to be eclipsed by commercially-inspired aid with more stringent conditionalities. Griffin provides the likely specifics of this new trend: aid will be formulated "to serve ... commercial and other interests such as the control of international trade in narcotic substances and prevention of further deterioration of the global environment" (Griffin, 1991:673).

During the Cold War the concept 'democracy' rarely featured prominently in aid disbursements. This has entirely changed. By emphasising political and economic reform, the new approach links capitalism and political pluralism as key pillars of development. As Laurence Whitehead recently argued, in most Western

> policy-making circles it is virtually an unexamined axiom that market economics and participatory politics are parallel processes that accompany each other. Capitalism and democracy are seen as two sides of the same coin, united by commitment to individual free choice in both economic and political matters (cited in Callaghy, 1993:464).

Another challenge posed by global change is that international resource flows are likely to be increasingly re-channelled to Central and Eastern Europe. This will further marginalise the Third World (Matlosa, 1992; Chege, 1992; Griffin, 1991; Sideri, 1993; Hewitt, 1994; Carim, 1995a; Hettne, 1995). Sideri contends that:

> the collapse of socialist regimes in Eastern Europe means that these countries are going to be competing directly with the Third World for the financial and other resources of the West and for access to Western markets. This competition is vividly manifest in labour migration, in the movement of financial resources on a world scale and the impact this has on interest rates... The impact on many LDCs may be devastating (Sideri, 1993:8).

The Western nations are pumping massive amounts of aid into Eastern and Central Europe (Coker, 1991:289). The moral responsibility of the West for Eastern Europe and its strategic interests outweigh its sympathy for other underdevelopment regions, especially Africa. Besides, the West's strategic interests in Africa have declined tremendously. Some have even predicted that the [forthcoming] Lome V, "to be signed in 1999 would be not with the ACP or any other developing countries, but with the EU's immediate neighbours in Eastern Europe" (Hewitt, 1994:23). Unlike the African crisis, the events in Eastern Europe are viewed by the EU more as internal rather than external problems that warrant the Union's immediate attention; and this perception too shifts aid priorities (Hewitt, 1994:24).

Not only are the African countries being marginalised through the re-channelling of aid to other parts of the world, but the same process is also attendant to the formation of regional economic blocs which are poised to enhance the economic power of Germany, United States and Japan (Silk, 1993). Sharing a similar view, Streeten concludes that if this trend continues:

> we might see the formation of three blocs. Europe and its ex-colonies in Africa will become "fortress Europe". The United States, Canada, Mexico, the Caribbean Basin and parts of Central and Southern America will form a second bloc. Japan and the Pacific Rim, with the four Asian tigers and possibly ASEAN (Indonesia, Philippines, Malaysia, Singapore, Thailand) would form an East Asian bloc (Streeten, 1991:130-131).

The division of the world into three "megamarkets" is likely to strengthen the global protectionism thus pushing the African continent further to the margins of the world economy (Chege, 1992; Callaghy, 1993; Sideri, 1993; Hettnet, 1995).

CHALLENGES TO FOREIGN AID

Foreign aid has been subjected to a lot of criticism from both the liberal and radical development theorists. The primary thrust of the former is that foreign aid tends to scuttle the free play of the market forces by increasing economic and political power of the state. As such it retards, rather than promotes, economic development. Bauer and Yamey argue as follows:

> Foreign aid means that the additional resources are made available to the government of the recipient country. It enlarges the resources of the government relative to the rest of the economy. It increases the centralisation of power, especially in countries where comprehensive economic planning is practised. Because the attainment or maintenance of political control is consequently more important, political tensions are exacerbated... The greater the volume of resources at the disposal of the government, the higher are the prizes of political power. The increase in the weight or scope of government diverts the energy of able and ambitious men from economic activity to political pursuit. All these tendencies are likely to retard economic progress (Bauer and Yamey, 1972:48).

Foreign aid is thus perceived as playing an unproductive role which strengthens the state, encourages centralisation of power and fosters state intervention in the economy. This supports misconceived economic policies in recipient countries (Bauer and Yamey, 1981). Essentially, therefore, aid distorts markets and prices. It disrupts demand and supply. Liberal critics believe that only markets can provide a reliable measurement for external resources needed for economic development (Riddell, 1987).

This starkly contrasts with the radical critique that aid plays an ideological role in the promotion of global capitalism (Hayter, 1971; Hayter and Watson, 1985). During the Cold War, this was directly linked to the political role of Western aid aimed at 'containing communism'. But with the collapse of Eastern bloc countries, aid has become part of the West's arsenal against statism and economic nationalism.

For the liberal critics, foreign aid is a waste of resources from the North for a number of other reasons. According to them, the argument that foreign aid is necessary for the Third World countries to develop is fallacious for comparative reasons "since the poor countries of seventeenth century Europe did not need it to grow; moreover, European countries did not have the advantages which the Third World enjoys" (Webster, 1984:159). Aid strengthens the myth that Third World development is inextricably conditional on external factors and foreign economic models that are applied in a prototypical fashion on recipients. For instance,

> the success of the Marshall Plan in Europe in the early post-war years is habitually invoked in support of aid to the Third World to promote its development. This analogy fails completely. In post-war Europe the task was not development but reconstruction (Bauer and Yamey, 1981:6-7).

Both liberal and radical critics are agreed that foreign aid does not alleviate poverty in the recipient countries, but expands the power base of dominant social classes (Clark, 1991:25). The radicals assert that:

> billions of dollars poured into development assistance (...) have failed to solve the mounting problems of poverty. This aid has often helped the elite increase their personal fortunes or power bases. And, together with the loans that were readily available from Northern banks throughout the 1970s, it often funded expensive "white elephants"-projects which have done little for economic growth but which have contributed greatly to the Third World's mounting debt burden (Clark, 1991:25).

For Griffin, aid channelled to governments hardly trickles down to the poor because "the objective of governments is rarely to help their poorest citizens. Governments want to help the people who put them in power and keep them in power" (Griffin, 1991:667).

The liberal critics concur that aid generally favours primarily the elite in recipient countries; and that the poorest groups "are hardly touched if at all" (Bauer and Yamey, 1972:56). Since aid is given to governments, its use is dependent "on the rulers and their interests and beliefs. In most Third World Countries improvement of the lot of the poorest takes a very low priority" (Bauer and Yamey, 1981:8-9).

The radical critics are more vocal in their critique of the assumed positive correlation between aid and development (see in particular Arnold, 1979; Webster, 1984; Hayter, 1971; Hayter, 1981; Hayter and Watson, 1985; Griffin and Enos, 1970; Hanlon, 1991; Griffin, 1991). They perceive aid as a neo-colonial economic instrument used by powerful nations over the less powerful. Aid is seen as deepening, rather than ameliorating, external indebtedness and underdevelopment of recipients (Arnold, 1979). For them, aid only ensures mere survival of recipient countries, especially the ruling elite in those countries, under neo-colonial conditions that perpetuate the domination of the North over the South. Since aid is part of the global domination-subjugation syndrome, it does not challenge nor redress both inter-state inequalities and social/class inequities in recipient countries. It sustains the present structural and social inequities which have contributed to underdevelopment and poverty in the recipient countries.

Lastly, it has been demonstrated that aid has contributed to the pervasive militarisation of the Third World Polities, particularly during the Cold War. It is argued that:

> the majority of the Third World government supported by the West are authoritarian, often military, regimes of a brutally repressive nature. The governments that are overthrown, or subjected to 'destabilisation' through, for example, the withdrawal of aid, are usually much less repressive and they have sometimes been elected under the usual constitutional processes (Hayter and Watson, 1985:239).

Since the collapse of the Cold War, the rules of the aid game have been revised. Aid is now tied to multi-party democracy and market economic policies as argued earlier: authoritarian regimes are no longer regarded 'the most favoured' candidates for aid which bolstered them in the 1960s and 1970s.

CONCLUSION

Aid discourse and policies are of necessity in a state of both interaction and flux: influenced by dominant paradigms and donor priorities of any given moment. Initially concerned with economic growth, donors and aid theorists later shifted their focus towards welfare issues informed by the Redistribution With Growth thesis. Currently aid policies are driven by the economic adjustment under the tutelage of the IMF and the World Bank. In all these phases, aid policies have differed in content, implementation and outcomes. But generally, the principal concern of economic development and alleviation of poverty continues to be elusive. Besides, aid has ensured survival of the state by availing resources which the domestic economy cannot provide.

The ending of the Cold War has recast aid priorities: more in favour of Eastern Europe than other developing regions such as Africa. Africa can no longer play one superpower off against the other in mobilising aid, as was the case during the Cold War. The rules of the international political economy have changed. With the political changes in Eastern Europe, "it became clear that much Western investment and aid would be moved from the seemingly bottomless holes of the developing world to the more promising States in Europe" (Segal, 1991:20). Chege cautions that "in the new global order unleashed by the collapse of communism, Africans will have little choice but to pull their own weight by meeting the most exacting standards in domestic governance and economic competitiveness" (Chege, 1992:149).

END NOTES

1.Keynesian economic theory provided the rationale for emergence of aid only in so far as it propounded limited state interventionism in contrast to **laisser faire** economic thought **a la** Adam Smith. By early 1940s, Keynesian theory had influenced policies in most Western industrialised countries, and it was thought that it could also be applied, through aid programmes, to developing countries (Riddell, 1987:86).

2. Modernisation paradigm is a body of theories which held sway in development discourse during the 1950s and 1960s. Although, it addressed socio-cultural and political aspects of development, only its economic thrust is of interest to this study. This theory is well-known for viewing society in terms of 'tradition/modernity' dichotomy. Development and economic growth were considered synonymous processes linked to adoption of Western values and norms (Burkey, 1993:27). Lack of development in Africa, Asia and Latin America was, therefore, seen to be a result of traditional values and backward economic structures and systems. In turn, modernisation was perceived as a process of change towards those socio-economic systems developed in Western Europe and North America (Webster, 1984). Industrialised countries would have to contribute to this transition by inculcating Western values, providing expertise in different fields including economic policy, technology transfer and financial resources. All these assumptions were convenient to support large-scale aid programmes (Toye, 1987:11), particularly with the experience of the Marshall Aid Plan still fresh in the minds of these theorists. For them, development was dependent on three basic factors: entrepreneurial ambition, capital accumulation and investment. And aid was meant to provide these.

3. According to Rostow, these stages applied to all societies and determined their levels of economic advancement in terms of the rate of industrialisation, capital accumulation and investment. The lowest on the scale were classified as traditional (the less developed countries) and the highest as having reached the age of mass consumption (Western Europe and North America). The first three stages are described as follows:

> [F]irst, the traditional society... is one whose structure is developed within limited production functions, based on pre-Newtonian science and technology, and on pre-Newtonian attitudes towards the physical world... The second stage of growth embraces societies in the process of transition: that is, the period when the preconditions for take-off are developed: for it takes time to transform traditional society in the ways necessary for it to exploit the fruits of modern science... the stage of precondition arises not indigenously but from some external intrusion by more advanced societies... the third stage... the take-

> off... is the interval when the old blocks and resistance to steady growth are finally overcome... Growth becomes the normal conditions (Rostow, 1960 cited in Hadjor, 1993:276-77).

The critical stage for backward societies to build a foundation for sustainable growth path was, therefore, perceived as 'takeoff'. External resources, particularly foreign investment and aid, were needed for this to happen. In other words, a combination of these domestic savings "would provide fuel to drive the process through 'stages of growth' which would ultimately bring the benefits of modernisation to the entire population" (Burkey, 1993:27).

CHAPTER TWO

DILEMMAS OF DEVELOPMENT IN LESOTHO

INTRODUCTION

As a least developed country, and classified as such by the United Nations (UN), Lesotho has enjoyed preferential aid flows since the 1960s most of which have been on fairly easy terms. The country's landlockedness, small size, export constraint (i.e. wool, mohair and labour), impoverishment and its labour reserve status have historically conspired to undermine its prospects for development. With a per capita GNP estimated at US $ 370 (World Bank, 1990: vi), Lesotho's real economic growth since the 1980s reflects a steep decline in GDP accompanied by the rising inflation rate. Recent statistics show a decline in the real growth of GDP: 13% (1988), 11% (1989); 5% (1990) and 4% (1991). Accompanying this, is this increase in the annual average inflation: 11% (1988), 15% (1989), 12% (1990) and 18% (1991) (UNDP 1991:2). These statistics paint a picture of a progressive decline in domestic productivity. It could be argued that the increasing inflationary spiral, over time, depresses economic activity further.

Besides a narrow and feeble natural resource base, the country's fragile industrial base has experienced stagnation only until the 1980's when it began to register some sluggish growth. One of the dilemmas of Lesotho's industry is the overwhelming dominance of foreign capital in the "footloose" textile industries:

> specifically exporters that sew together garments that bring relatively little real investment and are attracted principally by the country's generous investment laws and duty- free access to U.S. and European markets. These industries have low added value, rely on imported inputs which have little potential for being produced in Lesotho, are dependent on foreign management .... and .... may be attracted away to another location in an "incentive race" that has developed in Southern Africa (World Bank, 1990: 9-100).

This industrial strategy has a multiplicity of deficiencies, including lack of forward and backward linkages with the wider economy especially agriculture.

The agricultural sector is characterised by decline and stagnation which have led to heavy reliance on food imports and food aid. Given that more than 80% of Lesotho's population resides in the countryside, this has meant a heavier dependence of rural households on remittances from migrants,most working in South Africa's mines. The paradox is that since agriculture is a part-time business, migrant remittances are hardly even invested in it. Rural households use remittances for immediate survival needs or to purchase livestock. In fact, livestock production, for which the country is largely ill-suited, has eclipsed crop farming in its share of GDP.

Lesotho is also confronted with another problem of domestic employment: the changing patterns of labour migration to South Africa. The domestic economy lacks a robust labour absorptive capacity; as a result unemployment rises continuously. The unemployment crisis has been accentuated by a variety of factors including the IMF/World Bank structural adjustment programme and the retrenchment of Basotho migrant miners on the South African mines.

Lesotho's politics has also had a bearing on the socio-economic trajectory of the country: the reverse is also true. Like elsewhere, a symbiotic interface between economics and politics impacts on the country's development drive. Lesotho has been bedeviled by instability for most of its post-colonial existence. This gave rise to the prevalence of authoritarian rule of both the civilian (1970-1986) and the military (1986-1993) varieties. Lesotho's political evolution during the post-colonial era points to the existence of a repressive state which tended to rely more on coercion than persuasion and consensus.

THE INDUSTRIAL SECTOR

Lesotho's economy is characterised by a fragile industrial base. In 1966 the Basotho National Party (BNP) inherited a dilapidated economy: an outstanding legacy of almost 100 years of British colonial rule[1]. In the period 1966 - 1970, the government did not have a clear policy on industrialisation. The First National Development Plan, which was only published in 1970 - five years after independence, identified industry as one of the BNP policy priorities.

Although manufacturing industry was to be on a very small scale, the government believed that prospects for industry were quite favourable (Government of Lesotho, 1970:116). Of importance to this present study is the government's conviction that:

At the present stage of development, foreign capital and enterprise must inevitably play a leading role in industrial growth. The Lesotho government recognises the importance of the foreign investor in promoting industry" (Government of Lesotho, 1970:120).,

This development strategy - premised, as it was, on the conviction that foreign capital is the engine of industrial growth - became strongly embedded in all subsequent policy documents. This mindset was further strengthened with Lesotho's adoption of the Structural Adjustment Programme (SAP) with financial assistance from the International Monetary Fund (IMF) and the World Bank in 1988 (see Chapter Five). Lesotho's rudimentary and consumer-oriented industry also relied on foreign capital due to the absence of a robust and buoyant national entrepreneurial class.

In 1967 the Lesotho National Development Corporation (LNDC) was established at the advice, and with the assistance of Dr Anton Rupert - a leading Afrikaner industrialist and the founder of Rembrandt Company. He was then an economic adviser to the Prime Minister, Chief Leabua Jonathan. As a South African, Rupert held a strategic position by which South African capital could influence Lesotho's industrial policy. LNDC's first managing director was Wynard Van Graan, an associate of Rupert's, who was to advise Jonathan on industrial development.

LNDC is a parastatal which is responsible for promoting medium- to large- scale industry; predominantly by drawing upon foreign capital. Small-scale industrial activity - largely through domestic capital investment - is the responsibility of the

Basotho Enterprise Development Corporation (BEDCO) which was established in 1976. BEDCO was established under pressure from local entrepreneurs protecting their interests against foreign, especially South African, capital.

Incentive packages and the composition of industrial activity suggest that Lesotho's industrial policy and strategy marginalised capital investment by the small but growing Basotho entrepreneurial class. Due to the perception by government and most aid donors that purposeful industrial development was only possible through injection of foreign capital, the role of domestic capital investment was seen as marginal, at best, and insignificant at worst. Incentive packages given to both foreign entrepeneurs and local businesses reinforce this perception.

The LNDC incentives include: (a) tax holiday up to 15 years, which was later replaced by a 15% tax with no allowances; (b) training grants; (c) free movement of dividends; (d) concessionary loan finance; (e) export financing facility; (f) duty-free access to all markets where Lesotho products are accorded preferential entry; and (g) industrial sites for cheap rental (LNDC 1989:10-11). This was the incentive package enjoyed predominantly by foreign capital in the industrial sector.

Services offered by BEDCO to domestic entrepreneurs, on the other hand, include: (a) provision of guarantees; (b) financing of viable enterprises; (c) provision of sites/sheds in industrial estates; (d) technical and managerial services; and (e) training and marketing activities (Baffoe, 1989:71). A recent World Bank

Study noted the marginalisation of Basotho entrepreneurs from the industrialisation process, arguing that:

> .... until now the indigenous population has hardly benefitted at all as entrepreneurs from the main industrial development in the country. The Lesotho government is aware of this situation and is pressing LNDC to do more to assist local Basotho entrepreneurs (World Bank, 1990:86).

The degree of success of such a strategy to localise development through employment generation and capital accumulation is conditioned by the dependency relations it creates and perpetuates (Baffoe, 1983:140).

Another important dimension of Lesotho's industrial sector is that it has been used, particularly since the early 1980s, by parasitic investors. Overseas companies would invest in Lesotho in order to do business with South Africa through the Southern African Customs Union and the Common Monetary Area Agreement[2] of which Lesotho and South Africa are members. In this way, they would establish economic relations with South Africa despite economic sanctions against apartheid; and at the same time avoid political pressure for sanction-busting (see African Development Bank, 1993: 253-4).

South African companies would also invest in Lesotho only to qualify for the required 25% 'value-added' which would enable their manufactured goods to be called Lesotho products; these could then access those international markets(European Community and United States of America) on a preferential basis "under both Lome and GSP trade preferences" (African Development Bank, 1993: 253). This trend was more pronounced with the intensification of international sanctions against South Africa in the mid-1980's. The deteriorating political situation in South Africa led to massive disinvestment and capital flight estimated at R9 billion in 1985 and a further R6 billion in 1986 (Booth, 1990:325). South African capital (and indeed foreign capital which was based in South Africa) invaded the "politically innocent" economic sites in the neighbouring states especially Lesotho and Swaziland (see Cobbe, 1990; Booth, 1990). The economic rationale was simple:

> "Location of final assembly in Lesotho (or Swaziland) ... (was) ... an ideal, and relatively low-cost, solution to the problem from the point of view of the South African manufacturer. They both ... (were) ... within the Customs Union and the Rand area, so there ... (were) ... are no complications with customs, trade restrictions, or foreign exchange and yet their goods ... (had) ... access to markets world wide" (Cobbe, 1990:347).

South African-based investors from the Far East, especially Taiwanese, relocated their capital to Lesotho primarily to avoid the US restrictions on South African textile exports. Lesotho (and indeed Swaziland) benefitted from the economic sanctions against South Africa by way of some appreciable industrial growth.

This was a passing whirlwind because since 1990 South Africa has assumed an acceptable position within the world. Not only has foreign capital begun to relocate investment from Lesotho to South Africa, but other foreign investors have also begun to invest in South Africa directly. While a considerable proportion of both aid and foreign direct investment to the "new" South Africa is a divident of the smooth political transition of 1994, "South Africa appears to have been latched upon in some quarters as a possible success story in this part of the continent where they (sic) have failed miserably" (Padayachee, 1995:171). Some foreign firms relocated their businesses into South Africa due to political instability in Lesotho since the 1990s. The present industrial decline is a result of multiple factors. South African investment has been substantially reduced since the lifting of sanctions. The interest of East Asian investors is declining due largely to political opening in South Africa and unrest in Lesotho. Privatisation of parastatal firms in line with World Bank recommendations also accelerates the process of de-industrialisation in Lesotho. Last, but not least, indigenous entrepreneurial class remains weak.

THE AGRICULTURAL SECTOR

Theoretically agriculture is the mainstay of Lesotho's economy. As far back as 1863, Lesotho was described as "the granary of the Free State and parts of the Cape Colony" (Murray, 1980; Murray, 1981); but contemporary Lesotho is a classical labour reserve in Southern Africa with a 'sub-subsistence agriculture' (Bush et al 1986). Of course, much of the fertile arable land was lost to South Africa during the Basotho-Boer Wars of the 19th century. Given this, Lesotho has been relegated from a net food exporter to a net food importer; its own staple food - maize - has suffered a similar fate (Ngqaleni, 1990; Matlosa, 1993d). Over and above the massive food imports from South Africa, the country depends on food aid from various multilateral and bilateral sources (see Chapter Three).

Agricultural activity comprises predominantly crop and livestock production. Crop farming is based on production of six primary products - maize, wheat, sorghum, peas and beans plus a wide variety of vegetables. Livestock production is based on cattle, sheep, goats, horses and donkeys. The share of crop farming to total agricultural output has deteriorated enormously. A study commissioned by the UNDP notes that: "livestock production ... represents about 75% of the value added of total agricultural output" (GOL, 1988a:20). There is abundant evidence that agriculture lacks the capacity to feed the rural populace. The progressively rising levels of rural poverty attest to this (see Chapter Three). As Cobbe remarks "even in a good year, most households that have land cannot produce ... sufficient grain for their own consumption, let alone full subsistence" (Cobbe, 1982: 31).

At independence, agriculture contributed about 40 - 45% of GDP, but its share declined to about 32% in 1975; in 1980 its share of GDP further plummeted to 23%. Estimated at 21% in 1985, agricultural share of the GDP declined further to a low of 19% in 1988 (Petersson, 1991). This decline should be understood in terms of its social impact. More than 80% of Lesotho's population resides in the rural areas and its principal means of survival are migrant remittances, crop farming, livestock production, off-farm activities, and income accruing from scarce, and in most instances unstable, casual employment in the urban areas.

The decline of agriculture in the rural economy has triggered rural-urban migration in the context of both increasing unemployment and declining migration to South African mines. It has also elevated the share of migrant remittances to the gross incomes of rural households. Prior to the 1930s, migrant remittances played a supplementary role to agricultural produce; presently the reverse is the case (Matlosa, 1987). Agriculture supplements migrant remittances which account for more than 70% of gross incomes of most rural households.

There are three principal sources of investment in agriculture - (a) the donor community through the ministry of Agriculture, Cooperatives and Marketing, (b) local agricultural finance by farmers either as individuals or through cooperatives and (c), loans through existing financial institutions especially the Lesotho Agricultural Development Bank (LADB) (GOL, 1988a:36). The donor-funded agricultural projects which began in the 1970s have been a disaster as Chapter Three will demonstrate. LADB loans for agricultural production have also not delivered desired results on an appreciable scale. The largest proportion of Lesotho's agriculture relies on farmers' cash either individually or collectively. But given that agriculture is not a full-time business, farmers tend to be risk averse. Other official documents (GOL, 1988a) identify the principal risks to farmers' investment as weather patterns and lack of management skills:

> the most outstanding risks in Lesotho even in the lowlands, are weather risks and management skills. Dryland agriculture is a fickle enterprise. Getting rain in sufficient amount is only one of the needs. The other is to have it distributed at the optimum times for maximum plant growth. The greatest fears in Lesotho are drought on the one hand and hail storms on the other. When weak farm management is combined with high weather risks, problems multiply (GOL, 1988a:37).

For some scholars, lack of incentives for farmers to invest in agriculture is attributed to lack of access and shortage of livestock and labour for a majority of rural peasants. "This inability to cultivate is common throughout the region (Southern Africa) among the poorer strata of households, especially female-headed households" (Bush et al, 1986:289).

Studies on Lesotho's agriculture have advanced strategies to redress the crisis now besetting this sector (GOL, 1988a; GOL, 1988b; World Bank, 1987; World Bank, 1990). They argue that there should be a deliberate policy shift away from traditional grain crops to an intensive horticultural production. It is suggested that more resources be expended on high value intensive crops such as vegetables, fruits, vine crops, fodder, condiments and root crops such as white and sweet potatoes than on maize, wheat and sorghum (GOL, 1988a:88).

It is assumed that horticultural production could be given a boost through irrigation once the Lesotho Highlands Water project is on stream. Studies also suggest that Lesotho's livestock- estimated at 1.15 million animals- should be reduced; particularly cattle. It is assumed that this will improve the quality of grazing and redress soil erosion. It has also been proposed that Lesotho increase its production of small animals through piggery, poultry, rabbit production and fisheries (GOL, 1988a).

The most glaring weakness of the productive sector (mainly industry and agriculture) is its incapacity to stem increasing domestic unemployment. This explains, in part, the country's dependence on external labour migration. The interface between domestic employment and external migration is, therefore, a strong one in this regard. A proportion of the labour force in South Africa is larger than the domestic one at any one time.

EMPLOYMENT AND MIGRATION

Lesotho has been described as a poor labour reserve for its powerful neighbour (Murray, 1981). With a population growing at 3% annually, (Ketso, 1992:1), it has a labour force estimated at 808,000 (African Development Bank, 1993: 276). Defined as "the economically active population i.e persons employed, self-employed or seeking work" (African Development Bank, 1993: 276), the labour force has increased from its 1986 level of about 623,000 (Labour Force Survey, 1986) by about 185,000 job-seekers. Every year, over 30,000 job-seekers enter the labour market (Gill,1994:36); and of this, the formal sector absorbs only less than 10,000. The residual labour force either remains jobless or engages in informal sector activities.

Between 1985 and 1991, unemployment rate rose from 23% to over 30% (Ketso, 1992: 5). This indicates that Lesotho's domestic labour market is so small that "even high growth rates in regular wage employment add only relatively few new jobs" (Petersson, 1993: 18). Agricultural decline, coupled with periodic droughts, have reduced the labour absorptive capacity of this sector. The formal sector absorbs only 97,000 of the total labour force(GOL, 1995: 27). This is distributed as follows: Manufacturing

(20,000); Construction (15,000); Civil Service (21,000); Education, Health and Social Services (12,000); Security Services (4,000) and Retailing, Catering, Transport and Financial Services (25,000) (GOL, 1995: 27).

There is evidence that the manufacturing sector is dominated by female labour (Baylies and Wright, 1993). Most employers prefer this labour for a variety of reasons. Firstly, there is a notion that it is more malleable and less inclined to unionisation which employers perceive a threat to profit maximisation. Secondly, since "women tend to be concentrated in sectors where the level of skill is defined as low and where wages are similarly low" (Baylies and Wright, 1993: 584), their labour is considered cost-effective. Finally, the pervasive patriarchal ideology and the legal system reduce women to minors; and employers exploit these to pay them meagre wages below minimum scales set by government. Under these circumstances, women's contribution to national development is undermined. The optimal participation of women in production "depends on the protection and promotion of their legal rights and the recognition of their organisations" (Guyer, 1986: 394).

A variety of strategies have been put in place by government since independence aimed at combatting Lesotho's chronic employment crisis. These included (a) a strategy involving small and big agricultural and rural development projects; (b) industrialisation strategy based on import-substitution and export-led production with a primary role played by foreign capital through LNDC and some marginal role played by domestic capital through BEDCO; (c) the Public Works and food-for-work schemes and (d) special training schemes for the unemployed at home and retrenched migrants (also see Ketso, 1992:17).

Lesotho's employment problems are becoming more intractable. Various factors account for this. They include, inter alia, retrenchment of Basotho migrants; drought and agricultural decline; high population growth rate and contraction of labour demand due to IMF/World Bank economic recovery programme. The World Bank shifts the responsibility of employment creation to the private sector. For the Bank,

> the challenge facing Lesotho is to create as much productive employment as possible through growth in the domestic economy. Because resources at the government's disposal will be restrained if not actually diminished over the coming years, Lesotho must rely heavily on private investment as the source of growth and employment (emphasis added) (World Bank, 1987:35).

One of the over-researched aspects of Lesotho's political economy is labour migration to the South African mines (Cobbe, 192b; Cobbe, 1983; Eckert, 1983; Kimble, 1982; Murray, 1980; South African Labour Bulletin, 1980; Murray, 1981; Wallman, 1977; Bardill and Cobbe, 1985; Ketso, 1990; Ketso, 1991, Matlosa, 1992a; Matlosa, 1992b; Matlosa, 1993d; ILO/JASPA, 1979; ILO/JASPA, 1983; Weisfelder, 1979; Ward, 1967; Wanai-Strom, 1986).

This section, therefore, outlines only the most salient aspects of migration and suggests its implications for development. The financial importance of migration to Lesotho cannot be underestimated. Miners' earnings contribute over 50% of GNP, primarily via the Miners Deferred Pay Fund[3]. In 1990, Deferred Pay averaged about R37 million. A year later, it had plunged to R22 million. During the subsequent two years, it has stabilised around R19 million; and in 1994, it increased marginally to an annual average of R21 million (Interview with TEBA official, Maseru, March, 1995). Much as the general decline of Deferred Pay could be attributable to retrenchments, it also reflects miners' disinterest to invest their money with Lesotho Bank preferring to save with 'TEBA Cash' instead[4]. Despite its decline during the past few years, the importance of deferred pay to Lesotho is self-evident.

There is evidence that miners use their earnings more on consumable goods, better housing, education for their children, livestock, transport, retail trade and other small scale service activities than on crop farming (Bardill and Cobbe, 1985:83). Cobbe asserts that:

> "for a male who is able to migrate the return to effort from migration is very high compared to the return from cultivation of an average-sized landholding in Lesotho. Hence, there is a tendency for males able to migrate to take little interest in farming, leaving cultivation to their wives and relatives and doing only enough to retain rights to their lands" (Cobbe, 1982a:30).

The 1970s increases in the wages of migrant miners enhanced the capability of most households to invest in agriculture. But they also increased the opportunity cost of agriculture. Given the risks of investing in rain-fed and drought-prone agriculture, the wage increases influenced migrants to buy imported cereal food rather than to grow cereal crops on their fields.

However, some migrants do invest in crop farming despite the risks involved. In this regard it is possible and plausible to differentiate a range of migrants' tendencies. There are basically two tendencies with varying possibilities in between:

> At one end are households who, utilising working capital often derived from migrants' earnings, cultivate their fields with essentially, modern methods...... At the other extreme are households which cultivate their fields but in a fairly half-hearted manner - This may be due to lack of resources to provide ploughing, machine planting, good seed, and fertiliser as it may be a deliberate decision even though the resources are available (Cobbe, 1982a:30).

Migrants' remittances contribute over 70% of rural households gross income - a very important income source especially in light of the continuing agriculture decline and stagnation outlined earlier. Despite the obvious financial spin-offs, migrant labour system imposes immense costs on Lesotho. Elkan emphasises this point in relation to Botswana, Lesotho and Swaziland:

> While one can argue that labour migration provides benefits in the form of income-earning opportunities that would not otherwise exist, the degree of dependence on this source of income, especially in the cases of Botswana, Lesotho and Swaziland must also be regarded as a cost. Whatever may be true of the long run, there is no question but that in the short run if South Africa were to close her frontiers to prospective migrants all the three countries would be worse off, and in Lesotho there would be severe distress. Such a degree of dependence on a particular source of income must be counted as a cost (quoted in Matlosa, 1992a:42).

Available data indicate that South Africa is gradually, but surely, closing its "frontiers" on foreign labour. Table 1 shows the fluctuating trend of the employment of Basotho migrants by the Chamber of Mines (COM)-affiliated mining houses in the period 1985 to 1995. A drastic decline is manifest particularly during the 1990s.

TABLE 1: LESOTHO LABOUR COMPLEMENT ON THE COM MINES : 1985 - 1995.

YEAR	ANNUAL AVERAGE
1985	101 120
1986	106 379
1987	108 895
1988	105 116
1989	105 000
1990	103 040
1991	93 319
1992	92 354
1993	89 940
1994	89 076
1995	88 000

Source: Teba - Lesotho, October, 1995.

Between 1990 and 1991 the average annual intake of Basotho mineworkers sharply plummeted from 103 000 to 93 000 - a reduction of approximately 10 000 migrants. During the subsequent year, Basotho miners increased insignificantly to 93,512. During both 1993 and 1994, their number stabilised at around 89,000 (TEBA Records, Maseru, March, 1995). The process of scaling down Basotho labour on the COM mines is likely to continue over the next decade as South Africa addresses its domestic employment crisis in the context of the Reconstruction and Development Programme (RDP). It is projected that "on average, 5,000-6,000 Basotho will leave the labour force in the mines each year, while the number of novices recruited...is likely to be less than 2,000" (Petersson, 1993: 29).

The current "market share" of Basotho migrants has been sustained by the mining houses' policy of reducing the intake of Transkeian workers (perceived to be more militant). As Chipeta and Davies point out, this type of arrangement is fairly "transient and may well change quite significantly after the coming to office of a democratic, non-racial government in South Africa" (Chipeta and Davies, 1993):44). This development should be considered in tandem with the mining houses' policy of stabilisation. Due to this and the eradication of job colour bar, some Basotho (estimated at 5,000) hold more secure jobs on the mines (Chipeta and Davies 1993:45). There is also

> ... a trend, encouraged and to an extent driven, by the Unions, towards a more settled and stable mine labour force. As a result ..... a growing proportion of the mine labour force is being provided with the opportunity to permanently reside with their families in accommodation near the mines. A number of workers .... have already been offered permanent residence and proposals have been made that they should be offered voting rights ...... or even full South African citizenship after apartheid (Chipeta and Davies, 1993:45).

This trend played a crucial role when the NUM adopted a special resolution for the political integration of Lesotho into a post-apartheid South Africa in April 1991. The crux of this resolution was that "the status of aliens ascribed to Basotho working in South Africa is deceitfully manipulated by a system of apartheid to restrict their rights and to subject them to severe exploitation" (see full text in Weisfelder, 1992). There are many factors contributing to the continuing decline of Basotho migrants on the South African mines since the 1980s. They include: political and strategic calculations by the former apartheid regime[5]; internalisation of labour supply[6];

stabilisation of labour supply[7]; mechanisation of production[8]; declining gold price on the world market[9]; and closure of unprofitable marginal mines[10].

How has Lesotho responded to these processes? The 1979 ILO/JASPA Report suggested the following policy-options: (a) a policy of laissez faire, the outcome of which might mean more or fewer migrants; (b) a policy of local job creation and rural development, creating domestic income-generating opportunities at a rate that is hopefully equal to the natural population and labour force growth, while exporting surplus labour to South Africa; (c) a policy of deliberately cutting down the growth in migration and perhaps eventually the absolute numbers of migrants while re-absorbing as many of the returned migrants as possible in domestic productive employment; (d) a radical policy of banning all migration to South Africa as was done in Tanzania (1961), Zambia (1963) and Malawi (1974) combined with an appeal to the UN to finance adjustment costs (ILO/JASPA, 1979). Government adopted option (a) with various attempts towards option (b), with minimal success (Matlosa, 1992a; Matlosa, 1992d).

The National Union of Mineworkers (NUM) began to address the problem of retrenchment after the 1987 miners strike which led to the dismissal of 40 000 workers (Philip, 1995:185). Of these, 10 000 were Basotho migrants (Thabane, 1995:191). The NUM responded by establishing cooperative movements involving retrenched migrants in their home places. The Basotho Mineworkers Labour Cooperative (BMLC) was established in 1988.

The BMLC is comprised of various cooperatives comprising ex-miners and non-migrants, men and women engaged in small-scale income-generating activities as an alternative employment avenue. Its operations range from block-making projects; horticultural farming; sewing and knitting; candle-making projects; a diamond-digging project; and a skills training centre. Though these operations from lack of inputs, maintenance, infrastructure and minimal government support, they contribute towards helping retrenched miners to confront their plight without waiting for TEBA and government.

THE POLITICAL SETTING

The road to the 1966 political independence in Lesotho was zig-zagged and bumpy; characterised by mutual mistrust, suspicion and political intrigues among the key players. The British were reluctant to bow to nationalist pressures of the 1940s and 1950's for self-government as we shall show. "Any suggestions that ... (Lesotho)... should participate in the advance towards self-government ... were studiously ignored by both local officials and Whitehall" (Spence, 1968:29). Having realised the impracticability of incorporating Lesotho into the 1910 Union, South Africa through the then ruling Nationalist Party, got itself enmeshed in Lesotho politics as became clear shortly. Lesotho's deepening economic dependence on South Africa increased its political susceptibility.

Aside from the protest movements of the early 20th century - 1907 Basutoland Progressive Association and 1919 Lekhotla La Bafo -

political parties in Lesotho only emerged in the 1950s. They exerted pressure for political independence in 1966. Even as the country attained its independence, its constitutional future remained highly uncertain. Weisfelder observes that:

> "the ceremony, glitter and pageantry which heralded the independence ... on October 4, 1966, could not conceal the very precarious future that lay ahead of this tiny state surrounded by three provinces of the Republic of South Africa ..... To say the least the Kingdom of Lesotho has an inauspicious future" (Weisfelder, 1972: pp 128 and 140).

The British reluctance to grant independence to Lesotho still remains a paradox that defies academic explanation. Spence isolates two likely explanations: first, that the British still harboured the idea that Lesotho could ultimately be incorporated within the Union of South Africa. Second, it is also likely that the "British policy-makers were still governed by the notion that economic viability was a necessary criterion for measuring political capability" (Spence, 1968:29).

These explanations are not necessarily implausible. But broader strategic calculations may have been involved in the British delay. Britain's regional strategy (given her huge investment in South Africa) aimed at making sure that emergent governments in the region were conservative and moderate; and that they pose no threat to South Africa. Thus fearing a radical government in Lesotho, led by the Basutoland Congress Party (BCP), the British colluded with the South African government to delay the transition. In the process, they bolstered a more conservative and moderate political force in the form of the Basutoland National Party (BNP). Ajulu and Cammack conclude:

> "Although radical and pan-Africanist, the BCP was predominantly a party of the emerging black middle-class - the intellectuals, traders and senior civil servants. Both London and Pretoria imagined they saw "red" in its ranks" (Ajulu and Cammack, 1986:141).

As in most parts of colonial Africa, self-government in Lesotho was preceded by national assembly elections in 1965. These were based on the Westminster Constitution which introduced a multi-party political system with a bicameral parliament, the autonomous judiciary system, the executive organ of government and constitutional monarchy.

Elections were to be based on the Simple Plurality (SP) voting system or "first-past-the-post" system, a replica of the British model. During the first National Assembly elections of 1965, 416,952 voters registered and a total of 259,825 cast their vote. Total poll percentage was about 62% (The Lesotho Times, Friday May 14, 1965 p.5). The main contestants were the Basutoland Congress Party (BCP), the Basutoland National Party (BNP), the Marematlou Freedom Party (MFP) and its splinter group the Marematlou Party (MTP).

The BCP was established in 1952 as the first political party (besides the early protest movements) to mount pressure for independence. Led by Ntsu Mokhehle, it espoused a Pan-Africanist ideology. Its support base was among the intellectuals, teachers, traders, senior civil servants and migrant workers. Initially, it established strong links with the African National Congress (South Africa); but during the 1970s it switched alliances and became closer to the Pan-Africanist Congress. It also had connections with Nkrumah's Convention People's Party, China and later USSR. Due largely to its relations with the latter two and its hardline positions on the chieftainship/ monarchy and its disdain for the Catholic Church, its opponents dubbed it a communist proxy of Peking and Moscow (Bardill and Cobbe, 1985; Weisfelder, 1967; Spence, 1968; Weisfelder, 1972; Ajulu and Cammack, 1986). It received 103,050 votes (about 40%) and 25 out of 60 parliamentary seats during the pre-independence elections of 1965.

The BNP was formed in 1959 under the leadership of Chief Leabua Jonathan, "the scion of the northern ruling house, the Molapo dynasty" (Ajulu, 1995:10). Positioned on the right of the political spectrum, this party espoused chiefly authority and christianity (Leistner, 1983:209). This was in keeping with the political outlook of its constituency which comprised minor chiefs and the Roman Catholic Church. It was virulently anti-communist. Its parochial outlook did not win it many friends and allies within the African Liberation Movement during its formative years. It had warm relations with Pretoria, London and Bonn; and received lavish financial and logistical support from these sources (Sixishe, 1984:54-55). The objective of BNP's external backers were to install in power a conservative and pliable force which would not threaten the colonial legacy. As Woodward sees it "[t]he task of Chief Jonathan's government...was not to press for the economic and social development of Lesotho" (Woodward, 1982:168).

During the elections, South Africa donated 100,000 bags of grain worth R300 000 to Leabua Jonathan personally not to the government (Leistner, 1983:209), which was used to buy support for the BNP (Weisfelder, 1967; Khaketla, 1977). The Broederbond also covertly bolstered the BNP in various ways "including training party officials in election techniques and strategy. Jonathan presumably remained unaware of the true source of ... this...generosity - which by 1968 amounted to some R15 000...." (Geldenhuys, 1984: 31). This party won the elections marginally by 108,162 votes (about 42% of total poll) and 31 seats.

The Marematlou Freedom Party was formed in 1962; and was led by Seth Makotoko. Also conservative in its outlook, it espoused traditionalism and attached a panegyrical importance to institutions of chieftainship and monarchy, from which it drew much of its support. It was weak on external relations. It split in 1964, over a leadership tussle, and Chief Seepheephe Matete formed the Marematlou Party. It scored 42,837 votes (about 16%) and 4 seats during the pre-independence elections of 1965.

The BNP, therefore, emerged from the 1965 electoral contest as the first nationalist movement to govern Lesotho; and its leader, Chief Leabua Jonathan, became the first Prime Minister of independent Lesotho. Given the two seats majority in the National Assembly and some 40% plurality of votes, the BNP had a shaky hold on power; and worse still, its leader lost the Manka constituency where he scored only 2160 votes against the 2849 votes of the BCP candidate, Khauta Khasu (Lesotho Times, May 7 1965 p.5). A by-election had to be organised, and in the interim, the deputy leader of the Party, Chief Sekhonyana

Maseribana, held the premiership. A safe seat for Chief Jonathan was assured through a by-election in the Mpharane constituency where he polled 2873 votes against the BCP candidate who received 1055. Chief Jonathan was sworn in as Prime Minister on Monday July 5, 1965 (Lesotho Times, 9 July 1965 p.4), a position he held until the 1986 military coup. The BNP victory was not readily appreciated by observers. They did not anticipate that:

> ... Chief Jonathan's poorly organised conservative amalgam of rural peasants, junior chiefs and Roman Catholics could prevail against the militant, Pan-Africanist thrust of Ntsu Mokhehle's Congress Party (BCP) and the royalist imagery of the Marematlou Freedom Party (MFP) (Weisfelder, 1979:250).

Once in power and aware that another round of elections was due in 1970, the BNP set about to expand and consolidate its power base in four different ways. The primary thrust of this strategy was to weaken opposition parties, especially the BCP[11]. Secondly, to ensure maximum control over the King (then Moshoeshoe II) who, at the time, was not on good terms with the Prime Minister over constitutional powers[12]. Thirdly to secure a considerable grip on the country's security forces; the Prime Minister himself became Minister of Defence and Commander-in-Chief of the armed forces[13]. Finally, to "rationalise" the public service, central and local government structures in such a way that opposition elements were either marginalised or completely weeded out.

This strategy explains why the BNP government delayed the localisation of the public service after independence, relying instead on about 175 expatriate staff remaining in the civil service (Weisfelder, 1978:133) plus others offered by South

Africa (Bardill and Cobbe, 1985:128). The swelling of the civil service with expatriate personnel was a political challenge of the BCP domination of this sector by the BNP. Furthermore, its accommodationist policies towards the apartheid regime underlined the constraints of its class base. Ajulu argues that:

> the collaborationist policies of the 1960-1970 period can ... be explained within the framework in which a narrowly based social class sought to retain control of state power at the expense of its middle class rivals. Faced with its inherent weaknesses, the BNP had no alternative but to seek to strengthen its position by close collaboration with the South African ruling class (Ajulu, 1995:10).

In pursuit of this strategy the Jonathan government readily accepted and encouraged a loan of South African officials to fill key positions under a technical assistance programme with their salaries paid by Pretoria (Weisfelder, 1972:131).

Mostly Afrikaner, these South African officials occupied strategic and politically sensitive positions in government. Director of Radio Lesotho, a state-run enterprise which was established with a $100 000 'independence gift' from the United States of America (USA) (Weisfelder, 1972:131), was an Afrikaner from South Africa. In addition, the Chief Electoral Officer, the Chief Justice, the Attorney-General, Director of Public Prosecutions and four magistrates all came from South Africa (Khaketla, 1972:120; Weisfelder, 1972:133). Anton Rupert and Waynard Van Graan, as noted earlier, became Jonathan's economic adviser and industrial development adviser respectively. Prof O.F. Horwood became Jonathan's economic adviser; and eventually held the portfolio of Minister of Finance in the governments of

John Vorster and P.W. Botha. Prof D.Y. Cowen became the constitutional adviser to the Prime Minister (Khaketla, 1977:120).

Relations between Lesotho and South Africa in the period 1966-1971 were cordial. Jonathan was the first leader of an independent African state to hold an official meeting with a South African head of government in 1966 in Pretoria [14]. The second meeting was held with Prime Minister John Vorster in 1967 in Cape Town. Jonathan repeated his request for economic assistance that he had put before Prime Minister Verwoerd the previous year. Vorster, on the other hand, made the following proposals regarding Lesotho/South Africa relations: establishment of diplomatic relations; signing of extradition treaty and security pact; and Lesotho's support in the United Nations (Makatolle, 14 January, 1967). To avoid international condemnation and isolation, the Jonathan regime only committed itself to a cordial relationship that was based on good neighbourliness and respect for the sovereignty of both partners. The official meetings of political leaders solidified relations between Maseru an Pretoria.

This closeness has been explained by Weisfelder as follows:

> until 1971, the BNP leadership seemed preoccupied with the notion that maintaining friendly relations with South Africa was essential for national survival and economic development. The Prime Minister and his colleagues clearly believed that their basic electoral support had derived from "realistic" BNP policies of sustaining and augmenting "bread-and-butter" relationships with the Republic (Weisfelder, 1979:250).

Jonathan believed that this would commit South Africa to pour more aid into Lesotho. Since South Africa had helped him win the political battle, he reckoned it would be more willing to lend a helping hand towards economic development. But things turned out differently. South Africa had its own regional strategic concerns and those did not include assisting Lesotho to develop. They revolved around survival of apartheid in an internationally and regionally hostile environment. Vorster's foreign policy, based on "outward movement", was aimed at improving South Africa's international image; and his meeting with Jonathan in January 1967, his establishment of diplomatic relations with Malawi in September of the same year and his talks with Rhodesia's Ian Smith in October should be understood in that context (Geldenhuys, 1984). Lesotho and South Africa, therefore, had incongruent expectations from their relations. It is not surprising, therefore, that their relations thawed rapidly since 1971, leading to a dramatic rupture in the 1980s.

Failures of government development policies since independence and what was seen to be its political collaboration with Pretoria was to cost the BNP dearly during the 1970 elections. The BCP, which mounted an intensive campaign strategy before the elections to capitalise on BNP failures, was confident for victory. Additional reasons gave them hope. The tension between the BNP and the monarchy increased because the government tried to reduce powers of the chiefs through the establishment of Development Committees at the local government levels; this had enraged the chiefly constituency of the BNP. The Catholic community also drifted away from the BNP, especially in the mountain areas where there was a belief that the government's development strategy was biased in favour of Leribe, the home district of the Prime Minister (Bardill and Cobbe, 1985:127). The construction of a 67 - mile paved highway - named Leabua Jonathan Highway- linking the Northern Lowlands districts with Maseru, with a $4,1 million soft loan from the International Development Association (IDA) was one of the cases cited.

These challenges burdened the BNP during the 1970 election. But the BCP also had to mount an extra-ordinarily aggressive campaign to unseat a party assured of South African support and with state power at hand. Weisfelder put the dilemma:

> to win the 1970 general election the congress party had to overcome the substantial advantage of the incumbent BNP government which (1) monopolised the official domestic news media, (2) received sympathetic treatment from the South African press and radio networks, (3) used the resources of the state for partisan purposes, (4) controlled the electoral apparatus and (5) imposed a heavy financial burden on would-be contestants by requiring each to supply a $280 deposit" (Weisfelder, 1972:138).

Besides the above advantage, the BNP also received a R40 000 donation from the South African government for the election campaign (Wallis and Henderson, 1983:191). In the event, this all came to naught; the BCP won the 1970 elections. Although never announced officially, results revealed that the BCP won 36 seats, the BNP 23 and MFP 1 (Bardill and Cobbe, 1985:130). Unwilling to concede defeat, the BNP government declared the process null and void on the pretext of intimidation and harassment. On the 31st January 1970 the Prime Minister declared: "I have seized power. I am not ashamed of it. It may appear undemocratic, but I know I have most of the people behind me" (Wellings, 1985:201).

Justifying his actions, the Prime Minister argued that his government had acted to protect Basotho democracy against the threat of international communism and its agents in Lesotho (Lesotho News, February 17, 1970). The BNP perceived communism as a serious threat to Basotho's Christian heritage (Leistner, 1983:209). A year before the election, Jonathan had made this position clear:

> Basotho are fundamentally a Christian nation and to expose them to ideologies that by their foreign nature are a threat to their beliefs would be a gross failure on my part .... There are no two ways about these things .... I reject Communism and all it represents (Leistner, 1983:209).

Linking his actions to the threat of communism, Jonathan's primary motive was to win the hearts and minds of the chieftainship and the Catholic community - the traditional support base of his party. Jonathan had to give his actions an ideological veneer in order to ensure continued support of both the South African government and the Broederbond. In any case, it was with the Prime Minister Vorster's backing that the BNP seized power in 1970. As Jaster points out "South Africa is said to have recalled Lesotho's Chief Justice (a South African national), to help block any judicial challenge to achieve Jonathan's coup. And South Africa moved quickly to shore up Lesotho's security force" (Jaster, 1985:55). Another objective of invoking communism as a factor for the coup was to dissuade the Western donors, especially the British, from suspending aid.

The BNP's seizure of power set the stage for political decay, constitutional crisis and authoritarian rule: the independence constitution was suspended and government began to rule by orders and decrees. Jonathan justified this move on the grounds that "the Western concept of democracy was not compatible with African problems. Western democracy differed from African democracy" (Lesotho News, February 17, 1970). Opposition leaders were detained and their supporters harassed. Freedom of speech and freedom of association were curtailed as the country increasingly veered towards a de facto one party system. The Judiciary was abused in pursuit of self-serving political ends. The King was put under house arrest and ultimately banished to Holland. The Communist Party of Lesotho (CPL) was banned under the Suppression of Communism Act.

As a result of internal instability, Britain and Sweden withheld aid to the Lesotho government between January and June (Woodward, 1982:168). This was a devastating economic squeeze for a country which depended on foreign aid for more than 50% of its recurrent budget and 100% of its capital budget (Bardill and Cobbe, 1985:32). Since 1971 Jonathan began to change strategies; and this was reflected in his reformulated domestic and foreign policies. At home he adopted a mixed strategy of repression and accommodation of opposition figures; and the establishment of the Interim National Assembly in 1973, which accommodated some opposition leaders is a case in point. The state of emergency was revoked in 1974; but the Suppression of Communism Act was not repealed.

During the same year, the country was nearly plunged in a civil war when the BCP attempted to seize power by force. Its failure led to most of its leadership fleeing to exile mostly in Zambia, Botswana and later in South Africa. The BCP then established the Lesotho Liberation Army (LLA) in 1979 allegedly with financial and logistical support from South Africa (Wellings, 1985:207; Ajulu and Cammack, 1986). The LLA launched attacks against oil depots, army barracks, shopping complex, Hilton Hotel, United States Cultural Centre and attempted to ignite a military coup against the BNP government (Wellings 1985:201) assassinated one Minister and attempted to assassinate the Prime Minister.

Most scholars believe that through the LLA, Pretoria was, by no means, intent on toppling the Jonathan regime which was increasingly moving away from the South African regime, but rather to bring him back into the fold (Woodward, 1982:176; Bardill and Cobbe, 1985:141; Wellings, 1985:210; Ajulu and Cammack, 1986:146; Ajulu, 1995:13). Almost a decade after the formation of LLA, Wellings argued that it:

> [was] doubtful whether Pretoria [had] any serious intentions of replacing Jonathan by Mokhehle. Although Jonathan's ... diplomatic overtures to communist countries [had] irritated Pretoria immensely, he [was] known to be committed to capitalism and to evolutionary change in the sub-continent. Mokhehle, on the other hand, regarded in the early 1970's as a radical Pan-Africanist and potentially a rodent ulcer deep in South Africa's gut - [was] ... something of an unknown quantity (Wellings, 1985:210).

What escaped the vision of these scholars was that by the mid-1980s, Pretoria was so irritated by Jonathan's actions, particularly his closeness to the liberation movements and Eastern-bloc countries. The South African government was thus prepared to dispense with Jonathan through a concerted destabilisation campaign. Indeed, it did exactly that in 1986 when the BNP was toppled through a military coup. Ironically, perhaps, this happened not through the LLA, but Lesotho's own defence forces.

Jonathan's foreign policy had undergone a political volte-face at the time of his demise in 1986. Firstly, the government's increasingly vitriolic public statements against the apartheid system and its call for the return of the conquered territory were reflective of the cold relations between Maseru and Pretoria. Secondly, the government had developed closer ties with the South African liberation movement. Finally, the government had diversified its international relations to include the Eastern block countries such as the Soviet Union, the People's Republic of China, North Korea, Romania and Yugoslavia since 1983 (Bardill and Cobbe, 1985:138; Leistner, 1983:209). This latter point emphasised the contradictory position of the BNP which had traditionally championed an anti-communist course.

But what led to these policy changes? David Hirschmann identifies seven factors that influenced Leabua's actions:

i) disappointment over economic benefits realised from the policy of political collaboration with the apartheid regime;

ii) friction arising from South Africa's policy of apartheid;

iii) South Africa's hegemonic regional economic policy which was inimical to Lesotho's development process;

iv) the belief that an overtly anti-apartheid stance would recoup BNP 's popularity and legitimacy at home and abroad at the expense of the radical BCP;

v) influences of aid and other missions from the UN, the OAU, the Non-Aligned Movement and the Scandinavian countries;

vi) Lesotho's desire to diversify aid sources across Cold War barriers;

vii) The BNP needed the West and East to act as a buffer against South Africa's hegemony over the tiny Kingdom of Lesotho; thus expanding its room for manoeuvre. South Africa's attitude towards Lesotho was to be perceived by the world as a test case for South Africa's proclaimed policy of good neighbourliness and non-interference (Hirschmann, 1979a; Leistner, 1983).

These irritated South Africa. In line with its Total National Strategy[15], it applied pressure on Lesotho. This took different forms including war by proxy - the LLA factor; economic strangulation through border traffic disruptions and/or blockades as in 1976, 1983 and 1985 "to remind Lesotho which side its economic bread is buttered" (Wellings, 1985:208); direct military incursions by the South African Defence Force (SADF) as in 1982 and 1985; and variety of strategies aimed at making Lesotho unstable. This destabilisation campaign resulted in the toppling of the BNP government through a military putsch in 1986.

Justifying their intervention, the military raised three arguments. Firstly, that Lesotho's sovereignty was under threat due to its hostile relations South Africa; secondly, that corruption and misuse of public resources was rife under the BNP regime and thirdly, that politicians had divided the "homogeneous" Basotho nation into warring political camps; and this had led to fratricidal violence and bloodshed. Their mission, therefore, was to establish cordial relations with South Africa, eradicate corruption in the public service, and bring about national reconciliation, unity and peace. There were other reasons besides the above. We provide a sketchy examination of these factors below.

The BNP authoritarianism, premised on the de facto one-party rule, was experiencing a severe legitimacy crisis both at home and abroad by the early 1980's. Internally, pockets of organised civil society were agitating and pressurising for restoration of multi-party democracy. The donor community was also exerting pressure on government to hold elections in order to renew its legitimacy. It was, therefore, due to these pressures that the BNP organised the 1985 elections. But aware of its domestic unpopularity and cognisant of South Africa's efforts to ensure victory for a more malleable party, the BNP regime manipulated the whole process. This took two forms: registration fee for each candidate contesting any of the 60 constituencies was set at R1000 and each candidate had to be proposed by 500 nominees. In protest, the opposition parties boycotted the election. "The immediate result was that all 60 of the ... [BNP]... candidates were declared elected unopposed upon nomination" (Southall, 1995:19). But this was a pyrrhic victory for it did not restore the required legitimacy for a stable government; the regime continued to use repressive measures to quell opposition.

The BNP Youth League, a well-trained and heavily armed youth militia, was also put to maximum use against the increasing protestations from the established security apparatus. Tension between the regime and its security forces, therefore, mounted. The military was irritated by the BNP Youth League which also performed some paramilitary functions. These "threatened the hierarchy and discipline of the Lesotho Defence Force" (Weisfelder, 1992:656); and propelled the military to intervene.

The BNP was also suffering from internal frictions and feuding largely over leadership succession and strategy. These revolved around succession to the then ageing Prime Minister who had also indicated desire to retire (Ajulu and Cammack, 1986:149); relations with South Africa and the controversial BNP Youth League. Disagreements on these issues drove a wedge down the middle of the ruling party and weakened it further.

Aware of the internal and external pressures afflicting the BNP, South Africa knocked out its tiny opponent with a fatal blow. Immediately after the SADF military incursion in 1985, killing about 12 people, Pretoria imposed a border blockade against Lesotho. The military played a prominent role during the negotiations for the re-opening of borders[16]. This was indicative of the widening rift between the regime and the security forces. This was also instructive of the proximity of

Pretoria to the drawing rooms of the 1986 coup (see also Edgar, 1987; Matlosa, 1993). South Africa's involvement in the coup was driven by three strategic objectives: replacing Jonathan with a moderate, compliant force not critical of apartheid policies; putting pressure on Lesotho to expel the African National Congress (ANC) activists; reversing Lesotho's diplomatic drift towards the Eastern bloc countries; and expediting the signing of the multi-billion dollar Lesotho Highlands Water Project.

As was to be expected relations between the Pretoria regime and the military junta were cordial. This junta was regarded to be more pragmatic than the BNP in its dealings with South Africa (Financial Mail, 1986:36). Less than a week in power, the military government dispatched a seven-man delegation including Major General Lekhanya - Head of Government - to a meeting with South Africa's Deputy Director of Foreign Affairs, Neil van Heerden in Pretoria whose deliberations centred on security (Financial Mail, 1986:36). And about a month later, the military signed a security pact with P. W. Botha's apartheid regime. In a meeting held in Cape Town between Botha and the Chairman of Lesotho's Military Council, Major General Justin Metsing Lekhanya, on March 26, 1986, the two agreed not to "allow their territories to be used for the planning and execution of acts of terrorism against the other" (Africa Research Bulletin, 1986:7999). It is also worthnoting that the central thrust of the talks during this meeting was the signing of the Lesotho Highlands Water project (LHWP), which was agreed to and effected seven months later. The BNP government had rejected earlier exhortations by Pretoria that it should sign an Nkomati-type security pact as a condition for the signing of the LHWP. That it was so easy for the military regime to accede to this demand, even without seeking public opinion, only revealed its collaborationist policies towards apartheid.

The military expelled all ANC refugees who were then ferried further north (to Zambia). The regime also expelled about 20 North Korean technicians from Lesotho during its early days in office. These developments fundamentally recast Lesotho's image towards and relations with the liberation movement in South Africa and eastern bloc countries. That Lesotho was "reduced to a de facto bantustan differing in outer appearance but not in inner substance from South Africa's quasi-states of Transkei, Bophuthatswana, Venda and Ciskei" (Africa News, 1986:8) was in no doubt.

Lesotho is the only country in Southern Africa that has experienced a military rule. During that period (1986-1993), the King remained the head of state. He maintained an uneasy relationship with the powerful five-man military council, which was the key decision-making body on all policy matters. The Council of Ministers comprising both bureaucrats and soldiers played an advisory role to the Military Council. The country continued to be ruled by orders and decrees and multi-party democracy seemed to be receding back.

But as it happened with the BNP regime in 1986, internal and external pressures were to force the military to gracefully retire and allow a civilian government to run the country (see

Chapter Three). Lesotho, consequently, went through an election process in March 1993 which the BCP won with a substantial majority. It captured all the 65 parliamentary seats and thus ensured continuity of Lesotho's historical tradition of de facto one party rule. The election itself was not about what party manifestos claimed, but more about a sentimental urge by most Basotho to correct the historical wrong done to the country by the BNP's seizure of power in 1970 and its twenty years of authoritarianism and mismanagement (Sekatle, 1995:117). It could, therefore, be argued that this election was more about voting out the BNP than voting in the BCP. In other words it was meant to be a political punishment to the BNP and the reward could have gone to any other party, but it had to be the legendary BCP which reaped the fruits. Not surprisingly, the BNP challenged the election outcome afterwards raising allegations of fraud and rigging (Sekatle, 1995). Table 2 provides the election outcome.

TABLE 2: THE 1993 ELECTION RESULTS

PARTY	SEATS WON	VOTES CAST	%SHARE OF VOTES
BCP	65	398 355	75
BNP	0	120 686	23
MFP	0	7 650	2
OTHER	0	6 287	2
TOTAL	65	532 978	100

Source: Lucas, J. Report on the Election of Members to the National Assembly of the Kingdom of Lesotho, April 1993.

CONCLUSION

Lesotho's geopolitical situation places it in a rather awkward socio-economic and political predicament. Its development dilemma may be attributable to its location; small size; high population growth rates; impoverishment; the labour reserve economy completely integrated within South African economy and political instability. Its development prospects are fairly bleak. This is more so in light of the country's dependence on exogenous sources of development finance.

The broad conclusion that can be drawn from this Chapter is that Lesotho is confronted with a daunting development challenge; and it may not be possible to redress these problems at least in the short to medium term. This pessimism is premised on the stark reality that the country faces. A country without a national economy has fairly slim prospects of mounting a self-sustaining development programme. A country beleaguered by politico-constitutional instability has lesser prospects for embarking on, let alone sustaining, a relatively autonomous development drive. A country lacking a sound productive and labour absorptive capacity may remain a perpetual labour reserve enclave of its economically powerful neighbours. Above all, a country that relies overwhelmingly on external factors of development is bound to fall an easy prey to the vicissitudes of international resource flows including foreign aid. It is, indeed, incontrovertible that external economic dependence also translates into politcal susceptability of Lesotho to external forces. Besides, these development dilemnas tend to whittle further the country's already shaky soverneignity.

END NOTES

1. Like elsewhere in Africa, the British colonial policy was not to develop Basutoland. That Lesotho is today a labour reserve **par excellence**, can be traced partly from the British colonial legacy of neglect. British interests were more embedded in South Africa where they had considerable investment particularly in the mining industry. Their major interests in Basutoland was cheap migratory labour that would make that investment more profitable. Besides, they assumed that ultimately, Basutoland would be incorporated into the Union of South Africa in any case.

2. The Common Monetary Area (CMA) agreement was signed in July 1986 between South Africa, Lesotho and Swaziland. By virtue of having been administered by South Africa, Namibia had been part of this arrangement, but formally joined as an independent country in 1990. The CMA regulates the flow and supply of money as well as monetary policies within and among member-states. Thus Lesotho has an exchange rate policy of its own. Its local currency is fixed at par with the South African Rand which circulates freely in Lesotho. Lesotho currency, on the contrary, does not have a wide circulation in South Africa except in the commercial circuit of the latter's border towns. Lesotho's monetary policy (and to some degree fiscal policy too), therefore, mirrors the dominant position of the South African Reserve Bank.

3. The Miners Deferred Pay Fund (MDPF) was established by Lesotho government in 1973. This scheme obliged South African mining houses to transfer 60% of miners' basic salary into Lesotho Bank. This money is then deposited into the MDPF and generates an interest at a rate of a savings account. Miners access this money only upon expiry of their contracts. Though it was later reduced to 30% of basic salary, the MDPF still constitutes a significant source of external revenue.

4. Due to their general dissatisfaction with the MDPF scheme, especially its low interest rate and long delays before accessing their money, miners increasingly deposit part of their salary with a quasi-bank run by TEBA known as 'TEBA Cash'. Though its interest rate is at par with that of the MDPF, it is more convenient because "miners can send money quickly... for dependents to withdraw at any of the TEBA offices in Lesotho" (World Bank, 1990:28).

5. The South African government also attempted to use migrant labour as an incentive towards those neighbouring states that did not pose a threat to apartheid and as a disincentive those that propounded anti-apartheid policies and supported economic sanctions against South Africa. For instance, in 1984, South African government threatened to repatriate about 14 000 Basotho miners and replace them with Mozambican migrants unless Lesotho considered signing an Nkomati-type non-aggression pact with it.,

14. Jonathan and Verwoerd had different, and perhaps conflictual, interests in holding this meeting. Lesotho's interest was to exhort South Africa's economic assistance. On the contrary, the South African government saw this meeting as an important milestone in consolidating its relations with an independent African state. This would also provide a diplomatic window of opportunity to reach out to other African states; and in that process undercut international isolation.

15. As part of its war of aggression against its opponents both at home and in the region, the apartheid regime devised Total National Strategy (TNS). This was articulated in a defence white paper presented to parliament in 1977. This was a counter-revolutionary strategy aimed at repulsing what was perceived to be a communist-orchestrated total onslaught against Pretoria. By supporting the liberation struggle and establishing diplomatic relations with Eastern bloc countries, Lesotho was seen to be gravitating to the communist camp and had to bear the brunt of apartheid aggression.

16. This was indicative of the waning power and authority of the embattled BNP regime. A shift in the balance of power became apparent when "Jonathan despatched Lekhanya... [army commander]... and not Makhele... [foreign minister]... to Pretoria to sue for a lifting of the blockade" (Southall, 1995:21).

CHAPTER THREE

THE RISE AND FALL OF LESOTHO'S "AID INDUSTRY"

INTRODUCTION

This anchor Chapter considers the politico-economic dynamics that have characterised the evolution of the 'aid industry' in Lesotho since independence. The term 'aid industry' refers to aid programmes which taken together, represented a thriving sector of Lesotho's economy until the early 1990s. In the absence of a viable agricultural base and a robust manufacturing sector (see Chapter Two), aid evolved into an industry whose stated objectives were to trigger economic growth; alleviate poverty and reduce the country's dependence on South Africa[1]. This Chapter addresses three interrelated themes: (a) aid and the productive sector; (b) aid and formal politics and (c) aid to non-governmental organisations. The factors that account for the decline of the 'aid industry' are illustrated in the discussion.

AID AND THE PRODUCTIVE SECTOR

Until the mid-1980s, aid to Lesotho was channelled primarily to agriculture and rural development. The industrial sector did not enjoy a similar donor attention. Both donors and government had a conviction that the development of agriculture would "kick-start" development of the entire economy. Lesotho was perceived by donors to be a purely agrarian society "virtually untouched by modern economic development" (World Bank, 1974:1) and as such had no prospects for industrial development. Accordingly "it was ... basically a traditional subsistence peasant society" (World

Bank, 1974:1). This perception of Lesotho's post-colonial economy which rests on modernisation theory (see Chapter One) has been criticised[2] for its absence of factual validity and analytical inadequacy (see Cobbe, 1978; Ferguson, 1990).

This donor focus on agriculture was premised on a scepticism regarding Lesotho's capacity and necessity to create its own industrial base since "all manufactured goods could be sourced from RSA. Investment in agriculture which ... constituted over 70% of GNP and promised early success was preferred" (Petlane, 1994:5). Pride of place was given to large area-based agricultural and rural development projects (see Table 3). These projects consumed huge amounts of funds; and tended to satisfy interests of donors and government rather than those of the local populace. As Elize Moody argued,

> "[the] larger projects have ... been the main focus of international aid and development organisations, since it seem[ed] rational to concentrate funds and manpower in certain specific locations rather than dissipate them over large areas" (Moody, 1976:115).

But those projects were clearly politically visible and gained acclaim for the donors (Gay et al, 1995: 195) and for the Lesotho government.

This approach was informed by donors' concern with economic growth (see Chapter One) which, it was assumed, would have a trickle-down effect and alleviate poverty. These projects, however, failed to have this effect, but rather reinforced the power of the post-colonial state in various ways[3]. Small projects which could directly target the poor are generally not preferred. Evidence suggests, however, that large and administratively centralised projects are prone to the "misuse of funds.... [with] ...[t]he result ... that aid money is diverted from the intended beneficiaries to the bureaucratic bourgeoisie, which becomes further entrenched in power and privilege" (Gay et al, 1995: 196).

TABLE 3: MAJOR AREA-BASED AGRICULTURAL AND RURAL DEVELOPMENT PROJECTS SINCE 1970

NAME	DURATION	FOREIGN BACKERS	TARGET GROUPS/ AREA
Leribe Pilot Agricultural Scheme	1970-1975	UNDP/FAO	Small experimental effort designed as pilot for Khomokhoana project
Khomokhoana Rural Development Project	1975-1980	SIDA/FAO	8000 farming households/ 26 000 ha
Thaba-Bosiu Rural Development Project	1973-1977	IDA/USAID	17 500 farming households 121 000 ha
Senqu River Agricultural Extension Project	1974-1977	UNDP/FAO	Seven areas, each 20 000 ha
Thaba-Tseka Mountain Development Project	1975-1984	CIDA	46 500 ha

SOURCE: Wellings, P. "Lesotho: Crisis and Development in the Rural Sector" Geoforum, 17 (2), 1986.

On the whole, these projects did not achieve desired results. The basic characteristic of all of them has been their high mortality rate linked to corruption in public offices, misuse of aid funds and mismanagement. Ferguson captures the dismal failure of these projects quite poignantly:

> A 1977 official report (FAO 1977) listed over 200 rural development schemes in Lesotho; nine of these were large expensive "area-based" projects focusing on agricultural development. Yet, if all observers of Lesotho's "development" agree on one thing, it is that "the history of development projects in Lesotho is one of almost unremitting failure to achieve their objectives" (Murray, 1981:19). Again and again they fail; but no matter how many times this happens there always seems to be someone ready to try again with yet another project. For the "development" industry in Lesotho, "failure" appears to be the norm (Ferguson, 1990:8).

Part of the failure of these projects is attributable to the type of 'development discourse' that drove donors to establish them. They were moulded within a neo-classical paradigm which conceived of Lesotho's (particularly the rural) economy as a peasant, subsistence economy, backward and untouched by the modern, capitalist economy.

The task of these projects, therefore, was to monetise and modernise the rural economy through 'introduction' of commercial farming, modern farming techniques and changing the 'traditional' values and attitudes (Chambers, 1983; Burkey, 1993). The usual perception of donors is that:

> farmers lack not only modern equipment, improved seeds, fertilisers and pesticides, but also the necessary knowledge to use these techniques..... Poor people are said to resist change because they are ignorant, superstitious, fatalistic, traditional etc. They have a limited world view and are unable to see the advantages of modernisation. They lack innovativeness and are unable to perceive the advantages of 'investing today for a better tomorrow'.... They are either dependent on or hostile to government and other outside interventions (Burkey, 1993:6-7).

The World Bank itself - the trend-setter of this discourse - declared that "[rural development] is concerned with the modernization and monetization of rural society, and with its transition from traditional isolation to integration with the national economy" (cited in Ferguson, 1990:260).

Higher premium was placed on the projects demonstration effect in changing attitudes and entrenching a capitalist ethos in the rural economy. Ferguson also notes that this approach places the burden of Lesotho's 'underdevelopment' on the shoulders of individual Basotho "and 'development' appears largely as a task of education, the introduction of change in 'traditional' attitudes" (Ferguson, 1990:86).

This was a sure recipe for the failure of these projects, for they did not address the structural distortions of Lesotho's dependent, labour reserve economy which was almost totally integrated with South Africa's. Instead, donors appeared to fantasise about some backward and isolated peasants whose attitudes needed to be changed in order to shift their lifestyle. Ferguson has demonstrated the inadequacies of this approach and we will not repeat those here.

In addition, these projects also alienated the local communities. 'Experts' and local bureaucrats played a central role in the planning, design and evaluation of the projects and farmers - who had to surrender their fields - were marginalised. Even the returns from project activities accrued more to government and, in some instances, South African agricultural firms than they yielded to local farmers (Ngqaleni, 1991). Not surprisingly, therefore, "this resulted in an almost complete absence of popular participation in the design of individual projects and, in most cases, passive resistance from disaffected communities" (Wellings, 1986:228). They were perceived as alien, imposed from above and serving external interests; they were beyond the confines of the local communities. This has been a general trend of rural development projects in the developing countries principally because they were implemented from above (see Chambers, 1983). These approach created a dependency syndrome among the local populace and when projects fail "people tend to sit back and say, 'when is the government coming back to develop us?'" (Burkey, 1993:9). Furthermore,

> it also became clear that the intended beneficiaries of development... do not necessarily share the perception programme planners have of their priority needs. As a result services offered to the people were often rejected or under utilised because they did not meet their needs, respect their sensitivities or respond to local realities (Askew cited in Burkey, 1993:xvi).

Another important dimension was the use of them for political ends rather than for genuine developmental purposes (see endnote 3). One example of this was Jonathan's announcement in 1970 of a five-year 'political holiday' for the nation. By this he meant that Basotho should dissociate themselves from active party politics; and rather exert their energies towards 'national development' as envisaged in the First Five-Year National Development Plan[4]. This approach was underpinned by the erroneous assumption that politics and development are incompatible processes.

Additionally, some aid-funded projects were used to carve out and consolidate local political constituencies and increase the hold of the ruling elite. Overwhelming state involvement in large-scale, aid-funded projects was also part of the primitive accumulation from above which aimed at creating an economic base for the ruling elite in the name of development. Kalyalya et al argue that "[o]nce a steady flow of aid becomes institutionalised in a national economy, it may generate its own elite among those who distribute aid within the country" (Kalyalya, et al, 1988:15).

Specific sector examples suggest the limitations of this approach. Area-based rural development projects did not upgrade the skills of local farmers because they were run by foreign experts in the form of "technical assistance". Locals were not involved

> "in the production and marketing decisions.... [W]hen ... projects ceased to operate, besides possible financial problems encountered by farmers due to the nature of technology used, they would not be technically and managerially equipped to continue with production" (Ngqaleni, 1991:132).

As these projects collapsed, the country experienced systematic agricultural decline; this coincided with drought and resulted in an increased dependence on food imports from South Africa and food aid channelled largely through the World Food Programme and the European Community[5].

Faced with a fiasco in area-based agricultural projects, donors and government changed strategies in the late 1970s. Focus was now directed to a broader integrated rural development strategy

(Matlosa, 1993:26) and the industrial sector began to enjoy "real donor interventions" (Petlane, 1994:5). This integrated national strategy aimed at establishing an interface between community development and agricultural development. Since area-based projects had failed to establish this linkage, it was now felt that all-round benefits could not trickle down to local communities. This was a profound transition from earlier concerns with economic growth per se, to a new orthodoxy "redistribution with growth" or what the then World Bank President Robert McNamara had popularised as the 'basic needs approach' (see Chapter One).

In line with this, government put in place various agricultural and rural development programmes. The area-based 'project approach' was abandoned and attention shifted to nationally based integrated rural development programmes. These included the Basic Agricultural Services Programme (BASP), the Food Self-Sufficiency Programme (FSSP), the Cooperative Crop Production Programme (CCPP), and the Lesotho Agricultural Production and Institutional Project (LAPIS)[6]. Theoretically these programmes were supposed to decentralise decision-making and implementation to local communities: practice turned out differently. Government continued its top-down approach intervening through the then Technical Operations Unit (TOU) of the Ministry of Agriculture whose operations were funded by the People's Republic of China (Wellings, 1986:231). The TOU's consultants were Aztec Limited - a South Africa-based interest (Ngqaleni, 1991:135). Part of its funding also came from Lesotho Agricultural Development Bank (loan) the Government Of Lesotho and Barclays

Bank loans (Ngqaleni, 1991:135).

Government also intervened through the establishment of the controversial Development Committees[7] which were driven by narrow political considerations and elite interests rather than the requirements of either economic efficiency or democracy. The peasants have borne the brunt of the politicisation of the Village Development Committees "by not being able to gain access to government resources if hostile to the BNP" (Quinlan, 1995:86).

This interventionist trend was buttressed by the establishment of the Co-op Lesotho in 1981. This was a state-run cooperative with funding from government and external sources such as Taiwan, Germany, International Fund for Agriculture and Development, World Bank and USAID (Commission of Inquiry into Co-op Lesotho, 1994). Its primary role was to sell agricultural inputs to farmers and buy their output at government fixed prices. It was through this interventionism that the relationship between the post-colonial state and farmers in Lesotho was (and still is) "characterised by unequal exchange in terms of production, marketing and pricing policies wherein farmers' output does not generate commensurate amount of returns" (Matlosa 1993:24).

Massive embezzlement of funds from Co-op Lesotho and large-scale abuse of its resources for personal enrichment by state officials (Commission of Inquiry into Co-op Lesotho, 1994) suggest that government's involvement in agriculture facilitates primitive accumulation by the bureaucratic elite. Corruption in Co-op

Lesotho was just a microcosm of the general decline within the civil service characterised by the pursuit of personal accumulation rather than provision of a public service. This is quite clear in the National Audit reports of the period 1975-1978, and more recently, for the fiscal year 1990/91. Financial irregularities in the first report included fraud and embezzlement of donor funds by the public servants and South African companies.

This was painfully obvious in the government's Summer and Winter Cropping Programme which was launched with external funding in 1976. Many contracts were given to South African agricultural firms particularly those based in the Orange Free State. At the end of a programme, which saw peasants removed from their fields, it was discovered that the government incurred a loss of nearly 26% of the original capital of R1.3 million. The following state of affairs accounted for the dismal failure of this programme:

> ...[the]... standard of administrative, financial and accounting control was hopelessly ineffective. Tender Board regulations were flagrantly violated, asset registers were lost and basic books of account ineffectually maintained; numerous cases of fraud were detected; payment vouchers were duplicated and re-used; private contractors obtained government fuel free of charge and disbursements to contractors referred to fictitious acreage of ploughed and planted land.... (Wellings, 1983:16).

A South African contractor was paid for 27 641 acres of ploughed land and another 24 214 acres of planted land. But the auditor's report discovered that "the actual acreage ploughed was 9416 acres and ... 7609 acres had been planted.... [A]s a result the company had been overpaid by R205 000"[8] (Wellings, 1983:16).

Through the process of agricultural failure, the peasants became dispossessed and disillusioned with agriculture. The country turned to externally derived food-stuffs through food imports and aid. This, combined with periodic droughts, meant that food security diminished and poverty levels increased further. As benefits of agricultural projects failed to trickle down, poverty alleviation - one of the central objectives of aid - became elusive.

From the late 1970s, donors began to provide both financial and technical assistance for Lesotho's industrial development. As was the case with agriculture, the industrialisation strategy was primarily driven by donor priorities and the interests of foreign private investors[9]. The strategy comprised a combination of import-substitution and export production; and, as we have seen in Chapter two, was coordinated by LNDC and BEDCO. Up to 1994 LNDC received donor support amounting to R53 million: this comprised both financial and technical assistance while; BEDCO received a total funding in excess of R7 million (Petlane, 1994:10). The main external donors for the LNDC have been the World Bank; the German government; European Investment Bank; the European Community and the Development Bank of Southern Africa. Those for BEDCO have been CIDA of Canada, DANIDA of Denmark, German government, UNDP, the British government and the IDA of the World Bank (Petlane, 1994:10).

Despite these extensive donor interests, Lesotho's industrial development continued to be hampered by its close geographical proximity to South Africa and by its almost total economic integration into that country. Lesotho, therefore, became a conduit for indirect aid to South Africa. In the process, its economic dependence on its neighbour was deepened. This was in stark contrast to one of the stated objectives of aid - i.e reduction of Lesotho's dependence on South Africa. This catch-22 situation is captured by Wellings as follows:

> For indisputably pragmatic reasons, most donors allow[ed] their funds to be spent on 'local' (Lesotho) or 'third-country' (South Africa) goods and services. Thus, '... almost without exception foreign aid support[ed] the South African economy in one way or another, simply because the other alternative would... [have been]... to import ... goods from oversees at a considerably higher price (Wellings, 1983: 496).

But these particular manifestations of aid were only part of a complex whole. Quantity and function of aid are influenced by many factors including global and regional politics. While domestic politics has a bearing on both the flows and function of aid, the reverse is also true. To this interface between aid and politics, we now turn.

AID AND POLITICS

Lesotho's independence helped the small sovereign state to mobilise aid at a greater scale than during colonial times. Prior to independence, the country had depended on "British grants-in-aid which [had risen] from R579,000 in 1959/60 to

R5,492,000 ... by 1966/67" (Hirschmann, 1979b:179). During the same period, development assistance amounted to only R4.5 million (ibid). For mainly historical reasons, but also for Cold War considerations[10], Britain remained the sole aid donor to Lesotho until the early 1970s (Jones, 1977; Wellings, 1982; Woodward, 1982). British aid was primarily earmarked for recurrent expenditure (i.e budgetary aid) and capital expenditure (i.e. development aid). It fluctuated as a result of the British perceptions of the regional and domestic political environment; and ultimately budgetary aid was phased out in 1970/71. As Wellings sees it:

> total UK aid rose to a peak of R8.6 million in 1966-67, dropped to its lowest ebb in 1970-71 (when aid was suspended for a brief period in response to a political coup in the country), revived somewhat afterwards, but reached only R3.8 million in 1972-73.... Most British assistance was in the form of budgetary aid, but the proportion devoted to this sector decreased gradually, especially after the redistribution terms of the Customs Union were made more favourable to Botswana, Lesotho and Swaziland in 1969 and was eventually phased out in 1970-71 (Wellings, 1982:268).

During these early days of Lesotho's post-colonial existence, the South African government also provided financial and technical assistance. This was channelled to both the civil service and the security establishment. South African military aid was aimed at bolstering the emergent Police Mobile Unit -the precursor to the present Lesotho Defence Force. A grant increased from R100,000 in 1967/68 to R489,000 in 1972/73, but was "... terminated as relations between Lesotho and the Republic deteriorated" (Jones, 1977:175). South Africa's aid, therefore, was seemingly informed by its regional security concerns to create allies and undermine the liberation struggle against apartheid. This aid not only served the regional strategic interests of the minority regime, but also strengthened the predatory interests of the conservative BNP government. It did not benefit Lesotho's people.

British aid was also sympathetic to the requirements of the BNP government. The allocation of a larger proportion of aid for maintenance of law and order suggests that, perhaps, the post-colonial state was using external assistance to increase its political power. For Jones, the issue focused on the question of political unrest in the country. He concludes that:

> what stands out particularly in Lesotho's case is the high proportion of expenditure going to 'law and order' (...). At 19 per cent, this was almost twice the corresponding share ... in Botswana or Swaziland. This high total has, however, to be seen against the <u>background of political unrest</u>....(Jones, 1977:177).

What needs to be emphasised is that 'political unrest' revolved precisely around the contestation for state power. In this context, the BNP had an added advantage, as the ruling elite, over its rivals because it used external assistance - either overtly or covertly- for coercion[11].

While the British had held sway as the principal donor to Lesotho, the situation has changed since the late 1970. This was largely due to a vigorous process of diversification of aid sources by the government in Maseru. As Wellings notes:

> British aid... had declined in significance quite considerably, from 52 per cent of all committed grants in 1974-75 to 33 per cent in 1978-79 and 7 per cent in 1981-82. German, American and Swedish contributions have all increased dramatically. The EEC is now a major donor and a huge quantity of food aid (R16.3 million) has been committed by WFP and CRS. The UN has also increased its allocations to Lesotho, mainly in the form of technical assistance (TA) as a result of the 1976 'emergency' (when the Transkei/Lesotho border was closed). In terms of loans, the IDA has retained its leading position but the ADB and various Arab donors now figure more prominently than previously (Wellings, 1982:272).

Table 4 presents 1992 figures of aid disbursement by key multilateral and bilateral donors.

<u>TABLE 4</u>: AID DISBURSEMENT BY KEY DONORS: 1992 FIGURES* IN THOUSAND RANDS

MULTILATERAL	AMOUNT	BILATERAL	AMOUNT
EEC	44,332	GERMANY	31,638
ADB	34,165	USA	29,533
WFP	26,696	UK	19,721
IMF	26,574	SWEDEN	12,902
WORLD BANK	24,682	DENMARK	7,353

SOURCE: UNDP, DEVELOPMENT COOPERATION-LESOTHO, ANNUAL REPORT, 1992:38.

* During that time the UN exchange rate was US$1=R2.84 (UNDP Report, 1992).

The diversification of aid sources was a function of political sympathy towards a small, impoverished and landlocked country under the constant threat of apartheid and South Africa's programme of destabilisation of the 1970s and 1980s. One dimension of this was the intense conflict between Lesotho and the then Transkei 'Homeland' which simmered to a point of a temporary border closure. In 1976, Lesotho refused to recognise Transkei's 'independence'; arguing that it was a political fabrication of apartheid. She campaigned vigorously for this position in various international fora including the OAU and the UN.

Maseru's non-recognition of the Transkei homeland was based on three grounds: firstly, that Transkeian citizenship was an imposed status upon the affected black South Africans against their will and consent; second, that Lesotho was against apartheid and also opposed to its 'homelands policy' of which the 'Transkei independence' was a product and thirdly, that Lesotho did not "accept the ethnic and territorial fragmentation of South Africa" (Southall, 1976: 41). In response, Western donors were quick to "pledge their aid in unprecedented amounts. From 1974-5 to 1979-80, annual foreign aid committed to Lesotho rose from about R17 million to R95.5 million" (Ferguson, 1990:107). Lesotho, therefore, managed to garner increased supply of aid; and the UN acted as a conduit for this. Through this anti-apartheid ticket, Lesotho's aid sources began to broaden. "Jonathan's call for aid to reduce dependence on the Republic during his 1972 visit to Denmark (where he secured a R2 million loan) indicated his growing appreciation of the link between foreign aid and relations with Pretoria" (Hirschmann, 1979a: 183). Using the Lesotho/Transkei border dispute as a bargaining chip, the government requested financial assistance of about $80 million from the UN; this, it was argued, would boost Lesotho's efforts to resist apartheid (Hirschman, 1979a: 193).

Apart from agriculture and industry, most of this aid was earmarked for the development of road networks and the building of an international airport at Thota-Ea-Moli, in the outskirts of Maseru. This donor focus was in keeping with the U.N. Decade (1978 - 88) on Transport and Communication in Africa which had influenced the Security Council to pass Resolutions 402 and 407 of 1976 on special assistance to Lesotho (The Courier, 1984). Assistance into transport and communication was readily available from donors not because it was economically rewarding, but more because it was assumed to have a potential of reducing Lesotho's dependence on the South African infrastructure especially after the Lesotho/Transkei border dispute. It is in view of this that the reactive nature of aid to Lesotho is brought into sharpest relief. Not only has aid been reactive, but it has also been driven by political attitude of donors to South Africa.

Coming by way of political sympathy, much of aid to Lesotho was characterised by high grant equivalent, long maturity period and fewer conditionalities[12]. Table 5 illustrates that between 1989 and 1992, the grant element of Lesotho's external assistance was larger than the loan component. Consequently Lesotho has never experienced the kinds of maladies which have marked the other African countries such as huge debt crisis and burdensome debt servicing (see Chapter Five). Wellings makes a similar point:

> In all of Africa, Lesotho receives loans on the easiest terms and some of the debts which have accrued have been written off. For example, in 1978, the UK wrote off debts of US$1.7 million owed by the 17 poorest LDCs, one of these being Lesotho. Hence debt service (...) and outstanding debt (...) are considerations of, as yet, little importance to the government of Lesotho in contrast to many other African states where indebtedness leads to a shortage of capital for the development budget and is inevitably followed by economic and political leverage on the part of donors (Wellings, 1982:273).

TABLE 5: PERCENTAGE SHARE IN TOTAL EXTERNAL ASSISTANCE

	1989	1990	1991	1992
GRANT	59	70	69	66
LOAN	41	30	31	34
TOTAL	100	100	100	100

SOURCE: UNDP, DEVELOPMENT COOPERATION-LESOTHO, ANNUAL REPORT, 1992:25.

The government used the anti-apartheid card to lobby for aid from donors who were also anxious to reduce Lesotho's economic dependence on South Africa. But ironically aid reinforced the former's economic integration with its neighbour. For instance, Lesotho purchases much of material related to aid projects from South Africa. She has also engaged South African contractors and consulting firms for aid-funded projects.

Lesotho's only immediate neighbour, South Africa and its policy of apartheid, reinforced the relationship between foreign aid and the post-colonial state. During the anti-apartheid struggles, the Lesotho state sought political support from the anti-apartheid forces and simultaneously received financial succour from the donor community. In another formulation, as the BNP government enlisted among anti-apartheid forces, it received a lot of aid because of the same apartheid system it purported to be fighting.

The regime, therefore, played a delicate politics of publicly denouncing the apartheid regime and actively supporting the anti-apartheid forces, while at the same time using apartheid as a bargaining chip to mobilise external funding at high concessional rates. The BNP regime convinced the anti-apartheid forces that it was actively fighting apartheid, on the one hand; and also convinced the donor community, on the other, that it was being victimised by the apartheid regime. It assumed the status of a "freedom fighter" to gain political clout among anti-apartheid forces; and that of a helpless victim of apartheid to attract donor aid. It was generally on the basis of maintaining this curious balance between the anti-apartheid forces and the donors that the Lesotho state sustained increased aid flows into the country. This also enhanced the political credibility and acceptability of BNP regime abroad, albeit suffering a severe legitimacy crisis at home.

This balancing act collapsed with the down-fall of the BNP regime in 1986 as the new military regime lacked anti-apartheid credentials and thus had a lower clout within the donor community. This explains, in part, the tendency for steady decline of aid flows which coincided with military rule. Lesotho, therefore, benefitted from international resource flows primarily because of its geo-political location vis-a-vis the apartheid giant. Is the dismantling of apartheid in the interest of the Lesotho state? The materialistic and other benefits that accrued to the ruling elite during, and largely due to, apartheid suggest that the current changes in South Africa run counter to the interests of the Lesotho state. Part of this is manifest in the present decline of aid flows to Lesotho which are redirected to South Africa. Can the Lesotho state survive under these new conditions?

STATE POWER VERSUS STATE SURVIVAL: NEO-LIBERAL POLITICS OF AID

In 1986 the BNP government was toppled by the Lesotho Defence Force. This occurred at the time when the global political economy was changing and the Cold War was showing signs of coming to an end. These were to narrow the horizons of external aid for the military junta as the old bargaining chip of playing donors one against the other on ideological grounds diminished. Closer home, the regional political economy was on a brink of far-reaching changes as the negotiated settlement of the Namibian and South African conflicts seemed more realisable than ever before.

The military could no longer use the old BNP tactics of lobbying for international resource flows through anti-apartheid rhetoric. Besides, the military junta had warm relations with the then apartheid regime of President P.W. Botha[13]. When F.W. de Klerk became South Africa's President, the military was unsure of where his regional policy placed it. Nevertheless, relations between Pretoria and Maseru did not freeze[14].

Initially donors did not react harshly to the military coup. However, their financial assistance to the country experienced fluctuations. In 1986, external assistance amounted to R253 million (17% of GNP); and this increased to R324 million (12% of GNP) in 1990, only to decline further to R307 million (11.8%) a year later (UNDP, 1992:24). In 1992 it was estimated at R326 million (9.9% of GNP) (UNDP, 1992:24)[15]. Although donors did not publicly denounce the military take-over, they used quiet diplomacy to exhort the military to return government to multi-party rule[16]. The banning of free political activity by the military regime; its heavy-handed response to workers and teachers strikes and its brutality towards demonstrators who protested against the killing of a Mosotho woman shopper in a foreign-owned shop in 1991 (Tangri, 1993; Southall, 1994b) tainted the regime's image. These "undoubtedly contributed to the determination of Lesotho's major donors that the military should withdraw, and make way for the return of civilian government" (Southall, 1994b:581).

Military rule coincided with the changing politics of aid at the global level: a shift away from concerns with the 'basic needs approach' to economic adjustment programmes under the tutelage of the IMF and the World Bank. Through these programmes, aid politics of the earlier phases have also changed since 1988 when Lesotho adopted the first Structural Adjustment Facility (SAF).

The shifting politics of aid since the late 1980s suggests that earlier donor confidence in the capacity of authoritarian governments as agents of economic growth has fizzled away (see Chapter Five). Generally, governments have been blamed for the economic maladies of their countries which have also contributed to the ineffectiveness of aid. Donors have since developed a new 'faith' in the efficiency and efficacy of the market in redressing the macro-economic distortions of African countries. This economic liberalisation is also tied to political conditionalities including multi-party democracy and a vibrant civil society.

Under these circumstances, therefore, aid no longer reinforces the politico-economic power of the state. Instead, the tendency is to reduce that power, while at the same time facilitating survival of the post-colonial state as shall be discussed.

Donor-driven political and economic conditionality denies African states their traditional control over resources which they had used to ensure continued authority over, and obedience of, the electorate. This heralds the demise of patronage politics; but recourse to coercion to muster compliance from the electorate is not appealing given the international human rights lobby (Claphan, 1995:96). If neither of these options is available, the state increasingly becomes impotent "and the confidence trick which goes by the name of the state will crumble too. In short, the effective yet limited statehood which the whole enterprise of conditionality is geared to seeking may not be a practical goal" (Clapham, 1995:96).

As donors put more emphasis on a policy shift towards economic liberalisation (see Chapter Five), non-state actors, including NGOs, have captured their attention. In the process the state is pruned of its traditional powers which used to facilitate its interventionist role.

AID TO NON-GOVERNMENTAL ORGANISATIONS

The changing politics of aid under adjustment conditions coincided with the mushrooming of non-governmental organisation (NGOs) in Lesotho. This culminated with the 1989 establishment of the umbrella body - Lesotho Council of Non-Governmental Organisation (LCN) - which presently has about 110 affiliates (LCN, 1993). During the developments leading up to the formation of the LCN "a key role was played by the UNDP and ... the Unitarian Services Committee of Canada (USCC) who felt a need for coordination and collaboration among NGOs in order to facilitate their programmes as donors" (Santho, 1994:44). This approach mirrored the shifting debate around democracy in Africa. Its new direction suggested that democratisation was inextricably linked to civil society. Since the late 1980s, there has been a growing perception among donors in Lesotho that NGOs, more than the government bureaucracies, have the capacity to act as agents of economic growth and adjustment[17]. This mode of thinking is now quite pervasive throughout the African continent. One scholar recently observed that:

> The 1990s has (sic) seen a greater prevalence and proliferation of NGOs on the African continent. With the myriad of economic programmes being implemented across the continent NGOs have come to be perceived as the engines of growth; this comes in the wake of the popular perception that Africans are unable to afford and even manage their own affairs. The state crippled by inertia and bureaucratic obstacles does not have the resource capacity to implement such programmes like structural adjustment. Today, NGOs display an employment oasis desperately needed by retrenched white collar workers (Magazi-Rugasira, 1994:7).

The NGOs, therefore, have become extremely popular within the donor community. The World Bank, for the first time, made its position clear on the issue of governance and economic growth in its 1989 study entitled "Sub-Saharan Africa: From Crisis to

Sustainable Growth". Besides placing emphasis on political liberalisation as a necessary pillar for economic growth, the Bank argued that African governments should foster grassroots and non-governmental organisations such as farmers' associations, cooperatives and women's organisations (World Bank, 1989). Three years later, the Bank produced another report wherein it criticised third world governments for corruption, lack of accountability, transparency and efficiency, lack of respect for human rights and lack of popular participation. The Bank went on to argue that NGOs deserved external funding. Its conclusions capture the spirit of the times:

> Precisely because NGOs may be a channel to the poor, or may be advocates for the poor, NGOs can be used by governments and aid lending agencies to reach people who are otherwise difficult to involve in the flow of project benefits. They can also be called upon to assume roles in the provision of benefits or in communicating between different constituencies. But some governments are suspicious of NGOs precisely because of their advocacy for the poor. There are, thus, pressures to coopt NGOs and make them extensions of the state. Direct funding by external aid and lending agencies can be an important means of supporting NGO activities (World Bank, 1992:25).

NGOs are, therefore, regarded as important agents of social change occupying a strategic position in terms of executing aid programmes in areas which have previously been the preserve of the post-colonial state.

However, the case for NGOs is not yet clear. Some literature has questioned whether NGOs use aid more effectively than governments (see Fruhling, 1986; Brett, 1993; Africa World Review, 1994; Bebbington and Farrington, 1993; Bratton, 1990; Bratton, 1989;

Hanlon, 1991; Clark, 1991; Gibbon, 1993; UNDP, 1993). One school of thought argues that NGOs have been more effective than government in utilising aid for development purposes and alleviation of poverty. Bratton optimistically suggests that:

> in retrospect, the 1980s may turn out to be the "NGO decade" for rural development in Africa. Recent performance suggests that non-governmental organisations (NGOs) have a comparative advantage over international donor agencies, national governments and private firms when addressing basic needs of the rural poor (Bratton, 1989:569).

Most development agencies and experts have advanced various factors which place NGOs in a better position than either states or markets in addressing poverty and growth issues. Firstly, their distinctive strength is perceived in terms of their direct link to the poor in remote areas "where perhaps no government official is seen from one year to the next" (Clark, 1991:54). This comparative advantage is reinforced by their participatory approaches to project implementation in contrast to top-down approach advocated by governments and individualism championed by laizzes faire economic theorists. Secondly, their small-scale projects do have a trickle down effect, though their impact is insufficient to completely root out structural poverty (UNDP, 1993:94). Thirdly, establishment of credit schemes for the poor has exposed deficiencies of governments and markets in addressing poverty. Through theses schemes, NGOs have demonstrated that "the poor are bankable - that their problem is lack of access to credit" (UNDP, 1993:95). Fourthly, NGOs respond quickly and efficiently to social crisis and emergencies (Clark, 1991; Fruhling, 1986; UNDP, 1993) principally due to their commitment to social change and lack of bureaucratic 'red tape' which is an

Achilles heel of government institutions. Finally, through advocacy, NGOs have played a prominent role in challenging gender discrimination and a variety of other political disorders including abuse of human rights and authoritarian rule (Fruhling, 1986; UNDP, 1993).

Another school of thought questions the efficacy of aid-driven NGOs programmes. It is argued that "the reliance of NGOs on western governments and donor agency money is turning them into implementors (just like African states) of decisions taken by their financiers" (Africa World Review, 1994:5). This explains why much of NGO programmes are influenced by the dominant donors' priorities and issues that are periodically in vogue within the donor community (e.g. environment, women, democracy and human rights, etc). Using poverty alleviation as their entry point, NGOs lack mechanisms to test their legitimacy before the poor, unlike governments which use general elections: they are seldom accountable to either government or the poor strata of society they purport to serve (Gakunga, 1994:22). Besides, most of the strengths attributed to NGOs are predicated largely on "impressions and beliefs. They have rarely been tested through evaluative research and one cannot be sure whether they are myth or reality. Although, there may be some truth in these beliefs, NGOs do vary" (Fruhling, 1986:226).

NGOs in Lesotho are not immune from this controversy. In fact both schools show insights into Lesotho's case. Through their umbrella body -the LCN- NGOs in Lesotho are involved in a variety of donor- aided projects ranging from the social welfare, emergency/disaster relief, environment, gender issues, employment generation through small-scale income-generating activities and democracy and human rights. They have made an appreciable contribution particularly in the social sector and in the area of democracy and human rights; their agenda is undeniably influenced by donor preferences of the day. As we showed earlier, the establishment of the LCN was facilitated principally by the UNDP and USCC with their own priorities which do not necessarily coincide with the interests of the poor.

The current process of re-channelling of aid to NGOs in Lesotho reduces the bureaucratic power of the state[18]. This process, therefore, produces similar outcomes as does the adjustment-induced privatisation programme of the World Bank. But this does not mean that the state "withers away"; it means that the state's room for political manoeuvre is constricted. The re-channelling of aid to NGOs, and a variety of other processes linked to the adjustment programme, have conspired to contribute to the World Bank's deliberate process of 'rolling back the state'.

The expansion of state power which was predicated on "etatization" (Ferguson, 1990) until the late 1980s is, therefore, being reversed in the 1990s. Linking etatization with the deliberate donor and government attempts to depoliticise poverty and development, Ferguson eloquently argued that "development agencies have not only promoted statist policies, the "development" bureaucracy is itself part of the sprawling symbolic network of experts, offices and salaries that benefits from "etatization" (Ferguson, 1990:269). Under the current adjustment conditions statist policies are no longer being pursued and "etatization" has been replaced by the neo-liberal orthodoxy which emphasises the supremacy of markets and political pluralism in economic management. The horizons of state intervention into the economy, therefore, have shrunk; and economic nationalism has become an anachronism in the eyes of donors. As a result the much vaunted private sector and autonomous social movements have gained the upperhand.

As the military's room for manoeuvre diminished, its external environment was not particularly friendly. The 1990s brought about pressures for democratisation and these, combined with domestic pressures, led to the military agreeing to relinquish power in favour of civilian rule in 1993 (see Chapter Two). By this time some donors threatened to withhold new aid commitments to the government.

Although domestic changes have been made, external factors may have moved the debate in Lesotho way beyond government's control. Put differently, Lesotho's capacity to use aid as an industry has disappeared. As we have seen, a combination of global changes and domestic politics have been responsible for this.

With the advent of multi-party democratic rule in South Africa since the 1994 elections, some donor countries began to relocate their diplomatic and aid missions to South Africa. Sweden and Germany closed their diplomatic missions in 1994. Given that these have ranked among the key donors to Lesotho, it goes without saying that this move hits hardest on the country's sources of external revenue. In future dealings, Lesotho would have to consult these missions in South Africa. USAID shut down its operations in Lesotho by end of 1994. The Lesotho Director of USAID cautioned that "activities in Lesotho... will be monitored from a regional office for Southern Africa in the future.... This means that NGOs and others seeking funding will have to go through our regional office in another country" (NGO-Web-Khokanyana Phiri, 1994:7).

The current trend is that donors prefer to support South Africa; and Lesotho's attractiveness is progressively diminishing. The success of South Africa's democracy and its economic prospects make it more attractive for donor support. Major economic powers of the world have exhibited considerable enthusiasm to accord South Africa substantial financial assistance as well as some preferential trade arrangements. Carim notes that " [i]n July 1994 the Japanese government announced an unprecedented R4,3 billion assistance package to South Africa primarily to support the RDP."

At the time of writing South Africa was negotiating a free trade agreement with the EU. South Africa has already been accorded the Most Favoured Nation Status with the EU qualifying it for the generalised system of preferences (GSP), a set of tariff reductions which are non-negotiable and awarded by the EU (Cape Times, October 19, 1995).

All these developments point to the eminent prospect of marginalisation of South Africa's resource-poor neighbour from global economic processes as South Africa is perceived by key players as a regional powerhouse. That country is perceived by the industrialised western countries as a gateway to Southern Africa. In turn, the region's economic contact with the world economy will increasingly happen via South Africa.

Lesotho's depressing economic prospects and pervasive political instability have rendered it a lost case before the eyes of both donors and private investors. Paradoxically as Lesotho moved towards democracy, the world attention shifted towards South Africa. More international resource flows seem to go to South Africa and the poorer neighbours find themselves in the receiving end. The official document presented to the Donor Round Table Conference [19], hosted in Geneva in January 1995, bemoaned the uncertainty of future aid flows to Lesotho. Its conclusions are instructive:

> many development partners are seeking to adjust their programmes to take regional changes into account.... Some donors have recently cancelled projects, others have linked future lending to performance on reform implementation (GOL, 1995:1).

Additionally, the domestic environment of the adjustment process has reduced government initiative in economic policy matters. The BCP government is thus caught in a double bind. Hemmed in by the World Bank and IMF programs and the unfavourable international climate, the government attempts to survive rather than increase its power. In the process of this struggle to survive, it has been pummelled by its domestic opponents and country-wide strike actions by various organs of civil society. It has locked horns with the monarchy, the security establishment and the opposition BNP since the 1993 election (Matlosa, 1994a; Matlosa, 1994b; Southall, 1994a; Swatuk, 1995). This culminated with the dissolution of the government by King Letsie III on the 17 August 1994. In protest the USA and Sweden suspended all aid to Lesotho; Britain, Japan, the EC (European Union) and many other donors also threatened a similar action if democratic government were not re-instated. When the democratically elected government was reinstated later through negotiations brokered by Botswana, South Africa and Zimbabwe, aid flow to Lesotho was normalised. Though the BCP government was reinstated, its political vulnerability had been widely exposed.

CONCLUSION

Foreign aid to Lesotho has been influenced by the changing perceptions of the donors. With the donors' focus on economic growth, aid to Lesotho since the late 1960s was channelled primarily to area-based rural development projects. During the late 1970s and part of the 1980s, a paradigmic shift in aid politics towards redistribution with growth refocused aid to integrated rural development programmes, physical infrastructure and the industrial sector. Since the late 1980s aid politics has been governed by the IMF/World Bank-driven economic adjustment process. During the pre-adjustment period aid facilitated state power. Available evidence suggests that it now reduces that power largely due to the adjustment process. But at the same time it still ensures survival of the post-colonial state.

Aid to Lesotho has had mixed results. It has deepened the country's dependence on South Africa; it has bolstered the power of the state; and it has had minimal impact on poverty alleviation. But non-governmental aid and food aid have been relatively focused and helpful to the poor. It has contained poverty from getting out of hand in the face of agricultural decline, high unemployment rate and spells of drought. Food aid to Lesotho, has, however, been criticised on various grounds including the distortion of domestic food prices, dissuading government from embarking on agricultural reform (see Wellings, 1982, Matlosa, 1993).

END NOTES

1. Donors' assumption was that aid would provide Lesotho with the needed capital for economic development. Derived from the Rostowian economic thought, this approach convinced donors that "aid should lay foundations for 'self-sustaining' growth that [would make future aid unnecessary] and if it [did] not do so, it [was] in some sense waisted" (Jones, 1977:46). In facilitating economic growth, aid would, it was assumed, alleviate poverty. In the specific case of Lesotho, an additional objective of aid was the reduction of dependence on South Africa. This was viewed at two levels: aid would lessen adverse effects on Lesotho of economic sanctions against apartheid; and it would also assist Lesotho to 'absorb the shocks' of South Africa's regional gun-boat diplomacy of the 1980s.

2. In his critique of this approach, Ferguson argues that "Lesotho entered the twentieth century not as a "subsistence" economy, but as a progressive producer of cash crops for the South African market; not as a "traditional peasant society", but as a reservoir exporting wage labour.... Lesotho was not "untouched by modern economic development", but radically and completely transformed by it....(Ferguson, 1990:27). More than a decade before Ferguson's critique, Cobbe had reviewed the World Bank study. In disagreement with the study, he observed that "Lesotho is one of the most thoroughly monetised economies in Africa, with no part of the country, however remote, untouched by the modern market economy" (Cobbe, 1978:136). Both writers propose that Lesotho can best be described as a labour reserve not a traditional peasant economy as the World Bank would like believe.

3. Like in most African countries, by the time of independence, the Basotho elite did not have any meaningful economic base. This was a result of the long history of marginalisation by the British colonial rulers. Economic power was (and still is) vested predominantly in the hands of foreign capital. After independence, the Basotho elite attempted to use the newly-found political freedom to create and expand its economic base of accumulation. This took the form of state intervention and establishing of parastatal organisations. This was quite in tune with the experience of other African countries and was, indeed, reminiscent of the famous Nkrumahist aphorism: "seek ye first the political kingdom and all things will be added unto you" (Austen, 1987:226). Although undertaken in the name of national development, state intervention facilitated personal accumulation by the ruling elite, their political supporters and state functionaries (Mengisteab and Logan, 1995:5). It was a necessary seed-bed for the emergent patronage politics which became a pervading phenomenon in the post-independence power struggle. This, therefore, increased the political and economic power of the ruling BNP.

4. Development planning was never a feature of British colonial rule in Lesotho. Concerned about the state of the economy at independence and also reacting to British aid conditionalities,

the BNP government introduced five-year development plans whose principal objectives were to: a) formulate an overall economic policy; b) set sectoral targets in terms of growth and c) review economic performance against the policy and targeted growth. The first Five-Year National Development Plan came out five years after independence and covered the period 1970/71-1975/76. The current and fifth one covers the period 1991/92-1995/96. These plans, however, have not helped much as regards real performance of Lesotho's labour reserve economy. They have only assisted the country to present a coherent programme before donors for aid pledges. Furthermore, since the adoption of the adjustment programme, these plans have been superseded by the IMF/World Bank Policy Framework Papers (PFPs). The PFPs come out quarterly with the aim of guiding programme implementation and reviewing progress.

5. Since the past 26 years, the World Food Programme (WFP) has provided food aid earmarked for school feeding schemes; food-for-work projects and drought relief assistance. Recent WFP-supported projects include development of education and school self-reliance (1989-94) at a total cost of about R106 million; development of rural infrastructure (1989-94) at a cost of about R54 million; and drought relief operation (1992-93) at a cost of R22 million (World Food Programme, 1993). Its average level of assistance ranges between R28 million and R32 million per annum (World Food Programme, 1993). The European Union also provides a considerable bulk of food aid. On average, it has allocated up to 8 000 Tonnes of wheat per annum; and this was increased to 10 000 Tonnes since the 1992 drought (European Community-Lesotho Cooperation Report, 1992:ii). This aid is monetised through sale of grain to a local mill and proceeds thereof are used to fund various rural development projects including food-for-work programmes (about R1 million per annum); small-scale irrigated vegetable projects (at a cost of about R5 million by 1992) and a forestry programme which had cost about R1.1 million at the end of 1992. During the 1992 drought, the EU also provided emergency relief of 5 000 Tonnes of maize and 450 Tonnes of pulses through the WFP (European Community-Lesotho Cooperation, 1992:11).

6. The Basic Agricultural Services Programme (BASP) started in 1970 and covered various parts of the lowland areas of the country. Its major objective was to improve productivity of sorghum, maize, wheat and pulses. Linked to this, the project also aimed at improving the rural infrastructure, agricultural technology, agricultural extension, credit system, farm input supply and marketing system (Ngqaleni, 1991:132). In 1976/77, the Cooperative Crop Production Programme (CCPP) was started. Unlike the BASP, the CCPP adopted capital intensive methods of production and was focused only on increasing wheat produce on the basis of sharecropping between government and farmers. Due to various problems, the programme folded in 1979 (Ngqaleni, 1991:133). A year later, the Food Self-Sufficiency Programme (FSSP) was established with the purpose of achieving self-reliance in maize and sorghum. This and other objectives led to overlaps with the BASP. As a result Donors withdrew their funding from BASP. Like the CCPP, the FSSP was highly mechanised because one of its aims was to "demonstrate the reliability of

technology" (Ngqaleni, 1991:135). The Lesotho Agricultural Production and Institutional Support (LAPIS) project was started in the late 1980s with financial assistance from the USAID. Its primary focus was on livestock development, provision of agricultural inputs and improvement of the range land. In 1994 the USAID withdrew the bulk of its financial assistance to the project due to disagreement with government regarding implementation of grazing fees on livestock owners.

7. In 1959, district councils - comprising 36 members each - were established to act as a link between central government and local communities (Breytenbach, 1975:54). A majority of members were supporters of the BCP and as a result these councils became a stronghold of this party. In 1968, the BNP government dissolved these councils. This action was meant to weaken the rural political base of the opposition. Alternative structures known as development committees were established at village, ward and district levels in 1970. Deliberately swelled with card-bearing BNP members, they effectively became local branches of the ruling party. The role of chiefs on various matters of local government diminished as these structures assumed more responsibilities as a direct adjunct of central government. Aid and other resources earmarked for local projects were channelled through these party structures. This strategy aimed to expand and consolidate the BNP's rural base through patronage and blackmail.

8. Like the Tarr report, later evidence from the Office of the Auditor-General reveals serious irregularities and deficiencies in Lesotho's public accounts. These include, inter alia, non-reconciliation of bank accounts; accounting errors and omissions; absence of supporting documents and inadequacy of existing ones; disagreement between statement figures and treasury accounting records; and poor management and storage of accounting records (Government of Lesotho, 1991:9). Through mismanagement and corruption the state lost money and property estimated at R2 million during the fiscal year 1990/91 alone (Government of Lesotho, 1991).

9. Lesotho does not have an industrial base of its own. Its industrialisation strategy is driven by two forces: donors and foreign private investors. Its domestic entrepreneurial class is weak and dependent on South Africa's industrial base. Lesotho's experimentation with both import-substituting and export-led industrial strategies, therefore, serves the interests of foreign capital. The adjustment programme strengthens this process by emphasising liberalisation of Lesotho's trade regime and ... promotion of foreing capital investment.

10. The British support to the BNP during the Cold War was premised chiefly on the West's strategic interests in Southern Africa. The BNP was a conservative force with strong links to the Roman Catholic Church. Its denunciation of communism in the 1960s wedded it firmly to the West, especially Britain and West Germany and later USA. The radical BCP was sidelined and undermined by these forces who perceived its radical ideological predisposition as a threat to their stategic interests.

11. The BNP government received military aid from South Africa and Britain and later North Korea. This aid beefed up the security establishment upon which the survival of the state was critically anchored. This facilitated easy application of coercive measures by the state against any threat to its hegemonic hold to power especially after the 1970 political crisis.

12. Available evidence suggests that aid to Lesotho is disbursed on fewer conditionalities than is generally assumed. This may be due to limited domestic resources and the geo-political location of the country. Despite sanctions against South Africa, Lesotho was allowed to contract consultancy firms from that country on aid-funded projects. She purchased projects-related heavy equipment from South Africa. Servicing and repairs of the this equipment was done in South Africa. Only a selected range of light equipment, such as computers, was procured from donor countries.

13. The 1986 military coup that toppled the Leabua Jonathan's government was precipitated by South Africa's destabilisation. In 1985, the South African Defence Force (SADF) launched a military raid into Lesotho killing about 12 people - a majority of them ANC refugees. This was immediately followed by a border blockade which almost paralysed Lesotho's dependent economy and severely disrupted cross-border traffic of people and goods. It was in the midst of the South African military pressure and economic strangulation that the Lesotho Defence Force staged a coup which was well-received by P.W. Botha's government as shown in Chapter Two.

14. When F.W. de Klerk assumed state power in 1990, South Africa's regional strategy was shed off its militaristic adventures and regional aggression. This became the central plank of what Neil van Heerden - the then Director General of South Africa's Department of Foreign Affairs termed the "New Diplomacy in 1989 (Vale, 1992:426). Describing de Klerk's new diplomacy Vale asserts that the new president was "said to be untainted by military links and determined to achieve two further goals: restoration of civilian authority and the ending of sanctions and isolation" (Vale, 1992:427). In his own epoch-making speech of February 2, 1990, de Klerk vindicated this perception by arguing that:

> [t]he countries of Southern Africa are faced with a particular challenge: South Africa now has an historical opportunity to set aside its conflicts and ideological differences and draw up a joint programme of reconstruction. ... Unless the countries of Southern Africa achieve stability and a common approach to economic development rapidly, they will be faced by further decline and ruin ... Hostile postures have to be replaced by cooperative ones; confrontation by contact; disagreement by engagement; slogans by deliberate debate (cited in Vale, 1992:427).

Lesotho's military junta increasingly lost its strategic importance within South Africa's reformulated regional defence calculation. Although relations between Maseru and Pretoria did not freeze, the military government was left in the lurch without an external patron. The military's hold to power was further unsettled by the clamour for democratic rule in the region which was demonstrated by the holding of multi-party elections in Namibia (1990); Zambia (1992); and Angola (1992).

15. These figures have been converted from US dollars at the 1992 UN exchange rate of US$1=R2.84.

16. The ideological bipolarity of the Cold War facilitated the emergence of authoritarian regimes in the developing countries. This further provided a leeway for these regimes to play one bloc against the other in mobilising aid. The collapse of the Cold War has led to increased pressure for both political and economic liberalisation. Lesotho has had to contend with these global changes. Donors exhorted the military government to allow multi-party political competition. The Nordic donors were more forthright on this issue. The 1990 review of the Swedish aid programme recommended that "Sweden should maintain its support to Lesotho on condition that the democratisation process continues" (SIDA, 1990:44). Although the previous year the Danes had suggested a phasing out of their programme, the 1990 review mission recommended that aid be sustained in order to support democratisation and strengthen local NGOs (MS-Lesotho, 1990).

17. Disillusionment with failures of earlier aid-funded projects reduced donors' confidence on the effectiveness of government in utilising aid. This coincided with global donor fatigue and the new orthodoxy of adjustment. The donors' focus increasingly turned towards NGOs and the private sector. Lesotho's NGO sector receives external funding from diverse sources including the European Union, the United Nations Development Programme (UNDP), the German Development Service and the Danish Association for International Operations (MS). In 1995, the German Development Service contributed R36 000 to the Lesotho Council of Non-Governmental Organisations (LCN) for capacity building. In the same year, the MS-Lesotho provided an aid package of R531 331 to the LCN earmarked to strengthen its information unit for over four years (NGO Web-Khokanyana Phiri, 1995:7).

18. Aid to the NGOs has had an effect on the reduction of the bureaucratic power of the state under adjustment conditions in various ways. First, NGOs claim part of the external resources which were previously channelled solely to the state. Secondly, NGOs have taken up some social responsibilities, especially in education, health and disaster relief operations, where the state has failed to deliver. Thirdly, the NGOs have become an interest group that keeps state functionaries in check against abuse of power.

19. Various other fora of this nature had been organised previously under the coordination of the UNDP. Like the World Bank's Consultative Meetings, the UNDP roundtables bring together donors and policy-makers to consider Lesotho's development policy and identify areas that need donor support. During this latest forum donors pledged a total aid package of R800 million over three years which translates to an annual average of R267

million.

CHAPTER FOUR

LESOTHO HIGHLANDS WATER PROJECT: A CASE STUDY OF PROJECT-TIED AID

INTRODUCTION

Water is one of a few natural resources that Lesotho possesses. Its potential importance to the country's labour reserve economy is reflected in common reference to it as "white gold" (The Courier, 1984:18; Laurence, 1987:62). It is, therefore, not surprising that some commentators argue that "tapping the country's water resources could have an impact on the economy similar to that of exploitation of black gold elsewhere" (The Courier, 1984:18). The amount of water that the country has by far outstrips its current domestic consumption. Of the total capacity of is 150 cubic metres of water per second, less than 10% is utilised internally while the rest flows freely through river networks into different parts of South Africa (Financial Mail, 1988:16; The Courier, 1984:18). Official sources disclose that even beyond the year 2000, Lesotho's water demand is not likely to exceed 10% (The Courier, 1984:16).

The yet untangled paradox is whether this is really a case of a surplus resource or that of an untapped resource which is then perceived as surplus. Put differently, is the state of Lesotho's water resource one of non-use or overabundance? This study contends that it is both. Lesotho has abundant water, but a combination of poor policy vision and weak technological endowment has led to government inertia to tap this resource despite devastating droughts and dwindling agricultural produce.

In contrast to Lesotho's abundant water is South Africa's desperate water situation, particularly in the Pretoria-Witwatersrand-Vereeniging (PWV), now the Gauteng, region. This is the industrial heartland of the country where the industrial and mining activities are concentrated and naturally its water consumption is higher than other regions. Leistner reinforces this by arguing that this region "accounts for approximately 40 per cent of the country's GDP and about half of its total industrial output while 31 per cent of the total population...are living there, the significance of its economic well-being is obvious" (Africa Institute of South Africa Bulletin, 1984:113). The diminishing water supplies to this region were, therefore, bound to worry South African authorities since that may presage a rupture of the spinal cord of the entire economy. Lesotho's abundant and largely underutilised water was seen as a cheaper solution to this dilemma; hence the signing of the Lesotho Highlands Water Project treaty on October 24, 1986 between the two countries.

This Chapter examines the project within the context of the interface among state, aid and development - the overall theme of this study. Like the various agricultural projects before, this project is a state-centric enterprise which has not been conceived and executed in close consultation with ordinary people whose lives it has altered tremendously. The donor involvement and influence in the project is massive in view of Lesotho's meagre financial resources; as such donor visions (and South Africa's strategic interests) will determine its direction and destiny. Given the state-centric nature of the project and its being basically donor driven, what are its development potentials? This Chapter addresses these and other related questions. It provides an overview of the project and its implementation machinery. It discusses the funding of the project. The relationship of the project to state and development and the attendant politics thereof are highlighted.

LESOTHO HIGHLANDS WATER PROJECT: AN OVERVIEW

The Lesotho Highlands Water Project (LHWP) is the largest development project undertaking in the country's post-colonial history. It is also the biggest engineering enterprise in Africa (Gill, 1994: 43). Planned to evolve through four phases over a period of 30 years (The LHWP Treaty, 1986), the entire project will cost US$5.2 billion (African Development Bank, 1994:155; Gay et al, 1995:59). Lesotho's weak resource base has forced the country to seek large sums of aid and private loans from external and internal sources. It would be unrealistic for Lesotho to finance a "venture whose total cost is four times the nation's GNP" (Borger, 1986:30). All external loans are guaranteed by South Africa.

The Project has four stated objectives: to transfer water from the Senqu (Orange) River catchment area in Lesotho to the Gauteng region of South Africa, via the Vaal River basin; to generate hydro-electric power for Lesotho; to promote economic development in Lesotho through a multiplier effect; and to provide an opportunity for ancillary developments such as provision of water for irrigation and potable water supply (LHWP Treaty, 1986: 15;

GOL, 1988: 55; Tsikoane, 1991:110; Gill, 1994: 43).

With the declining aid flows and the political transformation in South Africa discussed in the foregoing chapter, the project is increasingly becoming a critical factor in Lesotho's bargaining with aid donors. More importantly, it has become the focus and channel of private loans and multilateral aid since 1988 when infrastructural work began as will be shown.

In view of the linkage between the Project and the economic adjustment programme, the centrality of the World Bank in this undertaking is of crucial importance (see Chapter Five). The Bank perceives the LHWP as the brightest investment opportunity in the country (World Bank, 1987: vi) with the potential to ameliorate poverty through increased revenue in the form of SACU receipts and royalties (World Bank, 1994a:87). Not surprisingly, most of the funds provided by the World Bank are tied to the IMF's and its own economic adjustment programme imposed on Lesotho in 1988. The project's other principal donors insist that Lesotho remains in good standing with these two institutions. This, in essence, means that for Lesotho to enjoy donor support for LHWP, she must carry on with the present economic adjustment programme (see Chapter Five).

The involvement of the World Bank as lead financier and the European Community (now European Union) as the coordinator of international funding for the project's hydro-electric component - Muela Hydropower station - led to an appreciable amount of confidence among donors who initially perceived the project as a South African sanction-busting device. The scale of donor involvement dwarfs government capacity to determine and influence the development impact of this scheme. Moreover, the unequal partnership of Lesotho and South Africa suggests that, perhaps, the project may benefit the latter at the expense of the former. South Africa needs Lesotho's water for its industrial heartland of the Gauteng region. Domestic sources that have supplied this region with water for consumption and industrial activity have diminished; and external sources had to be found. Lesotho's water constitutes one of the external sources that South Africa intends to tap. The areas that will benefit from the LHWP include: the whole of Transvaal, especially the Eastern Transvaal coal fields, the whole Gauteng region and the Rustenberg plutinum mining region; the Free State province, particularly its northern coal mines; and a small section of the Northern Cape (Financial Mail, 1988:7). Various local sources of water for South Africa's industrial heartland have proved less cost-effective than the Lesotho scheme. The Courier noted that:

> [w]ater could also be diverted from other areas of the Republic, such as from the Orange river or from the Upper Tugela Basin, but not only are the distances vastly greater, but, being at lower levels and therefore requiring energy-intensive pumping, the end product would be more costly. Lesotho water, on the other hand, is closer and, situated as it is at a higher altitude than the Vaal Basin, could flow by gravity (The Courier, 1984:18).

Besides the hydropower station envisaged by the Treaty, few benefits for Lesotho are evident as shall be shown. The project is, in fact, skewed more towards water transfer than building Lesotho's domestic resource base. Nevertheless, this is not surprising because, as Senaoana observes:

> ...the World Bank and other financing bodies insisted that loan funds could only be provided to Lesotho if the agreement to sell water to RSA was signed, this being a necessary condition for the viability of the project. Perhaps it was necessary to ensure the procurement of a constant and reliable water for South Africa on the one hand and to secure a viable market for Lesotho's water on the other (Senaoana, 1992:19).

The project will undoubtedly deepen Lesotho's vertical integration into the South African economy in a relationship characterised by a domination/subordination syndrome. While previously two main factors - migrant labour and SACU - have sustained Lesotho's economic integration with South Africa, water transfer has become the third integrative mechanism, despite the common belief in official circles that the LHWP will eradicate the country's dependence on electricity from South Africa.

CONCEPTION AND FINANCING OF THE LHWP

Despite their sour political relations, the governments of Lesotho and South Africa agreed to investigate the possibility and viability of a joint water scheme in the early 1980s. As a result, a feasibility study was undertaken during the period 1983-86. Strained relations between the two countries and international sanctions against South Africa, meant that a joint feasibility study was not possible. Investigations were divided into two parts "with each country's consultants investigating its...[own]... half, while reviewing the work of the other; eventually producing a joint report" (van Robbroeck, 1986:4). In this particular exercise, South Africa was represented by the Oliver Shand Consortium (OSC) Lesotho by the Lahmeyer MacDonald Consortium (LMC). The latter received a R5.6 million funding from the European Community (The Courier, 1984:18).

The World Bank also financed a team of consultants - Tippetts Abbett McCarthy and Stratton (TAMS) - whose task was to work out the technical aspects of the LMC study jointly with the Lesotho Highlands Project Unit of the Ministry of Water, Energy and Mining (Thoahlane and Turner, 1985:8; van Robbroeck, 1986:4). Stage 1 of the study, which lasted until February 1984, was focused on socio-economic and environmental factors that hamper implementation of the scheme. Stage 11 investigated technical aspects of the scheme such as engineering, design, costing, alternative schemes, the treaty and legal implications of the project (The Courier, 1984:19; Triebel, 1986:2). In 1986, the study concluded that the LHWP was both economically and technically feasible.

The signing of the treaty for implementation of the project was, however, delayed for a full year due to tense relations between Lesotho and South Africa. The South African government linked the signing of the treaty with an agreement between the two countries on a security pact similar to those it had struck with Swaziland (1981) and Mozambique (1984). On the August 29, 1984, P. W. Botha outlined this position at the Bloemfontein congress of the National Party by arguing that "South Africa found it difficult to consider the development of the Highlands Water Project because of Lesotho's insensitivity to South Africa's security needs" (Leistner, 1984:113).

Later during the same year, South Africa impounded a consignment of arms for Lesotho at its Durban harbour which was released after a lengthy diplomatic bargaining. Adding more pressure, the South African government attempted to unseat the Jonathan government by financing a more conservative party - Basotho Democratic Alliance - led by a former BNP right winger and Foreign Minister, C.D. Molapo, which had committed itself to signing a security pact and the water treaty; and closing Eastern bloc embassies in Maseru (Ajulu, 1995:13). Jonathan ducked these blows by manipulating the 1985 elections as argued earlier. The Jonathan government had hoped to turn the LHWP "into a telling economic and political bargaining chip" (Borger, 1986:30) towards its hostile neighbour.

With its options narrowing sharply and faced with Jonathan's intransigence on the issue of a security pact, the South African government launched a military raid in Maseru; closed the borders; and precipitated a military coup of January 1986. As shown earlier, it did not take long before the military junta signed a security pact with South Africa and consequently the LHWP treaty was signed without any qualms too. South Africa's security interests were safeguarded and as Southall argues

> the military's guarantee that it would link an ANC expulsion to the final agreement to go ahead with the LHWP - to which Pretoria attached massive importance - provided the crucial backcloth to the coup and the resumption of normal economic relations with South Africa (Southall, 1995:21).

The treaty was ultimately signed on the 24th October 1986; scarcely a year after the military coup which ousted Jonathan's BNP regime with the assistance of the South Africa government.

It is indisputed that:

> ... the project as now ... [constituted] ... threatens by its sheer scale to outstrip Lesotho's capacity to exploit its full economic potential, or even to control it, with serious consequences for the country's sovereignty (Borger, 1986:30).

The Treaty established three autonomous institutions which are responsible for the project implementation. The Lesotho Highlands Development Authority (LHDA) is a statutory body established by Order No. 23 of 1986, to undertake studies, design, construct, and maintain LHWP in Lesotho. It is headed by a Chief Executive who is appointed by the Minister of Water, Energy and Mining. It is run by a board of directors comprising the principal secretary of the Ministry of Water, Energy and Mining (who is also chairman of the board), the Chief Executive (who is an ex-officio member) and five other members appointed by the Minister on the basis of their managerial, financial and technical expertise (GOL, Order No.23, 1986).

The LHDA's counterpart in South Africa is the Trans-Caledon Tunnel Authority (TCTA) which was also established by the treaty to perform those tasks of the project situated in South Africa. It falls under the Department of Water Affairs in the Ministry of Energy and Water Affairs. It is constituted of consultants appointed by the minister responsible and a small staff complement (Financial Mail, 1988:21).

The Joint Permanent Technical Commission (JPTC) is the highest body that makes decisions on all critical aspects of the Project and resolves disputes that arise during the project implementation. It monitors operations of the LHDA and TCTA and also ratifies appointment of their professional and managerial staff. It comprises six delegates; three from each country. Delegates are appointed by their respective governments. The leader of the South African delegation is Mr Theo van Robbroeck, who is also the deputy director-general of the Department of Water Affairs. The Lesotho delegation is led by Mr. R. T. Mochebelele, formerly the Principal Secretary in the Ministry of Agriculture.

The construction of the entire project, which started in earnest on the 1st February 1991, is estimated to take 30 years; and the completion date is set for 2021 (Mehloli-Sources, First Quarter 1991:18, Mehloli-Sources, second Quarter 1990:13). The project is divided into four phases as follows:

* phase 1A focuses on the construction of the Katse Reservoir and the Muela Hydro-electric power station during the period 1991-1996; phase 1B is involves the construction of the Matsoku Weir and the Mohale Reservoir which are expected to be completed by 2003 and 2004 respectively;

* phase II will be focused on the construction of the Mashai Reservoir whose completion is set for 2008;

* during phase III, the Tsoelike Reservoir will be constructed and completed in 2017; and

* construction of the Ntoahae Reservoir which is to be completed by 2020 will form Phase IV and the last component of the LHWP (Mehloli-Sources, Second Quarter, 1993:20).

When completed, Lesotho will provide South Africa with water at a velocity of 70 cubic meters per second and at a fixed price. The exact price of this water and the formula used to derive it still remain obscure. The benefits of the Project will be shared on the basis of a 56:44 ratio in favour of Lesotho (van Robbroeck, 1986:11). The earlier feasibility studies established that the cost advantage of Lesotho's water as compared with water from various sources in South Africa itself would be R90 million annually (The Courier, 1984:18). It was decided that this differential be shared on the basis of the above ratio. It is the 56% of this differential that forms royalties accruing to Lesotho from the project.

Phase 1A commenced in 1988 "with works on detailed engineering designs, construction of access roads, residential areas and power transmission lines" (Gill, 1994:43). Construction of the Katse Dam which is the main reservoir for water transfer to South Africa and diversion of water to the Muela Hydro-electric power station is the main task for Phase 1A. This operation started in 1991. Equally important is the construction of the Muela Hydropower station aimed at reducing Lesotho's energy import bill from South Africa's Electricity Supply Commission (ESKOM) (see Mehloli-Sources, Fourth Quarter, 1991:20-21). Work on the hydropower station started in 1993. Work on the Katse and Muela sites includes construction of a network of water delivery tunnels namely: the Muela-Ash River tunnel estimated at 37 km (Mehloli-Sources, First Quarter, 1991:18) and the 45 km long Katse-Muela dam tunnel (Mehloli-Sources, First Quarter, 1991:18). Once phase 1A is completed, "26 per cent of the scheme's total envisaged water delivery [would] be available to the Vaal region" (African Development Bank, 1994:195).

Like they did with other donor-funded projects in Lesotho, South African contractors took advantage of business opportunities presented by the LHWP. As part of advertising the project to South African companies, The Financial Mail published a 52-paged supplement in May 1988. These document presented a detailed description of the project; its economic implications for Lesotho and South Africa; the role of South African companies including banks and insurances, earthmoving and construction companies; consulting firms; civil engineering and catering firms (Financial Mail, 1998).

The Financial Mail rang the bell for the South African business exactly during the same year that infrastructural developments for the LHWP began. Initially two major factors worried South African companies: the technological demands of the project and international competition. The Financial Mail was unequivocal that tendering for construction contracts would

> add a new dimension to transport and construction expertise in SA and while local firms believe they will be able to cope with the international competition for lucrative contracts generated by the scheme, it is also likely that the sheer scale of the scheme is likely to see the introduction of civil engineering and construction techniques not seen in the region before (Financial Mail, 1988:8).

It came as a relief that at least 50% of design work was entrusted to South African consulting engineers (van Robbroeck, 1986:12).

South Africa's LTA Earthworks Limited was "awarded a R7.7 million contract for the final geotechnical investigations at the Katse Dam site and along the transfer and delivery tunnels which will bring the water to SA" (Financial Mail, 1988:36). LTA also received another contract for the building of water transfer tunnels along with Spie Batignolles (France) - lead company -, Balfour Beatty (UK), Campenon Bernard (France) and Zublin (Germany). The total cost of this joint contract was R858 million (Mehloli-Sources, 1990:4). Two other South African companies - Concor and Group 5 - won contracts for the construction of the Katse dam in a joint contract with Impregilo (Italy) - lead company - Hotchtief (Germany), Kier (UK) and Stirling (UK) at the total value of R793 million (Mehloli-Sources, 1990:4).

PROJECT FUNDING

According to the Treaty, South Africa is responsible for all costs related to water transfer and also guarantees all loans incurred by Lesotho for the project. Lesotho is responsible for costs related to the Hydro-power station and other ancillary developments inside its borders. Fund-raising for the project is undertaken by the TCTA and LHDA for different components of the project and the ultimate overseer of this process is the JPTC. Securing funding for the LHWP became a cumbersome exercise initially. Paramount among various factors for this was donors' attitude towards South Africa's involvement which was influenced by the international clamour for economic sanctions against apartheid.

Donors were reluctant to establish direct and overt economic relations with South Africa; this affected external funding at the early stages. To circumvent this a trustee in London acted as an intermediary between donors and South Africa. All loans which are the responsibility of South Africa were guaranteed through this Trust Guarantee Structure which eliminated direct contact between Republic of South Africa and lenders. With the recent political changes in South Africa, lenders are prepared to accept guarantee from South Africa; and this has eased the situation tremendously. Additionally, political change in South Africa has allowed countries like Sweden to consider funding requests for the Muela Hydropower station now that the apartheid cloud that hovered over the Project has cleared.

It took five years to raise funds for phase 1A (Mehloli-Sources, 1992:3) whose total cost is estimated at US$2.415 million (The Economist Intelligence Unit, 1994:39). The bulk of financial assistance during this phase came from South African sources. According to Mr Tseko Bohloa, the Treasury manager of the LHDA, 57% of the total cost of phase 1a was raised largely from South African commercial banks and 19% from official channels in South Africa; the rest came from international sources (The Economist Intelligence Unit, 1994:40). The LHDA received commercial loans totalling R740 million from Nedbank, Rand Merchant Bank/Volkskas Merchant Bank in 1990 (Mehloli-Sources, 1990:4) and a further

R1,5 billion was provided by a consortium of Standard Bank of South Africa and First National Bank in November 1992 (Mehloli-Sources, 1991:4).

Key international donors for concessionary finance are the World Bank (lead financier); the European Union; United Nations Development Programme; Commonwealth Development Corporation and African Development Bank. In September 1991, the World Bank provided a soft loan totalling US$110 million for consultancy and environmental work (World Bank, 1994b:8; African Development Bank, 1994:155). In October 1991, various donors pledged to finance the M860 million Hydropower station. The European Economic Community (EEC), the European Investment Bank (EIB), the African Development Bank (ADB) and the African Development Corporation (ADC) agreed to finance all civil works of the station (Mehloli-Sources, Fourth Quarter, 1993:13). The EIB and ADB provided funding of about R318 million and the Development Bank of Southern Africa released a loan of R45 million for the station (Mehloli-Sources, Fourth Quarter, 1993:13-4). The European Union has financed various components of the Muela Hydroelectric Station with the total amount of about R202 million (European Community, 1992). The Lesotho Bank recently advanced a loan of R200 million to the LHDA for the construction of the Muela Hydro-power station (Mehloli-Sources, 1995:6).

What does all this investment mean for the Lesotho economy and society? Some argue that it will boost the economy and improve the general social welfare of the affected population. This is referred to as the qualitative approach and is well represented in government institutions and among the South African business community. Donors also espouse this perspective. It emphasises monetary returns of the project to the Lesotho state and views the project in technocratic terms. In this state-centric mode of thinking, the politico-strategic interests around the project are simply jettisoned.

Others raise the argument that the LHWP addresses South Africa's development and strategic needs than it does to Lesotho's. This deepens the latter's dependence status on the former rather enhance domestic development capacity. Adopting a qualitative approach, the critics further question the capability of the project to address the socio-economic problems of the affected population. Instead of focusing on monetary returns, this approach concerns itself with the socio-economic meaning of the project for the lives of Basotho not the revenue that accrues to the state. It is, thus, not state-centred. It is to this debate that the next section now turns.

THE SOCIO-ECONOMIC IMPACT OF THE PROJECT

The impact of LHWP on Lesotho's economy and society will be tremendous. Some of the effects of the project are already been felt by the communities adjacent to the project. It is argued by some that the LHWP will trigger economic development and its benefits will trickle down to the poor (World Bank, 1987; World Bank, 1994b). The quantitative approach espoused by the LHWP implementing institutions, the business and donor community as well as the governments of Lesotho and South Africa perceives

LHWP as an enterprise that opens various economic opportunities for Lesotho. The costs of the project to the country's socio-economic fabric, though acknowledged, are seen as either insignificant or of an ephemeral nature. The identified benefits of the project include the following:

ROYALTIES: these will accrue to Lesotho from the overall net benefit of the project - the differential between the Lesotho scheme and alternative sources of water inside South Africa itself - which will be shared on a fixed ratio of 56% (Lesotho) and 44% (South Africa). Through this source, Lesotho will earn some R202 million per annum (Leistner, 1995:59) over a fifty-year period which will be deposited into a special Fund established with the Central Bank of Lesotho. This special Fund "will be used specifically to finance developmental projects that will ensure that the benefits of the scheme filter down to the lowest levels of society" (Mehloli-Sources, Fourth Quarter, 1992:4). It is argued that royalties "will represent a significant contribution to overall government revenue" (Mehloli-Sources, Quarter 1990:17).

INFRASTRUCTURE: it is argued that due to the LHWP, physical infrastructure in the mountain areas adjacent to the project will be improved. These include access roads, power supply, telecommunications; and these will facilitate easy delivery of services to the countryside (The Courier, 1984:20). Furthermore, "This infrastructure will increase the absorptive capacity of these regions for future development activities" (Mehloli-Sources, First Quarter 1990:17). The costs of infrastructural development relating to Water Transfer is the responsibility of South Africa and that for the Hydropower Station is Lesotho's.

<u>EMPLOYMENT</u>: the employment opportunities for the local communities are perceived as a crucial contribution of the project given Lesotho's acute employment crisis. In 1985, Thoahlane and Turner noted that "because so many thousands of Basotho men are skilled mine workers, they would be easily employable in the tunnelling and construction works ..." (Thoahlane and Turner, 1985:27). Seven years later, the project had employed about 3 965 (Mehloli-Sources, Third Quarter, 1992:7) unskilled labourers and it was estimated that by the time the construction of Phase 1A is fully under way, this would increase to 6 500 (Mehloli-Sources, First Quarter, 1990:18). This labour is employed largely by the construction companies and is predominantly male. Females are employed mainly as domestic labour by the project staff, and in 1993 seventy women were employed after undergoing a preliminary course on home economics sponsored by the Kelloggs Foundation (Mehloli-Sources, Fourth Quarter, 1993:2).

<u>SELF-SUFFICIENCY IN ELECTRICITY</u>: it is assumed that the Muela Hydropower station will lead to self-sufficiency in electricity for Lesotho (Leistner, 1995:59; Mehloli-Sources, Fourth Quarter, 1991:20-21). This will reduce Lesotho's total dependence on energy supply from South Africa. The LHDA notes that "Lesotho imports 98% of its electricity needs from South Africa. The generation of hydroelectric power is therefore seen as the most viable future source of electricity for the country" (Mehloli-

Sources, 1990:2). It is estimated that Lesotho will save about M16 million on energy import bill by the first year of the operation of the hydropower station which will rise to M40 million by the year 2008 and finally M49 million by the year 2045 (Mehloli-Sources, Fourth Quarter, 1991:21). The possibility of energy sales to South Africa in the future is also anticipated (Mehloli-Sources, Fourth Quarter, 1991:20-21).

BOOST TO TOURISM: it is further argued that the project will have a positive multiplier effect on the country's underexploited tourist sector. Leistner argues that "[t]he new roads will make the highlands more accessible to their inhabitants and will encourage tourism to this scenically beautiful area by offering facilities for winter as well as water sports and other forms of recreation" (Leistner, 1995:59). A boost to tourism will earn Lesotho the most needed foreign exchange. There is also an assumption that tourist development could have the effect of arresting the perennial rural-urban migration (Mehloli-Sources, Fourth Quarter, 1992:15). This perception assumes that improvement of rural social services and provision of employment will deter rural-urban migration.

In contrast, critics of the project argue that it may be costly to Lesotho in more ways than one. They question the assumed profundity of the above-mentioned benefits. If the experience of the earlier aid-funded development projects is anything to go by, there is no guarantee that royalties accruing from this project will be ploughed back in rural development in order to assist the affected rural communities. Corruption and personal enrichment that featured in earlier projects cast doubt at the extent to which royalties will contribute to economic development (see Chapter Three). In light of this, the project is seen as more of a "windfall for the state ...[offering] few obvious opportunities to the citizenry" (Whann, 1992:30).

The 1986 feasibility study recommended that local populations should be granted priority to employment opportunities opened up by the project (Thoahlane and Turner, 1985:27). Contrary to this, there is evidence that "contracts between South African construction companies and the LHDA secretly permit those companies to import their own skilled workers, instead of employing Basotho workers from the project area" (Whann, 1992:36). Given the magnitude of the employment crisis; the on-going retrenchment of Basotho miners (see Chapter Two) and capital intensive nature of the project, minimal employment that has occurred is more of a palliative than a long-term solution.

Even the claims that the Muela Hydropower station will not only lead to self-sufficiency, but also possible export of energy to South Africa may be exaggerated particularly in view of recent suggestions for the establishment of a regional electricity grid which would control supply and demand and standardise tariffs. To achieve this, the SADC heads of state signed the Southern African Power Pool Memorandum of Understanding clearing the way for a regional grid (Weekly Mail and Guardian, September 1-7, 1995; SADC Communique, 28th August 1995). A couple of years ago, Chipeta and Davies observed that:

> [s]uch a grid would essentially be a transmission system linking a number of primary generation projects and consumers in several countries. It would require establishing a multi-lateral power authority and tariff-setting agency, which would relate to power companies in individual countries on a contractual basis both buying and selling power to them (Chipeta and Davies, 1993:56).

Since there was no national debate on the LHWP before implementation, the directly affected local populations, whose land has been reclaimed for the project, bargained from a position of ignorance and weakness. For instance compensation for households affected by the construction phase of the LHWP was only formalised and made public in 1989, two years after the commencement of road construction (see LHDA Memorandum on Compensation Policy, 15 January 1989). This underlines the secrecy with which the LHWP is couched and the extent to which it has been insulated from public scrutiny. This tendency further reinforces the powerlessness, and marginality of the affected communities vis-a-vis the project. The compensation policy which was formalised in 1989, was only legalised in 1990 through Government Gazette No.33 (see Lesotho Highlands Water Project Compensation Regulation, 1990).

Large areas of land will be claimed by the project and the local communities stand to lose in this regard. It is estimated that about 1040 hectares of farm land and 1491 hectares of range land will be lost. "This means that the valuable food-producing land will be lost, and food supply and income from sale of animals will be affected. Animal grazing will be reduced and this will particularly affect herdboys" (Gay et al, 1995:61). Compensation for affected communities is as follows:

* grain (white maize) for households who lost farm land. This compensation is planned to cover a 15-year period over which those who lost field would have, presumably, found an alternative means of livelihood;

* fodder payment for loss of grazing land for a period of 5 years;

* cash payments for those people who lost less than 1000 sq metres of land;

* replacement of individually owned trees demolished during project works by five seedlings of the same or another acceptable species per tree; and

* replacement housing for those whose houses have been demolished for project purposes (Mehloli-Sources, Fourth Quarter, 1991:18; see also Lesotho Highlands Water Project Compensation Regulation, 1990; Memorandum on Compensation Policy, 1989).

There is no doubt that the LHWP has considerably changed the life patterns of the affected communities in the vicinity of the project. Besides personal trauma associated with resettlement, loss of grazing and farm land, the project may deepen economic marginalisation of affected households. Thoahlane and Turner argue that

> [h]ardly any household in Lesotho can claim to gain all their subsistence from the land, but farming remains an essential component of subsistence for most of them. This is particularly true of mountain communities, where arable land and grazing sectors remain more robust and their contribution to household survival is more significant than in the rapidly urbanising lowlands (Thoahlane and Turner, 1985:12).

Like the earlier aid-funded projects, therefore, the benefits of the LHWP may not trickle down to the poorer communities. Revenue from the project will enhance the economic power of the state class. Even the much vaunted electrification associated with the Muela Hydropower may only become a windfall for the elite. This is a characteristic feature of most large-scale water schemes throughout the world (Tsikoane, 1991). Madeley opines that "large hydro-electric schemes, 'official-aid agencies' favourites, which flood people out of their homes benefit the better off who can afford the electricity the schemes generate but can be a disaster for the poorest" (Madeley, 1991:10).

The above discussion suggests that the LHWP should be viewed not just as a technocratic economic enterprise devoid of political and predatory ambitions of powerful actors. Internally, the project represents the continuing attempt by the stateclass to expand its base of accumulation. Its external linkage is cloaked in a complex political matrix which borders on the country's sovereignty and its viability as an autonomous nation-state. It is to these regional and domestic politics of the LHWP that the next two sections turn their focus.

LHWP AND SOUTH AFRICA'S REGIONAL STRATEGY

Since the 1970s - until 1986 - the Lesotho-South Africa relations were driven by two diametrically opposed world views, the epicentre of which was apartheid. South Africa's minority regime perceived its relations with its neighbours - Lesotho included - as an extension of its domestic policy of defending apartheid through coercion and cooption of its opponents. Hostile neighbours were subjected to various forms of destabilisation[1] while those seen to be compliant to South Africa's hegemonic dictates were accorded economic and political support (Vale, 1992). This assumed the status of official policy in 1977 under the rubric of a overall strategy codenamed "Total National Strategy (TNS)"[2].

One of the objectives[3] of this strategy was to deepen economic dependence of neighbouring states on South Africa. This would ensure South Africa's hegemonic hold over the region. Besides, "The stronger the economic ties with South Africa, perhaps the lesser the chances of their supporting sanctions. Black states could, in other words, shield South Africa from mandatory economic sanctions" (Geldenhuys, cited in Davies, 1990:189). This was envisaged within a broader strategy of establishing a Constellation of Southern African States (CONSAS) which would involve conservative states - including Lesotho - in an economic union with South Africa[4]. "CONSAS as originally conceived never took off. ...[this]... led South Africa to opt for an "inner" constellation comprising itself and the bantustans" (Matlosa, 1994c:12).

Despite the failure of the larger regional CONSAS, South Africa still pursued its agenda of regional economic dominance. One strategy adopted to achieve this was that of bilateral economic projects with the neighbouring states[5]. The LHWP is one such project. The Development Bank of Southern Africa (DBSA) - which was established in the early 1980s as a key institution for the implementation of CONSAS - has played a critical role in this project; it is one of the major financiers of the LHWP (also see Tsikoane, 1991).

The LHWP was, therefore, basically meant to serve the strategic interests of apartheid both at economic and security levels. South Africa needs water from Lesotho, as demonstrated earlier. But the project also featured prominently when South Africa pressured Lesotho's military regime to expel ANC refugees in 1986. Expressing the strategic vision of South Africa behind the LHWP, Leistner avers that:

> South Africa's neighbours appreciate increasingly that respect for South Africa's security needs are a **conditio sine qua non** for their own welfare. This is reflected in their attitude regarding support for the ANC.... Recent developments in the negotiations on the Lesotho Water Scheme showed that Lesotho also understands that the South African government places security above economic benefit (Leistner, cited in Matlosa, 1994c:15).

Though South Africa precipitated the 1986 military coup in Lesotho, the signing of the LHWP in the same year, solidified the warm relations between Pretoria and Maseru. It is tempting to conclude that this situation has compromised Lesotho's sovereignty. South Africa's political suzerainty over Lesotho increased tremendously. These manifested itself in various ways including close collaboration between security and intelligence units of both countries and expulsion of South African refugees from Lesotho; the contribution of large modern hospital by South Africa in one of the military barracks, staffed by South African doctors and for exclusive use of military personnel (New African, 1989); exchange of trade missions which later graduated into fully - fledged diplomatic relations (Tsikoane, 1991:118). This trend explains in part why the project was not presented to the nation for debate before the signing of the Treaty. South Africa's strategic interests were paramount over the views of Basotho on the project.

Both Lesotho and South Africa have undergone far-reaching political changes since the early 1990s. The former held a democratic election that replaced the military junta with a civilian government in 1993. The latter experienced a political transformation which triggered the demise of apartheid when the 1994 elections established an ANC-led government of national unity. Since the regimes that signed the LHWP Treaty in 1986 lacked the necessary legitimacy and moral title to rule, it is in order that the present democratically constituted governments in both countries review the role of this project anew. This should encompass a national debate so that Basotho's views on the project are taken into cognizance (Tsikoane, 1991). Renegotiation of the LHWP Treaty should address issues such as security, amount of water to be sold and the price thereof and royalties. "New negotiations would be necessary before embarking on phases 2 to 4" (Chipeta and Davies, 1993:57). For its part, the ANC made it publicly clear in 1992, that "if a future democratic government were to be presented with a reasonable case to re-open negotiations on the Lesotho Highlands Water Project, we believe that this will be considered" (Africa South, cited in Chipeta and Davies, 1993: 57). The new BCP government has not indicated desire to propose a renegotiation of the LHWP with the South African government. During his state visit to Lesotho in July 1995, the South African President, Nelson Mandela, emphasised the importance of the LHWP for both countries in all his public statements, but did not disclose any efforts towards renegotiating the terms of the treaty. Of course, he would not do so without proposals from the BCP government and prior bilateral discussions on this matter.

LHWP AND DOMESTIC POLITICS

As shown in Chapter Two, the Lesotho Defence Force seized power through a bloodless military coup in 1986. Immediately after, the regime stymied political activity and debate by promulgating Order No. 4 (see Chapter Two). Confronted by severe legitimacy crisis, it ruled by decrees and repression. It was not accountable to the populace, for its power derived from the 'bullet' not the 'ballot'. Policy-making became the sole prerogative of the junta; and accountability, transparency and popular participation were jettisoned. This deepened its legitimacy crisis.

The regime did not introduce fundamental policy shifts vis-a-vis economic growth bar two: the Lesotho Highlands Water Project

(1986) and the Structural Adjustment Programme (1988). Both were conceived by the regime with external actors and backers; and ultimately presented to the nation as a **fait accompli**. Despite the strong interface between the project and the adjustment programme, discussion in this Chapter is confined to the former and the latter is the subject-matter of Chapter Five.

Lack of prior public debate has triggered a hostile and/or suspicious attitude amongst most Basotho (especially those directly affected) towards the project (see Thoahlane and Turner, 1985). It is generally seen as an imposed project which will serve primarily the interests of powerful external forces, particularly South Africa. It is from this perspective that Chief Makhaola Nkau Lerotholi argues that the project is tantamount to a surrender of national sovereignty (Tsikoane, 1991:122). He derives this conclusion from his contention that:

> in real terms...the project is not designed as an integral part of Lesotho's industrial infrastructure and development strategy, but for South Africa's advanced industrial base whose needs are accorded a preferential priority in the use of water resources at issue. The Treaty accords Lesotho's development...a lower priority...equivalent to spin-offs that may or may not be realised subject to the delivery of (specified) quantities...which are envisaged to expand with time (cited in Tsikoane, 1991:122).

Viewed from this angle, the benefits associated with the project are, therefore, considered insignificant, for they will serve the interests of external forces and the political elite. The poor will still remain poor. Over and above, Lesotho's development problems will also remain since the project is not horizontally integrated within the domestic economy through forward and backward linkages. Instead, it is vertically integrated into the South African economy and reinforces the country's external dependence.

During the 1993 election campaign, the BCP committed itself to a review of the LHWP Treaty (BCP, 1993). But the BCP government has so far not begun that process. Neither has it alerted the South African government of its desire to re-open the project for negotiation. Two likely explanations for this delay are: first, the pervading government inertia towards devising a viable economic development programme in view of global and regional changes; and secondly, its pre-occupation with political instability in the country since it assumed office.

CONCLUSION

The LHWP is critical for Lesotho's continued dependence on aid given the current global and regional changes. But its development potential remains a moot point. Besides, the politics surrounding the project has had an adverse impact before the questioning public. When the Treaty establishing the LHWP was signed, South Africa and Lesotho were under unpopular authoritarian regimes. That in part explains why the project was imposed on Basotho without prior consultations and public debate. Now that both countries have regained democratic rule, it is imperative that this project be renegotiated. In that process, the developmental aspects of the project should be strengthened; and its security aspects straightened. Public debate should form an essential part of this renegotiation process.

END NOTES

1. During the late 1970s, South Africa devised a broad regional strategy which was aimed at constructing an anti-marxist alliance with moderate neighbouring states in which it would play a pivotal role. This alliance could not be formalised due to South Africa's unsavoury apartheid policies to which a majority of its neighbours were opposed (Davies and O'Meara, 1990:187). Those countries which cooperated with the apartheid government - such as Malawi and Swaziland - were given economic and other incentives from South Africa. Socialist-inclined states - particularly Angola and Mozambique - were targeted for economic, political and military destabilisation. Selective destabilisation was also exerted against those states critical of apartheid and supportive of the liberation movement such as Botswana, Zimbabwe and Lesotho.

2. As part of its destabilisation strategy, the South African government conceived the Total National Strategy (TNS) which became an overall philosophy that underpinned both domestic and regional policy in 1977. This strategy called for the mobilisation of economic, political and military resources to defend the interests of the apartheid state (Davies and O'Meara, 1990:186). TNS became official state policy after P.W. Botha assumed state power in 1978. Its architects saw it as a strategic response to a perceived communist-orchestrated 'total onslaught' aimed at a revolutionary overthrow of the government and its replacement by the ANC.

3. Five stated objectives of TNS were to force neighbouring states to expel the ANC from their territories; ensure that the Soviet-bloc powers do not gain a strategic stronghold in the region; thwart attempts by regional states to lessen their economic dependence on South Africa; dissuade neighbouring states from supporting sanctions against South Africa; and exhort these states to moderate their criticism of apartheid (Davies and O'Meara, 1990:188-89).

4. The Constellation of Southern African States (CONSAS) was the economic arm of TNS. It aimed at forging economic cooperation between South Africa and the neighbouring states. It was formally announced by P.W.Botha in 1979. It meant to reinforce South Africa's regional political and military strategy. But CONSAS failed to take off as originally planned. Most regional states were not prepared to participate, and their rejection was sealed by the formation of the Southern African Development Coordination Conference in 1980 which not only excluded South Africa , but was antagonistic to it. CONSAS was then formally confined to economic cooperation between South Africa and its 'independent homelands' of Transkei, Bophuthatswana, Venda and Ciskei (Matlosa, 1994c:12-13).

5. Two of these are the Cahora Bassa hydro-power scheme in Mozambique and the Soda Ash project in Botswana.

CHAPTER FIVE

AID AND THE CHALLENGES OF ECONOMIC ADJUSTMENT

INTRODUCTION

Chapter One presented a conceptual and policy framework within which adjustment programmes are undertaken. Economic adjustment has become a quintessential component of pubic policy in Africa since the 1980s. This Chapter seeks to explain the socio-economic and political ramifications of the adjustment programme in Lesotho. It argues that while Lesotho's adjustment bears commonalities with other African countries, it has distinct features. For instance, Lesotho's conditionality package does not include currency devaluation; its currency is pegged on a one-to-one exchange with the South African Rand. More importantly, unlike other African states, Lesotho was not driven to the adjustment programme as a result of unmanageable external debt crisis. It was, however, domestic economic decline and the need for external assistance which drove Lesotho towards adjustment. The socio-economic and political implications of this policy are weaved into the following interpretation.

THE PRELUDE TO ADJUSTMENT

As we have seen, Lesotho's economic performance in the 1980s was marked by a deepening crisis. Agricultural production was in decline owing to a variety of factors (see Chapter Two). This trend was exacerbated by the devastating drought of the early 1980s[1]. While industrial performance, especially manufacturing sector, was characterised by positive growth, few jobs were created. The deepening economic crisis increased Lesotho's dependence on external resources: these included migrant remittances, customs union receipts and foreign aid. By the mid-1980s, however, migrant remittances were experiencing fluctuations as a result of changing labour policies by South Africa's mining houses (see Chapter Two). Though the SACU revenue pool was critical for Lesotho, its permanence was in question: South Africa had already raised concerns that it was paying too much to the BLS countries. Suggestions of an enlarged SACU that will include other states such as Zimbabwe, Malawi, Zambia and Mozambique have since surfaced (Chipeta and Davies, 1993). More seriously, foreign aid had begun to slow down due to 'donor fatigue' (see Chapter Three), and the uncertain political situation that had helped to precipitate the military coup of 1986 (see Chapter Two). Taken together, these processes meant that Lesotho's external sources of funding were either diminishing or could not be sustained over the longer term. Alternative sources of capital formation had to be found: Lesotho turned to the IMF and the World Bank.

Unlike other African states, Lesotho was not forced to adopt IMF/World Bank economic adjustment due to an overwhelming and unmanageable external debt burden and debt servicing[2]. As Chapter Three suggests, much of Lesotho's external funding since independence had a high grant equivalent. In 1988, Lesotho's external debt was estimated at R626.8 million[3]. The argument of a 'debt trap', therefore, which applied in the cases of other African states, cannot be used to describe Lesotho's economic crisis. Indeed, in 1990, the IMF praised Lesotho for its "excellent" record of meeting its debt obligations (IMF, 1990).

Lesotho's problem remained, however, the question of diminishing external resources in the face of domestic structural crisis. To overcome this, Lesotho needed concessional external finance for a variety of projects, particularly the Lesotho Highlands Water Project (Matlosa, 1990:20-25; Matlosa, 1991:14). In 1994, the World Bank declared that "a crucial aspect of Lesotho's economy and the Bank's engagement in that country is the Lesotho Highlands Water Project" (World Bank, 1994:15). This emphasised the interface between this project and the country's domestic adjustment programme. Additionally, the Bank's involvement in the project, particularly its loan of US$110 million, served as a catalyst for both multilateral and bilateral funding. Additional external funding for LHWP, and perhaps for any other major development programme in the late 1980s, would not be possible without the government committing itself to economic adjustment. This was a critical policy shift which was necessitated by the government's desire to acquire the IMF imprimatur to access external funding (Courier, 1988:67).

Given its almost total integration in the South African economy, questions have been raised about Lesotho's ability to adjust unilaterally (Neocosmos, 1993:134). Lesotho has no economy of its own: it is a labour reserve which is structurally and functionally bound together to the South African economy just like the former homelands of Transkei, Bophuthatswana, Venda and Ciskei. Its relation with the South African economy, therefore, is characterised by a domination/subordination syndrome. Interestingly, in the IMF/World Bank scheme of things, Lesotho has a national economy presumably distinct from the South African economy. "Lesotho ... [is] ... taken to constitute a natural economic unit, responsive to national economic planning, and entering into relations with South Africa only as one economy with another" (Ferguson, 1991:62). This dualist approach is not helpful for Lesotho is part and parcel of the South African economy (see Ferguson and Chapter Two above).

LESOTHO'S ECONOMIC ADJUSTMENT

The first phase of Lesotho's adaption was a three-year Structural Adjustment Facility (SAF) for the period 1988/89-1990/91[4]; the second phase - the Enhanced Structural Adjustment Facility (ESAF) - was implemented during 1991/92 - 1993/94[5]. The former was oriented towards short-term financial stabilisation; the latter focused on long-term structural adjustment and aimed at:

> consolidating the socio-economic gains made under the previous structural adjustment facility (SAF) arrangement, diversifying and expanding the productive and export base, privatising selected public sector enterprises, and achieving balance of payment viability (IMF, 1992:1).

Put differently, fiscal policy reform was married to institutional and structural reform.

A third phase which covers the period 1994/95-1996/7[6] aims at deepening and consolidating policies pursued under ESAF. Here the focus is on "macro-economic stability ...[and an]... ambitious program of structural reform" (PFP, 1994:1). Although privatisation has been part of the entire exercise, it features strongest in the current phase.

STABILISATION POLICIES AND THEIR IMPLICATIONS

Since the beginning, the programme has emphasised a variety of stabilisation policy measures which have aimed to expand the government's revenue base and constrain public expenditure. These measures would, in turn, curtail the government's budget deficit which in 1989 was estimated at R136 million (IMF, 1989:4). They would also reduce the external debt and equalise the balance of payment. These measures took the form of fiscal and monetary reforms; most implemented under SAF.

The policy measures which were adopted can be grouped in two interlinked categories: tax reform, and the introduction and increases in service charges. The former has aimed to expand the government's tax base and increase public revenue. This has evolved through a multifaceted strategy which has rationalised income tax bands and simplified tax reductions. The tax conditions for foreign investors were also changed: a 12-year tax holiday was replaced by 15% tax with no allowances. Additional proposals included the incorporation of the informal sector entrepreneurs into the 'tax net' and introduction of personal income tax on Basotho miners working in South Africa (IMF, 1990).

The increases in service charges had other objectives besides revenue-raising for the government. The most important, albeit unstated goal, was to reduce state involvement in the provision of services, these would then be provided by the private sector. Traders' licence fees increased by an average of 214%; Grazing fees for livestock owners were introduced; Cost recovery on utilities and social services were increased; and recruitment levy of R100 per head payable by the Basotho Mineworkers was proposed.

Delays in the implementation of this package during the first year, led to the placement of IMF technical experts in strategic ministries and departments in 1989/90. An advisor to the Governor of the Central Bank of Lesotho was appointed and a General Manager and a Banking Supervisor were also placed in this crucial state institution (IMF, 1990). In addition, a Fiscal Advisor was appointed to the Ministry of Finance (IMF, 1990). Satisfied with the performance which was directly overseen by its own staff, the Fund concluded that "Lesotho...[had]... generally maintained a satisfactory track record in programme implementation" (IMF, 1992:1). This necessary compliment enabled Lesotho to accede to ESAF, the second phase of the programme.

Although circumstances that drove Lesotho to adopt adjustment were distinct from those in other African states, the societal impact of the programme is similar to those experienced elsewhere. The focus on public expenditure cuts and revenue raising led to a lack of attention, either by default or by design, of their social dimensions. As elsewhere, the poorest social strata of the society were hardest hit, while the economic power of the <u>nouveau riches</u> social groups was strengthened.

Through a case study of Uganda, Mamdani points out that:

> the strategic objective of the IMF stabilisation policies is to put the power to define social priorities into the hands of the dominant agents on the market, the Mafutamingi..... It means, in a nutshell, accepting the priorities of the Mafutamingi stratum as those of the society as a whole (Mamdani, 1990:446-8).

In Lesotho double taxation - introduction of recruitment levy and income tax - on Basotho mineworkers in South Africa was deeply discriminatory. Already taxed in South Africa under its own tax laws, the net income of the thousands of Basotho households were programmed to plunge drastically. Although favoured by the World Bank, the Lesotho government was reluctant to implement such a deeply discriminatory policy. As a result it opened negotiations with South Africa on the possibility of tax relief for Basotho miners. South Africa has been reluctant to accede and at the time of writing the issue remains in abeyance. The Lesotho government, therefore, faces a dilemma of to how to proceed implementing this fiscal benchmark also because it is a sensitive political issue[7].

On the question of the recruitment levy, the IMF position was quite clear:

> The Lesotho government will impose a recruitment levy of R100 per head payable by the Basotho miners at the time of the signing of their employment contracts. This levy will be in addition to the existing attestation fee of R10.15 which is initially paid by the Employment Bureau of Africa (TEBA) at the time of recruitment of the miners and subsequently recovered from the mining companies. The recruitment levy is to be paid by the miners whose capacity to do so has been improved by the reduction in the amount set aside in the Miners' Deferred Pay Fund from 60 percent to 30 percent and the recent upward revision on interest rates paid in this fund from 6 percent to 13 percent (IMF, 1992:6).

Given the country's high dependency on South African mines for jobs creation, the policy of using this particular base to raise revenue transmits hardship deep into the countryside to the classes which are most vulnerable. The retrenchment of miners, declining agricultural performance and domestic unemployment exacerbate this problem. A strategy which takes cognizance of the structural weaknesses of the Lesotho economy needs to focus more on ways to accommodate returning miners within the domestic economy, rather than increase their social hardships. The NUM, government and mining houses ought to play a critical role in job-creation for the retrenched miners.

In order for such a strategy to be sustainable, it needs to evolve through consultations and bargaining involving all stakeholders. In this way, the outcome would be collectively owned by miners, mining houses and government, unlike unpopular decisions aimed at taxing miners which are imposed from above. This approach lacks democratic content and is likely to be rejected by the miners.

Both policies of tax and levy on miners emerged under Lekhanya's military regime. The military junta reckoned that it could impose these policies without much resistance. So to them consultation with miners was an unnecessary luxury. More importantly, these proposals coincided with Lekhanya's concerted effort to dissuade Basotho miners from joining the NUM which he deemed as undue involvement into the internal politics of a foreign country (Laurence, 1987). Reacting to Lekhanya's moves which clearly coincided with the interests of mining houses as the 1987 national strike loomed, the President of the NUM, James Motlatsi said:

> First, he said that Basotho working in South Africa must not get involved in South African politics. We did not respond to that. But when he said they must not join the NUM, we began to think twice. Why is he interested in miners not joining trade unions? Lekhanya comes here to negotiate conditions of employment for one tribe. Working conditions would be the same irrespective of place of origin (Laurence, 1987:61).

This underlines the insensitivity of the military government towards the miners. It is no exaggeration to argue that Basotho miners constitute a highly organised and politically aware social group in Lesotho as a result of their involvement in NUM under the abhorrent conditions of apartheid. They know their rights and have a rich experience of struggles against social injustice, political oppression and economic exploitation.

The short-lived scheme to introduce grazing fees points to a similar trend: top-down approach and marginalisation of poor social groups. The then military government passed the Legal Notice No. 78 of 1992 entitled "Range Management and Grazing Control" with the objective of reducing livestock population and controlling soil erosion. Among other things, it introduced compulsory grazing fees per head of stock per annum as follows: R3 for cattle, R5 for equine and R0.50 for small stock. The scheme was an adjunct of the USAID-financed Community Natural Resources Managemant Project (CNRM) which started in 1991. The total cost of US$20.4 million for the CNRM was shared between the USAID (US$14,086 million) and the Lesotho government (US$6.4

million). But due to resistance of stock-owners against the grazing fee scheme, the programme was stymied in 1993.

Local communities resisted introduction of grazing fees because they felt that "the ... 'subsidy' provided by nature was being taken away by the government through taxation of a 'free' resource" (Government of Lesotho, 1995:44). This argument is informed by the prevailing land tenure system[8]. This holds that land is a free good; as a result a grazing fee is viewed as both an infringement on people's rights over this resource and as an anachronism. Failure to comply with the requirement led to one official to suggest to this author that chiefs who are large stock-owners had influenced their subjects to reject the fees. This would, as the official argued, benefit them more than their subjects[9]. Whether or not the chiefs influenced their subjects, the undisputable fact is that the interests of chiefs and ordinary stock-owners coincided in the resistance to the grazing fees.

The BCP denounced grazing fees during the campaigns for the 1993 elections. Three months after coming to power it amended the legislation on grazing fees. Legal Notice No. 150 of 1993 effectively revoked all provisions on grazing fees. In protest, the USAID withdrew all its financial support save only US$1.2 million which had already been used. With the collapse of the project, the government lost a USAID aid package worth about US$13 million.

INSTITUTIONAL AND STRUCTURAL REFORMS AND THEIR POLICY

IMPLICATIONS

While the central thrust of stabilisation measures is revenue-raising and public expenditure cuts, the concern of structural adjustment is with the privatisation of public enterprises through a variety of strategies whose <u>leitmotif</u> is to "roll back the state".

> Privatisation has come ... to mean a whole range of measures that reduce the role of government in the production of goods and services to the public. The measures may range from encouraging competition or reducing obstacles to it ... to the sale of state enterprises at the open market at a value negotiated by the buyer and the seller (Mengistu <u>and</u> Haile-Mariam, 1988:5)

As we shall see, this has been implemented in tandem with a deliberate strategy of trimming down the public service through retrenchments and 'rationalisation' of ministries and government departments. Underlying these processes is the belief in the supremacy of markets over state institutions. "This policy re-orientation, at its minimum, has been urging governments to steer away from interference in the marketplace" (Mengistu <u>and</u> Haile-Mariam, 1988:5). This has been the dominant feature of economic policy since 1992/93 when Lesotho acceded to ESAF.

De-regulation of the economy, therefore, has become an overriding pillar of structural adjustment. In turn, this leads to:

> a substantial reduction in central state controls over the economy, and even the sale of loss-making public corporations into the private sector where it is assumed that they will be rehabilitated by being subjected to the discipline of the market (Brett, 1987:32).

In line with this, public enterprises in Lesotho were classified in two. These were:

> a strategic category, warranting complete public ownership, but whose operations need to be carefully scrutinised to ensure efficiency; and a second category consisting of non-strategic parastatals, whose operations deserve to be privatised, commercialised or liquidated (IMF, 1992:10).

Two public enterprises - Co-op Lesotho and Lesotho Trading Company -were liquidated. Pioneer Motors was privatised. Lesotho Building Finance Corporation was integrated with Lesotho Bank, while the Lesotho Freight and Bus Services Corporation was "partly commercialised and partly liquidated" (PFP, March 1992:9). The government will promulgate a new Privatisation Act to give legal content to this process[10] and the principal implementing institution will be the new Privatisation Monitoring Unit under the Ministry of Finance (World Bank, 1994:54-55). To expedite this, the World Bank provided an amount of US$110 million for privatisation and private sector development (World Bank, 1994). This will cover, mainly, technical assistance that is to be provided by the Bank for the implementation of the privatisation programme.

This assault on the public sector was entirely in contrast to the efforts which had been made in Lesotho for development and as a result created substantial hardship and economic dislocation. The parastatal sector in Lesotho, as with other African states, experienced substantial expansion after independence. This was part of the continent-wide euphoria of translating political freedom into economic liberation and took the form of state intervention which essentially served the interests of the rent-seeking bureaucratic elite. This has been a general trend in Africa as a whole. Mengisteab isolates five factors that account for state interventionism in Sub-Saharan Africa. First, this was necessitated by the weak linkages between the modern and subsistence sectors of the economy which hampers the domestic economy and inhibits benefits from external economies. Secondly, it was due to the inability of domestic capital and reluctance of foreign capital to invest in essential industries and public services which do not yield high profit. Thirdly, it was propelled by limitations of domestic capital to compete with powerful multinational corporations. Fourthly, it was a reaction to unfavourable international economic climate which marginalises small states. Fifthly, it was a response to such social crises as high population growth which undermine domestic economic growth and threaten political stability (Mengisteab, 1995:165).

Some scholars advance the argument that the post-independence euphoria of state-ownership of 'the commanding heights of the economy' was driven by donor interests including the World Bank (Mengistu and Haile-Mariam, 1988:4). Whilst in the 1960s, the state was perceived by the donors as an agent of economic growth, it is now considered to throttle development. Given this new interpretation, donors encourage a process of privatisation as one conditionality of aid. "[This] conditionality... by... [donors] is tantamount to eating their own child [by] dismantling the institution they created in the 1960s" (The Economist, 1986 cited in Mengistu and Haile-Mariam, 1988:7). For Undre Gunder Frank, "the current privatisation craze is just as economically irrational and politically ideological as the earlier nationalisation craze was" (Frank, 1991:22).

These factors can equally be used to explain the same process in Lesotho. A few points will be raised to highlight the specificity of state interventionism in Lesotho after independence. First, it was driven by nationalism that was a strong feature of the independence struggles. Put differently, therefore, the expansion of public enterprises in Lesotho represented economic nationalism which was meant, in the main, to give more meaning and substance to political independence. But, to be sure, such economic nationalism was quite feeble for, in most African countries, the post-independence public enterprise sector still relied overwhelmingly on foreign capital (see Chapter Two). Besides, it served sectarian interests of the ruling elite, rather than those of the nation at large; thus its national character was also questionable. It was perhaps more of a 'class' project meant to expand the accumulation base of the bureaucratic elite than a genuinely national project.

The World Bank privatisation schemes, therefore, represents an assault on this economic nationalism; but also threatens sovereignty of adjusting countries. As Mkandawire sees it:

> the new orthodoxy is profoundly anti-nationalist, for nationalism is the apogee of economic irrationality. National sovereignty is seen as an unfortunate aspect for the international system. In its populist variant, the demise of the state is seen as good for the nation (Mkandawire, 1990:227).

The IMF/World Bank assault on economic nationalism and the process of "accumulation from above"[11] is intended to ensure, instead, "accumulation from below"[12] (Gibbon et al 1992).

At independence, Lesotho had a constricted, embryonic and weak private sector. This influenced a historical trend whereby the public sector became the largest employer of domestic labour (particularly with increasing agricultural crisis). Under these circumstances the expansion of the public sector surpassed that of the private sector.

The expansion of the public sector, however, was also propelled by politics of patronage and reward as has been the case in other parts of Africa. Herbst observes that:

> indeed the state-owned corporations are a particularly good source of patronage for African leaders because they can employ large numbers of people (by African standards); they can also direct important resources to specific areas and operate in secrecy than the government in general (Herbst, 1990:950).

Public sector expansion was, thus, imbued with pork-barrel politics for constituency-building purposes and to facilitate the perpetual self-reproduction of the ruling elite. It is in this light that employment based on political idiosyncrasy and affiliation of individuals in Lesotho's public sector can best be understood. It is this deliberate process of politicisation of the public sector that has made it so inefficient and costly for it has tended to respond to political rather than economic imperatives. State interventionism has not delivered desirable results; but does this then justify privatisation as a panacea a la IMF/World Bank?

It does not necessarily follow from the above discussion, that simply because Lesotho's public sector was inefficient and costly, then government intervention in the economy, in and of itself, is undesirable. Devoid of inefficiency and excessive costs attributed largely to low productivity, patronage and corruption, government intervention in Lesotho's economy can play a positive role in economic development. Streeten underscores the importance of the state in economic processes:

> there are several ways in which government intervention can contribute to a more efficient functioning of markets. Not only should government provide a legal framework and maintain law and order, including the enforcement of contracts, property rights, etc. and pursue the correct macro-economic policies with respect to exchange rates, interest rates, wage rates and trade policy in order to ensure high levels of employment without inflation and economic growth. It must also encourage competition by anti-monopoly and anti-restrictive practices legislation or by setting up competitive enterprises in the public sector, or by trade liberalisation or take over of natural monopolies. There is nothing in the nature of free markets that either establishes or maintains competition. On the contrary, free markets make for conspiracies against the public, as Adam Smith knew (Streeten, 1993:1283).

There is, therefore, a plausible case for state intervention in Lesotho's economy. The critical policy debate surrounding this matter should not be reduced to the public-versus-private sector mythology which seems imbued in IMF/World Bank discourse, but rather on how the two sectors may be made to operate in complementarity without either threatening the existence of the other. The state is needed to coordinate market sectors and set strategic directions, to set and enforce rules, handle conflicts, correct imbalances and distortions, regulate trade and other external economic relations (Dearlove and White, 1987:2). Brett concludes that by propounding the current market-oriented economic orthodoxy,

> ... it would seem the neo-liberals are returning to the recipes of the past not because they have been tried and succeeded, but because other nostrums have been tried and failed and no one can think of any alternative (Brett, 1987:35).

CUTTING THE PUBLIC SECTOR 'DOWN TO SIZE'

The other policy prescriptions of the IMF/World Bank revolve around the issue of trimming down the public sector especially the civil service. Since the beginning of the economic recovery programme, various strategies have marked this process. Firstly, this has involved the freezing of established posts and promotions in the civil service to arrest its growth. Secondly, early (voluntary) retirement has been introduced for civil servants at the age of 45, while compulsory retirement at the age of 55 is still in force. Thirdly, daily-rated civil servants have been reduced; and in 1989/90 about 500 were retrenched (PFP, April 9, 1990:4; Government of Lesotho, 1989). Most of these were implemented during the second year of the adjustment programme.

It is incontrovertible that Lesotho has a bloated, costly and, in many respects, a corrupt civil service (see Matekane et al, 1991; Auditor-General's Report, 1991). Whilst it is generally known that this civil service is quite large, its exact size is hard to establish due to lack of reliable data. Matekane et al (1991), however, estimated the numbers of civil servants (excluding teachers, daily-rated employees and expatriates) at 4745 persons in 1972/73. This shot up by about 213 per cent to 14865 in 1985/86 at an annual average increase of 15 per cent (Matekane et al, 1991:44). According to these authors:

> in 1988/89, the first year of the SAF-supported SAP, the number of government employees, excluding teachers, daily paid employees and expatriates, fell slightly by 0.5 per cent from 16489 in 1987/88 to 16406" (Matekane et al 1991:46). While in 1972/73 there were 17 ministries and 79 departments, these increased to 22 and 123 respectively by 1990/91 (Matekane et al, 1991:97).

The increasing size of the civil service over years has also been accompanied by an increasing claim of the service on government revenue. While in 1980/81 total government expenditure on the civil service was R104 million, about 20 per cent of GNP and 99.6 per cent of government revenue (that is excluding grants) in 1988/89 it was R384 million, about 20 per cent of GNP and 104 per cent of government revenue (excluding grants). In 1989/90 this expenditure was estimated at R436 million (20% of GNP and 83% of government revenue) which declined in real terms to R447 million (17 per sent of GNP and 73 per cent of government revenue) (Matekane et al, 1991:102).

Policy measures aimed at curtailing expansion of the civil service and its increasing costs were implemented since the 1989/90 fiscal year - the second year of SAP. During the 1988/89 government was hesitant to implement them, especially retrenchment of staff, due to its:

> apprehension vis-a-vis the likely political reaction that process was to be received with. This government delay in operationalising the retrenchment process, (including a variety of other cost recovery measures) led to the IMF/Worl Bank threat that if the austerity programme was not being observed they would rather instal their "experts" in key positions in government (Ministry of Finance, Ministry of Planning and Central Bank of Lesotho or alternatively suspend the second year of SAP (i.e. 1989/90) (Matlosa, 1990:34).

It is behind this background that World Bank advisors were placed in the Ministry of Finance and the Central Bank of Lesotho, as indicated earlier.

Since its inception the retrenchment process has focused specifically at the low-ranking civil servants. These include clerical, maintenance and service staff and others in the same category holding "non-strategic" positions. This is the lowest paid and less educated cadre of the civil service. The pension or retirement regulation on civil servants at the age of 55 with 10 years of service has been enforced with more vigour while those at 45 years have been encouraged to voluntarily retire on pensionable terms as indicated earlier. Most civil servants on contracts have been laid off once their contracts expired. Only foreign experts on contract employment are exempted from this SAP rule of thumb (Matlosa, 1990:40).

Though by 1991 each Ministry was supposed to have laid off 500 civil servants, this is not easy to establish largely due to lack of data and the secrecy with which this process is cloaked. If this principle was adhered to, then about 10 000 civil servants would have been retrenched by end of that year alone. But our earlier research (Matlosa, 1990) indicated that much of retrenchments took place in the three largest ministries viz Ministries of Works, Interior and Agriculture. The number of retrenched civil servants was distributed as follows among these ministries:

Ministry of Works	450
Ministry of Interior	250
Ministry of Agriculture	107

TOTAL	807

Daily-rated employees are retrenched without any form of compensation since they are not on government establishment list. Employees dismissed after contract expiry are entitled to gratuity while staff retired after reaching the 45/55 age limit are entitled to pension benefits (Matlosa, 1990:41).

The above palliative notwithstanding, the adverse effect of SAP-induced civil service retrenchment hits hardest on the needy and poor strata of the bureaucratic hierarchy. This does not only exacerbate the already teething employment problems in Lesotho, but it further renders the retrenched more poorer. Besides, since the retrenched belong to the lowest paid rungs of bureaucracy, it is doubtful that it does make any considerable reduction on public expenditure. The above observation drove Matekane et al to conclude that:

> ...the numbers within the executive, professional and administrative ranks do not provide ample room for retrenchments. The easiest way of reducing the size of the civil service is to retrench the clerical and unskilled workers. Since they are paid very low wages with few or no benefits, the reduction in the cost of the Civil Service is likely to be negligible. Therefore, retrenchment of the Civil Servants may not be an answer for the reduction of Civil Service expenditure (Matekane et al, 1991:46).

THE POLITICS OF ADJUSTMENT

The politics of adjustment has undergone observable shifts and twists since the 1990s. At the centre of this lies the IMF/World Bank exhortations for political pluralism on the part of aid recipients as against their overt support for authoritarian regimes during the Cold War. During that time (1960s-1980s), it was believed that authoritarian (including military) regimes could foster economic growth. This was also inextricably linked to the global agenda of 'containment of communism' by the West, particularly the US. Luckham aptly observes that the proposition by military experts that "security and growth are mutually reinforcing and...both are fundamental to US interests... continued to influence Cold War scholarship and Western military aid policies well into the 1980s" (Luckham, 1994:14).

This perception has changed. Emphasis is now placed on Western-style liberal democracy which donors intend to implant lock-stock-and-barrel into Africa. This ideological project has been given more impetus by the collapse of socialism and the disappointing failures of dirigiste economic policies in Africa. This political volte face is, therefore, reflective of the global changes (see Chapters One and Three).

The dominant school of thought within the donor community is that economic liberalisation under the aegis of IMF/World Bank, should be accompanied by political liberalisation. In 1993, the US Secretary of State, Warren Christopher illuminated clearly the US aid policy to Africa in the following words:

> The United States and the international community will be more willing to support the economies of African nations that have embarked on serious reform. We are working with other creditor nations to provide additional debt reduction for countries cooperating with IMF adjustment programmes. The administration is requesting congressional support to enable the US to participate in a multilateral debt relief effort. This new initiative would reward those poor countries implementing difficult reforms ... The Clinton Administration will provide strong and visible support for the movement to freedom in Africa-to democracies and free markets (Christopher, 1993:36 and 38).

Delivering a speech at the La Baule Francophone African Summit in 1990, Francois Mitterand said "that France would in future link its aid contribution to efforts designated to lead to greater liberty and democracy" (Riley, 1992:542). For the British, future aid policy will favour democratisers: "Countries tending towards pluralism, public accountability, respect for the rule of law, human rights and market principles should be encouraged" (Riley, 1992:542).

It may be argued, therefore, that the current democratisation process in Africa is an aid-driven project without firm roots within the domestic political tapestry of countries concerned.

Allen, Baylies and Szeftel persuasively argue that given the embedded donor agenda in this process which is chiefly aimed at protecting "their credit risk...there is every likelihood that 'democratisation' will be confined to parliamentarism and the revolving of national elite" (Allen et al, 1992:9). This also implies that in tune with the usual transient donor interests in Africa, this process may also prove to be ephemeral. Equally important is the tendency for donors' political conditionality to orientate the political elite more and more towards the outside world "because this is where their most important resources come from, and ... in the process their links with their own electorates will atrophy....The attempt to create internal democracy through external pressure is ultimately self-defeating" (Clapham, 1995:95).

As a result of pressure to implement economic and political liberalisation in tandem, most African countries have opened up their political systems to pluralism, transparency, accountability, respect for human rights and free press since the early 1990s. This approach sends an erroneous signal that marketisation and democratisation are necessarily mutually reinforcing. Frank reminds us that: "[the] freedom of the market does not equal democratic freedom: on the contrary, in the market it is one dollar, one vote, so that many dollars means many votes and no dollar - no vote" (Frank, 1991:21). He dismisses "the now fashionable identification of free market capitalism and electoral political democracy as though they were inseparable if not indistinguishable" (Frank, 1991:28).

Political liberalisation has witnessed the collapse of one-party states and military dictatorships throughout the continent on whose ruins elected governments have emerged. But this new development poses yet another vexing question: is the present IMF/World Bank adjustment programme compatible with a democratic political dispensation in Africa? This question poses a tremendous challenge for new democratically elected regimes such as Mokhehle's BCP in Lesotho. For Riley (1992):

> these new regimes have to balance the demands of their external creditors against the pressing needs of their newly enfranchised citizens. External creditors are now pushing for both economic and political liberalisation in tandem. Economic reform now requires political change in a democratic direction, it seems. Aid donors and creditors do not appear to have given much thought to the implications of this simple demand... It is also possible that the new democratic regimes could drift back into venality and authoritarian politics (Riley, 1992: 526 and 547).

Some scholars have questioned the IMF/World Bank commitment to democratic dispensation given their track record of political flirtations with authoritarian regimes and military juntas over the years (see Bangura, 1986; Bangura, 1992). It seems that the IMF/World Bank concerns are merely circumscribed to political pluralism through some institutional and behavioural change rather than a democratic dispensation that would also address issues of fair redistribution of available resources in Africa. Much as democracy is concerned with rules, behaviours and institutions that allow for free competition and participation in government, it also has to address social and economic aspects of the human life. Bangura identifies three crucial processes that ought to accompany democratic transitions in Africa as: demilitarisation of social and political life; liberalisation of civil society; and democratisation of the rules governing political and economic competition.

> The first concerns the supremacy and regulation of civilian governmental authority; the second, the democratisation of the state apparatus and the relative freedom of civil organisations; and the third, the capacity to democratically manage conflicts in civil and political society and economic practices (Bangura, 1992:40-41).

The type of democracy elaborated by Bangura is clearly not wholly congruent with the political recipe prescribed by the IMF/World Bank for political pluralism in Africa. The Fund and the Bank seem to propound more of a formal rather than real democracy with emphasis on institutions, rules, procedures and behaviour (see World Bank, 1992). Western-style liberal democracy with its emphasis on multi-partyism; rule of law and codification of basic human rights is not sufficient for all-round democratisation of African countries (Allen et al, 1992:10). While these ingredients are essential, they are not, in and of themselves, adequate for they do not address distributional and equity issues. Although recognizing that "a kind of democratic revival is taking place" in Africa, Riley argues that this process is:

> only partially democratic. Democracy is more than the mechanisms of multiparty politics. Democracy, wherever it is found or fought for, involves ideals and principles as well as procedures and institutions. It can be suggested that institutional and procedural democracy is insufficient (Riley, 1992:549).

Another political tendency linked to IMF/World Bank SAPS in African countries can be observed: the weakening of the state sector which was traditionally used by the ruling elite to curve clientilistic networks which would then keep them in power under all odds. This and many other consequences of the adjustment process have tended to reduce the traditional power of the state as shown in Chapter Three. Herbst sums it up:

> At the most basic level, reductions in the size of the state and severe curtailments in its ability to provide patronage will make the state much less flexible in dealing with a political crisis... Similarly governments often use the levers provided by parastatals to influence the population when public support is necessary... Without the recourse to parastatals and extensive control of price mechanisms, African leaders will not be able to provide side-payments to restive populations in order to prevent unrest... African governments may therefore have to use even more coercion than before structural adjustment to remain in power. Indeed, given that there may be no way to continue previously established clientilistic networks in the new environment, African leaders may have no choice other than to procure future stability by repressing their former clients (Herbst, 1990:954-5).

The above overview fits neatly in Lesotho's political tapestry. The BCP government faces a daunting task of undertaking democratisation in parallel with economic liberalisation. This is no mean task; it may undermine the democratic credentials of the government. However, it is unlikely that the BCP government may drift into authoritarian rule given its antagonistic relations with the security forces. The diminishing public resources at government's disposal as a result of privatisation means that it is denied an opportunity to play pork-barrel politics at the scale that the BNP regime did until 1986. Rather than resort to authoritarian political order, there are various indications that the BCP government will remain a 'lame duck' which will attempt to balance the dictates of donors with pressures from civil society and local actors such as the security establishment. The political conflict that has beset the country since 1993 bears testimony to this.

This also means the shrinking of the clientilistic networks which did sustain the BNP rule for over twenty years despite its unpopularity. The BNP managed to combine both repression and patronage/accommodation to stay in power during the pre-adjustment era (see Chapter Two, also see Bardill and Cobbe 1985). But the BCP is confronted with a whole new situation of adjustment.

CONCLUSION

Lesotho was not compelled to adopt the IMF/World Bank stabilisation and structural adjustment programme by the unmanageable external debt and heavy debt servicing as was the case with most African states. This was largely because much of the country's external finance was acquired on fairly favourable concessional terms. The most compelling circumstance that led to Lesotho's adoption of the IMF/World Bank economic recovery programme was that the programme would facilitate the country's easy access to various bilateral and multilateral concessional finance since such programme bestows upon Lesotho the IMF "seal of approval" and ensures creditworthiness. SAP in Lesotho is generally similar to those programmes that are being implemented by other countries in Africa except that it does not have the currency devaluation component. The effects of the programme on the poor have been negative. Ravenhill sums up the adverse effects of SAPs in Africa as follows:

> expenditure reduction policies often result in lower real wages and consumption levels. Public sector workers are often retrenched as part of expenditure reduction measures. Trade liberalisation and tariff reforms may result in employment losses in efficient enterprises that cannot withstand the new competition. And the poor may face higher prices, especially for food and reduced access to social services because of cuts in social expenditure (Ravenhill, 1993:36).

The heated aspect of the adjustment debate revolves around state-market relations. In a review of the World Bank report entitled "The East Asian Miracle: Economic Growth and Public Policy" (August, 1993), Guy Mhone dismisses the free market argument:

> the fundamental issue raised by the East Asian experience is whether or not an underdeveloped country can initiate economic transformation solely on the basis of laissez-faire market oriented policies.... [T]here are enough counterfactual examples to show either the failure or limited success of laissez-faire strategies, or relative success of interventionalist (market-friendly or market-leading) dirigiste strategies....[W]hile stabilisation and structural adjustment fundamentals are necessary guidelines ..., they are not sufficient by themselves to initiate economic transformation, and that for the latter to occur, market-friendly or market-leading state interventions are needed (Mhone, 1993:51).

Mengisteab and Logan move the debate a step further by advancing a three-pronged argument in defence of state-market partnership. First, state intervention, in and of itself, is not undesirable; but it has been used for self-serving interests. As a result, the state has been inefficient at addressing broadly national interests. Secondly, the market, albeit efficient in allocating resources, may not always be in tune with the realities of the African political economy. Thirdly, "despite the shortcomings of the state, neither a workable market system nor sustainable development are likely to be obtained without considerable state participation" (Mengisteab and Logan, 1995:10). They add a caveat that the state must be democratised so that it does not serve the rent-seeking interests of the ruling elite. Like other critics of the neo-liberal orthodoxy, they are sceptical of the outcomes of the present multi-partyism. Democracy must transcend holding of periodic elections and the codification of human rights. It must also

> facilitate access to resources for those that are largely deprived. In other words, unlike liberal democracy, democracy in Africa needs to expand the domain of public decisions to the sphere of economics in order to be relevant (Mengisteab and Logan, 1995:292).

END NOTES

1. Lesotho's rain-fed agriculture has been subjected to the harsh vicissitudes of periodic droughts. In the early 1980s, drought hit the country and tremendously reduced agricultural output. A decade later, a worst drought in Lesotho's post-independence history beset the country leading to famine and human suffering. These droughts have led to loss of livestock and have also deepened the country's dependency on food aid.

2. The African debt has been a subject of a growing body of literature on the political economy of the continent (Adekanye, 1995). Estimated at US$109 billion in 1980, Africa's external debt increased phenomenally to about US$273 billion a decade later: thus strengthening the continent's debt peonage to the industrialised nations. The ten heavily indebted African states in 1990 were Egypt (US$40.1 billion); Nigeria (US$34.6 billion); Algeria (US$29.7 billion); Morocco (US$23.6 billion); Cote d'Ivoire (US$18.1 billion); Sudan (US$15.3 billion); Zaire (US$10.2 billion); Angola (US$8.2 billion); Tunisia (US$7.7 billion); and Zambia (US$7.2 billion) (Adekanye, 1995:358).

3. But even if external debt was the main factor that pressured Lesotho to adopt the adjustment programme, there is little evidence to suggest that the programme has the capacity to arrest the country's external debt stock. Lesotho is one country which survives on external than domestic resources and this dependence makes reduction of external debt a difficult exercise. For instance, the country's external debt increased to R1033 million in 1991 despite the adjustment programme which had started three years earlier. The following year, it shot up to R1196 million (UNDP, 1992:12).

4. As part of the Structural Adjustment Facility (SAF), Lesotho received an amount to the equivalent of SDR10.57 million (70% of its quota) from the IMF (IMF, 1990:1). This was disbursed in annual instalments as follows: SDR3.02 million (1988/89); SDR4.53 million (1989/90); and SDR3.02 million (1990/91). This initial phase adjustment focused mainly on implementation of short-term stabilisation policies. These were divided into two main categories: expenditure-restraining and revenue-raising measures.

5. ESAF was the second phase of the adjustment programme, during which Lesotho received an amount of SDR18.12 million from the IMF disbursed in annual instalments as follows: SDR7.55 million (1991/92); SDR6.04 million (1992/93); SDR7.55 million (1993/94) (IMF, 1991:1). Although stabilisation policies continued under ESAF, the thrust of the programme shifted more towards long-term structural adjustment policies. This assumed a multi-pronged strategy involving privatisation, commercialisation and liquidation of selected public enterprises; financial sector reform; land and range management reform; and export promotion (IMF, 1991:7).

6. The current phase of adjustment basically consolidates and deepens the policy thrust of earlier phases, particularly the ESAF. Its principal focus is on privatisation and strengthening of the private sector. A 12-month stand-by facility of SDR8.367 provided by the Fund in 1994 was aimed to review performance and assess the need for further funding the following year (IMF, 1994:1).

7. Basotho miners constitute one of the most politicised and well-organised formations in Lesotho. With their rich experience of union politics as members of the National Union of Mineworkers (NUM) in South Africa, they are aware of workers' rights, collective bargaining and other aspects of industrial relations. An imposed decision that affects their income is bound to meet with overwhelming resistance from them through their Union. This emphasises the insensitivity of government and IMF/World Bank plans to impose a levy and tax on the miners without prior consultation and collective bargaining with the NUM.

8. According to customary law, land belongs to the Basotho nation and is held in trust by the King as head of state. Basotho have usufractural rights to land allocated to them by local chiefs. Between harvest and ploughing all fields revert to communal use for the purposes of grazing. Range land remains entirely a communal property under the control of local chiefs. The cutomary land tenure has been criticised for not giving room for private ownership of land. The introduction of the 1979 Land Act was meant to address this concern, although its implementation has been slow and only confined to urban and lowland areas.

9. Chiefs are generally the principal owners of the means of production - land and livestock - in Lesotho's rural political economy. An imposition of a fee on any of these means of production threatens their economic and political power base. Their muted resistance to the introduction of grazing fees, therefore, is not surprising. Since they are part of the government bureaucracy, they could not reject the fees openly. Hence the USAID official contends that they covertly agitated their subjects. Nevertheless, even without such prodding, livestock owners were clearly opposed to grazing fees.

10. Various other parastatals have been targeted for privatisation and restructuring. BEDCO will sell off activities suitable for private ownership; Lesotho Airways Corporation will sell off its existing fleet and establish a joint venture with an outside airline; the army/police bus service will sell off its fleet and be privatised; government cleaning and messenger services will be contracted to the private sector; and both Lesotho Telecommunication Corporation (LTC) and Lesotho Electricity Corporation (LEC) will privatise parts of their services (World Bank, 1994: 57-59).

11. This refers to a state-driven accumulation which has been the feature of post-colonial Africa. This has led to the expansion of the public sector through nationalisation of some enterprises and government ownership of part of others. Besides serving the predatory interests of the rent-seeking ruling elite, this accumulation strategy also strengthens the political base of this

class which thrives on a spider-web of clientilistic networks and corruption in the parastatal sector.

12. This refers to a process where non-state actors such as the private sector, NGOs and the informal sector become central in the accumulation process. In consequence, state involvement in economic activity is reduced: the adjustment recipe. As the state is pushed to the periphery of the accumulation circuit, its role is relegated to providing an enabling legal and institutional framework for the private sector to thrive.

CONCLUSION

THE PROSPECTS FOR STATE SURVIVAL AND DEVELOPMENT BEYOND 1990S

INTRODUCTION

The recurring theme of this study is that the Lesotho state is hemmed in by a weak domestic resource base and the progressively declining external resources. In this context, it is caught between deepening economic crisis and political instability. These two processes are mutually reinforcing and present an enormous challenge for state survival and development. This concluding chapter summarises these processes and suggests strategic options for Lesotho to survive the 'trauma' of global and regional changes.

This thesis argues that while during the pre-adjustment period aid played a crucial role for the purposes of broadening the accumulation base and political power of the ruling elite, it now weakens the state. As such, it threatens the power base of the ruling class. As shall be shown below, various trends have reinforced this process. Most importantly, these trends are unfolding at both the global and regional levels and thus remain far beyond the control of the Lesotho state. By some twist of irony, these external developments are given more weight by the country's worsening economic performance (Chapters Two, Three and Five) and political crisis.

Due to the changing world order and donor fatigue (see Chapters One and Three), aid channelled through state agencies has shrunk. Although proportionally smaller, aid to the Non-Governmental organisations (NGOS) has increased over the recent years. This is also part of the neo-liberal orthodoxy which emphasises the centrality of the market and autonomous social movements in economic activity. This presents a challenge to the Lesotho state which has relied on external funding for its entire post-colonial history.

The political transformation in South Africa adds another dimension to the challenge for Lesotho's dependence on external financial assistance. This trend reverses the historical process whereby Lesotho mobilised aid through the anti-apartheid bargaining chip: the country exploited both the international sanctions campaign and the liberation struggle of the 1970s and 1980s. The aid boom of the "early 1980s which Jonathan built on an exaggerated portrayal of Lesotho as just a helpless victim has ended" Weisfelder, 1992:665). The Lesotho state needs new compelling circumstances upon which donors could still pump aid lavishly into the state exchequer.

Besides global and regional changes, the Lesotho state is also threatened by internal political crisis. This crisis weakens the state and narrows its horizons of survival. Over and above, it undermines democracy and development. The constitutional crisis of the 1990s had its roots in both the historical tradition of authoritarian politics of the country and the nature of the transition from military to civilian rule which culminated in the 1993 election. But despite the election, Lesotho's political turmoil still persists and prospects for both democracy and development remain bleak (see Southall and Petlane, 1995). These observations deserve a brief illustration.

THE POST-ELECTION POLITICAL CRISIS

Lesotho's transition from military dictatorship to multi-party democracy reached a cul-de-sac in less than one year after the 1993 election. It soon proved to be a fragile exercise marked by intrigue and violent power struggle among key political actors. The first 100 days and the first anniversary of the BCP government were more about healing the wounds inflicted by its opponents than celebrating the gains of victory and consolidating the democratisation process. The problem of general political instability under conditions of democratic transition is not unique to Lesotho.

This is a pervasive trend which has swept through Africa since the 1980s (ROAPE, 1992). Transitions from authoritarian civilian rule in the continent have been less hazardous than those involving withdrawal of the military from state power (Decalo, 1992). Lesotho, of course, falls within the latter category; and this in part explains the deep-seated contradictions that confront the country's fledgling democracy.

Comparing the transition trajectories of military-ruled and non-military ruled African states, Decalo argues that "military rulers have to date fared poorly in the democratisation sweepstakes and are likely to continue doing so in the future" (Decalo, 1992:25). The crux of this argument is that the military realise "that to liberalise is to dig their own graves" (Decalo, 1991:157). On the contrary, some civilian leaders,

> who early grasped the long run significance to Africa of the global re-arrangement of power and promptly came to terms with the new rules of the game, creating political space, clamping down on fraud and embezzlement, liberalising the state and lifting its more oppressive features have been able to survive "the trauma of democracy" with enhanced legitimacy (Decalo, 1991:158).

It is worth noting that concomitant to this global re-arrangement of power is the predominant post-modernist assumption that Western liberal democracy is the viable model for Africa and other parts of the world: the philosophy that became conventional wisdom when Africa acceded to independence in the 1960s. With the collapse of the Eastern bloc countries, the West seems poised to impose its government and development models throughout the world (Collins, 1992). This trend is described by neo-Liberal theorists as the end of ideology or the end of history. According to them, the superiority of Western liberal democracy over its rivals has been confirmed by the fall of the Eastern bloc. To dispute this, they argue, "would now be as irrational as denying the roundness of the earth or the wickedness of slavery" (Collins, 1992:20). In his recently published controversial, albeit influential book entitled 'The End of History', Fukuyama propounds the idea that the collapse of the socialist bloc countries has presaged the universalisation of Western liberal democracy. He concludes that:

> liberal democracy remains the only coherent political aspiration that spans different regions and cultures around the globe.... liberal principles in economics - the "free market" - have spread, and have succeeded in producing unprecedented levels of material prosperity.... A liberal revolution in economic thinking has sometimes preceded, sometimes followed, the move toward political freedom around the globe (Fukuyama, 1992:xiv).

The pervasiveness of this thinking in Western social science has revived the age-old equation of democracy with holding of multi-party election. This proves that this idea was not dead, but "was simply put on...ice; and has returned in the same form, but buttressed by the same depth of conviction" (Ninsin, cited in Petlane, 1995:149). It is assumed that a combination of liberal democracy and a free enterprise system will rescue Africa from political instability and economic crisis.

It is from this premise that Lesotho's transition to multi-party democracy can be understood. The transition was bedeviled by various countervailing factors; and three of these are worth mentioning. First, during the pre-election negotiations, the future of the Lesotho Liberation Army (LLA) was not satisfactorily resolved. With a fighting strength of 1500 soldiers, the LLA was excluded when indemnity was extended to the BCP exiles to come back and partake in multi-party political dispensation introduced by the military regime during the early 1990s (Commission of Inquiry-Lesotho Defence Force, 1995). Contrary to transition processes in Zimbabwe (1980), Namibia (1990) and South Africa (1994), where principles and strategies of integration of diverse military formations into solidified national armies was agreed upon, no comparable effort was made in Lesotho to integrate the LLA into the Lesotho Defence Force (LDF). This missing link in the transition process was to sow seeds of mistrust and suspicion within the LDF; a harbinger of the violent conflict that later pitted the security forces against the government.

The BCP leader, Ntsu Mokhehle, had declared publicly that the LLA had been disbanded before the party's return from exile, as part of the pre-conditions of the indemnity extended by the then Military Council in 1992 (Commission of Inquiry-Lesotho Defence Force:72). As such integration of armies has never been officially on the cards of the former military junta and the current BCP government. Despite this assurance, suspicion was rife within the LDF that either the LLA was just hibernating and might prove a serious threat at a later moment, or that the BCP leader's announcement was a ploy to allay the fears of the LDF while clandestine scheme to infiltrate the LLA into the army from the back door was in the offing. As the BCP assumed state power, therefore, it could not count on the support of the security forces.

Second, Lesotho's democratisation process had to contend with an army which was highly politicised and, worse still, an army which had tasted state power for eight years. Having tasted state power, the military had become addicted to it and would not voluntarily withdraw from the political arena. Views were divided within the LDF on the issues of withdrawal and return to multi-party democracy; hence the army's reluctance to hand over power to the BCP after the election.

A recent study, undertaken by the International Foundation for Electoral Systems, found that much as the military leadership was firmly committed to a return to the barracks, other factions in the lower echelons of the military had different priorities for fear of possible retribution, retrenchment and salary cuts (Klein and Wells, 1993:17). Among many factors that accounted for recurrent delays of holding multi-party elections between 1991 and 1993 was the unhappiness of some sections of the army towards the apparent popularity of the BCP. Petlane concurs with Klein and Wells that "Primary among army concerns was the issue of its job security which would be threatened under a BCP government", but "a related issue was the integration of the rival LLA ... into the national structures" (Petlane, 1995:149).

The BCP leader, Ntsu Mokhehle, later confirmed the army's reluctance to withdraw:

> Though it has not been publicly announced, it is common knowledge that my swearing in as a Prime Minister was delayed unnecessarily because of disagreements within the army. This only happened on the 2nd April, yet the elections were held on the 27th March - about a week later (Makatolle, 13 May, 1994).

Tensions between the security forces and the BCP government became more pronounced after the election and nearly stymied Lesotho's democratisation.

Third, the transition process was managed by the very military whose democratic credentials are questionable and, most importantly, an institution which is supposed to be subjected to civilian authority in the post-transition period. As a result the pace and rules of the transition were set and defined by the military. Not surprisingly, therefore, the military extracted a number of concessions from the political elite aimed at entrenching its autonomy and protecting the corporate interests of the officer corp.

This begs the critical question of how genuine and impartial the transition process was. The military were more interested in securing constitutional concessions from the politicians than building foundations for democracy. For them to stage-manage the transition, therefore, was to assume a double role of player and referee. As political parties and civil society played a peripheral role, the military exercised more control over the transition; that power was used to bargain for concessions which are entrenched into the country's new constitution as shall be discussed.

During the revision of the 1966 independence constitution by the Constituent Assembly of 108 members appointed by the military government in 1992, the Military Council proposed that the commander of the army be accorded an ex-officio ministerial status and become a member of Cabinet. This was rejected by the Assembly. In response, the Council redrafted sections of the Constitution pertaining to security "in such a way that the incoming government would have no constitutional powers over the army" (Commission of Inquiry-Lesotho Defence Force, 1995:89). In place of its earlier proposal, the Military Council suggested representation of the security forces in certain organs of the government machinery(Council of State) and the creation of the Defence Commission which were ultimately incorporated into the constitution.

At the executive level of government, the security forces are directly represented in the 12-man Council of State by the Commander of the Defence Force(Major-General A.M.Mosakeng) and the Commissioner of Police(Major-General T.M.Pinda). This is provided for in clause 95 article (1) of the new constitution. The direct representation of the security forces in this important layer of the state structure emphasises the centrality of the armed forces in Lesotho's politics since the 1986 military coup (Matlosa, 1993c; Matlosa, 1995).

Clause 145, article(1) also established a 7-man Defence Commission which is responsible for,inter alia, appointment, discipline and removal of members of the security forces. It comprises of members from different branches of the security establishment. Though the Prime Minister is the chairman of this Commission, he does not have veto power and can thus be easily outvoted. This was intended to safeguard the corporate interests of the army and to forestall attempts by the BCP to integrate LLA (its armed wing) into the established security apparatus. This was also calculated to extend the influence of security forces on policy-decisions and legislation emanating from the executive and parliamentary organs of the state which have a bearing on the forces. Given their central role in the transition process and the concessions accorded to them, it was less surprising that the security forces crossed swords with central government in 1994 (Matlosa, 1994a; Sekatle, 1994; Matlosa, 1994c; Swatuk, 1995; Matlosa, 1995).

That Lesotho's democratisation process rested on extremely uncertain foundations is self-evident. The BCP government inherited the state machine imbued in the political mould of the previous authoritarian regimes; and lacked a clear vision of gradually re-shaping them along democratic lines that would ensure their accountability, transparency and respect for human rights. This was particularly so with the defence forces which had been politicised by the BNP for twenty years. As Petlane argues, however, the politicisation of the armed forces, in and of itself, is not necessarily problematic,

> but what is is the pattern of politicisation and the resultant usage to which they are put by the state .... This ... has contributed to a political atmosphere void of respect for, and trust in democratic institutions and practices (Petlane, 1995:146).

It was expected, therefore, that the BCP government would encounter hostility (not outright resistance) from the security forces. What was surprising, however, was the speed with which relations climaxed to open confrontation which almost torpedoed the whole democratisation process. A conflict which started with the army's demands for a 100% salary increment and later a similar demand for a 60% increase by the Police force seriously undermined the authority of the BCP government and dented its legitimacy acquired through a landslide victory during the 1993 election. The discontent within the security forces was more deep-seated than the demand for salary increases. Hence even after the salary adjustments, the conflict continued to strain relations between government and its security apparatuses; claiming human life; causing immense damage to property; increasing internal insecurity and crime; and igniting a considerable capital flight.

The accusations of the army against the BCP government were wide-ranging (Commission of Inquiry-Lesotho Defence Force, 1995). There were claims that the BCP had not won the elections freely and fairly; an accusation that coincided with BNP allegations of election rigging. The army further felt that the BCP was ungrateful that it was a military government that brought it back from exile and facilitated the transition process. Evidence abounds that some cabinet members were involved in the faction-fighting that ensued inside the LDF in January 1994 (Mugabe-Masire Report, 1994; Commission of Inquiry-Lesotho Defence Force, 1995). The army was concerned that the new government viewed it as a mere puppet of the opposition BNP and that it, therefore, was to be replaced with the LLA.

These accusations were fuelled by lack of communication and consultation between the government and the LDF. And consequently, "[b]ecause government was not quick to deny the rumours directly to members of the army, they felt insecure and unsure about their future in the Defence Force" (Commission of Inquiry-Lesotho Defence Force, 1995:57). Government reaction to these allegations was a simplistic one of just pointing an accusing finger to the opposition BNP for inciting the army and destabilising the government. This underlines the failure of government to appreciate the seriousness of the problem at hand and also the unpreparedness of the opposition BNP to accept the verdict of the election. Petlane sums up this dilemma as follows:

> ...the opposition's challenge to the election result indicates its arrogance and distrust of democratic processes, as does government's refusal to tolerate criticism and opinion contrary to its own. The armed forces, on the other hand, whatever the cause, have become the focus of political tension and manoeuvres on a scale that surpasses their "usage" in the darkest days of either civilian or military rule and have opened the way for the possible undermining of national sovereignty: the very ideal on which lies the justification for their existence (Petlane, 1995:157).

The strained relations between the government and its security machinery were exploited by the opposition BNP and a host of other opponents of the BCP, culminating in a military-backed monarchical coup which ousted the BCP government between 17 August and 14 September 1994.

The role of external forces in bringing about a resolution to the conflict that almost escalated into a civil war was crucial. Once dissension became apparent within the LDF in January 1994, the Prime Minister requested assistance from the Commonwealth Secretary General, Chief Emeka Anyaoku. In that request, the Lesotho government inquired into the possibility of a peace-keeping force being dispatched to Maseru to quell what was initially perceived to be a mutiny. Chief Anyaoku then advised President Mugabe of Zimbabwe to consider Lesotho's request and take appropriate steps. President Mugabe proceeded to involve other regional states in this endeavour. He got in contact with Botswana and South Africa. Pik Botha, former South African minister of Foreign Affairs, was the first to visit Lesotho on January 16 at the request of Lesotho government. He assured the government that South Africa would not support any government brought about by force and warned strongly that any such regime would have to face up to a suspension of Custom Union receipts and border closure; a serious threat indeed reminiscent of the events of 1985 when the BNP regime was squeezed and ultimately toppled. In this way, the BCP government's future seemed assured by the big neighbour.

The United Nations Secretary General, Boutros Boutros-Ghali, also sent his emissary to Lesotho in the person of Aldo Agello - his Under-Secretary - on January 19. Agello consulted with both government and non-governmental organisations in order to explore avenues for conflict resolution. He, like Botha earlier, re-assured the government that any forceful removal of a democratically elected government would only have disastrous repercussions for Lesotho. The UN mission was followed by a special envoy of the Organisation of African Unity (OAU) - Legwaila Wa Legwaila, Botswana Foreign Minister, - who successfully mediated a ceasefire agreement between the warring LDF factions on January 24.

Buoyed by UN, OAU and Commonwealth concerns and also fearful that the Lesotho conflict may have ripple effects in the region, the Southern African Development Community (SADC) established a Tripartite Task Force comprising Foreign Ministers of Botswana, South Africa and Zimbabwe to monitor and suggest possible solutions to the Lesotho crisis on January 26. It was this Task Force that ultimately contributed immensely to the signing of the September Agreement[1] and to date Botswana, South Africa and Zimbabwe remain guarantors for its implementation. They were also represented in the Commission of Inquiry on the disturbances in the defence forces that led to instability which submitted its report to the government on January 31, 1995.

After being temporarily displaced by King Letsie 111, the BCP was brought back due to pressure exerted by various organs of civil society[2] and external forces notably, Botswana, South Africa and Zimbabwe. Confronted with this pressure, the King agreed to reinstate the BCP after both parties had struck concessions that seemed to satisfy their quest for power. The Agreement which facilitated this process was a culmination of negotiations brokered by representatives from Botswana, South Africa and Zimbabwe. Although the BCP government was reinstated, its vulnerability had been widely exposed. Above all, the frontline role played by external forces in the resolution of this conflict contributed immensely to undermining of Lesotho's already feeble sovereignty "and called further into question the very viability of Lesotho as a state" (Booth and Vale, 1995:299). The stark reality that Lesotho's political stability is under the guardianship of Botswana, South Africa and Zimbabwe does not go down well with some Basotho nationalists. But the fact of the matter is that they have helped establish peace where government had failed to prevail. Part of Mandela's state visit to Lesotho in July 1995 was precisely to remind the government, the security establishment, the palace and opposition parties that the South African government is watching developments in Lesotho and would not tolerate deviations from the 1994 Agreement that reinstated the BCP government. Addressing the Lesotho Parliament, he assured the government that "South Africa was gratified at the progress in implementing the provisions of the Agreement" (Mandela, 1995).

A welcome address by King Moshoeshoe 11 - who had been reinstated in January in line with the Agreement - on Mandela's visit was also re-assuring:

> [w]e remain committed ... to the total implementation of all the provisions of the Memorandum of Understanding reached last September, to which South Africa, Botswana and Zimbabwe pledged themselves as guarantors. Your own personal role in that critical exercise was invaluable, and will always be remembered (Government of Lesotho, 1995).

During the SADC Summit held in South Africa a month later, Lesotho's Prime Minister reiterated his government's gratitude for the help rendered by the three states "not because you reinstated my administration, but because you demonstrated the supremacy and invincibility of democracy" (Weekly Mail and Guardian, September 1-7, 1995).

Lesotho's constrained domestic base for development, political crisis and diminishing aid sources cast a precarious future for this landlocked nation. Prospects for stability and development are as bleak as they were in 1966. Besides, its strategic options are extremely narrow given its geo-political location. We have argued elsewhere that as a state project, Lesotho has failed. Both its domestic and external resources are on the decline; and its political instability have whittled its social cohesian (Vale and Matlosa, 1995:39). Hemmed in by external developments and deteriorating internal situation, Lesotho needs to rethink its future anew.

LESOTHO'S OPTIONS

Lesotho has limited and difficult options to redress its political and economic hardships. Not surprisingly, all its options revolve around its relationship with its only neighbour - South Africa, particularly after the latter's transition to multi-party rule. In 1990, the Department of Political and Administrative Studies at the National University of Lesotho organised a conference which focused on development options for small Southern African states after the demise of apartheid (Santho and Sejanamane, 1991). Since then this subject has become a recurring theme in recent commentaries on Lesotho's political economy (Cobbe, 1991; Cobbe, 1992; Weisfelder, 1992; Southall, 1994; Gill, 1994; Swatuk, 1995; Gay et. al., 1995). All commentators are agreed that global and regional changes demand of Lesotho to rethink its relations with its neighbour: indeed, domestic political and economic crisis reinforce the strategic importance of this move. The debate projects four scenarios for Lesotho's survival.

First, Lesotho may choose to negotiate with the South African government for the return of more than 50% of its arable land which was usurped by the Afrikaners during the Basotho-Boer wars of the 19th century. This land (commonly known as The Conquered Territory) forms part of the Free State province of South Africa. Although its precise frontiers are not known (Mahao, 1990:199), some suggest that it includes the towns of Fouriesburg, Ladybrand, Hobhouse and Wepner "in a belt running from north to south approximately thirty kilometres west of Lesotho's present boundary, coinciding roughly with the land east of the Caledon river watershed" (Hirchmann, 1979a:190).

Positions of dominant political parties on land claims from South Africa have changed over time for a variety of reasons. The BNP remained silent on this matter until 1971 when its relations with the South African government deteriorated. In 1973, the BNP government

> requested a UN legal advisor to help prepare for negotiations, which, according to the...[then]... Foreign Minister, Molapo, South Africa terminated, while in ...1975 Jonathan declared his intention to press his claim at the International Court of Justice (Hirchmann, 1979a:190).

Although the BCP campaigned for the return of The Conquered Territory since the 1950s, its position also changed after assuming state power in 1993. In retracting from its earlier irredentist claims, the party has often invoked the principle of sacrosanctity of colonial boundaries which is upheld by the UN and OAU (Mahao,1990:200; Weisfelder, 1992:644; Matlosa, 1993:18-19). Addressing Parliament on the 4th August 1993, the then Foreign Minister, Qhobela Molapo, observed that any territorial claims are doomed to fail because the South African government has shown reluctance or disdain towards them and that it would be costly to take such a matter to the International Court of Justice (Matlosa, 1993:19). Having lost this land by both conquest and cession, "Lesotho has no claim in international law" (Southall, 1990:222).

A land transfer would involve either withdrawal of South African citizenship on affected inhabitants or their resettlement to other parts of South Africa (Mahao, 1990:202). Neither of these outcomes would be favoured by the affected populations. It would also lead to other neighbouring countries claiming pieces of land of land thereby dismembering the South African nation. Over and above, South Africa has its internal problems of landlessness which render land claims by its neighbours irrelevant. A joint communique between Mandela and Mokhehle on the occasion of the former's state visit to Lesotho broached a vague commitment by these leaders that:

> the long-standing boundary question between Lesotho and South Africa be left open for discussion by appropriate authorities in the future bearing in mind the principles of national sovereignty and territorial integrity of states (Government of Lesotho, 1995)

The second scenario is that Lesotho could seek formal political integration with the 'new' South Africa. Like the first, this is not a new option except that it is re-emerging under new circumstances with a new content. Lesotho's political union with South Africa was first raised during the formation of the Union of South Africa: Article 151 of the South Africa Act of 1909 anticipated this. It was pursued by various Union governments until 1963 "when the Prime Minister Verwoerd relaxed Pretoria's long standing demand" (Weisfelder, 1992:646). This arrangement was posed more in terms of incorporation/annexation of Lesotho and did not envisage autonomous existence of this territory within the union.

South Africa's demand was predicated on regional strategic concerns. First, incorporation would stem exodus of political refugees to Lesotho, especially after the banning of the ANC and

PAC in 1960. Second, incorporation would translate into an expansion of the South African nation-state. And this would go a long way to satisfy its imperialistic ambitions which were to manifest themselves later through the aborted Constellation of Southern African States (CONSAS) of 1979 and regional destabilisation of the 1980s.

The British rejected the incorporation option because of South Africa's apartheid policies (Spence, 1964). But, this was a reluctant move on the part of the British who initially expected that Basutoland and other territories of Bechuanaland and Swaziland would ultimately be incorporated. It was in anticipation of this outcome that they signed the 1910 Custom Union Agreement with South Africa on behalf of these territories (Thahane, 1973:240).

Basutoland objected to the idea for two principal reasons: first, the animosity between Basotho and the Afrikaners arising from the wars of the previous century were "still too fresh in the minds of many Basotho leaders to wish to unite with the former enemy. In addition, South Africa still...[occupied]... what the Basotho ...[considered]... to be their rich arable land (Thahane, 1973: 241). Secondly, Lesotho was opposed to racial discrimination in South Africa. The then Prime Minister, Leabua Jonathan, put it succinctly in 1972:

> Lesotho's opposition to racism is part of a national history and goes back to pre-1910 days. It is the abhorrence of racism that led the people of this country to oppose incorporation of the territory into the Union of South Africa (Thahane, 1973:241).

With the demise of apartheid, this issue has re-emerged. It is posed more in terms of political integration rather than incorporation or annexation. Proponents of this option argue that a new political dispensation in South Africa provides Lesotho a golden opportunity to negotiate a federal arrangement with its powerful neighbour. Lesotho is already economically integrated with South Africa and its political tapestry is influenced by developments in that country. Besides economic dependency, Lesotho is completely landlocked by its neighbour: and this renders its autonomous existence a political anachronism. Cervenka sums up the challenges presented by land-lockedness for Lesotho and Swaziland:

> [t]he absence of free access to communications with the outside world significantly affects political, economic and social development. For example, the air traffic, telex, telephone and postal services of Lesotho and Swaziland are controlled by the Republic of South Africa to the detriment of their development.... Access to the sea is of paramount importance to all African landlocked countries because trade in Africa is still oriented externally rather than internally (Cervenka, 1973:17).

These factors underline the precariousness of Lesotho's sovereignty despite its political independence. The emphasis on federalism is premised on the belief that Basotho nationalism may militate against full-scale incorporation.

Lesotho will lose its sovereignty; and key political institutions such as the monarchy, chieftainship, security forces, the bureaucracy and other influential interest groups will be compelled to reposition themselves in a new political landscape and contest for space. More importantly, Basotho will be ensured of all rights and privileges accorded South Africans including employment, social services and citizenship. This is the best option for Lesotho. Basotho Mineworkers and many other disadvantaged social groups support this option (see Weisfelder, 1992; Work for Justice, 1995). Although not debated heatedly, integration became one of the thorny issues that the electorate grappled with during the 1993 election. Quinlan notes that this featured even in the remotest, mountain area of Mapholaneng in the Mokhtlong district:

> even in this far-flung constituency... ordinary people have come to participate in the popular debate about whether Lesotho should be incorporated into South Africa.... [T]he underlying hope is that the collapse of apartheid will enable Basotho workers to work and live with their families in South Africa more easily in the future than has been possible in the past (Quinlan, 1995:91).

The modern - particularly the bureaucratic - and traditional elites reject integration because they stand to gain from the **status quo ante**. The manifesto of the ruling party proclaims that "the BCP has always opposed Lesotho's integration into the Republic of South Africa. Notwithstanding its odd geographic situation, Lesotho's independence should be jealously protected" (BCP, 1993:42). The elites fear the prospect of fighting for political space in a new environment with various and more powerful contestants. The ruling BCP elite is also caught in a double bind: unsure whether integration will deliver material benefits for its survival, yet also uncertain whether aid will still flow to independent Lesotho. Ajulu recently posed the critical challenge for the present ruling class as follows:

> will cooperation with a democratic South Africa provide the new rulers with the same opportunity for material accumulation, and their consolidation as a ruling class, as did collaboration by the former governments with the apartheid regime? (Ajulu, 1995:4)

The third scenario is what Cobbe dubs the Eire Option. This model draws parallels between the United Kingdom-Ireland relations and South Africa-Lesotho relations. "In each case there is a small, poor and weak economy...integrated economically with a stronger, richer, neighbour...with a long history of migration from the small economy to the larger one" (Cobbe, 1992:8). Like Ireland, Lesotho could retain its political 'autonomy', but Basotho are allowed to enjoy privileges accorded South Africans while in that country. What is not clear, however, is the issue of citizenship rights: whether Basotho will hold a double citizenship. This model also envisages the dismantling of borders and the free flow of labour and goods unencumbered by tariffs and security control. In this era of the pervasive spread of AIDS, drug-trafficking and cross-border arms transfers, this may present more problems (Vale, 1992).

The other tricky part of this model is that it can only be realisable provided the South Africans and their government adopt it as a unilateral gesture of magnanimity based purely on moral consideration (Cobbe, 1992). Furthermore, it does not bind the South African government to addressing Lesotho's economic problems: it may only exacerbate the latter's underdevelopment. Obviously both skilled and unskilled labour will flow in larger numbers to South Africa and settle there. The depopulation of Lesotho due to permanent migration could be accompanied by disinvestment and increased relocation of capital to South Africa. Unlike Ireland, Lesotho lacks domestic resource endowment necessary for a home-grown development programme.

The insistence on Lesotho retaining its political 'autonomy' is contentious for it assumes that this country has ever had a meaningful sovereignty. Strictly speaking, Lesotho's sovereignty is more formal than real. The role played by South Africa, Botswana and Zimbabwe in restoring political stability recently testifies to this. A country without an economic backbone and political stability cannot boast of any meaningful sovereignty. Lesotho will have to choose one of the above options or it may want to retain the **status quo,** as the ruling BCP seems inclined. A good illustration of the BCP commitment to retain the status quo was a response by one of its leaders to a question on whether or not integration was a viable option:

> No! Definitely no! Lesotho is a sovereign state and must maintain, guard and protect that status at all times, at all costs and by all means at her disposal. Our forefathers fought and died for Lesotho's sovereignty, and it's unthinkable that this status can be surrendered...we owe it to our forefathers as well as to our future generations to jealously guard and maintain the sanctity of Lesotho's sovereignty (cited in Southall, 1995:74)

This would mean that no fundamental economic and political changes are introduced that affect relations with its neighbour. This may not benefit the majority of Basotho save only the ruling elite who continue to reap fruits from the system for personal accumulation facilitated mainly by the political power that they wield. Basotho miners will continue to be repatriated from South Africa as nationals of that country demand more job opportunities. This will translate into a substantial economic loss considering that the average monthly income from this source which is deposited into the Deferred Pay Fund is R20 million. As unskilled labour is repatriated from South Africa, brain drain[3] to this country from Lesotho is on the increase. As a result of this process it is the country that suffers, since a lot of investment has been ploughed in developing this human resource. This also retards public services and economic growth (African Development Bank, 1993:290).

The hardest hit sectors are nursing and teaching professions. By 1990, Lesotho had lost 55% of its professional nurses, especially those in the government-run hospitals (African Development Bank, 1993:289). Recently, the government bemoaned the teachers migration:

> the morale within the teaching profession appears to be extremely low, and has led to large numbers who have either left the profession all together or have migrated towards better opportunities in RSA.... Indeed migration of teachers is likely to accelerate since the Reconstruction and Development Programme (RDP) has a strong focus on education.... As the RDP gains momentum, part of the increased demand for teachers may well be filled by teachers from Lesotho (GOL, 1995:63).

Although Lesotho does not have formal representation in South Africa's parliament, it will continue to be influenced by key political and economic forces in that country. Besides,

> Basotho will not gain anything from South Africa to compensate for the lost territory during the 19th century or the huge contribution of her labour force in developing South Africa's more vibrant economy during the past century (Gill, 1994:54).

The above discussion suggests that the only viable way that Lesotho can acquire gainful access to The Conquered Territory and benefit from the economy they helped to build over the past two centuries is to seek formal political integration into the 'new'

South Africa. This option depends on the views and desires of the peoples (not governments alone) of Lesotho and South Africa. Although the Lesotho government hankers for retention of the status quo, sections of the population, particularly migrant workers and the youth, prefer integration (The Economic Intelligence Unit, 1994:43).

On the South African side, this is not yet on the political agenda of the new government. Neither has it gained prominence in extra-parliamentary political discourse. It is not hard to believe that this option "may become a possibility that South Africa would consider, especially if Basotho come strongly in favour of this move" (The Economic Intelligence Unit, 1994:43). Although Lesotho's option for independence rather than incorporation in the 1960s was a politically prudent move, it paid (and continues to pay) a high price for that. But the recent seismic political changes in South Africa demand serious rethinking of this strategy for "being called sovereign is one thing: being able to prove sovereignty is quite another" (The Courier, 1984:14).

END NOTES

1. The Agreement provided for the following terms of conflict resolution: the broadening of government's consultation process to ensure transparency and accountability; the revocation of the 1994 Commission of Inquiry into the position of the monarchy and the reinstatement of King Moshoeshoe 11; indemnity of King Letsie 111 and all those who took part in the toppling of the BCP government; and the respect of the neutrality of the security forces and the public service.

2. The concept of civil society is used here to refer to "the realm of organised social life that is voluntary, self-generating, ... self-supporting and autonomous from the state" (Diamond, 1993:5). The state lays down rules which define boundaries of autonomy and activities of civil society, but the latter also acts as a check against abuse of power by the former (Diamond, 1993:5).

3. The pull factors for this migration include attractive remuneration packages, advanced social services and good working conditions in South Africa. The push factors include the deepening economic depression and political instability in Lesotho.

LIST OF RESPONDENTS

The following people were interviewed during data collection. Formal and informal methods of data collection were used. Some were sent structured questionaires which were filled and returned to the author. Others were asked open-ended unstructured questions and responses were tape-recorded. Using a purposive sampling technique, respondents were selected on the basis of either their knowledge of the subject of this study or their position vis-a-vis policy-making stuctures that have impact on aid and development in Lesotho. They were drawn from government, embassies and the NGO sector. Their names are listed together with the positions they held at the time of data collection. For those interviewees who requested that their identity should not be revealed, they remain anonymous and this is indicated in the list.

* Bohloa, T.A., Treasury Manager, Lesotho Highlands Development Authority (LHDA).

* Matela, P.S., Legal Officer, Lesotho Highlands Development Authority (LHDA).

* Senior Personel Officer (name not provided), Human Resources Division, Lesotho Highlands Development Authority (LHDA).

* Mochebelele, R.T., Lesotho's Chief Delegate, Joint Permanent Technical Commission (JPTC).

* Mosae, L., Property Admistrator, Lesotho Highlands Development Authority (LHDA).

* Molapo, L.T., Lesotho Delegate, Joint Permanent Technical Commission (JPTC).

* Anonymous, United States Agency for International Development, Maseru.

* O'Connor, P., Aid Secretary, British High Commission/Overseas Development Administration (ODA).

* Rojas, P., Representative, World Health Organisation (WHO).

* Mcevoy, P., Programme Officer, Irish Aid, Consulate General of Ireland.

* Zuidberg, J.J., Head of the Delegation, European Commission to the Kingdom of Lesotho.

* Makara, T., Coordinator/Director, MS-Lesotho.

* Gilmozzi, D., Representative ad interim, Food and Agriculture Organisation (FAO).

* Moholi, M., Programme Officer, Unitarian Service Committee of Canada (USCC).

* Schindele, H.P., Project Director, German Adult Education Association.

* Cweba, S., Office Manager, The British Council.

* Libetso, M. Y., Country Director, Skillshare Africa.

* Mahlo, R.S., First Secretary (Political), Embassy of the Republic of South Africa.

* Maraisane, D., President, Miners and Dependants Welfare Association (MADWA).

* Salae, P.L., Coordinator, Basotho Mineworkers Labour Cooperative (BMLC).

* Thoahlane, S.R., Treasurer, Lesotho National Association of the Physically Disabled (LNAPD).

* Masemene, M.R., President, Lesotho National Federation of Organisations of the Disabled.

* Khutsoane, T., Information Officer, Lesotho Red Cross Society.

* Mphana, M., Programme Officer, Lesotho Planned Parenthood Association (LPPA).

* Barlow, S., Business Advisor, Women in Business-Lesotho.

* Mokokoane, M., Deputy President, Lesotho National Council of Women.

* van Tonder, B., Treasurer, Lesotho Association of Non-formal Education.

* Chaka, M., Executive President, Lesotho Federation of Women Lawyers.

* Mohapi, M.E., Director, Community Legal Resource and Advice Centre.

* Letela, T.M.S., Programme Officer, Lesotho Association of Non-formal Education.

* Anonymous, Matsieng Development Trust.

* Anonymous, Ministry of Foreign Affairs.

* Anonymous, Central Bank of Lesotho.

* Molapo, P., Principal Economist, Central Bank of Lesotho.

** Foulo, T., Economist, Central Bank of Lesotho.

* Gill, S., Training Advisor, Ministry of Finance.

* Rapolaki, M., Director, Population and Manpower, Ministry of Planning.

** Rapeane, L., The Employment Bureau of Africa, Lesotho Branch.

* Mphutlane, M., Director, Development policy, Ministry of Planning.

* Reinhardt, B. , Director, German Development Service.

** Makoa, F., Head, Department of Political and Administrative Studies, National University of Lesotho.

** Fundanga, C., Senior Economist, Cabinet Office, Lusaka, Zambia.

** Mhone, G., ILO Advisor, Ministry of Employment and Social Welfare, Lesotho.

** Shubin, V., Senior Research Fellow, Centre for Southern African Studies.

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* Interviews by structured Questionaires.

** Tape-recorded open-ended interviews.

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