SUMMARY OF MAIN FINDINGS EMERGING FROM NATIONAL MIDTERM REVIEW PROCESS

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1. INTRODUCTION:

Lesotho is a small country with a small population of 1.88 million (Census 2006). Most of Lesotho’s 30,355 square kilometres are mountainous. Over 80% of the land is above 1,800 metres altitude. Lesotho is located at the centre and completely land locked by the Republic of South Africa. The country as one of the LDCs is no exception when taking into account, the challenges and dynamics faced by all LDCs.

To mention but a few challenges that the country is facing, Lesotho has a per capita income of around $1,000 and yet around 57% of the population lives below the poverty line. The Lesotho Demographic Survey 2011 shows unemployment rate at 29.4% in 2009 which is higher than the rate of 24% in 2008. Income distribution is heavily skewed with the richest 20% securing 60% of income while the poorest 20% receive only 2.8%. Lesotho is vulnerable to a range of natural disasters and climate change. Early in 2011, Lesotho experienced the heaviest rains in decades, resulting not only in loss of agricultural output but also damage to infrastructure: power grids have been destroyed, roads have been swept away and bridges have collapsed. In recent years, droughts, hailstorms and other natural disasters have similarly caused
periods of loss of output. Currently, Lesotho is suffering greatly due to the impact of El Nino which is affecting negatively agricultural productivity which is still the main source of livelihoods to the majority of Basotho. Lesotho’s HIV prevalence rate has been steady at 23% since 2004.

To overcome the challenges that the country is facing and realise graduation from LDC status, Lesotho did not develop a graduation strategy per se. The approach is that through, the implementation of its long term and medium term plans and strategies, it will realise sustainable economic development which in turn will result in the country’s graduation from LDC status. The country believes that, a number of development goals such as achieving sustainable growth with poverty reduction, transformation of the economy through diversification, exploiting international market opportunities and achieving a high level of industrialization, will lead to graduation. Graduation is therefore not the sole objective but it constitutes a viable opportunity to significantly transform the economy.

The currently working development documents towards implementation of the Istanbul programme of action are the National Vision 2020 and the National Strategic Development Plan (NSDP) 2012/13 – 2016/17. The national vision of Lesotho for the year 2020 is that, by the year 2020, Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well-developed human resource base. Its economy will be strong, its environment well managed and its technology well established. In order to achieve these aspirations, Lesotho has developed a National Strategic Development Plan (NSDP) 2012/13-2016/17 as the implementation strategy of the national vision. It is through the
implementation of the NSDP that we will also address the priorities as laid out in the IPoA.

1.1 VISION 2020 PILLARS:

1. A Stable Democracy
2. A Nation at Peace with itself and its Neighbours
3. A Healthy and Well Developed Human Resource Base
4. A Strong Economy and Prosperous Nation
5. A well Managed Environment,
6. A well Advanced Technology

1.2 NATIONAL STRATEGIC DEVELOPMENT PLAN OBJECTIVES:

1. High shared and employment creating economic growth
2. Promotion of peace, democracy, good governance and effective institutions
3. Development of infrastructure (minimum infrastructure platform)
4. Transformation of skills development institutions and improvement of skills and innovation base
5. Reversal of environmental degradation and adaptation to climate change
6. Improve health, combat HIV and AIDS and reduce social vulnerability

2. MAIN FINDINGS:

In order to ensure a smooth transition of LDCs to graduation from the status, the following criteria was developed:
a) Per Capita Gross National Income (GNI)
The graduation threshold for this criterion is that a country has to have GNI/capital of 20% above the inclusion threshold. This inclusion threshold was at US$1190/year during the 2012 assessment. If a country can achieve a level of GNI per capita that is at least twice the graduation threshold, the country is eligible for graduation even if it does not meet either one of the two other criteria.

b) Human Assets Index (HAI)
This composite index includes several indicators such as:

- Nutrition: Percentage of population undernourished
- Health: Mortality rate for children aged five years or under
- Education: The gross secondary school enrolment ratio and adult literacy rate

Graduation threshold for the HAI is 10% above the inclusion, which was at 66 in 2012 assessment.

c) The Economic Vulnerability Index (EVI)
This criterion reflects the risk posed to a country’s development by exogenous shocks. This is also a composite index that includes several indicators such as:

- Population size
- Remoteness
- Merchandise export concentration
- Share of agriculture, forestry and fisheries in gross domestic product
- Share of population living in low elevated coastal zones
• Instability of exports of goods and services
• Victims of natural disasters
• Instability of agricultural production

The lower the EVI the less exposure to shock (exposure index) the country is. The threshold for graduation for this criterion is that a country has to be 10% above the inclusion threshold which was 32 in the 2012 assessment.

2.1 LESOTHO’S PERFORMANCE IN THE GRADUATION CRITERIA:

GNI per capita, at US$ 1050 in 2012 is close to the graduation threshold level of US$1190 for eligibility for graduation. The country made some progress on achieving the Millennium Development Goals (MDGs) but income inequality, poverty and HIV/AIDS remain serious challenges. Lesotho would need to make further efforts towards addressing the issues of undernourished populations and the high mortality rate for children under 5 in order to improve its human index score. The country’s vulnerability index is high due the weak domestic structure of the economy, overconcentration on the exports of textiles and clothing and dependence on FDI and ODA. HDI of 0.486, ranking 162 out of 189 economies

3. PROGRESS TOWARDS IMPLEMENTATION OF THE NSDP

It is worth noting that transition and implementation of the NSDP has been a bit slow in taking off. However, in the recent period, progress made towards attainment of NSDP strategic goals is on track. According to the NSDP implementation progress report 2012/13 – 2013/14, to fast track the implementation of NSDP, a number of reforms and developmental initiatives have been embarked upon but unemployment still remains the biggest challenge. Among its strategies to curb unemployment, Government will develop a National Jobs Creation Strategy which will outline initiatives to remove impediments to private investment and job creation as well as to identify new opportunities for the country.
Lesotho has now decided to promote, support and drive economic activity in four priority areas, namely:-

- Commercial Agriculture
- Tourism
- Information and Communication Technology and
- Textile Manufacturing

It is hoped that aggressive development of these sectors driven by the private sector will accelerate job creation. The main objective is promotion of sustainable economic development through the creation of sustainable jobs. Sustainability of the jobs will be primarily determined by private sector led job creation not government led as it is the case at the moment in Lesotho that the government is the main employment creator. To achieve this objective, there should not only be a strong political leadership and partnership between private sector and government agencies, but also an investment climate friendly environment to enable the private sector to provide the much needed jobs.

4. CONCLUSION AND RECOMMENDATION:

There are currently no formal structures in place to provide guidance and a systematic report the progress towards implementation of the Istanbul Programme of Action. This main issue of coordination needs to be urgently addressed. The government of Lesotho therefore needs to strengthen its institutional structures to more effectively guide, manage and coordinate the graduation process. This can be done by establishing a coordinating committee led by the National Focal Point in the Ministry of Development Planning. The committee would be comprised of senior economic planners in the line Ministries as focal points of the implementation of the IPoA at Ministerial level.