



**Statement by Minister of Trade and Industry, Marketing
and Cooperatives of the Kingdom of Lesotho,
Honourable Temeki TSOLO**

***POVERTY REDUCTION THROUGH TRADE IN LESOTHO
AN EXAMPLE OF INTER-AGENCY COORDINATION***

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Deputy Secretary General – Mr. Petko Draganov

UNDP Lesotho country representative

Member states

Distinguished ladies and gentlemen,

1. Mr. Chairperson, firstly, allow me to congratulate UNCTAD through you for leading the cluster on trade and productive capacities for the UN.

2. Secondly, allow me thank the organisers of this Segment on a topic that is dear and close to my heart and many Basotho, reducing poverty through trade.

3. It will be a remise of me if I do not mention that Lesotho held her general elections in May this year which resulted in a peaceful and smooth transition of power from the ruling Government to a tripartite coalition Government. This is a clear evidence of strong democratic principles including good governance and political stability.

4. Lesotho is however, still one of the smallest but growing economies of the world with a commitment of ensuring that policies, strategies and programmes are developed which can advance economic growth, job creation, poverty alleviation and sustainable development.

5. Mr. Chairperson, Lesotho is a country that relies on remittances from Basotho employed in South Africa, customs duties from the Southern Africa Customs Union (SACU), and export revenue for the majority of government revenue. The government has recently strengthened its tax system to reduce dependency on customs duties.

6. The number of mineworkers has declined steadily over the past several years reducing remittances; as a result a small manufacturing base has developed based on farm products that support the milling, canning, leather, and jute industries, as well as an apparel-assembly sector.

7. Despite Lesotho's market-based economy being heavily tied to its neighbour South Africa, the US is an important trade partner because of the export sector's heavy dependence on apparel exports. Exports have grown significantly because of the trade benefits contained in the Africa Growth and Opportunity Act. Most of the labour force is engaged in subsistence agriculture, especially livestock herding, although drought has decreased agricultural activity.

8. The extreme inequality in the distribution of income remains a major drawback. Economic growth dropped in 2009, due mainly to the effects of the global economic crisis as demand for the country's exports declined and SACU revenue fell precipitously when South Africa - the primary contributor to the SACU revenue

pool - went into recession, but growth returned to 3.6% in 2010 and 5.2% in 2011.

9. The consistently high levels of unemployment estimated at 23% worsened to 29.4% in 2009 because of the impact of the global economic crisis, mostly fuelled by retrenchments in the fragile garment sector in Lesotho and the shrinking mining sector in South Africa.

10. The private sector is the largest source of formal employment contributing to 30% of total employment, with private household employment estimated at 22.2 %; the public sector accounts for 5.5 %, parastatals account for 1.6 % and, 22% of the country's labour force is employed in the informal sector of the economy.

11. Mr. Chairman, as you may all be aware that there are a number of initiatives that the Government of Lesotho is undertaking to ensure that she is able to participate meaningfully in the global trading system, I wish to, during this forum, highlight some of those initiatives that will illustrate the commitment I have just alluded to. This is not necessarily an exhaustive list of initiatives that Lesotho is undertaking to attain her developmental goals. They include: National Strategic Development Plan (NSDP), Diagnostic Trade Integration Study (DTIS), Report on Trade Mainstreaming and development of the National Industrial Upgrading and Modernisation Programme

(IUMP). For the purpose of this session, I will dwell more on the NSDP.

12. Mr. Chairperson, as indicated above, Lesotho has developed the (NSDP) that aims to radically transform her economy and address key challenges of poverty, inequality, unemployment, poor health and high mortality.

13. In the recent past, the moderate economic growth has not resulted in significant job creation and poverty reduction. The NSDP, therefore seeks to establish the pre-conditions for high, sustainable and private sector led economic growth coupled with faster job creation.

14. Mr Chairperson, as an LDC and land locked, Lesotho, views the development of new productive capacity as the key to achieving sustained economic growth. Developing productive capacity will allow Lesotho and other developing countries to rely increasingly on domestic resource mobilization to finance economic growth. In addition, it will allow for reduction of aid dependence and to attract private capital flows of a type that can support the development process. Moreover, it allows developing countries to compete in international markets which go beyond primary commodities and which are not dependent on special market access preferences. However, Mr. Chairperson, the need for a conducive global environment is required to enhance the development of productive capacities.

15. Therefore, to develop productive capacities, Lesotho has identified seven (7) key strategies for creating high and shared growth:

- (i) Mobilisation of domestic and foreign savings and improving the investment climate;
- (ii) Promoting economic diversification;
- (iii) Improving quality and competitiveness of the labour force;
- (iv) Facilitating technology transfer and partnerships for research;
- (v) Building minimum infrastructure platform, especially to link production centres and markets and to facilitate external trade;
- (vi) Promoting global integration and trade; and
- (vii) Development of the private sector.

16. Mr. Chairperson, Policies promoting the generation of productive capacities need to also focus on promoting capital accumulation, technological progress and structural change. This requires supportive macroeconomic policies and a strategic approach to global integration in which the speed and degree of liberalization of different spheres take account of the goal of sustained growth and employment creation.

17. In Lesotho, the agricultural sector remains the main sources of employment, especially in rural areas. The NSPD has proposed the strategy that will be pursued in developing the sector through,

promotion of sustainable commercialisation and diversification and the development of integrated value chains and building effective agricultural support institutions to boost growth and employment.

18. We have learned from other developing countries that the most effective approach has often been supporting and stimulating simultaneous investments in agriculture, industry and services, along the value chain of the promising sectors, as well as promotion of exports including upgrading and increased local value-added of abundant natural resources.

19. However, for Lesotho, agricultural development and growth of the rural economy will be achieved if basic infrastructure is developed. Promoting investment in this sector should therefore focus on triggering growth through production linkages and seeking to sustain an interactive economic growth process through the dynamic interrelationship between the primary, secondary and tertiary sectors.

20. Agricultural growth linkages, in which there is a virtuous circle in which demand stimulus from agricultural growth generates investment, entrepreneurship and employment in non-agricultural activities, particularly non-tradables, are likely to be relevant in Lesotho and are at the heart of efforts to create a more inclusive process of development which supports sustainable poverty reduction.

21. Mr. Chairperson, moving to the services sector. Lesotho's services sector is the biggest contributor to national gross domestic product (GDP) and it has shown resilience even in the wake of the global economic crisis. As the dominant sector in the economy, the services sector has great potential to generate sustainable growth and create employment opportunities in Lesotho in the future. Recently, Lesotho in collaboration with UNCTAD, has completed the National Services Policy Review in Financial, Tourism and Professional Medical Services aimed at improving the performance of these sectors.

22. Growth in the development of infrastructure services is much needed in Lesotho. Infrastructure services are an important component of the supporting environment for many services sectors, however, at present the state of infrastructure in Lesotho has been described as below par in comparison to other low-income countries/LDC or SACU economies.

23. In a bid to attain the required high growth rate, Lesotho view the private sector having considerable potential to create jobs through export-led growth in labour-intensive manufacturing. Tourism and Mining are key sectors that offer an opportunity for Lesotho to generate jobs and reduce poverty. On technology, Lesotho needs to create an ecosystem that facilitates technology diffusion and adoption and to build good foundation for

innovation in selected areas of science and other disciplines, such as law, economics and finance, to develop business technology.

24. Mr. Chairperson, with the achievement of the set milestones, it is obvious that Lesotho's products and services will enjoy market access dispensations that have been put at her disposal. We also take cognisance of the increasing number of countries offering market access concessions to LDCs and they have to be applauded. Notwithstanding this, market entry remains a challenge for countries like Lesotho hence the need to put up programmes that will facilitate market penetration for products whose tariffs have been liberalised. Trade facilitation in general is critical in this regard.

25. In concluding Mr. Chairperson, the unprecedented challenge facing Lesotho is that of food shortage that has been mainly driven by the drought of the last few years. This has and continues to increase the levels of poverty that will require rapid growth of the economy from sustainable jobs. Moreover, 2015 is on our door step, thus developing more effective global development goals that will foster a more enabling global environment will facilitate building productive capacity, creating jobs and reducing poverty.

26. I thank you for the opportunity to present the case of Lesotho in building productive capacities. I would not end before expressing on behalf Kingdom of Lesotho our appreciation to all

the donor community in providing financial support and assistance in reducing poverty through trade.

Thank you Chairperson