STATEMENT BY HONOURABLE SEKHULUMI NTSOAOLE, DEPUTY MINISTER,
MINISTRY OF TRADE AND INDUSTRY COOPERATIVES AND MARKETING AT THE
MEETING OF LANDLOCKED DEVELOPING COUNTRIES IN ALMATY,
KAZAKHSTAN ON 12TH SEPTEMBER, 2012

Chairperson,
Distinguished Delegates

It is a great privilege and an honour for me to participate in this very important meeting dedicated to the third priority of the Almaty Programme of Action. Allow me to extend, my sincere appreciation to the UN Office of the High Representative for the Least Developed Countries, the Landlocked Developing Countries and Small Island Developing Countries (UN-OHRLLS) for its continuous efforts in addressing the special needs of LLDCs as laid out in the Almaty Programme of Action, and in organising a series of thematic meetings to review its implementation. Special thanks also go to the Government of Kazakhstan for the warm welcome, hospitality and excellent facilities provided for this conference.

Chairperson

Trade is an important engine for economic growth, however, due to geographic location of landlocked developing countries, their participation in international trade is not significant and they are highly disenfranchised in reaping fruit from multilateral and regional trade arrangements which should in turn contribute meaningfully in their domestic economies. Lack of territorial access to the sea, remoteness and isolation from the world markets which inflate the transportation cost and lower their effective participation in international trade is one of the major bottlenecks to the economic development of LLDCs. The meeting convened here is indeed timely and important for us to assess the progress achieved thus far as well as to forge the way forward.

In the past decade, Foreign Direct Investment (FDI) has been one of the key drivers of growth for Lesotho. Between 2000 and 2004, Lesotho received large investments in the textile and clothing sector. These investments were driven mostly by preferential market access opportunities through the US African Growth and Opportunity Act (AGOA). It is important to note that among other issues, ease of doing business and access to markets is paramount to attracting FDI, hence the importance of Trade Facilitation.

We did indicate previously that One-Stop Business Facilitation (OBFC) was a reality in Lesotho. The OBFC was established in 2006 to ease the administration of establishing businesses and obtaining manufacturing and traders licenses as well as work permits for foreigners. The following Departments and Agencies are represented in the OBFC:

- The Department of Trade and Industry;
- The Lesotho Revenue Authority (LRA);
- The Department of Customs and Excise;
- The Department of Home Affairs; and
- The Department of Employment and Labor.
• The Registrar General

With the establishment of this office, a number of administrative adjustments have been achieved and recently, the One-Stop Business Facilitation Centre is implementing the new Companies Act of 2011 which came into effect on 1 October 2011. This Act provides for significant changes to the forms and processes for the registration of private and public shareholding companies in Lesotho. One of the key purposes of the new Companies Act is to significantly reduce the time taken to register companies in Lesotho.

It is worth noting that apart from being land locked, Lesotho is in a peculiar situation of being wholly surrounded by its only neighbor, South Africa. There is a relationship between the Lesotho Revenue Authority (LRA) and South African Revenue Services (SARS). This relationship is informed by amongst others the following:

• LRA and SARS cooperate on the number of fields bilaterally, these include the signing of a Double Tax Agreement, a Memorandum of Cooperation on Capacity Building and Technical Cooperation, and the Agreement on the Administration of Value Added Tax.

• Sub-regionally, SARS and the LRA actively participate in the customs activities of the Southern African Customs Union (SACU). The Customs Technical Liaison Committee (CTLC) oversees the Customs direction within SACU. In 2004 SACU countries agreed on five key customs initiatives with every country being responsible for one initiative and Lesotho is in charge of ensuring that One-Stop Border Posts are established within SACU. In the case of Lesotho specifically it will obviously have One-Stop Border Post with South Africa only, given her peculiar situation while others will have such borders with more than one country. The CTLC is in the process of developing a new Customs strategy.

• At a regional level both countries are members of the Southern African Development Community (SADC). The Sub-Committee on Customs Cooperation and the Sub-Committee on Tax Cooperation, along with the Amended SADC Trade Protocol and its provisions on Customs cooperation provide a framework for both Customs and Tax activities.

There are however challenges on the ground. The current reality within Southern Africa is that cross-border transport costs range between 30 and 40% of the price of goods in some cases. This compares poorly with the developed world average of around 4%. These costs are as a result of a range of factors including delays at border posts, duplication of controls and coordination failure between national administrations.

The main constraints, from a Customs point of view, to a smoother movement of trade at border crossings between South Africa and Lesotho are:

• Lack of harmonised processes and procedures;
• Lack of a common platform for the exchange of risk information;
• Lack of common trader management schemes between the two countries;
• Multiple inspections for imports and exports;
• Limited cooperation and exchange of information; and
• Lack of a common IT platform to enable faster processing of transactions and connectivity between the two administrations.

In spite of the market access opportunity provided through AGOA, Lesotho has been unable to diversify her product range exported to the US and in addition has not been able to diversify away from the US market. There are two Trade Capacity-Building projects in the Ministry of Trade and Industry to address the problem of diversification so that Lesotho can be integrated into the international trading system, The Private Sector Competitiveness (PSC) project and the Enhanced Integrated Framework (EIF). The Lesotho Enterprise Assistance Program (LEAP) is a matching grant facility launched by the Government of Lesotho in collaboration with the World Bank to help Basotho Private Enterprises improve their competitiveness in domestic and export markets. The scheme is housed within the overall PSC Project, under the aegis of MTICM and was designed to help qualifying enterprises purchase consultants and other services to help them diversify and expand their product lines and their domestic and export markets. Grant assistance of 80% of costs of an approved ‘action plan’ is available to private companies, and 75% to Business Associations and Chambers of Commerce.

The approved activities for LEAP assistance (disbursement + committed) to date accounts for 93% of the LEAP grant budget while the total disbursement makes 80% of the LEAP grant budget. In total, approved applications are from companies that have employed 21,857 people while approved associations have total membership of 1,100 businesses. There has been an increase in the number of quality applications coming from Small Micro and Medium Enterprises (SMMEs) majority of which have been approved and translated into implementable action plans.

With regard to the Enhanced Integrated Framework the National Implementation (NIU) is set up and fully fledged. The NIU is in the process of submitting a Tier two project. The project goal is to contribute to the enhancement of Lesotho’s sustainable economic growth, employment, food security, nutrition and poverty alleviation through building and strengthening capacity of smallholder producers to commercialise, diversify and promote production of fresh fruits and vegetables for domestic and exports markets.

Chairperson, as much as there are efforts made nationally and regionally, more needs to be done in order for the LLDCs to be integrated into the global trading system and benefit from the opportunities brought about by rapid globalisation. We the LLDCs need to work together in a coherent manner and focus our concerted effort on the rule making process of the WTO at the multilateral level. We need to intensify our efforts in harnessing the support of other groups within the WTO for the outcome of ongoing negotiations, though they have stalled, to be on our favour. It is my delegation’s belief Chair, that under your able leadership that this important meeting will outline the future actions in addressing our common concerns.

I thank you.