

Voice of the South Summit

1. Thank you Chair for inviting us to this very important Summit and for giving me the opportunity to present Lesotho's position on the selected thematic areas, which are, Development Finance, Avoiding debt traps, Development Aid and Partnerships and on achieving financial Inclusion.

Development Finance

2. Distinguished dignitaries; with regards to development finance, the major sources of development finance are comprised of External and Domestic Sources, which are both public and private. The external sources include Official Development Assistance (ODA) in the form of bilateral and multilateral development assistance, Loans from major Development Finance Institutions and Vertical Funds, and Private financing in the form of Foreign Direct Investment and private equities as well as remittances from abroad. Whilst the domestic sources are tax and non- tax revenues as well as borrowing from the domestic market through government securities.

Ladies and Gentlemen,

3. ODA has been a major source of development finance in the country until Fiscal year 2013/14 when its volume declined drastically, compared to

private external finance, which FDI and external remittances. The trend has not changed to-date. This has been worsened by the negative impacts of COVID-19 and the Ukraine - Russia war.

Ladies and Gentlemen,

4. The Government of Lesotho is grateful for the support that the Government of India over the years has afforded the country especially in the areas of health, education, agriculture and military capacity enhancements, including technical assistance. We have received two lines of credit totaling USD9.7 million.
5. I must mention that Lesotho launched the Integrated National Financing Framework (INFF) in March 2021 and we are currently implementing its recommendations while at the same time the country is developing the 2nd framework. The framework has been critical in creating a data base and developing a coherent financing strategy for development. This should in turn contribute to the better mobilisation of development finance for achievement of national plans and SDGs. It can be noted that ODA mostly finances the capital budget.
6. In relation to the second thematic area, Access to finance, for Lesotho, this remains one of the major challenges in promoting the private economic initiatives in the country, despite the Government's initiatives such as

credit guarantee schemes. Bank credit to GDP ratio in Lesotho was 19.03 per cent in 2017, putting the country in 149th place globally. Private sector capital is also constrained due to the underdeveloped domestic capital market and limited regulatory instruments. The Maseru Securities Market (MSM) was only created in 2014 and is still in a nascent stage, with a narrow offering (only debt instruments) and low liquidity.

7. Lesotho has developed the Public-Private Partnership Policy (PPPP) to encourage and manage private-public partnerships (PPPs). Although the experience on the PPP projects has not been that positive, the potential is there and should be explored now than ever given the country's economic status. FDI inflows have been moderate and do not fully reflect Lesotho's potential as an investment destination.

Chairperson,

8. The Government has realised the potential of diaspora and has prepared the Diaspora Strategy, which should yield results in the next few years. Diaspora bonds and a Diaspora Funds will be some of the initiatives to be explored. We hope to learn from other countries on how they have fared in this area.

Distinguished Ladies and Gentlemen, **in addressing theme - a quest to avoid debt traps, I wish to start by indicating that** Lesotho's public debt has been increasing as a share of GDP, from 46.4% in March 2021 to 47.3% in March 2022. Thus, we have realised increasing debt servicing pressure on the fiscus. It is expected that it will grow in the next few years as the country addresses the adverse impact of COVID-19 and high transactional costs that are attributable to the Ukraine Russia war.

9. Lesotho is assessed to be at the moderate level of debt distress. There are also notable vulnerabilities from emerging risks, from domestic arrears accumulation, contingent liabilities and potential shocks to exports and fluctuations in SACU receipts.
10. Accordingly, the government is committed to ensure that the debt levels remain sustainable to maintain a stable macroeconomic environment.

Development Aid and Partnerships

11. The Government of Lesotho acknowledges and appreciates the role that Development Partners have played and continue to play in Lesotho's development. The Government further recognises that the impact of this assistance can be much greater through improved and strengthened systems for aid coordination and management. The Government of Lesotho is in the process of finalising the revision of the Lesotho Partnership Policy whose intension is to strengthen aid coordination and

management in Lesotho and set a platform for collaboration between Government and Development Partners.

12. The Government of Lesotho will also continue its efforts in enabling International Non-Government Organisations (INGOs), National Not-for-Profit Associations (NPAs), philanthropic foundations, development trusts, research institutes, think-tanks and academic institutions to carry out their implementation activities and to participate in development cooperation activities.

13. The Government will enhance coherence, transparency and predictability across various approaches for effective climate finance and disaster preparedness. The Partners will continue to support national climate change policy and planning as an integral part of overall national development plans.

Achieving Financial Inclusion

14. Ladies and Gentlemen, the GoL is committed to promote and support the development of inclusive finance to increase employment, production, productivity, and exports to reduce poverty and ensure economic growth that is private sector led as is depicted in the National Strategic Development Plan.

15. It is evident that a stable, liquid, competitive and efficient inclusive finance is one of the preconditions for expanding production, increasing the

number of micro and small enterprise operators, creating employment, and increasing household income in a sustainable way.

16. Addressing the key challenges of expanding inclusive finance in Lesotho requires the support of government through policy, legal and regulatory reforms, collaboration with the private sector and development partners towards a deliberate effort of building the capacity of key players in the financial sector fraternity.

17. According to the FinScope 2020 survey, the level of financial inclusion in Lesotho stands as high as 91% of the adult population. However, only 45.8% of the adult population use bank and nonbank formal products and services; of which only a meagre 38% has bank account with a financial institution.

In conclusion, Excellencies,

18. For India-Lesotho, bi-lateral cooperation, I wish to request the strengthening of technical and financial cooperation in the current areas of cooperation, especially health sector, in fighting cancer and technology transfer for the development of the agricultural sector and value chain development.

19. To the wider, development community, I wish to indicate that there is need for support to countries like Lesotho not to get into the debt trap by restructuring and getting debt relief to open the fiscal space to invest in the recovery of the economy.

20. I also believe that support for Aid for Trade, Compliance with FATF standards and implementation of Sustainable Development Goals Agenda remains critical to among others close the digital divide and advance women empowerment as well as to promote environmental sustainability.

21. I thank you for your attention.