



## **CONCEPT NOTE**

**NATIONAL STRATEGIC DEVELOPMENT PLAN: TOWARDS  
AN ACCELERATED AND SUSTAINABLE ECONOMIC  
AND SOCIAL TRANSFORMATION  
2012/13 – 2016/17**

**Ministry of Finance and Development Planning**

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## NATIONAL STRATEGIC DEVELOPMENT PLAN: TOWARDS AN ACCELERATED AND SUSTAINABLE ECONOMIC AND SOCIAL TRANSFORMATION

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### 1. Introduction

1.1 Located in the centre of the largest and most sophisticated economy on the African continent, Lesotho has been so hamstrung by the shackles of apartheid that it has failed to take full advantage of its location for the past 100 years. Instead, it has served as a labour reservoir for South African mines and industries. It has experienced low economic growth, poor agricultural productivity, low wages, lack of industrial skills, poor physical infrastructure and high costs for cross border logistics. These have led to an unhealthy dependence on its neighbour and external assistance for employment, incomes, high level institutions for scientific education and research.

1.2 The present Strategic Development plan marks, as a point of departure, the need and urgency for Lesotho to radically transform its economy, intellectual and skills profiles by taking advantage of its location and defining a future that is characterized by the capacity to produce goods and services for the large southern African markets, the African continent and global markets. This requires political and social stability as well as world class technical skills and institutions that are capable of technical innovation and meeting the challenges of global competitiveness, as it pursues overall economic and social goals of high broad-based and sustainable economic growth and employment generation that will lead to poverty reduction.

### 2. Pre-requisites for high Broad Based and Sustainable Economic Growth

2.1 Rapid economic growth requires high and sustained levels of investment across all sectors of the economy. However, sustained levels of investment, whether domestic or foreign, cannot take place in a politically unpredictable

and socially unstable environment. Peace and stability are therefore *sine qua non* for accelerated economic and social development.

2.2 The second pre-requisite is a clear and predictable legal and regulatory environment that is characterized by the rule of law, efficient law enforcement agencies and an independent judiciary that dispenses justice quickly and impartially.

2.3 The third pre-requisite is availability of technical skills that are required by the modern economy. The production of these skills requires world-class education and research institutions that will attract and retain the best brains from Lesotho and the rest of the world.

2.4 Another requirement for high and sustainable economic growth and employment creation is the availability of good physical infrastructure, including transport, water and sanitation, energy, information, communications and technology. Unless a country invests heavily in the creation of the most efficient and sophisticated infrastructure and related services, including IT, it cannot meet the production requirements demanded by the highly competitive global investment flows.

2.5 Finally, high and sustained economic growth requires institutions that are capable of efficient policy formulation, execution and monitoring. It is only through strong and efficient institutions that economic and business competitiveness and an investor-friendly environment that a country can attract high and continuous levels of investment that are necessary to accelerate growth, generate employment and reduce social inequities.

2.6 Empirical studies show how the Asian countries and Ireland have reduced poverty by maintaining high economic growth over thirty to fifty years through sustained high investment in education and industrial skills, infrastructure and by creating strong economic, social, legal and political institutions.

2.7 The challenge for Lesotho is to look deeply into its history, culture and institutions in order to find the levers and drivers of economic transformation and take-off. This will require strong leadership and national consensus on

determination to turn the difficulties of being land-locked into opportunities of linkage with the global markets. There are opportunities that open from time to time even in the current economic crisis. But these pass quickly. Lesotho will not be able to exploit them if it continues to move at a snail's pace while the rest of the world moves at supersonic speed.

### **3. The Process of Preparing the Plan**

- 3.1 The proposed Strategic Plan will be concise and focused on the key or binding constraints which Lesotho must address in order to accelerate or unleash its economic transformation from a subsistence economy that depends on migrant remittances to a globally competitive, modern industrial and service economy.
- 3.2 The consultative process will build on Vision 20/20 which followed a wide national consultative process. The Planning Team, supported by a secretariat with a complement of a few local and international consultants, will report to a steering committee that will be chaired by the Honourable Minister for Finance and Development Planning. The Steering Committee will consist of a small team of major players in politics, economics, academia, the private sector and civil society. Given the time and cost constraints, structured consultations will be grouped into (five) clusters, which are (i) Investment climate, financial services, trade and manufacturing; (ii) Infrastructure including Roads, Water, ICT, Power and Institutions; (iii) Skills development focusing on Technical, scientific, medical, managerial, and ICT skills; (iv) Economic sectors (other than Manufacturing) and Natural resources, including Tourism, Agriculture, Mining and Environment (v) Health, HIV and AIDS and vulnerability. These clusters are not mutually exclusive. The drafts from the Steering Committee will be submitted to Cabinet before being released for discussion in the National Planning Board.
- 3.3 In terms of timing, the first draft is expected to be available in time (by July/August 2011) to inform the preparation of the 2011/12 Budget. The publication of the Plan is expected to be around December 2011 with

implementation expected to start in April 2012. This timeline is very tight hence turn-around times will be very short.

#### **4. Main Components of the Plan**

4.1 Part 1 of the plan will include a concise situation analysis and this will provide the basis for the definition of policies, strategies, actions and investments that Lesotho must implement in order to transform its economy and launch it on a sustainable job-creating growth path. This section will draw heavily on international experience of countries previously similar to Lesotho's circumstances but which were able, through determined visionary actions, to transform their circumstances. Examples include Singapore, Ireland and Rwanda, which emerged from genocide to become a high economic performer using information technology and innovation.

4.2 The following overarching objectives will be elaborated:

- Promotion of peace, democracy and good governance;
- Pursuit of high, sustainable and equitable economic growth;
- Poverty reduction through employment generation and reduction of social vulnerability;
- Protection of the environment and promotion of climate friendly technologies and practices;
- Promoting HIV/AIDS prevention, care and treatment; and
- Radically transforming technical, vocational and higher education to produce world class skills and expanding access to technology, applications, innovation and networks.

4.3 An indicative macroeconomic forecast and associated fiscal framework will be produced which provide the expected resource envelope and fiscal strategy. This is to ensure that the plan is realistic and that fiscal sustainability is maintained.

4.4 Because public resources are limited, the government will seek to make the private sector the engine of economic growth and transformation and will limit its role to facilitation, regulation and promoting fair market competition.

4.5 Part 2 will contain an Investment Programme that will identify specific activities that will contribute towards the attainment of the overall plan objectives. Rigorous selectivity and appraisal will be applied in order to ensure that selected activities deliver the maximum impact on growth, employment, economic transformation and private sector participation.

4.6 After consideration by the Cabinet and the National Planning Board, the draft National Strategic Development Plan will be shared with the key stakeholder groups and the public in general through district consultations.