

# PRIVATE SECTOR COMPETITIVENESS (PSC) PROJECT

## 1. Project Background

The World Bank in collaboration with the Government of Lesotho is in the process of developing and implementing a Private Sector Competitiveness Project (PSC). Following the IDA Pre-Appraisal Private Sector Development (PSD) mission an agreement was reached for the World Bank to support the Government of Lesotho through an IDA-funded PSC Project. The funding is twofold: Firstly is the Preparation phase, which is financed by a PHRD grant obtained from the Government of Japan through the World Bank. Secondly is the Implementation phase; this is to be financed by an IDA loan. The development objective of the project is to [increase private sector participation in the participation in the economy by increasing its productivity and competitiveness, and hence its ability to compete. It is envisioned that this goal will be achieved through improving the business environment and reducing the cost of doing business; strengthening the linkages with the regional economy, especially with South Africa; strengthening institutional support for employable skills and business management; and improving productivity at the farm level.](#)

To facilitate the project preparation, the Government of Lesotho has established six Working Groups (WGs) with the participation from both the public and private sectors:

WG1: Registration and Licensing

WG2: Immigration

WG3: Horticulture

WG4: Textile and Garment

WG5: Tourism

WG6: Finance and Administration

## 2. Horticulture Component

The focus of the activities under the horticulture component will be to add more value to horticultural products grown in Lesotho, particularly vegetables, and fruit-tree crops such as apples and cherries, and to link them to markets in South Africa, and the EU (UK). This initiative will be done through: (i) Improving quality, volume and delivery capability of Basotho farmers; (ii) Transitioning away from smallholder farming and encouraging group or block farming initiatives, hence the adoption of horticulture commercial block-farming; and (iii) Production of organic products to help tap into high premium niche markets, both local and abroad.

These objectives will be met through partnerships with large scale South African farming/processing/marketing companies, who have already come on board to work with the proposed programme; particularly during the pilot phase (funded through the PHRD grant). It is here that the programme expects to develop two demonstrations plots to explore the financial, agronomic and social sustainability of the proposed partnership<sup>1</sup>. The PSC Project will then provide support to upscale these pilot projects, where up scaling is expected to be countrywide, in areas where suitable conditions exist. These two pilot projects will be implemented simultaneously. The first pilot will focus on the production of vegetables where Alpha Farms will partner with the Linokong-Mankukile farmers. The second pilot will focus on the production of fruit trees crops, specifically apples and cherries. Here Denmark estates and the Mahobong & Qoqolosing farmers will partner to develop crops for the local, South African and EU markets.

The role of the South African partners- Alpha and Denmark estates is to bring their technical, management and market expertise, including access to its marketing network, to help establish a scalable research pilot in Lesotho.

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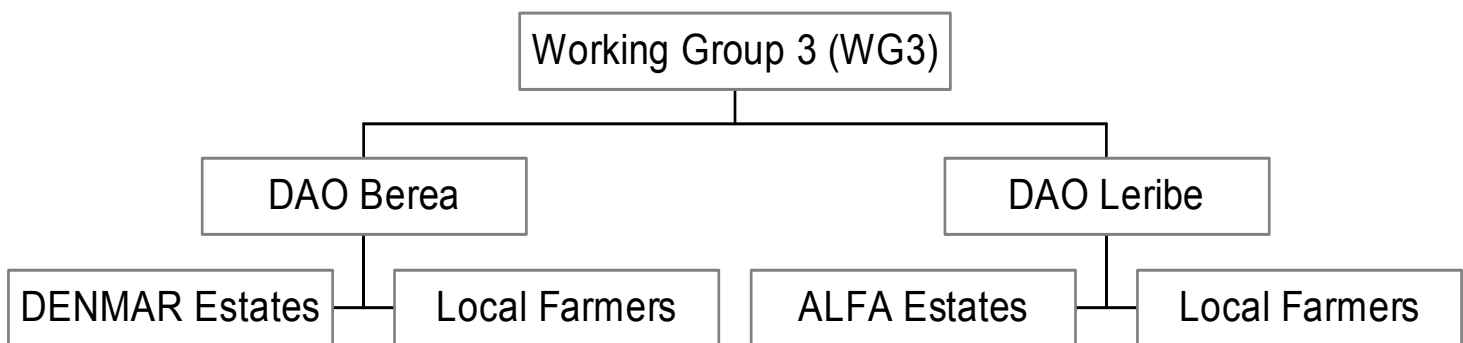
<sup>1</sup> The two proposed plots are: one in the Berea district-Linokong; and the second one in the Leribe district- Mahobong & Qoqolosing

A pilot that will not only provide local farmers with the adoption of appropriate and necessary farming methods, but it will also provide them with a reputable market base, necessary to draw the desired farm income.

It is also envisaged that the preparatory phase of the project will also explore possible relationships with the Deciduous Fruit Producers' Trust (DFPT) and other grower's associations. Taking into consideration that Lesotho currently does not have a processing and packing facility but ample market demand, it is anticipated that the proposed program will embark on establishing relationships with organizations like DFPT to tap into their network of private sector interest to attract technical, management and financial partnerships with South African growers/processors.

#### a. Institutional Arrangements

The diagram below gives a generalized working relationship between the RSA companies and the local district farmers.



This diagram shows the importance of the two DAOs (Berea & Leribe) in helping establish the necessary linkages between these companies and the local farmers. It is important to mention that task and others currently mandated to the WG3 will soon be taken over by a Project Manager<sup>2</sup>. Currently the WG3 serves as the coordinating

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<sup>2</sup> Project Manager evaluations have been done and a candidate identified. PSC coordinators still waiting for a "No-Objection" from the World Bank necessary to fully engage the incumbent. As a matter of fact all the evaluations for the proposed consultants have been conducted (see Appendix III for a list of all

party of this component. This as the TOR of the group elaborate is necessary during the preparation phase of the project.

#### b. Preparatory / Implementation phase

As highlighted earlier that the Horticulture component is divided into two sub-components- Vegetable sub-component and the Fruit sub-component- it is best that each be explained separately, as indeed the two sub-components are at different stages of the project cycle.

- **Vegetable Sub-component**

This sub-component is to be implemented in the Berea District, in the Linokong locality. Specifically, the earmarked farms are those that form the Mankukile Irrigation scheme that overlooks the Caledon River. This area was specifically chosen on three accounts: Firstly, it justified and made use of the investment that the government had already made in setting up the irrigation scheme (centre pivot system). Secondly, this area easily accesses the abundant water necessary for irrigating the vegetable crops. Thirdly, and perhaps most important is the coincidental location of the Alpha estates. As already mentioned Alpha estates has been approached with the intention of providing the local farmers-owners of the project-with the necessary technology and expertise in producing vegetables for commercial purposes. Now in light to this, Alpha estates sits-on the opposite bank of the Caledon River-directly across the Mankukile scheme. Hence this will make for easy transfer of knowledge as the two estates share almost similar climatic conditions and similar soil compositions.

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consultants under the Horticulture component. But it should be mentioned here that it is the common feeling between the DENMA and ALPHA that each project site should have a separate Project manager since the types of crops dealt with are different. Each Project Manager will report directly to the office of the DAO on technical matters.

At this stage of the Project cycle, the following points summarize the important milestones achieved to date with respect to the Vegetable sub-component, the Linokong area:

- The District Agricultural Office (DAO) Berea has been approached and informed about the project and its intentions. The district has been thoroughly briefed about where it fits-in with respect to the whole Horticulture component.  
They have admittedly outlined some of the pertinent issues regarding the earmarked farms, of which some might prove to be stumbling blocks in the success of the project.
- A joint mission comprising of the WG3 members and the DAO Berea staff has briefed the landowners of the earmarked farms. The farmers were given a general view of the project and told that their farms were earmarked for this initiative. The Public Relations & Awareness consultant will engage into further deliberations concerning agreements on the usage of land.<sup>3</sup>
- The staff of DAO Berea form part of the Working Group (DAO, DEO, CPO – Horticulture and Irrigation Technician).<sup>4</sup>
- Technically nothing much has been done in this region; as a consensus concerning the land issue must first be reached.
- District Administrator and the District Council have been briefed and made aware of the project.

- **Fruit Tree Sub-component**

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<sup>3</sup> The concerned Consultant has already been identified and is expected to start this sensitisation process week beginning 19, June 2006.

<sup>4</sup> In meeting with the Honourable Minister of Agriculture and Food Security on the 21<sup>st</sup> July 2006, it was agreed that DEOs in both Berea and Leribe districts be nominated focal points to the projects at district level.

The Fruit production sub-component is to be implemented in the Leribe district, in two areas, namely the Mahobong locality and the Qoqolosing locality. This sub-component is to be overseen (with respect to knowledge transfer) by Denmark estates. Denmark estates as highlighted earlier have substantial knowledge and experience in the production of fruit at a large scale for commercial purposes. This sub-component is to mainly focus on the production of Apples and Cherries.

At this stage of the Project cycle, the following points summarize the important milestones achieved to date with respect to the Fruit sub-component, both the Mahobong & Qoqolosing areas:

- The District Agricultural Office (DAO) Leribe has been approached and informed about the project and its intentions. The district has been thoroughly briefed about where it fits-in with respect to the whole Horticulture component.
- The DAO Leribe has identified and approached farmers in the Mahobong and Qoqolosing areas who will participate in this pilot project. The farmers' names and the respective acreage each holds have been made available<sup>5</sup>. The total combined area available in these two is 11.6 hectares.
- The farmers in this area have agreed to participate in this project, but a few contractual matters<sup>6</sup> still need to be addressed before implementation can commence. This task is to be taken over by the Public Relations & Awareness consultant with close collaboration by Denmark estates and MAFS Legal office.
- A Legal Expert in Land issues is being engaged by the WB in order to assist with issues pertaining to land utilisation under contractual

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<sup>5</sup> The names and respective acreage of the farmers to participate in the Leribe district is attached as Appendix I

<sup>6</sup> A contract detailing all the legalities pertaining to the land use is to be drafted. A Legal Expert re-land issues is being engaged to assist in this regard.

means. The person will brief the WG on Monday 21<sup>st</sup> August 2006 in meeting between the DAOs, South African partners and WG.

- Denmark estates' being the lead implementing partner has developed a plan that details how the sub-component will be implemented<sup>7</sup>. In brief this plan entails that all land be used in a "Closed Block-farming" system that is overseen by a Project Manager. Landowners will be regarded as shareholders of the project, each holding an overall percentage share relatively equal to his/ her total acreage.
- Fruit tree seedlings to be planted in these two areas have been procured. They are to be shipped anytime once the soil preparation activities have been completed for planting now<sup>8</sup>. Please note that Denmark is in the process of preparing the soil for tree planting. Unfortunately it was discovered that DAO Leribe does not possess the type of machinery required for this job hence equipment will be coming from Bethlehem in South Africa (see appendix V).
- Bank accounts have been opened with the Central bank of Lesotho that hold funds to the project. Money is available in these accounts. The accounts are managed by the Ministry of Industry, Trade, marketing and Cooperatives. Now unpaid balances can be paid!

## **PRIVATE SECTOR COMPETITIVENESS (PSC) PROJECT**

### Appendix I- List of farmers for the Fruit-tree sub-component

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|--------------------------|--------|
| 1. Mr. Mohlouoa Mahase   | 3.5 Ha |
| 2. Mr. Mphutlane Ntobaki | 2.6 Ha |
| 3. Mrs. 'Mateboho Senoko | 1.8 Ha |

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<sup>7</sup> This plan was generally agreed to be the best approach by all parties concerned, including the farmers, although there are issues that were tabled and still need to be addressed. Appendix II outlines some of these-and other-outstanding issues.

<sup>8</sup> Advance payment for the tree seedlings has been made. The full payment will be done once the project funds are available. Fruit tree seedlings are kept in the cold storage now to lengthen the dormancy period for planting early spring once irrigation survey is complete. (see Appendix II).

4. Mr. Mosito Mosito	1.0 Ha
5. Mrs. ` Maatang Pikapa	1.8 Ha
6. Mrs. `Mantebaleng Moeketsi	0.6 Ha
7. Mr. Hanyane Hanyane	0.3 Ha
TOTAL acreage	=11.6 Ha

**NOTE:** Farmers 1-2 are in the Mahobong area and farmers 3-7 are in the Qoqolosing area

## Appendix II- Pending Issues

- The Department of Crops (DOC) early this year made a deposit for the procurement of Fruit-tree seedlings from a RSA supplier. This deposit was just a little below the required third of the total amount.<sup>9</sup> This was done in anticipation that this money would be reimbursed by the project funds. The resulting scenario is that the balance is still yet to be paid-up. The WB has expressed that the anticipated PPF cannot be used for procurement of inputs, but is for project preparation purposes only. However realizing this backlog, the WB has promised to transfer some of the money in the PPF and make it available for procuring the necessary inputs and equipments.
- The issue of land usage remains a big stumbling block. The envisaged implementation plan as highlighted earlier, is to adopt the “block farming” system managed by a Project Manager. The stumbling block is that for this to be successful, farmers must give-out their farms for this pilot project. But because most of them depend on their harvest for income, they must in

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<sup>9</sup> The exact total amount is approximately **M300, 000**, and DOC only paid **M98, 000**. The main reason was they wanted to avoid the long & tedious Procurement processes, had they made a deposit above **M100, 000**. Had they followed this route, the planting period “Spring 2006” would have been missed and the project would have been delayed by almost a year.

essence be compensated for availing their lands<sup>10</sup>. Now is well known that the GoL does not follow a "Compensation plan" and unfortunately the WB too does not support "Compensation" highlighting that these farmers are shareholders and will hence rip the benefits at harvest time. Therefore the question remains as to who will fund the "Compensation plan"<sup>11</sup>

- Negotiations between the Government of Lesotho and their counterparts in South Africa with regard to the "cable system" are still pending. These negotiations are necessary as they will pave way for a MOU that will allow for a 'cable system' to be erected at the Mankukile-Alpha demonstration site (see LEC report submitted to the office of the PS<sup>12</sup>).

**NB.** The Appraisal Mission is expected during the week beginning 11 September 2006.

### **Appendix III- List of Consultants under the Horticulture component**

<b>Name</b>	<b>Consultancy (Job title)</b>	<b>Status</b>
Nigel Cook	Soil Scientist	Onboard- has done some pedology work in Mahobong and Leribe
Dermot Cassidy	Agronomist	Produced a preliminary report on the agronomic aspects of vegetable crops. Report awaiting info on soils to be factored in for completion.

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<sup>10</sup> The farmers in Leribe-No negotiations have been entered into yet with the Berea farmers-have expressed their willingness to participate in the project, but they would like to be compensated for the opportunity cost lost from not cultivating annual crops. NB. Apples & Cherries are only harvested at least once every 3 years.

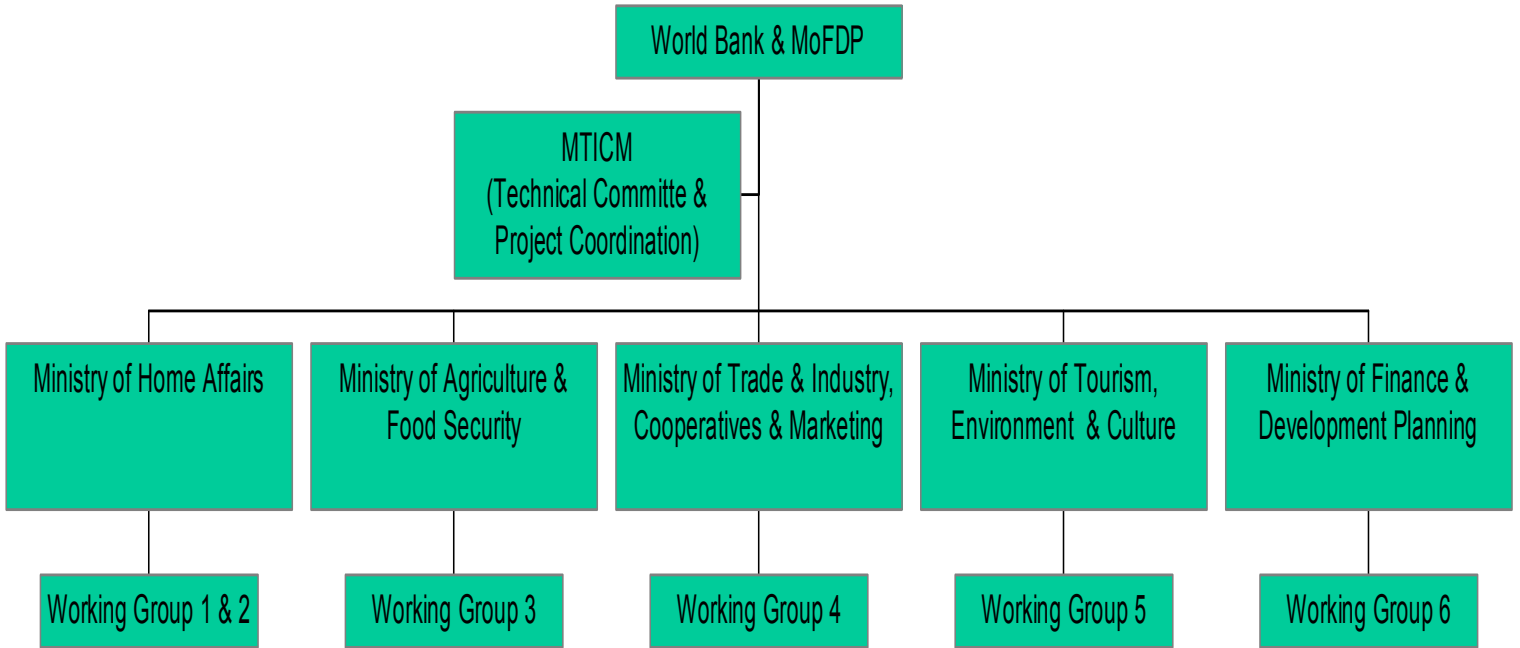
<sup>11</sup> The PSC Project Coordinator, after a request by the WG3 will ask the WB if otherwise a grant or loan can be dishd to the farmers-to make-up for compensation-payable once the project is able to generate income through the sale of its produce. The project is in the process of engaging a legal person specialising in land issues to assist the PRO consultant, the farmers and the cooperating partners with the best model to be adopted in implementing this project.

<sup>12</sup> We are told this report has been submitted to the office of the PS –MAFS. We have been trying to lay hands of this report but it could not be found at the time of writing this report. Efforts will be made to get a copy of the report from LEC.

Mavuso Chabalala	Public Relations Awareness Strategy	Produced and presented an Inception Report. Now working on sensitising communities on the production models to be used (between SA counterparts and the farmers)
Dave Sood	Environmental Impact Assessment Legal Expert re- Land issues	Onboard since 9 <sup>th</sup> August 2006 To be identified during the week of 14 <sup>th</sup> August and for engagement soonest. 1 <sup>st</sup> appearance to WG on the 21 <sup>st</sup> August 2006.

**Appendix IV- PSC Organogram**

**Organogram For the Lesotho Private Sector Competitiveness (PSC) Project**



## Appendix V- Timeframe and task for Fruit tree project

Time frame and tasks for fruit tree project

( Some tasks can be done simultaneously and are listed in same timeframe)

Task	Time frame	
1 Payment for trees in nursery	As soon as possible	
Ensure that farmers are identified for required plots and areas needed	As soon as possible	
Agreeing re compensation for farmers and contracts to be discussed	As soon as we know legal procedure of Lesotho	
Farmers to be sensitise re project	As soon as we discussed above	
Signing of contact with farmers	As soon as possible	
2 Trees to be moved into cold storage for at least 60 days	As soon as possible	
3 Consultant for planning of irrigation needs to be booked and date for visit to be confirmed	Before end of July	
4 Consultant need to design irrigation blocks and irrigation layout	By mid of August	
5 Ordering and payment of fertiliser and ameliorants		01-Aug
5 Soil preparation We can only do this if soil moisture is sufficient if not we will have to wait for rain which could only be in Oct No irrigation available as original planned	15 - 30 August	
6 Ordering and payment of irrigation equipment	15 - 20 August	
7 Ordering and payment of Hailnetting	15 - 20 August	
8 Irrigation of land This will have to be done by tractor and trailer with tank provided by Dept of Agriculture	1 - 7 September	
9 Planting of trees These trees to be irrigated twice a week by tractor and trailer	15 - 30 September	
10 Irrigation equipment to arrive on site Intalation will take at least two months		20-Sep
11 Hailnetting to arive on site Hailnetting will take two months to be erected		20-Oct
Completion of Irrigation		20-Nov

As we can see we will need to water trees by tractor and trailer for 2 months twice a week on two sites  
Will the Department of Agriculture be able to assist us for 2 months with a tractor and trailer?

We are taking a risk to plant trees without hail netting. Young trees very susceptible for hail damage

For soil preparation we will need the following

86 Kw tractor

Ripper

Fertiliser distributor

Disc

Nardi plough

Tine

Ridger

Can the Ministry of Agric supply this or must it be outsourced?