**Documenting Best Practices – Lesotho Private Sector Competitiveness and Economic Diversification Project**

**Background**

The Second Private Sector Competitiveness and Economic Diversification Project (PSCEDP) is a five-year, US$13.1 million project that was declared effective on January 9, 2014. An Additional Financing of US$13.4 million was approved on March 24, 2017, extending the project life to 2022. The Project Objective is to contribute to the development of select non-textile sectors, resulting in increased private sector investment, firm growth, and job creation. The Project comprises three components, namely (i) improving the business climate; (ii) supporting economic diversification; and (iii) project implementation support. The Project has made significant progress, particularly in the areas of investment climate reform and supporting economic diversification in nascent sectors. The Additional Financing (AF) is supporting additional activities in the areas of Trade Facilitation and logistics and Legislative Drafting through support to the Office of the Parliamentary Counsel (OPC). The AF is also supporting operationalization of new legislation and automated systems in order to ensure that they are fully implemented and widely used. The Project has further made significant investment in development of deciduous fruit value chain with the aim of attracting both local and foreign investment in the sector. The sections below outline the best practices on Deciduous Fruit Industry in Lesotho.

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| **Section 1: Identifying Information** |
| **Emergence of a nascent Deciduous Fruit Industry in Lesotho** |
| As part of Lesotho’s Economic Diversification Strategy for Poverty Reduction and Job Creation, the Government with the support from the World Bank launched the Private Sector Competitiveness and Economic Diversification Project in 2007. One of the sub-components of the project is Commercialization of Deciduous Fruit Production. Three small pilot farms were established in 2007 to determine the feasibility of growing deciduous fruits in the country and to identify suitable fruit varieties and microclimates. The success of the pilots led to establishment of three large GLOBAL G.A.P certified commercial farms which are already selling apples, plums, peaches and apricots in Lesotho and South Africa. To date, the farms have generated local and international interest in investing in the sub-sector.  It is worth-noting that Lesotho is currently a net importer of fruit and there are significant prospects for scale up of fruit production in the country. The microclimate growing conditions enables ideal production conditions of high value horticulture and an early season harvest compared with neighbouring South Africa. Competitive wages and proximity to potential markets ensure a premium on crop prices.  Please refer to the below link for project videos.  <https://youtu.be/qksOJf5sjPw>  <http://www.bbc.co.uk/news/av/business-39082435/lesotho-s-pilot-fruit-and-flower-farm> |
| **Section 2: Detailed Description of the Practice** |
| Although, Lesotho is a lower-middle-income country, persistently troubling levels of unemployment (currently estimated at 22.5 percent), inequality and poverty have been further exacerbated by the Covid-19 pandemic. GDP growth has slowed steadily over the last decade, from 5.5 percent in 2008 to -0.4 percent in 2019 with real GDP per capita of $723.9. Net foreign direct investment (FDI) has remained negative over the last decade, contributing to low levels of private sector job creation.Lesotho’s private sector, in terms of employment is largely concentrated in textiles/apparel manufacturing which employs around 40,000 people, contributing to 43% of total formal sector employment and a significant share of exports. The country must therefore diversify into other sectors with comparative advantage. | |
| **Which population is being affected?**  The affected population comprises local subsistence farmers who were predominantly producing low value cereal crops. To date 39 subsistence farmers have benefited from the intervention and are now commercial fruit farmers. The majority of the beneficiaries are women. |
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| **Section 3: Implementation of the Practice** |
| **What were the main activities carried out?**   1. ***Phase 1 (February 2007 – June 2013)***  * Trialed multiple varieties of apples, peaches, apricots, plums, and cherries; * Three different pilot sites selected to test different micro-climates; * Pilot phase yielded 14 early varieties of apples, peaches, apricots, plums, and cherries; * First ever successful export sales of agricultural produce to Woolworth, Pick’n Pay, Shoprite and SPAR in RSA; * Global Gap certification achieved for the three pilot farms; * Site for the first commercial farm selected on the basis of: soil suitability, proximity to water sources and electricity supply, road accessibility and preparedness of the participating farmers; * 9 households formed village company with 10.7 ha of own farm land to establish Lesotho’s first commercial fruit tree farm; * Tree crop suitability map for Lesotho completed: Identified 5,500 Square Kilometres of suitable[[1]](#footnote-1) micro-climate areas throughout Lesotho.   ***Phase 2 (October 2013 – Present)***   * Two new commercial farms established (15.2 ha and 15.6ha farms) in 2015 bringing the total area under cultivation to 41.5 ha. * Successfully supplied major retailers in Lesotho and South Africa e.g Shoprite and Pick'n Pay; * The first 10.7 ha commercial fruit tree farm has 9 shareholders and is on 8th Year of production/harvest employing 23 permanent staff; * The 15.6 ha commercial fruit tree farm has 17 shareholders and is on the 5th Year of production/harvest employing 22 permanent staff and 30 temporary/seasonal workers; * The 15.2 ha commercial fruit tree farm has 10 shareholders and is on the 5th year of production/harvest employing 17 permanent staff and 18 temporary/seasonal workers; * The first commercial farm (10.7 ha farm) became GLOBAL G.A.P Certified in 2015 and the certificate is renewed annually; * The two new commercial farms are also certified under Global GAP; their first certification was received in 2020; * LNDC and anchor investor established a Special Purpose Vehicle to expand fruit production at the three commercial farms; * The business Plan to operationalize the deal between LNDC and the anchor investor is in place; * The three commercial farms supply both local and South African markets; * Agricultural Finance Department established within the Lesotho Post Bank to improve access to agricultural financing. |
| **What were the objectives and targets of implementing the practice?**  The horticulture development of the Project sets out to contribute  to national objectives by:   1. Transforming Lesotho into major producer and exporter of early variety tree crops by demonstrating that commercial deciduous fruit production is competitive and sustainable; 2. Improving livelihoods and food security of rural farmers through the production, export and processing of high value crops; 3. Reducing farmers’ reliance on maize as a major source of income and food security; 4. Developing a competitive value chain for tree crops including:  * Sales of fresh produce in local and export markets; * Juicing, canning and drying facilities for products of Grade 3 and lower   quality; and   * Food processing industry based on derivatives from tree crops.  1. Expanding production of tree crops in Lesotho as a way of engaging rural farmers in green economic growth through natural resource management, soil and water conservation activities, including reduction in greenhouse gas emissions.   The Project designed to catalyze growth of commercial horticulture, with particular focus on deciduous fruit production. The scale up of fruit orchard production in Lesotho would help tap into high value niche markets in the region and internationally. The demand for fruits deemed suitable for Lesotho’s climate is expected to grow by 12-24 percent annually. The support for horticulture is crucial as farmers have been unable to shift to higher value crops due to associated risks and lack of development of market linkages. The project was designed to achieve the following targets:   1. Establish three pilot farms. 2. Organise three groups of local farmers to establish Farmers Companies and to obtain a composite lease for the purposes of economies of scale. 3. Scale up production by at least 35ha through consolidation of small landholdings. 4. Adopt GLOBAL GAP Certification for the commercial orchards. |
| **Who were the key implementers and collaborators?**  The main implementers are the local farmers supported by the Ministry of Agriculture and Food Security with the assistance of the Private Sector Competitiveness and Economic Diversification Project in the Ministry of Trade and Industry. Other collaborators include local retailers, street vendors, South African retailers, South African packhouses and South African companies. |
| **Section 4: Results to Date** |
| **What concrete results have been achieved – both in the immediate / short-term (outputs) and in the medium-term (outcomes)?**   1. Three pilot farms successfully established; 2. Three groups of local farmers organized to establish Farmers Companies and to obtain a composite lease for the purposes of economies of scale. 3. Production scaled up by more than 35ha through consolidation of small landholdings. 4. GLOBAL GAP Certification for the commercial orchards successfully achieved. |

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| **Section 5: Lessons Learnt and Success Factors** |
| **Was an in-depth review, assessment or evaluation of the practice carried out? If yes, what worked well? What were the key factors of success?**   * The local farmers are keen to transition from production of maize to production of high value tree crops. * The area suitable for production of tree crops in Lesotho is approximately 4000 square Kilometres. * Suitable varieties that perform well in Lesotho have been identified. * The pilot revealed that some varieties ripen 2-3 weeks earlier than South Africa. * Key success factors are altitude, availability of water, suitability soils, proximity to good road infrastructure and electricity. |
| **What did not work well, and why?**   1. Several incidents of late frost that led to low production. 2. Limited business management skill within local communities. 3. Bureaucracy relating to issuance of export permits by South African authorities affects cross-border trade. |

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| **What could have been done better or differently?**   * Establishment of a nursery to create access to high value seedlings in the country; * Establishment of a research and training centre for applied research, development of new varieties and training of farmers; * Establishment of a full-scale packhouse to serve the three commercial orchards; * Establishment of processing facilities at each farm to add value to 3rd grade and unmarketable fresh crops. |
| **Section 6: Innovation and Adaptation / Assimilation** |
| **What are the 3 to 5 key features of the practice that make it stand-out as a best practice?**   * High productivity (high yield per unit area) * Economic sustainability; * Social sustainability; * Environmental sustainability; |
| **How has the practice contributed to innovations in the thematic or geographical area of operation?**   * Use of online platforms to promote and market the produce from the farms; * Healthy soil and efficient water use through application of different techniques; * Improved nutrition promoting protection against diseases; * Local capacity build along the entire value chain; * Design of Grievance Redress Mechanism and establishment of Grievance Redress Committee to hear complaints and facilitate solutions in order to promote dispute settlement through mediation to reduce litigation; * Development of a manual to guide small-holder emerging farmers in planting and production of apples. * Establishment of Agricultural Department withing the Lesotho Post Bank to promote access to finance. |
| **To what extent is the target population embracing and assimilating the new practice – as an innovation in its socio-economic development pursuit?**   * Increased demand to participate in commercial fruit production; * Improved ownership by participating farmers to maintain and sustain the operations; * Limited cases of stealing, grievances and vandalism; * Willingness of additional 344 field owners to get their fields surveyed in preparation for expansion of fruit production in Lesotho; * Active participation in governing structures of the farms; |
| **Section 7: Recommendations** |
| **What are the key considerations if the practice is to be replicated elsewhere successfully?**   * Formalize ownership of agricultural plots in suitable areas to facilitate investment in fruit production; * Scale-up fruit production through private sector investment; * Build local capacity along the entire value chain; * Work closely with South African partners for sharing of knowledge and experience e.g research institutions, exporters associations etc.; * Value Addition through processing of 3rd grade produce as volumes increase; |
| **Section 8: Contact details** |

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**THE CASE OF COVID-19 IMPACT AND RESPONSES**

1. **Sectors and Development outcomes that have been most affected by Covid-19 Pandemic, and how**

Lesotho’s economic performance has been negatively affected by sluggish global economic growth amid a major downturn in both emerging markets and advanced economies. Slow economic growth in the South African economy also contributed to slow economic performance in Lesotho. The COVID-19 pandemic is already having a significant negative impact on global health systems as well as social and economic prospects at large. Since Lesotho’s economy is significantly open to global trade, COVID-19 has negatively impacted supply chains, thus hampering trade, as most textiles and apparel firms in Lesotho source raw materials from China, where significant impact of COVID-19 was first recorded.

COVID 19 is showing its impact on the already fragile Lesotho’s socio-economic state. The COVID-19 Pandemic adds to the already challenged health system. This has affected Lesotho by slowing economic activities and increasing risks to vulnerable population. The country confirmed positive cases and reported COVID-19 related deaths have been steadily increasing since the start of the winter season. This Pandemic adds to already existing health risks of HIV/AIDS and tuberculosis. The HIV/AIDS prevalence and Tuberculosis (TB) as well as the COVID-19 pandemic are Lesotho’s greatest health challenges. The HIV prevalence rate is 25 percent in the adult population (15-49 years) and is the second highest in the world. The incidence of TB stands at 611 cases per 100,000, according to the World Health Organization’s (WHO) Global TB report 2019. While high health costs exert more pressure to the fiscal burden, high HIV/AIDS and TB rates continue to contribute.

The following sectors and development outcomes have been moistly affected by Covid-19 pandemic;

1. Health sector: The health care system of Lesotho is already overburdened and lacks the requisite infrastructure to cope with the demands of COVID-19 as it traditionally relies on South Africa to provide complementary secondary and tertiary health care. The health care system suffers from an acute shortage of human resources, with only six nurses, one physician and a pharmacist per 10,000 people. The low-quality health care system increases the vulnerability of people living in Lesotho – including health care workers – to COVID-19. This adds to fatalities caused by other diseases, and morbidity, especially due to HIV and AIDS. National lockdowns have also made access to specialist health care services in South Africa impossible, leading to increased mortalities.
2. Manufacturing: the COVID-19 (coronavirus) pandemic has adversely affected nearly every part of the economy, including textile and apparel sector. Lesotho is facing a tough fiscal outlook as the Southern African Customs Union (SACU) transfers, private investments and exports are declining. Real GDP growth rate is estimated to have contracted by 15.7% in the second quarter of 2020 largely due to the negative shock of the pandemic, and the government estimates that at least 4,000 jobs were lost in the textile industry.
3. Travel and Tourism: The lockdowns across the world have also affected the travel and tourism industry. In 2018, Lesotho received over 1 million international tourists, with total receipts estimated at US$24 million. While the sector is predominantly informal, it provides formal employment to over 20,000 people, with the majority being women and youth. According to the Lesotho Tourism Development Corporation, no revenues were generated in (2020) in the sector due to the COVID-19 response measures. Other industries that depend on this sector and have been affected include; the public transport system, logistics and accommodation, crafts, entertainment and food industries. Many tourists to Lesotho originate from the SADC region and are largely from South Africa.
4. **The three main priorities Lesotho is focusing on in the fight against Covid-19 and its effects:**

**Diversify the Manufacturing Sector-Strategic Actions:**

1. Promote manufacturing through improved product-processing and knowledge intensive value chain development in agricultural products.
2. Strengthen business linkages and trade facilitation to attract foreign direct investment in higher value added and export-oriented products.
3. Expand the textile and garment industries to help them venture into new products in order to increase their export volumes and diversify productivity for export to existing and new markets.
4. Facilitate a free and transparent trade of wool and mohair for access to international markets.
5. Ensure access to internal and external agricultural markets
6. Review Disaster risk management policy and legislation to ensure consonance with health and other sector policies in relation to disaster management
7. Establish a national emergency fund
8. Develop COVID-19 recovery strategy
9. Coordination and communications should be strengthened to prevent covid-19
10. Enhance capacity and functionality of hospitals and clinics.
11. Intensify implementation of test-and-treat strategy for all communicable diseases including COVID-19
12. Strengthen referral systems and emergency preparedness and response services
13. Increase Intensive Care Units (ICUs) capacity in all district hospitals
14. Enhance training and capacity building for health professionals
15. **The policy measures that Lesotho has put in place to mitigate the effects of covid-19 outbreak.**
16. On the prevention side, the Government of Lesotho has instituted an active case finding and contact tracing and also used non-medical public health and social measures to restrict movement of people and super-spreaders services to reduce the spread of the virus.
17. On the management side, the government of Lesotho established Quarantine and isolation facilities to hold the spread of Covid-19 pandemic.
18. **The 3 major challenges Lesotho is facing in the fight against Covid-19**
19. Accessibility of vaccines.
20. Absorptive capacity of requisite skills in providing the health service adequately.
21. Limited infrastructure and equipment for managing and providing other needed health services.
22. **The Key lessons learnt in the fight against Covid-19**
23. The government of Lesotho current disaster management act does not provide a clearer and adequate legislative instruments as such the government of Lesotho needs to strengthen legal framework for effective fight against unique emergencies.
24. Inadequacies in health system to cater-for all health services’ needs in all situations.
25. The institutional arrangement to fight against disasters are challenged in terms of dynamism and flexibility.
26. The capacity of the economy in terms of diversifying and sustaining domestic production is challenged.

1. [↑](#footnote-ref-1)