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INTERNATIONAL MONETARY FUND

LESOTHO

Recent Economic Developments

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Approved by the African Department

September 6, 1996

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Lesotho - Basic Data

Area, population, and income

Area:	30,355 square kilometers
Population:	2.0 million
Annual rate of growth (1980-95):	2.6 percent
GNP per capita (1995 est.)	US\$754

	1989	1990	1991	1992	1993	1994	1995
<u>National accounts</u>							
	(In millions of maloti)						
GDP at current market prices	1,300.4	1,563.5	1,799.7	2,122.1	2,564.9	3,132.6	3,764.1
Of which: agriculture	(226.7)	(252.0)	(173.6)	(162.1)	(304.7)	(408.3)	(395.5)
manufacturing	(150.3)	(166.7)	(208.0)	(278.6)	(377.7)	(454.2)	(556.5)
GNP at current market prices	2,271.2	2,877.9	3,188.6	3,600.8	4,171.7	4,886.3	5,816.4
Real GDP growth (percent)	11.9	4.7	1.7	2.4	9.8	13.6	12.6
Real GNP growth (percent)	3.9	1.9	-0.5	-1.4	3.7	7.5	9.6

	(In thousands)						
<u>Employment</u>							
Mine workers 1/	126.3	127.4	122.2	119.6	116.1	112.7	103.7
	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96

	(In millions of maloti)						
<u>Central government finances</u>							
Revenue and grants	677.2	816.3	969.3	1,161.4	1,400.3	1,582.1	1,844.8
Revenue	525.3	628.3	820.1	1,019.6	1,262.9	1,438.5	1,681.6
Of which: customs union (SACU)	(263.6)	(354.7)	(424.0)	(547.7)	(746.9)	(840.9)	(906.5)
Grants	151.9	188.0	149.2	141.8	137.4	143.6	163.2
Total expenditure	780.4	831.1	978.9	1,085.2	1,250.7	1,432.8	1,736.5
Current	435.9	456.8	622.7	723.9	842.1	994.1	1,118.1
Capital and net lending	344.5	374.3	356.2	361.3	408.6	438.7	618.4
Overall surplus/deficit (-)	-103.2	-14.8	-9.6	76.2	149.6	149.3	108.3
Financing	103.2	14.8	9.6	-76.2	-144.6	-149.3	-108.3
Foreign (net)	111.8	127.4	126.3	140.8	167.7	103.2	211.2
Domestic (net)	-8.6	-112.6	-116.7	-271.4	-346.2	-246.9	-319.5
Banking system	-5.8	-118.0	-137.1	-271.0	-357.1	-271.6	-309.7
Other	-2.8	5.4	20.4 2/	-0.4	10.9	24.7	-9.8
Discrepancy		--	--	54.4 3/	28.9 4/	5.6	--

	(In millions of maloti)						
<u>Monetary survey (end of period)</u>							
Foreign assets of the banking system (net)	240.2	460.8	533.3	822.0	1,319.6	1,756.5	2,018.5
Domestic credit	502.8	422.7	391.0	154.5	-43.3	-266.5	-457.9
Government (net)	281.6	163.6	26.5	-244.5	-601.6	-873.2	-1,182.9
Statutory bodies	26.8	27.0	31.9	26.2	29.1	38.5	92.8
Private sector	194.4	232.1	332.6	372.8	529.2	606.7	632.2
Money and quasi-money	593.9	730.8	734.9	818.2	1,027.8	1,163.8	1,221.8
Other items (net)	149.1	152.7	187.0	158.3	248.5	326.2	338.8

	(In millions of U.S. dollars)						
<u>Balance of payments</u>							
Current account surplus/deficit (-)	-98.1	-147.7	-173.8	-174.3	-143.9	-192.6	-248.8
Exports (f.o.b.)	59.7	56.4	78.9	112.1	138.6	157.7	180.4
Imports (f.o.b.)	-594.1	-748.2	-856.3	-899.6	-853.6	-955.4	-1,038.5
Of which: LHWP 5/	(-42.5)	(-76.4)	(-94.3)	(-112.2)	(90.9)	(129.3)	(169.8)
Workers' remittances	369.3	443.5	435.9	449.4	401.7	400.6	409.7
Unrequited transfers	88.1	157.9	230.9	218.7	205.6	238.1	252.1
Capital account							
Long-term capital (net)	119.6	213.1	263.8	215.0	228.3	296.1	354.6
Of which: LHWP 5/	(58.3)	(146.4)	(223.3)	(152.4)	(175.8)	(233.8)	(315.2)
Short-term capital (net)	15.1	30.4	-7.9	42.1	7.3	10.2	-42.9
Errors and omissions	-28.4	-36.2	-54.5	-26.0	47.9	0.3	41.3
Overall balance	8.1	59.6	27.6	56.8	139.6	113.9	104.3

<u>Net official reserves</u>							
In months of imports	1.0	1.9	3.8	2.8	4.6	5.7	6.3

<u>External debt</u>							
Disbursed and outstanding 6/	306.1	344.2	361.3	373.2	372.6	376.1	352.0
Debt service (as percent of exports of goods and services)	4.2	3.8	3.8	4.3	3.9	2.6	4.1

1/ Average number employed in South Africa.

2/ The increase is from expansion of the compulsory civil services savings scheme to cover employees in the rest of the public sector.

3/ Of the total M 54.4 million of discrepancy, M 20.5 million represents outlays for wool and mohair projects and the remainder represents unutilized USAID grant disbursements (M 12.4 million) and receipts from the water component LHWP (M 21.5 million) as reimbursements of costs incurred by hydroelectric component.

4/ The discrepancy amounting to M 28.9 million comprises grants and LHWP external resources, which had not yet been reflected in the government accounts.

5/ Lesotho Highlands Water Project.

6/ Excluding LHWP.

I. Introduction

Lesotho is a landlocked country with an area of slightly more than 30,000 square km and a population of about 2 million that is growing at 2.6 percent per annum. It has a per capita GNP of US\$754 (1995 estimate), considerably higher than the average for sub-saharan Africa. According to a World Bank study, ^{1/} the country has a male literacy rate of 62 percent and female literacy rate of 84 percent, among the highest in Africa. Life expectancy is about 54 years and 81 percent of the urban population and 34 percent of the rural population has access to safe water. Only about 25 percent of the Basotho people live below the extreme poverty line.

The country's potential is constrained by its narrow resource base, and its mountainous, rugged topography. Until now, Lesotho has largely survived on remittances, representing one fourth of GNP, supplied by the roughly 5 percent of its population who have crossed the border into South Africa to work in the mines. In recent years, Lesotho has begun to exploit its own ample water resources through the construction, with South African financing, of the Lesotho Highlands Water Project (LHWP). The project involves building a number of dams to impound water of the Senqu River and tunnels to carry it to South Africa's industrial Pretoria-Witwatersrand-Vreniging (PWV) area.

Although agriculture's contribution to GNP is less than 10 percent, it is the largest source of employment and an important source of livelihood of rural people. The growth potential of the agricultural sector is limited because of the poor quality of the soil, unpredictable climatic conditions characterized by occasional severe and prolonged drought, serious erosion, and the prevalence of a land tenure system that encourages overgrazing and inefficient use of available arable land. In recent years most growth has come from the construction sector, led by LHWP-related activities, and the rapidly expanding export-oriented manufacturing sector, whose growth has been propelled by a rise in direct foreign private investment, mainly from the Far East. Investors have been attracted by the authorities' strong investment promotion program including tax incentives; by a relatively cheap but disciplined and educated labor force; and by Lesotho's preferential access to important world markets.

Lesotho's economy has benefited since 1988 from the economic reform program of the government, which has received support from the Fund. The stabilization effort proved to be successful in restoring macroeconomic balance and creating an environment conducive to growth. The gains made in the fiscal and external sectors are impressive. The overall budget balance turned from a deficit of more than 9 percent of GNP at the beginning of the Fund-supported program in 1988/89 to a surplus of more than 3 percent of GNP in 1993/94. The surplus was maintained at 2 percent of GNP in 1995/96. The

^{1/} World Bank (1995): Lesotho-Poverty Assessment, Southern Africa Department.

current account balance improved and the balance of payments strengthened substantially, resulting in a rise of official foreign exchange reserves from less than one month of imports in 1988/89 to more than six months of imports in 1995/96. The growth rates of GDP and GNP averaged 9.9 percent and 4.4 percent, respectively, during the period 1990/91-1995/96, despite droughts, political uncertainty, and a decline in remittances resulting from the retrenchment of Basotho mine workers in South Africa.

Given Lesotho's extensive interlinkages with the South African economy through its high degree of labor mobility and its membership in the Southern African Customs Union (SACU) and the Common Monetary Area (CMA), the challenge facing Lesotho is to respond flexibly to liberalization and structural change in South Africa. Despite some favorable factors, a number of recent developments make Lesotho's future prospects uncertain. The continuing wage pressure fueled by efforts to emulate South African wages poses a threat to Lesotho's competitiveness, to prospects for a reduction in unemployment, and indeed to the country's economic viability. Given the importance of workers' remittances, the authorities are also concerned about the impact of South Africa's recent decision to grant permanent resident status to Basotho mine workers. ^{1/}

To maintain Lesotho's competitiveness, the government so far has taken a firm position against unsustainable wage increases. To cope with other risks it has also been implementing a structural reform program that includes privatization and parastatal reform, liberalization of agricultural prices and marketing controls, reform of the utilities to reduce costs and improve efficiency, expansion of noncustoms revenue through the introduction of a value-added tax (VAT), restructuring of public expenditure policy, and improvement of the working of the civil service. It is expected that these reforms will create an enabling environment and tap new sources of growth and investment.

II. Overall Developments: Output and Expenditure

1. Aggregate supply and demand

Output has continued to grow strongly, consistent with the trend established during the 1980s and early 1990s (Appendix III, Tables I and II). GDP growth accelerated from 2.4 percent in 1992 to 13.6 percent in 1994 before slowing to 12.6 percent in 1995. The expansion has largely reflected investment associated with the LHWP as well as manufacturing for export. The LHWP alone accounted for 22.8 percent of GNP in 1995/96. Non-LHWP investment increased from 9.9 percent of GNP in 1988/89 to an estimated 23.4 percent in 1995/96.

^{1/} A recent study conducted by the Central Bank of Lesotho has indicated that this decision's negative impact on remittances will be gradual, but that it could reduce remittances in the long run by a third.

Although it has a high income level by sub-Saharan African standards, Lesotho ranks among the lowest-income countries in the world in terms of GNP per capita (US\$754 in 1995), in part because unemployment remains high. The strong output growth of recent years has not generated sufficient employment to offset the strong growth in the labor force, which has resulted in unemployment rates estimated in the range of 35-45 percent. While analysis of labor market conditions is hampered by an acute lack of data, it is estimated that in 1994, only 25 percent of the labor force held a full-time job in the formal sector or in the mines of South Africa, and 72 percent worked either in the agricultural sector, was underemployed in the informal sector, or was unemployed.

2. Savings and investment trends

The 1990s have witnessed a strong external adjustment, which is the counterpart of a reduction in absorption. Estimates of gross savings flows (excluding transfers) show a marked recovery, as they increased from 5.4 percent of GNP in 1988/89 to 14.3 percent in 1989/90, 15.8 percent in 1990/91, and reached a record high of 17.2 percent of GNP in 1995/96 (Chart 1). The expansion in domestic savings largely reflects contributions from the public sector generated through changes in both revenue and expenditure, as well as a rise in the private saving rate.

Investment also showed a strong recovery, from 29 percent of GNP in 1988/89 to 38 percent in 1989/90, 48 percent in 1993/94, 53.5 percent in 1994/95, and 57.4 percent in 1995/96. The recovery in gross investment originated almost entirely from the private sector as a result of large foreign direct investment flows. Substantial investment flows to the export manufacturing industry have come most notably from East Asia and South Africa.

The composition of domestic absorption has changed since 1991 (Appendix III, Table III). As a share of aggregate expenditure, private consumption declined from 52.2 percent in 1991 to 41.6 percent in 1995, whereas private investment increased from 8.3 percent to 15.7 percent over the same period. Government investment, as a share of GDP, declined from 20 percent in 1991 to 15 percent in 1995. In any single year during 1991-95, public consumption deviated little from the average annual ratio of 12.8 percent of GDP.

III. Main Sectoral Developments

1. Agriculture and livestock

Agriculture and livestock production are declining in economic importance (Chart 2). The share of the primary sector in GDP fell from 20 percent in 1990 to 12.2 percent in 1995. This trend reflects progressive erosion of arable land as well as the effects of overgrazing. The rate of loss of fertile land to erosion is very high. Only about 2,730 sq km, which

represents 9 percent of Lesotho's total land area, is considered arable, compared with 13 percent in the 1960s. It is estimated that population density in the arable area has increased sharply, from 442 per sq km in 1976 to 740 per sq km in 1994. Moreover, 59 percent of land is characterized by high altitude, bare rock outcroppings, and deep river valleys and gorges, where the sole productive activity is livestock grazing. Pressures from concentrated rural population and the growing number of livestock on this declining area of arable land have caused severe environmental problems affecting agricultural productivity.

Between the late 1970s and mid-1996 agricultural policies were geared toward reducing dependence on food imports from South Africa. This approach led to the promotion of cultivation of maize, sorghum, and wheat through price supports and strict import controls on both grain and flour. It is estimated that between 1991/92 and 1994/95 (both years characterized by severe drought) the production of maize declined by more than 12 percent, with a similar decline in sorghum output. A preliminary estimate of national self-sufficiency ^{1/} in 1995/96 indicates that Lesotho met only 12.4 percent of its food requirements while imports of cereals reached 177,000 metric tons and substantial donor assistance was also required.

In view of this situation, the government embarked in mid-1996 on a comprehensive revision of agricultural policies in favor of a mostly deregulated operation of the market. It has liberalized grain prices and imports and begun to promote agricultural diversification in favor of nontraditional export crops--such as asparagus, fruit, and flowers--in which the country has a comparative advantage.

Despite the fact that value-added from the livestock subsector declined markedly from 12.7 percent of GDP in 1989 to 7.1 percent in 1995, it is estimated that a significant share of the rural population still depends on this subsector as a major source of income and employment.

2. Manufacturing

The manufacturing sector's contribution to GDP has increased markedly since 1991. During 1991-95, average annual growth for the manufacturing sector was 12.4 percent, compared with 1.6 percent for the agricultural sector, and 7.9 percent for the services sector. In 1995, manufacturing accounted for 17.2 percent of GDP at factor cost, compared with 13.2 percent in 1990. More than 50 enterprises remain outside the private sector, accounting for the bulk of production.

The manufacturing sector comprises: (i) state-owned enterprises, mostly financed and managed by parastatal holding companies, mainly the

^{1/} National self sufficiency is defined as the estimated gross production expressed as a percentage of total cereal requirements.

CHART 1 LESOTHO SAVINGS AND INVESTMENT (In percent of GNP)

Sources: Lesotho authorities; and staff estimates.

CHART 2 LESOTHO GDP AND GNP: COMPOSITION AND GROWTH

Sources: Lesotho authorities; and staff estimates.

Lesotho National Development Corporation (LNDC); 1/ (ii) enterprises largely financed and managed by foreign entities; and (iii) a large number of small artisanal enterprises. Most of the state-owned enterprises, some of which are being considered for privatization in the next 12 months, were created in the context of import-substitution industrial policies mainly in the area of agro-industries.

As shown in Appendix III, Table IV, 30.5 percent of total value added in the manufacturing industry originates in textiles and clothing, where most of the foreign direct investment coming from South Africa and the Far East has concentrated. Labor-intensive manufacturing of textiles, leather goods, electronics, and light manufactured products has also increased rapidly. It is estimated that the number of workers in the export manufacturing industry now exceeds that in the government. 2/ However, linkages of the manufacturing industry to other sectors are weak; most of the foreign-owned companies' fixed assets are small, in part because foreign investors are not allowed to acquire land. Moreover, most materials used in the production process are imported and local value added is therefore modest.

The operations of local utilities are extremely inefficient and represent a threat to the development of the industrial sector. Prices of electricity, provided by a state monopoly (Lesotho Electricity Corporation) to industrial users, are estimated to be 40 percent higher than in South Africa. A similar situation exists with respect to telecommunications and water, both managed by state-owned monopolies as well.

3. Other activities

The services sector is an important contributor to GDP, accounting for 40.3 percent of total value added in 1995. Within this sector, the most important subsectors are public services, mainly health and education, and wholesale and retail commercial activities. During 1989-95, on average, government services accounted for more than 35 percent of total services, whereas wholesale and retail trading contributed more than 20 percent.

Construction, other than for the LHWP, boomed in the past two years, with growth rates of 24 percent and 20 percent, respectively, in 1994 and 1995. Government-owned projects, mainly in Maseru, have accounted for most of the growth, as construction for manufacturing has been limited for the reasons mentioned above.

1/ LNDC is the Government's main parastatal agency for implementing the country's industrial policy. It was established in 1967, but its mandate was revised in 1990.

2/ About 17,000 people were employed in the civil service at the end of 1995.

IV. Prices, Employment, and Wages

1. Price developments

In 1995, annual average inflation, as measured by changes in the consumer price index, was 9.8 percent, compared with 13.9 percent in 1993 and 7.2 percent in 1994 (Appendix III, Tables V and VI). Prices in Lesotho are greatly influenced by price and exchange rate movements in South Africa. 1/ Price developments are also highly susceptible to weather conditions because of the weight food items have in the overall CPI (52 percent). Prices that increased faster than the overall CPI in 1995 included food (largely induced by the severe drought of 1994-95), transport, and telecommunications. Prices of cereal were most affected, as they increased by 13.4 percent compared with 5.3 percent in 1994. Inflation in 1995 was higher for lower income households (9.0 percent) and lower for higher income groups (8.0 percent).

2. Wages

Only limited information on the wage determination process is available. Unions are active in all parts of the formal sector, although their membership and influence is highest in the civil service. The largest unions are the Union of Public Employees and the Teachers-Employees Trade Union. Minimum wages are determined on an annual basis for specific occupations and are based on recommendations made by a tripartite Advisory Committee in which the government, employers, and unions are represented. Increases in minimum wages are based heavily on changes in public sector wages, on which the public employee unions are consulted. Minimum wage decisions, in turn, are influential in collective bargaining sessions involving much of the remainder of the formal sector. 2/ Public sector wages increased by 10 percent in 1994 and 9.5 percent in 1995, thus halting the decline in real wages. Minimum wages were revised upward by an average of 15 percent in 1994.

1/ About half of Lesotho's exports go to the Customs Area and approximately 75 percent of the items comprising the basket of goods and services from which the CPI is compiled are imported from South Africa. Moreover, dependence from South Africa comes also from the fact that Lesotho is a member of the Common Monetary Area (CMA) and that the loti is pegged at par with the South African rand.

2/ Information on wages in the public sector is only partial and in the private sector is not available.

3. Employment: Evidence from surveys

Current data on employment are very limited. 1/ The latest comprehensive data, which was published in 1986, has been used as the starting point for a number of studies that have been conducted on labor issues. 2/ Employment developments have been characterized by an unskilled or low-skilled labor force growing more rapidly than the capacity of the economy to create employment, despite the recent growth in the export manufacturing industry.

In 1986, the labor force participation rate of the de jure (total) population was estimated to be 55.5 percent (usual status) and 86.5 percent (current status). 3/ Given an annual population growth rate of 2.6 percent, the International Labor Organization estimates that in 1994 the labor force was about 765,000 4/ (38.3 percent of total population), of which 15 percent consisted of males working in the mines in South Africa. The overall labor force was 73 percent male and 27 percent female. New entrants to the labor force are estimated at approximately 20,000 every year, 5/ reflecting the high rate of fertility and the low mortality rates of recent years. These demographic conditions have caused strong growth in younger cohorts now approaching employment age.

The formal sector (narrowly defined) comprises the public sector, the large manufacturing companies, and the LHWP. It was estimated that at the end of 1994 this sector employed 7.8 percent of the labor force, of which 31,000 were employed in the public sector (including the parastatals), 16,000 in the manufacturing sector, and 4,300 in the LHWP. 6/ An additional 4.2 percent of the labor force was estimated to be working in small-scale enterprises. The estimated distribution of formal employment among economic sectors in 1994 is domestic manufacturing, 32.3 percent; retail trade, 29.0 percent; construction, 24.1 percent; hotels, transport, financial services, 11.3 percent; and other services, nongovernmental organizations, and private health services, 3.2 percent.

1/ The ILO is currently supporting the Government of Lesotho in establishing a Labor Market Information System. Preliminary data are expected to be produced by September 1996.

2/ Labour Force Survey 1985/86.

3/ The labor force, or economically active population, consists of people 12 years and above. "Usual status" alludes to employment in the past 12 months, whereas "current status" refers to employment for at least one hour during the last week and includes remunerated and nonremunerated activities for own consumption.

4/ Sparreboom, Theo, Employment Policy Formulation and Labour Market Analysis, ILO, 1996.

5/ Figure estimated by the ILO, op.cit.

6/ Approximately 84 percent of LHWP employees are Basotho, but it is expected that this number will decline sharply by the time Phase 1A of the project is completed.

Employment of skilled workers, especially in government, has proved difficult to maintain in the face of a continuing net migration to South Africa. The "brain drain" is mainly induced by better pay and working conditions, especially among teachers, doctors, and nurses working in the public sector, and generally among young Basotho graduates from South African universities.

It is estimated that the informal sector represents a major source of income for about 30 percent of Basotho households, who engage in small commercial and other low-productivity activities that take only a few hours per week. ^{1/} Most of these people account for the significant number of underemployed who have not been captured in existing labor statistics. There are more than 100,000 small-scale enterprises in the informal sector that employ about 160,000 persons, representing approximately 24.5 percent of the labor force.

In 1980, 180,000 Basotho workers were employed in the mines of South Africa; in 1995, there were 103,700. In addition to the closing of mines as a result of the sharp decline in the price of gold, the production process in the mining industry has become more capital-intensive. As a result, miners' remittances declined from 48 percent of GNP in 1987/88 to 28 percent in 1995/96 (Chart 3).

V. Public Finance

1. Institutional structure

Over the years, the institutional structure of the public sector has undergone very little change. The structure is typical of the region, with the Central Government, local governments, and a number of financial and nonfinancial public enterprises together forming the consolidated public sector. The Central Government consists of the office of the King, the Parliament, and all the functional ministries, including the newly created Ministry of Local Governments and all government departments. For all practical purposes, the Central Government also includes the Lesotho Highlands Water Revenue Development Fund.

2. Trends in fiscal operations, 1990/91-1994/95

a. Overview of budgetary developments

Largely as a result of the Government's continued macroeconomic adjustment efforts supported by the Fund, Lesotho's fiscal structure underwent a structural shift during the five-year period 1990/91-1994/95. This is reflected in the large turnaround in the overall budget balance,

^{1/} Gemini Report (Growth and Equity Microenterprise Investments and Institutions), cited by ILO, op. cit.

CHART 3
LESOTHO
WORKERS' REMITTANCES AND
BASOTHO MINERS IN SOUTH AFRICA

Sources: Lesotho authorities; and staff estimates.

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which moved from a deficit of 0.5 percent of GNP in 1990/91 to a surplus of about 3.2 percent in 1994/95 (Appendix III, Table IX and Chart 4). This marked improvement in government finance was brought about measures on both the revenue and expenditure sides. Buoyed by growing LHWP-related imports and notable improvements in both the coverage and administration of the income and sales taxes, the combined customs and noncustoms revenue registered an increase from 22.4 percent of GNP in 1990/91 to 30.8 percent in 1994/95. However, combined revenue and grants increased only modestly, from 29.1 percent of GNP to 33.9 percent during the period, owing to a decline in foreign grants. At the same time, government expenditure and net lending increased marginally, from 29.6 percent of GNP in 1990/91 to 31.6 percent of GNP in 1991/92, and decreased to 30.7 percent GNP in 1994/95.

The fiscal surplus that has emerged since 1992/93 has enabled the government to repay a significant amount of domestic bank borrowing and the government has become a net creditor to the banking system. Nonbank government borrowing has been relatively small and relates traditionally to transactions stemming from a compulsory government savings scheme for the civil servants. However, in recent years, nonbank institutions have also held a sizable amount of treasury bills sold by the Government.

b. Revenue and grants 1/

Lesotho has a relatively high tax-GDP ratio, owing in large part to its membership in the Southern African Customs Union (SACU). Under the existing SACU arrangement South Africa sets customs duty and collects the customs and excise taxes on behalf of its members and in addition provides compensation to the member countries for their loss of fiscal discretion. Customs (SACU) revenue constitutes the largest source of revenue, accounting for more than half of the total. During the period 1990/91-1994/95, customs revenue grew from 12.6 percent of GNP to about 18 percent of GNP, after reaching a peak of 18.6 percent in 1993/94. This large increase in SACU revenue has been made possible by the phenomenal growth in imports related to the LHWP. LHWP-related imports grew at an annual average rate of 17.3 percent (in U.S. dollar terms) during the period under consideration.

Between 1990/91 and 1994/95, the contribution of taxes on income and profits to total tax revenue increased from 12.6 percent to 18 percent (Appendix III, Table X). In nominal maloti terms the collections grew at an annual average rate of about 61 percent. This commendable increase has been brought about by a wide range of tax reform measures. With regard to company taxes the measures taken include broadening of the tax base by eliminating various company tax deductions, revoking the tax-exempt status of several parastatals, rescinding the tax holiday on some pioneering industries, and reforming tax assessment procedures by basing them on the current year's profit rate rather than the past year's rate. With regard to

1/ A summary of Lesotho's Tax System is presented in Appendix II.

individual income taxes, the measures implemented include simplification of the rate structure by consolidating the lowest brackets while reducing the rates at both ends of the spectrum, including expatriate employees in the tax net, and tightening of taxes on small traders. The share of sales tax revenue, on the other hand, decreased notably, from 19.1 percent of total revenue in 1990/91 to about 12 percent in 1994/95, despite attempts to raise the tax rates on tobacco and alcohol and repeal the zero-rated status of some goods. This is the result of an erosion of the tax base and in particular the exclusion of some imports, a problem that the authorities have addressed in the new sales tax legislation enacted in February 1996. The levy rates on petrol and diesel have been revised frequently in response to changes in world prices and to maintain the parity with retail pump prices in South Africa. Consequently, the collection of oil levy has also increased steadily over the years.

Nontax revenue in Lesotho consists of various administrative fees and charges and property income in the form of dividends of state enterprises, interest income, and rand monetary compensation provided by the South African authorities. ^{1/} It increased from 2.7 percent of GNP to about 3.7 percent of GNP during the period under review, even though its relative share in total revenue did not display much change. Finally, the importance of foreign grants in the budget, both as a proportion of GNP and as a share of total revenue and grants, declined during the same period in line with trends elsewhere in Africa.

c. Expenditure and net lending

During the five-year period 1990/91-1994/95 total expenditure and net lending did not display any discernible trend, even though its components did. While recurrent expenditure rose from 16.3 percent of GNP to 21.3 percent, the increase was largely offset by a decrease in capital expenditure, from 13.3 percent to 9.4 percent of GNP (Chart 4). The latter reflected a shift in priorities and tighter control of expenditure with a view to raising efficiency. The growth in recurrent expenditure, averaging about 29.4 percent a year, is attributable to increasing expenditure on wages as well as goods and services.

The wage bill rose by about 3.8 percentage points of GNP in 1991/92, owing in particular to: (i) integrating school teachers in the civil service salary structure accompanied by a surge in hiring teachers as part of the donor-funded education projects; and (ii) a roughly 40 percent increase in civil service salaries granted in April 1991 and the subsequent 20 percent additional across-the-board adjustment granted in June retroactive to April 1991. This large salary increase was granted to

^{1/} Owing to the fact that rand circulates as legal tender in Lesotho, the country is compensated by South Africa for some loss of seigniorage in the form of "rand monetary compensation." In 1995 the rand monetary compensation received from South Africa amounted to about M 34 million.

CHART 4
LESOTHO
FISCAL DEVELOPMENTS
(In percent of GNP)

Sources: Lesotho authorities; and staff estimates.

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compensate for a virtual freeze in salary levels during the three-year period preceding April 1991. With the increase, the share of wages in total expenditure grew from 21.8 percent in 1990/91 to 29.2 percent in 1991/92 and further to about 31.1 percent in 1994/95.

As part of the adjustment effort, the government undertook a number of measures to control its outlays on goods and services, namely a reduction in the government vehicle pool, greater control on travel expenditure, and cutbacks in departmental amenities. In spite of these efforts, expenditure on other goods and services rose from 6.7 percent of GNP in 1990/91 to 8.4 percent in 1991/92 and to 10 percent of GNP in 1992/93, and remained stable near that level afterward. This rise is attributable to provisions made for drought-related programs and employment-generating projects during 1991/92 and 1992/93, the two years when the impact of drought was most severe.

On a functional basis, the composition of both the recurrent and capital budgets underwent major changes over the period, (Appendix III, Table XIII, and Chart 5). While the share of general administration and security in recurrent expenditure changed little, outlays on health and education rose substantially, from 33 percent of total recurrent expenditure in 1991/92 to about 41 percent in 1994/95. The rise reflects the priority assigned by the Government as well as the donors to social sectors. Outlays on agriculture and rural development as well as water energy and infrastructure did not undergo any change in relative importance, but outlays on other miscellaneous services fell from about 20 percent of total recurrent expenditure in 1990/91 to less than 10 percent in 1994/95.

Similarly, the composition of capital expenditure changed to reflect Government's adjustment policies and its implementation capacity. While allocations for capital expenditure on education and health sector projects increased during the period, actual outlays grew only marginally, owing to poor implementation capacity and difficulties in recruiting qualified teachers, doctors, and nurses. After showing some decline in 1992/93, the relative share of water, energy, and infrastructure in total capital spending increased again in subsequent years, owing partly to the spending on the Muela hydroelectric project. Likewise, the share of agriculture and rural development fluctuated, growing in 1992/93 and 1993/94 and declining in subsequent years, reflecting provisions made for drought-related programs during 1992-94.

3. Developments in 1995/96

Preliminary estimates for 1995/96 indicate that while both revenue and grants and expenditure and net lending exceeded the program target by about 1.2-1.3 percent of GNP, the fiscal balance remained as programmed, at 2 percent of GNP. In comparison with the 1994/95 outcome, revenue and grants experienced a slight decline in 1995/96 and expenditure and net lending rose by about 0.7 percent of GNP.

SACU revenue declined to about 16.4 percent of GNP in 1995/96, owing to a slowdown in the growth in LHWP-related imports after the peak levels of about 18 percent of GNP in 1993/94 and 1994/95. This was offset by a rise in noncustoms revenue of about 1.2 percent of GNP in 1995/96. Revenue from income tax increased significantly in 1995/96 mainly as a result of strong enforcement of the comprehensive income tax law introduced in April 1994. However, revenue from sales tax fell short of the target, given the unanticipated delay in enacting the new sales tax law. Because the parliamentary process took much longer than expected, the law could not become effective before April 1996. ^{1/} The increase in revenue from other sources, particularly from property and other income, stems partly from improved economic conditions, especially in nonagricultural sectors. Finally, foreign grants continued to decline in 1995/96 and amounted to 2.9 percent of GNP, reflecting both reduced levels of donor assistance and difficulties in absorbing project grants provided by multilateral agencies, particularly the European Union.

Total expenditure and net lending in 1995/96 is estimated to have increased to about 31.4 percent of GNP. Although recurrent expenditure is estimated to have fallen, it was more than offset by a rise in capital expenditure. Recurrent expenditure fell to 20.2 percent of GNP from 21.3 percent in 1994/95, owing to lower-than-expected outlays on wages because of nonpayment of salaries to striking teachers in September 1995 and lower expenditure on goods and services resulting from strict control of subventions and contingency spending. Capital spending expanded from 9.4 percent of GNP to 11.2 percent, largely because of extrabudgetary expenditure from the Highlands Development Fund and a higher contribution to the hydroelectric component of the LHWP known as the Muela power project. ^{2/}

Net foreign borrowing increased by 2.2 percent of GNP in 1994/95 to about 3.8 percent of GNP in 1995/96, reflecting large disbursements of loans to finance the Muela power project. The budget surplus, coupled with the availability of substantial foreign financing of the capital projects,

^{1/} The 1996 Sales Tax Act broadens the base of sales tax, rectifies some of the technical deficiencies of the 1993 law and moves the sales tax system toward a VAT. In particular, the 1996 law reduces the tax exemption threshold from M 500,000 to M 250,000, broadens the tax base by including all services and immovable properties, restricts the issuance of tax exemption certificates, and makes provision for a input tax-credit. It also provides greater authority to the Minister of Finance in setting tax-threshold and tax rates.

^{2/} The Development Fund was created as part of the financing package of LHWP negotiated in the mid-1980s. In recent years substantial amounts of customs revenue have accrued to the Fund. These funds are intended to be used for the social and economic benefit of rural areas in an effective and transparent way.

CHART 5
LESOTHO
COMPOSITION OF GOVERNMENT EXPENDITURE
(In percent of total)

Sources: Lesotho authorities; and staff estimates.

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Box 1. Lesotho: Road Fund

Being a highly mountainous country with no river or railroad transport, Lesotho depends heavily on its road network. The country has about 5,200 km of roads, about 16 percent of which are paved, 42 percent are finished in gravel, and the rest are earth roads. The World Bank estimates that while most paved roads are in good condition, fewer than 10 percent of gravel roads are, and most earth roads are virtually impassable.

The existing institutional arrangements have proved to be inefficient in carrying out systematic maintenance and development of the roads. At least three agencies are responsible for maintenance and development, the Roads Branch (RB) and Labor Construction Unit (LCU) of the Ministry of Works, and the Civil Works Section under the Ministry of Local Government. In addition, the Lesotho Highlands Development Authority (LHDA) also manages a small part of the road network linking Maseru to its project area. Owing to lack of adequate maintenance, the road network has deteriorated significantly during the last five years in all but the LHDA-maintained areas. The reasons include (i) lack of a comprehensive transport sector policy; (ii) inadequate effort of cost recovery and lack of adequate financing arrangements; (iii) inefficient planning of capital investment with little or no prioritization; (iv) lack of implementation capacity as shown by Lesotho's heavy dependence on foreign technical assistance; and (v) inadequate budget allocations for maintenance.

To address the problems of the road sector, the authorities have undertaken a Road Rehabilitation and Maintenance Project with financial and technical assistance from the World Bank. Among other things, an extrabudgetary Road Fund was established effective from fiscal year 1996/97. Its chief purpose is to mobilize revenue to finance all routine and periodic maintenance of the entire road network in Lesotho. Revenues related to vehicles and fuel are earmarked for the Fund and are used exclusively for the maintenance and development of roads. These sources of revenues are: the oil levy on petrol and diesel fuel, license fees on motor vehicles, other road use charges, fines and fees related to road use, and excise duty and sales tax on petrol and diesel. In 1993/94 total government revenue from fuel taxes (oil levy and equalization fund), the general sales tax on fuel, vehicles and tires, the part of SACU duty attributable to customs and excise duty on fuel, and automobile vehicle license and registration fees amounted to about M 53 million, or 1.3 percent of GNP.

This amount, although somewhat higher than the actual allocation for the road sector under the recurrent budget, is nevertheless lower than what is required for adequate maintenance and rehabilitation of the road network. There is evidence that heavy vehicles, particularly trucks, are currently undercharged relative to the damage they cause and there is a need for progressive license fees to better account for damages.

The management of the Road Fund has been devolved to an independent Road Board with the representation of all institutional stakeholders and road users. The Road Fund is intended to improve cost recovery partly by raising fees and taxes (in proportion to the road damage caused by specific users) and partly by improving collection by reducing avoidance and evasion and involving the private sector in the collection process. On the expenditure side, it is envisaged that the Road Fund will be able to: raise expenditure for maintenance and rehabilitation, prioritize the work program under its "annual road programme," and coordinate effectively the work of different implementing agencies.

enabled the government to improve its net creditor position with the banking system. There was no change in nonbank financing in 1995/96.

4. Domestic public debt

With the progressive improvement in the fiscal balance during 1990/91-1995/96, Lesotho's domestic debt not only declined steadily but, by 1991/92, the government had become a net creditor to the banking system (Appendix III, Table XIV). The government nevertheless had to retain a limited amount

of debt (mostly in treasury bills) to facilitate the Central Bank's open market operations.

VI. Privatization and Parastatal Reform Program

The parastatal sector in Lesotho consists of 20 companies and financial institutions in which the government has majority ownership. However, three of these parastatals have a total of about 30 subsidiaries, bringing the total number of government parastatals to about 50. Although a few make profits, many of these enterprises operate at a loss, putting a burden on the government budget and diverting resources from more efficient uses. The inefficiency of the state-owned enterprises also hampers Lesotho's ability to compete in regional markets and respond flexibly to changes occurring in South Africa.

In response to the changing regional and global economic environment, the government formally adopted a privatization and parastatal reform program in early 1994 with technical assistance from the World Bank. The objectives of the privatization program are to reduce the financial burden on the budget, to improve efficiency in production, to promote local entrepreneurship and widen indigenous ownership of enterprises, and to attract foreign investment and technology transfer into the country. Under the agreement with the World Bank, the government has identified a total of 25 enterprises (8 held by the Lesotho National Development Corporation, 3 held by Lesotho Bank, and 11 parastatals and 3 trading accounts of government ministries) for privatization during the next few years. Between April 1994 and June 1995 preparations were made for the program: a public awareness program was launched, and drafting of a privatization bill was completed. The Parliament passed the Privatization Act in October 1995 which, among other things, established a privatization unit and a private sector advisory committee to oversee the privatization process and provided guidelines for the preparation and implementation of privatization schemes. ^{1/} Under the privatization program, the government is committed to privatize and/or restructure at least four enterprises per year. The timetable for implementation is outlined in the PFP matrix.

So far, progress in privatization has been slow. In 1994 and 1995 the government and the LNDC undertook to privatize or liquidate a number of small companies with assets of only a few million maloti. At the same time, however, actions on other companies whose privatization had been agreed with the Bank and the Fund have been delayed or stalled. Among such companies are Basotho Farm Produce, Basotho Farm and Vegetable Canners, the National

^{1/} The authorities believe that the passage of the Privatization Act by Parliament in October 1995 has depoliticized the privatization process and allowed the confirmation of the Director of the Privatization Unit and the full staffing of the unit.

Abattoir and Feedlot Complex, Basotho Enterprise Development Corporation (BEDCO), Lesotho Investment Holdings (LIH), Lesotho Bank, and Lesotho Airways. The causes of delay include (i) lack of local expertise to identify a potential buyer or technical partner and prepare the company for sale; (ii) lack of adequate supporting institutions such as a share market or stock exchange to implement the privatization process; and (iii) difficulties in understanding or predicting the complex legal/administrative problems.

An important aspect of the last problem is the need for an appropriate policy environment in which the privatized companies will operate. For example, subsidies should cease and monopoly positions created by import restrictions should be ended before a company is privatized. A number of studies on labor markets, utilities, the legal and regulatory framework, capital market development, ownership structures, and valuation of firms have been undertaken by the authorities to help remedy deficiencies in this area, and some of the studies have been completed. ^{1/}

Under the privatization program, the government is committed to improving the efficiency and quality of service and reducing the tariffs of public utilities. Tariffs for electricity, water, and telephone services are higher in Lesotho than in South Africa and other countries in the region. To foreign investors, the high cost of utilities detracts from the advantage stemming from the relatively low cost and high productivity of labor in Lesotho. Several studies on the utilities subsector were completed during 1995/96 to lay the basis for a fundamental reform of these enterprises.

Soon after launching the privatization program, the authorities realized that the nonexistence of a capital market in Lesotho acts as a barrier to the privatization of some companies and the promotion of widespread share ownership. The country has no institutional framework for buying and selling equity shares and, although Lesotho is a member of the Common Monetary Area (CMA), no brokerage firms of the Johannesburg Stock Exchange (JSE) or any other links with the JSE are present. To address this problem, two studies were commissioned under the privatization program, and

^{1/} In line with the overall objective of deregulating imports and exposing the parastatals to market forces, the government has recently initiated steps to deregulate pricing of maize and wheat by abolishing administrative price fixing and abolishing permits for the importation of maize and wheat (grain and flour), except for statistical purposes. Although in the short run this policy is expected to have an adverse impact on the profitability of government-owned flour mills and government revenue (taxes and dividends), in the medium term, enforced competition is likely to improve its operational efficiency before it is partially or fully privatized. More importantly, deregulation will lead to overall reductions in producer and consumer prices and will provide incentives for diversification toward high-value crops.

a capital market development committee was established. The studies recommended several measures to facilitate establishment of a stock exchange. These include enactment of appropriate legislation and setting up of a regulatory body whose tasks would be (i) to license those authorized to deal in the market; (ii) to control the issue of securities/shares in the market; and (iii) to exercise general supervision of the market with powers to impose penalties and revoke licenses. The government is currently examining the recommendations with a view to establishing an appropriately organized market in the near future.

With collaboration from the World Bank, the government has drawn up ambitious plans for individual enterprises to prepare them for privatization. Among other things, these plans include portfolio review, valuation of the firm, examination of the legal and regulatory framework and, if necessary, undertaking of some restructuring and/or reorganization. As a result of these efforts, several large enterprises are scheduled for privatization or restructuring over the next two to three years, and preparations with respect to many others are under way. 1/

VII. Monetary and Financial Sector Developments

1. The financial system

The financial system consists of the Central Bank of Lesotho (CBL), established in 1982; three commercial banks; two development finance institutions; and an insurance sector consisting of three companies and several brokers, and an agent for a South African life insurer. In addition to the formal financial institutions, Lesotho also has an elaborate network of informal credit institutions operating in rural and urban areas. The government's influence in the financial sector is pervasive. In addition to the CBL, the government owns Lesotho Bank, the largest commercial bank, the two development finance institutions and one insurance company with the largest market share.

The CBL is responsible for currency issue, regulation and supervision of the entire financial system, administration of exchange controls, reserve management, and monetary policy. Since 1990 the CBL has also been the sole banker to the Government of Lesotho. Lesotho Bank has the largest market share in the commercial banking sector, holding about two-thirds of total bank deposits and lending, and is the banker for most of the parastatals. It also operates the Miners' Deferred Pay Fund (a compulsory savings scheme introduced in 1973 to mobilize miners' remittances originating from South Africa).

1/ The program is discussed in EBD/96/99, 7/24/96.

The CBL conducts its monetary management within the overall constraint of Lesotho's membership in the CMA. 1/ The South African rand circulates as legal tender alongside its own currency--the loti (plural maloti)--which is pegged at par to the rand. The loti is convertible to the rand and is fully backed by the rand and other convertible currencies held by the CBL. The CMA arrangement also requires the unrestricted transfer of funds between member states, including a uniform exchange system vis-à-vis the rest of the world. 2/ Lesotho maintained a dual exchange rate identical to the South African commercial and financial rand until March 1995. The financial rand system was abolished by South Africa on March 12, 1995 and this was accompanied by a similar action by Lesotho.

2. Monetary management

a. Recent monetary and credit developments

Because the quantity of rand in circulation in Lesotho is not known, the estimate of broad money based on maloti in circulation provides an imperfect measure of money supply. The problem is compounded by the fact that many Lesotho residents and business entities keep bank accounts in South Africa and use the banking services there. With these caveats, the stock of broad money as measured by maloti in circulation and bank deposits in Lesotho grew at an average annual rate of 14.8 percent during the period March 1991 to March 1995 with more than three-fourths of the expansion taking place during the last two years (Appendix III, Table XV). Corresponding to this moderate growth in the maloti-denominated money supply is the slow growth in the assets of the banking system. While net foreign assets grew from M 460.8 million in March 1991 to M 1,756.5 million in March 1995, during the same period net domestic credit fell from M 422.7 million to minus 266.5 million, with both components directly influenced by fiscal developments. During 1995/96, the stock of broad money grew by only 5 percent, given the offsetting impact of growth in net foreign assets and decline in net claims on government bolstered by a sizable fiscal surplus (Chart 6).

The movements in aggregate net domestic credit, however, mask the different directions of movement of the two components of domestic credit, net claims on government and net claims on rest of the economy, including the private sector (Chart 6). Whereas net claims on government have declined sharply in recent years and have been negative since March 1993, private sector credit has grown, albeit sluggishly. Credit to the private sector grew at an annual average rate of only 12.5 percent during 1992-96, compared with annual average growth of nominal GDP of 24 percent during the

1/ Apart from Lesotho, other members of the CMA include Namibia, South Africa, and Swaziland. The CMA arrangement is guided by a series of bilateral agreements between South Africa and each of the member countries.

2/ In practice, however, some of the smaller member countries have introduced regulations to control the outflow of capital.

same period. 1/ The reasons for slow growth in credit to the private sector are discussed in Section 3.

Credit to statutory bodies (the parastatal sector) has remained more or less flat during the recent period. However, since September 1995 it has shown some noticeable increase, owing to lending to LHWP by the Lesotho Bank. In the past, the Lesotho Highlands Development Authority (LHDA), which administers the LHWP, has not looked to the domestic banks as a source of financing. 2/

The sectoral composition of private sector credit during the period 1991-96 is presented in Appendix III, Table XX. During the period, the sectors other than trade, hotels and restaurants, and community, social and personal services exhibited strong credit expansion. There were, however, discernible differences in credit growth across sectors during the early 1990s and afterward. In 1991 and in 1992, which were drought years, most expansion occurred in nonagricultural sectors. With the pickup in farm activity in 1993, credit to agriculture also picked up (Chart 6); but in subsequent years the expansion has been very modest owing to the limited potential for further expansion of agricultural activity. Credit to the manufacturing sector, on the other hand, experienced steady growth during the period 1991-94, reflecting the rapid growth of that sector made possible by large inflows of foreign private investment, mainly in the export-oriented garment sector. Institutional impediments and financial sector regulations and policies (discussed in Section 3), however, made further expansion of credit to the sector difficult in subsequent years. The period after 1993 also witnessed a rapid increase in construction activity and consequent rapid growth in credit to the construction sector. Another notable feature of the credit development is the sharp decline in credit to trading, hotels, and restaurants since 1993 because of depressed activity in the sector.

b. Interest rate policy

Interest rates in Lesotho are influenced directly by rates in South Africa. The CBL tends to follow the South African Reserve Bank (SARB) in setting its discount rate, albeit with a variable time lag (Appendix III, Tables XXII and XXIII, and Chart 6). Notwithstanding recent moves toward liberalization, the CBL still controls some of the key rates. The CBL

1/ This estimate takes into account the fact that beginning March 1994 the private sector credit estimates include the operations of Lesotho Building Finance Corporation (LBFC), which was merged with Lesotho Bank. Prior to the merger, the LBFC credit operations (about M 72.9 million) were not reflected in the monetary survey because it was a nonbank financial institution.

2/ LHDA is classified as a parastatal by the CBL. However, it is not considered to be a public sector parastatal in the strict sense of the term, as it is not dependent on government grants or transfers for its operation.

CHART 6 LESOTHO MONETARY DEVELOPMENTS

Sources: Lesotho authorities; and staff estimates.

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officially sets the prime lending rate, the minimum savings deposit rate, the treasury bill rate and the rates on banks' deposits at the CBL (for five different maturities ranging from call to one year), apparently with reference to corresponding rates in South Africa. ^{1/} Although these rates are revised periodically following money market trends in South Africa, the adjustment lag is often long and the spreads among deposit and lending rates in Lesotho have differed considerably from those in South Africa.

After a decline in the quarters ending in June and September 1992, the CBL discount rate declined again in the quarter ending in December 1993 following a similar development in South Africa (Appendix III, Table XXIII). However, it rose again from 13.5 percent to 15 percent in June 1995 following a 3 percent rise in the discount rate set by the SARB. Likewise, the treasury bill auction rate in Lesotho followed a declining trend from March 1992 to September 1994 and it has been rising since then. Following the trends in the market, the prime overdraft rate in South Africa and prime rate in Lesotho increased in December 1995 and March 1996 (Appendix III, Table XXII, and Chart 6). Compared with September 1994, by March 1996 the prime rate in Lesotho had risen by 2.5 percentage points, to 16.50 percent (compared with a South African rate of 18.5 percent). Similarly, consistent with trends in South Africa, savings and time deposit rates in Lesotho moved upward during the period. With the drop in the underlying inflation rate in 1995/96 to less than 8 percent, most deposit rates in Lesotho have been positive in real terms.

3. Financial regulations and control--a critical perspective

The Central Bank of Lesotho maintains statutory regulations that influence the efficiency and depth of the financial markets in the country. In spite of the country's membership in the monetary union, there are capital controls within the CMA, principally in the form of the "minimum local asset requirement" (MLAR) imposed by Lesotho in 1981. The MLAR requires all banks to invest a minimum of 85 percent of their assets (or liabilities including capital and reserves) in domestic assets. This regulation was motivated by the authorities' goal of making commercial banks lend a large part of their portfolio to local business.

However, this objective of the regulation has not been achieved. As discussed in the preceding section, commercial banks' credit to the private sector has grown very slowly, particularly in recent years, in spite of the MLAR. ^{2/} The reasons appear to be twofold: on the supply side, the

^{1/} Until April 1995, the CBL also controlled the deposit rate structure in the banking system. Under the previously existing arrangement, commercial bank deposit rates had to be in the range of 1.45-2.00 percent (depending on the maturity of deposits) above the rates the CBL paid on its deposits of similar maturity.

^{2/} The ratio of aggregate bank credit to total deposits (including the Miners' Deferred Pay Fund) has been only about 58 percent in March 1996.

relatively high rates offered on CBL deposits act as a disincentive to direct lending to the private sector (Appendix III, Table XXI). 1/ On the demand side, banks cite the lack of adequate bankable projects prepared by the private sector and the lack of collateral, exacerbated by ill-defined property rights on land and real estate, as a major cause of slow lending. 2/

Some aspects of CBL's conduct of interest rate policy are thought to be impeding financial intermediation in the economy. High rates offered on deposits kept at CBL may discourage lending to the private sector, and maintaining consistently high interest rates on call money (11 percent as of end-March 1996) may also impede development of the domestic interbank market (Appendix III, Table XXI). There are also reasons to believe that CBL's interventions have contributed to the increasing cost of banking in Lesotho. One indicator that this is the case is the spread between deposit and lending rates, which is approximately twice that maintained by South African banks. For example, Appendix III, Table XXII indicates that during the period, 1990-95, the spread between the minimum time deposit and prime lending rate in Lesotho averaged about 7-8 percentage points compared with about 4 percentage points in South Africa. Even the spread between the maximum deposit rate and the prime lending rate has been as high as 3-6 percent in Lesotho compared with a 1-2 percent spread in South Africa.

In setting its own rates, CBL has also not followed the SARB closely. Appendix III, Table XXIII and Chart 6 highlight the fact that the time lags in adjustment to changes in SARB rates are sometimes quite long. As a result, the differential between the CBL discount rate and the SARB discount rate varied between 2 percent in March 1992 to minus 0.5 percent in March 1995 and 0.75 percent in March 1996.

The CBL also administers bank-by-bank credit ceilings established with respect to historical asset shares, although for some banks these have not been binding, given the low credit/deposit ratios. Two banks in the past have not fully used their share of credit while the third bank (Lesotho Bank) has often exceeded the ceilings. However, there exists no mechanism to reallocate the unused shares of one bank to another. From a monetary management point of view, perhaps more important is the fact that these ceilings could not be used to fine-tune short-term movements in liquidity.

1/ The CBL explains the high rates offered on commercial bank balances as compensation to the banks for the costs implied by the MLAR.

2/ There is also evidence that the MLAR has been violated in recent years without penalties being applied as specified under the law.

In addition, banks are required to observe a reserve requirement and a liquid asset ratio differentiated by maturity of liability. ^{1/}

There is some evidence that both the asset and the liability sides of the commercial banks' balance sheets are affected by CBL regulations and interventions. As regards the assets side, the MLAR puts a limit on the shares of foreign assets, and banks' income positions are also influenced by setting of rates on nonloan assets such as holdings of treasury bills and, to a lesser extent, CBL bills. This is because, although the CBL has attempted to conduct auctions of treasury bills and CBL securities, in practice it determines both the price and volume of these instruments. As regards the liability side, the differentiated reserve requirement and liquid asset ratio also influence the maturity profile of bank liabilities.

VIII. External Sector

1. Overall developments and external environment

Lesotho is an open economy with a limited resource base and vulnerable to external shocks. The balance of payments position is mainly determined by remittances and by developments in SACU nonduty receipts. In addition, the implementation of the Lesotho Highlands Water Project (LHWP) has also strongly influenced the balance of payments since the late 1980s. Foreign private investment has played an increasing role in Lesotho, following the authorities' gradual shift toward a more outward-looking strategy, supported by a broad range of efforts and incentives to attract foreign investors. The opportunity to avoid the sanctions on pre-democratic South Africa and the preferential trade access available to firms located in Lesotho also contributed significantly to its success in attracting foreign investment.

The balance of payments has recorded a strong improvement since 1991/92, reflecting an export surge and the impact of adjustment measures. As a result, the current account deficit (including transfers and excluding LHWP-related transactions) declined from 4.6 percent of GNP in 1991/92 to 2.0 percent in 1995/96 (Appendix III, Table XXIV). Reflecting this adjustment and an increase in external financing, net official reserves rose from the equivalent of less than two months of non-LHWP imports to almost seven months at the end of 1995/96. A cautious external borrowing policy helped maintain Lesotho's debt burden at low levels--the debt service ratio is less than 5 percent--and the country has remained current with all its creditors. A Round Table conference in early 1995 was successful in mobilizing additional external financing on concessional terms.

^{1/} The reserve requirement is 3 percent for the Miners' Deferred Pay Fund, 5 percent for call and time deposits, and 9 percent for demand deposits. The minimum liquid asset ratio is 30 percent for short-term deposit liabilities, 20 percent for medium-term liabilities, and 5 percent for long-term liabilities.

2. Exchange rate developments

Because the loti is pegged at par to the South African rand, exchange rate developments have been dominated by events in South Africa. After having depreciated by an annual average of 7.4 percent against the U.S. dollar during 1991-93, the loti depreciated by a further 12.7 percent in 1994, reflecting mainly the uncertainty prior to the April 1994 general elections in South Africa. From mid-1994 through 1995 the currency remained strong as a result of the buildup of South African foreign investors' confidence. However, in the first quarter of 1996, the loti weakened again by 3 percentage points against the U.S. dollar as the market reacted to speculation about South Africa's abolition of exchange controls on residents.

Given that a large share of trade is with South Africa, the nominal effective exchange rate of the loti--measured against a trade-weighted currency basket in which the rand accounts for 95 percent--has been much more stable, having depreciated only by about 1.3 percent during 1991/92-1995/96 (Chart 7). Lesotho's real effective exchange rate is heavily influenced by the weight of South Africa in the trade indices and by the fact that inflation in Lesotho tends to move with inflation in South Africa. The real effective exchange rate appreciated by 2.8 percent in the five years ended in March 1996 (Chart 7).

3. Merchandise trade

Lesotho has recorded strong growth in exports on account of the steady expansion of the export-oriented manufacturing sector. On average, annual exports grew by 31 percent in real terms during 1991/92-1993/94, although growth slowed down to an average of 11 percent in the last two years. This slowdown reflected in part the temporary surge in domestic political instability in South Africa and the uncertainties of the political transition there. The expansion of manufactured exports more than offset the decline in traditional exports, especially wool and mohair, the prices of which have been weak in the last five years. High-value agricultural export crops have started to expand in recent years. Manufactured exports, namely clothing, textiles, electronics, and footwear now account for more than 80 percent of exports (Chart 7).

The remarkable growth of manufactured exports reflects to a great extent the success of Lesotho's promotional efforts, particularly in the Far East and South Africa. These have included a broad range of tax and financing incentives, the relatively disciplined and well-educated labor force, low wages, and proximity to the port of Durban (South Africa). However, this success was facilitated by the window of opportunity created by the sanctions on pre-democratic South Africa, and by Lesotho's preferential access to the European Union market.

Lesotho's import developments have been strongly influenced by the implementation of the LHWP. In addition, Lesotho has undertaken a

CHART 7 LESOTHO EXTERNAL SECTOR DEVELOPMENTS

Sources: Lesotho authorities; and staff estimates.

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hydropower project in the Lesotho Highlands to supply electricity for the domestic market, which is financed mainly by foreign loans. On average, imports related to these two projects increased by an annual average of 15 percent in real terms during the five years ended in 1995/96, having accounted for 16 percent of total imports in this year. Of the cumulative total imports for these projects (equivalent to nearly US\$595 million), about 90 percent were related to the water transfer project.

Non-LHWP imports rose in real terms at an annual average rate of 3.5 percent during the five years under review, reflecting mainly tight fiscal policies and a gradual rise in workers' remittances. These remittances are estimated to be the main source of financing of consumer imports in Lesotho. Non-LHWP imports are dominated by foodstuffs and miscellaneous manufactures and consumer goods. However, the share of investment goods (other than LHWP) is estimated to be increasing, reflecting the implementation of the public sector investment program and the growth in foreign private investment.

The SACU area, mainly South Africa, continues to be Lesotho's main export partner, followed by United States and the European Union market (Appendix III, Table XXVIII). Together, these markets accounted for 95 percent of total exports in 1995. Asia continues to be the second largest source of imports for Lesotho, following South Africa, which provides more than 80 percent of the country's imports. The increasing share of imports from Asia is associated with the rise of foreign investment originating in the same geographical area.

4. Services, income, and transfers 1/

Lesotho's shortage of skilled manpower and surplus of unskilled labor results in both imports and exports of labor. While imports are strongly concentrated in technical and managerial skills financed by aid and by private investors, exports historically have consisted mainly of large numbers of workers in the South African mines. 2/ Notwithstanding the retrenchment trend started in the early 1990s, about 105,000 Basotho, or more than 35 percent of the country's labor force, have traditionally been employed in South African mines (Appendix III, Table XXVI).

1/ Lesotho has not yet adopted the balance of payments classification recommended in the Balance of Payments Manual, fifth edition. A mission from STA visited Lesotho in April, 1996, and made recommendations in this regard, among others.

2/ More recently, following the changes in South Africa, seasoned professionals, especially nurses and teachers, have been leaving Lesotho, attracted by much higher remuneration packages paid in South Africa. However, since most of these professionals leave with their families, this outflow has not generated a visible inflow of remittances in the balance of payments.

Labor income from Basotho mine workers in South Africa (still classified under workers' remittances) is the major source of Lesotho's foreign exchange receipts. The remittances pattern has not changed significantly over time, and the amounts remitted have increased with the general progression in the South African wage scale. Basotho miners have a good performance record, and the most experienced and skilled have had their contracts renewed for successive years. This has been reflected in an upward trend in the Basotho miners' average wage, which is significantly higher than the industry average.

However, the decision by South Africa to grant residency status to mine workers who have completed at least five years of work may have significant implications for the miners' behavior as regards remittances, even prior to making a final decision on whether to apply for and/or to take up resident status. South Africa's better health, education, and welfare services may attract a significant share of miners, but the strong family ties to Lesotho and the ready access to land rights within the traditional tribal system there act as important counterbalancing factors.

Total workers' remittances include three main components: i) mandatory deferred pay, equivalent to 30 percent of total pay transferred directly by the mines through the Miners' Deferred Pay Fund scheme to the Lesotho Bank; ii) cash remittances effected through the recruiting agencies' saving schemes; iii) and monies sent or brought by the miners at the end of the contracts or during short-term visits to Lesotho. In addition, Basotho miners maintain substantial savings in South Africa. According to the survey, miners' savings in South Africa are equivalent to 60 percent of the savings held in Lesotho by the miners. Changes in these savings, however, have not been captured in the balance of payments records.

The services account excluding workers' remittances has traditionally recorded a net deficit position, mainly because of large outflows on freight and other transportation costs. The payment of expatriate technical assistance, mostly financed by grants, has been the second largest outflow item in the services account, averaging about US\$49 million a year in the last three years.

Net investment income has been reduced by the rise in outflows on dividends and profits, mainly LHWP-related. Total outflows increased from US\$61.9 million in 1991/92 to US\$73.9 million in 1995/96, with LHWP accounting for 66 percent of the outflows in the latter year. Interest earned on the growing official reserves has only partially offset the expansion of dividends and profits payments. Reflecting the government's policy of limiting nonconcessional foreign borrowing, interest payments have remained fairly constant in U.S. dollar terms, averaging US\$36 million in the last three years.

Unrequited transfers consist largely of nonduty SACU receipts and official grants (non-LHWP project grants, grants to finance technical assistance, and food aid). Official grants for the LHWP, mostly to its

hydropower component, have accounted for less than 5 percent of total grants received in the five years ended in 1995/96. Official grants to the water transfer component of the LHWP are negligible, since the majority of the financing of this component is South African direct investment. ^{1/} Nonduty SACU receipts are computed and paid by South Africa with a two-year lag, reflecting developments in merchandise imports.

5. Capital movements

Long-term capital developments have been dominated by the expansion of private foreign investment, which increased from the equivalent of US\$153 million in 1992/93 to US\$301 million in 1995/96. Investment in the LHWP has accounted for about 90 percent of total foreign investment in the five years ended in 1995/96. Non-LHWP investment has been concentrated mainly in the clothing, electronics, and footwear industries.

The strong inflows of foreign private capital have occurred partly in response to the broad range of initiatives undertaken by the authorities to attract foreign investors. These initiatives include the enhancement of the export financing scheme established in 1988, under which the Central Bank of Lesotho provides collateral for pre- and postshipment export credits on concessional terms to nontraditional exports. Another incentive is provided through the Investment Promotion Center, which offers coordinated "one stop" investor advisory services to large domestic and foreign investors, and undertakes an active promotional program of visits, advertising, and contacts to attract potential investors. Tax incentives are also provided, principally income tax holidays for a period of ten years for certain manufacturers.

Official disbursements are relatively small as a result of the authorities' cautious borrowing policy. However, after having slowed to the equivalent of US\$35 million in 1994/95, these disbursements increased sharply to about US\$74 million in 1995/96, reflecting the rise in financing the peak construction of the hydropower component of the LHWP.

6. External debt

External public debt (including the LHWP hydropower component) rose at a moderate pace in dollar terms in the past five years, from US\$378 million in 1991/92 to US\$478 million in 1995/96. At the end of 1995/96, the outstanding debt related to the LHWP hydropower component amounted to US\$56.9 million, most of which was disbursed in the last year. As a percentage of GNP, outstanding external debt remained relatively stable at 3-4 percent during the five years ended in 1995/96.

^{1/} However, in the balance of payments as compiled and published by the Central Bank of Lesotho, the financing of the water transfer component of the LHWP is treated as an official grant.

The external debt profile continued to improve, as the share of concessional debt rose from 84.6 percent at the end of 1991/92 to about 89 percent at the end of 1995/96, reflecting the increase in concessional loans and the cessation and repayment of nonconcessional borrowing. The improvement in the debt profile, together with the steady rise in exports, resulted in the reduction of debt service as a percentage of exports of goods from about 28 percent in 1991/92 to about 16 percent in 1995/96.

Lesotho - Summary of the Exchange and Trade System

(Position as of December 31, 1995)

Exchange arrangement

The currency of Lesotho is the loti (plural maloti), which is pegged to the South African rand at M 1 per R 1. Under the Common Monetary Area (CMA) Agreement, the rand is also legal tender in Lesotho. The principal intervention currency is the U.S. dollar. On December 31, 1995, the buying and selling rates for the U.S. dollar were M 3.6470 and M 3.6480, respectively, per US\$1. Authorized dealers are permitted to conduct forward exchange operations through their correspondent banks abroad at rates quoted by the latter. Forward exchange cover is not, however, common in Lesotho. There are no taxes or subsidies on purchases or sales of foreign exchange. The financial rand system of South Africa was abolished in March 1995, and was accompanied by a similar action by Lesotho.

Exchange control territory

Lesotho forms part of the CMA, which is an exchange control territory comprising Lesotho, Namibia, South Africa, and Swaziland. The amended Trilateral Monetary Agreement among Lesotho, South Africa, and Swaziland became effective on April 1, 1986 (and was amended in 1989). Namibia, which was an indirect party to the agreement by virtue of its relationship with South Africa, officially became a party following its independence in March 1990. Payments within the CMA are unrestricted and unrecorded except for statistical and customs purposes. In its relations with countries outside the CMA, Lesotho applies exchange controls that are largely similar to those applied by South Africa and Swaziland.

Administration of control

The Central Bank of Lesotho controls external currency transactions and delegates to commercial banks the authority to approve certain types of current payments up to established limits. Permits are issued by the Department of Customs and Excise on the recommendation of the Department of Trade and Industry. Licenses for financial institutions accepting deposits and insurance companies, brokers, and agents are issued by the Central Bank.

Prescription of currency

There are no regulations prescribing the currencies that can be used in particular transactions.

Imports and import payments

Lesotho is a member of the Southern African Customs Union (SACU) with Botswana, Namibia, South Africa, and Swaziland. All imports except certain food imports originating in any country of the SACU are unrestricted; those

from countries outside the SACU are usually licensed in conformity with the import regulations of the SACU; Lesotho reserves the right to restrict certain imports. Import permits are valid for all countries and entitle the holder to buy the foreign exchange required to make payments for imports from outside the SACU.

Exports and export proceeds

Certain exports are subject to licensing for revenue purposes; this requirement, in practice, is restricted to the exportation of diamonds. Most exports are shipped without license to or through South Africa. Unless otherwise permitted, all export proceeds must be remitted to Lesotho and surrendered within six months of the date of the export transaction.

Payments for and proceeds from invisibles

Payments to nonresidents for current transactions, although subject to control, are not normally restricted. Authorized dealers are permitted to approve some types of current payments up to established limits. The basic annual exchange allowance for tourist travel to neighboring countries outside the CMA area--Malawi, Mozambique, Zambia, and Zimbabwe--is M 6,000 per adult and M 3,000 per child; the corresponding annual allowance for tourist travel to other countries outside the CMA region is M 25,000 and M 12,500, respectively. For business travel to neighboring countries outside the CMA region, the basic annual allowance is M 12,000 per person at rates not exceeding M 900 per day; the corresponding limits for business travel to other countries are M 38,000 and M 2,000, respectively. Larger allowances may be obtained for travel for business and medical treatment.

The education allowance is M 4,000 per student per month or M 8,000 per month for a student accompanied by a spouse who is not studying. Payments of professional fees of up to a maximum of M 10,000 is allowed, and M 50,000 is allowed for charges related to repairs or adjustments to goods temporarily exported. Lesotho residents may also effect payment of fees owed for technical services brought into Lesotho within an overall limit of M 50,000. Lesotho residents may enter into contracts with visiting artists, entertainers, and sports persons, provided the commitment does not exceed M 75,000. Guarantees by Lesotho residents up to a limit of M 25,000 in respect of overdraft facilities for residents of Botswana, Malawi, Zambia, and Zimbabwe for domestic, farming, and business purposes may also be approved. Emigrant allowances may be transferred up to M 200,000 per family or up to M 100,000 per person. The maximum amount of earnings on blocked assets that emigrants are allowed to transfer through normal banking channels is M 300,000 per year.

Capital

Inward capital transfers should be properly documented to facilitate the subsequent repatriation of interest, dividends, profits, and other income. No person may either borrow foreign currency, register shares in

the name of a nonresident, or act as a nominee for a nonresident without prior approval.

Applications for outward transfers of capital are considered on their merits. The rulings on applications for inward and outward capital transfers may depend on whether the applicant is a temporary resident foreign national, a nonresident, or a resident. Certain tax incentives for inward direct investment are provided to manufacturers approved by the Pioneer Industries Board under the Pioneer Industries Encouragement Act of 1969. Funds in blocked maloti accounts may be invested in quoted securities and other such investments approved by the Central Bank. The free transfer of income from an emigrant's blocked assets is limited to an annual maximum of M 300,000 per family unit. The transfer by nonresidents of dividends and profits from investments held in Lesotho is not restricted, provided these funds were not obtained through excessive use of local borrowing facilities. An emigrant family or an individual may export one automobile only, with a maximum value of M 75,000, provided that the automobile was purchased at least one year before emigration.

The limit on settling-in allowances that immigrants are permitted to transfer is M 500,000 per family and M 250,000 per unmarried person, of which M 20,000 may be in cash; the remainder may be used to acquire residential properties and a motor vehicle.

Gold

Residents may freely purchase, hold, and sell any gold coins that are legal tender.

Changes during 1995

Exchange arrangement

March 13. The financial rand system was abolished in South Africa and Lesotho.

(All amounts in maloti)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. <u>Taxes on net income and profits</u>			
1.1 <u>Taxes on companies, corporations, or enterprises</u>			
1.1.1 <u>Income tax</u> Income Tax Act 1993. Order No. 9 of 1993. (This Act repeals the 1981 Income Tax Act.)	A tax on the current year's income from all geographical sources (in the case of resident companies) including on specified fringe benefits to employees. Dividends paid by a resident company to a resident shareholder are exempt but advance corporate tax applies.	Deductions include normal operating costs, expenditures for repair and maintenance, and depreciation of plant and machinery. Expenditure on the training of Basotho workers is deductible up to 125 percent of actual expenditure incurred. The income of pension funds, life insurance companies, and charitable institutions is exempt; income of "specified" parastatals no longer exempt from 1990 onward.	35 percent for all sectors of activity other than manufacturing; a reduced rate (15 percent) is applicable to all manufacturing companies other than those approved for Pioneering Industries benefits before August 3, 1990 (see Item 6 on p. 7 below). 25 percent for nonresident companies.
1.1.2 <u>Gambling levy</u> The Casino Act, No. 26 of 1969; Legal Order No. 42 of 1971. Casino Order No. 4 of 1989.	A levy on gross profits of gambling casinos.		15 percent.
1.2 <u>Taxes on individuals</u>			
1.2.1 <u>Income tax</u> Income Tax Act 1993. Order No. 9 of 1993. (This Act repeals the 1981 Income Tax Act.)	A tax on the current year's income from all geographical sources (in the case of residents).	<u>Exempt incomes include:</u> <ul style="list-style-type: none"> - The first M 500 of interest from savings; - Income derived from farming operations. - Scholarships. - Foreign-source property income of expatriate taxpayers. 	<u>Chargeable Income</u> (I.e., gross income less deductions and abatements.)

(All amounts in maloti)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.2.1 <u>Income Tax (continued)</u> Income Tax Act 1993.	Gross income includes incomes in kind, except for benefits subject to fringe benefits tax.	<u>Chargeable income</u> is defined as gross income minus deductions. Deductions include expenses of deriving income, and a personal abatement (M 6,240 for unmarried taxpayers or those whose spouse's gross income exceeds M 500 and M 7,992 for married taxpayers with a spouse whose gross income is M 500 or less). A uniform personal tax credit of M 2,640 per taxpayer was introduced in April 1996.	<u>Residents</u> (In maloti) First M 30,000 Over M 30,000 (Tax rebate of M 600 reduced by 10 percent of chargeable income over M 14,000); <u>Nonresidents</u>	<u>Marginal rate (%)</u> 25 35 <u>Marginal rate (%)</u> 25 Tax is withheld at source at a rate of 25 percent on interest paid (in excess of the exempt amounts) and on payments made by Government to Lesotho resident contractors and subcontractors. Such amounts are a credit against the final amount of tax assessed for the recipient.
1.2.2 <u>Withholding tax</u> Income Tax Act 1993.	A tax on income from dividends, interest, royalties, natural resource payments, management charges, or services contracts earned within Lesotho by nonresidents.		25 percent withholding tax. 15 percent for royalties from nonmanufacturing companies. Dividends from manufacturing companies are exempt.	
2. <u>Taxes on property</u>				
2.1 <u>Property rates</u>	Taxes on urban land and improvements based on capital value of property, as assessed periodically. Improvements valued on depreciated replacement value basis.	Currently applied only within Maseru, Teyateyaneng and Mafeteng. Government property is subject to a grant in lieu.	0.25 percent on residential property; 1.5 percent on commercial property.	

(All amounts in maloti)

Tax	Nature of Tax	Exemptions and Deductions	Rates
2.2 <u>Ground rents</u> Land Act No. 17 of 1979 and Land Regulations, Legal Notice No. 15 of 1980, effective August 1, 1980. Legal Notice No. 131 of 1991.	Fee for use right to occupy land. Charged according to area of land and location.	Owner-occupiers are exempted.	M 0.02-0.10 per annum per square meter for residential land; M 0.25-0.30 per annum per square meter for commercial land. Levy of 5 percent for late payment.
2.3 <u>Death taxes</u>			
2.3.1 <u>Estate duty</u> Proclamation No. 20 of 1935 as amended.	The duty is paid by the estate in respect of property passing on the death of the person who owned the property at the time of death.	Any amount received under an insurance policy is not subject to tax.	Three ten thousandths M 2 for every M 200 or part thereof, subject to a maximum rate of M 0.67 per M 2. A rebate of M 600 is deducted from the amount of duty calculated.
2.3.2 <u>Succession duty</u> Proclamation No. 20 of 1935 as amended.	The duty is levied on all successions accruing to any person. The dutiable amount is net of the permitted abatement (see Exemptions and Deductions).	Successions accruing to a surviving spouse, to the Lesotho Government, and to nonprofit public institutions within Lesotho are exempt.	The rate of duty varies according to the degree of relationship of the successor from 3 percent to 12 percent of the dutiable amount. A 1 percent surcharge is levied on dutiable successions exceeding M 20,000.
2.4 <u>Transfer duty</u> Transfer Duty Act, 1965, No. 7 of 1966; Transfer Duty Order, 1972, Order No. 1 of 1972.	The duty is levied on the transfer of immovable property (including lease contracts for at least 10 years and any rights to minerals).	The Lesotho Government and its departments, the Lesotho Electricity Corporation, the Lesotho Bank, the Lesotho Airways Corporation, the Lesotho National Development Corporation; local authorities; nonprofit public institutions and public hospitals; and a surviving spouse for the estate of a deceased spouse are exempt.	The duty is 3 percent on the first M 10,000 of value and 4 percent on the excess value.

(All amounts in maloti)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3. <u>Taxes on goods and services</u>			
3.1 <u>General sales tax</u> Sales Tax Act No. 8, 1982, effective December 1, 1982 as amended. Legal Notice No. 91 of 1989, effective June 1, 1989. Legal Notice No. 113 of 1990, effective September 1, 1990. Legal Notice No. 266 of 1991, effective December 2, 1991. A new Sales Tax Act was enacted in February 1995.	All sales of goods and certain specified services (given in Schedule 1). The tax is based on the "ring" system, whereby only sales by registered vendors to unregistered purchasers are taxed.	Because the tax follows the "ring" system, exports are exempt. All exemptions granted since 1985 were abolished by Sales Tax Regulations 1991 w.e.f. December 2, 1991 and manufacturing machinery are exempt.	Effective December 2, 1991, the rate was reduced from 13 percent to 10 percent on all transactions; except beer, liquor products and spirits remained at (20 percent). Utilities remained at 5 percent.
3.2 <u>Excise taxes</u> Customs and Excise Consolidated Act No. 10 of 1982.	On certain goods manufactured and imported into Lesotho, including beer, spirits, matches, tobacco, cigars, cigarettes, petroleum oils, motor vehicles, and tractors.	Exports and purchases by charitable organizations.	Both specific and ad valorem rates.
3.3 <u>Trade licenses</u> Trading Order, 1973, Order No. 20 of 1973 and Legal Notice No. 126 of 1983.	Payable by traders carrying on business.	Charitable, religious, and nonprofit institutions.	Ranging from M 20 to M 500, depending on the type and size of establishment.
3.4 <u>Petrol levy</u> Fuel and Service Control Act 1983 (Act No. 23 of 1983) Section 3(d) empowers the Minister to impose on and collect a levy on fuel as amended by Legal Notice No. 63, August 1988.	On any petrol or distillate supplied by any person-- petrol of all grades.	Paraffin.	26 lisente per liter on petrol sold to public for private cars, 20 lisente per liter for diesel used in industry, agriculture, and public buses. In addition, there is an Equalization Fund Levy which is at present 0.7 lisente per liter.

(All amounts in maloti)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4. <u>Taxes on international trade and transactions</u>			
4.1 <u>Customs duties</u> Customs and Excise Act No. 10 of 1982, effective September 1, 1969.	A duty on all goods imported into Lesotho. A three-column tariff schedule based on the Customs Cooperation Council (CCC) nomenclature with fiscal, general, and MFN rates of duty used. Goods originating from countries enjoying MFN status pay the fiscal and customs duties. There is no preferential rate of duty.	There are free-trade agreements with Botswana, Namibia, South Africa, and Swaziland.	Ad valorem duties are charged on the domestic value of the goods at varying rates.
Customs Union Agreements, Legal Notice No. 71 of 1969, effective March 1, 1970.	The duty is collected by the Republic of South Africa and other partners (<u>port of arrival</u>) and contributed to a common customs union pool held with Botswana, Namibia, South Africa, and Swaziland. Lesotho's share is calculated according to a fixed formula.		
4.2 <u>Livestock importation levy</u> Legal Notice No. 196 of 1991.	The duty is collected by the Ministry of Agriculture when the import permits are issued.		<u>Private persons:</u> M 30 and M 15 for each head of large and small stock, respectively, and <u>Licensed butchers:</u> M 7.50 and M 3.75 for each head of large and small stock, respectively.
4.3 <u>Sand and stones levy</u>	Tax on the use of sand and stones for commercial purposes.		M 1 per ton.
4.4 <u>Diamond sales tax</u> (The Precious Stones Order 1970, Order No. 24 of 1970).	A sales tax on the value of every diamond found in Lesotho and exported therefrom.	Diamonds exported solely for exhibition or display purposes are exempt.	15 percent of the true market value of every diamond.

Lesotho: Summary of the Tax System, June 30, 1996 (concluded)

(All amounts in maloti)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5. <u>Other taxes</u>			
5.1 <u>Attestation fees</u>	Fees on registration of migrant Basotho workers in South African mines.		M 10.15 per contract 120 to 270 working days, payable at the time of worker's departure for mines.
5.2 <u>Stamp duty</u> Proclamation 16/07 as amended: Stamp Duties (Amendment) Order No. 20 of 1972. Legal Notice No. 58 of 1988.	Duties are levied on a range of instruments including arbitrations and awards, bills of exchange, bonds, acts or deed of donation, leases, transfers, and insurance policies.	The Lesotho Government and its departments, the Lesotho Electricity Corporation, the Lesotho Bank, and the Lesotho Airways Corporation are exempt.	The rates of duty vary depending on the nature of the instrument, the matter to which it relates, and its value.
5.3 <u>Toll gate fees</u> Toll Gate Act of 1976. Legal Notice No. 18 of 1988. Legal Notice No. 1 of 1992.	Fees are levied on vehicles leaving Lesotho.	Ministers on duty, His Majesty, ambulances, and South African Railway vehicles are exempt.	M 2 for cars, M 6 for trucks, each time leaving Lesotho.
6. <u>Pioneer Industries</u> Pioneer Industries Encouragement Act, 1969, No. 19 of 1969. Effective August 1, 1968 as amended. Income Tax Amendment Order No. 10 of 1990.	For manufacturers and related industries, and building companies establishing their operations in Lesotho already approved for pioneering industries encouragement tax benefits by August 3, 1990.	Approved manufacturers may opt for ten years' exemption from income tax, with five more years carry-forward of assessed losses or a package of tax allowances, which can be extended for approved expansion. An approved existing manufacturer or a hotel or casino-keeper is limited to the package of allowances. The incentives can be revoked, varied, or extended according to the performance of the approved manufacturer, with the approval of the Minister of Trade.	Companies approved for tax benefits (mentioned in preceding column) by August 3, 1990 have an option of surrendering such benefits and immediately switching over to the 15 percent company tax rate or of retaining these benefits and paying the tax rate of 37.5 percent upon expiry of existing tax holidays. Most tax holiday companies have already exercised this option even before the report of the Pioneering Industries Encouragement Act.

Source: Lesotho authorities.

Table I. Lesotho: Gross Domestic Product by Sector, 1991-95

(In millions of maloti at current prices)

	1991	1992	1993	1994	1995
Primary sector	173.6	162.1	304.7	408.3	395.5
Crops	46.8	14.9	34.7	68.1	65.8
Fruit and vegetables	22.3	16.2	33.3	65.1	63.0
Livestock	87.6	109.5	208.2	238.0	230.7
Agricultural services	16.9	21.5	28.5	37.1	36.0
Secondary sector	616.2	777.3	914.6	1,198.5	1,538.9
Mining	3.7	3.2	2.2	2.4	2.7
Manufacturing and handicraft	208.0	278.6	377.7	454.2	556.5
Electricity and water	18.1	34.5	61.3	73.7	90.3
Construction	226.2	268.8	224.4	300.8	387.8
LHWP construction	160.2	192.2	249.1	367.4	501.7
Tertiary sector	645.2	768.0	904.9	1,079.0	1,305.0
Wholesale and retail	127.2	155.6	190.4	235.1	290.1
Hotel and restaurants	21.2	23.4	26.7	34.9	42.8
Transport	27.8	29.5	32.4	43.7	53.6
Communication	18.8	27.1	45.7	56.4	69.2
Finance	89.8	107.4	108.7	154.3	192.0
Real estate and business services	40.0	55.3	81.9	92.3	112.0
House ownership	112.5	115.7	118.7	133.9	136.9
Government services	245.3	285.7	323.2	381.8	467.4
Other services	48.2	59.3	68.2	79.4	99.2
Less: Bank service charges	-85.6	-91.0	-91.0	-132.8	-158.2
GDP at factor cost	1,435.0	1,707.4	2,124.2	2,685.9	3,239.5
Plus: Indirect taxes	364.6	414.7	440.8	446.8	524.6
GDP at market prices	1,799.7	2,122.1	2,564.9	3,132.6	3,764.1

Sources: Lesotho Bureau of Statistics, Lesotho Highlands Development Authority; and staff estimates.

Table II. Lesotho: Gross Domestic Product by Sector, 1991-95

(In millions of maloti at constant 1980 prices)

	1991	1992	1993	1994	1995
Primary sector	52.0	40.6	58.1	74.5	65.5
Crops	13.5	4.4	10.0	18.6	16.3
Fruit and vegetables	5.1	4.8	5.4	10.0	8.8
Livestock	27.4	24.6	33.7	35.1	30.9
Agricultural services	6.0	6.8	9.0	10.8	9.5
Secondary sector	147.5	161.9	177.1	214.7	257.0
Mining	2.1	3.3	1.9	1.9	1.9
Manufacturing and handicraft	55.8	61.4	73.3	80.6	91.6
Electricity and water	3.6	4.3	5.6	6.2	7.0
Construction	42.7	54.4	45.6	56.5	67.8
LHWP construction	43.3	38.5	50.7	69.5	88.7
Tertiary sector	191.8	198.6	212.2	230.8	264.9
Wholesale and retail	33.6	35.2	37.9	42.9	49.1
Hotel and restaurants	5.7	5.3	5.4	6.5	7.4
Transport	7.9	8.2	8.5	10.6	12.0
Communication	7.3	7.3	11.5	13.0	14.8
Finance	39.1	38.2	35.3	46.5	53.7
Real estate and business services	11.6	12.0	12.4	12.7	14.3
House ownership	22.1	22.7	23.3	23.9	26.9
Government services	86.3	88.4	93.3	100.6	114.2
Other services	15.6	16.1	17.1	18.2	21.1
Less: Bank service charges	-37.4	-34.8	-32.5	-44.1	-48.6
GDP at factor cost	391.3	401.1	447.4	520.0	587.5
Plus: net indirect taxes	52.9	53.6	51.6	47.0	51.0
GDP at market prices	444.2	454.7	499.0	567.0	638.5
Plus: factor income from abroad	244.9	224.5	205.6	190.8	192.2
GNP at market prices	689.1	679.2	704.6	757.8	830.7

Source: Staff estimates.

Table III. Lesotho: Resources and Domestic Expenditure, 1991-95

(In millions of maloti at current prices)

	1991	1992	1993	1994	1995
Resources	4,237.4	4,952.9	5,662.3	6,705.7	8,027.5
GDP at market prices	1,799.7	2,122.1	2,564.9	3,132.6	3,764.1
Imports of goods and nonfactor services	2,437.8	2,830.8	3,097.3	3,573.1	4,263.4
Expenditure	4,237.4	4,952.9	5,662.3	6,705.7	8,027.5
Private consumption	2,212.3	2,453.3	2,636.4	2,923.7	3,340.2
Government consumption	501.8	635.8	747.4	897.2	1,028.7
Gross fixed capital formation	1,327.7	1,565.9	1,849.4	2,352.6	3,008.7
Government	360.7	360.0	399.2	432.0	573.5
Private	350.8	689.1	880.8	1,096.8	1,262.7
LHWP	616.1	516.9	569.4	823.9	1,172.5
Change in stocks	-7.7	-3.2	-0.5	--	--
Exports of goods and nonfactor services	203.4	301.2	429.6	532.2	649.9
<u>Memorandum item:</u>					
Gross national savings 1/	293.2	261.8	463.6	670.6	895.7

Source: Staff estimates.

1/ Excluding unrequited transfers.

Table IV. Lesotho: Composition of Value Added of Manufacturing, 1990-94

(In percent of total)

	1990	1991	1992	1993	1994
Food and beverages	52.2	50.0	50.9	49.5	52.9
Textiles, weaving, and clothing	28.8	33.0	34.2	35.6	30.5
Leather, and footwear	4.9	2.9	2.5	2.1	2.0
Furniture and fixtures	1.3	1.4	1.8	2.1	2.8
Printing and publishing	2.1	2.2	2.1	2.3	3.0
Chemical products	2.2	2.6	2.3	2.3	2.2
Nonmetal products	4.0	4.0	3.0	2.8	3.3
Iron and steel products	1.7	1.4	1.3	1.4	1.5
Other industries	2.8	2.5	1.9	1.9	1.8
Total	100.0	100.0	100.0	100.0	100.0

Source: Lesotho Bureau of Statistics.

Table V. Lesotho: Consumer Price Indices, January 1993–January 1996^y

(Beginning of month indicated; April 1989 = 100)

	Weights	1993				1994				1995				1996
		Jan.	Apr.	July	Oct.	Jan.	Apr.	July	Oct.	Jan.	Apr.	July	Oct.	Jan.
Consumer price index ^{2/}	100.0	174.0	177.3	179.5	183.4	184.0	188.2	193.7	199.8	202.9	207.0	213.9	216.8	221.0
Food, beverages, and tobacco	48.0	178.5	183.0	184.7	186.9	185.1	189.5	196.8	209.1	212.2	218.9	225.7	229.7	233.2
Bread and cereals	18.2	185.6	187.6	187.1	189.7	190.8	195.5	196.2	199.8	201.9	205.4	220.3	226.6	231.4
Meat and meat products	3.6	173.9	180.3	185.4	187.3	192.6	198.3	219.8	230.3	240.0	245.5	246.0	253.9	257.4
Fruits and vegetables	4.5	237.6	246.9	247.2	253.1	257.4	262.7	285.5	415.0	410.1	420.8	438.7	438.6	446.8
Alcoholic beverages, tobacco	11.9	148.7	152.0	153.7	153.2	158.6	162.5	168.7	168.6	171.6	185.7	176.1	177.3	178.1
Food and drinks	9.8	176.3	184.4	189.1	192.9	178.4	181.9	191.7	192.9	197.5	200.0	210.9	214.4	198.2
Clothing and footwear	16.4	185.7	189.6	191.8	195.8	183.1	186.6	192.0	189.1	187.1	195.6	206.9	206.7	209.5
Blankets	3.3	158.6	158.6	159.5	162.2	166.5	166.0	171.4	174.2	183.9	183.0	201.6	203.3	206.3
Other clothing	8.2	195.2	195.6	198.0	200.9	180.3	186.5	187.8	185.9	176.2	190.8	202.4	210.6	214.7
Footwear	4.9	176.4	188.1	190.9	197.5	199.1	200.8	213.0	204.8	207.5	212.1	218.0	202.3	202.7
Gross rent, fuel, and power ^{3/}	10.1	136.3	136.4	138.6	139.1	195.8	203.7	199.8	198.2	200.7	200.9	200.7	200.6	200.6
Gross rent water charges ^{3/}	5.6	100.9	100.9	100.9	101.0	183.5	183.5	183.5	183.5	183.5	186.2	186.2	183.5	183.5
Fuel and power	4.5	193.9	172.8	179.0	180.3	196.8	205.3	201.1	199.4	202.1	202.1	202.1	202.1	202.1
Furniture, household operation	11.9	170.5	173.0	175.3	178.9	173.3	176.7	182.2	182.9	184.8	188.4	194.0	196.8	201.9
Transport and communications	4.7	137.3	137.5	142.0	171.4	172.0	173.4	175.8	176.5	176.4	173.0	179.0	181.3	204.0
Other goods and services	8.8	198.3	201.3	205.0	205.2	195.7	199.4	201.0	203.8	205.8	208.4	213.3	217.2	219.1

Source: Lesotho Bureau of Statistics.

^{1/} Revised series, based on average expenditure patterns from 1986/87 Household Budget Survey.^{2/} Covers all households in Maseru. A national index covering other cities and rural areas is being constructed currently.^{3/} Since January 1994, because of problems of collection, rent has been excluded from CPI calculations.

Table VI. Lesotho: Consumer and Import Price Indices, 1990-95

	1990	1991	1992	1993	1994	1995
	(Annual averages) 1/					
Consumer prices (April 1989=100)	113.7	134.0	156.8	178.6	191.4	210.2
Import prices (1988=100)	168.2	194.6	228.5	264.5	...	...
	(Percentage changes)					
Consumer prices	11.5	17.9	17.0	13.9	7.2	9.8
Import prices	18.2	15.7	17.4	15.8	...	...

Source: Lesotho Bureau of Statistics.

1/ January-October.

Table VII. Lesotho: Import Price Indices, January 1991–October 1993

(Beginning of month indicated; January 1987 = 100)

SITC Section	Index 1/ Weights	1991				1992				1993			
		Jan.	Apr.	July	Oct.	Jan.	Apr.	July	Oct.	Jan.	Apr.	July	Oct.
All items	100.00	182.0	193.0	198.0	205.5	218.4	225.6	232.5	237.4	248.8	256.3	266.7	286.2
Foodstuffs and live animals	20.75	197.0	217.5	220.3	234.9	232.3	237.4	253.8	266.1	296.2	305.5	317.4	326.7
Beverages and tobacco	4.23	172.1	181.1	181.1	184.9	192.2	195.5	204.0	215.6	217.3	222.7	233.6	242.8
Crude materials	1.29	169.7	169.7	182.9	188.6	190.3	203.4	225.4	160.6	265.1	268.0	273.1	281.1
Mineral fuels and lubricants	8.09	214.2	281.2	290.9	291.1	329.3	293.8	295.6	291.0	304.3	310.4	326.0	348.8
Animal and vegetable oils and fats	0.76	214.5	213.2	213.2	213.2	214.5	222.4	222.4	227.6	278.9	281.6	298.7	305.3
Chemicals and related products	7.54	243.6	250.0	250.3	264.2	301.0	316.6	317.3	326.3	337.4	350.8	357.8	400.8
Manufactures classified by material	19.16	179.3	180.8	183.7	185.3	212.4	229.2	233.8	234.9	240.9	247.6	257.4	278.1
Machinery and transport equipment	13.83	170.2	171.1	191.0	193.3	205.9	235.6	239.7	241.0	252.2	257.2	267.6	297.0
Miscellaneous manufactures	24.35	151.5	152.2	152.9	162.6	165.2	166.7	169.3	173.7	174.3	181.3	190.4	207.4

Source: Lesotho Bureau of Statistics.

Table VIII. Lesotho: Public Service Employment, 1989/90–1994/95

Fiscal year (April/March)	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
<u>(Positions authorized by establishments) 1/</u>						
Professional and administrative	870	1,659	1,694	1,730	1,752	1,813
Executive	4,593	4,644	4,672	4,910	4,960	4,990
Clerical	7,513	10,249	10,361	10,498	10,624	10,881
Total	12,976	16,552	16,727	17,138	17,336	17,684
<u>(Actual employment)</u>						
Public service	10,005	14,919	15,498	15,376	15,521	15,686
Defense and public order	4,792	4,983	5,581	5,669	5,653	4,881
Teachers	7,583	8,669	8,736	9,092	8,903	9,396
Total	22,380	28,571	29,815	30,137	30,077	29,963

Source: Ministry of Public Service.

1/ The establishment list excludes teachers, members of the military department, and daily paid work for data beginning in 1990/91, which includes teachers who have been incorporated into the public service regular employees.

Table IX. Lesotho: Central Government Budgetary Operations, 1990/91-1995/96

Fiscal year April/March	1990/91	1991/92	1992/93	1993/94	1994/95		1995/96	
	Actuals				Prog.	Actual	Prog.	Est.
(In millions of maloti)								
Revenue and grants	816.3	969.3	1,161.5	1,400.3	1,639.2	1,582.1	1,790.4	1,844.8
Revenue	628.3	820.1	1,019.7	1,262.9	1,436.5	1,438.5	1,612.7	1,681.6
Customs revenue	354.7	424.0	547.7	746.9	840.9	840.9	906.5	906.5
Noncustoms revenue	273.6	396.1	472.0	516.0	595.6	597.6	706.2	775.1
Income Tax	66.5	135.4	165.5	166.2	209.0	228.2	259.1	275.8
Individual income tax	32.0	73.5	103.6	110.2	120.0	140.1	174.1	184.1
Company tax	27.9	53.6	53.0	46.4	75.0	65.2	64.0	74.1
Other income tax	6.6	8.3	8.9	9.6	14.0	22.9	21.0	17.6
Sales tax	105.6	112.7	123.0	141.5	160.0	149.8	199.6	174.0
Oil levy	13.1	16.4	32.2	32.5	38.0	39.3	40.0	45.6
Water royalties 1/		--	--	--	--	--	--	--
Other revenues	88.4	131.6	151.3	175.8	188.6	180.3	207.5	279.7
Grants	188.0	149.2	141.8	137.4	202.7	143.6	177.7	163.2
Total expenditure and net lending	831.1	978.9	1,085.2	1,250.7	1,505.2	1,432.8	1,680.8	1,736.5
Recurrent expenditure	456.8	622.7	723.9	842.1	985.7	994.1	1,158.1	1,118.1
Wages and salaries	181.5	286.8	320.6	367.9	459.7	453.6	540.9	518.7
Interest payments	88.1	76.5	58.3	67.4	49.4	56.1	61.4	59.2
External	21.1	21.1	23.4	25.6	28.1	28.8	32.9	32.0
Domestic	67.0	55.4	34.9	41.8	21.3	27.3	28.5	27.2
Goods, services, and transfers	187.2	259.4	345.1	406.8	476.6	484.4	555.8	540.2
Of which: Safety net	(...)	(0.2)	(7.0)	(8.0)	(10.0)	(10.0)	(10.0)	(8.0)
Capital expenditure	374.3	356.2	361.3	408.6	519.5	438.7	522.7	618.4
Of which: GOL contribution 2/	(62.0)	(62.5)	(81.0)	(93.2)	(134.5)	(129.0)	(134.8)	(179.6)
Of which: Development Fund		--	--	--	--	--	(71.2)	(61.8)
Overall surplus (+)/deficit (-)	-14.8	-9.6	76.3	149.6	134.0	149.3	109.6	108.3
Total financing	14.8	9.5	-76.2	-149.6	-134.0	-149.3	-109.6	-108.3
Foreign financing	127.4	126.3	140.8	167.7	123.4	103.2	147.5	211.2
Loan drawings	161.0	168.6	187.7	222.8	182.3	166.1	210.2	275.6
Amortization	33.6	42.3	46.9	53.1	58.9	62.9	62.7	64.4
Domestic financing	-112.6	-119.8	-271.4	-346.2	-257.4	-246.9	-257.1	-319.5
Bank	-118.3	-136.7	-271.0	-357.1	-263.4	-271.6	-247.1	-309.7
Nonbank	5.7	17.0	-0.4	10.9	6.0	24.7	-10.0	-9.8
Discrepancy	--	3.0	54.4 4/	28.9 4/	--	5.6	--	--
(In percent of GNP)								
Memorandum items:								
Revenue and grants	29.1	31.3	33.5	35.0	34.0	33.9	32.1	33.3
Revenue	22.4	26.5	29.4	31.5	29.8	30.8	28.9	30.4
Customs revenue	12.6	13.7	15.8	18.6	17.4	18.0	16.2	16.4
Noncustoms revenue	9.8	12.8	13.6	12.9	12.3	12.8	12.7	14.0
Income tax	2.4	4.4	4.8	4.1	4.3	4.9	4.6	5.0
Sales tax	3.8	3.6	3.5	3.5	3.3	3.2	3.6	3.1
Grants	6.7	4.8	4.1	3.4	4.2	3.1	3.2	2.9
Total expenditure and net lending	29.6	31.6	31.3	31.2	31.2	30.7	30.1	31.4
Recurrent expenditure	16.3	20.1	20.9	21.0	20.4	21.3	20.8	20.2
Wages and salaries	6.5	9.3	9.3	9.2	9.5	9.7	9.7	9.4
Interest payments	3.1	2.5	1.7	1.7	1.0	1.2	1.1	1.1
Other expenditure (excl. interest)	6.7	8.4	10.0	10.2	9.9	10.4	10.0	9.8
Capital expenditure	13.3	11.5	10.4	10.2	10.8	9.4	9.4	11.2
Overall surplus (+)/deficit (-)	-0.5	-0.3	2.2	3.7	2.8	3.2	2.0	2.0
Foreign financing	4.5	4.1	4.1	4.2	2.6	2.2	2.6	3.8
Domestic bank financing	-4.2	-4.4	-7.8	-8.9	-5.5	-5.8	-4.4	-5.6
GNP at current market prices	2,805.1	3,098.5	3,465.7	4,005.9	4,821.4	4,669.3	5,579.1	5,537.1
Change in percent	18.4	10.5	13.2	15.6	18.2	16.6	15.7	18.6

Sources: Ministry of Finance; and staff estimates.

1/ Water royalties from exports of water relating to the Lesotho Highlands Water Project (LHWP).

2/ GOL: Government of Lesotho.

3/ Capital expenditure in 1995/96 and 1996/97 includes extrabudgetary expenditure from the Development Fund.

4/ Represents mainly grant receipts blocked pending satisfaction of project conditions and reimbursements of costs incurred by the LHWP water component for work on the hydroelectric component of the LHWP.

Table X. Lesotho: Government Revenue and Grants, 1990/91–1995/96

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
			Actuals			Prog.	Est.
(In millions of maloti)							
Taxes on net income and profits	66.5	135.4	165.5	169.3	228.2	259.0	275.8
Company tax ^{1/}	27.9	53.6	53.0	46.4	65.2	64.0	56.1
Individual income tax	32.0	73.5	103.6	110.2	140.1	174.0	195.1
Withholding tax	4.6	5.7	6.8	9.9	19.2	17.0	18.4
Gaming and other taxes	2.0	2.6	2.1	2.8	3.7	4.0	6.2
Taxes on goods and services	121.7	131.9	158.7	176.6	190.8	241.0	220.7
Sales tax	105.6	112.7	123.0	141.5	149.8	199.6	174.0
Trade licenses	3.0	2.8	3.5	2.6	1.7	1.4	1.1
Petrol levy	13.1	16.4	32.2	32.5	39.3	40.0	45.6
Taxes on international trade and transactions	356.0	424.3	548.9	747.8	840.9	906.5	906.5
Customs duties	354.7	424.0	547.7	746.9	840.9	906.5	906.5
Livestock import levy	--	0.2	1.1	0.7	--	--	--
Export duties on diamonds	1.3	0.1	0.1	0.2	--	--	--
Other taxes	7.0	10.1	8.7	9.1	8.9	11.0	10.5
Stamp duty	1.0	0.9	0.9	1.5	0.8	1.2	1.4
Other taxes	6.0	9.2	7.8	7.6	8.1	9.8	9.1
Total tax revenue	551.2	701.7	881.8	1,102.8	1,268.8	1,417.5	1,413.5
Administrative fees, charges, and nonindustrial sales	16.5	29.6	51.6	50.8	53.9	49.4	85.0
Attestation fees	1.0	0.9	1.1	0.9	0.9	1.0	1.0
Fines and forfeits	1.0	0.6	0.8	0.6	0.9	0.7	1.1
Property and other income	58.6	87.3	84.4	111.3	117.6	144.4	181.0
Total nontax revenue	77.1	118.4	137.9	163.6	173.3	195.5	268.1
Total revenue	628.3	820.1	1,019.7	1,266.4	1,442.1	1,613.0	1,681.6
Grants	188.0	149.2	141.8	137.4	143.6	177.0	163.2
Total revenue and grants	816.3	969.3	1,161.5	1,403.8	1,585.7	1,790.0	1,844.8

Sources: Ministry of Finance; and staff estimates.

^{1/} Including interest.

Table XI. Lesotho: Southern African Customs Union (SACU) Operations, 1990/91–1996/97

Revenue year 1/ Data year 2/	1990/91 1988/89	1991/92 1989/90	1992/93 1990/91	1993/94 1991/92	1994/95 1992/93	1995/96 1993/94	1996/97 1994/95
	(In percent)						
Basic rate 3/	9.8	9.4	9.2	8.9	8.7	9.1	8.0
Revenue ("compensation") rate 4/	13.9	13.3	13.1	12.6	12.3	12.9	11.4
Stabilization factor 5/	3.1	3.3	3.5	3.7	3.8	4.1	5.6
Stabilized rate (calculated) 6/	16.9	16.7	16.5	16.3	16.2	16.4	16.9
Stabilized rate (actual) 7/	17.0	17.0	17.0	17.0	17.0	17.0	17.0
	(In millions of maloti)						
Dutiable base 8/	1,512.5	1,840.3	2,367.1	3,116.9	3,656.7	4,224.6	4,787.3
First estimate (payment) 9/	257.1	312.8	402.4	529.9	621.6	694.7	813.8
First adjustment (payment) 10/	97.5	111.2	145.3	217.0	219.2	164.8	192.2
Final adjustment (payment) 11/	--	--	--	--	--	--	--
Actual receipts 12/	354.7	424.0	547.7	746.9	840.9	906.5	1,006.0
Growth rate (in percent)	34.6	19.5	29.2	36.4	12.6	7.8	11.0
Memorandum items:							
First estimate based on basic rate only 13/	147.6	172.6	218.0	276.6	317.3	384.4	384.0
Imports, <i>c.o.b.</i> 14/	1,435.7	1,586.9	1,937.4	2,376.1	2,626.6	2,856.2	3,364.0

Source: Estimates based on the data obtained from the Lesotho Customs Department.

1/ Fiscal year in which indicated revenue payments are received.

2/ Year of data on which calculations are based (rates, dutiable base).

3/ Customs and excise revenues as percent of dutiable base (imports and excisable production, and duties) for SACU as a whole (data year).

4/ Basic rate multiplied by 1.42, as initial compensation for disadvantages to smaller members.

5/ One half of difference between 20 percent and revenue (compensation) rate.

6/ Revenue (compensation) rate plus stabilization factor.

7/ At least 17.0 percent and no more than 23.0 percent; the calculated stabilized rate applies if it falls between 17–23 percent.

8/ Lesotho's imports (*c.i.f.* and duty-paid, adjusted to include electricity, estimated border shopping, etc.), excisable goods produced and consumed, and duties collected in the data year.

9/ Stabilized rate (actual) times dutiable base. Referred to as "accrued receipts" of data year.

10/ First estimate less first estimate of two years before (allowance for growth in base to revenue year).

11/ Minor adjustments made to account for revisions in base data, usually of previous data year; calculated here as a residual.

12/ As reported in government revenue data.

13/ Basic rate times dutiable base. Referred to as "accrued receipts based on basic rate only."

14/ As in the balance of payments.

Table XII. Lesotho: Economic Classification of Expenditure, 1990/91–1995/96

	1990/91	1991/92	1992/93	1993/94	1994/95		1995/96	
	Actual				Prog.	Actual	Prog.	Est.
<u>(In millions of maloti)</u>								
Current expenditure	456.8	622.7	723.9	842.1	985.7	966.7	1,158.1	1,118.1
Expenditure on goods and services	325.5	479.2	580.5	684.3	780.7	763.9	938.9	892.1
Wages and salaries	181.5	286.8	320.6	367.9	459.7	442.9	540.9	518.7
Other purchases of goods & services	144.0	192.4	259.9	316.4	321.0	321.0	398.0	373.4
Interest payments (due)	88.1	76.5	58.3	67.4	49.4	47.2	61.4	59.2
External	21.1	21.1	23.4	25.6	28.1	27.2	32.9	32.0
Domestic	67.0	55.4	34.9	41.8	21.3	20.0	28.5	27.2
Subsidies and transfers	43.2	67.0	85.2	90.4	155.6	155.6	158.0	166.8
Pensions	7.9	13.7	14.7	19.1	22.4	19.1	19.0	20.6
Subventions and transfers	35.3	53.2	70.5	71.3	133.2	136.5	139.0	146.2
Of which: socially oriented	(...)	(0.2)	(7.0)	(8.0)	(10.0)	(9.8)	(10.0)	(8.0)
Capital expenditure and net lending	374.3	356.2	361.3	408.6	519.5	454.9	522.7	618.4
Acquisition of assets	344.9	308.0	302.2	316.6	380.1	320.1	390.4	512.5
Transfers and subventions	13.7	19.3	18.5	28.6	57.8	58.5	63.4	45.3
Net lending	15.7	28.9	40.6	63.4	81.6	76.3	68.9	60.6
Total expenditure and net lending	831.1	978.9	1,085.2	1,250.7	1,505.2	1,421.6	1,680.8	1,736.5

Sources: Ministry of Finance; and staff estimates.

Table XIII. Lesotho: Functional Classification of Government Expenditure, 1991/92–1995/96

Fiscal year (April/March)	1991/92			1992/93			1993/94			1994/95			1995/96					
										Estimate			Program			Preliminary Est.		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
(In millions of maloti)																		
General public service	174.1	23.9	198.0	200.9	21.8	222.7	247.5	17.5	265.0	279.7	15.0	294.7	341.8	47.7	389.5	336.3	42.2	378.5
Public order, safety, and defense	110.8	5.8	116.6	112.7	1.8	114.5	131.0	7.5	138.5	149.5	5.2	154.7	180.3	4.6	184.9	187.3	4.1	191.4
Other services	63.3	18.1	81.4	88.2	20.0	108.2	116.5	10.0	126.5	130.2	9.8	140.0	161.5	43.1	204.6	149.0	38.1	187.1
Health, social security, and welfare	61.8	41.9	103.7	79.8	53.8	133.6	92.3	42.3	134.6	117.3	48.1	165.4	134.5	50.1	184.6	128.7	46.5	175.2
Education and community services	142.0	64.6	206.6	160.2	58.1	218.3	197.3	68.1	265.4	278.6	76.1	354.7	372.4	83.6	456.0	360.5	77.0	437.5
Economic services	121.0	212.9	333.9	155.4	219.9	375.2	175.0	273.6	448.6	192.5	309.8	502.3	209.9	337.6	547.5	197.4	449.3	646.7
Agriculture and rural development	60.2	53.8	114.0	64.1	70.1	134.2	87.9	57.5	145.4	91.1	52.1	143.2	109.7	64.8	174.5	105.2	102.7	207.9
Commerce, tourism, and industry	9.4	9.5	18.9	29.0	5.6	34.6	14.2	38.9	53.1	16.8	28.7	45.5	18.1	38.6	48.7	17.4	27.4	44.8
Water, energy, and mining	7.2	62.8	70.0	7.9	83.2	91.1	9.4	86.2	95.6	14.0	113.1	127.1	13.7	138.8	152.5	12.3	215.9	228.2
Roads	26.9	80.3	107.2	36.7	49.0	85.7	43.3	81.6	124.9	51.3	102.3	153.6	59.0	98.5	157.5	53.7	99.4	153.1
Other transport and communication	17.3	6.5	23.8	17.7	12.0	29.6	20.2	9.4	29.6	19.3	13.6	32.9	9.4	4.9	14.3	8.8	3.9	12.7
Unallocable and other purposes	128.5	7.5	136.7	127.7	7.7	135.4	130.0	7.1	137.1	98.6	5.9	104.5	95.5	3.2	102.7	95.2	3.4	98.6
Total	622.7	350.8	978.9	724.0	361.3	1,085.2	842.1	408.6	1,250.7	966.7	454.9	1,421.6	1,158.1	1,522.2	1,680.3	1,118.1	1,618.4	1,736.5

Sources: Ministry of Finance; and staff estimates.

1/ Includes additional expenditure arising from the revision of data, which could not be allocated to specific categories.

Table XIV. Lesotho: Outstanding Government Domestic Debt by Instrument and Holder, 1990/91-1995/96

(In millions of maloti)

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Commercial banks						
Long-term	30.6	26.4	19.5	6.5	5.7	6.2
Bonds	15.8	15.8	11.5	--	--	--
Loans	14.8	10.6	8.0	6.5	5.7	6.2
Short-term	125.3	96.8	96.2	89.3	87.8	59.6
Loans	2.4	1.9	1.4	1.0	0.5	0.1
Treasury bills	122.9	94.9	94.8	88.3	81.3	59.5
Gross lending	155.9	123.2	115.7	95.8	93.5	65.8
Less government deposits	-37.1	-28.9	-46.9	-49.1	-41.8	-37.5
Net total	<u>118.8</u>	<u>94.3</u>	<u>68.8</u>	<u>46.7</u>	<u>51.7</u>	<u>28.3</u>
Central Bank						
Long-term	35.7	3.0	1.8	1.8	0.9	0.5
Bonds	33.6	--	--	--	--	--
Loans	2.1	3.0	1.8	1.8	0.9	0.5
Short-term	37.1	31.0	127.6	329.4	144.0	232.8
Loans	37.1	--	115.4	315.3	127.1	184.2
Treasury bills	--	31.0	12.2	14.1	16.9	48.6
Gross lending	72.8	34.0	129.4	331.2	144.9	233.3
Less government deposits	--	-104.0	-438.8	-971.2	-1,068.4	-1,441.7
Net total	<u>72.8</u>	<u>-70.0</u>	<u>-309.4</u>	<u>-640.0</u>	<u>-923.5</u>	<u>-1,208.4</u>
Nonbank 1/						
Long-term	6.0	6.0	1.0	--	--	--
Bonds	6.0	6.0	1.0	--	--	--
Short-term	56.7	71.6	48.6	55.8	57.8	43.3
Treasury bills	31.2	28.2	47.1	51.7	49.9	46.0
Compulsory savings	25.5	43.4	1.5	4.1	7.9	-2.7
Promissory notes	--	--	--	--	--	--
Total nonbank	<u>62.7</u>	<u>77.6</u>	<u>49.6</u>	<u>55.8</u>	<u>57.8</u>	<u>43.3</u>
Total domestic debt	<u>254.3</u>	<u>101.9</u>	<u>-191.0</u>	<u>-537.5</u>	<u>-814.0</u>	<u>-1,136.8</u>

Source: Central Bank of Lesotho.

1/ The nonbank sector consists of: Lesotho National Insurance Corporation; Lesotho Flour Mills; Standard Bank Pension Fund; public servants' promissory notes and compulsory savings; and general public.

Table XV. Lesotho: Monetary Survey, March 1991–March 1996 1/

	1991 March	1992 March	1993 March	1994 March 2/	June	Sept.	Dec.	March	1995 June	Sept.	Dec.	1996 March
(In millions of maloti)												
Foreign assets (net)	460.8	533.3	822.0	1,319.6	1,390.1	1,441.4	1,609.0	1,756.5	1,798.9	1,811.9	1,863.1	2,018.5
Central Bank	272.2	367.4	533.2	1,006.4	1,072.1	1,105.9	1,313.6	1,407.3	1,505.2	1,548.1	1,661.3	1,801.4
Commercial banks	183.0	165.9	288.8	313.2	318.0	335.5	295.4	349.0	293.7	263.8	201.8	217.1
Rand with banks	5.6	10.7	--	--	--	--	--	--	--	--	--	--
Domestic credit	422.7	391.0	154.5	-43.3	-62.8	-85.7	-256.5	-266.5	-343.6	-347.0	-448.2	-457.9
Claims on Government (net)	163.3	26.5	-244.5	-601.6	-652.3	-686.1	-840.9	-873.2	-966.4	-1,008.6	-1,140.5	-1,182.9
Central Bank	(4.6)	(-70.0)	(-309.4)	(-646.1)	(-714.2)	(-750.4)	(-890.2)	(-923.8)	(-1,025.4)	(-1,062.3)	(-1,177.9)	(-1,209.9)
Commercial banks	(119.7)	(96.5)	(64.9)	(44.5)	(61.9)	(64.3)	(49.3)	(50.6)	(59.0)	(53.7)	(37.4)	(27.0)
Claims on rest of economy	259.3	364.5	399.0	558.3	589.5	600.4	584.4	606.7	622.8	661.6	692.3	725.0
Private sector	(232.3)	(332.3)	(372.8)	(529.2)	(560.8)	(571.1)	(553.5)	(568.2)	(579.5)	(595.8)	(611.8)	(632.2)
Statutory bodies	(27.0)	(31.9)	(26.2)	(29.1)	(28.7)	(29.3)	(30.9)	(38.5)	(43.3)	(65.8)	(80.5)	(92.8)
Money and quasi-money	730.8	734.9	818.2	1,027.8	1,063.5	1,080.1	1,132.1	1,163.8	1,167.8	1,176.5	1,189.0	1,221.8
Narrow money	301.7	318.0	363.7	501.8	517.1	521.0	569.2	595.6	583.2	578.9	587.9	596.7
Maloti with public	(70.4)	(30.6)	(46.5)	(50.8)	(51.6)	(60.1)	(54.6)	(61.4)	(69.1)	(76.3)	(74.8)	(75.8)
Demand and call deposits	(231.3)	(287.4)	(317.2)	(451.0)	(465.5)	(460.9)	(514.6)	(534.2)	(514.1)	(502.6)	(513.1)	(520.9)
Of which: MDPF 2/	(8.4)	(5.8)	(5.7)	(5.4)	(5.9)	(6.2)	(4.7)	(5.4)	(5.5)	(5.7)	(5.3)	(4.8)
Quasi-money	429.1	416.9	454.6	526.0	546.4	559.1	562.9	568.2	584.6	597.6	601.1	625.1
Time deposits	(151.0)	(116.3)	(130.0)	(155.0)	(167.6)	(171.3)	(156.7)	(161.2)	(174.4)	(187.5)	(171.4)	(183.9)
Of which: MDPF 2/	(75.9)	(52.4)	(50.9)	(48.5)	(52.9)	(56.2)	(42.6)	(48.7)	(49.5)	(51.0)	(47.3)	(43.6)
Savings deposits	(278.1)	(300.6)	(324.6)	(371.0)	(378.8)	(387.8)	(406.2)	(407.0)	(410.2)	(410.1)	(429.7)	(441.2)
Other items (net)	152.8	189.4	158.3	248.5	146.9	121.8	220.4	326.2	287.5	288.4	225.9	338.8
(Annual percentage change)												
Memorandum items:												
Broad money	23.1	0.6	11.3	25.6	21.3	21.2	16.3	13.2	9.8	8.9	5.0	5.0
Net foreign assets	91.8	15.7	54.1	60.5	50.7	42.6	45.1	33.1	29.4	25.7	15.8	14.9
Total domestic credit	-15.9	-7.5	-60.5	-128.0	-156.3	-223.3	-547.6	-515.5	-447.1	-304.9	-74.7	-71.8
Credit to Government (net)	-42.0	-83.8	-1,022.6	-146.1	-107.8	-71.3	-74.6	-45.1	-48.2	-47.0	-35.6	-35.5
Credit to private sector and statutory bodies	17.2	40.6	9.5	39.9	38.6	27.7	24.5	8.7	5.6	10.2	18.5	19.5
(Changes as a percentage of opening broad money)												
Net foreign assets	37.1	12.2	39.3	60.8	53.4	48.3	51.4	42.5	3.6	4.8	9.2	22.5
Total domestic credit	-13.5	-4.3	-32.2	-24.2	-19.9	-17.4	-32.2	-21.7	-6.6	-6.9	-15.6	-16.4
Credit to Government (net)	-19.9	-18.7	-36.9	-43.6	-38.6	-32.0	-36.9	-26.4	-8.0	-11.6	-23.0	-26.6
Credit to private sector and statutory bodies	6.4	17.7	4.7	19.5	18.7	14.6	11.8	4.7	1.4	4.7	7.4	10.2

Source: Central Bank of Lesotho.

1/ End—March data, unless otherwise specified.

2/ Miners' Deferred Pay Fund.

Table XVI. Lesotho: Assets and Liabilities of the Central Bank of Lesotho, March 1991 – March 1996

(In millions of maloti)

	1991 March	1992 March	1993 March	1994				1995				1996 March
				March	June	Sept.	Dec.	March	June	Sept.	Dec.	
Foreign assets	274.2	373.2	538.7	1,012.0	1,077.7	1,111.6	1,320.1	1,413.2	1,510.9	1,553.8	1,667.0	1,808.1
Claims on Government	345.5	417.7	129.4	325.9	145.4	176.9	238.7	144.6	138.6	139.6	147.9	217.0
Unclassified assets	39.0	43.1	45.4	59.3	47.4	47.7	55.2	59.5	71.2	71.7	71.3	68.8
<u>Total assets</u>	<u>658.7</u>	<u>834.0</u>	<u>713.5</u>	<u>1,397.2</u>	<u>1,270.5</u>	<u>1,336.2</u>	<u>1,614.0</u>	<u>1,617.3</u>	<u>1,720.7</u>	<u>1,765.1</u>	<u>1,886.2</u>	<u>2,093.9</u>
Reserve money	233.0	211.4	135.8	175.7	141.5	143.4	232.0	192.4	202.2	213.2	286.5	230.2
Maloti in circulation	(76.1)	(39.6)	(59.6)	(61.1)	(58.5)	(70.8)	(75.9)	(73.9)	(82.0)	(88.7)	(98.6)	(91.5)
Bankers' deposits	(156.9)	(171.8)	(76.2)	(114.6)	(83.0)	(72.6)	(156.1)	(118.5)	(120.2)	(124.5)	(187.9)	(138.7)
Foreign monetary liabilities	2.0	5.8	5.5	5.6	5.6	5.7	6.5	5.7	5.7	5.7	5.7	6.7
Foreign debt liabilities	--	--	--	--	--	--	--	--	--	--	--	--
Government deposits	298.5	487.7	438.8	972.0	859.7	927.3	1,128.9	1,068.4	1,164.0	1,201.9	1,325.8	1,441.7
Other deposits	23.7	24.7	13.6	39.0	67.1	69.5	72.4	106.2	121.9	133.1	67.4	98.3
Capital accounts	53.5	52.4	55.9	62.0	66.1	66.1	65.6	67.3	71.8	69.6	71.8	71.4
Capital and reserves	(40.5)	(38.4)	(39.4)	(43.7)	(46.5)	(46.5)	(46.5)	(48.2)	(50.5)	(50.5)	(50.5)	(50.1)
Allocation of SDRs	(13.0)	(14.0)	(16.5)	(18.3)	(19.6)	(19.6)	(19.1)	(19.1)	(21.3)	(19.1)	(21.3)	(21.3)
Unclassified liabilities	48.0	52.0	63.9	142.9	130.5	124.2	108.6	177.3	155.1	141.6	129.0	245.6
<u>Total liabilities</u>	<u>658.7</u>	<u>834.0</u>	<u>713.5</u>	<u>1,397.2</u>	<u>1,270.5</u>	<u>1,336.2</u>	<u>1,614.0</u>	<u>1,617.3</u>	<u>1,720.7</u>	<u>1,765.1</u>	<u>1,886.2</u>	<u>2,093.9</u>

Source: Central Bank of Lesotho.

Table XVII. Lesotho: Assets and Liabilities of Commercial Banks, March 1991–March 1996

(In millions of maloti)

	1991 March	1992 March	1993 March	1994				1995				1996 March
	March	March	March	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March
Reserves	159.7	178.3	85.1	123.0	96.2	75.9	178.4	92.9	108.5	107.5	165.3	151.4
Maloti on hand	(7.7)	(9.0)	(13.2)	(10.0)	(6.9)	(10.7)	(21.3)	(12.5)	(12.9)	(12.5)	(23.9)	(15.7)
Rand on hand	(5.6)	(11.3)	(8.1)	(6.9)	(4.3)	(3.2)	(17.2)	(6.7)	(4.4)	(5.5)	(25.3)	(6.3)
Balances with CBL 1/	(146.4)	(158.0)	(63.8)	(106.1)	(85.0)	(62.0)	(139.9)	(73.7)	(91.2)	(89.5)	(116.1)	(129.4)
Foreign assets	198.0	184.4	311.5	342.7	348.1	401.9	314.3	352.1	338.3	297.7	236.6	272.0
Claims on Government	153.5	125.4	111.9	93.7	99.5	96.6	88.9	92.3	93.6	89.9	74.9	64.4
Claims on statutory bodies	27.0	31.9	26.2	29.1	28.7	29.3	30.9	38.5	43.3	65.8	80.5	92.8
Claims on private sector 3/	201.6	332.6	372.8	529.2	560.8	571.1	553.5	568.2	579.5	595.8	611.8	632.2
Unclassified assets	78.8	107.4	130.2	140.0	138.3	148.8	139.6	148.8	157.4	240.3	294.8	255.8
Total assets	818.6	960.0	1,037.7	1,257.7	1,271.6	1,323.6	1,305.6	1,292.8	1,320.6	1,397.0	1,463.9	1,468.6
Demand and call deposits 2/	219.2	264.8	299.6	412.3	404.5	401.3	429.3	435.2	401.7	396.1	456.7	418.0
Savings and time deposits 2/	293.1	360.5	399.3	452.2	481.5	486.9	507.8	507.0	519.2	531.6	555.7	581.5
Savings deposits	245.8	300.6	324.6	352.5	378.8	387.8	406.2	407.0	410.2	410.1	429.7	441.2
Time deposits	47.3	59.9	74.7	99.7	102.7	99.1	101.6	100.0	109.0	121.5	126.0	140.3
Deferred Pay Fund	84.3	58.2	56.5	53.9	58.8	62.4	47.4	54.1	55.0	56.7	52.6	48.4
Foreign liabilities	34.3	29.9	30.8	36.5	34.4	69.6	36.1	29.7	49.0	39.3	44.1	61.1
Government deposits	36.8	28.9	47.0	49.2	37.6	32.3	39.6	41.7	34.6	44.2	37.5	37.5
Capital accounts	88.2	97.2	108.4	117.3	148.3	148.6	147.1	155.9	156.0	156.9	157.9	158.4
Unclassified liabilities	62.7	120.5	96.1	136.3	106.5	122.5	98.3	69.2	105.1	172.2	159.4	163.7
Total liabilities	818.6	960.0	1,037.7	1,257.7	1,271.6	1,323.6	1,305.6	1,292.8	1,320.6	1,397.0	1,463.9	1,468.6

Source: Central Bank of Lesotho.

1/ CBL, Central Bank of Lesotho.

2/ Excludes Miners' Deferred Pay Fund and nonresidents' deposits.

3/ Includes mortgages from March 1994.

Table XVIII. Lesotho: Assets and Liabilities of the Agricultural Development Bank,
March 1991 – March 1996

(In millions of maloti)

	1991 March	1992 March	1993 March	1994				1995				1996 March
	March	March	March	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March
Balances with local banks	1.67	5.53	9.35	7.31	5.16	7.53	12.34	9.80	8.36	5.80	2.57	2.14
Loans and advances to private sector	30.52	53.22	46.31	54.26	54.69	53.65	55.85	56.38	57.56	56.86	57.95	58.46
Balances with foreign banks	19.22	15.26	14.02	11.32	14.37	12.35	3.09	9.79	6.65	7.34	7.78	8.45
Claims on Government	3.28	3.00	---	---	---	---	---	---	---	---	---	---
Other assets	23.36	30.60	40.64	47.15	45.10	47.42	45.30	45.16	47.72	47.02	46.39	46.75
Total assets	78.05	107.61	110.32	120.04	119.32	120.95	116.58	121.13	120.29	117.02	114.69	115.80
Call deposits	4.04	8.20	18.96	20.09	21.63	18.73	20.11	21.36	19.03	19.01	21.67	21.24
Savings deposits	32.25	45.75	53.60	65.01	67.66	72.12	75.08	73.56	77.00	77.20	78.31	81.46
Fixed time deposits	9.66	11.64	11.65	11.41	11.17	10.88	10.42	10.89	11.12	11.49	11.50	14.41
Paid up capital and reserves	6.54	7.54	7.54	30.14	30.14	32.14	32.14	32.14	32.14	34.14	34.88	34.88
Liabilities to Government	---	---	---	---	---	---	---	---	---	---	---	---
Other liabilities	25.56	34.48	18.57	-6.61	-11.28	-12.92	-21.17	-16.82	-19.00	-24.82	-31.67	-36.19
Total liabilities	78.05	107.61	110.32	120.04	119.32	120.95	116.58	121.13	120.29	117.02	114.69	115.80
Memorandum items:												
Interest rates												
Charged to borrowers	21.50– 26.00	21.50– 24.00	22.00–	22.50–	22.50	22.50	22.50	22.50	22.50	22.50	22.50	22.50
Paid on fixed time deposits	13.25– 13.25	12.00– 12.75	7.50– 8.45	6.65– 7.50	6.65– 7.50	6.65– 7.50	7.45– 10.45	7.45– 10.45	7.45– 10.45	7.45– 10.45	7.45– 10.45	7.45– 10.45
Paid on savings deposits	14.50– 15.50	13.25– 13.75	7.00– 7.70	6.00– 6.55	6.00– 6.55	6.00– 6.55	6.25– 7.15	6.25– 7.15	6.25– 7.15	6.25– 7.15	6.25– 7.15	6.25– 7.15

Source: Central Bank of Lesotho.

Table XIX. Lesotho: Principal Aggregates of Commercial Banks' Operations, March 1988–March 1996

(In millions of maloti, unless otherwise specified)

End of period	Deposits 1/	Loans and advances 2/	Credit–deposit ratio 3/	Liquid assets 4/	Liquidity ratio 5/
1988					
March	342.2	184.1	53.8	321.7	94.0
June	363.3	210.6	58.0	298.2	82.1
September	380.1	239.7	63.1	307.3	80.9
December	393.4	271.3	69.0	332.8	84.6
1989					
March	421.2	305.5	72.5	314.7	74.7
June	437.8	321.4	73.4	350.3	80.0
September	448.0	336.3	75.1	350.1	78.1
December	449.0	342.8	76.4	306.0	68.2
1990					
March	450.6	343.7	76.3	355.9	79.0
June	466.9	372.1	79.7	346.3	74.2
September	461.0	355.2	77.1	362.9	78.7
December	505.7	345.0	68.2	411.6	81.4
1991					
March	549.5	354.1	64.4	381.5	69.4
June	535.2	389.0	72.7	327.0	61.1
September	624.0	405.7	65.0	435.3	69.7
December	591.0	395.2	67.9	402.1	68.0
1992					
March	654.2	463.9	70.9	376.2	57.5
June	710.2	497.8	70.1	402.0	56.6
September	697.8	473.3	67.8	500.0	71.7
December	751.5	454.2	60.4	407.5	54.2
1993					
March	746.0	480.6	64.4	383.6	51.4
June	806.4	503.6	62.5	353.1	43.8
September	807.5	526.1	65.2	257.6	31.9
December	885.8	516.9	58.3	328.6	37.1
1994 6/					
March	935.0	597.0	63.9	270.4	28.9
June	923.6	634.2	68.7	248.9	26.9
September	920.5	629.5	68.4	262.9	28.6
December	976.7	611.2	62.4	329.6	33.7
1995					
March	983.9	642.5	65.3	221.1	22.5
June	959.9	658.3	68.9	288.2	30.2
September	971.9	664.0	68.3	288.7	29.7
December	1,031.9	680.7	66.0	294.3	28.5
1996					
March	1,037.0	639.5	61.7	320.9	30.9

Sources: Central Bank of Lesotho, Quarterly Reviews and staff estimates.

1/ Excludes Miners' Deferred Pay Fund and deposits of nonresidents.

2/ Excludes loans and advances to nonresidents. Includes treasury bills held by banks.

3/ Loans and advances as a percentage of deposits.

4/ Cash reserves, call or demand deposits with banks in the CMA, and short-term government securities.

5/ Liquid assets as percentage of deposits.

6/ From 1994, loans and advances include mortgages.

Table XX. Lesotho: Sectoral Distribution of Commercial Bank Credit to the Private Sector and Statutory Bodies, March 1991–March 1996 1/

(In millions of maloti)

	1991 March	1992 March	1993 March	1994				1995				1996 March
				March	June	Sept.	Dec.	March	June	Sept.	Dec.	
Agriculture 2/	3.71	4.49	28.41	37.93	37.28	34.39	37.67	36.43	37.37	37.41	38.27	39.73
Mining and quarrying	0.14	0.23	0.31	0.47	0.52	0.60	0.67	0.72	0.71	0.72	1.09	0.87
Manufacturing	17.75	31.33	39.38	59.03	71.40	95.94	71.23	63.58	63.54	59.07	61.11	62.84
Electricity, gas, and water	9.29	11.12	11.43	13.33	10.32	6.86	9.55	9.20	29.53	45.99	49.92	70.33
Construction	34.30	30.13	24.68	87.78	93.70	78.81	83.38	97.70	107.41	124.74	143.88	146.83
Trade, hotels, and restaurants	62.51	94.11	106.19	69.38	77.24	83.48	69.66	76.86	64.55	65.36	61.84	64.44
Transport, storage, and communications	16.65	27.43	32.07	42.47	44.28	51.58	49.58	57.07	44.91	44.15	43.34	50.61
Nonbank financial institutions, real estate and business services	15.81	19.27	31.66	32.19	34.87	35.38	30.14	30.81	40.28	49.09	51.24	42.72
Community, social, and personal services	28.57	34.66	45.48	49.64	49.32	46.35	53.25	40.07	30.08	31.98	33.74	36.14
Total	179.44	241.65	308.18	378.89	408.61	426.53	395.58	412.44	418.38	458.51	484.43	514.51
Business enterprises	152.44	209.79	381.35	352.31	379.69	395.17	362.58	373.96	379.00	392.73	403.91	521.53
Statutory bodies	26.99	31.87	26.18	26.58	28.90	31.35	30.42	38.48	43.29	65.78	80.53	92.97
Personal loans 3/	49.11	68.21	78.26	166.49	170.43	175.88	180.45	184.10	194.21	193.37	197.13	198.68
Grand total	228.55	309.86	386.44	545.38	579.04	602.41	576.03	596.54	612.59	651.88	681.57	713.18

Sources: Central Bank of Lesotho, Quarterly Reviews; and Annual Reports.

1/ Does not include investments and certain securities.

2/ More accurate classification from December 1985; figures thereafter not strictly comparable with earlier figures.

3/ Includes mortgages from March 1994.

Table XXI. Lesotho: Interest Rates Paid by the Central Bank
on Commercial Bank Deposits, February 1988 – March 1996

(In percent per annum)

Dates of change / End of period	Call	31 days	88 days	6 months	1 year
1988					
Feb. 1	8.75	9.00	9.25	9.50	10.00
May 9	10.00	11.00	11.25	12.00	12.50
Sept. 12	11.50	12.25	12.50	13.00	13.50
Nov. 10	13.50	14.25	14.75	15.00	15.50
1989					
March 7	15.50	15.75	16.00	16.25	16.50
May 22	15.75	16.25	16.50	16.75	17.00
Nov. 1	16.75	17.25	17.50	17.75	17.00
1990					
March	15.50	15.75	16.00	16.25	16.50
June	15.75	16.25	16.50	16.75	17.00
Sept.	16.75	17.25	17.50	17.75	17.00
Dec.	16.75	17.25	17.50	17.75	17.00
1991					
March	16.75	17.25	17.50	17.75	17.00
June	15.25	15.50	15.60	15.65	15.50
Sept.	15.25	15.50	15.60	15.65	15.50
Dec.	15.25	15.50	15.60	15.65	15.50
1992					
March	12.00	12.25	12.75	13.50	13.85
June	12.35	12.77	12.84	12.60	11.89
Sept.	10.50	11.25	11.00	11.15	9.85
Dec.	10.15	10.60	10.80	10.45	9.50
1993					
March	9.30	9.60	9.75	9.70	9.40
June	9.30	9.60	9.75	9.70	9.40
Sept.	9.30	9.60	9.75	9.70	9.40
Dec.	8.05	8.65	9.05	9.15	9.25
1994					
March	8.05	8.65	9.05	9.15	9.25
June	8.05	8.65	9.05	9.15	9.25
Sept.	8.05	8.65	9.05	9.15	9.25
Dec.	8.85	9.45	10.12	10.50	12.25
1995					
March	10.25	10.90	12.10	12.65	13.60
June	11.00	11.50	12.80	13.20	14.50
Sept.	11.00	11.50	12.80	13.20	14.50
Dec.	11.00	11.50	12.80	13.20	14.50
1996					
March	11.00	11.50	12.80	13.20	14.50

Source: Central Bank of Lesotho.

Table XXII. Lesotho: Interest Rates at Commercial Banks, March 1990–March 1996 ^{1/}

(in percent per annum)

	1990	1991	1992	1993				1994				1995				1996
	March	March	March	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March
Lending rates																
Minimum	19.00	19.00	19.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	15.00	16.50	16.50	16.50	16.50	16.50
Maximum	30.00	30.00	30.00	25.00	25.00	25.00	24.00	24.00	24.00	24.00	25.00	26.50	26.50	26.50	26.50	26.50
Prime rate	20.00	20.00	20.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	15.00	16.50	16.50	16.50	16.50	16.50
Deposit rates																
Savings deposits	15.50	15.50	13.25	7.25	7.25	7.25	6.00	6.00	6.00–	6.00–	6.12–	6.15–	6.15–	6.15–	6.15–	6.15–
Time deposits									6.55	6.55	7.35	10.00	10.00	10.00	10.00	10.00
Minimum	11.75	12.00	12.25	7.80	7.60	7.60	6.65	6.65	6.65	6.65	7.50	9.00	9.00	9.00	9.00	9.00
Maximum	13.00	13.00	13.85	8.60	7.90	7.90	7.45	7.45	7.45	7.45	10.50	13.60	13.60	13.60	13.60	13.60
Memorandum items:																
South African rates																
Prime overdraft	21.00	21.00	20.25	16.25	16.25	16.25	15.25	15.25	15.25	16.25	16.25	17.50	17.50	18.50	18.50	18.50
Deposit rates ^{2/}																
Notice – – 31 days	18.75	17.25	15.60	11.25	11.50	11.50	10.25	10.25	10.50	11.50	11.75	12.50	13.00	13.50	14.25	14.25
Fixed – – 12 months	17.00	16.00	14.25	11.60	11.60	11.10	9.45	9.80	10.95	12.30	13.70	14.25	14.95	14.50	13.90	13.50

Sources: Central Bank of Lesotho, Quarterly Review; and South African Reserve Bank, Quarterly Bulletin.^{1/} With the exception of savings deposits, minimum and maximum rates are not statutory rates; they simply indicate the range of interest rates reported by banks.^{2/} These represent simple averages of minimum and maximum rates on time deposits reported by banks.

Table XXIII. Lesotho: Comparative Money Market Rates, 1985-March 1996

Period	Discount rate		Treasury bills		Treasury bonds (LES)		
	CBL	SARB	LES	SA	2 yrs.	3 yrs.	3 yrs.
1985	12.00	13.50	13.50	12.96	10.00	12.00	14.00
1986	9.00	10.00	9.30	8.66	10.00	12.00	14.00
1987	9.00	9.80	8.00	8.94	10.00	12.00	14.00
1988	10.50	14.80	15.50	15.20	10.00	12.00	14.00
1989	13.00	18.00	17.75	18.01	10.00	12.00	14.00
1990							
March	18.00	18.00	17.75	18.01	10.00	12.00	14.00
June	18.00	18.00	17.75	17.97	10.00	12.00	14.00
Sept.	18.00	18.00	17.75	17.62	10.00	12.00	14.00
Dec.	18.00	18.00	17.75	17.35	10.00	12.00	14.00
1991							
March	18.00	17.00	17.75	16.87	10.00	12.00	14.00
June	18.00	17.00	15.75	16.79	10.00	12.00	14.00
Sept.	18.00	17.00	15.75	16.50	10.00	12.00	14.00
Dec.	18.00	17.00	15.75	16.09	10.00	12.00	14.00
1992							
March	18.00	16.00	15.75	14.97	10.00	12.00	14.00
June	16.50	15.00	14.91	...	10.00	12.00	14.00
Sept.	15.50	15.00	14.30	12.13	10.00	12.00	14.00
Dec.	15.00	14.00	11.85	12.09	10.00	12.00	14.00
1993							
March	15.00	13.00	11.10	11.21	10.00	12.00	14.00
June	15.00	13.00	10.10	11.87	...	...	...
Sept.	15.00	13.00	10.00	11.10	...	...	...
Dec.	13.50	12.00	9.92	11.17	...	...	...
1994							
March	13.50	12.00	9.92	10.16	...	...	...
June	13.50	12.00	9.25	10.69	...	...	...
Sept.	13.50	13.00	9.25	10.90	...	...	...
Dec.	13.50	13.00	10.41	12.69	...	...	...
1995							
March	13.50	14.00	10.41	12.83	...	...	...
June	15.50	15.00	12.29	14.07	...	...	...
Sept.	15.50	15.00	13.00	14.00	...	...	...
Dec.	15.75	15.00	13.00	14.22	...	...	...
1996							
March	15.75	15.00	13.00	14.16	...	...	...

Source: Central Bank of Lesotho.

Note: CBL: Central Bank of Lesotho, SARB: South African Reserve Bank, LES: Lesotho and SA: South Africa.

Table XXIV. Lesotho: Summary Balance of Payments, 1991/92-1995/96

(In millions of maloti)

	1991/92	1992/93	1993/94	1994/95	1995/96	
					Prog.	Actual
Current account	-490.4	-508.9	-481.5	-678.3	-979.3	-939.8
Goods and services	-1,141.8	-1,147.5	-1,169.4	-1,516.6	-2,084.0	-1,892.0
Exports	222.5	327.4	463.6	555.1	609.0	681.5
Imports, f.o.b.	-2,415.6	-2,626.6	-2,856.2	-3,364.0	-4,111.6	-3,923.0
LHWP	-266.1	-327.6	-304.0	-455.2	-656.4	-641.4
Other	-2,149.5	-2,299.0	-2,552.2	-2,908.8	-3,455.2	-3,281.6
Workers' remittances	1,229.7	1,312.0	1,344.2	1,410.5	1,727.0	1,547.6
Other services (net)	-79.4	-104.0	-75.9	-86.5	-342.5	-191.6
Water royalties and power sales	--	--	--	--	--	--
Other	-74.5	-104.0	-75.9	-86.5	-342.5	-191.6
Investment income (net)	-99.1	-56.3	-45.2	-31.7	34.1	-6.5
Of which: Interest on debt	(-21.0)	(-26.1)	(-36.0)	(-37.2)	(-41.9)	(-37.0)
LHWP distributed earnings	(-85.3)	(-61.4)	(-69.0)	(-127.2)	(-53.0)	(-186.4)
Unrequited transfers	651.5	638.6	687.9	838.3	1,104.7	952.3
Official	644.5	626.4	680.4	828.7	1,096.0	943.3
SACU nonduty receipts	251.7	373.5	478.3	546.1	579.9	609.2
LHWP	38.0	9.4	10.4	60.8	41.8	51.6
Financing of technical assistance	68.2	61.9	56.2	56.4	250.0	61.3
Other	286.6	181.5	135.6	165.5	224.3	221.3
Private	7.0	12.3	7.5	9.5	8.6	9.0
Long-term capital net	744.2	627.7	764.1	1,042.5	1,328.8	1,339.7
Official (net)	125.8	162.2	101.4	91.1	283.4	206.1
Disbursements	168.6	217.4	146.8	147.5	365.1	278.0
LHWP (hydropower)	28.0	15.0	1.0	24.8	150.0	157.0
Other	140.6	202.4	145.8	122.7	215.1	121.0
Repayments	-42.8	-55.1	-45.4	-56.4	-81.7	-71.8
LHWP (hydropower)	--	--	--	--	--	--
Other	-42.8	-55.1	-45.4	-56.4	-81.7	-71.8
Private (net)	1.8	18.2	6.9	-1.8	10.2	-2.9
Private foreign investment	616.6	447.3	655.7	953.1	1,035.2	1,136.5
Of which: LHWP 1/	(602.0)	(430.0)	(587.2)	(798.4)	(965.7)	(1,033.6)
Short-term capital (net)	-22.3	123.0	24.4	35.8	--	-162.1
Errors and omissions 2/	-153.8	-76.0	160.2	1.2	--	156.0
Overall surplus/deficit	77.7	165.8	473.2	401.1	349.5	393.9
Change in reserves (increase -)	-77.8	-165.8	-473.2	-401.1	-349.5	-393.9
Of which: SAF/ESAF purchases (net)	(-17.4)	(-24.2)	(-16.1)	(4.0)	(13.4)	(15.3)
Memorandum items:	--	--	--	--	--	--
SAF/ESAF purchases (net)	17.4	24.2	16.1	-4.0	-13.4	-15.3
Current account as percent of GNP 3/	-4.6	-3.4	-2.7	-2.1	-1.6	-2.0
Net official reserves (millions of maloti) 4/	367.4	533.2	1,006.4	1,407.5	1,679.9	1,801.4
Gross official reserves (millions of maloti) 4/	372.4	540.2	1,013.4	1,417.5	1,689.9	1,811.4
Net official reserves (months of imports) 4/	2.1	2.8	4.7	5.8	5.8	6.6
Debt service ratio (percent of goods and service exports) 5/	3.8	4.3	3.9	2.6	4.8	4.1
Real export growth	34.8	34.6	24.8	9.9	22.7	11.6
Real import growth 4/	9.6	-4.4	-0.7	8.1	5.0	7.1
LHWP	18.1	8.3	-15.3	37.4	11.0	29.5
Other	8.6	-5.9	1.4	4.6	4.0	3.7

Sources: Data provided by CBL and staff estimates and projections.

1/ Loans to the LHWP Phase 1A and 1B have been reclassified as private foreign investment.

2/ Statistical errors and omissions.

3/ Excluding LHWP.

4/ Valued at end-period exchange rate.

5/ Valuation adjustments associated with fluctuations in exchange rate.

6/ Export of services includes workers' remittances.

Table XXV. Lesotho: Services and Income Account, 1991/92-1995/96

(In millions of maloti)

	1991/92	1992/93	1993/94	1994/95	1995/96	
					Prog.	Actual
Nonfactor services: credit	140.3	149.1	146.9	175.6	145.0	140.9
Shipment	--	--	--	--	--	--
Other transportation	7.3	7.3	7.1	10.3	--	7.9
Travel	50.4	53.0	58.1	61.2	--	63.3
Sales of water and power	--	--	--	--	--	--
Other official	48.0	49.8	52.0	68.4	--	32.1
Other private	34.7	39.0	29.7	35.6	--	37.6
Nonfactor services: debit	-219.7	-253.1	-222.8	-262.0	--	-332.5
Shipment	-97.3	-118.2	-112.4	-125.0	--	-148.2
Other transportation	-18.4	-18.3	-17.5	-13.8	--	-17.9
Travel	-29.3	-31.7	-18.2	-32.7	--	-48.2
Other official	-73.0	-75.4	-73.6	-79.6	--	-78.6
Other private	-1.8	-9.4	-1.2	-10.9	--	-39.5
Nonfactor services (net)	-79.4	-104.0	-75.9	-86.5	-163.6	-191.6
Factor income: credit	1,326.3	1,402.1	1,465.7	1,576.8	1,961.0	1,859.4
Investment income	96.6	90.1	121.5	166.3	234.0	311.8
Dividends and profits	--	4.0	43.9	51.5	--	84.5
Interest	96.6	86.1	77.6	114.8	234.0	227.4
Workers' remittances	1,229.7	1,312.0	1,344.2	1,410.5	1,727.0	1,547.6
Factor incomes: debit	-195.7	-146.4	-166.6	-198.0	-316.5	-318.4
Investment income	-195.7	-146.4	-166.6	-198.0	-316.5	-318.4
Dividends and profits	-174.7	-120.3	-130.6	-160.8	-281.4	-281.4
Interest	-21.0	-26.1	-36.0	-37.2	-35.1	-37.0
Workers' remittances	--	--	--	--	--	--
Factor incomes (net)	1,130.7	1,255.7	1,299.1	1,378.8	1,644.5	1,541.0
Total services and income (net)	1,051.3	1,151.7	1,223.2	1,292.3	1,480.9	1,349.5

Source: Data provided by CBL.

Table XXVI. Lesotho: Basotho Miners in South Africa, 1991-95

	1991	1992	1993	1994	1995
Total average number employed ^{2/}	122.2	119.6	116.1	112.7	103.7
Annual percentage change	-4.1	-2.1	-2.9	-2.9	-8.0
Of which: TEBA ^{3/}					
Average number employed	93.9	93.5	89.9	89.1	87.9
Annual percentage change	-5.8	-0.4	-3.8	-1.0	-1.3
TEBA/Total employed	76.8	78.2	77.4	79.0	84.8
Average wage ^{4/}	11,327.0	12,321.0	13,359.0	14,562.0	16,801.0
Annual percentage change	12.5	8.8	8.4	9.0	15.4
Total earnings	1,384.0	1,473.5	1,551.4	1,641.5	1,743.00
Annual percentage change	7.9	6.5	5.3	5.8	6.2
Miners' remittances ^{5/}	1,038.0	1,103.8	1,104.5	1,170.5	1,242.4
Deferred pay ^{6/}	390.3	288.8	334.4	320.2	...
Of which: TEBA ^{3/}	269.4	228.4	228.5	264.1	281.0
Remittance payments	440.0	...	...	...	...
Of which: TEBA ^{3/}	127.6	132.7	157.6	166.5	209.2
Unrecorded remittances ^{7/}	207.7	...	...	...	...
Miners' remittances as percentage of total earnings	0.7	0.7	0.7	0.7	0.71
Miners' remittances annual percentage change	8.0	6.3	0.1	6.0	6.1

Source: Central Bank of Lesotho.

^{1/} From January to April.^{2/} In thousands of workers.^{3/} Source: TEBA.^{4/} Weighted average of Basotho miners.^{5/} According to BOP, in millions of maloti (excludes non-mine workers remittances).^{6/} With effect from 1st April 1991, compulsory pay has been reduced from 60 percent of miners' wages to 30 percent.^{7/} Calculated as a residual. Includes remittances in kind.

Table XXVII. Lesotho: Composition of Recorded Exports, 1990-95

	1990	1991	1992	1993	1994	1995 Est.
(Value in millions of maloti)						
Foodstuffs, etc.	24.4	31.6	24.3	25.7	21.1	9.0
Cereals	12.9	9.7	4.8	6.9	7.7	4.0
Beans, peas, and other vegetables	5.2	4.4	5.0	2.5	3.8	0.8
Animal feed	1.6	2.7	--	6.0	4.1	2.6
Beverages and tobacco	3.0	--	1.9	--	2.2	0.2
Other foodstuffs	1.7	14.8	12.6	10.3	3.3	1.4
Live animals	1.2	1.7	0.4	8.9	7.1	1.6
Cattle	0.9	1.5	0.4	8.4	6.1	0.6
Sheep and goats	--	--	--	0.2	0.7	1.0
Pigs	0.3	0.2	--	0.3	0.3	0.0
Livestock materials	15.5	10.2	19.5	22.2	32.2	28.8
Wool	14.1	3.6	15.3	16.9	22.7	18.5
Mohair	1.1	6.1	3.8	5.1	8.6	9.0
Hides and skins	0.2	0.3	0.3	0.2	0.9	1.3
Crude materials	0.1	0.2	0.1	--	--	--
Diamonds	6.4	3.3	1.9	4.4	0.5	3.4
Other	106.2	139.4	264.8	377.7	448.4	106.3
Chemicals and petroleum	2.2	3.2	1.7	0.5	2.5	0.0
Leather products	0.4	1.0	1.6	3.8	0.9	8.6
Wood products	--	--	0.1	--	0.1	--
Yarn and textiles, etc.	6.6	4.0	2.4	1.2	2.2	4.2
Road vehicles	1.6	3.0	2.8	3.8	10.4	10.0
Furniture and parts	0.6	0.8	2.7	27.5	40.5	2.8
Clothing, etc.	72.7	112.5	216.9	250.8	279.0	61.0
Footwear	12.3	8.1	20.8	50.9	35.1	11.7
Other manufactures	8.9	6.7	9.7	35.9	77.5	4.6
Unclassified	0.9	0.1	6.1	3.3	0.2	3.5
Total value	153.7	186.2	310.9	438.9	509.3	149.2
(change in percent)	-8.3	21.1	67.0	41.2	16.0	
(Volume as indicated)						
Wool (metric tons)	1,569	...	2,098	2,022	1,686.0	1,957.8
Mohair (metric tons)	163	...	463	879	407.0	142.3
Diamonds (thousands of carats)	11.4	6.4	14.8	8.3	1.2	44.8
(value per carat, in maloti)	561	516	128	530	417	115.0

Source: Central Bank of Lesotho.

Table XXVIII. Lesotho: Direction of Trade, 1991-95 1/

	1991		1992		1993		1994		1995	
	Imports	Exports	Imports	Exports	Imports	Exports	Estimate Imports	Estimate Exports	Estimate Imports	Estimate Exports
(In millions of maloti)										
World	2,556.8	186.3	2,926.0	310.9	3,221.8	438.9	3,391.8	509.3	3,718.0	580.6
Africa	2,443.7	78.9	2,497.6	154.4	2,722.8	206.0	2,881.2	261.8	3,347.0	306.6
Common Customs Area	2,425.5	76.0	2,494.0	152.7	2,716.2	201.3	2,866.5	258.9	3,344.6	299.6
Other Africa	18.2	2.9	3.6	1.7	6.6	4.7	14.7	2.9	2.4	7.0
European Union	29.8	50.6	117.6	70.5	85.9	80.0	78.7	51.3	85.3	53.8
Belgium	0.2	--	2.3	--	2.6	--	0.9	--	1.6	--
Denmark	1.6	--	1.0	--	2.1	--	10.1	--	2.5	--
France	5.2	--	31.8	--	28.6	--	13.8	--	36.7	--
Germany	1.0	--	28.8	--	20.5	--	16.7	--	19.6	--
Italy	14.7	--	30.3	--	9.1	--	17.9	--	7.9	--
Netherlands	0.7	--	4.7	--	4.0	--	2.3	--	0.7	--
United Kingdom	6.4	--	18.7	--	19.0	--	17.0	--	15.2	--
Other Europe	1.9	3.4	43.0	1.8	16.5	2.6	3.7	1.9	36.2	0.5
North America	6.4	52.1	17.1	83.3	37.0	147.0	44.9	192.7	29.0	218.3
Canada	0.3	--	1.1	--	3.5	--	4.3	--	13.9	--
United States	6.1	--	16.0	--	33.5	--	40.6	--	15.1	--
Asia	74.9	1.0	249.8	0.8	354.8	2.0	377.2	1.6	219.5	1.4
Japan	0.6	--	43.8	--	53.0	--	46.8	--	21.0	--
Hong Kong	40.1	--	93.6	--	90.0	--	102.3	--	30.1	--
Taiwan	33.5	--	54.4	--	108.3	--	150.0	--	114.8	--
Other	0.7	--	58.0	--	103.5	--	78.1	--	53.6	--
Oceania	0.1	0.3	0.9	0.1	4.8	1.3	6.1	--	1.0	--
(In percent)										
Africa	95.6	42.4	85.4	49.7	84.5	46.9	84.9	51.4	90.0	52.8
Of which:										
Common Customs Area	94.9	40.8	85.2	49.1	84.3	45.9	84.5	50.8	90.0	51.6
European Union	1.2	27.2	4.0	22.7	2.7	18.2	2.3	10.1	2.3	9.3
Other Europe	0.1	1.8	1.5	0.6	0.5	0.6	0.1	0.4	1.0	0.1
North America	0.3	28.0	0.6	26.8	1.1	33.5	1.3	37.8	0.8	37.6
Other	2.9	0.7	8.6	0.3	11.2	0.8	11.3	0.3	5.9	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Lesotho.

1/ Imports, c.i.f., duty-exclusive, excluding donated food; exports, f.o.b.

Table XXIX. Lesotho: Outstanding External Public Debt, 1990/91–1995/96 1/

Fiscal year	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/96
<u>(In millions of maloti)</u>						
External debt	975.9	1,086.4	1,263.4	1,633.1	1,849.7	2,042.7
Bilateral sources	85.3	110.3	127.2	277.6	304.5	333.8
Concessional	82.0	107.3	124.3	276.4	300.6	320.6
Nonconcessional	3.3	3.0	2.9	1.2	3.9	13.2
Multilateral sources	787.3	870.7	1,058.0	1,296.1	1,487.8	1,634.5
Concessional	717.0	800.8	989.5	1,166.0	1,345.7	1,495.3
Nonconcessional	70.3	69.9	68.5	130.1	142.1	139.2
Financial institutions	48.0	55.0	35.6	35.6	40.4	65.3
Suppliers' credit	55.3	50.4	42.6	23.8	17.0	9.1
<u>Memorandum items:</u>						
Concessional debt: as percent of total debt	81.9	83.6	88.2	88.3	89.0	88.5
External debt–GNP ratio	34.8	35.1	36.5	40.8	39.6	36.9
GNP at current market prices (in millions of maloti)	2,805.1	3,098.5	3,465.7	4,005.9	4,669.3	5,537.1

Sources: Chief Financial Controller, Ministry of Finance; and staff estimates.

1/ End of fiscal year (April 1–March 31).