

LESOTHO
Initiative on Soaring Food Prices
(ISFP)

Situation Assessment
and
Country Action Plan

DRAFT

This assessment mission was carried out in collaboration with the government of Lesotho and does not necessarily imply formal endorsement of the report by the government

End of Mission Report
November 2008

TABLE OF CONTENT

I INTRODUCTION	5
A. General context	
B. Specific context	
II SOARING FOOD PRICE SITUATION, MECHANISMS AND MAJOR CAUSES	10
A. Cereal price developments	
B. Price of fuel	
III HUMANITARIAN SITUATION-IMMEDIATE NEEDS	14
A. Food situation in the country	
B. Economic and social impact	
IV BOOSTING AGRICULTURAL PRODUCTION IN SUPPORT OF MEDIUM AND LONGER TERM SOLUTION	21
A. Cereal food chain	
B. Overview of the agricultural sector	
C. Food situation in the country	
V DEVELOPMENT OF POLICIES THAT REFLECT ECONOMIC CHANGES BASED ON HIGH FOOD PRICES.	27
A. Macro economic background	
B. Government’s development agenda, the priorities and strategies	
VI COUNTRY ACTIONS PLAN (SHORT TERM AND MEDIUM/LONG TERM)	31
A. Actions already taken by government and partners	
B. Mission feedback on draft Country Response Plan:	
1. Meeting immediate needs of the most vulnerable people	
a. Safety nets: Food and non food expenditure vouchers, Food/ cash for work, School feeding, Early child hood development, Support to secondary schools	
b. Price subsidies	
2. Building resilience to meet food security needs	
a. Commercial and household food security: Support for livestock sector and smallholder crop production	
b. Natural resource management	
c. Promotion of Infrastructure and services to support livelihoods: gender, technology and food security	
d. Social protection schemes: cash transfers, therapeutic and supplementary feeding, health fees waivers	
VII INSTITUTIONAL COORDINATION AND M&E ARRANGEMENTS	49
International organizations, providing assistance to Food Security and the soaring food prices	
VIII FOLLOW UP ARRANGEMENTS	51
ANNEX 1 SUMMARY RECOMMENDATIONS FOR DRAFT RESPONSE PROPOSAL	56
ANNEX 2 MAP OF LESOTHO	59
ANNEX 3 FOOD INSECURITY, CAUSES AND EFFECTS – PROBLEM TREE	60

ABBREVIATIONS AND ACRONYMS

ANC	-	Anti Natal Care
ART	-	Antiretroviral treatment
ARV	-	Antiretroviral drug
BMI	-	Body Mass Index
BOS	-	Bureau of Statistics
CFSNS-		Comprehensive Food Security and Nutrition Survey
CHAL	-	Christian Health Association Lesotho
CPFSVA-		Comprehensive Food Security and Vulnerability Analysis
CHS	-	Community and Household Surveillance
CMA	-	Common Monetary Area
CMR	-	Crude mortality rate
CRS	-	Catholic Relief Services
C-SAFE-		Consortium for Southern Africa Food Security Emergency
CSB	-	Corn-Soya Blend
CSI	-	Coping Strategies Index
DAO	-	District Agricultural Officer
DFID	-	Department for International Development
DMA	-	Disaster Management Authority
EFSA	-	Emergency Food Security Assessment
EIU	-	Economist Intelligence Unit
FAO	-	Food and Agriculture Organization
FCS	-	Food Consumption Score
FNCO	-	Food and Nutrition Coordinating Office
FEWSNET-		Famine Early Warning Systems Network
FTH	-	Foot Hills
GDP	-	Gross Domestic Product
GIEWS-		Global Information and Early Warning System
GOL	-	Government of Lesotho
GTZ	-	Deutsche Gesellschaft fur Technische Zusammenarbeit German Development Cooperation, Technical Assistance
HIV/AIDS-		Human Immuno Deficiency Virus/ Acquired Immuno Deficiency Syndrome
HEA	-	Household Economy Approach
IPRGS-		Interim Poverty Reduction and Growth Strategy 2008/9-2009/10
IMF	-	International Monetary Fund
LCD	-	Least Developed Country
LVAC	-	Lesotho Vulnerability Assessment Committee
LZ	-	Livelihood Zone
MCH	-	Maternal & Child Health Care
MDG	-	Millennium Development Goal
MOFDP-		Ministry of Finance and Development Planning
MOHSW-		Ministry of Health and Social Welfare
MOLG-		Ministry of Local Government
MTICM-		Ministry of Trade, Industry, Cooperatives and Marketing
MTN	-	Mountains
NFSAP-		National Food Security Action Plan
NGO	-	Non Governmental Organization
NLL	-	Northern Lowlands
NNSS	-	National Nutrition Surveillance System
OVCs	-	Orphans and Vulnerable Children
PLWHA-		People living with HIV & AIDS

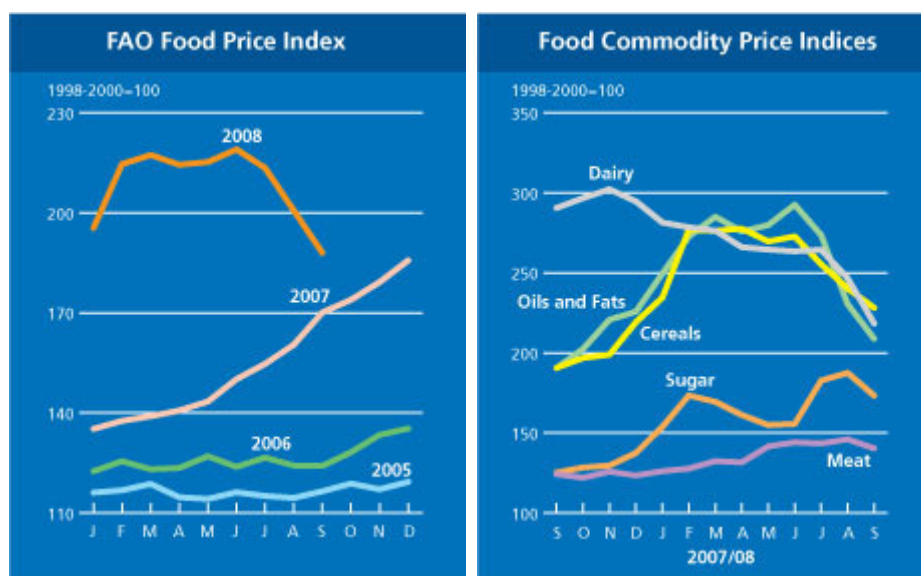
PMTCT-	Prevention of mother-to-child transmission
PRS -	Poverty Reduction Strategy
PSP -	Priority Support Programme
PU -	Peri -Urban
RSA -	Republic of South Africa
RVAC -	Regional Vulnerability Assessment Committee
SACU -	South African Customs Union
SADC -	Southern African Development Cooperation
SIVCP -	Special Initiative for Cash and Voucher Programming
SLL -	Southern Lowlands
SRV -	Senqu River Valley
SPFS -	Special Programme for Food Security
TB -	Tuberculosis
TRFS -	Traditional rain-fed farming system
UNCT -	United Nations Country Team
UMR -	Under 5 Mortality Rate
UNGASS-	United Nations General Assembly Special Session on AIDS
UNICEF-	United Nations Children's Fund
VAM -	Vulnerability Analysis and Mapping
VGf -	Vulnerable Group Feeding
WAZ -	weight-for-age Zeta Score
UNWHO-	United Nations World Health Organization
UNWFP-	United Nations World Food Programme
VAT -	Value Added Tax

I INTRODUCTION

A. General context

1. The world is experiencing a dramatic increase in food prices. International nominal prices of all major food commodities reached, in the first three months of 2008, their highest level in nearly 50 years, while prices in real terms in nearly 30 years. The FAO food price index rose by 9% in 2006, and 23% in 2007 and surged by 54% in the 12 months to end of April 2008.

(October 2008)



2. The FAO Food Price Index (FFPI) ¹dropped another 6 percent in September, falling to a nine-month low of 188 points. The sharp decline in the index reflected the rapid decrease in international prices of all major food and feed commodities (composing the FFPI). The FFPI rose steadily since early 2006, climbing to a record 219 points in June 2008. In spite of its continuing decline since that month, the FFPI was still up 11 points from its value last September and as much as 51 percent above the level in September 2006.

3. Although the food market situation differs from country to country and future evolution remains highly uncertain, best projections suggest that food prices are likely to remain high in the next few years and high prices are expected to affect most developing country markets.

4. Initiative on Soaring Food Prices (ISFP) has two overriding objectives in the short-run: a) to identify key food access and food consumption challenges and its consequent impacts on the nutritional and social welfare of the population at national, regional and local levels; and b) to

¹ After reaching a high of 278 points in June 2008, the **FAO Cereal Price Index** fell to 228 points in September, down 5 percent from the previous month but still up 10 percent from the corresponding period last year. International cereal prices remained under downward pressure in September in anticipation of a strong rebound in world supplies. Developments in other markets, particularly the energy and financial markets, also contributed the drop in prices of major cereals.

The **FAO Oils/Fats Price Index** fell further to 209 points in September, which is 28 percent below the June record and only 10 percent above the level recorded in September 2007. Subdued demand in response to previous record high prices coupled with an improved global 2008/09 supply outlook, are by and large behind the fall. In addition, the recent downturn in energy prices and the prospect of a general slow down in economic growth have also contributed to the price development.

identify activities and assist small and vulnerable farmers to increase food production and availability as rapidly as possible to alleviate supply side constraints and reduce pressure on food prices and assist vulnerable farmers to be able to benefit of from the opportunity offered by higher producer's prices.

5. The ISFP aims at averting food access & consumption crisis as well as increasing production and farmer's incomes through various interventions, policies and programmes to improve producer access to inputs (water, seeds and fertilizer) and, in the interim, provide food safety nets to the poorest and most vulnerable who have been most exposed to price shocks. The ISFP recognizes that country ownership and leadership within a programmatic approach is the basis for long-term impact. To ensure coherence and sustainability of the initiative, the ISFP country action plan needs to be integrated into wider national programmes, policies and existing partnerships.

B. Specific context

6. Domestic food production in Lesotho declined over the past years. The production of maize, which is the staple food for most Basotho, for example, decreased from 158,000 MT in 2000/01 to 69,000 MT in 2007/08, with average annual production estimated at 95,000 MT. As a consequence, food requirements, mostly cereals, have to be met primarily from imports: 70% or more depending on available food production.

7. Prices of food commodities in Lesotho are closely linked to South African prices, from where most purchases of cereals are made. Prices in South Africa being also closely linked to world food prices, the increase of the latter will continue to affect prices paid by Basotho consumers to a large extent because they have to import such a large percentage of their food requirements.

8. The Bureau of Statistics reports that food prices increased by 13.8 percent from June 2007 to June 2008. This represents an increase of around 1 percentage point every month. It further reports that food prices contributed 13 percent of the overall inflation rate, coming in only second after Gas and other fuels. The table below gives the percentage change in the Consumer Price Index for major food commodities from June 2007 to June 2008, as well as the monthly change from May 2008 to June 2008.

Item	% change CPI June/07- June/08	% change CPI May/08 – June/08
Food	13.8	1.3
Bread and cereals	14.0	1.3
Meat	10.8	0.2
Fish	9.5	2.0
Fruit and vegetables	12.3	1.7
Milk and eggs	12.2	2.1
Oils and fats	35.7	1.1
Other food products	11.9	1.3

Source: [Lesotho Bureau of Statistics](#)

9. Unfortunately, product specificity is lacking in the available statistics making it difficult to infer any meaningful conclusions on how poor households are affected with rising food prices. A product specific approach is proposed. The Disaster Management Authority and the World Food Programme carry out monthly food price surveys on basic food products which include maize meal, vegetable oil and pulses. The surveys cover a total of 66 shops, 35 of which are located in rural areas while 31 are in urban and peri-urban areas. These shops serve as sentinel sites for price monitoring. The results from this survey differ significantly from those given in the table above,

and point to variances in sampling frames as well as product coverage. In view of the fact that most households will consume items the food basket stipulated by the WFP/DMA approach, it therefore is pertinent that this basket, as well as the methodology followed, is adopted for this analysis.

Commodity	Mar 04	Mar 05	Mar 06	Mar 07	Jul 08	% Δ May 07/Jul 08
1 kg Maize	3.00	4.00	3.20	3.30	5.24	59%
12.5 kg Maize	25.00	22.60	30.90	32.60	44.62	37%
1 litre Veg. oil	n/a	n/a	10.40	11.25	22.49	100%
1 kg Beans	n/a	n/a	n/a	9.54	13.30	39%

10. The table above illustrates the scenario as witnessed on the ground. All commodity prices in this food basket have increased by more than a third from May 2007 to July 2008, with vegetable oils having doubled in price over this period. The price of the staple, maize, increased by almost 60% for the smaller package of 1 kg while the larger packet of 12.5 kg went up by 37% over the period. The price of pulses rose by almost 40% in the same reference period. These price increases are of crisis proportions by any standards, and especially so for Lesotho, in which around 60% of the population live below the poverty line of about Maloti 5.00 per day (about US\$ 0.68 per day).

11. The prices of Livestock have increased significantly although this mainly affects the ‘middle’ and ‘Better – off’ households who own livestock. Price increases were in the range of 75% – 100% over baseline prices across the zones

12. Lesotho Flour Mills estimates indicate that the price of white maize has increased compared to last year; it is however lower than the price quoted in the 2008 LVAC for May 2008 (M6/kg). Currently the whole sale price of white maize ranges between M2.6 and M 3.4/kg (*super* or *special* qualities). Retail prices would range between more or less M3-4/kg (assuming a 15% margin). A close monitoring of retail prices is important to ensure that retailers do not charge unduly high prices, especially in the remote rural areas.

13. Prices of food in the rural areas are generally higher than in urban areas because of higher transport costs and probably higher retail margins. Even if rural households produce some food for own consumption, they tend to be in general “net food buyers” which puts them at risk when they have to pay such high prices.

14. Despite the current very high prices for maize, the supply response is low mainly due to lack of resources. In addition, production and marketing costs, particularly increasing transport costs, prevent many farmers from taking advantage of the formal market, as the millers do not operate collection centers due to the small quantities of grain produced by subsistence farmers for the formal market.

15. The current situation is particularly serious for the poorest households who depend heavily on in-kind payments and incomes from agricultural activities. These households purchase most of their food requirements in the open market, as their own production only provides a supplement in the months following the harvest period.

16. In order to prepare an immediate national response plan, the Cabinet sub-committee on food security appointed a Taskforce for the Initiative on Soaring Food Prices of four principal secretaries Ministry of Finance and Development Planning, (MOFDP), Ministry of Agriculture and Food Security, Ministry of Trade, Industry, Cooperatives and Marketing, (MTICM), and the Cabinet. The exercise was coordinated by the Ministry of Agriculture and Food Security, as the

secretariat of the Taskforce. NGOs are not found in the Task Force representation. The NGOs were consulted in the process of mission. Draft response plans were shared with UN for further inputs and support.

17. The Ministry of Agriculture and Food security requested the UN through FAO, WFP, WB and IFAD and UNICEF for support to develop a technically donor appeal. The following major areas would be covered in a donor appeal:

- Humanitarian assistance through social safety nets and nutrition intervention programs where needed to address immediate response,
- Boosting agricultural production in support of medium and longer term solutions.
- Development of policies that reflect economic changes based on high food prices.
- Budget adjustments to help Lesotho adjust to high food prices and any accompanying policy changes.

18. The ISFP secretariat supported the fielding of a mission to Lesotho from 18-30 August². The Ministry of Agriculture and Food Security (MAFS)-planning department, as well as FAO and WFP facilitated the mission's work. UNDP had offered the UNCT to provide technical assistance, following the mission's technical inputs, to finalise a donor appeal based on the missions recommendations.

19. The proposal to address the soaring food prices, prepared by the Government of Lesotho, set out critical actions to **build resilience** to the threats and opportunities arising as a result of the rising food prices and address **urgent needs** of the most vulnerable groups.

20. The mission, upon reviewing the available analysis of the population groups that are most affected by the soaring food prices, found that

- The emergency/nutrition support assistance and seed fair/seed multiplication, planned to kick in as immediate assistance by August for 229,000 persons, should not delay, considering their high levels of food insecurity. Given the longer term nature of the soaring food prices effects, the mission encourages that benefits of the medium term proposals should be clearly linked to the target groups with immediate needs.
- Implementation of the 5 programmes and corresponding strategies in the National Action Plan for Food Security (2007-2017) would not be further delayed because the foreseen projects provide an adequate response within a comprehensive package of cross sectoral strategies:

Commercial and household food security

natural resources management

safety nets and social protection

food supply stability and national availability

National Action Plan for Food Security (NAPFS) support structures

- Consequently, the ISFP response package should reflect the net gap in support needs, considering what the NAPFS is already providing.
- In order to strengthen the donor appeal and compete for the various funding sources made available world wide in response to the soaring food prices, the mission worked 10 days

²The mission was composed of Els Kocken, team leader WFP Kampala, Justin Rushemeza (Senior Economist, FAO sub-regional office Harare), Ms. Joyce MulilaMitti (Crop Production Officer, FAO sub-regional office Harare), Ms Basra Hassan, Nutrition Specialist UNICEF, Eastern & Southern Africa Region, Dr Bosielo Majare, Health and Nutrition Specialist, UNICEF Lesotho. Husam Abudagga, Senior Country Officer, World Bank, supported the mission.

in country, with the Principal Secretaries and technical officers in the Ministries of Finance, Agriculture and Food Security, Local Government, Cabinet, Trade, Health and Education; as well as with UN agencies and civil society, to clarify in the proposals:

Outcomes, specifically for the various target groups, and directly related to mitigating soaring food prices. The mission promoted the inclusion of the ISPF logical framework, once targets, locations and outcomes were defined.

Reference to existing national policies, strategies and action plans so that the commitment and ownership of the relevant ministries is evident,

Evidence that the programmes work, lessons learned and corrective design/management actions taken,

Implementation roles and responsibilities of Government and/or other partners.

Implementation schedules showing that immediate as well as medium/long term action allow for kick off without delay.

Specific information on how outcomes of longer term interventions will benefit the affected target groups, so that they can graduate from humanitarian assistance

Costing of various components, including budget allocation on GOL and net gap in support needs

31. The mission tried to address inconsistencies in the response plan regarding the status of the project proposals,

- distinguishing project ideas that require a pre-feasibility study from experience based projects;
- projects that still require further proof of feasibility before scaling up,
- projects that will have an impact on high food price affected at risk households.

32. A field visit was facilitated by WFP and allowed for focus group discussions with community members and key informants included small farmers, a block farmer, community support groups, and health workers.

33. Upon departure of the mission, the UNCT with the support of a UNDP consultant,³ continued working with the Government on further refinements to the initial proposals, while considering the recommendations of the mission. The implementation arrangements were reviewed and a retreat was organised with the various stakeholders to consolidate the strategic impact of the proposals on the rising food prices, the targeting strategies and coverage and the budget requirements.

34. This document provides further background to the recommendations made to both the GoL and UN- task force on Food and Nutrition, regarding the viability of last proposed set of response plan proposals. The mission report presents the analysis and recommendations in order to further serve ISFP response planning as well as proposal writing, in relation to;

- Soaring food price situation, mechanisms and major causes
- The humanitarian situation
- Boosting agricultural production in support of medium and longer term solutions.
- Development of policies that reflect economic changes based on high food prices.
- Country Response Plan
- International coordination and M&E arrangements
- Follow up Mechanisms

³ Mr Osten Chulu (UNDP) provided the technical assistance for the refinement of the proposal package.

II SOARING PRICE SITUATION, MECHANISMS AND MAJOR CAUSES

A. Cereal Price development

35. As the bulk of maize in Lesotho is imported from South Africa, the related prices in the country are driven by the South African market. However, the respective retail prices in Lesotho are in general lower than the whole sale prices in South Africa. This is to some extent explained by the fact that the major grain importers purchase maize stocks in South Africa at the lowest possible price. Due to the gradual release into the local retail system, the respective market prices are no longer directly determined by the actual price changes in South Africa. Nevertheless, if importers bring in maize at high prices – as has been the case in the last months of the marketing season 2006/07 – major price peaks are experienced also on the local retail markets of Lesotho.

36. As the price for maize in RSA is conditioned by both prospects for domestic production and international prices, SAFEX values have increased to record levels in the recent months as U.S. maize export prices have risen significantly, boosted by a surge on the use of maize for production of ethanol in the United States. This has a spill over effect in Lesotho. The March average nearby SAFEX price for white maize had risen to 1 930 Rand per tonne from about 1 350 Rand in January. Prices this year are much higher than the same periods last year.

37. Below is an example of how wholesale price of white maize is arrived at, on the basis of a price of R1913/metric ton ex South Africa (August 2008)⁴.

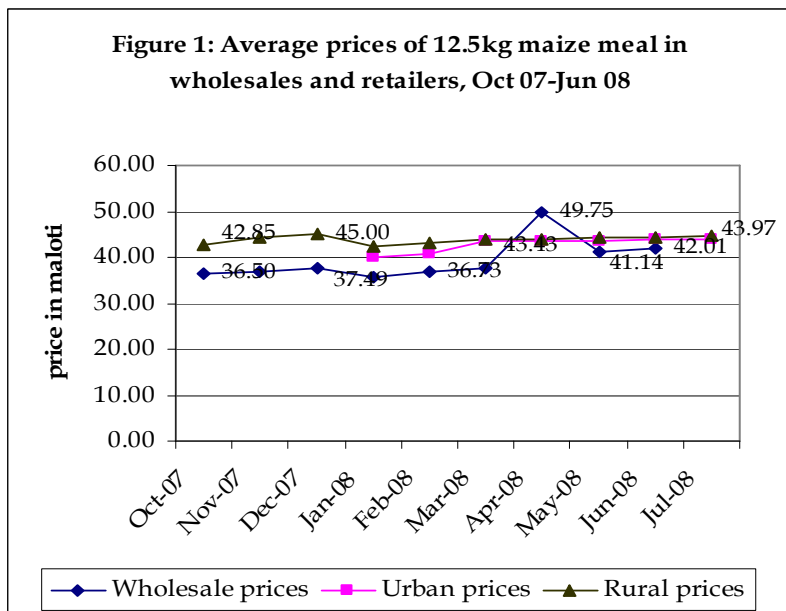
Maize Wholesale Price Calculation (Rand/Maloti/mt)

Import price of 1 mt of white maize	1913
Price of 1 mt of maize flour (74% extraction rate)	2585
Less the bran	-474
Raw material cost	2111
Plus Variable costs (pack, transport etc.)	440
Plus Fixed costs	250
Plus Admin costs	180
Plus interest cost	60
Total cost of 1 mt maize flour	3041
Plus Profit 5%	150
Total whole sale price of 1 mt of white maize	3191

38. The whole sale price in Lesotho is therefore M3191 per mt or M3.20 per kg, about 50% higher than the raw material cost ex South Africa. Retail prices will be much higher by a margin which will depend on locations where maize is sold in Lesotho. Margins as high as 50% have been reported in remote locations.

⁴ Based on calculations by the *Lesotho Flour Mills*

Figure 1 ⁵presents average prices of 12.5kg maize meal from January to July 2008. A comparison is made between retail prices in rural/urban shops and wholesale prices. This graph indicates that prices increased significantly from January to March, prices in rural areas were significantly higher than in urban areas. Between March and July, there is no significant difference and prices are more stable.



There has been an increase of about 5% in rural areas and 10% in urban areas between January and July and there is no significant change between May and July. Wholesale prices were higher than retailers' prices in April and this confirms traders concern that sometimes they take time to increase prices as they feel for customers, meanwhile they either run losses or make lower profits. When prices of maize meal in July are compared to March 2007, there is an increase of 37% for 12.5kg and 59% for 1kg maize meal.

Figure 2 presents a comparison of the prices of vegetable oil between January and July 2008. Similar to maize meal, there is no significant change in vegetable oil between May and July. The increase between January and July is 27% in rural shops while 29.7% increase was noted in urban shops. The price of vegetable oil in July 2008 has increased by 100% compared to March 2007.

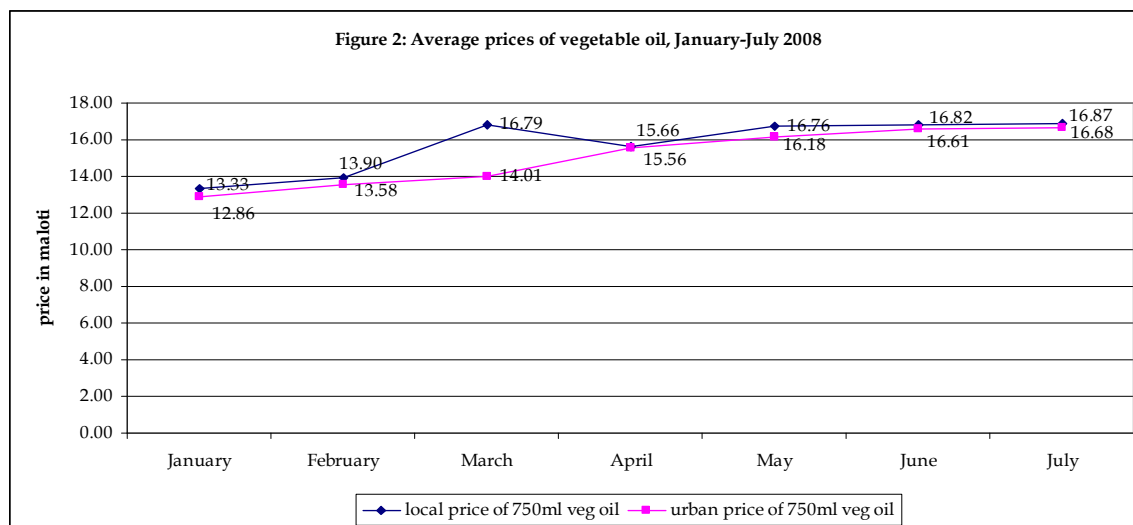
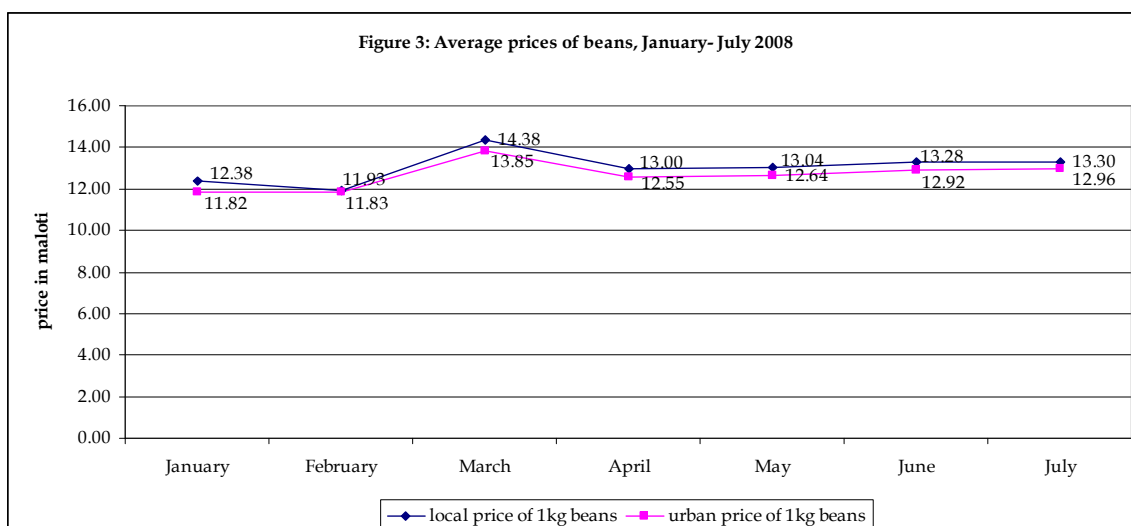


Figure 3 presents a comparison of the average price of beans between January and July 2008. There is no significant difference in prices between June and July in both rural and urban areas. A 7% increase is noted in rural shops while 9.6% increase is noted in urban shops when prices are compared to January.

⁵ Courtesy of WFP Lesotho



39. Urban prices remain lower compared to rural prices for the three commodities presented above. However, the rate at which prices increase in urban shops is higher and urban prices are starting to match with rural prices.

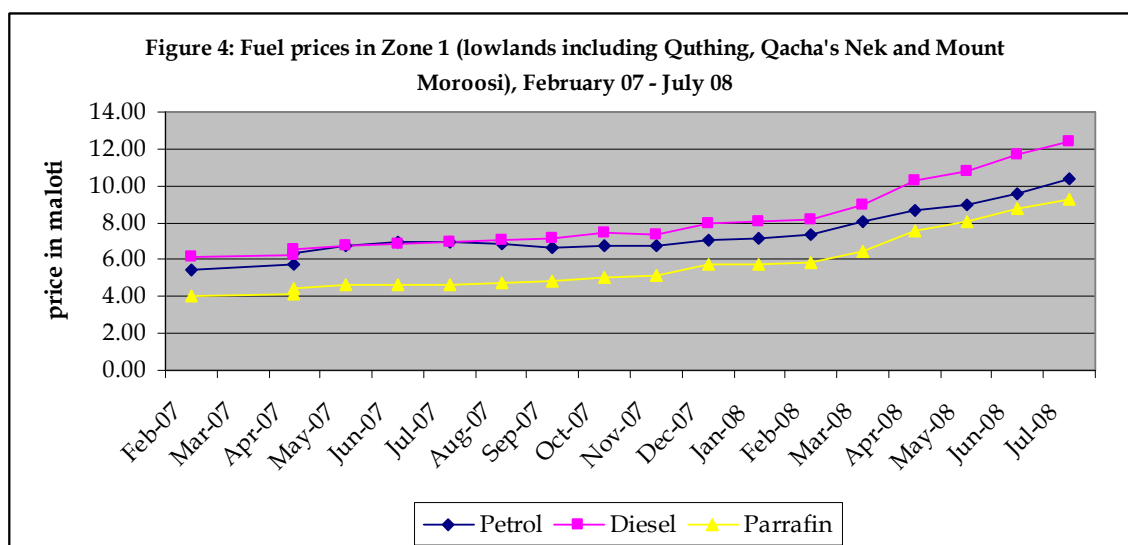
40. The table below presents a summary of prices of different commodities in rural areas from 2004 to 2008. The increase in the commodities investigated ranged from 37% to 100% compared to March 2007. Vegetable oil seemed to have highest increase of 100%, followed by 1kg maize meal with 59% and 1kg beans with 37%.

A comparison of different commodities from March 2004 to June 2008

	Mar-04	Mar-05	Mar-06	Mar-07	Jul-08	% change from March 2007
1kg maize meal	3.00	4.00	3.20	3.30	5.24	59%
12.5kg maize meal	25.00	22.60	30.90	32.60	44.62	37%
1 litre veg. Oil	n/a	n/a	10.40	11.25	22.49	100%
1kg beans	n/a	n/a	n/a	9.54	13.30	39%

B. Prices of fuel

41. Fuel prices have been increasing significantly in the past three years. The figure below presents fuel prices from 2005 to 2008 (Petroleum Fund, June 2008). Compared to July 2007, the price of a litre of petrol increased by 51% in July 2008, diesel increased by 78% while paraffin increased by 100%. Figure 4 indicates that fuel prices increased significantly from March 2008.



Source: Petroleum Fund

42. Despite the current very high prices for maize, the supply response is low mainly due to lack of resources. In addition, production and marketing costs, particularly increasing transport costs, prevent many farmers to take advantage of the formal market, as the millers do not operate collection centers due to the small quantities of grain being produced by subsistence farmers for the formal market.

43. Trade constraints are caused primarily by the poor state of the Maseru railhead which hinders efficient handling of bulk imports. This is important considering the dependence of the country on food and other imports (see next section for more details). Trade uncertainties arise from the dependence on South Africa for food imports and the fact that the Maluti is tied to the rand. One of the main triggers of the 2002 food crisis was a sudden devaluation of the rand against the US\$. As maize prices are denominated in US\$, this automatically increased the price of maize quite dramatically. (Diagnostic report 2004)

44. Since the closure of the Agricultural Development Bank in the 1990's, there has been no public sector source of credit for investment or working capital in agriculture. Private sector sources are limited to the banking sector which does not have good outreach into the rural areas and which does not cater for the large number of resource poor farmers

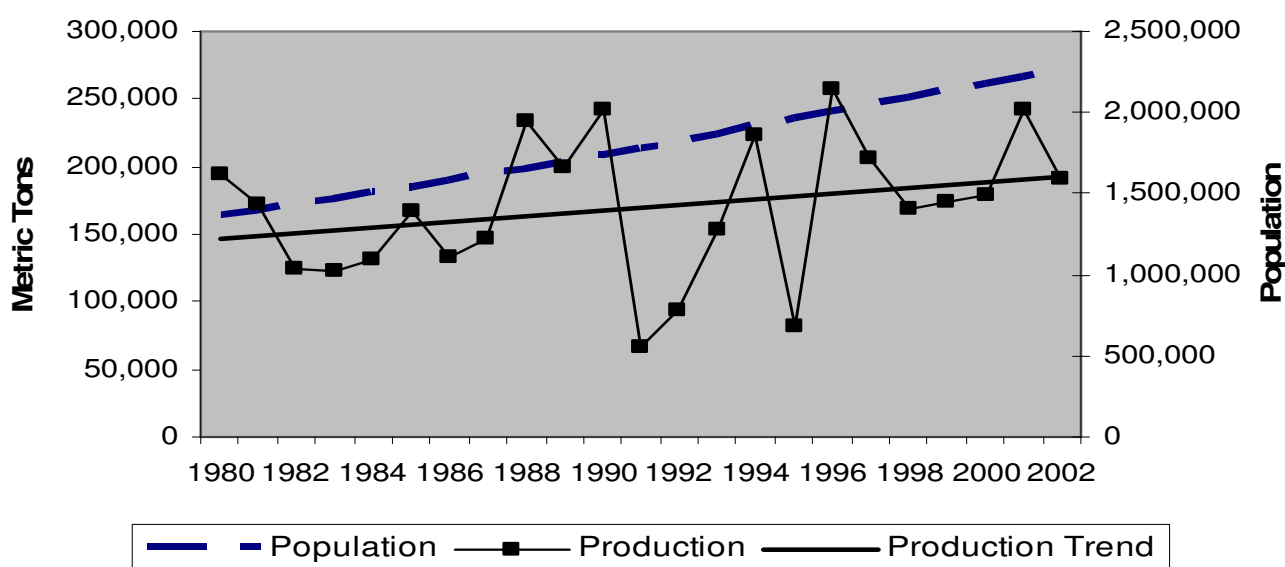
45. In terms of marketing, the two critical related constraints are: poor infrastructure and poor market information. Although substantial improvements of the road network have already been made in Lesotho during the last decades, some areas, particularly remote parts of the highlands, are still not easily and not always accessible, hindering smooth supplies and increasing the marketing costs to and from those areas. The coverage of market information systems for agricultural produce is limited. Currently, vegetable marketing is monitored regularly by the Department of Marketing of the Ministry of Trade and Industry. There is no similar system for major field crops or livestock.

III HUMANITARIAN SITUATION – IMMEDIATE NEEDS

A. Food situation in the country

46. Lesotho was almost self-sufficient in food grain production up to the 70ies. Since then, the trend in food crop production, though positive in aggregate terms, has not kept pace with population growth. According to the production trend, shown in figure below, average annual cereal production increased from some 150,000 tons in 1980 to 200,000 tons in 2003, i.e. by some 33 percent. During the same period, the population increased from 1.36 to 2.25 million, i.e. by 66 percent. Taking into account that some 180 kg of cereals per capita and annum are needed, in order to cover the caloric requirements and maintain the average nutritional standards of the country, domestic cereal production still covered some 80% of the needs in 1980: Its share went down to below 50% from the early 1990's, and in 2004, after an extreme bad harvest, the domestic cereal production merely reached 13% of the requirements. (Diagnostic Report 2004)

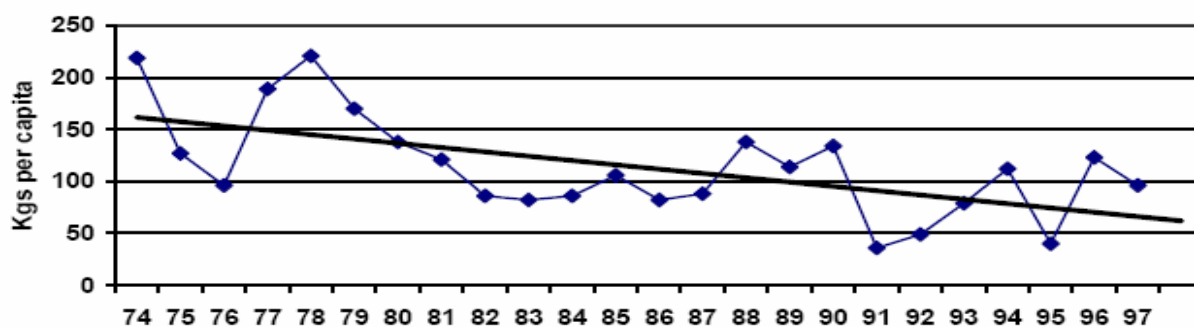
Figure: Cereal Production in Lesotho, 1980 – 2003



Sources of data: FAOSTAT

47. In addition to decreasing per capita production, high volatility of food production is another important feature in Lesotho. Depending on favourable or unfavourable weather conditions, the annual production volume has fluctuated between 50,000 tons (estimate for 2004) and 250,000 tons. Decreasing per capita production and high production variability result in the pattern of per capita food production depicted in Figure below.

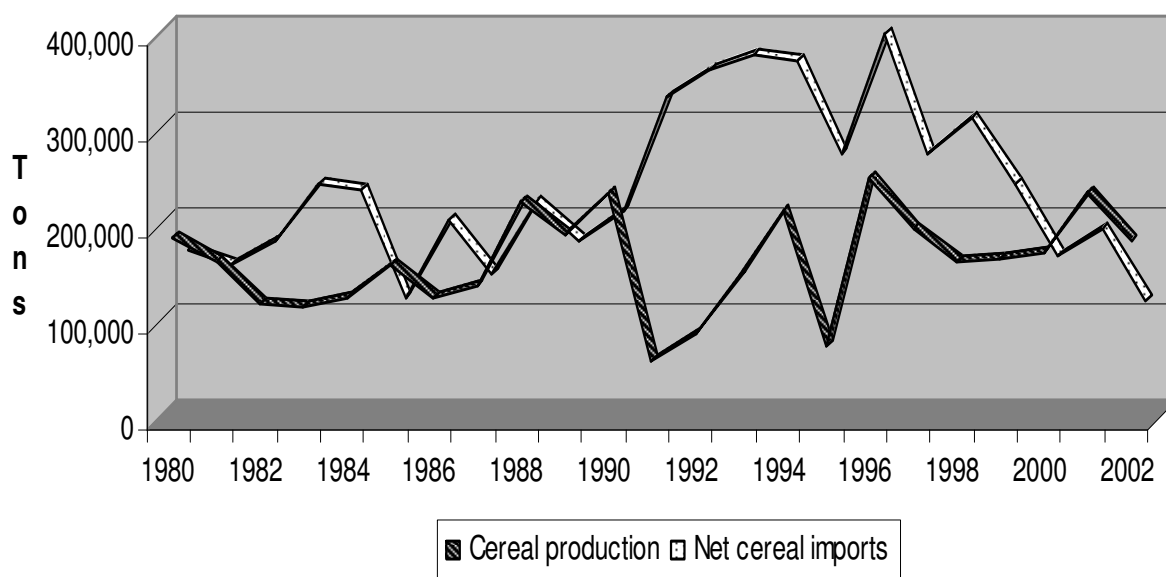
Figure: Per capita food grains production, annual figures and trend



Sechaba Consultants, 2000:

48. The implications of this pattern of food production for food security affect the access as well as the supply side of the food equation: i.e. on the access side, the continuous decline and a high instability of household food entitlements from own production which results in a correspondingly increased dependence on other sources of food entitlement to make up for the shortfall. Depending on their specific livelihoods and means of subsistence, some groups are more and others less affected by such trends. On the supply side the increasing food gap at national scale has to be made up by food imports, in order to ensure sufficient availability to adequately feed the population. The figure below shows trends in the balance between cereal production and imports.

Figure: Cereal production and net cereal imports, 1980-2002



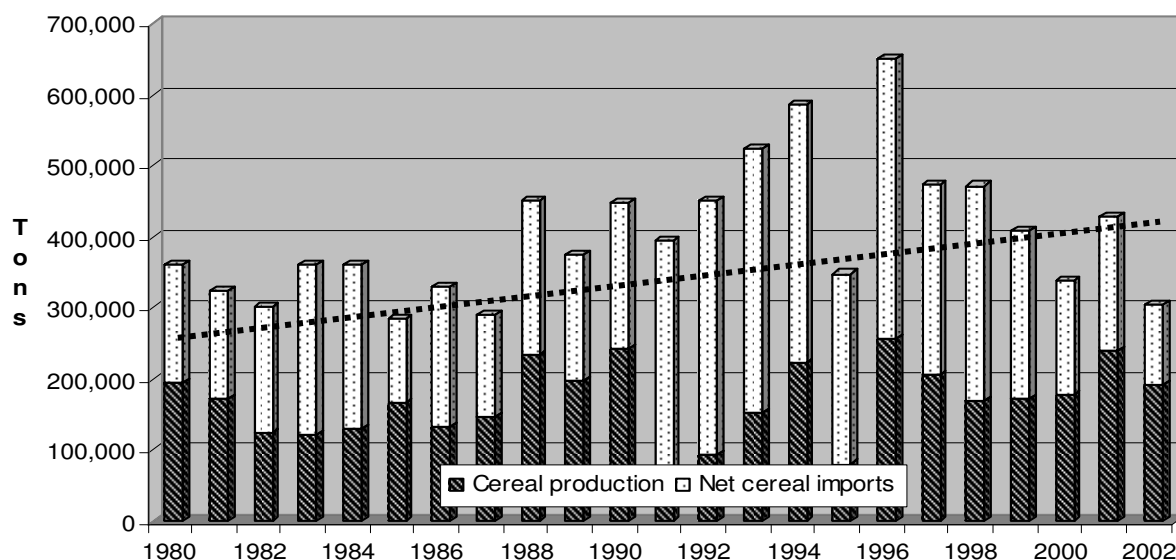
Source of data: FAOSTAT

49. The graph points out various important facts with regard to the development of the cereal supply situation in Lesotho during the period 1980 – 2002.

- In most years, cereal imports made up the major share of domestic cereal supplies.
- There is a high fluctuation in import figures, similar to the production figures.
- Cereal imports have largely compensated for shortfalls in production until the mid 1990's, bringing about an overall smooth supply situation.
- There has been a substantial drop in cereal imports since 1998 which does not appear to have been fully compensated for by increased production,

50. As a result of the development of production and imports in the more recent years, an overall supply deficit is emerging. As is illustrated in Figure, in 2000 and 2002, total supplies (i.e. Production plus imports), have not been sufficient to cover average minimum consumption requirements for cereals.

Figure: Cereal production and imports in comparison to national minimum kilocalorie requirements from cereals.



Minimum requirements

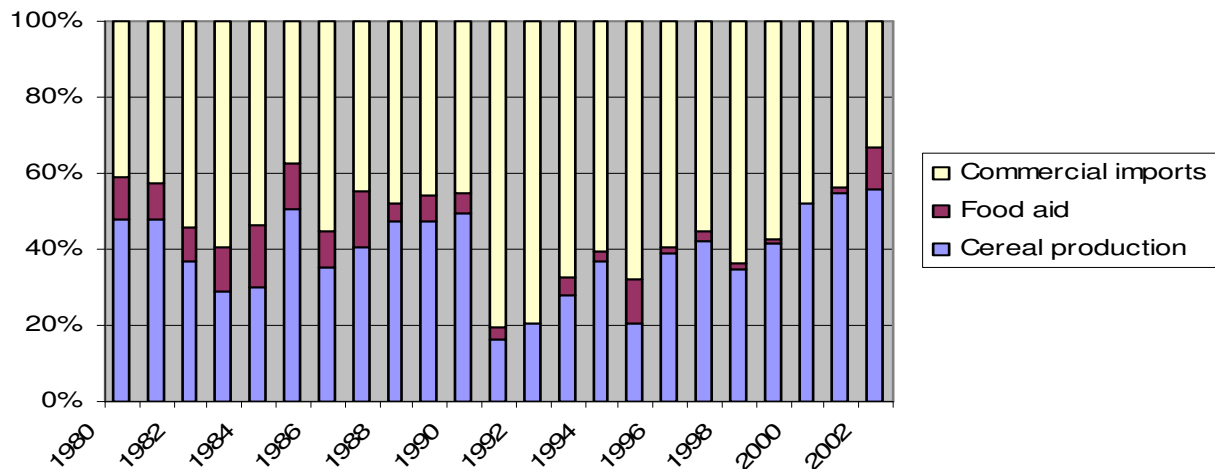
Source of data: FAOSTAT

51. Dependence on food imports does not necessarily mean food insecurity. There are no supply shortages if the balance of payment and foreign exchange situation allows financing of food imports. Because of the currency union with South Africa and a relatively solid foreign exchange position (foreign exchange reserves for 7 to 12 months import cover during recent years), Lesotho definitely has the capacity to finance substantial food imports.

52. This being the case, there must have been another reason for the gap between total supplies and total requirements in recent years. The most plausible explanation for this development is not a supply problem but a problem of *access* and *effective demand*: The compounded effect of high inflation and aggravating poverty has resulted in a lack of purchasing power and prevented the poorest sections of the population from expressing their food needs as effective market demand.

53. The following Figure shows the shares of domestic cereal production, commercial imports and food aid deliveries in overall food supplies during the period 1980 – 2002.

Figure: Share of Domestic Production, Commercial Imports and Food Aid in Cereal Supplies, 1980 - 2001



Source data: FAOSTAT

54. In summary, the system of domestic food production, imports and overall food supplies in Lesotho is characterised by the following features:

- Domestic food production has been growing, but not keeping pace with population growth, hence per capita food production has been decreasing,
- Highly fluctuating production from year to year,
- High and increasing dependence on food imports to compensate for supply shortages,
- No serious constraints on availability of foreign exchange to finance imports,
- Emerging supply shortages in recent years,
- Dependence on food aid deliveries (or other forms of foreign exchange support) for food supply to poor population groups.

55. The Food Balance Sheet for the year 2008/09 produced by the Early Warning Unit of the Disaster Management Authority (DMA), indicates that of the total national cereal requirement of 344,000 MT, 270,000MT or 78% is made up of commercial stocks and planned (commercial) imports. The household food security challenge lies in access to the food through purchases, rather than food available in the country.

B. Economic and social impact

56. The incidence of poverty and food insecurity varies significantly in relation to gender, household size, livelihood patterns, access to basic services, geographical location and access to migrant remittances. The categories of people most vulnerable to food insecurity are female-headed households, landless households without livestock or off-farm employment, casual labourers, unemployed youths and old people with land, but insufficient labour and capital to use productively. The level of food insecurity in the country during the 2007/2008 marketing year is estimated at 21 percent of the population⁶

⁶ CFSAM 2007: 401,200 vulnerable people facing food insecurity in the 2007/2008 marketing year, out of a total estimated population of 1,872,721.

57. The leading cause of poverty in Lesotho is rising unemployment and underemployment resulting from a series of structural changes which began in the early 1990s, with the retrenchment of migrant labourers in the mining and farming sectors from neighbouring countries, and aggravated by the HIV/AIDS pandemic. Despite relatively strong economic growth performance in recent years, the incidence of poverty remains high. The proportion of households living below the poverty line (USD20pp/pm) exceeds 55 percent, out of which about 40 percent are extremely poor (USD 10pp/pm) (African Development Bank), with an estimated 62% being female headed households.

58. As noted previously, the worsening HIV/AIDS pandemic, with prevalence estimated at 23.2% is undermining the economic resource base. In the rural/agricultural areas, in particular, a visible lack of labour is observed which, combined with lack of cash for agricultural inputs, results in some fields being left idle, with direct consequences on deepening poverty and vulnerability. The World Bank estimates that by 2015 the GDP of Lesotho will be reduced by almost one-third as a result of HIV/AIDS. Women are more likely to contract the HIV/AIDS disease: 26% of women aged 15-49 compared to 19% men of the same age. Nearly 10% of all new HIV cases are among children less than 4 years making the need for nutrition intervention programs such as Integrated Management of Acute Malnutrition greater as HIV affects the immune system and simple childhoods diseases can lead to malnutrition. The upward trend shows no signs of abating. This also increases the need for nutrition information system to continuously monitor the situation.

59. The first characteristics of extreme poverty in Lesotho are its concentration in the rural areas, not only as a proportion of the population but also in absolute numbers. A weak and limited agricultural/natural resource base and scarce income earning opportunities in rural areas as well as the recurrent natural disasters are the main cause of rural poverty.

60. Second only to geography is gender. Currently, about one-third of households are officially headed by women who are single, divorced, widowed or abandoned by their husbands, a proportion higher than in most other sub-Saharan African countries. Such female-headed households have the highest incidence of poverty (about two-thirds), well above the national average. Female-headed households are particularly vulnerable because they are typically headed by ageing widows, who may have lost the capital they once possessed, are less likely to own agricultural assets, such as livestock (35 percent, compared to 55 percent of male headed households), and have difficulty securing cash incomes.

61. There were an estimated 180,000 AIDS orphans in the country in 2006. Care givers are often young girls, and elderly.

62. Health gains made in the past have begun to be eroded due to socio-economic difficulties and HIV/AIDS. The level of infant mortality (IMR) declined from 122 in 1976 to 74 in 1996, and increased to 81 in 2001 and eventually to 91 per 1000 live birth in 2004. Under-5 mortality rate (U5MR) on the other hand increased from 55 in 1986 to 113 per 1000 live births in 2001, and remained the same in 2004. Maternal mortality rate increased from 282 in 1996 to 419 in 2002 and eventually to 762 per 100,000 live births in 2004. The 2007 Lesotho Nutrition Survey pointed out that 41.7% of children aged 6-59 months suffer from Chronic Malnutrition (stunting) while 2.3% and 13.8% of the same age group have acute Malnutrition (wasting) and underweight respectively. The slight improvement of the wasting could be due to the high rates of under five mortality – over 100 deaths per 1000.

63. The most vulnerable households are more likely to be found in peri-urban areas and the Mountain areas (according to the Lesotho Vulnerability Assessment Committee “LVAC”, 2008) as these areas have the least arable land and the fewest alternative income generating activities. More than eleven in every twenty children the mountainous area (55% -Lesotho National Survey, 2007) is stunted. Approximately 353,000 people will require humanitarian assistance of varying levels in 2008/09. Out of this population, approximately 229,000 people will face a food deficit equivalent to 15149MT of maize or M87,134,000 in cash terms. In addition, approximately 59,000 households that make up the overall population in need (353,000) will face an expenditure deficit of approximately M19,804,000 or 3411MT in maize equivalent.

64. The combined food and expenditure deficit in cash terms is approximately M106,938,000 or a maize equivalent of approximately 18500MT Note that the price of maize used in the above calculation is the village level price of M6 per KG of maize flour in all zones except the Peri – Urban zone where the price is M5/KG of maize flour. A further 123 000 were on the brink, able to cover their essential food needs but not other essential requirements like cooking oil, making them highly vulnerable to increasing food prices. The LVAC covered rural and peri-urban areas and at present, WFP and Disaster Management Authority is conducted urban vulnerability survey, which will be available to the mission.

Location	Classification	No of persons	Food deficit per person	Expenditure deficit per household
Foot hills	Very poor	22,339	33%	M570
Mountain	Very poor	40,528	37%	M477
	Poor	123,514		M 88
Northern Lowlands	Very poor	49,000 to be monitored		
Peri Urban	Very poor	14,482	50%	M476
	Poor	34,075	31%	M476
Southern Lowlands	Very poor	76,785	33%	M457
Senqu River Valley	Very poor	10,708	33%	M431
	Poor	29,982	9%	M464

65. The affected populations are mainly the ‘very poor’ in 5 Livelihood Zones and the ‘poor’ in the Peri Urban, Senqu River Valley and the Mountains Livelihood Zones. The ‘Very poor’ in the Peri Urban will need assistance equivalent to approximately 6 – 8 months while the ‘Very poor’ in the remaining zones and the ‘poor’ in Peri Urban zone will need assistance for 4 – 5 months

66. The soaring food prices are affecting households in various livelihood zones in different ways (LVAC 2008); In all zones, the main coping strategy to address current season’s low crop production and food income from labour exchange, is to look for more casual labour opportunities in agricultural (e.g. weeding), which this year offered less opportunities. The combination of high food and other commodity prices, constrained labour exchange and casual labour opportunities with the low crop production this year, will reduce household capacity to access enough food as well as meet the essential household expenditures for the period August 2008 - May 2009.

67. Foothills Main Livelihood Characteristics of ‘very poor’ and ‘poor’ households in this zone:

Own crop production contributes about 20 -25% of annual food energy consumed

Agricultural labour contributes about 15 -30% of annual food energy consumed

Food purchase contributes about 35 – 45% of annual food energy consumed
Casual labour contributes about 30 -45% of the annual cash income
Remittances contribute about 20 – 40% of annual cash income

68. The Mountains: Main Livelihood Characteristics of ‘very poor’ and ‘poor’ households in this zone:

Own crop production contributes about 10- 20% of annual food energy consumed
Agricultural labour contributes about 35 -40% of annual food energy consumed
Food purchase contributes about 20 – 25% of annual food energy consumed
Casual labour contributes about 15 -20% of the annual cash income
Domestic labour contributes about 35 – 40% of annual cash income

69. The traders mentioned that they never implemented the subsidy on maize flour due to the escalation fuel prices that would have resulted in selling at a loss. This implies that the intended purpose of the subsidy on the price of maize and selected food items was not achieved.

70. The Peri-Urban Areas: Main Livelihood Characteristics of ‘very poor’ and ‘poor’ households in this zone

Own crop production contributes about 15 - 25% of annual food energy consumed
Agricultural labour contributes about 10 - 15% of annual food energy consumed
Food purchase contributes about 35 – 40% of annual food energy consumed
Casual labour contributes about 15 - 40% of the annual cash income
Sale of vegetables contributes about 15 – 30% of annual cash income
Self employment including brewing contributes 15 -30% of annual cash income.

71. Although casual labour rates have doubled since 2007, the rises in price of food and other commodities outmatch this increase in labour rates. One advantage this zone has is the close proximity to cheaper sources of food and this is reflected in the smaller percentage increase in the price of maize.

72. The Southern Lowlands Main Livelihood Characteristics of ‘very poor’ and ‘poor’ households in this zone

Own crop production contributes about 20 - 35% of annual food energy consumed
Agricultural labour contributes about 10 - 15% of annual food energy consumed
Food purchase contributes about 20 – 30% of annual food energy consumed
Casual labour contributes about 15 - 20% of the annual cash income
Self employment including brewing contributes 20 -30% of annual cash income. The poor also own some goats and increase sales in crisis times.

73. The Senqu River Valley Main Livelihood Characteristics of ‘very poor’ and ‘poor’ households in this zone

Own crop production contributes about 15 - 20% of annual food energy consumed
Agricultural labour contributes about 15 - 20% of annual food energy consumed
Food purchase contributes about 25 – 30% of annual food energy consumed
Casual labour contributes about 15 - 25% of the annual cash income

Piglet and sheep sales contribute 0 -30% of annual cash income. The poor also own some pigs and sheep and increase sales in crisis times.

74. Catholic Relief services CRS undertook a rapid rural assessment among shop owners as well as individuals, earlier this year and found that ⁷ prices have gone up substantially in the Bobete area. This influences and jeopardizes households' already fragile food security situation and has influence on the success of shops in the area; The higher prices limit the already low purchasing power, people resort to eating less and eating a less diversified diet. Some people sell of assets (cattle). Local income generating activities are subject to lower revenues due to higher prices as well.

IV BOOSTING AGRICULTURAL PRODUCTION IN SUPPORT OF MEDIUM AND LONGER TERM SOLUTIONS.

A. Cereal Food Chain

75. In Lesotho the three main food crops grown are maize, wheat and sorghum. With on average 70-80 percent of total production, maize is the major cereal cultivated. Although maize production in the country has been on the decline in recent years, it remains the country's most prominent staple food, constituting an estimated 80 percent of the rural diet. The bulk is produced in the lowlands whereas the mountain areas produce most of the wheat crop. Leribe, Maseru, Mafeteng and Berea in the west are the four leading districts in maize production. Jointly they constitute about 75 percent of the total national production. The majority of maize farmers are small-scale subsistence farmers with very low productivity and average yields of less than 1 tonne/ha.

76. If used at all, improved inputs for maize production (hybrid seeds, fertilizers, pesticides, etc.) are imported from South Africa. They are significantly more costly in Lesotho than in South Africa thereby raising production costs to Basotho farmers and lowering their competitiveness against cheaper maize imports from South Africa. In addition to being more expensive than imports, domestic maize production is very low even during good years covering just about 30 percent of total national consumption requirements.

77. Lesotho's annual cereal domestic production averages around 110 000 tonnes. This corresponds roughly to 30 percent of the country's estimated annual cereal requirements of around 360 000 tonnes. As Lesotho has an open economy it allows free flow of goods and services across its borders with South Africa. This has greatly facilitated the vital role of commercial imports in bridging the food deficit. Commercial cereal imports continue to cover the greater part of the cereal gap, with food aid imports through WFP, C-SAFE (Consortium for Southern Africa Food emergency), and other channels like religious based organisations and, occasionally, government-to-government bilateral arrangements, making up the remaining deficit. Furthermore, a significant but not quantifiable proportion of the cereal deficit is believed to be covered by the informal cross-border imports (conducted on a private and small-scale individual basis).

78. The notion that food insecurity in Lesotho is linked to other more fundamental livelihood challenges including poverty, unemployment and underemployment, retrenchment of mineworkers,

⁷ **End of program evaluation report.** Consortium for Southern African food security emergency in Lesotho FY08 Single Year Assistance Program; July 25 2008

Rising Prices – How do people in Lesotho cope? *A rapid vulnerability assessment of the situation in the village of Bobete, Thaba Tseka, CRS 2008*

soil erosion and loss of soil fertility, HIV/AIDS, the behaviour of the markets and infrastructure, is plausible. This line of thinking is a necessary basis for future and on-going policy actions because it shows that there is clear recognition that in order to comprehend the intricacies of food insecurity in Lesotho, the problem can not be analysed in isolation from other development challenges. This is because both food insecurity and levels of vulnerability observed at present suggest that while vulnerability was certainly triggered by erratic climatic conditions negatively affecting the development of crops and leading to declines in production, lack of capacity of most households to absorb shocks was an indication that resilience had been extremely reduced.⁸

79. Overall, even if agricultural production were to increase over time, Lesotho is unlikely to become self-sufficient in food. This observation by the mission was based on the fact that the limitations to increased agricultural productivity are many and complex and the gap between what is locally produced and imported is rather substantial for the country to entirely meet the total national food requirement in an economically, socially and environmentally sustainable manner exclusively through local production. The fact that most of the arable land is under cultivation, there is little room for increased production through expansion meaning that the opportunity for increased production depends largely on intensified production which has a limit given the fragile environment. The mission observed that what was prudent was to support current level of production by promoting increased production with the use of more sustainable production technologies and providing technical advice for improved agronomic management that will ensure that the resource base; particularly the fragile soil does not further degrade.

80. Maintaining the efficient and cost-effective mechanism for importing food will depend on the continued membership of the country in SACU which reduces barriers to the movement of cereals between South Africa and Lesotho, the extent of competition among importers/traders, as well as costs due to economies of scale achieved across the border. This relatively cheap and reliable access to imported food, in the long run, is a significant advantage for Lesotho compared to a number of other countries in Southern Africa. With respect to maintaining strategic grain reserves, this might be suitable for other countries in Southern Africa, but for a land-locked country with high import costs, Lesotho's access to South African grain implies that costs of maintaining such a reserve, which might be used once in a decade, are likely to surpass the benefits.

81. With respect to the internal market, the only formal market channel for farmers in Lesotho is that of commercial millers located in the lowlands. The two main industrial milling companies are the Lesotho Flour Mills (49 percent government owned) in Maseru and the Lesotho Milling Company (40 percent government owned) located in Maputsoe. A few hammer mills buy local grains immediately after harvest during good years. The produce is then stored to be milled and sold during the December-February period when the demand is high, as many households will have exhausted their own stocks. However, the majority of hammer millers only provide a service where villagers mill their grain crops for home consumption.

82. In general, after harvesting farmers are free to take their surplus crop (most cereal producers are however subsistence farmers with no surplus to sell) to the two main milling companies where the produce is weighed, graded and then purchased. Nevertheless, marketing costs, particularly transport costs, prevent many remotely placed farmers to take advantage of the formal market, as the millers do not operate collection centres because of the small quantities of grains being produced for the formal market. The grading of grains by millers follows the South African

⁸ Knowledge review and gap analysis: hunger and vulnerability in Lesotho. Regional | Hunger and Vulnerability Programme 2007

approach which considers factors such as moisture content, screening, and colour of kernels. Locally produced grain crops are said to be of lower grades, the main factor limiting the demand by the millers. Despite the current escalation of grain prices, millers do not believe local farmers will respond by increasing production in the short term mainly because of lack of resources. As a result of low local supply, both industrial milling companies are heavily dependent on grain imports which they source through Seaboard in Durban.

B. Overview of the agricultural sector

83. The service, manufacturing, and agricultural sectors respectively account for 42 percent, 40 percent and 17 percent of Lesotho's GDP of approximately US\$1billion. While the direct contribution of Agriculture to GDP is estimated to be 17 percent, the indirect contribution through linkages with manufacturing and processing is about 10 percent. Crop and livestock production respectively account for 70 and 30 percent of agricultural GDP. Notwithstanding its low contribution to GDP, the agricultural sector is still the major source of livelihoods. Agriculture provides about 85 percent of the employment in rural areas, where 81 percent of the population of the country lives and forty percent of this labour force is provided by women (NAPS main report 2006).

84. The contribution of agriculture to total imports and exports in 2004 was 6.4 percent and 1.2 percent respectively. The agricultural trade deficit decreased to US\$ 59.1 million in 2004. The main agricultural products imported by the country are: tobacco, chicken, meat and sheep that in 2004 represented about 29 percent of all agricultural products imported (in value). The main agricultural products exported by the country are wool that in 2004 represented about 72 percent of all agricultural products exported (in value).

85. Arable land is largely confined to the lowlands and foothills on the Western border and the Senqu River valley in the south. Effectively all the arable land in the country is currently cultivated with most of the land predominantly used for crop production, rearing of livestock, range management and forestry activities. Cropland is allocated to individuals while communal land refers mainly to range and other non-crop land. Both subsistence and commercial farming is practised in Lesotho. About 90 percent of the farmers are subsistence growers, with landholdings of less than 1 ha size and producing mainly for home consumption with very little or no surplus to sell in the market. Subsistence farmers produce most food grown in the country. Commercial farmers represent 10 percent of the farmers and produce for the market. Only about 11% of farmers cultivate more than 3 ha.. Maize is by far the most popular crop accounting for some 60 percent of the cropped area, sorghum between 10 and 20 percent, wheat for about 10 percent and beans a further 6 percent. In late summer, farmers plant wheat and peas on residual moisture, which remain dormant for most of winter until the first rains in spring. High value crops include sunflower, asparagus, paprika, garlic, soybean, potato, fruits and other vegetables.

86. Crop production is dominated by the low input, low output traditional rain-fed farming system (TRS), which is generally inadequate to provide for food self-sufficiency at the household level. Under such systems, grain yields are less than 1 tonne/ha.. The TRS uses draught animal power (DAP) for seedbed preparation, manual husbandry operations, on-farm produced inputs, and the household labour, which is mainly female. The high prevalence of HIV/AIDS has reduced availability of family labour which is increasingly becoming a major constraint to increased agricultural production. As a result, seed-beds are rarely well prepared in terms of soil depth, tith or adequate reserves of sub-soil moisture. This results in poor germination and uneven seedling emergence and growth, leading to low plant population and poor yields. The Diagnostic Study

report on Food Security notes that there are 1 700 tractors, and these should assist farmers in land preparation. However, they are not fully utilized because they are too costly to operate by the poor landholders.

87. Fertilizer use in Lesotho is low among the farmers because of the low purchasing power of the majority of farmers who are smallholders. The source of fertilizer is South Africa as many other commodities in the country. The price is therefore determined by global trends. The availability of fertilizer is not the problem, but access due to the low income levels among the farming community. Use of seed of improved varieties is also generally low among farmers even though varieties of improved seed including maize hybrids are available from South Africa due to the farmers' low purchasing power. Most of the seed used by farmers is on-farm saved seed from their harvest. The seed sector in Lesotho is not developed and relies on SA for all supplies of improved quality seed. Seed of improved varieties used by farmers in Lesotho has largely been provided by farmers through input subsidy programmes of the government that include input trade fairs for vulnerable households. More recently, on-farm seed production of OPV supported by FAO has been introduced as a way of improving access to seed of smallholder farmers.

88. Service delivery to rural producers is inadequate, underfunded, understaffed, overcentralized, with complex administrative structures. The highly fragmented villages and difficult terrain, poor agricultural potential, limited literacy, as well as poor salaries, low morale and limited supervision and accountability of public servants (including to client communities) and limited access to transport and suitable training and technologies, have all combined to contribute to the lack of services and consequent extreme poverty and limited engagement of rural people, especially those in remote mountain districts. Agricultural research has been very limited and where it has existed, has tended to concentrate on commercial production. The government aims to promote a more concerted effort to scale-up indigenous systems that emphasize integrated sustainable farming such as the Machobane system and home garden schemes.

89. Resource Centres are established in the Districts for support to producers' needs and in addition, community-based farmer extension facilitators (FEFs) are trained to provide services to the farmers in their village. However, many challenges remain and poor roads, very limited access to any form of transport and poor security makes travelling to service centres difficult. Many of the extension agents are demotivated and insecure. There are still unclear lines of accountability and responsibility, with field agents (and some central ministry staff) being sceptical and uncertain as to how they will report to Community Councils. There is concern with educational levels and capacities of Community Councils to administer the system and uncertainty as to the role of extension officers in a decentralised system (ESW-Lesotho, TCIS 2007, unpublished).

90. Until recently the government did not encourage private provision of rural services, but in some instances the private sector bridged the gap. The risk of the subsidized services being revitalized and/or lack of legitimacy, reduced incentives for investment and increased prices. With the implementation of decentralization in progress, the private sector is now encouraged to provide services wherever possible, and the "for profit" and "not for profit" private sectors should gain importance as co-producers to catalyzing local and community development. Some steps have already been taken to involve them in decentralization, but the common perception that it is government's duty to provide these services and that the private sector is privileged also to be allowed to operate, are likely to negatively impact the transition. NGOs are involved in sensitization on decentralization and establishing working relationships with community councils, while private enterprises are already beginning to operate in local communities (ESW-Lesotho, TCIS 2007, unpublished).

91. Much of Lesotho's terrain is well suited to animal husbandry: the mountains are used for grazing in the summer, and the lowlands in the winter. However, the overall productivity of the agricultural sector has declined in recent years owing to the difficulties facing the sector, such as drought, a progressive deterioration in some of the grazing land, and the steady migration of young farmers and herders to urban areas. Official estimates of gross output at producer prices from livestock is around 6% of GDP and accounted for less than half of that from crops in the five years between 2000-2004. However, the role of livestock in the economy cannot be judged only by the sale of its products since it plays an important role in providing traction, energy, contributes to soil fertility and is a store of value for remote farmers with few options for holding savings. Livestock rearing includes cattle, sheep, goats, donkeys and horses on extensive range management. Dairy, poultry, pigs, ducks and rabbits are kept around the homes. Mohair and wool are the main agricultural exports in Lesotho. However, livestock productivity is low in terms of off-take and animal fibre principally due to poor animal health and husbandry, low conception rates, weak lambing/kidding, weaning, and retarded growth. Low wool and mohair production are directly related to low joining ratios, poor nutrition, infertility of breeding stock, and inadequate husbandry. There are no national, regional, or district vaccination campaigns for the control of infectious diseases and the National Veterinary Diagnostic Laboratory is poorly linked to the field. The Veterinary Clinics are insufficiently equipped to diagnose the causes of mortality or morbidity. The reduced productivity of the range, conflicts over access, government policy to reduce open access practices and a high incidence of stock theft there have all contributed to the decline in transhumance. The confusion over the allocation of rights in response both to increasing demand and to changing institutions has added to degradation of rangelands.

91. To reverse decline in the ranges, RMAs (Resource Management Areas) managed by Grazing Associations (GAs), were formed as groups of range users aiming to achieve good practices, rotational grazing, reduce livestock numbers and improve the range. However they did not have legal rights to exclude non-members which reduced their efficacy and the RMAs mostly discontinued. Denial of grazing rights to traditional non-resident herders resulted in hostility, trespassing, burning and vandalism, however the concept of local grazing area management is widely accepted and a viable option for improving the range, linking costs and benefits, and converting the open-access resource to a controlled common property resource. In complement, any state investments will require full collaboration with the users and integrated with decentralized plans. There needs to be investment in establishing institutions to manage the range and co-ordinate technical assistance reaching them, including for example community-based animal health workers. It is important to identify innovate approaches to reduce conflicts, improve incentives to restrict range use, invest in its productivity and to establish effective user groups linked to Chiefs, local councils and better technical assistance (ESW-Lesotho, TCIS, 2007).

92. Agricultural development in Lesotho in the last four decades has been guided by the country's physical juxtaposition to former apartheid in RSA. Accordingly, the country's development policies were shaped by the perceived political need to reduce dependence on food imports from the RSA and to protect domestic producers from unfair competition. As a result, grain producer prices were set above world and RSA prices with high subsidies for participating farmers, marketing monopolies and oligopolies were set up. The impact of the policies was market distortion, inefficient allocation of resources, grain production on marginal lands and further impoverishment of the poor households through artificially high consumer prices of the main staple food maize. This has resulted in the destruction of the Lesotho's fragile ecosystem upon which agriculture and rural livelihoods are dependent.

93. Lesotho's ecology is fragile because of its mountainous topography, the thin soil layer and the limited vegetation cover. The country faces major environmental problems because of pressure on the land from human and livestock activity. Key issues include topsoil erosion, which is undermining agricultural productivity; gully erosion, which reduces the land available for cultivation; loss of tree cover, owing to excessive cutting of firewood and damage to saplings from animals; and loss of pasture because of overgrazing.

94. Although Lesotho's main natural resource is water, drought chronically affects the country, leading to significant decreases in the contribution of agriculture to the GDP and forcing the country to appeal for assistance from the international community, thus illustrating the vulnerability of the agricultural sector. The country is a net food importer, externally sourcing up to 65% of its annual maize requirements and 80% of its annual wheat requirements. The scope for increasing food production through area expansion or through higher productivity is extremely limited. Lesotho experienced the worst drought in 30 years during the 2006/2007 season, with many parts of the country reporting total crop failure. The drought was most severe in the lowlands, where the main production areas are located. (East and Southern Africa ACP Countries Agricultural Sectors : Background information and Country Profiles June 2008)

95. The 2007/2008 season is expected to be better than last year's. However, reasons for the expected low than average production include the following:

Late planting due to late start of rains especially in the Mountains where normal planting should start in August/ September.

In other places, factors causing late planting including late arrival of inputs and sporadic rains in some places.

Dry spell affected crops in some part of the country.

In cases where farmers had to 'pool' their fields in order to access funds meant for block farming, delays related to organising the groups and accessing the funds resulted in late planting. It is claimed that in some parts of Roma, farmers were still planting maize as late as January and such crops were bound to be seriously affected by frost.

96. The national crop assessments forecasted a 5% drop in maize and 53% increase in sorghum production over the 2006/07 estimates. Although Wheat production was not estimated, an average summer and winter production estimate of 10,330 Metric tons was taken resulting in total cereal production estimate of 88,000 Metric tons. It should be noted however, that the 2006/07 crop production estimates by the BOS were largely dismissed as unrealistically high given the extreme weather conditions in what was described as the 'worst drought in 30 years'. Comparisons with other maize production estimates for 2007, that is, the Rapid Crop Assessment (RCA) and the Crop and (CFSAM) indicate an increase in 2007/08 production of 11% and 35% respectively. (LVAC 2008)

97. The general trend also reveals a decline in planted area of cereals over the past few years, with potential farmland left uncultivated mainly due to the uncertainties of agro-climatic conditions, shortage of farm labour and lack of cash (capital) for inputs and investment. In the lowlands, in particular, large areas are left unplanted despite the distribution of seeds and subsidized. The decrease in planted area in 2006/07 as compared to the previous cropping season was significant, estimated at some 15 percent, and some 20 percent compared to the 5-year average.

98. Stock theft is widespread and has affected most households especially in areas adjacent to the border with the Republic of South Africa. The overall loss from theft of small stock in some areas

exceeds the numbers delivered to slaughterhouses. The loss of draught animal power at a critical period during the cropping calendar affects farm land preparation. The loss of small-stock is equally devastating as these animals provide the only source of household cash income. Because of the escalating risk of theft, farmers are becoming more reluctant to invest in improved production technologies or to graze animals at the more remote but fertile cattle post areas.

99. Rangelands are either under- or over-grazed. In remote areas, rangelands are under-grazed due to remoteness, stocking rates and the traditional patterns of winter spelling and rotational grazing. On the other hand, village pasture areas around settlements support high stocking rates and are severely degraded. Livestock are reared around homesteads for half the year due to the onset of winter, shearing, dipping or to minimize the risk of theft. Thus, most stock have inadequate ration during long periods of the year in terms of: poor nutritive value of fodder and forage, and insufficient intake of dry matter as farmers have no tradition of fodder husbandry on arable land or conserving fodder as silage or hay.

V DEVELOPMENT OF POLICIES THAT REFLECT ECONOMIC CHANGES BASED ON HIGH FOOD PRICES.

A. Macro-Economic Background

100. Lesotho is a mountainous, landlocked country completely surrounded by the Republic of South Africa (RSA). The country's land area is approximately 30 350 square kilometres, three-quarters of which is made up of highlands and the remaining one-quarter is lowlands. The highlands rise to nearly 3 500 meters in the Drakensberg/Maluti Mountain range, whereas the lowlands are situated at altitudes between 1 500 and 2 000 metres. Arable land is limited and less than 10 percent of the country is presently under cultivation. Classified arable land is estimated at only 10.7% of land area. Landlessness is increasing, from 13 % in 1970s to 55 % in 1990 (BoS). A serious shortage of land exists, with an average land area per farmer at 1.3ha. This is a major constraint, combined with limited and unstable water sources, poor soils. Also, note that about 70% of the land farmed is under informal sharecropping agreements. The more urbanised lowlands are better developed than the rural highlands where winters are severe, with heavy snowfalls that often cut off the population from basic health services and food supplies. However, the mountains are also repositories of the bulk of the natural resources, including water, gemstones and critical biodiversity. With a per capita income US\$635 at the nominal rate in 2005, the country is classified as one of 49 Least Developed Countries (LDC). In the Human Development Report for 2005, it was ranked 149 out of 177 countries on the UNDP Human Development Index.

101. The country has limited natural resources and a narrow production and export base. Around 80 percent of its population is engaged mainly in agriculture and informal sector activities. However, agriculture hardly reaches 16 percent of GDP (down from over 25 percent in the 1980s), with services (40 percent) and manufacturing/industry (44 percent) being the most important sectors of the economy. The garment sector in particular plays a critical role in generating employment, output, and exports. Lesotho also exports diamonds, wool, and mohair. Overall, the economy is highly open, with imports amounting to about 90 percent of GDP, and depends heavily on inflows of workers' remittances (estimated at around 30 percent of the country's Gross National Product) and receipts from the Southern African Customs Union (SACU). Lesotho is also a member of the

Common Monetary Area (CMA)⁹. The country is not only geographically surrounded by South Africa, but also economically integrated with it.

102. Overall, Lesotho has made good progress toward macroeconomic stability in recent years, and its fiscal balance has been in surplus since 2003/04. This is largely attributed to windfall SACU receipts. As a result, the current account deficit has narrowed, and gross international reserves have increased to the equivalent of almost six months of imports in 2006, more than double of the IMF's recommended minimum level of three months. However, fiscal management is expected to become more challenging, with SACU revenues falling from their high levels and with greater pressure to increase expenditures.

103. Real economic growth in 1994-2004 averaged 3.3 percent, allowing for a moderate increase in per capita GDP. However, real GDP growth decreased to about 2 percent in 2004/05 and further to 1.3 percent in 2005/06, reflecting the adverse impact of external shocks on manufacturing and continued drought on agricultural output followed by excessive rains in early 2006 that also damaged roads and bridges in rural areas. Furthermore, the slow pace of job creation in Lesotho, compounded by the continued decline in mining jobs for migrant workers in South Africa, has induced high unemployment – over 25 percent. The end of the Multi-Fibre Agreement led to stiff competition from Chinese textile manufacturers in 2005 and disinvestment in the sector. However, there was some improvement during 2006 as the government introduced additional tax incentives and the textile industry initiated efforts to improve productivity. The sector saw a moderate recovery recently with the entry of new investors following a halt in the appreciation of the local currency (Maloti) and the signing of a bilateral agreement that restrains exports from China to the US market. In addition, the reopening of the Letseng la Terae mine led to the revival of diamond mining, which is making an increasingly important contribution to GDP. As a result, the Economist Intelligence Unit estimated the real GDP growth at 4.5 percent for 2006.

104. Due to the high demand for capital, intermediate and consumer goods, Lesotho's external trade shows a large structural imbalance. However, the increase of manufactured exports in recent years has reduced the trade deficit to around US\$500-600 million. The main destinations of Lesotho's exports are the United States (75 percent - mostly textiles) and South African Customs Union countries, while the main sources of imports are South Africa (73 percent) and Asian countries (24 percent).

105. The outstanding public debt increased by 11 percent in 2006 due to a 12.5 percent growth in foreign debt. As a ratio of GDP, public debt stood at 50 percent. External debt constituted 43 percent of GDP.

106. Inflation in Lesotho, as in many of the smaller countries surrounded by a large one, is strongly influenced by the South African inflation rate, especially since the Maloti is pegged at par with the Rand which is also a legal tender in the country (thus ruling out any ability to pursue an independent monetary policy). Inflation began to accelerate towards the end of 2001, owing mainly to increases in the prices of foods, beverages and tobacco, which have a heavy weight in the consumer price index (over 40 percent). The upward trend continued into 2002 as food shortages in the region intensified, with average inflation reaching nearly 34 percent. Inflation has been kept at reasonable levels since 2002; the inflation rate decreased from 11.4% to 6.1% in 2006, but it has been peaking up again since 2007 because of the soaring food prices situation to reach 8.1% in 2007 and 10.2% during the first six months of 2008

⁹ Along with South Africa, Namibia and Swaziland.

107. Similar to the South African Rand, the Lesotho national currency depreciated against the major currencies in 2006, with the Maloti falling against the US\$. However, the national currency has recently recovered slightly, and stands at 7.01 Maloti for the Dollar in April 2008.

108. As stated above, migrant labour in South Africa is an important source of employment for Lesotho citizens (Basotho). Private consumption growth in Lesotho is partly driven by wage developments in the mining sector and other labour markets in South Africa, and by the extent of the resulting remittances. However, the number of Basotho employed in South African mines fell from a high of 127 000 in 1989 to a low of 47 000 in 2005, mainly because of the declining profitability of gold mines, which absorbed about 80 percent of Basotho migrants. Following a recovery in gold prices in 2006 and a subsequent increase in activity in a number of South African gold mines, the overall number of Basotho employed there increased to 52 000 in 2006. Nevertheless, it is estimated that other economic activities in South Africa such as domestic labourers are become increasingly important for Lesotho migrant workers.

Table 1: Lesotho - Economic Performance Indicators

Indicator	2002	2003	2004	2005	2006
GDP (US\$ bn)	0.7	1.1	1.4	1.5	1.4
Real GDP growth (%)	3.5	3.3	2.3	1.2	4.5
Exports (US\$ m)	357	475	707	650	750
Imports (US\$ m)	763	994	1 302	1 260	1 309
Current account balance (US\$ m)	-142	-135	-76	-44	14
Consumer price inflation (%)	34	6.7	5.0	3.4	5.0
Foreign Exchange Reserves (US\$ m)	406	386.5	406.4	460.3	501.5
Exchange rate (M: US\$1)	10.5	8.6	10.5	7.6	6.5

Source: EIU, Lesotho Central Bank.

Population estimates

109. Based on the recent Population Census, the Lesotho Bureau of Statistics (BOS, April 2007) estimated the country's population in 2006 at 1 872 721. Applying an annual growth rate of 0.5 percent, the mid-marketing year 2007/08 population is estimated at 1 882,085 of which about 82 percent live in rural areas. Most inhabitants are of Basotho ethnic origin, with small numbers of AmaXhosa in the south-west of the country. It is estimated that around 0.5 million Basotho are working in South Africa at any point in time, although their numbers have tended to fluctuate in line with job opportunities, and as families of mine workers with permanent-residence status have opted to live there.

110. Even if its exact impact remains uncertain, the HIV/AIDS pandemic has not only contributed to a sharp decrease in overall population growth but also to the fall in life expectancy from about 60 years in 1996 to 35 years in 2004. This high mortality in the economically active population in Lesotho is bound to have a significantly adverse impact on the economy and has been noted as a leading factor in drastic reduction in household incomes..

111. Regarding the age structure, about 36 percent of the population is less than 15 years old, 58 percent is aged 15-64 years, while 6 percent is 65 years and older. Hence, the demographic challenges facing the country are daunting, with more than 40 percent of the population age-dependent. Women constitute 51 percent of the population. Urban areas are growing by about 6

percent per year, owing to increasingly poor agricultural yields and a lack of alternative employment opportunities in rural areas. As for related internal migration, the population residing in the lowlands increased to 56 percent of the total population in 2001 from 47 percent in 1976². Lesotho is, thus, witnessing considerable internal migration from the rural areas, particularly the mountains, to the lowlands where most of the economic activity takes place, which is essentially being influenced by factors such as unemployment and population pressure on agricultural land in rural areas. Rapid urbanisation leads to problems such as proliferation of informal settlements, insecurity and environmental degradation. To curb internal migration, Government is promoting rural development, particularly in the mountain areas, through the provision of rural infrastructure, such as roads and electricity.

B. Government's development agenda, the priorities and strategies

112. Within the Government's development agenda, the priorities and strategies for promoting economic growth and reducing poverty were initially outlined in the *Poverty Reduction Strategy* (PRS) of November 2004. The objective was to achieve this by linking policy, planning and budgeting processes and making sure that there is synergy between key initiatives such as the *National Vision 2020*, the *Millennium Development Goals* (MDGs), national goals and PRS priorities.

Interim Poverty Reduction and Growth Strategy 2008/9-2009/10 (IPRGS)

113. More recently, the Government of Lesotho decided to move away from a more restrictive Poverty Reduction Strategy towards a more comprehensive planning framework with a much wider scope. The Interim Poverty Reduction and Growth Strategy 2008/9-2009/10 (IPRGS), still in draft form, is a first step towards developing a *National Development Plan (NDP)* as a medium term operational plan towards achieving the objectives outlined in the *Vision 2020* and the Millennium Development Goals. The IPRGS, currently being finalized, is intended as an interim Government strategy paper to cover the two intervening fiscal years.

The original PRS process was found to be unrealistic in terms of the financial resources and implementation capacity available to the Government of Lesotho. It was also found to be inadequately linked with the budget process because it only focused upon Government activities that were directly related to poverty reduction, omitting other important components of the work of Government. The new NDP will be developed by the end of 2009 in order to impact upon the budgeting process for 2010/2011.

Growth Strategy Paper

114. Generating sustainable economic growth is a top priority of the Government of Lesotho, as affirmed in the 2007/08 Budget Speech, the Poverty Reduction Strategy Paper, and at the 2006 Donor Round Table Conference. GoL has repeatedly emphasised that sustained reductions in poverty cannot happen in an environment of stagnant or declining economic growth. With these issues in mind, the Ministry of Finance and Development Planning is developing the *Growth Strategy Paper (GSP)*¹⁰. It sets out the policy framework, i.e., the mechanism via which actions are to be taken in order to achieve the objective of the strategy and makes recommendations on strategies and prioritised activities to be implemented at the macro level and within each sectoral cluster in order to address the most binding constraints.

¹⁰ The GSP was still in Draft form by the time of the mission (August 2008).

Agricultural Sector and Food Security policies, strategies and action plan.

115. The *Agricultural Sector Strategy* was developed in 2004/05 with the objective to identify goals and objectives at the sectoral level and translate these into more practical objectives and outputs at the sub sectoral level using tools at the disposal of the Ministry. Six overall sectoral goals were identified, including: i) food security; ii) poverty alleviation; iii) sustainable environmental management and conservation; iv) efficiency; v) improved income distribution; and vi) increasing share of agriculture in GDP.

116. The *Food Security Policy* was developed in 2005 with the goal to have the numbers of people undernourished in Lesotho reduced by half in 2015 compared to 1990. The GoL committed itself to this goal in 1996 at the World Food Summit, and this was reiterated in commitments made to the Millennium Development Targets in 2000. To this end, a *National Action Plan for Food Security* (NAPFS) was developed to facilitate and accelerate the implementation of the FSP.

117. The NAPFS was meant to be a multi-sectoral initiative prepared in consultation with a number of agencies in government and civil society. Its implementation of the Plan would not be the sole responsibility of the Ministry of Agriculture and Food Security, but would involve many other agencies in central and local government, as well as non-governmental organisations, co-ordinated through a National Food Security Task Force. The NAPFS comprises five programmes, which are intended to complement each other in achieving the goal and objectives of the Food Security Policy.

Programme 1: commercial and household food security focuses on food production at household level and by commercial farmers.

Programme 2: natural resource management focuses on the sustainable use and management of the natural resources on which food production depends.

Programme 3: safety nets and social protection addresses ways to enhance the food security of those who are not able to produce their own food or engage in other economic activity in order to be able to buy food.

Programme 4: food supply stability and national availability will ensure that adequate national food stocks are available (combining domestic production and imports) and that food aid delivery systems are in place for use in time of need.

Programme 5: NAPFS support structures sets out arrangements to provide an appropriate institutional framework for achieving food security; to institute effective food security information systems; and to ensure the required monitoring and evaluation.

118. The mission sees the NAPFS as an adequate basis for the proposed interventions to mitigate the impact of the rising food prices. The Policy and the Action Plan were developed through the support of UN (FAO & UNDP) and DFID. Therefore, a strategic funding approach would build on and include pursue and speed up NAPFS implementation, while strengthening monitoring and reporting on evidence of positive impacts.

VI COUNTRY ACTIONS PLAN (SHORT TERM AND MEDIUM/LONG TERM)

A. Actions already taken by government and partners

119. Social protection programmes are functioning in various sectors of Government; education, health, agriculture, and safety nets have been reactivated during the 2007/08 lean season, that was also affected by drought.

120. WFP and C-SAFE (Consortium for Southern African Food Security Emergency) have been distributing food to targeted beneficiaries during the 2007/08 lean season, targeted to food and expenditure deficit households, identified by LVAC. WFP covered approximately 200,000—250,000 people in November - December 2007. C-SAFE distributed food to approximately 60,000 people during this period (October – December 2007). A number of Church based organisations also distributed food to targeted beneficiaries.

121. UNICEF supported the MOH Family Health sector to initiate Integrated Management of Acute Malnutrition (IMAM) in existing Health Centers and Hospitals to enable them to identify and treat acute malnutrition. In complement to this program and to continuously monitor the nutrition and food security of the communities in Lesotho UNICEF also supported the FNCO to expand and scale up nutrition surveillance.

122. The increased food distributions could explain the improvement in prevalence of underweight. This could have been complemented by increased access to vegetables as the rainy season progressed thus improving the nutrition status of children.

123. Government of Lesotho (GoL) implemented a nation wide Cash for work programme covering all the 80 constituencies and this started in June 2007. Each Constituency received M1 million to undertake environmental rehabilitation programmes for which people were paid about M40/day and was implemented on a rotational basis i.e. new people every month. This major Cash for Work activity continued through October – December 2007

124. A price subsidy was implemented on selected food items starting 1st October 2007. Maize which is the staple for Lesotho was subsidised at 20% and the brands that are consumed by poorer households were selected. This could have increased access to food as a result of the lower prices.

125. The results of this situational assessment indicate that households coping mechanism are slowly eroding due to the declining crop production and food income from labour exchange, further increase in dependency on regional food markets with its rising food and other commodity prices, and retailers increase in food prices in rural areas charging high fuel costs.

126. The National Action Plan for Food Security (NAPFS) contains the priority elements proposed by the GOL in the packages of response to the rising food prices, both the immediate steps and the longer term response. While on the one hand, these programmes should count with priority Government's budget allocations, the mission urges for external support to increase the capacity to ensure implementation, monitoring and evaluation of the NAPFS, as well as other social protection policies: i.e. the response package should reflect the net gap in financial and technical support needs, and be based on the recommendations of the Diagnostics Report Food security, 2004 underlying the NAPFS strategies. Such an evidence base of past experience would serve the GOL locally and internationally as well as AU, NEPAD and the UN system in competition with the various funding sources made available world wide in response to the soaring food prices.

B. Mission feedback on draft country response plan

1. Meeting immediate needs of the most vulnerable people

127. Humanitarian assistance is already needed for the coming lean season through to the next harvest (expected in late May 2009). The affected people will face both a food and expenditure deficit, so responses need to address both the food and cash shortfall. Trend analysis of March 2008 Community Household Surveillance¹¹ indicates the following:

Per capita expenditure on food has increased since October 2006.

Share of monthly expenditure for food increased between October 2006 and October 2007 but dropped slightly in March 2008.

Food purchase patterns remain similar to previous years, so higher prices have not resulted in less reliance on markets.

Percentage of households with adequate consumption has decreased for both beneficiary and non-beneficiary households.

Overall there has been a significant decline in the Coping Strategies Index (CSI) from October 2007 for both beneficiary and non-beneficiary households (51 and 28 CSI respectively). This is an indication that in April 2008, the households are able to cope better in meeting their food needs. This could be as a result of continuous rains throughout the season, which allowed for a variety of vegetables to grow in the fields

Also as a result of the crop failure last year there was as a large food assistance response which may have masked some of these impacts of higher prices.

a. Safety nets:

128. The Lesotho Vulnerability Analysis as well as recent WFP data on urban vulnerability show various, often harmful, coping mechanisms including reducing meals, eating less nutritiously, selling livestock and other assets, or borrowing money to feed their families. Reduced nutritional intake may increase malnutrition rates for generations to come with spiralling effects. It worsens the health status of populations and reduces resilience to disease and shocks.

129. The March Community Surveillance showed a substantial increase in the number of beneficiary households preferring both food and cash. Apart from food satisfying household food shortages, high food prices was also one of the main reasons for preferring food, by almost three-quarters of the households which was an increase from October 2007 and March 2007.

➤ Food and Non-Food Expenditure Vouchers

130. Disaster Management Authority (DMA) proposes to run Food and Non-Food Expenditure Vouchers for those who need urgent assistance to meet their immediate food and nutrition requirements. The Non food voucher targets the total 2008 vulnerable population of 353,000 persons, also identified through LVAC. The food voucher would target 69000 people and would complement the social protection programme for 160,000 persons covered through the MCH, TB, OVCs and PLWHA as well as Food for Assets programmes supported by WFP, UNICEF and NGOs.

131. The proposed emergency/nutrition support assistance and seed fair/seed multiplication, planned to kick in as immediate assistance by August for 229,000 persons, should not delay considering the 1) high levels of food insecurity particularly in the mountains and peri-urban areas,

¹¹ Lesotho Fact Sheet Community and Household Surveillance (CHS) March 2008

and 2) the need to promote self reliance, mitigation of risks to continued food insecurity among these groups.

132. Successful safety net experiences usually relied on simple implementation mechanisms. Although a challenge to simplicity in implementation, the overall recommendation of the mission is to ensure linkages between the safety net programmes and the provision of productive and social services, such as seed or livestock production programmes, school attendance, prenatal screening, nutrition education, etc.

Assumptions and risks

While appreciating the voucher as a mechanism to stimulate markets and allowing for targeting, the mission notes that the NFI voucher is provided for schooling, medical, vegetable and agricultural implements expenditures. If agricultural implements are included, a reliable and well functioning network of providers is to be in place with which the government (or NGOs/projects) can make contractual arrangements, and that can face the demand that will be created by the voucher distribution. The mission queries the cost effectiveness of a value transfer of M6 per person per month as is the case of the NFI voucher, especially given the administrative implications of rendering accountability for a nation wide coverage.

The cost effectiveness of the food voucher delivery mechanisms for 69000 people, who are found nation wide, scattered and in small quantities, needs also a review. It is not yet clear to what extend these persons can be covered with the proposed expansion of public expenditure transfers for the 25,000 additional elderly and the 5000 additional destitute.

The proposed targeted safety nets are not covering 229,000 persons. Furthermore, although the mission encouraged the submission of safety nets that are targeting at risk persons through the health sector, current low implementation levels as well as sector reviews show valid concerns about the management capacity in health institutions in the rural areas.

The mission also would like to draw attention to the conclusions of the World Vision's Cash and Food Transfers Pilot Project, 2007/08 set up to compare food and cash, with food only, with cash only transfers :

There is a need to invest more time and resources in targeting, and focus on objective indicators of need.

Cash transfers financed a wide range of household priorities that food transfers cannot do, therefore have broader positive impacts. Food transfers reinforce norms of "food sharing" within extended families and communities, but cash transfers do not.

Cash transfers were inadequate to protect beneficiaries against food price rises and maintain constant access to a defined food basket. Emergency cash transfer programmes should adjust payments frequently, to compensate for falling purchasing power of cash.

Market impacts of food are negative: traders report depressed trade. Market impacts of cash are ambiguous: no impact on general price trends, but temporary, local price inflation (opportunistic traders).

- Negative social impacts of cash transfers (conflict) must be closely monitored, and steps should be taken to "do no harm". Improve management of anti-social spending:(1)Ombudsperson?(2) Community monitoring?(3) Soft conditionalities?

➤ **Food, inputs or cash for work**

133. Food, inputs or cash for work programs were not yet proposed in the response package. Cash and food for work projects will not cover the food and expenditure deficit gaps, given the relative few number of works offered in relation to needs, and often only a short duration of the participation. However, Lesotho's experience with effective cash and food for work in natural resource management as well as health, education infrastructure development should be used to the maximum, eg access roads rehabilitation that enabled delivery of therapeutic feeding to acute malnourished children in remote areas.

134. The mission trusts that such rural infrastructure activities as well as activities for environmental benefits under the Ministry of Forestry, will continue to be implemented this year and continued to be financed under current GOL programmes and budgets, if not appealed for in the SFP response package.

135. The mission recommends to further explore expanding the **more productive interventions** implemented during emergencies of the last years. One such intervention is promotion of key hole gardens. The key hole gardens are a common feature in Lesotho and there is potential for scaling them up.

➤ **School feeding**

136. Ministry of Education provides 310,000 primary students with meals. Food and logistics support from WFP is only provided in the highlands for 80,000 students. This form of social protection proved effective and simple in implementation¹². The strength of the MoE lies in experience with outsourcing of implementation to the private sector and presentation of due accountability. The GoL had predicated that with the numbers of pupils in primary schools expected to stabilize at a lower level of 350,000 by 2012 (from about 425,000 in 2006), which would have been possible for the GoL to afford from its own resources. In the light of the food price increases and the need to increase payment to caterers in the GOL supported feeding scheme, even with lower enrolment in the future, the increases unit costs will require substantial budget increase by government if the WFP support was to end by 2010. Already the unit costs per pupil per day could only be increased from M2.50 to M3.00 per day while the market prices would require an average of at least M5.00, which would elicit an additional budgetary allocation of M177 million.

137. The MOET is exploring the involvement of the private sector in administering the feeding programme which would bring about greater efficiency, requiring a more modest increase in payments and budget allocation. The Ministry also works on ways to continue ensuring transparency in the use of resources in order to increase civic responsibility. The mission supports the idea of HIV AIDS/OVC support groups, that were met in the field, to receive preferential treatment in the tendering process for school feeding caterers that are OVC support groups, so that they can reinvest profits in the OVCs groups.

138. The mission recommends long term GOL budget allocation to allow for sustenance of the National School Feeding Programmes and gradual take over of the highlands implementation considering that provision of school meals protects school children from fluctuations in food prices and food availability in the national market, and therefore reduce risk and vulnerability for them and their families. In the short term school feeding may also help to protect assets, since it reduces the burden of food expenditures on the households. Hence the proposal for primary education feeding support should clearly indicate the duration for need of external support.

➤ **Early Childhood Development**

139. The mission also notes the positive experience with existing Early Childhood Development through support to the pre-schoolers during the recent drought and rising food prices crisis. The

¹² The Regional Hunger and Vulnerability Programme (RHVP); The Regional Evidence Building Agenda (REBA) Brief 19, November 2007

GOL proposes that take-home food rations be provided to children who attend postnatal clinics for infant care. It is further proposed that children pre-schools and day care centres in selected areas with high poverty levels be provided with some form of food aid from the 2009 school year.

140. While currently only about 38% of children in the early childhood age bracket have access to some form of pre-school education previous nutrition interventions supported by UNICEF seemed to succeed to attract up to 60% of the age cohort to ECCD centres.

141. The Ministry of Education and Training estimates that at least 30,000 of the children who are in ECCD centres of all types in 2008 are vulnerable in one way or other and should be targeted for food aid. With food aid available this number can increase up to 45,000. The provision of a fortified nutritional mix at a unit cost of M3.00 per child per day, the GOL could be able to provide some much needed nutrition to these children at an estimated cost of M24, 300,000.00 per year. As and when implementation capacity is reconfirmed, upscaling of food assistance to this priority attention age groups is recommended.

Assumptions and Risks

- The mission emphasizes the importance of focusing on the quality and diversity of foods through nutrition education apart from the feeding programmes for the parents of the chronic malnourished groups, especially in the mountains where stunting levels reach rates as high as 54% of the children under 5.
- The health sector faces serious human resource shortfalls. Finding food distribution mechanisms external to the system, would be helpful.

➤ **Support to Secondary schools,**

142. Although secondary school students are usually not found to be from the poorest households, the higher schooling costs at this level combined with the rising expenditure deficits are likely to affect enrolment and attendance. The proposed intervention is for the GOL to assist selected schools with a high proportion of OVC and target them for food aid. It is proposed that secondary schools charging school fees below M600 per year therefore being accessible to poorer children be provided with food aid similar to that provided in primary education and covering a maximum of 10,000 children. This will require a total of M9, 000,000 per year.

143. School feeding costs fluctuate as and when the GOL regulated prices for selected food items, but sustainability of this safety net cannot be derived depending on such a less sustainable set of measures. Greater involvement of the private sector in providing affordable credit to caterers, and reduced pricing emanating from bulk purchases, the overall costs for feeding per school pupil may be contained to more sustainable and affordable levels across the board.

144. The mission supports the proposal, but recommends that the proposed targeting could be reviewed to complement the gaps in coverage of the immediate needs actions in the response plan, once the targeting and coverage of other programmes becomes clear.

145. In the last presented version of the proposed interventions, further clarification is required regarding the actual requests to increase the cooks incentives as well as the cost of the meal ceiling for primary schools. The division of labour in implementation between WFP and MoE as well as the inclusion of transport, storage and handling costing in ECDs and secondary school budgets, is also to be confirmed. The text would benefit from an explanation whether secondary schools have cooking facilities.

b. Price subsidies

146. The experience with price subsidies issued for lean seasons e.g. following the drought last year are having mixed results. There are concerns about benefits leakage across the borders. The remote rural areas hardly benefited from the subsidies following higher distribution charges by traders. The government is seeking alternatives to general subsidies.

2. Building resilience to meet Food Security needs

147. The medium to long term expected growth of poverty due to soaring food and commodity prices, will affect larger numbers of households scattered over the country and will include the urban areas. Given the longer term and predictable nature of the impact of the rising food prices, alternative ways of helping people get access to food need and can be put in place. Strategies can focus on making income support effective in helping to increase access to food through the market, considering the availability of food and elastic supply, except perhaps in remote mountain areas with difficult road and market access.

a. Commercial and household food security

148. The agricultural interventions proposed as possible responses to soaring food prices are outlined in the Agriculture Sector Strategy and are also among the few on-going activities of the programmes contained in the National Food Security Plan of Action. The mission notes that all the interventions represent supply response to soaring food prices as they are aimed at increasing agricultural production and/ or raising income from both crops and livestock and constitute immediate, medium and long-term sustainable measures for ensuring food security both at household and national levels.

i. Livestock sector

149. It was observed that some of the interventions did not have any influence or were not directly influenced by soaring food prices. These included the proposals on control of rabies, control of Newcastle disease and hence were recommended for removal from the submission. The mission recommends that other sources of funding be sought for these interventions. The proposals dealing with control of diseases of livestock with economic importance were going to be the main feature of the proposals for livestock as they relate to the outcome on sustaining the growth of smallholder food production.

150. With the aim to increase poultry rearing capacity, the plan includes the proposal to strengthen disease control and management for small stocks (sheep scab, anthrax and black quarter): The proposals should

- Provide data for number of targeted beneficiaries and elaborate linkage to on-going activities.

- Provide justification for subsidy and exist strategy/recovery measures (possibility of establishing of levy among farmers for payment towards vaccines)

ii. Improving crop productivity

151. Of the six proposals addressing improving crop productivity , two of the proposals qualify as immediate response interventions and relate to the outcome for boosting smallholder food production. These proposals are the ones dealing with scaling up seed production of improved open-pollinated varieties of major food crops (maize and beans) and the input trade fairs aimed at improving smallholders' access to agricultural inputs. These interventions are also appropriate and directly address the needs of the poor-resourced category of smallholder farmers and in the case of the input trade fairs the target group for the intervention (42,000 households) is based on the LVAC numbers.

152. A general observation of the agricultural proposals is that activities, though submitted from different directorates of the Ministry (crops, research and field services) , are so closely interrelated and would be better presented as integrated components of a comprehensive programme as opposed to stand alone projects representing the different units. At the same time the mission notes that the proposed activities did not have clear definitions and targets for beneficiaries and except for the proposal for input trade fairs all the other crop related interventions had only indicated hectareage as targets. In this sense, it was not possible to demonstrate linkage of the production interventions to those of the social protection safety nets exposing a serious omission in the design of the response as the linkage is important for ensuring that those who are vulnerable either benefit directly or where possible participate in the measures meant for building more food security resilience for the poorly resourced farming households.

153. The government has proposed the provision of relevant subsidies (including seeds, fertiliser, tools, mechanical tillage, and fuel for mechanical operators, feed, vaccines etc) for the proposed interventions. While appreciating the problem faced by farmers to access various farm inputs because of the low purchasing power, the government discussed how to reduce and target subsidies as they understand that such blanket untargeted subsidies are bound to undermine efforts for increased production as they tend to erode the initiative and capacity to produce and also perpetuate dependency. The mission proposes linkages with entities that can establish revolving loan funds and that for whatever subsidy applied the realistic cost effectiveness is considered.

154. As Lesotho is a net importer of food (70%), and has serious constraints that limit agricultural productivity; among the major ones the harsh and fragile production environment (drought, frost, degraded soils), it is unrealistic to expect that local production can be increased substantially and cost effectively to meet the national food needs. As such, the agricultural supply response interventions are largely meant to build longer term resilience of the local production systems with special focus on ensuring increased and sustained household food security for smallholder farmers whose main source of livelihood is agriculture. It is also important that sustainable production approaches are integrated in all activities for intensification of agricultural production (e.g. high input commercialised production) to reverse the soil degradation trend.

155. The recommendations of interventions to be considered and aspects to be revisited in further developing the response proposals was also informed by **lessons learnt** from previous experience drawn from similar activities with the intention of leveraging what has worked and has potential for

scaling up while at the same time providing for measures to adequately mitigate potential challenges. Examples of such lessons include the significant contribution that Conservation Agriculture has towards achievement of sustainable productivity as long as the principles of the concept are adhered to in addition to practicing the other standard good agricultural practices (early planting, adequate weeding, maintenance of optimal plant populations etc). The mission however, appreciates the fact that Conservation Agriculture is a knowledge intensive concept with complex interactions of a series of technologies and hence requires that scaling up starts small focusing on quality of adoption of the concept rather than quantity (numbers of farmers). The mission also takes cognizant of the mixed experiences of CA in Lesotho as generally CA promoted by the few faith based NGOs (Growing Nations and Rehobotho Church) have had more success than the government led initiatives that have suffered from inadequate capacity of the government staff to provide regular technical support to farmers and to monitor field activities optimally.

156. On-farm seed production by smallholder farmers has been successful and provides an opportunity for establishing community seed industries as sources of regular income for smallholder seed producers besides improving access of local farming community to quality seed for improved productivity. However, the success of building capacity for smallholder seed production depends on regular and quality technical support from the research and extension services.

157. Among the agricultural long term interventions proposed for consideration is **up-scaling of block farming**. Block farming is recognised by the government as having potential to transform agriculture in Lesotho. As a policy initiative, block farming is supposed to facilitate commercial impetus which will bring the capital energy to address many of the constraints characterising the subsistence agricultural sector in Lesotho. It is a system that facilitates a change in the economies of scale and the sourcing of capital. A block can be divided into sub-blocks to accommodate diversification and crop rotation. The ideal situation is to treat a block as a unit of operation both in time and space. The approach facilitates resource mobilisation, be it machinery or other inputs, in both machinery contractors and input retailers are attracted by better business opportunities. The government expects the system to lend itself to commercialisation and enhance production and productivity as well as private sector participation. Block farming has 3 programmes characterised as follows:

Programme 1: Commercial block farming targeting experienced farmers with up to 100ha of land in separate pieces of scattered land holdings belonging to different individuals and available to the farmers through leasing or share cropping. The crop guidelines for this programme emphasises the improvement of soil fertility through ripping and liming fields in the first year and strict adherence to the recommended input levels for commercial crop production. The targeted yield for programme 1 is 5 metric tonnes per hectare.

Programme 2: mentored block farming: the programme is spearheaded by selected committees in the block areas under the mentorship of the Member of Parliament in the area. The mentor is expected to organise the farmers in the block and ensure that the blocks follow the cropping guidelines. The programme involves conventional farming methods using recommended input application rates. In practice this means that the ripping and liming of the fields has not been undertaken, and that inputs are applied at lower levels.

Programme 3: this programme is lead by agricultural machinery contractors. The level of inputs in this programme is lower than that of programme 1 while it is administered in more or less the same way.

158. Some analysis of the performance of block farming has been made by DFID and results were made available to the mission. The review is based on the performance of the pilot year in 2006/07, (season characterised by a severe drought) and raises serious concerns on the viability of block farming under the current arrangements (refer to Table below). A total production of 545.8 tonnes was achieved under Programme 1 giving an average yield of 2.2 tonnes/ha with a range of 2.0 to 2.7 tonnes/ha. This yield represented a substantial improvement on the 20-year average maize yield for the lowlands of 0.4 tonnes/ha. The pilot successfully demonstrated that commercial block farming could produce significant increased production and yields, if it is assumed that the previous production from the fields was close to the average maize yield for Lesotho.

159. Production costs for 2006/07 were however an average of M3,863/ha, higher than the average returns of M2,750/ha that could be expected at a maize price of M1,250/tonne in 2007. The farmers in the pilot achieved a yield below that required to break even, due partially no doubt to the drought. The farmers only paid back M246,913 of the M1,029,750 in loans advanced (24.0%), presumably as they had all achieved below break-even yields.

160. The experience of the pilot has therefore also emphasised the high risk nature of commercial block farming of maize. The Department of Crops reports that the break even yield for commercial block farming is 3.5 tonnes/ha. This figure is supported by the recent MAFS study on field crop production costs, which has found that the break even yield for programme 1 is 3.33 tonnes/ha. In drought years it is highly likely that yields below break-even will be achieved.

161. Results from the pilot programme 2 in 2006/07 were poor. Total production of 1,928.7 tonnes was achieved giving an average yield of 0.6 tonnes/ha. The yields from the mentored blocks did not therefore represent a significant improvement on the 20-year average maize yield for the lowlands of 0.4 tonnes/ha. Production costs for the mentored blocks in 2006/07 were far lower due to the absence of ripping and liming and the lower level of inputs applied. Average production costs were M1,386/ha, significantly higher than the average returns of M750/ha that could be expected at a maize price of M1,250/tonne in 2007. The mentored blocks therefore also achieved yields below that required to break even. Loan repayment on the mentored blocks has been very poor, and they have only paid back M22,150 of the M4,265,245 in loans advanced (0.5%).

162. The experience of the mentored blocks pilot has shown that block farming production is even more risky than commercial block farming. The lower production costs are offset by the far lower yields. The MAFS study on field crop production costs has found that the break even yield for programme 2 is 1.96 tonnes/ha, almost three times the best yield that was obtained on the pilot.

163. The nearly M15.2 million budgeted for programme 2 could have been used to purchase 9,500 tonnes of maize at the expected average maize price of M1,600/tonne in 2008. With an estimated maize requirement to meet nutritional needs of 226,695 tonnes in 2008, the amount of maize that could have been purchased by the budget for programme 2 would meet 4% of requirements. It is highly unlikely that yields under programme 2 will exceed the 0.4 tonnes/ha 20 year average yield, meaning that production from programme 2 will not exceed 2,411 tonnes, around a quarter of the maize that could have been purchased.

164. The pilot year did not have any programme 3 operations, hence the table below has no data for that category. However, the block farming included Programme 3 activities in the 2007/08 season.

Table Performance summary for the block farming pilot, 2006/07

Programme	Loans	Numbers	Area	Average	Average	Gross	Loan
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	approved	of farmers	farmed (ha)	block area (ha)	yield (t/ha)	margin (M/ha)	repayment
Programme 1: Commercial block farming	M1,029,750	3 block farmers	246.44	82.1	2.2	-M1,113	M246,913 (24%)
Programme 2: Mentored block farming	M4,265,245	4 block mentors	3,049.8	762.5	0.6	-M636	M22,150 (0.5%)

165. The DFID review of the performance of block farming also made estimates for performance to be expected for the full fledged block farming in the year 2007/08. The summarised information is given in the table below. However, the results for 2007/08 were not available during the time of the mission and have still not been availed to the mission to review the performance of the block farming and compare with the results of the pilot year.

Table Performance summary and estimates for the first year of block farming implementation, 2007/08

Programme	Loans approved	No of farmers	Area farmed (ha)	Average block area (ha)	Operational costs (M/ha)	Break-even yield (t/ha)
Programme 1: Commercial block farming	M13,890,168	69 block farmers	2,230.64	32.3	M5,415	3.4
Programme 2: Mentored block farming	M15,177,148	4 block mentors	6,027.4	1,506.9	M2,501	1.56
Programme 3: Contractor block farming	M75,964,312	330 blocks	28,751.9	87.1	M2,659	1.66

166. Of the three programmes that have been implemented under block farming, Programme 1 is considered reasonably viable under the current arrangement. However, being a high input option, the programme requires to be integrated with sustainable production measures to ensure that long term production does not erode soil fertility further and undermine future high productivity levels.

167. The Monitoring and Evaluation component of the programme needs to include critical elements such as marketing programmes, clear and transparent arrangements and commitments that benefit all parties (those who lease land and the land owners) in the block farming model.

168. Conservation Agriculture practice which when implemented correctly, contributes to substantial improvement in the increased efficiency of nutrient and water use would have to be included under this system for that purpose. The mission appreciates the fact that tangible benefits accruing from the adoption of Conservation Agriculture take time to manifest and it is not unusual for the period to take at least three years for substantial improvements to be evident.

Assumptions and risks.

The mission recognises the fact that Conservation Agriculture is a technology and should not be implemented as a stand alone activity as proposed by the Ministry. It is recommended that CA be mainstreamed in activities that promote intensification and sustainable crop production as it is appropriate for both commercial and subsistence production. In this case, the mission recommends that CA be integrated in the same proposal for intensification activities under revised interventions for block farming. The Ministry also needs to address the current anomaly of the responsibility of CA promotion resting with the Research Unit as the appropriate unit for providing leadership should be Field Services with support from Research and Crops Units.

The mission noted the many challenges that characterise agriculture production in Lesotho and the implications in meeting national food security needs. Of particular importance is the need to economically produce adequate cereal for the country as well as ensure that the available food is accessible to those who are not able to produce; while the producers are also adequately rewarded to continue to produce in a sustainable manner.

Among the many limitations to increased crop production/productivity especially for maize in Lesotho, the major ones include significantly low input use among smallholder farmers, the deteriorating natural resource base manifested by extremely low soil fertility as well as the declining purchasing power among smallholder farmers undermining access to inputs. Under this scenario, the justification for continued efforts to support increased production of maize in Lesotho is based on the realization that potential does exist for increased productivity through firstly improved access to agriculture inputs; particularly improved quality seed and fertilizer and also improved management of the agricultural inputs to achieve high input use efficiency (increased yield per unit of input used) while at the same time maintaining the resource base through the practice of sustainable production technologies that promote soil and water conservation.

Evidence that economic yields of maize are possible when these conditions are met is not adequate and readily available for Lesotho and under block framing the results availed to the mission for the first pilot year and elaborated above when inputs were distributed under subsidy programme were not very encouraging. It was however noted that the distribution of inputs was not timely and that the season was not ideal because of the drought. It should also be mentioned that the programme did not include CA for improved soil and water conservation. Some positive evidence for the fact that potential significant yield increases of maize can be achieved is however available under Conservation Agriculture with supply of sufficient inputs from work done by NGO partners with FAO. Examples are given from Thaba-Tseka (Tšheng) and Quthing (Ha Ralinku) farmers who were able to move from 0.3ton/ha to an average of around 2 metric tonnes of maize per hectare even under dry spells, which was far higher than the yields under conventional system of farming. Elsewhere in the region such yields under CA have also been recorded for smallholders. The fact that these yields are attained at much lower input levels (increased efficiency of production) is what makes CA particularly relevant for Lesotho given the prevailing production environment and economics of agricultural production.

It is therefore evident that for maize production in Lesotho to be economical, farmers need good access (quantity, quality and timely) to improved quality seed and fertilizer, should employ good agricultural practices (adopt CA with adherence to early planting, timely weeding etc). This implies that service providers (government and private sector) need to be efficient in providing their support to farmers.

169. Mission recommendations and observations on the revised government response on agriculture

➤ **Scaling up seed production and input trade fairs**

170. The mission recommended that seed production and input trade fairs be presented as a combined proposal. The idea is that the input trade fair is a one off emergency activity to which seed coming out of the seed production project will feed into for starting out during the 2008/09 season through vouchers and later at a fee or in a form of a seed loan. The seed production project has some seed available for the 2008/09 season.

171. The proposal for community-based seed production and provision of seed from the programme to vulnerable farmers is an appropriate strategy for locally meeting the seed needs of the smallholder farmers. The provision of seed is justified as seed produced from seed contractors at community level particularly open-pollinated varieties is less costly than commercial hybrid seed imported from South Africa. Seed of open pollinated varieties can also be grown for several seasons without experiencing yield losses as is the case for hybrid seed, hence farmers are able to retain quality seed from their harvest and achieve reasonable yields for a number of seasons without needing to purchase seed every season.

172. The maize seed that is being used in the community-based programmes is of early drought tolerant open pollinated varieties that are well adapted to Lesotho conditions and high yielding under low input conditions. As timely input supply is a major constraint to crop production in Lesotho, timely availability of quality seed of adapted varieties in adequate quantities is key to increased production.

173. These two recommendations below were made by the mission and have been addressed in the revised proposal.

- In addition to the hectareage for seed and number of seed growers participating in the seed production project, there is need to indicate targets of those to benefit from seed produced from the project beyond the 2008/09 season.
- Indicate measures for sustained availability of adequate breeder seed of the various crops for supply of basic seed to seed growers' specifying seed sources and land availability for breeder seed production.

174. The mission would like to however in addition propose that there is consideration for the inclusion of community-based seed production of other important crops in the maize based system as a way of achieving more sustainable production and addressing the problem of monoculture that undermines maintenance of natural the resource base.

➤ **Intensification of production for irrigated crop production:**

175 The proposal needs to :

- articulate clearly the target groups indicating the number of the vulnerable groups (HIV and AIDS affected households are specifically mentioned in the document but number is not given)
- justification of the subsidies and provision of exit strategy/recovery measures.pecify the high value crops and vegetables targeted and include gross margins to provide evidence of cost-effectiveness. include sustainability plan beyond the project life (maintenance of systems at household level)

Assumptions and risks

The mission has noted that the government proposal has not included this proposal in the revised response. The recommendation of the mission for this proposal was based on the fact that the activities were addressing an opportunity for cost effective increased production as the crops targeted are high value and also the fact that the activities would increase the availability of nutritious high value crops and vegetables to vulnerable groups. In the absence of support for home gardens in the revised proposal, the omission is unfortunate.

➤ **Promoting sustainable intensification production systems (block farming and Conservation Agriculture)**

176. The proposal needs to

- Development of a consolidated proposal by integrating block farming (using the recently developed operational guidelines for block farming which has recommended to discontinue programme 2) with Conservation Agriculture (Conservation Agriculture for more commercialised farming can be started as demonstration plots for “proof of concept”).
- Calculation of gross margins and establishment of cost effectiveness of block farming for the three programmes using data from 2007/08 season.
- Clear indication of the category of farmers and numbers to be targeted in the different programme in relation to the appropriate packages for CA practices.
- Set realistic targets of number of farmers and hectareage focusing on providing quality and timely technical support for the programme at all stages of the production cycle.
- Establish an exit strategy for the subsidy while indicating measures for sustaining access to inputs and adequate technical support for the farmers; focusing on approaches that build capacity for farmer-led initiatives.

177. The mission notes that the revised response has a separate proposal on block farming with support for subsidies to 500 farmers under high management option. The mission would like to reiterate the observations made in the section describing block farming of the concerns the risks involved with the high input block farming activities without incorporating Good Agricultural Practices such as CA. The mission also observes that the Ministry did not provide the results of the 2007/08 season as recommended in the second point in this section and hence the mission is concerned as to whether block farming as presented in the revised plan is economically viable. This concern is valid with or without subsidies and the basis for inclusion of the proposal without financial analysis of performance during the 2007/08 is rather questionable.

Breakeven yield calculation for the block farming activity

178. In this section, a break even calculation of yield is done based on the proposal for block farming. Using the same yield and cost assumptions for Summer Maize Crop as in the Government proposal (yield:3.5 t/ha; cost over 3 years: Maloti 800,743 562), it appears that the gross margin for maize production over the three years is not sufficient to cover the costs assumed in the Government proposal, as shown in the break-even calculation below. The break-even yield is about 4.5 t/ha, much higher than the assumed maximum yield of 3.5 t/ha (which in itself is also high when considering the current yield levels). Block farmers

would need to achieve a much higher yield to make a profit, unless the variable costs for inputs could be held at a much lower level (M18,000/ha instead of M23,000)/ha.

Designation	Unit	Amount
Area under cultivation	Ha	35,000
Assumed maximum yield	t/ha	3.5
Total production over 3 years	Tons	367 500
Gross Margin (assuming M1700/t)	Maloti	624 750 000
Variable costs (as per Gov't proposal)	Maloti	800 743 562
Net margin	Maloti	-175 993 562
Breakeven yield @ same cost	Mt/ha	4.48
Breakeven cost @ 3.5 t /ha	Maloti	624 750 000
Breakeven cost per ha	Maloti/ha	18 000 (instead of 23 000)

179. At the same time, the mission observes that a separate proposal integrating CA and block farming for all categories of farmers has been developed providing an opportunity to assess productivity with CA under different levels of management. What should be considered is incorporating agroforestry related activities and also explore the possibility of including Donga reclamation interventions.

b. Natural Resource Management

180. Agro forestry development is a programme in the National Action Plan for Food Security. The mission trust that proposals will indicate whether agro forestry activities are currently being implemented as they provide an opportunity for *improving soil fertility, reducing soil erosion and contributing to availability of fodder and fuel wood* which are among key products of agro forestry and whose availability also significantly contributes to improved conservation of the natural resource base.

c. Promotion of Infrastructure and Services to Support Livelihoods

➤ Gender , technology and Food security:

181. The Ministry of gender revised its stand alone proposal for hammer mills and submitted an up scaling of the large scale production, storage, distribution, processing and marketing of crops, business development. The Ministry of Gender has a national youth employment training programme as well as business promotion programme, that links with the private sector. The up scaling of the proposed programmes, engaging youth as well as women, will be reviewed by the UNDP consultant with the UN partner.

182. The full proposal would need to explain the role of Government versus private sector in executing proposed credit , business management activities, etc, explain targeting, ownership and implementation arrangements, clarify the priority target group related to the up scaling for soaring food prices. The text should explain that the budget is the net gap in financial support needs, considering what support is already being provided by youth employment programme.

183. The Ministry of Trade, Marketing and Industries has presented a number of proposals under “Marketing Infrastructure”, including: i) three regional market centers; ii) three regional piggery slaughter plants; iii) two regional poultry slaughter plants; and iv) processing and packaging of fruits and vegetables. After reviewing these proposals, the mission’s view is that proposals aimed at improving marketing infrastructure should be more closely linked to those aimed at increasing food production and should not constitute “stand alone” projects.

184. It is proposed that the link in targeting strategies be clearly shown between these proposals and those presented under crop and livestock production. In addition, marketing and trade related constraints should be analysed/reviewed and a proposal made to alleviate the identified constraints to food security related to the soaring food process; and example is the consideration of up scaling activities related to rural feeder roads.

d. Social protection schemes:

185. In the light of failing entitlements to food from own production and exchange of labour, as well as the rising food and commodity prices, the expansion of social protection schemes assumes heightened importance in Lesotho. Social protection may be defined as *the public actions taken in response to levels of vulnerability, risk and deprivation which are considered socially unacceptable within a given polity or society*. Social protection needs to be effective, taking into account the fiscal constraints that government will increasingly face in the future, with pressures to prioritise public spending in the ‘productive’ economic sectors rather than the social sectors.

186. The Ministry of Finance welcomes working towards an integrated approach to social protection that addresses vulnerability in a comprehensive and systematic way. In this context, reference should be made in the proposals to the Food Security guidelines¹³ that have, for policy purposes, categorised population groups according to their levels and features of vulnerability and poverty. The population was divided into the following groups:

Category 1: Extremely poor:

Category 2: Chronically vulnerable to poverty and food insecurity:

Category 3: Vulnerable to transitory food insecurity:

Category 4: Not usually vulnerable to food insecurity

187. Households in category 1 are unable to make a living in normal times without some form of assistance (e.g. the disabled; many of the elderly; many of the *de facto* female headed households; people living with AIDS). In terms of support, the first priority would be for public and private **transfers**.

➤ Cash transfers

188. The Government of Lesotho runs two public transfer programmes:

¹³ Lesotho Food Security Policy And Strategic Guidelines, Maseru 11 April 2005

Min of Finance administers **the Old Age Pension programme**, which costs M126m (US\$21m) in its first full fiscal year of operation 2005-06. This corresponded to about 2.7 per cent of government expenditure. By May 2008, the pension was reaching more than 79,000 beneficiaries, or roughly 3.9 per cent of the total population of Lesotho. Due to the lower life expectancy of men in Lesotho, as in most human populations, roughly 60 per cent of recipients are women and 40 per cent are men. At the time of its introduction the pension amount was almost exactly equal to the official national poverty line in Lesotho, set at M146 (US\$24) in 2002. On its return to power after the 2007 General Election, the government announced the pension would rise from M150 to M200 (US\$29) a month. This was an increase in inflation-adjusted terms of about 20 per cent.

The rising food prices since last year call for the proposal to reduce the beneficiary eligibility to 65 years and increase the grant with 50 M to 250 M per month. The Bureau of Statistics estimates entry of an additional 25,000 beneficiaries.

189. The Ministry of Health and social welfare runs the **Public assistance allowance - social welfare grant** - for 4765 persons (elderly below 70, disabled, chronically ill, orphans) which cost around M 5.7 million. The waiting list holds around 5000 people. Hence MoH developed a proposal for increasing the total beneficiaries to 9780 persons as well as increase the grant from M100 to M200, based on data from a 2007 food consumption survey. The allowance is paid following an exhaustive means test. The proposal is tying the transfer value of the grant to the food basket value of May 2007.

The mission felt that;

190. The number of beneficiaries proposed for the **public assistance allowance** and the method of increasing the size of the transfers might need to become more responsive to the continuing rises and or fluctuations in food and commodity prices impact.

- Extrapolation from the 1999 poverty data analysed by Sechaba consultants (2000) indicated that already some 2200 households in Lesotho had no income whatsoever. The grants seem to cover a tip of the iceberg.
- There would need to be a bench mark for each transfer as well as a regular periodic adjustment policy to provide a form of security/predictability of income for recipients.

191. The mission recommends unpacking the target groups for this transfer, especially the People Living with HIV and AIDS (PLWHA), and orphans, in order to design interventions that will respond to enhancing coping mechanisms and exit strategies with these groups and their families;

- Various schemes of support implemented by NGOs and UN agencies were found for these target groups. The existing WFP support to OVC (under age 15) from food insecure households and those who are still in primary school, includes a take-home ration, which will help support families hosting orphans, while promoting attendance and a continuation of schooling by the OVC. The upcoming cash transfer programme, which is funded by the EC through UNICEF and implemented by MoHSW will be close coordinated with the WFP supported food assistance for OVCs
- Livelihood recovery activities will primarily target those on ART and/or recovering from TB. Older OVC (over age 15 or having finished primary school) and household members of malnourished children, young OVC, or incapacitated patients, will also be eligible to participate in these activities.

Assumptions and risks

The mission recommends to review the development of longer term comprehensive social protection frameworks for PLWHA and OVCs against the overall district specific needs, capacity of the social infrastructure and vulnerability patterns as well as technical and fiscal capacity to administer different types of programs. The various existing private and public cash and food transfers for the OVCs and their allocation mechanisms/criteria should be consolidated with Local Government/authorities/social workers, to ensure appropriate services as well as capacity to render accountability.

➤ **Therapeutic and supplementary feeding**

193. Comprehensive package of high impact maternal, neonatal and child survival interventions for food insecure and outpatients on ART, TB, Therapeutic and supplementary MCH programmes are being extended with assistance from UNICEF and WFP. They are being identified through health facilities' (hospitals/clinics and health centers) and are referred for possible food assistance. Following this initial referral by social workers/local counsellors at the health clinics, a vulnerability questionnaire will be administered by social workers and/or cooperating partners to determine if the household is food insecure.

194. Malnourished children from 6 to 59 months are being identified through health centres by Health Center Staff and through communities by trained Community Health Workers using the following criteria: WHZ < -2 Z-score or WHM < 80 percent; MUAC \leq 125mm and Oedema and are referred to Health Centers that implements Outpatient Therapeutic Program (OTP). If the child is malnourished and has other complications the OTP refers the child to the Inpatient Center located in Hospitals.

Assumptions and risks

The MOHSW proposal would benefit from information on the implementation mechanisms addressing issues of capacity. The annual joint sector review as well as various project evaluations caution in augmenting workloads of health and social welfare staff considering the current staff shortages. An indication of the linkage with existing technical assistance in the provision of services, provided by various multilateral agencies would strengthen the proposal.

The proposal needs to clarify cost implications as well as the duration of support for individual target groups as well as the duration of the various support packages.

➤ **Health fees waivers**

195. Waiver for fees charged to malnourished children under 5, and pregnant and lactating women is proposed, in light of the reduced ability of these vulnerable groups to access hospital care and treatment. A waiver system already exists for malnourished clients at health center level. The proposal would need to mention an estimate number of women and children that would gain access.

Assumptions and risks

The mission also encourages the various technical agencies to ensure availability of services as well as a regular review of the absorption capacity at the level of the clinics.

VII. INSTITUTIONAL, COORDINATION AND M&E ARRANGEMENTS

196. Food prices are expected to remain high and this will have serious implications on Lesotho where over 70% of the total cereal requirement for 2008/09 will have to be purchased. LVAC 2008 has indicated that 123000 more people are likely to fall into the category requiring humanitarian assistance if food prices continue to increase. It is therefore recommended that price monitoring activities be strengthened and regular analyses be conducted to check the impact of further price increases on household access to food.

197. Crop production estimates in Lesotho are problematic due to several factors including outdated methods and lack of reliable data on total area planted. This problem was highlighted by the study on food security information systems in Lesotho. The study recommended that Lesotho should adopt the new estimation methods currently being implemented in Malawi and this will entail technical exchange visits and hands-on support by a technician from Malawi and FAO.

198. Efforts to harmonise the crop estimation methods should be speeded up to ensure the country has a more robust crop production estimation method to be used in 2009.

199. In addition to the LVAC efforts to monitor food prices and impacts on household access to food, the National Nutrition Surveillance System needs to be strengthened to closely monitor changes in nutrition status of children that may be affected by high increases in food prices. LVAC 2008

Assumptions and risks

The mission recommends that all proposals clearly indicate whether Government implementation or other implementation arrangements are envisaged, including details on :

- Human resource allocation (through NGOs) in all sectors especially health and agriculture
- Efficient and effective food distribution modalities within and external to health system while considering the longer term nature of the intervention

The involvement of Local Government is crucial in up-scaling the various safety nets and agricultural technology improvements. The mission would encourage the **Ministry of Local Government** to further refine the proposals through district consultations as soon as possible.

200. The mission supports the various concerns regarding deficiencies in the existing /ongoing market data collection, food security monitoring and related nutrition surveillance analytical work

at the country level that hamper projections regarding the impact of rising food prices on household vulnerability to food and nutrition security. Efforts to further strengthen LVAC and FNCO partnership are on going in addition to incorporating other food security related analysis into the nutrition surveillance bulletins.

International organizations, providing assistance to food security and the soaring food prices:

201. External assistance to Lesotho (ODA of around US\$75 million in 2004) has declined substantially from its levels in the 1980s and 1990s, due to a number of factors. First, many historical supporters moved both office and focus to South Africa following the end of the apartheid. Second, the recent concentration of individual donors on smaller sets of countries has often excluded Lesotho. Third, Lesotho receives very little aid from regional programmes. Fourth, Lesotho was not eligible for debt relief. Finally, Development Partners' preference for large projects makes for few opportunities in Lesotho.

202. Today, 5 percent of Lesotho's annual budget, or some Maloti 200 million, is funded by external grants, a small proportion relative to other LDCs. The budget records 19 discrete donors, of which the seven leading donors provide 95 percent of external grant assistance. Development Partners also fund a larger number of programmes which are managed separately and do not appear in the Annual Budget. The quantity of grant flows has not changed substantially over the past five years.

203. The cost of the still unfunded investment programme detailed by the above PRS, updated by the estimates being presented at the Donor Round Table Conference in November 2006, demonstrates that the investment need is beyond what Government can reasonably expect Development Partners to provide. However, it is equally evident that Lesotho is in need of a substantial increase in aid funding if it is to make progress toward poverty reduction and achievement of the Millennium Development Goals. According to current medium term forecasts, "external grants would need to be more than doubled over the next five years only to offset the effects of declining customs revenue" – which is to say, a doubling of external grants could sustain the current level of expenditure, without necessarily funding new programmes in poverty reduction.

204. Within this context of need for long term engagement of the GOL and Development Partners, the World Bank, European Commission and Irish Aid are engaging in General Budget Support through Treasury to the Government of Lesotho. The WB already signed an agreement for USD 10 Million While the volume of this external support is relatively small in relationship to the Government's own fiscal budget, the budget support will serve to meet the Paris Declaration expectations on effective donor coordination, and will, through effective use of the Performance Assistance Framework (PAF), enhance the management and accountability of the GOL own resources utilisation.

205. UK Department for International Development (DFID) supports apart from public financial management, revenue collection, poverty monitoring and donor coordination, HIV/AIDS, job creation, food security and governance. The £1.8 million Priority Support Programme (PSP), which aims to help the Government of Lesotho achieve its two biggest poverty reduction priorities - job creation and food security, provided the mission with evaluation results on various productive food security programmes-including the block farming support programmes. A DFID funded

project with a financial contribution of US\$610,000 during 2005 to 2007 was implemented in partnership with NGOs to scale up Input Trade Fairs, Conservation Agriculture and Asset Protection for dual purpose poultry. These three interventions were chosen for up-scaling in the ISFP response plan, based on previous successful experiences. (Lesotho, NEPAD-CAADP-National Medium Term Investment Programme, February 2005)

206. Development Cooperation Ireland (DCI) - Irish Aid;. In 2007 €9 million in bilateral development assistance was provided to Lesotho. The bilateral programme focuses on five sectors: HIV and AIDS, Education, Health, Rural Water and Sanitation, and Governance. In addition Ireland also provided €3.7 million to support the Lesotho Department of Health's partnership with the Clinton Foundation to respond to the HIV and AIDS pandemic. UNICEF implements the distribution of the plumpy nut programme. DCI supports strengthening of the national response to the HIV/AIDS pandemic, development of a rational memorandum of understanding between Christian Health Alliance Lesotho (CHAL) and the Lesotho government as well the decentralisation strategy currently being piloted by the Ministry. The form of support provided by DCI varies from procurement of equipment (both medical and office) and medical supplies such as reagents, staff development and training, consultancies, the demographic health survey and capacity building in the areas of financial management and coordination of the public/private coordinating Unit within the Ministry. Both CHAL and the Ministry benefit from DCI support.

207. US Embassy/USAID. The Millenium Challenge Corporation (MCC) has entered into a 5-year Compact with Lesotho for about US\$360 million for poverty reduction and economic growth (health sector, potable water, private sector development). All districts will be provided with a hospital. The PEPFAR as well as Baylor College investments in various aspects of the HIV AIDS programmes, are complemented with a substantial Peace Corps programme.

208. GTZ provides financial and technical assistance to the Ministry of Local Government and the recent process of decentralisation.

209. The Government of the Republic of South Africa contributed US\$1,116,269 to support emergency agricultural activities for two years from 2006 through improvement of households asset holdings through the provision of short cycle livestock species and drugs; improvement of the capacity for irrigation in Lesotho and increasing cereal and vegetable production through conservation agriculture. The project aimed to improve the food security status of the vulnerable farming households of Lesotho by enabling them to improve their self-reliance through increased production and income generation. The project also sought to enhance agricultural production and reduce the impact of HIV/AIDS in vulnerable farming households through proper control and management of natural resources including soil and water. Other donors to the emergency activities have included Norway.

210. European Commission delegation in Lesotho submitted to Brussels, a situational analysis on the impact of rising prices. The analysis was facilitated by FAO Lesotho. Lesotho is included in the EU Regulation to support response plans of qualifying countries

211. The response plan would need to clarify which proposals are to be supported through the UN system, and these are to be developed soonest since the funding is likely to be channeled through the UN system in the various areas of their agencies compataive advantages. The EC would not call for proposals through a tender.

Non Governmental Organisations

212. Several NGOs, both international and local showed interest in assisting the Government and affected communities with responses to the impact of the soaring food prices. Key international NGOs include World Vision, CRS, and CARE; while among the local NGOs, the notable ones include Rural Self-Help Development Association (RSDA), Serumula Development Association (SDA), Lesotho Network for People Living with HIV and AIDS (LENEPWHA) as well as Dihlabeng Church (Rehoboth Christian Church) and Growing Nations representing Faith Based Organisations. The NGOs are involved in several sectors with varying and broad areas of interventions. The sectors include agriculture, forestry, health, education while field activities range from HIV and AIDS, food distribution, income generation, water and sanitation, micro-finance and emergency assistance; just to mention a few. CRS, RSDA, SDA and Dihlabeng Church are among the NGOs that have been implementing the FAO emergency programme activities jointly with the Ministry of Agriculture and Food Security representing the primary implementing agency for FAO projects. NGO-private-sector led initiatives that are worth looking into by UNCT when supporting the Response Plan development, include through support from Khanya, and Smardt, and also Stock Aid and Teba. These NGOs or private initiatives are supporting rural-based production activities such as Village vets, community-base worker service delivery systems, wool and mohair sheds and marketing. There are also wool and mohair groups who are essentially private producer groups of considerable importance in assisting in production and sales.

213. World Vision has been implementing targeted food distribution in Lesotho as part of the World food Programme operation with the beneficiaries being HIV and AIDS affected people, Maternal and Child Health, orphans and vulnerable children.

214. Care programming includes water supply construction, rural enterprise promotion, forestry, agriculture and HIV and AIDS awareness. Care staff work closely with local community organisations and individuals to improve the quality of life for the people through projects that deal with income generation, health, education, HIV and AIDS prevention and counselling, water and sanitation, micro-finance and emergency assistance.

215. The Red Cross Lesotho continues to strengthen the capacity of communities to carry out effective disaster preparedness, health and social programming. Currently, Red Cross is also active in HIV/AIDS initiatives in the country.

216. The Christian Health Association (CHAL) is the largest contributor to service delivery in Lesotho since 1974, serving approximately 40% of the population. CHAL facilities include eight hospitals and 79 health centres. The World Bank is preparing for a submission to Global Trust Fund, once evidence on the soaring food prices impact is consolidated and the Government has clarified the internal and external budget as well as technical assistance requirements. A World Bank/IFAD sector analysis mission is to be fielded in September.

United Nations System in Lesotho

217. Within the United Nations system, all United Nations HIV-related activities are coordinated through the Joint UN Team on AIDS in support of the National HIV and AIDS Strategic Plan and the Joint Programmes of Support. WFP shares the sub-group on Nutrition. UNFPA, WHO, UNICEF and WFP are providing support to the Road Map for Accelerating Maternal and Newborn

Morbidity and Mortality in Lesotho 2006-2015: an MDG clearly put further in risk not to be reached by 2015 with the rising food prices.

218. FAO continues to provide assistance to Lesotho largely in the form of emergency and Technical cooperation projects and among the various activities, FAO has funded support to three essential TCP projects: Food Security, Marketing and Information and the HIV-AIDS Impact Study in Agriculture. From 1997 to 2006, FAO was implementing a Special Programme for Food Security (SPFS) that provided support in livestock and irrigation and Water Control. Support under the SPFS included the development of an irrigation master plan and a comprehensive feasibility study.

219. IFAD operations have focused on three main opportunities for reducing rural poverty: diversifying and intensifying agriculture , rehabilitating and reclaiming degraded lands, developing rural financial services to support improved agricultural production and create income-generating activities. IFAD has expended about US\$13million for two major projects ; the Soil Land Water Conservation and Agroforestry Programme (SWaCAP) and the Sustainable Agricultural Development Programme for the Mountain Areas (SADPMA). Another key on-going IFAD project is the Sustainable Agriculture and Natural Resources Programme (SANReMP) with a total programme cost of US\$12million which was launched in 2005 with a closing date of 31 December 2011. The programme aims to improve household food security, improve family nutrition and increase family incomes. The approach of SANReMP to raise smallholder farmers' productivity constitutes a response to rising food prices. The programme covers three districts in the dry southern part of the country. The districts are Mafeteng, Mohale's Hoek and Quthing. The SANReMP has three major components ; namely (a) Agricultural Diversification, (b) Land and Water Management and (c) Local Capacity Building.

220. The UN Food and Nutrition Security Task Force, including FAO, UNICEF, WFP, WHO and UNDP, coordinates food security-related issues and provides advice to government counterparts. The UN Task Force collaborates with the National Task Force on Food Security to discuss food security-related topical issues and advise on appropriate responses to any food security crisis. UN agencies agreed to use the Food and Nutrition Task Force to launch a coordinated UN response to the challenge of soaring food prices.

221. In the context of the Comprehensive Frame work for Action, the UN is planning to form a "partnership for food". Areas of intervention for the UN as a collective have a comparative advantage include:

- Strengthening national capacity to design and implement social protection programmes and policies
- Ensuring secure access to and better management of natural resources , including land, water and biodiversity
- Stimulating private and public investment in agriculture
- Improve rural and market infrastructure
- Strengthening the national early warning system including nutrition surveillance.

222. UNICEF, through an 11 Million USD EU funding, is about to pilot a cash transfer scheme for OVCs while WFP provides the food complements. This scheme, while starting this year with only 5000 beneficiaries, is to develop into a social protection scheme for OVCs up to their 18th birthday.

223. Through the emergency programme, FAO has also provided assistance particularly to vulnerable households with funding from various donors focusing on improving food security of the vulnerable agriculture-based households through improved cropping methods (conservation agriculture and small scale irrigation), livelihood diversification (backyard gardens), and small livestock support (veterinary and restocking interventions); as well as improved access to quality agricultural inputs through trade fairs. Over the last three years, a number of emergency projects with a combined budget of over US\$7 million have been implemented

224. WFP has a Protracted Relief and Rehabilitation Operation (PRRO) in place for 2008-2011, that addresses the rising food prices. The PRRO will not only provide response to the short-term food needs of vulnerable groups, such as HIV and AIDS, and TB patients, mothers in Mother and Child Health (MCH) programmes, malnourished children under five and Orphans and Vulnerable Children (OVC), but will also promote recovery through food for work/assets programmes and sustainable livelihoods projects. WFP is seeking funding to help GOL to scale up the above Implementation of the primary health care strategy significantly integrated coordination and collaboration in service delivery, between CHAL and the Ministry of Health. Thus policy formulation and implementation in the Ministry often is always taken in partnership with CHAL.

225. Global fund support commenced in 2004. The focus of the Global Fund support to the Ministry is in the area of tuberculosis, though the national AIDS Programme receives support from global fund through collaboration with the National AIDS Secretariat. Support from global fund has taken the form of procurement of office equipment, training of health personnel on treatment guidelines as well as development of policies for this programme.

VIII FOLLOW UP ARRANGEMENTS

Action	Delivery dates	Responsible person	UN/partners support actions	Comments
First draft Aide Memoire response from GOL	3 Sept.	PS MAFS	UNDP Mr Chulu	Review of recommendations on actions and deadlines
Submission final Aide Memoire	5 Sept	Mission team leader	TC/ISFP	Including GOL and UN/partners comments
Draft Mission report submission	10 Sept	Mission leader		To serve as a guide for UNCT and its technical support recruited by UNDP to further develop the proposals from the various ministries.
Revised response plan submission included in response package considering mission recommendations.	Draft received from UNDP 16 oct	PS MAFS and Secretariat (the Team)	UNCT/UNDP Mr Chulu	The mission encourages the Ministry of Local Government to further refine the proposals through district consultations as soon as possible.
Finalise draft response package considering mission recommendations	Not received	PS MAFS and Secretariat	UNCT/UNDP Mr Chulu	
Review by PS taskforce as well as UN and NGO	Pending	PS finance		

taskforce for a on Food and Nutrition				
Presentation to Cabinet taskforce on food and nutrition	Pending	GOL Task Force		Design package as a “living document” to allow for complementary actions.
Handover of GOL food and nutrition task force from Min of agriculture to Min of Finance	Pending	Min of Finance		
Further proposal development into viable projects to support funding negotiations with EC and WB			WB, UNCT	EC and WB have put in place financing facilities to help mitigate soaring food prices. EC would channel funds through the UN system. WB is preparing for a submission to Global Trust Fund once soaring food prices impact data are consolidated
World Bank/IFAD sector analysis mission	September	WB/IFAD	RC	Mission to assess needs to access Global Trust Fund resources
Finalisation assessment of the urban vulnerability and intervention proposals for urban areas.	Mid Sept	WFP/DMA	UNCT	Response plan to be complemented with urban proposals and concrete costings
- UN common country assessment and analysis,	Sept Dec??	UNCT		
UNCT establishes a country-level ‘partnerships for food’ which builds on existing mechanisms and programs.	Nov-Febr?	UNCT	UNCT	
The secretariat for the Initiative for Soaring Food Prices follow up	October ..	Tc - ISFP	High level Task Force	

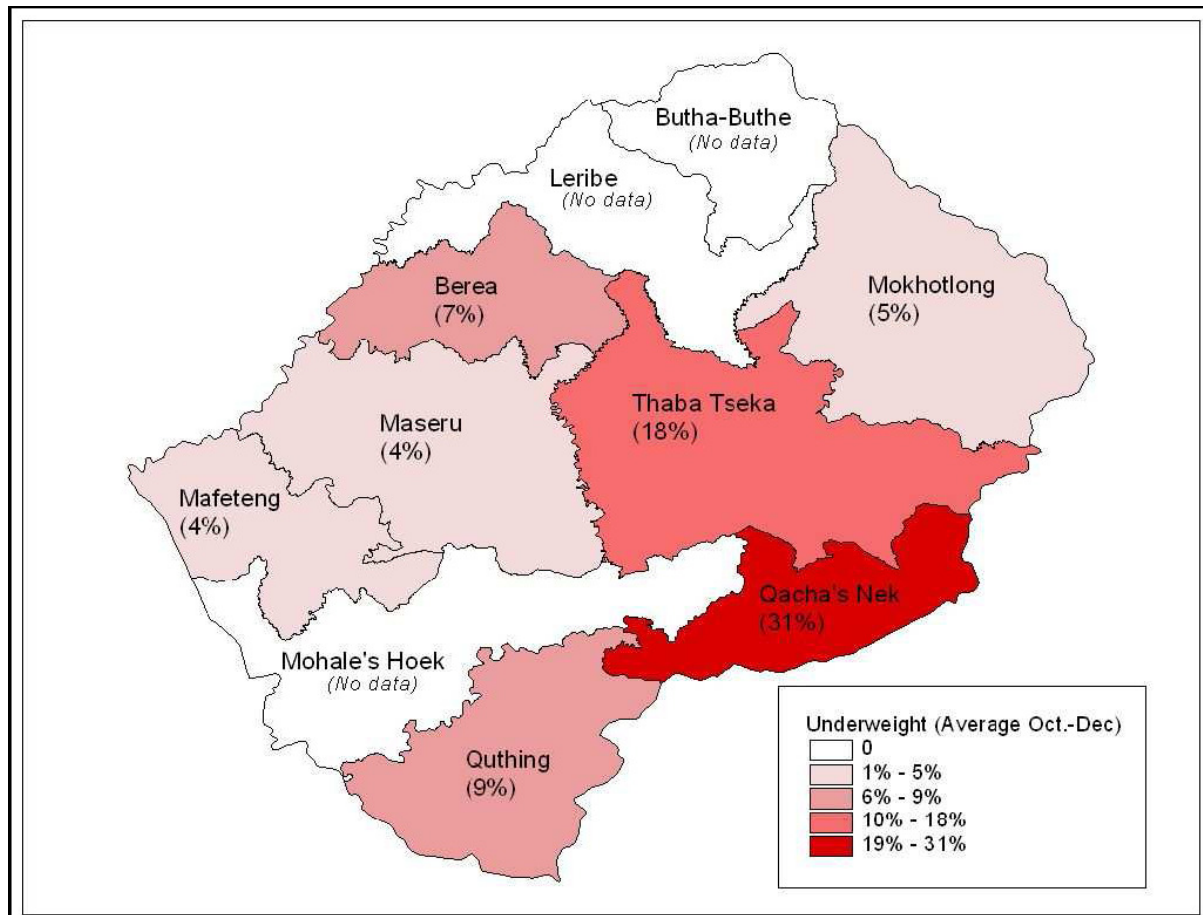
Annex 1; An overview of Government’s proposal submissions and summary actions recommended by the mission;

Programme	Activity	Mission recommendation for the proposal package	Time frame
Social protection/safety net		- Adjust/consolidate coverage and preventive nature of the various formal and informal safety net programmes in Lesotho, especially those for PLWHA/OVCs, at the level of Local Government	Sept – nov 2008
Long term	1) Old age pension grants: REDUCE ELIGIBILITY Age to 65 (25000 additional persons) and Increase Pension by M50.00 to M 250 per Month	-Reflect existing positive experiences. -Base increase on annual adjustments to a set benchmark -Almost ready for inclusion in package, pending GOL confirmation of fiscal capacity.	By 10 Sept. Start soonest
Medium/long term	2) Social transfers: public assistance grant increase from 4765 to 9780 persons from M100 to M200	- Clarify inconsistencies in basis for value of transfer calculation and purpose of background info - Base increase on annual adjustment to a set benchmark Recommendation: - unpack target groups (eg TB/PLWHA/OVCS and design support in line with ability to enhance coping mechanism. - Present positive evidence of accountability and effectiveness of coverage Not ready to be included in the appeal	Sept-Nov 2008
Medium long term	3. Scale up capacity and delivery of health services and food support increased to 6 050 TB patients, 104, 206 patients on ART, 1 620 moderately malnourished < 5 children on OTP and 635 severely malnourished < 5 children on ITP, 2 859 pregnant and 1669 lactating mothers who are malnourished. Hospital fees exempted for 635 mothers/caretakers caring of malnourished under fives admitted for treatment.	- Clarify the net gap in financial and technical support needs, considering what support is already being provided. - Clarify outcomes, outputs and # of beneficiaries - Present budgets for estimate numbers of beneficiaries - Clarify capacity to upscale and indicate linkage with technical support from UN agencies. - Review impact of fee waivers on service delivery capacity	By 10 Sept. By 10 Sept Start soonest
Long term	4) technical assistance for nutritional surveillance	- present budget - present proposal under “information systems and monitoring strengthening”	By 10 Sept.
Trade and Marketing Medium term	<i>(Proposed title Promotion of Infrastructure and Services to Support Livelihoods)</i> Market infrastructure construction, piggery and poultry slaughter plants, fruit and vegetable processing technology	- explain role of Government versus private sector in executing proposed activities - explain ownership and implementation arrangements - indicate target areas and pre-feasibility findings - explain direct impact on mitigating rising food prices for the slaughter plants proposals - consolidate duplication with other Ministries from overall proposal package	Sept-Dec 2008
Gender Medium term	Gender, technology and food security: Large scale production, storage, distribution, processing and marketing of crops, business development by women and youth.	- explain role of Government versus private sector in executing proposed credit , business management activities,etc - explain ownership and implementation arrangements - indicate pre-feasibility findings - Clarify the priority target group related to the up scaling for soaring food prices (not the whole country) - explain that the budget is the net gap in financial support needs, considering what support is already being provided by youth employment programme.	
Sustainable	<i>(proposed title:</i>	- develop a consolidated proposal integrating block farming with	By 10

<p>Agriculture 1 Production Medium term</p>	<p><i>Intensification of sustainable crop production for ... commercial and ..small farmers)</i></p>	<p>Conservation Agricultural - provide targets (# of farmers by gender) for programmes 1 and 3- the guidelines have recommended disbanding of programme 2. - indicate target yields upon verification of yield results from 2007/2008, considering ideal break even yields of 3.4 Mt/Ha and 1.6 Mt/ha for progr 1 and 3 resp. - Reduce Hectarage from 100,000 ha: new areas should correspond to #of farmers; eg progr 1 not to exceed 100 and Progr 3 not to exceed 500 blocks. Total hectarage not to exceed 50,000 ha for both programmes. - complement with block farming approach to build sustainability with a decent number of demonstrations of CA; determine # target farmers for demonstrations with more demonstrations under progr 3 than under progr 1 - CA to identify previous plots of successful CA to build on for 2007/2008</p>	<p>sept.</p>
<p>Medium term</p>	<p><i>(Proposed title: intensification of production for high value crops under irrigation for ... people living with HIV AIDS)</i></p>	<p>- define which crops?? - define # of target beneficiaries and how to reach the intended target groups (HIV AIDS) - Explain capacity of implementers and sustainability of the project Almost ready for funding proposal</p>	<p>By 10 Sept.</p>
<p>Immediate assistance</p>	<p><i>(Proposed title: Support to small farmer crop production)</i> <ul style="list-style-type: none"> • Seed trade fair for 42000 farmer households • Community based seed production for 42000 farmer households • Livestock production programmes for ...?? </p>	<p>- define area of intervention <i>Almost ready for inclusion in proposal package</i></p> <p>- include yield data for different crops in seed production plots - revise the target of 42000 beneficiaries beyond the 2008/9 seasons since many more can benefit in subsequent seasons</p> <p>- Cost of rehabilitation of the hatchery and # of beneficiaries to be included - develop poultry and disease control and management proposals - Justification for subsidies or replace with revolving funds?? In all cases calculate the gross margins without depending on subsidies/develop recovery mechanisms</p> <p>Find other funding sources for projects without direct impact on soaring food prices - rabies, new castle vaccines</p>	<p>To be finalised and submitted for resource mobilisation immediately</p> <p>By 10 Sept</p>
<p>Food and cash transfers; food vouchers for 69000 and non food vouchers for 353000. Some 160000 food assistance beneficiaries of TB, HIV, MCH programmes through WFP.</p>		<p>- review the feasibility in terms of administrative arrangements considering national coverage and unclear process and timeframe for rendering accountability - explain the bench mark for NFI voucher Proposal does not seem a cost effective option for NFI transfers to needy - review alternative options for immediate assistance following drought evaluation: i.e. obtain costing of food/cash/food-cash transfers evaluation ; - include proposal for funding of possibly 110,000 out of 160,000 persons to be supported through WFP from August</p>	<p>By 10 Sept.</p>
<p>Food and Cash for Work</p>		<p>- pursue with Min of Forestry and Land reclamation possible proposals that have a positive environmental impact</p>	<p>Sept- Nov 2008</p>
<p>School feeding: sustain primary education in highlands for 30,000 out of 80,000 pupils with increase in.... cooks incentive ???; from 2,50 to 5,00 Maluti daily meals increase, support</p>		<p>New proposal is not clear on what Government is already prepared to cover and for what period each of these proposals are made. - detail the food and transport/Handling/storage budgets for each intervention and actual ~ of beneficiaries (with WFPs help) - ensure evidence of implementation capacity is available</p>	<p>By 10 Sept</p>

	30.000 ECD children?? @3 Maluti meal/day and 10,000 targeted secondary education pupils.	Almost ready for submission	
	Price Subsidisation targeted at 352000 vulnerable persons	Alternative to subsidies such as revolving funds to be considered as exit strategies	Sept – Nov 2008
Information and monitoring systems	Market price, food security monitoring and nutritional surveillance systems	-Prepare a comprehensive strengthening of assessment and monitoring proposal with budget considering LVAC recommendations as well as Nutritional surveillance proposal	Sept- Nov

Annex 2 Map of under nutrition in Lesotho



Annex 3; Problem Tree - Food Insecurity, causes and effects (Diagnostic Report Food security, 2004)

