BILATERAL COOPERATIONS AND TOURISM SECTOR AS POTENTIAL DRIVERS FOR ECONOMIC GROWTH IN LESOTHO[1]

There is heightened awareness that major gains in developing efforts can be realised through the promotion of South-South cooperation. The cooperation enables developing countries in the south to share their experience on similar development problems and this can be conceived in the case of Lesotho and South Africa…..

Background

The significance of development cooperation has been recognised far back in the 1940s, as exemplified by the famous Marshall Plan instituted after the Second World War. The successful implementation of the initiative led to the conclusion that foreign aid can be effective, thus giving the idea of development cooperation a reality. When the concept was started, it was mainly a flow of resources from developed countries (North) to developing countries (South). The transfer of these resources was meant to support activities that boost capacity, assist the poor, protect the environment and stimulate growth.

The challenge to this initiative was the realisation that overseas development assistance has been dwindling and as such rendering developing countries vulnerable. Developed countries failed to achieve the target of 0.7 percent of gross national product (GNP) as contribution to aid. With these developments, the idea of South-South cooperation got underway, and found its basis in 1955, when leaders of 29 developing countries realised the necessity to promote collective self-reliance.

This article intends to highlight the benefits that can accrue through tourism as a strategy to grow the Lesotho economy and uplift poor communities. The significance of the potential of the sector is on tourism being identified as a growth potential axis under the private sector development project. The importance of the sector is discussed in the context of 'a Joint Bilateral Commission of Cooperation (JBCC)' signed between Lesotho and South Africa, and technical cooperation in the areas of road, air and railway transport.

Linking Bilateral Cooperation with Pro-Poor Tourism (PPT)

The pro-poor tourism strategies are intended to increase the net benefit for the majority of the poor. It should however be noted that PPT does not necessarily have to relate to a sector or a specific product, but it is an approach. The approach unlocks benefits whether for economic gain, livelihoods or increased participation in decision making processes. This includes the involvement of various stakeholders in management of resources; government, the private sector and civil society, as well as the poor themselves who in the process act as producers and decision makers.

[1] The paper benefited from among others, Pro-poor tourism strategies: making tourism work for the poor, 2001.

The evolution of strategies adopted to address integration of poverty concerns in tourism can be looked at in two ways; first, there was the traditional approach, focused on tourists' destination, but the approach did not have any initiatives targeted at communities living around such areas. The improvement of the approach was the PPT framework that put emphasis on poor people. It is highly acknowledged that the areas of cooperation between Lesotho and South Africa will concentrate on sub-sectors that predominately employ unskilled poor people. And these are the people who generally have limited resources. Therefore it is consistent to assume accruing benefits as a result of the cooperation.

Structure of Tourism in Lesotho

International experience indicates that most developing countries have benefited from the significant increase in international travel and tourism (ITT) over time. This is partly explained by the fact that due to low levels of development, domestic tourism is estimated to be insignificant. Countries that have experienced these benefits include India, China, Kenya Ethiopia and Philippines among others. Contrary to international experience, Table 1 shows that Lesotho has been experiencing a decline in international arrivals and hence tourism. This is particularly worrying as the sector has been identified as one of the potential drivers for the economic growth.

Table 1: International Tourist Arrivals to Lesotho from all Countries

Year	1999	2000	2001	2002	2003	2004	2005
All countries	308 451	301 758	294 644	287 281	360 955	303 530	303 578

Source: Lesotho Tourism and Development Cooperation

The importance and growth of the sector is also not supported by analysis of the contribution of tourism to gross domestic product (GDP) which has shown a marginal increase for the past seven years, in nominal and real terms. It is nonetheless noted that from 2001-2004 annual growth increased in real terms (Refer to Table 2).

Table 2: Contribution of Tourism to GDP

Year	Percentage Contribution	Current prices (million maloti)	Constant 1995 prices (million maloti)
2000	1.5	80.4	54.7
2001	1.4	83.9	53.4
2002	1.5	102.2	55.6
2003	2.0	146.7	60.6
2004	2.0	160.4	63.3

Source: Bureau of Statistics

Bilateral Cooperation with South Africa as a Vehicle for Tourism

Although data shows that the tourism sector has been growing at a slower rate than expected, it is however not disputed that it has the potential to be among the drivers of the economy. One possible strategy that can accelerate its significance would be the complementarity that can be harnessed from the tourism sector of the South African economy. South Africa becomes a vital player for various reasons, ranging from its proximity, to its diverse and relatively robust economic base.

The approach is highly conceivable, since recent statistics of the South African top ten markets driving growth of foreign tourism point to the same market that drives tourism in Lesotho. The market includes predominately other African countries, with the exception of the United States and the United Kingdom.

The paradox is the observation that the same significant contributors have been increasing in South Africa, but have been declining in Lesotho. This would appear unusual when Lesotho is considered a cheap destination; therefore it would be expected to be preferred when judged by price differential, hence supporting an argument of harmonising the approach of the sector in the two countries. This implicitly supports advocacy towards South-South cooperation. It is further observed that the major decline in tourist arrivals predominately came from European countries and some Asian countries, with increases mostly in developing countries. Another important observation is that Lesotho leads in a list of top 20 source markets, given 2004 and 2005 data, but the same is not reciprocated as the number from South Africa to Lesotho is constant and at best declining.

The benefits of a structured approach have also been learned from the South African Community-public-private partnerships in various areas. It is therefore contended that projects in tourism are likely to be sustainable only if they involve the livelihoods of the poor, in which case, failure will be at the extreme distance due to the fact that communities would not let their livelihoods be threatened.

Conclusion

Lesotho data on international arrivals indicated a declining trend, contrary to an increase observed at the international level. This is worrying in that, the sector is considered to be among those that have a potential to drive economic growth. This may be an indicator of two things, first, the benefits are not fully realised due to lack of distributional connection with the rest of the economy. Second, the observed decline in international arrivals as depicted in Table 1 might be a sign of inadequacy of the tourism authority to accurately capture the tourism movements, hence improvement in statistics.

Recommendations

The recommendations draw heavily on the two issues raised in the conclusion. A development of a joint development agenda between Lesotho and South Africa is likely to improve Lesotho's understanding of issues related to access of the poor to markets, commercial sustainability of tourism projects, and the development of policy framework and implementation issues.

The Lesotho tourism development cooperation can benefit from a close formal cooperation with the South African tourism authorities. The benefit would be a platform to cross check data as they have long experience in collecting tourism statistics. They have since started producing survey reports that detail tourists by their place of origin, sectors involved and the amount they spent. What is of interest is that Lesotho ranks high in such reports, therefore a close cooperation can only enhance our understanding of the nature of Lesotho tourism.

Table 1. Monetary and Financial Indicators+

	Apr	May	June
1. Interest rates (Percent Per Annum)			
1.1 Prime Lending rate	10.50	11.63	12.00
1.2 Prime Lending rate in RSA	10.50	10.50	12.00
1.3 Savings Deposit Rate	1.24	1.40	1.40
1.4 Interest rate Margin(1.1 – 1.3)	9.26	10.23	10.6
1.5 Treasury Bill Yield (91-day)	6.80	7.10	7.10
2. Monetary Indicators (Million Maloti)			
2.1 Broad Money (M2)	2610.78	2613.74	2703.98
2.2 Net Claims on Government by the Banking System	-1694.13	-1471.58	-1283.70
2.3 Net Foreign Assets – Banking System	5035.30	5129.82	5075.70
2.4 CBL Net Foreign Assets	4364.59	4353.91	4244.40
2.5 Domestic Credit	-882.79	-651.42	-462.00
2.6 Reserve Money	429.78	379.52	437.60
3. Spot Loti/US$ Exchange Rate (monthly average)	6.1064	6.3178	6.9904
4. Inflation	5.1	6.7	6.6
5. External Sector (Million Maloti)	**2005**	**2006**	
	QIV	**QI**	**QII**
5.1 Current Account Balance (Excl. LHWP)	-135.19	107.26	356.92
5.2 Capital and Financial Account Balance (Excl. LHWP)	241.67	99.88	-229.39
5.3 Reserves Assets	-86.9	-177.17	-441.12

+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

	2002	2003	2004	2005*
1. Output Growth(Percent)				
1.1 Gross Domestic Product – GDP	3.5	3.1	3.1	1.2
1.2 Gross Domestic Product Excluding LHWP	2.9	2.9	3.7	1.1
1.3 Gross National Product – GNI	1.6	6.0	6.1	0.3
1.4 Per capita –GNI	-0.2	3.7	3.9	-0.9
2. Sectoral Growth Rates				
2.1 Agriculture	-4.2	-1.8	1.2	1.8
2.2 Manufacturing	6.9	5.2	5.9	-8.3
2.3 Construction	6.9	4.3	0.4	2.0
2.4 Services	2.2	3.9	4.4	4.2
3. External Sector – Percent of GNI Excluding LHWP				
3.1 Imports of Goods	93.9	80.1	81.3	76.0
3.2 Current Account	-11.6	-5.8	1.0	0.5
3.3 Capital and Financial Account	6.4	3.8	1.4	0.4
3.4 Official Reserves (Months of Imports)	6.2	5.8	5.2	5.8
4. Government Budget Balance (Percent of GDP)	-2.8	-0.3	8.4	1.5

* Preliminary estimates