



KINGDOM OF LESOTHO

**Keynote Address by Honourable Tlohang
Sekhamane, Minister Finance,
Kingdom of Lesotho**

**ROADSHOW CAMPAIGN TO REVAMP SACU BRAND
AND CREATE VISIBILITY IN MEMBER STATES**

March 23, 2017

Maseru, Lesotho

Allow me to pay my respects to:

His Majesty King Letsie III and the Head of State

The Right Honourable the Prime Minister and the Head of Government

The Honourable President of the Senate

The Chief Justice and Judges of the High Court

Honourable Ministers of His Majesty's Government

Honourable Members of both Houses of Parliament

Madam Executive Secretary of SACU

Members of the Diplomatic Corps;

Senior Government Officials;

Distinguished invited guests;

Distinguished members of the Media

Ladies and Gentleman.

It is a great honour and privilege for me, on behalf of the Government and people of the Kingdom of Lesotho, to welcome you, Madam Executive Secretary of the Southern African Customs Union (SACU) Secretariat, and your delegation to Lesotho, for this educational and memorable endeavour.

It is also a great honour for me to present this keynote address on this roadshow crusade to showcase the SACU trademark and create visibility in member states. This marks yet another important landmark in strengthening the long-recognized relationship that exists amongst the five Member States of SACU. It also presents a good occasion to obtain

views from stakeholders on how best SACU and its institutions can best assist its Member States on the regional integration agenda and on economic development.

Ladies and gentlemen,

We are all aware that SACU, which was established in 2010 by agreement between the Union of South Africa and the then colonial territories of Bechuanaland, Basutoland and Swaziland, is the oldest existing customs union in the world. Over the years since its establishment, SACU has evolved from a Union entirely controlled by one Member to the current structure where decisions are taken democratically by all its members. The current SACU Agreement of 2002 therefore, signified a serious milestone in the democratisation of SACU as an organisation.

In its operations, SACU has played a critical role in the development of the region and, in particular, the less developed Member States, Lesotho included, through the revenue sharing mechanism, which has enabled the Government of Lesotho to mobilise financing of up to 60 percent of its annual expenditure since the commencement of the revenue sharing arrangement under the new SACU Agreement of 2002. Alongside these revenue shares, Lesotho has benefitted immensely from the free trade offered by the Customs Union through zero-rating of all imports of goods and services from the other members, especially South Africa, which remains the main source of Lesotho's imports. To a large extent, therefore, the Customs Union has contributed to the development of Lesotho's private sector and to the growth of her economy as a whole.

Despite the positive contribution made by the SACU revenue shares, experience in the recent past has been an awakening call to the less-developed of the SACU Member States. There are serious dangers in relying on this source of revenue. Since the global financial crisis, it demonstrated pro-cyclicality and volatility that poses a huge risk on Lesotho's macro-economic and fiscal stability and sustainability. From 2005/06 when we started to apply the new Revenue Sharing Formula under the 2002 Agreement, until 2009/10, Lesotho enjoyed growth in SACU revenue shares at an average 30 percent per annum. But in the advent of the global financial and economic crisis, we saw a dramatic decline in SACU revenue receipts, which led to serious macro-economic and fiscal challenges for our country. Although there has been a recovery, projections are that performance of the global economy and trading structures created by free trade arrangements between countries and regions will most likely lead to lower customs receipts and hence lower customs union receipts.

Ladies and gentlemen,

You may all be aware that the SACU Agreement of 2002 defines three components of the Common Revenue Pool, namely, the Customs Component, the Excise Component and the Development Component. A greater percentage of Lesotho's share of the revenue comes from the customs component. With Lesotho's low industrial base, her contribution to the overall SACU excise collections is very low. Hence the higher customs revenue shares.

It is my hope that by the end of our deliberations here, ladies and gentlemen, we will have come up with suggestions and strategies on how

we can take advantage of the market created by the Customs Union to grow Lesotho's productive base, and hence our capacity to generate domestic revenue and reduce our dependence on the SACU revenue. This has been emphasized at every occasion, and I would like to challenge each one of us to endeavor to turn this rhetoric into reality. As we prepare the next generation National Strategic Development Plan, economic diversification, and more importantly, enhancement of trade opportunities should feature high on our economic growth agenda.

The SACU Work Programme has identified five key focal areas, namely,

- (i) Regional Industrial Development;
- (ii) Review of the revenue arrangement;
- (iii) Trade facilitation;
- (iv) Establishing common institutions; and
- (v) Unified engagement in trade negotiations with third parties.

The approach that advocates value chain is very relevant for small economies such as ours which may not be able to establish large-scale industries right from the beginning. We therefore welcome the efforts and processes that are underway in SACU to develop an industrial development policy that emphasizes the importance and benefits of value chains.

The Government of Lesotho welcomes the initiative taken by the Secretariat to publicize SACU across the five Member States, and to enlighten nationals on SACU programmes. We trust that engagement with the various stakeholders will help ignite the requisite interest and a sense

of responsibility to get involved, each one of us with renewed vigor, in our various areas of responsibility. We cannot leave the development of our country and the growth of our economy to a single stakeholder, which is the government. It should be a joint responsibility, with government mainly being responsible to create a level playing field for the private sector to grow and diversify. We need to all roll up our sleeves and get our hands dirty for the long-term benefit of our country.

It is my hope that this campaign will help strengthen partnerships between the government, the private sector and all the other players. I also hope this event will whet the appetite of our friends in the media to report on news relating to SACU and to keep government and the private sector on their toes to implement the SACU work programme.

I sincerely hope that the channels of dialogue on trade and trade facilitation that the SACU Secretariat has unleashed through this event will remain open, and that the partnership encouraged by the SACU Agreement of 2002 will grow from strength to strength. More importantly, I hope that this event will help our private sector to better understand the business and growth opportunities presented by SACU.

Finally, I wish you all very fruitful deliberations.

Thank you