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BEIJING SUMMIT  
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SERVICES: A NEW FRONTIER FOR SUSTAINABLE DEVELOPMENT  
服务业：可持续发展的新领域

## Working Lunch

*SERVICES POLICY REVIEWS*

12:45- 14:00 29 May 2013

*'Lesotho Services Policy Review 2011/2012'*

*7 min presentation*

Mr Chairman,

Distinguished delegates,

It is my honour to stand here today to present Lesotho Services Policy Review which was done with the assistance of the United Nations Conference on Trade and Development in 2011/2012.

~~The Government of Lesotho expresses its gratitude to UNCTAD for undertaking this important exercise for Lesotho in the era whereby services are an integral part of the global economy.~~ ✓

As the theme of this Services Forum, services are 'a new frontier for sustainable development'. The sector makes a direct and significant contribution to GDP and job creation, and provides crucial inputs for the rest of the economic activities, thus having a significant effect on the overall investment climate, which is an essential determinant of growth and development. Services accounted for 52.4% of Lesotho's GDP in 2010. ✓

~~The Government of Lesotho is working towards developing a strategic vision for the development of the services sector and services trade. The aim of the strategy is to assume efforts to develop a comprehensive national system to capture trade in services, identification of institutional impediments, development of product and sector strategies, support for the services negotiating processes in WTO, SADC, and SADC-EU EPA.~~ ✓

Mr Chairman,

Allow me to now focus my attention on Lesotho's Services Policy Review. The review concentrated on three sectors, namely, financial, tourism and professional-medical services. ✓

~~The rationale behind the choice of these sectors was their potential to contribute significantly to the future growth and development of Lesotho's economy. The methodology used to conduct the SPR, based on the workshops, interaction between the stakeholders, the adoption of recommendations by stakeholders, and the development of an action plan, reinforced the~~ ✓

Government's consultations with services stakeholders. The multi-stakeholder process greatly contributed to enabling a holistic analysis of the priority sectors, but at the same time highlighted the need to involve even more actors as well as the need to clarify mandates and roles in certain sectors.

With the aim of assisting Lesotho to improve the regulatory and institutional frameworks and to identify trade policy options that advance national sectoral development objectives, the review process included an analysis of the following elements: current policy framework for tourism; financial and professional-medical services; regulatory and institutional challenges inhibiting sectoral development; national development objectives; prospective policy options to strengthen domestic supply capacity and small and medium-sized enterprise (SME) competitiveness; the potential impacts of services and services trade liberalisation on sectoral foreign direct investment (FDI), SMEs, efficiency, employment, access to foreign markets and universal access to basic services.

Among the findings that the report has highlighted the following are noteworthy:

1. Services trade provides a stable platform for increased economic efficiency which increases Lesotho's productive capacity and competitiveness. Moreover, increased trade in services has immense potential in creating sustainable jobs and increased human development in Lesotho as services provide a platform for all types of businesses to thrive, be it SMMEs, or large scale Enterprises.
2. Services play an important role in facilitating and contributing significantly to economy. The trickle-down effects of improved services cannot be over-emphasised, given their contribution to job creation and poverty alleviation. It clearly indicates that Lesotho's services sector is currently the biggest contributor to gross domestic product (GDP) and that growth within the sector has been resilient, even in the wake of the global economic crisis.
3. The 3 sectors covered have highlighted the importance analysing the

situation of the country in the context of the region. For example, in the health sector: scope to develop cooperation in the form of regional initiatives for the supply of services with a particular focus on health personnel as part of broader SADC regional integration efforts; in the financial sector: there is a need to raise the level of local ownership within the country's commercial banking sector, as of date most banks in the country are from its neighbor South Africa; in the tourism sector: it was recommended that Tourism policy should include the pursuit of a joint development agenda between Lesotho and South Africa on a formal basis. This may point *inter alia* to the need to further integrate other actors from the region in the SPR process.

4. Since infrastructure services are an important component of the business environment, improved infrastructure is critical to the development of all of the three services sectors and all other services sectors. This is an area where the government needs assistance in many ways – *building infrastructure services sectors*.

The study recommended that national services development strategies should be developed through a greater coordination of cross- sectoral institutions for greater impact on services growth, with all key actors, including parastatal institutions, the private sector, labour groups, potential foreign and domestic investors, and academia. This will not only ensure buy-in and support, but will also generate desirable spill-in and spill-over effects among related economic sectors. The study also suggested that a master plan, which outlines not only national strategies but also defines a process and series of practical steps through which strategic objectives should be pursued.

The study recommends for the improvement of the investment climate so as to attract more domestic as well as foreign investment to develop services. Lesotho is ranked 136 out of 185 countries in the 2013 World Bank Doing Business Report (from 143 in 2012). The main weakness of the investment climate is an underdeveloped legal framework for investors, and infrastructure.

The study further found that the quality and depth of policies and regulations varies from sector to sector, so while a comprehensive and coherent strategy

for the services sector as a whole may be the objective one must nonetheless undertake the analysis sector by sector.

With regard to services negotiations, most of the Lesotho's services liberalisation had taken place at the multilateral level under the General Agreement on Trade in Services (GATS), where Lesotho has liberalised its economy extensively, yet has not reaped many benefits from doing so. The study recommends that this liberalisation needs to be considered within a comprehensive, integrated and coherent strategy of growth, development and trade, accompanied – where necessary – by further sectoral development planning and macroeconomic, social, investment, competition, and environmental policies.

The study recommends for a formulation of a national services negotiating strategy as well as plans to development a competitive sector to take advantage of the negotiated regional markets (e.g. SADC).

On the implementation of the recommendations of the study, with the assistance of UNCTAD, the Ministry is currently coordinating the process of drafting proposals for projects and programmes. The government of Lesotho, is grateful to the Department of Trade and Industry (the DTI) South Africa, which hosted officials from Lesotho on a study tour to learn how South Africa develops and implements their policies, services regulation as well as services negotiations. This contributed immensely into the development of proposals for implementing the SPR. The Ministry hopes to establish long-term viable relations with all stakeholders so as to develop and translate the recommendations into necessary policy reforms.

The Government of Lesotho takes cognisance of the fact that the well designed policies and institutional reforms that will soon take place will enable Lesotho to access among others, the much needed infrastructure and financial resources, skills and technology transfer to modernise service sectors, thereby helping build capacities for the provision of higher value added services for both domestic and export markets.

Allow me to conclude my remarks by inviting UNCTAD to continue its support

to its Members, including Lesotho, on services issues including through Services Policy Review and related work; and development partners to also assist and development partners to assist Lesotho with the review and implementation of other services sectors. We also request assistance in development of infrastructure services essential for development of the services sector, which will ultimately increase services exports and greater contribution to the global value chains.

I thank you!!!