

Government of Japan Donates M42 Million for Construction of Schools.

The government of Lesotho recognises the important role played by education in the society. This is seen by government commitment to extend provision of education beyond free primary in order to ensure that people acquire competitive skills in the labour market. It is through this initiative that some agencies, including Governments have pledged to assist Lesotho to realise this goal.....

Background

Education is central to development and key to attaining the Millennium Development Goals. It is one of the most powerful instruments for reducing poverty and inequality and lays a foundation for sustained economic growth. In recognition of this, the government of Lesotho is committed to develop education from grassroots to tertiary levels.

The year 2007 was the first year that secondary education admitted the first cohort of free primary education (FPE) graduates. This brought with it pressure for secondary schools to accommodate the increased number of first year students, which stretched resources beyond their coping level.

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Government took steps to match the situation by increasing the number of teachers at all levels to preserve quality of education by maintaining healthy pupil-teacher ratio, and provided learning materials. However, the main constraint remained that of physical infrastructure. Some school buildings were expanded to cater for the increased intake, but the need for more classrooms remained. It was

through realisation of this constraint that assistance was sought from elsewhere.

The Lesotho Education System

The education system comprises five levels in Lesotho, all feeding into the subsequent higher level. The lowest level of education consists of three years on integrated early childhood care and development (IECCD) services, for children between the ages of two to five. The next stage consists of seven years at primary school level. This is the level that pupils receive Government assistance in the form of tuition fees and feeding programme, termed FPE. Following primary education, secondary education consists of two levels, namely the three-year junior secondary education, which is completed by passing the Junior Certificate (JC), and the two-year senior secondary education level which is completed upon the attainment of the Cambridge Overseas School Certificate (COSC). Senior secondary (Forms D and E) are equivalent to the British "O" level education, and finally, tertiary level.

The completion of primary education is assured by passing the Primary School Leaving Examination (PSLE), which measures students' basic knowledge of Science, Social Studies, English, Mathematics, and Sesotho, at the end of the seven-year schooling.

The average level of education has, for a long time kept Lesotho ranking

high in terms of the human development index. During 1998, the UNDP ranked Lesotho 5th in terms of the literacy rate out of more than 40 Sub-Saharan countries.

Government Initiatives on Secondary Education

Secondary education received about 55, 000 of the first cohort of FPE graduates in January 2007. The transition from primary to secondary has proved to be a major problem in terms of affordability of fees by poor families. The fees structure tends to be prohibitive due to, among others, the small number of schools available at secondary level and the competition for students to get placements. In order to accommodate enrolment of orphaned and vulnerable children the Government budget had to be expanded to increase the number of teachers, teaching materials and provision of bursaries.

Government of Japan Grant

The need for infrastructure remains a major obstacle for government despite its efforts. Hence the Government made a call for assistance to its development partners. The government of Japan was the first to respond to this call by pledging M42 million to assist the Lesotho Government enhance construction of secondary schools. The grant will be expended towards providing, among others, classrooms, science laboratories, administration blocks, and water and sanitation facilities. The grant will be used to build seven model schools, one in each district of Leribe, Maseru, Berea, Quthing, Butha-

Buthe, Mokhotlong and Mafeteng. The schools will provide more conducive learning environment for secondary school learners and teachers alike.

The contribution of Secondary Education to Wellbeing

There is little doubt that secondary education plays a key role in the social, economic, and human capital development.. Secondary education is the crucial link between primary schooling, and tertiary education, or the labour market. Completion of primary education equips graduates with basic skills that make the holders trainable, while secondary education provides chances for graduates to start their own businesses. In the labour market, secondary school graduates become more competitive than the primary school graduates, hence the importance of Government intervention.

The purpose of secondary education can be to give common knowledge, to prepare for either higher education or vocational education, or to train directly to a profession. Secondary education is a gateway to the

opportunities and benefits of economic and social development. Demand for access to higher levels of education is growing dramatically as people compete to access the labour market for better living.

Conclusion

It is in recognition of the important role played by this level of education that Government of Lesotho and the donor community are re-focussing attention to better enhance its superstructures. Construction of these schools will serve as a base for development of infrastructure relating to education in the future.

This initiative will also enhance the competitiveness of the country's manufacturing sector through supply of more productive workers. It is acknowledged, the world over, that investment in human capital has high and sustainable returns. It is therefore anticipated that Lesotho will soon reap positive rewards from investing in human capital.

2. National Summary Data Page and National Strategy for the Development of Statistics.

In pursuance of accurate national statistical database that facilitates more focused policy making, Lesotho plans to establish a national statistical summary page and is preparing a holistic national strategy for the development of statistics.....

Background

Lesotho participates in the second phase of the International Monetary Fund's (IMF) general data dissemination system (GDDS) project. GDDS is an IMF tool that provides guidance on proper production and dissemination of statistics. It explains operational features, and provides practical guidance to IMF member states that desire to improve statistics produced.

Lesotho participated in phase 1 of the project in which the focus was mainly to develop metadata for the four sectors of the economy. Metadata is a description of methodology that is followed in different sectors for compilation of statistics. It is updated annually on the country's anniversary linked to commencement of participation in the project and is hosted on the IMF's Dissemination Standard Bulletin Board (DSBB). Lesotho's anniversary is in August.

The second phase is advanced as it prepares participating countries to graduate to the special data disseminating standards (SDDS) in which currently only two countries from Africa participate. SDDS was established to guide IMF members that have, or that might seek access

to international capital markets in the provision of their economic and financial data to the public. Therefore, the emphasis of this phase is on statistical database to improve data quality which is accompanied by the advance release calendar.

The initiative has introduced the national summary data page (NSDP) in which countries post their latest macroeconomic and social data on the internet. The main participants in the projects are the Bureau of Statistics (BOS), which is the GDDS national coordinator, Central Bank of Lesotho, deputy national coordinator and the Ministry of Finance and Development Planning. The other data compilers in the social sector were also invited to understand conditions in which their data is used.

Mission Visit to Lesotho

As part of implementing the NSDP, Lesotho received an IMF mission during 5 to 17 March 2008, whose mandate was to assist the country to prepare for the eventual posting of the data on one of the country's preferred host, the BOS website. NSDP will display national accounts, fiscal data, balance of payments

(BOP) statistics and monetary and financial data, as well as social data. Each of the data series will be displayed at the respective frequency of publication. For instance, national accounts will be displayed on an annual basis, monetary data will be posted on a monthly basis, while the BOP data will be updated quarterly.

The project consisted of two components; the first component comprised scrutinising and analysing data to ensure its consistency and improved quality, while the second one involved development of a template that would be used to display the data. This part involved revamping of the website to accommodate NSDP, upon which the data would be posted at a later stage together with the advance release calendar, which will indicate to the users the time and frequency of updating each data category. In order to ensure credibility of the published data, an NSDP subcommittee will be established. The committee will be responsible to update the page and scrutinise data from all sources.

National Strategy for the Development of Statistics

Production of statistics in Lesotho is the legal mandate of Bureau of Statistics (BOS). However, various government departments, agencies, training institutions and the Central Bank also produce statistics relevant to their fields. There are several partnerships as well, where these agencies assist BOS in collection

and compilation of BOS assists them with technical expertise in activities such as surveys. However, limited coordination and differing resources endowments amongst the data producers has resulted in skewed improvement in national statistics over time. Some statistics have improved significantly in terms of quality, frequency and dissemination while others have lagged behind. In recognition of these discrepancies in data that is compiled at different sources, the BOS decided to develop the national strategy to guide data collection and compilation. The National Strategy for Development of Statistics (NSDS) will be the guiding document to ensure data accuracy and consistency across all fields. The document will define the vision, strategies, plans and actions for a holistic development of statistics in the country. It will be flexible to periodically accommodate and respond to new demands. It is being developed by all major stakeholders, who are encouraged to identify their needs in order to develop a consolidated national strategy.

The strategy advocates for changes in regulatory and management framework for BOS and other key agencies, notwithstanding human resource development. It is acknowledged that the strategy is a necessary but not sufficient condition for improved data quality. Therefore, investment and improvement in physical and statistical infrastructure could not be overemphasised. The strategy will compliment government efforts to monitor and evaluate national development programmes,

such as the poverty reduction strategy (PRS) and vision 2020. The newly established Monitoring and Evaluation unit within Department of Planning will be the main beneficiary of this product. It is through this that Lesotho will be in a position to gauge herself against the internationally established targets and facilitate comparison with her peers in terms of achieving millennium development goals.

A draft document on NSDP was completed in March. This meant that most agencies had undertaken a SWOT analysis of their respective statistical systems, formulated statistical development objectives, strategies and action plans. These were consolidated into a combined NSDS document to be submitted for approval to relevant authorities. Outstanding activities include the development of the monitoring and evaluation plan as well as budgetary issues.

3. Monetary Policy Operations for March 2008

This article reports economic and operational issues surrounding the monetary policy operations conducted between January and March 2008. The Bank issued government securities in response to liquidity conditions that prevailed in the economy. Following the assessment made on the sources of liquidity, M150 million worth of securities were offered during the auction in March. Table 2 below shows amounts auctioned and discount rates that prevailed for each of the auctions.

The level of competitiveness in the market is estimated by the number of participants and bids as reflected in Table 3. The recent auction saw a participation level of 7 bidders who submitted 12 bids. The participation was lower compared with 9 bidders for the February auction who submitted 22 bids. At least half of the bids submitted in the March auction were successful. However, only one bidder was not successful in the auction.

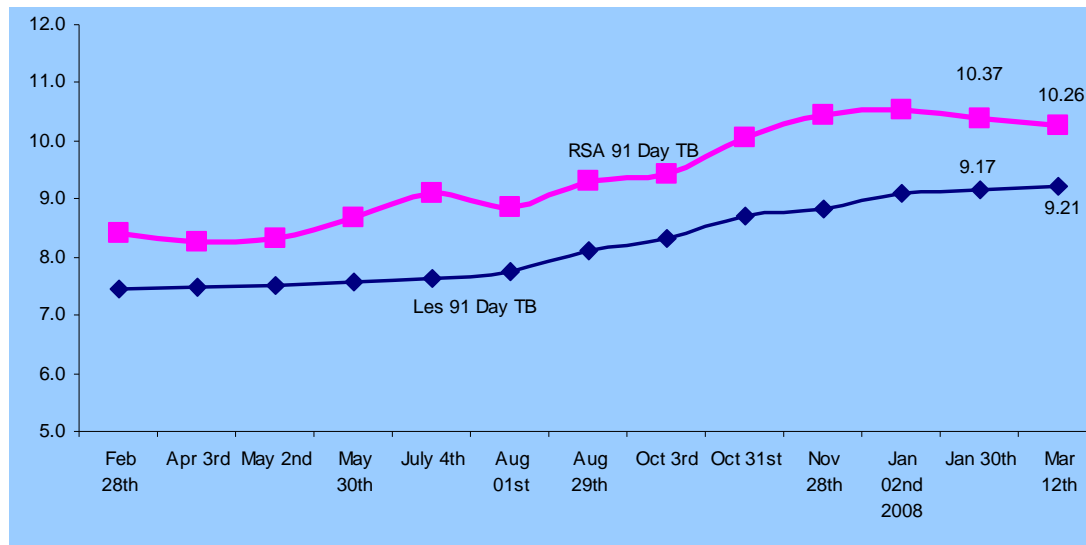
Table 1: 91 and 182 Day Auctions of Treasury Bills

Type of Security	Auction Date	Maturity Date	Auction Amount (million)	Amount Issued (million)	Discount Rate
91-day TBs	28-Nov-07	29-Feb-07	M150.0	M150.0	8.82%
91-day TBs	02-Jan-08	04-Apr-08	M150.0	M150.0	9.10%
182-day TBs	09-Jan-08	11-Jun-08	M30	M24.8	10.45%
91-day TBs	30-Jan-08	02-May-08	M150.0	M150.0	9.17%
91-day TBs	05-Mar-08	06-Jun-08	M150.0	M150.0	9.21%
182-day TBs	12-Mar-08	12-Sep-08	M20.0	M20.0	10.45%
Total for reporting period			M170.0	M170.0	

Success of the CBL in achieving its monetary policy objectives could also be assessed by monitoring the movement of the intermediate target (treasury bill rate) against trends in the region. A successful policy would result in a treasury bill rate that

moves in line with comparable rates in the region, given the free movement of funds within the CMA region, to avoid undesirable capital flight or costly accumulation of foreign funds.

Figure 1: Performance of Lesotho 91-Day T-Bills vs RSA T-Bills



As Figure 1 shows, 91-day treasury bill rates in Lesotho and South Africa have generally been at a steady upward trend in the recent months, with the Lesotho rate lower than South Africa's by less than two percentage points. However, the South African rate declined for the second consecutive month in March while the rate in Lesotho continued

to increase gradually. This resulted in a lower margin of 105 basis points from 120 after the February auction. In the period covered by the graph, the margin reached a peak of 161 basis points after the November 2007 auction. The graph indicates that Lesotho's rate has been moving in line with rates in the region, and its level remains competitive.

Table 2: Selected Monetary and Financial Indicators

	2007	2008	
	Dec	Jan	Feb
1. Interest rates (Percent Per Annum)			
1.1 Prime Lending rate	15.42	15.42	15.42
1.2 Prime Lending rate in RSA	14.50	14.50	14.50
1.3 Savings Deposit Rate	4.67	4.67	4.57
1.4 Interest rate Margin(1.1 – 1.3)	10.75	10.75	10.85
1.5 Treasury Bill Yield (91-day)	8.82	9.10	9.17
2. Monetary Indicators (Million Maloti)			
2.1 Broad Money (M2)	4154.15	4025.04	4285.60
2.2 Net Claims on Government by the Banking System	-3324.32	-4068.94	-3646.22-
2.3 Net Foreign Assets – Banking System	8377.64	9240.21	9180.22
2.4 CBL Net Foreign Assets	6177.30	7234.75	6872.23
2.5 Domestic Credit	-2071.06	-2768.51	-2305.81
2.6 Reserve Money	535.05	540.27	457.01
3. Spot Loti/US\$ Exchange Rate (Monthly Average)	6.8385	6.9976	7.6707
4. Inflation Rate (Annual Percentage Changes)	10.5	10.5	10.6
5. External Sector (Million Maloti)	2007		
	QII	QIII	QIV
5.1 Current Account Balance	62.68	465.67	374.39
5.2 Capital and Financial Account Balance	390.49	245.40	-103.11
5.3 Reserves Assets	143.38	-870.86	-116.19

+ These indicators refer to the end of period. Prime and deposit (savings) rates are averages of all commercial banks' rates operating in Lesotho. The Statutory Liquidity Ratio in Lesotho is 25 percent of commercial banks' short-term liabilities

Table 3: Selected Economic Indicators

	2004	2005	2006	2007+
1. Output Growth(Percent)				
1.1 Gross Domestic Product – GDP	4.2	2.9	7.2	5.1
1.2 Gross National Product – GNI	7.9	5.5	3.1	4.9
1.3 Per capita –GNI	7.9	5.5	3.1	4.0
2. Sectoral Growth Rates				
2.1 Agriculture	-1.9	-1.7	1.7	-39.3
2.2 Manufacturing	2.1	-8.6	10.5	11.0
2.3 Construction	-4.4	-3.4	0.6	3.5
2.4 Services	2.1	4.1	6.6	6.3
3. External Sector – Percent of GNI				
3.1 Imports of Goods	86.3	83.1	80.1	86.5
3.2 Current Account	-4.7	-5.7	3.5	9.5
3.3 Capital and Financial Account	5.8	3.6	0.7	8.2
3.4 Official Reserves (Months of Imports)	5.2	5.5	6.7	7.6
4. Government Budget Balance (Percent of GDP)	5.7	4.8	11.8	5.3

* Preliminary estimates

+CBL Projections