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The changing landscape of export diversification

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PRESENTATION

Building Productive Capacity to Transform Economies

By

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**Talking Points for Hon. Minister of Trade  
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on Building Productive Capacity to  
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Ministry of Trade and Industry

# Building Productive Capacity to Transform Economies

## **Background**

- Lesotho is a low income country with per capita gross national income of US\$1,210
- The economy has grown at an annual rate of 3% per capita
- The main growth engine before 2007 was manufacturing (exports of textiles and apparel)
- A reduction in manufacturing contribution to GDP implies the need to diversify into new growth sectors
- National Strategic Development Plan (NSDP) identifies horticulture, agro-processing, tourism, manufacturing and mining as the potential growth drivers

## **1. Diversification Opportunities that Lesotho has pursued**

- Lesotho Government has secured funding from international partners such as the World Bank, WTO - Enhanced Integrated Framework, UNIDO and Trade Hub, UNCTAD, UNDP and EU to support policy measures aimed at strengthening competitiveness of new growth sectors to decrease reliance on textile and apparel industry
- The following policies/strategies/programmes that support diversification were developed and implementation is in progress:

- Investment Policy;
- Industrial Policy;
- Standards and Quality Assurance Policy;
- SMME Policy;
- Mining Policy;
- Tourism Strategy;
- National Services Policy Review; and
- Industrialisation Upgrading and Modernisation Programme.

Formulation of the National Trade Policy is at an initial stage.

## **2. Results to date**

- Pilot farms under the Private Sector Competitiveness and Economic Diversification Project have been created to demonstrate potential for commercial fruit farming. Lesotho now exports fruits (cherries) to South Africa and pilots for exports of Grade 1 apples into the same market have yielded positive results;
- The project is being expanded to increase the capacity to meet the local and export markets demand as the Suitability Map shows that about one-sixth of the country is good for production of fruits (e.g. apples, peaches, apricots and cherries);
- Lesotho has obtained the Global Gap Certification (which covers food safety, environmental aspects and the welfare of workers) for farmers to export their products into the world markets;
- Under the EIF Agriculture Productivity and Trade Development, 80 greenhouses and 40 hail nets have

been allocated to farmers to improve production of fruits and vegetables. 37 horticultural district officers have been trained on the greenhouse and hail nets installation, handling, seedling production and general factors concerning good agricultural practices;

- Plans are underway to set up processing facilities for horticultural products;
- Automation of Construction Permit System of the Maseru City Council to reduce time, cost and regulatory burden to the private sector
- Introduction of the new Companies Act and creation of One Stop Business Facilitation Centre (OBFC) – for **“Ease of Doing Business”**
- Two Skills Centres have been established in the country to equip local entrepreneurs and factory workers in the Textiles and Clothing industries to improve productivity;

### **3. Remaining Gaps to be Addressed: National Policies and International Assistance**

- Development of National Trade Policy and Export Strategy;
- Limited capacity in quality infrastructure;
- Low value addition, product and market diversification in manufacturing sector;
- Enhancing Trade Promotion Efforts and Developing a National Brand;
- Full utilisation of Aid for Trade to address trade facilitation aspects; and

- Improving the educational system to address the needs of the productive sector.

#### **4. Lessons for Lesotho and other developing countries**

- Successful diversification from commodities to higher value added products does not occur as a result of domestic export-targeted measures or external preferential trading scheme. Other policies such as promoting long-term economic transformation and development of supply capacity are necessary;
- While trade preferences have helped diversification where policy favoured structural change and investment, they are not sufficient to promote diversification as long as supply side constraints prevail.