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LESOTHO HOSTS A SMART PARTNERSHIP DIALOGUE: SOME SPILL-OVER EFFECTS ON THE ECONOMY

The Government of Lesotho (GoL) deems Smart Partnership key to the growth of the economy. In an attempt to attain this objective, GoL hosted a Smart Partnership Dialogue...

Background

The Smart Partnership Movement (SPM) is an initiative under the auspices of the Commonwealth Partnership for Technology Management (CPTM). It is targeted at combining the resources of the CPTM with those of the private sector to facilitate optimal exploitation of technology for attainment of economic development. With its birth in 1995, the initiative has been operating for ten years. Over the years its activities included identification of business opportunities in manufacturing, initiation of private sector opportunities in infrastructure development, facilitation of competitiveness through technology and quality management, and the integration of environmental management and business opportunities. Pivotal to its activities is the creation of an international network of experts capable of managing the exploitation of technology for sustainable economic development. This gigantic task is achieved through Smart Partnership Dialogues. The objectives hereof include several areas, namely to:

- Foster the Smart Partnership principles across nations, nationalities, government, business and social sectors.
- Share experiences and lessons in governmental, economic and socio-political areas, as well as explore the utilisation of resources that can benefit and enhance the well-being of the smart partners globally.
- Provide of an avenue for Specialised Links, such as, Government and Politics, Business and Labour, Arts and Culture, Social Sector, Academia, and Media.
- Encourage youth to network, share and consult each other on issues, opportunities, and challenges confronting them, and facilitate collaboration and integration of the various regional Hubs and Webs to create an open global citizenship.

The recent Dialogue appeared to mark a milestone in the collaborative effort by the GoL and the private sector towards sustainable economic development. Little wonder, that the advent of this initiative has caught the attention of the scholars and policy makers. As such, this article reviews the activities of the SPM and assesses its possible attendant impact on the economy of Lesotho.

Benefits from the SPM

The SPM has hosted seven international dialogues over the last ten years. The dialoguing process has created strong ties of friendship and trust among world participants. In particular, there are several strides that CPTM through SPM has made in assisting Lesotho. For instance, it served as a lead advisor to the Government in the development of the National Vision 2020. Again, it extended support in carrying out the mammoth task on national smart partnership activities including mobilisation of Government, labour and business. Furthermore, it provided assistance on the initiation of a Smart Partner's Hub. Finally, it served as a joint Secretariat for the preparation of the Smart Partnership International Dialogue in 2005, which was held in Maseru. All these efforts were expended with a view to cement the link between Lesotho and the rest of the partners, and open opportunities for Basotho to reap benefits that accrue from

the SPM.

The Content of the Dialogue

The GoL got the opportunity to host the Dialogue from the 9-11 November 2005 in Maseru. Since the SPM is about networking; exchange of ideas, imparting knowledge, trading with and extending support to one another for mutual benefit, the occasion embraced a polyglot of participants from academia, politicians, businessmen, farmers, technocrats, artisans, youth and disabled people. The dialogue deliberations, therefore, centred on socio-economic, political, cultural, scientific and technological issues. The discussants articulated the importance of culture to Basotho, and highlighted how investment in this activity can enhance tourism and earn many people a living. The Maseru Global 2005, like other Dialogues preceding it, was intended to foster the Smart Partnership principles across nations. It allowed for participants to share and consult each other on issues, opportunities, and challenges they are facing. The dialogue afforded politicians, business and labour representatives an opportunity to interact on an informal level.

It may therefore be interesting to examine the prospective effects of this initiative on the development of the economy.

The Smart Partnership Movement and Economic Development

In order to put the discussion in proper perspective, it may be useful to demonstrate the link between the SPM and economic growth. The relationship is rooted in the "game theory". This theory states that a country seeks to derive full gains from trade sometimes at the expense of other countries. They may impose new and higher import barriers in an attempt to achieve this goal. The practice is referred to as "beggar-thy-neighbour" policy in the literature on economics. The policy hurts global welfare in three ways: it creates international tensions and domestic distortions; it harms other countries due to negative spill-over effects, and may reduce international discipline. It is against the protectionist approaches that proponents of trade theory argue for liberal trade as a driver of economic growth.

The SPM in contrast proposes a different approach, one that emphasises a "win-win" situation. This latter proposition places great importance on liberal trade, exchange of ideas, and expansion of markets for products of one country beyond its borders. This international cooperation enables countries to identify areas where they have a comparative advantage, and concentrate resources in exploiting those. The situation has a potential of promoting domestic sectors and increasing their contribution to the growth of the economy. Development of sectors such as tourism and sandstone mining can impact positively on the livelihoods of many Basotho. The SPM will have a meaningful contribution to the economy by enhancing efficiency in production through the cross pollination of skills and know-how from experts in other countries. This is facilitated by the dialogues hosted by different countries, as well as the networking through the various Links, such as the Business Link, which allows participants to communicate and engage in networking, with a view to gaining personal, corporate or social benefit, under the aegis of the Smart Partnership flag.

Implications for the Lesotho Economy

The overarching challenge facing the country is poverty reduction. Proponents of the growth theory argue that in order to reduce poverty, an economy must realise high sustainable economic growth rates. In view of this notion, the SPM strives to create an international network of expertise capable of managing the exploitation of technology for sustainable socio-economic growth. Hence, the SPM appears to have great potential to stimulate economic growth. First, the involvement in the network would facilitate increased national capacity for the creation of new industries, access to the management and innovation skills of big companies, and harnessing of research and technology activities to enhance wealth creation. Second, it promotes business development because it offers opportunities for the business community to contribute

to debates on public policy. Third, the smart partners share ideas through a network of private sectors across the globe and this has a potential of enhancing investment and joint venture opportunities. Therefore, through skills transfer from big companies to small businesses, as well as cross pollination of ideas between small businesses that operate in different markets on the globe, the entrepreneurial capacity of Basotho would be unleashed. Fourth, as Businesses, especially at the level of Small and Medium Enterprises (SMEs), grow, employment would be created for many poor Basotho. All these advantages bear an impact on economic growth and poverty reduction which is a major challenge to GoL.

Beyond the prospective advantages discussed in the foregoing, there are still some challenges going forward. The subsequent section discusses some aspects that are critical in mapping the way forward.

Conclusions and Recommendations

The article concludes that the SPM has a great potential to unlock the growth capacity of the economy of Lesotho. However, it should be underlined that SPM is not an end in itself, rather its activities must gradually translate into welfare improvement at the grass-root level. Needless to say, the success of the SPM strategy depends critically on the existence of sound policy framework, and commitment from both the public and private sectors. It is in this vein, that a menu of recommendations is put across as follows:

- People should be sensitised about what SPM is, and about the roles that they can play to fully benefit from the initiative.
- Government should work hard to eliminate bottlenecks resulting from bureaucracy which may obstruct entrepreneurial risk-taking spirit in industry and commerce.
- Entrepreneurs should ensure that all products and market interfaces are in order. The products should meet market demands in terms of quality and quantity standards, as well as good packaging.
- Government needs to prioritise on tax policy and infrastructure investment to create an enabling environment for business to flourish.
- Basotho should take full advantage of the free think tank facilitated by the global dialogues and networking, to sharpen their skills, and strengthen their innovation capacity so as to unleash the production capacity of the country.
- Research should be undertaken to fully understand the constraints to tourism in Lesotho, and find ways on how this sector can be fully utilised to propel the growth of this economy in view of its close link to the rank-and-file.

Table 1. Monetary and Financial Indicators+

	Oct.	Nov.	Dec.
1. Interest rates (Percent Per Annum)			
1.1 Prime Lending rate	11.50	11.50	11.50
1.2 Prime Lending rate in RSA	10.50	10.50	10.50
1.3 Savings Deposit Rate	1.24	1.24	1.24

1.4 Interest rate Margin(1.1 – 1.3)	10.26	10.26	10.26
1.5 Treasury Bill Yield (91-day)	6.74	6.60	6.95
2. Monetary Indicators (Million Maloti)			
2.1 Broad Money (M2)	2519.7	2593.5	2590.0
2.2 Net Claims on Government by the Banking System	-1209.13	-1103.20	-910.08
2.3 Net Foreign Assets – Banking System	4683.29	4580.33	4211.18
2.4 CBL Net Foreign Assets	3436.3	3200.22	3076.22
2.5 Domestic Credit	-481.56	-365.57	7.16
2.6 Reserve Money	425.36	392.09	545.31
3. Spot Loti/US\$ Exchange Rate (monthly average)	6.5895	6.6561	6.3691
4. Inflation (year-on-year percentage change)	3.4	3.4	
5. External Sector (Million Maloti)	2005		
	QI	QII	QIII
5.1 Current Account Balance (Excl. LHWP)	52.86	-122.41	34.71
5.2 Capital and Financial Account Balance (Excl. LHWP)	-69.05	187.88	-102.54
5.3 Reserves Assets	-119.83	-94.55	26.53

+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 2. Selected Economic Indicators

	2001	2002	2003	2004*
1. Output Growth(Percent)				
1.1 Gross Domestic Product – GDP	3.2	3.5	3.1	3.1
1.2 Gross Domestic Product Excluding LHWP	3.5	2.9	2.9	3.7
1.3 Gross National Product – GNI	0.2	1.6	6.0	6.1
1.4 Per capita –GNI	-2.1	-0.2	3.7	3.9
2. Sectoral Growth Rates				
2.1 Agriculture	0.5	-4.2	-1.8	1.2
2.2 Manufacturing	7.9	6.9	5.2	5.9

2.3 Construction	1.4	6.9	4.3	0.4
2.4 Services	2.2	2.2	3.9	3.9
3. External Sector – Percent of GNI Excluding LHWP				
3.1 Imports of Goods	75.3	93.9	80.1	81.3
3.2 Current Account	-2.9	-11.6	-5.8	1.0
3.3 Capital and Financial Account	1.9	6.4	3.8	1.4
3.4 Official Reserves (Months of Imports)	11.7	6.2	5.8	5.2
4. Government Budget Balance (Percent of GDP)	-1.0	-2.8	-0.3	5.4

* Preliminary estimates