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THE UNITED NATIONS (UN) 2005 WORLD SUMMIT: PROSPECTS FOR LESOTHO

The United Nations (UN) hosted the 2005 World Summit on 14-16 September 2005. This event was described by the UN Secretary General as “a once-in-a-generation opportunity for the world to come together and take action on grave global threats that require bold global solutions...”

Introduction

The UN 2005 World Summit was held at UN Headquarters in New York from 14 to 16 September. The deliberations of that Summit focused mainly on the following issues:

- development, which encompasses the problem of poverty eradication;
- peace and collective security;
- promoting human rights and the rule of law; and
- strengthening the UN and its capacity to address global challenges.

The outcome of this Summit was a document of resolutions by the Heads of State and Government on providing multilateral solutions to problems that the world is faced with in the four mentioned areas.

Development and Poverty Eradication

Deliberations on development were mainly centred around the achievement of the development goals as agreed at major UN conferences and summits, including those agreed at the Millennium Summit in 2000, which are commonly known as the Millennium Development Goals (MDGs). While the Heads of State and Government acknowledged reduction in poverty in some countries, they expressed concern about the generally slow and uneven progress towards poverty reduction and realization of other development goals. Thus the world leaders restated their commitment towards poverty eradication, promotion of sustainable economic growth and development, and global prosperity. These would be achieved by promoting the development of the productive sectors in developing countries so that they could participate more effectively and benefit from the process of globalization.

Countries were urged to take prime responsibility for their development, which would depend vitally on national policies and development strategies. Individual countries' initiatives should however be complemented by supportive global programmes and policies. Financial resources should be mobilised and effectively used by developing and transition economies for development. In this regard, it was noted that official development assistance (ODA) to all developing countries is estimated to increase by \$50 billion a year by 2010. Half of this would be directed to Africa. Developing countries should also undertake to create an enabling internal

environment for mobilizing domestic resources.

In support of development activities in developing and transition economies, direct investment would be encouraged. Furthermore, additional measures would be considered to ensure long term debt sustainability through increased grant based financing and 100 per cent cancellation of official multilateral and bilateral debt of heavily indebted poor countries (HIPC). In addition, significant debt relief or restructuring for low and middle income developing countries that are not part of the HIPC initiative but have unsustainable debt burdens would also be considered. Trade liberalisation would be promoted to ensure sufficient levels of economic growth, employment and sustainable development. It is through trade liberalisation that full participation of least developed countries in the world trading system would be ensured and market access for the exports of developing countries enhanced. The HIV and AIDS pandemic as well as malaria and other infectious diseases were also identified as obstacles to the achievement of the MDGs. Therefore, the summit resolved to provide assistance for prevention and care and for combating these diseases through strengthening of health systems.

Peace and collective security

In view of the fact that challenges to world peace and security cut across national boundaries, the world leaders agreed to deal with these challenges nationally and collectively. It was emphasized that states had the obligation to seek all peaceful avenues to settle their disputes, including the use of the international court of justice and refrain from the use of force. The capacity of both the UN General Assembly and the Security Council would be strengthened so that they could assist the states in combating terrorism.

Promoting human rights and the rule of law

The Heads of State and Government committed themselves to actively protect and promote all human rights, the rule of law and democracy, through among other things, taking the necessary steps to strengthen the UN human rights machinery. The countries' capacity to implement the principles of democracy and the capacity of the UN in helping countries on democracy related issues would be strengthened. Gender discrimination in the areas of education, ownership of property, violence against women and girls would be eliminated.

Strengthening the UN's capacity

The Heads of State and Government also discussed and agreed on the revitalization of the UN itself. It is in this regard that they reaffirmed their commitment to strengthen the UN in terms of its authority, efficiency and capacity. These would place it in a better position to address the present day world challenges.

The Summit and Lesotho

Among the four major issues discussed at the summit, development and poverty eradication

appear to be the most pertinent for Lesotho. As the Right Honourable the Prime Minister indicated in his presentation during the high level plenary meeting of the United Nations General Assembly, poverty eradication remains a formidable challenge to Lesotho and other Sub-Saharan African countries. He indicated that 50 per cent of the people of Lesotho live below the poverty line and about 40 per cent fall into the “ultra poor” category as they cannot afford to buy food supplies. The incidence of poverty in Lesotho is being worsened by the adverse weather conditions that have been hindering food production. The situation is further exacerbated by the HIV /AIDS pandemic.

In working towards meeting the poverty eradication challenge, the Right Honourable the Prime Minister pointed out that the Urban Development Services programme aimed at assisting the urban poor with household electricity, water and sewerage connections was launched in 1989. Furthermore, a sequential strategy of introducing free primary education was adopted in 1999. A Gender and Development Policy that addresses issues that impede full and active participation of women in the development process was initiated in 2001.

In addition, in 2000, the Government entered into a three year Poverty reduction and Growth Facility (PRGF) programme with the International Monetary Fund (IMF). The objective of this programme was to improve economic growth and macroeconomic stability through prudent government borrowing and maintenance of adequate level of foreign reserves. The Lesotho Poverty Reduction and Strategy Paper (PRSP), which outlines the country’s macroeconomic, structural and social policies and programs to reduce poverty and promote sustainable economic growth was also launched and adopted in 2004.

Conclusion

As mentioned earlier, the most pressing challenges in the case of Lesotho among the issues discussed at the Summit appear to be development and poverty eradication. Resolutions made in this regard could help mitigate the problems to some extent. Lack of financial resources in developing countries could be cited as one of the major obstacles to development and poverty eradication. As the Right Honourable the Prime Minister indicated during the Summit, countries such as Lesotho urgently need financial resources to meet the MDGs.

While developed countries have made commitments to increase ODA to developing countries, such increases may not be adequate to assist developing countries to achieve the MDGs within the expected time frames. Further, while debt relief under the HIPC initiative would free up resources for use in poverty eradication activities, Lesotho would not benefit as it is not a HIPC country. In addition, though the world leaders have agreed that debt relief be considered for countries that are not part of the HIPC initiative but have unsustainable debt burdens, Lesotho may still not qualify as its debt is regarded as sustainable. This implies that, while international support would be welcome, the country should play a leading role in its own development. Domestic resources should be effectively mobilized to create an environment conducive for attracting foreign direct investment (FDI) and increased ODA as well as ensuring maximum gains from trade liberalisation.

Table 1. Monetary and Financial Indicators+

	July	August	September
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	2.00	2.00	2.00
1.4 Interest rate Margin(1.1 – 1.3)	9.50	9.50	9.50
1.5 Treasury Bill Yield (91-day)	7.08	7.02	6.89
2. Monetary Indicators (Million Maloti)			
2.1 Broad Money (M2)	2456.06	2564.99	2544.41
2.2 Net Claims on Government by the Banking System	-1140.70	-1027.26	-864.98
2.3 Net Foreign Assets – Banking System	4565.89	4495.75	4295.81
2.4 CBL Net Foreign Assets	3343.90	3095.29	2985.48
2.5 Domestic Credit	-562.98	-424.62	-269.77
2.6 Reserve Money	359.53	374.71	448.77
3. Spot Loti/US\$ Exchange Rate (monthly average)	6.7021	6.4669	6.3609
4. Inflation (year-on-year percentage change)	3.3	2.9	3.2
5. External Sector (Million Maloti)	2004	2005	
	QIV	Q1	Q11
5.1 Current Account Balance	-116.5	22.3	-163.3
5.2 Capital and Financial Account Balance	225.6	-15.2	247.7
5.3 Reserves Assets	-1.2	-199.8	-94.6

+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	-1.9	-0.4	3.8	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	4.4
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 Official Reserves (Months of Imports)	11.7	6.2	5.8	5.2
4. Government Budget Balance (Percent of GDP)	0.3	-5.5	-1.9	7.7

* Preliminary estimates