



GOVERNMENT OF LESOTHO

COUNTRY REPORT

VIENNA PROGRAMME OF ACTION FOR THE DECADE 2014-2024

LIST OF ACRONYMS

AfCFTA	AFRICAN CONTINENTAL FREE TRADE AREA
AfDB	AFRICAN DEVELOPMENT BANK
AGOA	AFRICAN GROWTH AND OPPORTUNITY ACT
AU	AFRICAN UNION
AW	ASYCUDA WORLD
BDS	BUSINESS DEVELOPMENT SERVICES
BEDCO	BASOTHO ENTERPRISE DEVELOPMENT CORPERATION
CA	CONSERVATION AGRICULTURE
CBL	CENTRAL BANK OF LESOTHO
CBM	COORDINATED BORDER MANAGEMENT
CBMS	CENTRAL BUDGET MANAGEMENT SYSTEM
CBRA	CROSS BORDER REGULATORY AGENCIES
COMESA	COMMON MARKET FOR EASTERN AND COMMUNITY
CTM	COMMUNITY TRANSIT MANAGEMENT
CTFP	COMPREHENSIVE TRADE FACILITATION PROGRAMME
DCR	DEVELOPMENT COOPERATION REPORT
EAC	EASTERN AND AFRICAN COMMUNITY
PSCEDP	PRIVATE SECTOR COMPETITIVENESS AND ECONOMIC DIVERSIFICATION PROGRAMME
UNICEF	UNITED NATIONS INTERNATIONAL CHILDRENS EMERGENCY FUND
EMP	ELECTRIFICATION MASTER PLAN
EU-SADC EPA	EUROPEAN-SOUTHERN AFRICAN DEVELOPMENT COMMUNITY ECONOMIC PARTNERSHIP AGREEMENT
FAO	FOOD AGRICULTURAL ORGANISATION

FDI	FOREIGN DIRECT INVESTMENT
FFV	FRESH FRUITS AND VEGETABLES
FOC	FIBRE OPTIC CABLE
FTA	FREE TRADE AREA
GF	GLOBAL FUND
GoL	GOVERNMENT OF LESOTHO
GSP	GENERALISED SYSTEMS OF PREFERENCE
HOBA	HEADS OF BORDER AGENCIES
HPTD	HORTICULTURE PRODUCTIVITY AND TRADE
ICP	INTENSIVE CROP PRODUCTION
IFAD	INTERNATIONAL FUND FOR AGRICULTURAL
IMF	INTERNATIONAL MONETARY FUND
KPA	KEY PRIORITY AREA
LBMS	LESOTHO BORDER MANAGEMENT SERVICES
LCA	LESOTHO COMMUNICATIONS AUTHORITY
LCCI	LESOTHO CHAMBER OF COMMERCE AND
LCCT	LESOTHO COORDINATING COMMITTEE ON TRADE
LEC	LESOTHO ELECTRICITY COMPANY
LEWA	LESOTHO ELECTRICITY AND WATER AUTHORITY
LLDC	LEAST LANDLOCKED DEVELOPING COUNTRY
LNDC	LESOTHO NATIONAL DEVELOPMENT CORPERATION
LNSW	LESOTHO NATIONAL SINGLE WINDOW
LNTFR	LESOTHO NATIONAL TRADE FACILITATION ROADMAP
LREEAP	LESOTHO RENEWABLE ENERGY AND ENERGY
LSI	LESOTHO STANDARD INSTITUTE
MASCON	MASERU CONTAINER TERMINAL
MCSITI	MINISRTY OF COMMUNICATIONS, SCIENCE, INFORMATION

TECHNOLOGY AND INNOVATION

MoF	MINISTRY OF FINANCE
MoFP	MINISTR OF FINANCE AND DEVELOPMENT PLANNING
MSME	MICRO SMALL MEDIUM ENTERPRISES
MTIBDT	MINISTRY OF TRADE, INDUSTRY, BUSINESS DEVELOPMENT AND TOURISM
MTPW	MINISTRY OF TRANSPORT AND PUBLIC WORKS
NSOP	NEW STANDARD OPERATING PROCEDURES
NTBS	NON TARIFF BARRIERS
NTPF	NATIONAL TRADE POLICY FRAMEWORK
NTS	NATIONAL TRADE STRATEGY
NUL	NATIONAL UNIVERSITY OF LESOTHO
ODA	OFFICIAL DEVELOPMENT ASSISTANCE
OFID	OPEC FUND INTERNATIONAL DEVELOPMENT
OSBP	ONE STOP BORDER POSTS
EPA	ECONOMIC PARTNERSHIP AGREEMENT
PPPP	PUBLIC PRIVATE PARTNERSHIP POLICY
PSCEDP	PRIVATE SECTOR COMPETITIVENESS AND ECONOMIC DIVERSIFICATION PROJECT
PSFL	PRIVATE SECTOR FOUNDATION OF LESOTHO
PSID	PRIVATE SECTOR INVESTMENT DATABASE
RE	RENEWABLE ENERGY
REP	RURAL ELECTRIFICATION PROGRAMME
RISDP	REGIONAL INDICATIVE STRATEGIC
RSL	REVENUE SERVICES LESOTHO
S &DT	SPECIAL AND DIFFERENCIAL TREATMENT
SA	SOUTH AFRICA

SACU	SOUTHERN AFRICA CUSTOMS UNION
SACUM+UK	SACU MOZAMBIQUE + UNITED KINGDOM
SADC TRF	SOUTHERN AFRICA DEVELOPMENT COMMUNITY TRADE RELATED FACILITY
SARS	SOUTH AFRICA REVENUE SERVICES
SDG	SUSTAINABLE DEVELOPMENT GOAL
TFTA	TRIPARTITE FREE TRADE AREA
UK	UNITED KINGDOM
UN	UNITED NATIONS
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE
UNICEF	UNITED NATIONS INTERNATIONAL COMMUNITY ON EMERGENCY FUND
USA	UNITED STATES OF AMERICA
USAID	UNITED STATES AGENCY FOR INTERNATIONAL
VDP	VOLUNTARY DISCLOSURE PROGRAM
VNR	VOLUNTARY NATIONAL REVIEW
VPoA	VIENNA PROGRAM OF ACTION
WBG	WORLD BANK GROUP
WIOCC	WEST INDIAN OCEAN CABLE COMPANY
WTO TFA	WORLD TRADE ORGANISATION TRADE



I. EXECUTIVE SUMMARY

As a small landlocked economy, encircled by South Africa, Lesotho is committed to using trade as a key driver of economic growth and development. Lesotho's developmental aspirations are guided by the National Vision (Vision 2020) which is implemented through the National Strategic Development Plan (NSDP). The NSDP II (2017/18 – 2023/24) is committed to adopting policies that will maximize private sector investment with the main objective of increasing Lesotho's regional and global competitiveness; hence the development of the National Trade Policy Framework 2020 that is aimed at guiding the national trade agenda in this respect.

Given the size of her economy, Lesotho has a small local market leading to limited effective demand which means that, growth of the economy cannot be solely dependent on domestic demand but regional and international markets must be fully exploited especially in labour intensive export industries. However, due to her economic status and geographical conditions, the country has faced several challenges resulting in fewer exports, poor investment climate and trade promotion which is reflected by ranking 106th country out of 190 in World Bank's Doing Business 2019.

The COVID-19 pandemic created economic havoc and forced the government to look at the rising debt 'more flexibly'. Like many African countries, Lesotho has been caught up unprepared by the pandemic. The first registered case of COVID-19 was reported in May 2020, although fairly late. However, even before cases were reported, the Government introduced the national lockdown in March 2020, similar to many countries around the world. The lockdown and a drop in international trade had severe economic impact on Lesotho and threatened food security. As the Government had very little financial space to support business, IMF approved emergency assistance of USD49.1m to Lesotho in July 2020 of (IMF, 2020). Lesotho's economic performance has not been favourable even before the outbreak of the pandemic. Slowdowns in South Africa had a deeper impact on Lesotho's small economy, as it is well integrated into the South African economy. Revenue Services of

Lesotho (RSL) then Lesotho Revenue Authority (LRA) underperformed its 2019 target by around 9 per cent and deferred tax payments in 2020 have hurt national finances.

Over the past two decades, Lesotho has taken advantage of preferential market access dispensations: African Growth and Opportunity Act (AGOA) and the Generalised System of Preference (GSP) to attract Foreign Direct Investment in labour intensive manufacturing for export outside the region, primarily to the United States of America and the European Union.

Lesotho recognises the value of regional integration and cooperation in providing the potential for promotion of trade, boosting value chains thus contributing to the overall improvement of the economy. To this end Lesotho is a Member of the Southern African Customs Union (SACU), Southern African Development Community (SADC), and is negotiating a Free Trade Area Agreement with the Common Market for Eastern and southern Africa (COMESA) and the Eastern and African Community (EAC) under the Tripartite Free Trade Area (TFTA) configuration.

By ratifying the African Continent Free Trade Area Agreement (AfCFTA) Lesotho committed to fully implementing the Agreement and thereby benefiting from the market access of the largest FTA in the world.

Lesotho is also a member of the World Trade Organisation (WTO).

As a landlocked economy, Trade Facilitation (TF) is vitally important to Lesotho. Reducing trade transaction costs through efficient trade facilitation is essential for consumer welfare and firm competitiveness in regional and international markets. Lowering trade costs will reduce the cost of doing business in terms of time and costs, facilitates access to both consumer and intermediate products (inputs) while also augmenting exports. The World Bank noted that between 2017 and 2018, Lesotho made importing faster by implementing the trade facilitation reforms and reducing documentary compliance time for imports by two hours.

Lesotho is also committed to implementing international and regional treaties and protocols to improve her economic status. These include: the United Nations Sustainable Development Goals (SDGs), the World Trade Organisation's Trade Facilitation Agreement (TFA) the African Union (AU) Agenda 2063 and the Southern African Development Community Regional Indicative Strategic Plan (RISDP 2020-2030) among others; and has integrated the objectives of such into the national development plans.

Lesotho has received considerable amount of support from the international community and development partners to advance her developmental aspirations, notably, the World Bank group (WBG), African Development Bank (AfDB), European Union Development Fund (EDF), United Nations Conference on Development and Trade (UNCTAD)

II. Introduction

Lesotho is a small Landlocked Developing Country (LLDC) with a population of approximately 2.2 million, completely encircled by South Africa. Given her size and geography, Lesotho has committed to prioritising outward oriented growth within the region and internationally. Hence the development of a National Trade Policy Framework (2021-2025) which is geared towards maximising exports and maintaining and expanding market access regionally and internationally.

Being a Landlocked developing country, Lesotho faces special challenges associated with lack of direct territorial access to the sea. The country's international trade depends entirely on transit through South Africa. Although Lesotho is a member of the Southern African Customs Union (SACU) and Southern African Development Community (SADC) together with her transit county South Africa; cumbersome transit procedures and a number of Non-Tariff Barriers (NTBs) still exist between the two countries despite their commitments in the Agreements and Protocols regulating those regional economic blocks. This, impacts negatively on Lesotho's competitiveness in international markets and limits her potential of trade to stimulate economic growth.

The country report on implementation of the Vienna Program of Action (VPoA) reviews progress made in achieving the program's key priorities over a ten year period: 2014-2024. The VPoA was intended to assist LLDCs to address their special development needs and the challenges they face due to their geographical conditions through implementation of the following key priority areas: (i) fundamental transit policy issues (ii) infrastructure development and maintenance (iii) international trade and trade facilitation (iv) regional integration and (v) structural economic transformation.

The report benefitted from valuable inputs from national stakeholders as well as a desktop research and analysis undertaken by the national focal point. Reference has also been made to studies conducted during the period under review as well as development partners and donors' reports. To encourage and maintain national ownership, the report was validated by stakeholders.

During the period under review, Lesotho has put in place strategic measures to address her landlockedness - related constraints in line with the VPoA. Since its inception in 2014, the VPoA priorities have been incorporated into the national development plans, in particular, the National Strategic Development Plan I (NSDP) (2012/13-2017/18) and NSDP II (2018/19-2022/23), the National Trade Policy Framework (2021-2025) and its complementary strategy: National Trade Strategy (2012-2025) as well as the National Trade Facilitation Roadmap (2019/20-2023/24).

The NSDP II, which is the current planning document for implementation of the national vision, has set out a broad policy direction which Lesotho should take to achieve the national development aspirations for transformation of Lesotho's economy for job creation and inclusive growth and has been the basis for the development of the National Trade Policy Framework. NSDP II identified four Key Priority Areas (KPAs): **(i) Enhancing Inclusive and Sustainable Economic Growth and Private Sector-led Job Creation (ii) Strengthening Human Capital (iii) Building Enabling Infrastructure and (iv) Strengthening National Governance and Accountability Systems.** Interventions for

these KPAs also address the crosscutting issues of environment and climate change, youth, children, elderly, disability, and gender.

The NSDP also serves as a framework for implementation of the Sustainable Development Goals (SDGs), the African Union Agenda 2063, the WTO Trade Facilitation Agreement, the Vienna Program Action (VPoA), the Regional Indicative Strategic Development Plan (RISDP) of the Southern African Development Community (SADC) 2020-2025, and other regional and international policy instruments.

Although substantial progress has been recorded over the past decade, implementation of the VPoA was hindered by a number of factors including lack of finances, non-compliance by transit countries to implement commitments set out in agreements and protocols, impacts of climate change and lately the Covid-19 pandemic. However, Official Development Assistance played a major role in assisting Lesotho to implement some of the VPoA priorities, full details of the received ODA are provided in the report.

Preparations of the VPoA Country Report commenced with the establishment of a national team made up of key stakeholders in the implementation of the VPoA, with clearly defined terms of references depending on their Organisations' mandates and responsibilities toward implementation of the VPoA. Key stakeholders included Ministries of Trade and Industry, Transport and Public Works, Communications, Science Information Technology and Innovation, Finance and Development Planning, Natural Resources, Foreign Affairs; government implementing organisations including the Revenue Services of Lesotho (RSL), Lesotho Communication Authority (LCA) and Lesotho Electricity Corporation (LEC), Lesotho Chamber of Commerce and Industry (LCCI) and Private Sector Foundation of Lesotho (PSFL) and Lesotho National Development Corporation (LNDC).

Other trade related government ministries including the Ministries of Agriculture and Tourism were consulted on a regular basis. Central Bank of Lesotho (CBL), the Bureau of Statistics and RSL provided valuable statistical information to substantiate the report. However, absence of institutional alignment often leads to overlaps and contradictory results leading to untimely, incredible and inconsistent data. Moreover, Lesotho's weak capacities in terms of human and technical resources limit the use of statistical evidence in national development processes.

The initial stakeholders meeting was organised to develop common understanding of the VPoA objectives among stakeholders to ensure conformity with prescribed guidelines. This was followed by the second meeting that was aimed at discussing the draft report to confirm alignment with the requirements. Finally, the validation meeting was conducted for national ownership.

The National VPoA Focal Point's role has been that of coordinatorship and has been instrumental in organising meetings, conducting bilateral meetings with other stakeholders, undertaking some desk top research and , gathering and analysing data, consolidating stakeholders' inputs and finalising the report.

III. Mainstreaming of the Vienna Programme of Action into the National Development Plan –

During the period under review, Lesotho was implementing the National Strategic Development Plan I, a five-year medium-term plan, covering period 2012/13 to 2016/17. The overarching goal of the NSDP I was to achieve sustained employment creating growth over the plan period, by encouraging private-sector-led growth and pursuing the most likely sources of growth as determined by Lesotho's comparative and competitive advantages. According to the NSDP I review, realization of key objectives has been limited; despite some improvements in the access to basic infrastructures, such as water, ICTs, power and paved roads, the economic growth did not translate into sustainable jobs.

Based on these lessons, the NSDP II (2018/19-2023/24) was developed. The Plan was intended to achieve the long-term national, regional and international development goals guided by the Vision 2020, Agenda 2063, Agenda 2030 respectively as well as other international frameworks including the WTO Trade Facilitation Agreement (TFA), Vienna Program of Action and the SADC Regional Indicative Strategic Development Plan (RISP). The purpose was to further enhance economic competitiveness and improve trade facilitation for economic growth. NSDP II prioritised Agriculture, Manufacturing, Tourism & creative arts and Technology & Innovation sectors, focusing on the following four Key Priority Areas:

- Strengthening governance and accountability systems
 - Building enabling infrastructure
 - Strengthening human capital (health, education and skills development)
 - Enhancing inclusive and sustainable economic growth
-

Coherence and linkages with the Post-2015 Development Agenda and other global processes:

- ***Post 2015 Development Agenda and Agenda 2063***

As a national strategic framework, the NSDP provided a foundation for development agenda in the country, also linked to the major development agenda, is the Post 2015 Agenda and Agenda 2063, while other secondary global processes are aligned to strategies at sectoral and ministerial levels.

In partnership with the civil society, development partners and private sector, the Government of Lesotho led a multi-stakeholders consultative process to determine national priorities in the context of the Post 2015 Agenda, and as a foundation to the NSDP II.

In 2019, Lesotho underwent a Voluntary National Review (VNR) of the Implementation of the 2030 Agenda (MoDP, 2019a), focusing on SDGs 1, 2, 4, 8, 10, 13, 16 and 17. There was notable progress with these SDGs, compared to the initial commitment document (MoDP, 2016a). The Government has looked at the development partnership broadly and has focused on a few areas/initiatives; namely the National Dialogue and Reform Agenda, as well as combating climate change and building health and protection systems to address HIV/AIDS (MoDP, 2019a, p. 104). Based on these national priorities, the 2030 Agenda for Sustainable Development has been mainstreamed into the NSDP II, and aligned to the key pillars of the Strategy as follows:

TABLE 1. LINKAGES WITH THE POST 2015 AGENDA AND OTHER GLOBAL PROCESSES

National Vision 2020 Pillars	NSDP	Agenda 2063	SDGs
<p>Pillar 1: A stable Democracy</p>	<p>Goal 6: Promote Peace, Democratic Governance and effective institutions</p>	<p>Goal 11: Democratic values, practices, universal principles of human rights, justice and rule of law are entrenched</p>	<p>Goal 16</p>
		<p>Goal 13: Peace, security and stability are preserved</p>	<p>Goal 16</p>
		<p>Goal 14: A stable and peaceful Africa</p>	<p>N/A</p>
		<p>Goal 15: Fully functional and operational African peace and security architecture</p>	<p>N/A</p>
		<p>Goal 18: Engaged and empowered youth and Children</p>	<p>Goal 4, 8, 16</p>
		<p>Goal 8: United Africa</p>	<p>Goal 2, 9, 10</p>

National Vision 2020 Pillars	NSDP	Agenda 2063	SDGs
<p>Pillar 2: A united nation</p>	<p>Goal 6: Promote Peace, Democratic Governance and effective institutions</p>	<p>Goal 9: Continental financial and Monetary institutions are established and functional</p>	<p>Goal 17</p>
		<p>Goal 16: The African cultural renaissance is pre-eminent</p>	<p>Goal 4, 8, 10, 12, 16</p>
<p>Pillar 3. A nation at peace with itself and its neighbors</p>	<p>Goal Promote Peace, Democratic Governance and effective institutions</p>	<p>Goal 12: Capable institutions and transformative leadership in place at all levels</p>	<p>Goal 11, 12, 16</p>
<p>Pillar 4. A healthy and well developed human resource base</p>	<p>Goal 3: Enhance Skills base, Technology Adoption and Foundation for innovation</p>	<p>Goal 2: Well educated citizens and skills revolution underpinned by science, technology and innovation</p>	<p>Goal 4</p>
	<p>Goal 4: Improve health, combat HIV & AIDS and reduce vulnerability</p>	<p>Goal 3. Healthy and well-nourished citizens</p>	<p>SDG 2, 3, 5</p>

National Vision 2020 Pillars	NSDP	Agenda 2063	SDGs
Pillar 5: A strong economy and prosperous nation	Goal 1: Create high shared and employment generating growth	Goal 1: High Standard of living, quality of life and well-being for all citizens	Goal 1, 2, 6, 7, 8, 9, 10, 11, 12, 17
	Goal 1: Create high shared and employment generating growth	Goal 4: Transformed economies	Goal 2, 8, 9, 12, 14, 17
		Goal 5: Modern agriculture for increased productivity	Goal 1, 2, 5, 8, 9, 12, 13, 14
		Goal 6: Blue / ocean economy for accelerated growth	Goal 7, 14
	Goal 6: Promote Peace, Democratic Governance and effective institutions	Goal 19: Africa is a major partner in global affairs and peaceful coexistence	Goal 9, 17
		Goal 20: Africa takes all responsibility for financing its development	Goal 8, 10, 17
	Goal 2: Develop Key Infrastructure	Goal 10: World class infrastructure crisscrosses Africa	Goal 5, 7, 9, 17

National Vision 2020 Pillars	NSDP	Agenda 2063	SDGs
Pillar 6: A Well managed environment	Goal 5: Reverse environmental degradation and adapt to climate change	Goal 7: Environmentally sustainable and climate resilient economies and communities	Goal 2, 3, 6, 7, 11, 14, 15

- **Integration of the Paris Agreement into national development policies**

Lesotho has achieved the following, as contribution in implementing the Paris Agreement (PA):

- **Lesotho National Climate Change Policy (NCCP) 2017 – 2027:** The objective of this policy is to build climate resilient and low-carbon sustainable economy, which are the objectives of the Paris Agreement and the United Nations Framework Convention on Climate Change. A corresponding Implementation Strategy was developed to facilitate implementation of the NCCP in the next five years, 2017 – 2021; and has been integrated into the NSDP II for coherent policy response and implementation of climate change strategies.
- As a requirement of the Paris Agreement, Lesotho has submitted document on **Nationally Determined Contributions (NDC)**, detailing actions that the country needs to undertake to address climate change adaptation and mitigation until 2030.

- Lesotho has developed a national **Guidelines on Integrating Climate Change into Policies, Strategies and Plans; providing a** step by step guidance on integrating climate change into different national, sub-national policies, strategies and plans.
- **Sendai framework for Disaster Risk Reduction**

In facilitating national implementation of the Sendai Framework for Disaster Risk Reduction, Lesotho developed a National Resilience Strategic Framework (2017–2030). The aim was to facilitate an increased mainstreaming of climate and disaster risk management in the national and sector plan and strategies and to address the issues of vulnerability based on the aspirations of various national strategy documents and the Vision 2020, the National Strategic Development Plan, and other international frameworks including the Sendai Framework: 2015-2030.

The framework is the outcome of nationwide stakeholder consultations driven by collaborative efforts of different national sectoral players and development partners of Lesotho. Lesotho further carries out vulnerability assessments on annual basis through the Lesotho Vulnerability Committee (LVAC) under the Disaster Management Authority, which provides an evidential analysis on various vulnerabilities affecting Lesotho.

- **Addis Ababa Agenda (AAA)**

Lesotho carried out a Development Finance Assessment (DFA) (2019) for the establishment of holistic and forward-looking financing framework (INFF) to achieve Sustainable Development Goals at the national level. The assessment provided an overall mapping of financing flows, as well as looking at the enabling environment for accessing, allocating, utilizing and monitoring the variety of financing available to a country.

IV. Assessment of key economic, social and environmental development trends

Lesotho is classified as a lower middle- income country. Between 2011 and 2015, Lesotho achieved an economic growth of 4.5%, decelerating to between 1.8% and 2.3% in the period between 2013 and 2017, due to Government's commitment to prudent economic management practices, and increased activities in the mining, construction and manufacturing sectors. Lesotho further improved its ranking on the Doing Business Index from 153 in 2012 to 106 in 2018.

Despite this, Lesotho made no progress in reducing extreme poverty in the period 2014 to 2018; with an estimated 57% of its population living below the poverty line. Lesotho is listed among the top 10 most unequal countries at 0.549 (2016) Gini Coefficient. Unemployment is estimated at almost 33%, and it is higher amongst females and youth. Human Development (0.497) remains below the Sub-Saharan average of 0.523. Progress made towards the following MDGs: reducing child mortality, improving women's representation in leadership and decision-making roles, and improving access to education. Challenges remain in terms of the quality of education, increasing the match between skills and employment opportunities and the fight against HIV/AIDS, for which Lesotho still has one of the highest prevalence rates in the world at an estimated 25%.

Lesotho is vulnerable to effects of extreme climatic conditions, characterised by recurring droughts, floods, early and late frosts, hail, snow and storms as well as emerging signs of progressive desertification caused by climate change. This has significant implications on agriculture, food security and livelihoods, increasing poverty and vulnerability. Moreover, high environmental degradation in the country is largely attributed to increased use of natural resources for farming, grazing, and dependency on biomass as a source of fuel.

In addition, the country continues to experience land pollution due to inadequate and ineffective waste management measures and poor compliance thereof, with a high proliferation of illegal dumps across the country. The lack of clear laws and policies for management of scrap car disposals has also increased the number of second-hand motor vehicles imported from different parts of the world, exacerbating the country's vulnerability, health risks and susceptibility to environmental pollution.



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V. Assessment of progress and challenges in the implementation of the VPoA:

Priority Area 1: Fundamental transit policy issues

Lesotho is a landlocked developing country, geographically surrounded by the Republic of South Africa (RSA) thus making (RSA) her only “neighbour” and transit country to any place in Africa and the rest of the world. The nearest port is Durban, which is approximately 731km from the Maseru Border Post. Transit between Lesotho and South Africa is mainly through eleven border posts, one railway system that is mainly used for transport of cargo and one international airport.

The status of being landlocked implies that Lesotho `s cross border transactions entail high costs due to cumbersome border-crossing procedures. This therefore requires Lesotho to put in place deliberate actions to improve transit transport systems between Lesotho and South Africa.

As a member of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU) Lesotho is implementing the SADC Protocols on Trade and Free Movement of Persons which call for non-discriminatory treatment of transit goods and of people across borders, respectively. Passenger Transport issues are guided by the SADC protocol on Transport, Communication and Meteorology and the SACU Agreement and Memorandum of Understanding on cross border transport. Lesotho is also a signatory of the SADC UNIVISA Agreement as mandated by the SADC and African Union (AU) Free Movement of Persons Protocols and the African Union Free Movement Protocols.

During the period under review, Lesotho has been implementing a number of measures to overcome transit issues; these initiatives indicate Lesotho’s commitment towards resolving transport and transit issues with her transit country. However, the slow pace of negotiations in some cases and lack of implementation in others is hampering her concerted efforts.

1.1 Actions undertaken to address transit issues during the period under review:

- Introduction of an e-VISA in 2017 for electronic application and approval of VISAs into Lesotho.
- Introduction of the Trusted Traveller Programme.
- Negotiations on Joint Immigration Border Clearance are underway between Lesotho and her South Africa to ease movement of persons across borders.
- Introduction of a Single Administrative Document (SAD) to reduce excessive number of documents required to import/export goods into/out of the countries in the SADC region.
- Establishment of New Standard Operating Procedures for both Immigration Services and Customs, based on the principles of seamless flow of commercial traffic at the borders, for facilitation of movement of persons and legitimate cargo using Post Clearance Audit, Risk Management, Anti-smuggling control instruments and Anti trafficking of persons.
- Introduction of the Customs Modernization Programme (ASYCUDA World) and the Immigration Border Management system at Lesotho borders, which has promoted efficiency using ICT at borders.
- The single border agency principle has been introduced and a lead agency identified, with Memorandum of Understanding between the lead agency and other border agencies drafted. Four border posts (Maseru, Maputsoe, Caledonspoort and Tele border posts) were revamped and refurbished to further ease movement of goods, services and persons across the main borders.
- A 'green lane' has been introduced at the main borders, to facilitate border movement and reduce queues, with non-Intrusive inspection techniques introduced through implementation of cargo and baggage scanning solution including establishment of inspection hub.

- Formation and implementation of a Coordinated Border Management (CBM)- Lesotho Border Management Services, at Maseru Bridge.

Although Lesotho's ranking on the World Bank Doing Business Index has improved substantially, from 153 (2012) to 106 (2018), the Trading Across Borders Index has deteriorated. Lesotho's ratings and performance declined from 36th in 2016 to 40 in 2018. This may be attributed to the challenges as outlined below:

- I. Transiting cargo is subjected to customs procedures in the form of provisional payment. That is, cargo from Lesotho manufacturers transiting through South Africa must account for Duties commensurate to the cost of goods at the first port of entry. This is to ensure duties have been accounted for in case the transiting cargo does not reach the intended destination but rather consumed in South Africa, thereby increasing transit cost on the part of the manufacturers.
- II. Automation systems between the two countries are not interoperable; transiting cargo from Lesotho is highly likely to be inspected again if the risk engine in the SA customs demands such to be done. This may lead to failure to meet the timelines, and revenue losses due to long transit processes and delays in transporting goods to the destination.
- III. Failure to implement some of the commitments made under the economic blocks, such as the SADC Transit Management System, which has not been fully implemented due to challenges of 'soft' infrastructure frameworks, and legal requirements within member states. This impacts more on landlocked countries like Lesotho compared to those that have access to the sea

Priority 2: Infrastructure development and maintenance

Lesotho's Transport Sector is largely dominated by road, followed by rail and air. The rail is owned by South Africa and is only 2.5 kilometres long with a rail head at Maseru West Industrial Area. It has a container terminal known as Maseru Container Terminal (MASCON).

Lesotho made the following progress in the development of transit transport, energy, and ICT infrastructure and its maintenance:

2.10 Transport Sector

Lesotho depends entirely on the South African infrastructure for transportation of goods to access global markets. Lesotho's exports must travel long distances through South Africa to the port of Durban to access shipping to international markets. Furthermore, Lesotho utilizes South African railway and road networks to facilitate trade in and out of Lesotho. This results in high transport costs, which weaken the country's competitiveness and her potential to attract foreign direct investment (FDI). Delays at major border posts between Lesotho and South Africa seem to be a significant problem that affects flow of trade.

2.11 Roads Network

Lesotho has completed the construction of 8.6 km route from Alwynskop to Tele Bridge connecting Quthing District (Lesotho) to the Eastern Cape province of South Africa, reducing the time taken in transit from more than 30 minutes to 11 minutes. Construction of the Sani Top Road as one of the SADC inter-country regional corridors was completed in 2016: this will enhance regional cooperation and integration to stimulate economic development and promote investment opportunities between Lesotho and South Africa.

South Africa on the other hand has paved the road from Himeville, in Kwazulu Natal Province to the Sani Pass Border in Lesotho in the district of Mokhotlong. Upgraded the road between Bloemfontein and the Maseru Bridge and paved the road (corridor) from Qwaqwa to Mononts'a Border with Lesotho on the northern part of Lesotho,

which will connect Marakabei to Mononts'a road network. These developments have substantially improved cross-border trade between the two countries, and minimised transit costs. This improvement has also encompassed a dedicated truck lane that enhances ease of movement of persons and goods across the border.

2.12 Rail Transport

There is a 2.5 km railway line from main border post Maseru Bridge to the Maseru Container Terminal (MASCON), operated by a single goods train between Lesotho and South Africa. Efforts by the Government of Lesotho to turn the Maseru Container Terminal (MASCON) into a dry port to stimulate economic growth are under way. It is envisaged that this rail link will run through Lesotho from Maseru to South Africa's seaports of Durban and Port Elizabeth.

2.13 Energy

Lesotho continues to experience energy deficit; electrification in the country remains limited, particularly in rural areas. Currently, the electrification rate in Lesotho stands at around 51% of the 537,457 households. This translates to about 11% of the rural households and 77% of the urban households. SDG 7 states that energy shall be universally accessible by 2030. To reach this target, the Electrification Master Plan (EMP) 2018 – 2038) has been developed to cater for both grid and off-grid electrification to enable systematic, predictable and equitable grid expansion and off-grid electricity roll-out, with a view to enhancing the quality of life, providing income-generating opportunities and alleviating poverty in Lesotho.

Lesotho's installed electricity generation capacity is 74.7MW and the peak demand is 203MW. The generation capacity covers only 40% (highly concentrated in urban areas while the majority of the population residing in rural areas depend on biomass for cooking and heating which leads to negative social and environmental

impacts) of the demand and the remaining 60% is offset by imports from Republic of South Africa (ESKOM) and Mozambique (EDM).

2.2 Progress achieved in this sector during the period under review:

- Developed the Energy Policy in 2015. (National Energy Policy 2015-2025). This policy suggests promotion of renewable energy sources and energy efficiency and addressing the promotion of cleaner forms of energy and technologies to increase the share of cleaner fuels in the energy supply mix thereby reducing the share of non-sustainable forms of energy. This policy is an essential guiding tool to achieving a planned access rate of 50% by 2020, from 34% in 2014 (LEWA).
- Developed the Electrification Masterplan (EMP) 2018,
- Adopted the Southern African Power Pool (SAPP) 2017. This is a document for the development of power generation and transmission in the Region. The aim is to identify “a core set of generation and transmission investments of regional significance that can provide adequate electricity supply to the region under different scenarios in an efficient and economically, environmentally and socially sustainable manner and support enhanced integration and power trade in the SAPP region.”
- Currently implementing the “Development of Cornerstone Public Policies and Institutional Capacities to Accelerate Sustainable Energy for ALL (SE4ALL)” project. When fully implemented, the project will establish village-based energy services model for replication nationally. Currently, a Private Developer has been engaged to develop 10 mini-grids, which will increase electrification access by at least 1%.

2.21 Renewable energy (RE)

- Lesotho has developed scaling-up Renewable Energy Programme Investment Plan 2017 aimed at supporting investments in the Renewable Energy (RE) technologies. The program will contribute to the development of a commercial RE market in Lesotho, facilitating the development and investments in on-grid and off-grid RE, development of markets and an enabling environment to promote RE.
- The Country Action Agenda (CAA) 2018 has been developed with the main purpose of defining the national SE4All objectives and determining how Lesotho would achieve the three goals of SE4All.
- The Government in partnership with the European Union is implementing a programme to support the energy sector reform and strengthen the energy sector, distribute renewable energy and energy efficiency technologies (strengthening of distribution channels). The piloted model involves a private sector led approach to provide services through enhanced delivery/distribution networks.
- The Lesotho Renewable Energy and Energy Access Project (LREEAP) is currently being implemented. Component 1 and 2 is focusing on “Grid extension to Peri-Urban of Lesotho” and “Rural Electrification by Mini-grids” respectively. The project will also rehabilitate and expand the Semonkong mini hydro facility and build a solar generation facility.

Box 1. Ongoing projects to develop access to electricity and renewable energy in Lesotho

- I. Urban Distribution, Rehabilitation and transmission expansion project. Funded by the Government of Lesotho, this is improvement of electricity access and network reliability by refurbishing old electricity network equipment and installing new transformers, power lines, sub-station, switch gears, poles in 10 districts and also constructing the alternative feeders
- II. Northern Districts Electrification. The project consists of supply and erection of 11kV transmission and distribution lines; 11/0.4 kV step-down transformers; 0.4 kV distribution lines; and service connections to nineteen villages in Leribe and Botha-Bothe districts connecting 4361 households. It is jointly funded by BADEA and the Government of Lesotho.
- III. Rural Electrification Programme. The project consists of supply and erection of 33kV and 11kV transmission and distribution lines; 33/11kV and 11/0.4 kV step-down transformers; 0.4 kV distribution lines; and service connections to twelve thousand four hundred (12,400) households annually.
- IV. Solar Street Lighting. Installation of 112 solar street lighting masts at Peka in the Leribe district.
- V. SE4All project financed by GEF, UNDP and Government of Lesotho, for development of appropriate policies and strategies to facilitate investment in RE-based mini-grids, Energy survey, and village-based energization schemes

2.22 ICT

Over the past years, Government of Lesotho has put in place an enabling environment that has seen the ICT sector grow significantly particularly in areas of mobile devices, computer applications, information processing, storage and dissemination as well as mobile money, e-commerce, global connectivity and online trade.

During the period under review, the sector has attracted investment in excess of USD73 Million thereby providing direct and indirect employment to a large number of people. The revenue collection from telecom companies amounted to US\$332 billion by December 2017, up from US\$289 billion in December 2012.

According to the NSDP II, the Government of Lesotho will continue to restructure the ICT sector and support the applications of ICT in all productive sectors; support sectors to enhance efficiency; promote private sector led job creation and inclusive economic growth. The Government has taken advantage of regional integration to lower bandwidth prices for Lesotho and has introduced an e-government project to increase government efficiencies and public service delivery.

In the absence of the guiding National Broadband policy, the two mobile network operators have been allowed use own policies and strategies to provide internet connectivity to enhance innovation and investments in this area. This has increased accessibility to internet services, with at least 27% (2018, ITU) of Lesotho's population utilizing internet, compared to 5% (2014). Vodacom Lesotho, has in August 2018, launched 5G connectivity, thus increasing connectivity speed with wireless speeds of 700 Mbps – 35 times faster than a typical 4G connection (Business Insider SA, 2018).

In 2018, Lesotho developed the National Broadband Policy, to guide broadband connectivity in the country. The aim is to provide a framework to harmonize and align government efforts to drive the introduction of broadband infrastructure as well as to identify new initiatives that would improve availability, affordability, sustainability, and relevance of broadband services. The policy reflects the government ambition to build sound policy foundations

for a long-term development of the ICT sector and the establishment of a basis for the exploitation of broadband services in order to provide;

- Better communications and access to information
- Economic growth and sustainable development; and
- Better health, education and employment opportunities

2.23 Telecommunications

The telecommunications sub-sector continued to expand in terms of the number of Internet subscriptions. During the period 2015 to 2022, the sector experienced a steady increase in the number of broadband internet subscriptions from 708 463 subscriptions in March 2015 to 1,475,037 subscriptions in March 2022. In terms of nationwide access, the increase in Internet subscriptions translated to 73 subscribers for every 100 Basotho in March 2022 compared to 38 subscribers for every 100 Basotho in March 2015. See Table 1 below:

Table 2: MAIN INDICATORS, 2015 - 2022

INDICATOR	MARCH 2015	MARCH 2016	MARCH 2017	MARCH 2018	MARCH 2019	MARCH 2020	MARCH 2021	MARCH 2022
¹ Population	1,880,661	1,880,661	1,880,661	2,007,201	2,007,201	2,007,201	2,007,201	2,007,201
² Contribution to GDP	3.2%	3.4%	3.1%	3.0%	3.0%	3.0%		2.3%

Fixed telephone subscriptions	41,123	40,570	28,206	7,506	8,750	13,426	7,225	7,964
Mobile telephone subscriptions	2,289,315	2,140,141	2,233,403	1,638,263	1,584,739	1,583,192	1,509,748	1,756,747
Fixed telephone penetration (subscriptions per 100 inhabitants)	2.0%	2.0%	1.0%	0.0%	0.0%	1.0%	0.0%	0.4%
Mobile telephone penetration (subscriptions per 100 inhabitants)	122%	114%	119%	82%	79%	79%	75%	87.5%
Overall telephone penetration	124%	116%	120%	82%	79%	80%	76%	87.9%

per 100 inhabitants								
Broadband subscriptions	708,463	833,532	923,407	1,126,125	1,216,308	1,365,459	1,389,524	1,475,037
Broadband penetration (subscriptions per 100 inhabitants)	38%	44%	46%	56%	61%	68%	69%	73%
³ Percentage of individuals using internet (%)		33%			42%			

Source: LCA

Bureau of Statistics: Lesotho Demographic Survey (2011) & 2016 Population and Housing Census - www.bos.gov.ls

Bureau of Statistics: QGDP Publication Tables 3rd Quarter 2022

Data from ICT Household surveys conducted by Lesotho Communications Authority

A huge decline was experienced in the telephone penetration between March 2017 and March 2018 due to the change in the methodology of counting active telephone subscribers.

From 2018, active telephone subscribers were considered as those who have been active or have generated revenues in the preceding 90 days (3 months) as opposed to 215 days (7 months) that

was used prior to 2018. Another factor that contributed to the said decline was the adoption of the new population figure based on the 2016 Population and Housing Census.

In 2012, the Lesotho Communications Authority launched a programme to reduce the interconnection rates applied by service providers gradually using 3-year cycle periods. The aim was to assist in gradually lowering the headline tariffs faced by consumers based on reduced interconnection rates. For the period under review, the interconnection rates were gradually reduced from 38 cents in 2014/2015 to 9 cents by 2021/2022 (Table 2). This reduction had an indirect effect in gradually lowering the headline tariffs.

TABLE 3: EVOLUTION OF INTERCONNECTION TRENDS 2015 - 2022

Financial Year	Interconnection Rates (Maloti)	Annual Reduction
2014/2015	0.38	-
2015/2016	0.32	15.8%
2016/2017	0.26	18.8%
2017/2018	0.20	23.1%
2018/2019	0.15	25.0%
2019/2020	0.12	20.0%

2020/2021	0.09	25.0%
2021/2022	0.09	0.0%

Table4: LEGISLATION FOR THE COMMUNICATION SECTOR IMPLEMENTED SINCE 2014

Legislation	Date of Publication in the Gazette	Link
Lesotho Communications Authority (Administrative) Rules No. 77 of 2016	24 June 2016	https://www.lca.org.ls/legislation/
Lesotho Communications Authority (Quality of Service) Rules No. 100 of 2016	22 July 2016	https://www.lca.org.ls/legislation/
Lesotho Communications Authority (Licensing Classification and Fees) Rules No. 23 of 2018	23 March 2018	https://www.lca.org.ls/legislation/
Lesotho Communications Authority (Administrative)		

(Amendment) Rules No. 22 of 2018	23 March 2018	https://www.lca.org.ls/legislation/
Lesotho Communications Authority (Administrative) Rules No. 114 of 2020	30 October 2020	https://www.lca.org.ls/legislation/
The communications (Subscriber Identity Module Registration) Rule No. 141 of 2021	24/December/2021	https://www.lca.org.ls/legislation/
Broadcasting Code Rule No. 38 of 2022	14/April/2022	https://www.lca.org.ls/legislation/

Lesotho Communications Authority (Administrative) Rules No. 77 of 2016

- The Rules prescribe process and procedure for application of operating licences, finite resources and type of approval of terminal telecommunications equipment. The Rules also regulate issues such as infrastructure sharing, competition management, tariffs and protection of consumers.

Lesotho Communications Authority (Quality of Service) Rules No. 100 of 2016

- These Rules prescribe quality of service standards and parameters which the service providers

providing fixed, mobile and internet services have to meet when providing services to the consumers.

Lesotho Communications Authority (Licensing Classification and Fees) Rules No. 23 2018

- These Rules prescribe different categories of licences, authorization tenure and applicable fees.

Lesotho Communications Authority (Administrative) (Amendment) Rules No. 22 of 2018 These Rules amended some provisions of the Administrative Rules of 2016 to incorporate regulatory provisions that apply to the postal services. Issues covered in this amendment include representation of global international operators in Lesotho, renewal of postal licence and sharing of postal infrastructure. Lesotho Communications Authority (Administrative) Rules No. 114 of 2020.

The Communications (Subscriber Identity Module Registration) Rule No. 141 of 2021: These Regulations provide for mandatory SIM card registration and guarantee data protection and curb criminal activities perpetrated with the use of SIM cards as well as to control the proliferation of counterfeit devices in the market.

2.24 ICT INFRASTRUCTURE DEVELOPMENT

This section presents a summary of key ICT infrastructure developments for provision of voice and broadband services in the country. The Authority has been monitoring collecting ICT infrastructure data since 2017 on the following:

Base transceiver stations (BTS)

By the end of 2021/22, the total number of Base stations was 613 and they provide about 98% of land coverage.

Microwave links: The microwave links are vital in the mountainous areas to provide backhaul where erection of poles for fibre is a challenge. Due to rapid changes in technology and demand for high speed connections, operators are gradually replacing microwave links with fibre, where it's feasible.

Fibre optics:

Due to the high demand of internet-based applications, more sites are now being connected to the optical fibre to provide high speeds internet. The sites connected with fibre backhaul are steadily increasing.

Figure 1 shows the optical fibre connections to the sites.

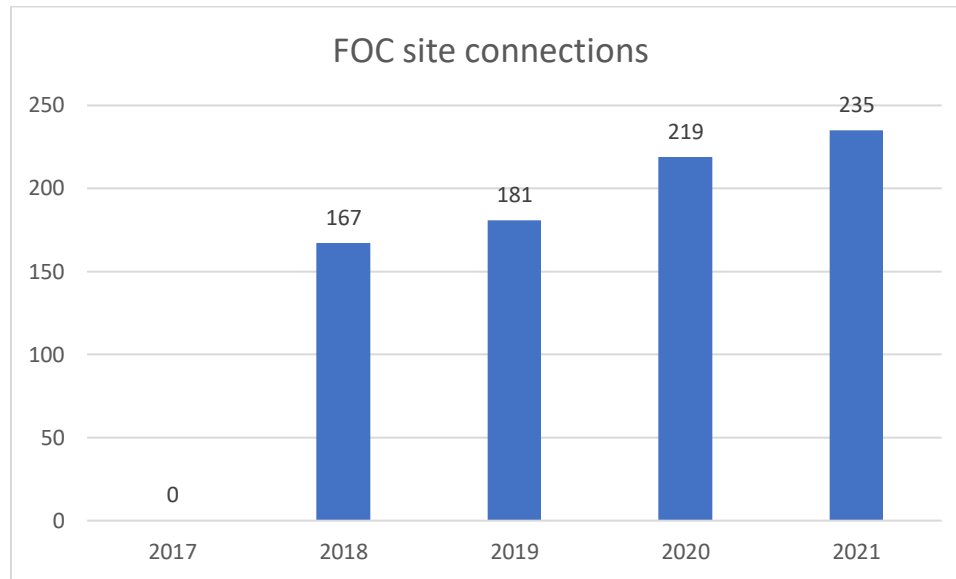
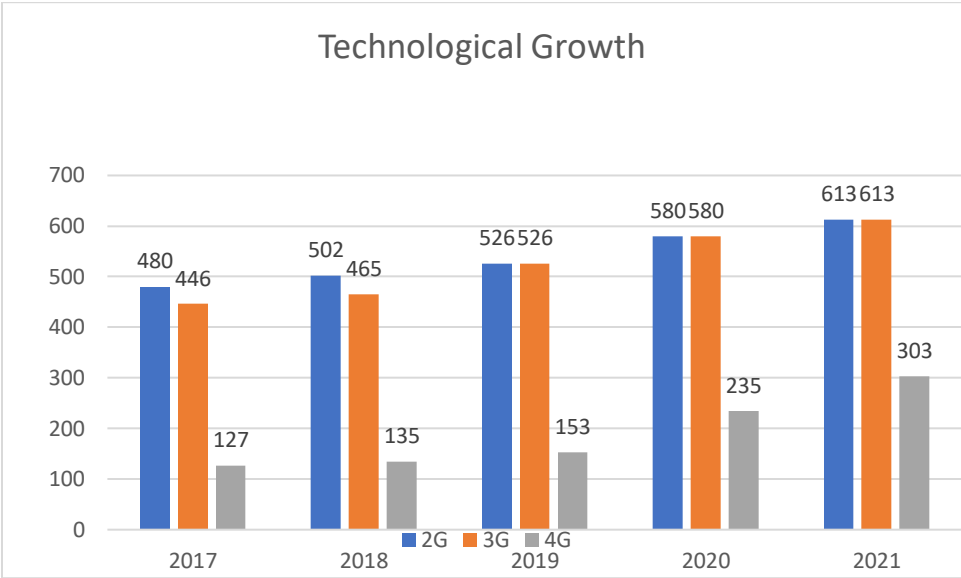


Figure 1 - FOC site connection

1.1 Technologies (2G, 3G, 4G and 5G):

The foot prints for 2G and 3G are the approximately 98% of the land coverage. 4G is available mostly in the ten administration towns. The operators are finalising the trails on 5G technology. Figure 2 reflects the evolution of each technology.

Figure 2 Technology Evolution



WIOCC (West Indian Ocean Cable Company) - Fibre-Optic Cable Connection

Lesotho is a shareholder in WIOCC. One of the main project that is run by WIOCC is the Eastern African Submarine Cable System (EASSY) project. The project is aimed at bringing international Internet bandwidth at the doorstep

of the participating countries through Points of Presence (PoP). In Lesotho, the PoP is at the LIXP hosted at LCA. Currently Lesotho has about 18 x Synchronous Transport Module Level-1 (STM-1) internet capacity on WIOCC project. One STM-1 provides about 155Mbps of bandwidth capacity.

Priority 3: International trade and trade facilitation:

International Trade

Lesotho's economy is closely inter-linked with South Africa through trade, labour migration, a customs union, and a common monetary area that influences her fiscal and monetary policies. Lesotho is highly dependent on South Africa, for imports, remittance income revenue from the Southern African Customs Union and employment. Lesotho's domestic economy is primarily based on subsistence agriculture, an emerging diamond mining industry, labor-intensive manufacturing, and a large services sector. It has a narrow export basket concentrated on a small number of products and trading partners.

Over the past two decades, Lesotho has taken advantage of preferential market access under AGOA, Cotonou Agreement, GSP to attract foreign investment in labour-intensive manufacturing for export outside the region, primarily to the US.

Lesotho also benefited from the Economic Partnership Agreement with the European Union and the SACU+Mozambique preferential trade agreement with the United Kingdom (UK). Lesotho is also a member of the World Trade Organization and enjoys Special and Differential Treatment (S&DT) due to her LDC status.

At the regional level, Lesotho is a member of SACU and SADC and is implementing a number of protocols emanating from those RECs.

The NSDP II underscores the importance of market diversification in enhancing the country's economic growth and recommended promoting economic diversification to reduce dependence on a narrow range of export products. To this effect, Lesotho under the configuration of SACU is negotiating a Free Trade Area with the

Common Market for Eastern and Southern Africa (COMESA) and the Eastern African Community (EAC) for market of trade in Goods and Trade in Services; also referred to as the Tripartite Free Trade Area (TFTA). The agreement goes beyond market access of goods and services to include infrastructure development.

By ratifying the African Continental Free Trade Area (AfCFTA), Lesotho committed to full implementation of the Agreement which Continent`s largest Free Trade Area in the world.

Lesotho further entered into another Economic Partnership Agreement (EPA) between the Southern African Customs Union (SACU) Member States together with Mozambique (SACU+M) and the United Kingdom (UK) which was signed on October, 2019. The Agreement came following the decision of the UK to exit the European Union (BREXIT) in order to avoid trade disruptions that would result due to BREXIT and to maintain the market access concessions and other beneficial effects contained under the EU-SADC EPA.

In 2021, Lesotho developed the National Trade Policy Framework. The national trade policy framework has been aligned to the national goals as articulated in the NSDPII for economic diversification and attainment of socio-economic and private sector development. The policy framework is implemented through National Trade Strategy (2021-2025).

Table 5. Destination and value of Lesotho's exports between 2014 and 2016

2014			2015			2016		
Trade partner	Value	Percentage share	Trade partner	Value	Percentage share	Trade partner	Value	Percentage share
Belgium	4,090,014.90	45.43	U.S.A.	2,390,210.83	34.2	South Africa	5570	42.5
U.S.A.	2,803,061.00	31.13	Belgium	2,353,395.16	33.7	U.S. A	3985	30.4
South Africa	2,060,882.30	22.89	South Africa	2,106,194.60	30.2	Belgium	3126	23.9
United Kingdom	10,133.60	0.11	Canada	34,318.99	0.5	Swaziland	118	0.9
Swaziland	7,494.80	0.08	Swaziland	24,077.65	0.3	Canada	65	0.5
Japan	7,419.80	0.08	Germany	21,625.46	0.3	Germany	42	0.3
Canada	7,000.90	0.08	Mauritius	13,536.89	0.2	Botswana	29	0.2
Hongkong	6,342.30	0.07	Australia	6,927.52	0.1	Mauritius	15	0.1
Australia	5,949.10	0.07	Hongkong	4,836.06	0.1	Bangladesh	15	0.1
Botswana	2,585.70	0.03	Botswana	4,128.91	0.1	Zimbabwe	14	0.1

Total	9,000,884.23	99.97	Total	6,959,252.07	99.7	Total	12981	99.1
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Source: Lesotho Bureau of Statistics

With the support of Development Partners, Lesotho has made progress on improving overall economic competitiveness. To coordinate her efforts in the development and implementation of the trade policy as well as mainstreaming trade to address employment issues, export growth and diversification the Lesotho Coordinating Committee on Trade (LCCT) has been established as a Consultative Forum for national trade policy.

To further enhance Lesotho`s competitiveness in existing and potential markets, The Lesotho Standard Institute was established 2018 to support diversification and competitiveness.

Trade Facilitation



According to the OECD Trade Facilitation Indicators, the impact of trade facilitation measures in Lesotho including on bilateral trade flows and on trade costs, showed that reforms with the greatest benefit in the country are in the areas of: Simplification and harmonization of documents, Automation and streamlining of procedures, Governance and, Impartiality and information availability. These are in line with the four pillars of Trade Facilitation Principles and have to a large extent influenced the National Trade Facilitation Roadmap objectives.

As a member of WTO, Lesotho ratified the WTO Trade Facilitation Agreement (TFA) in 2017. Implementation of the TFA at the national level is guided by the National Trade Facilitation Roadmap (2019-20-2023-24). The Roadmap outlines the direction which the Kingdom of Lesotho will take to implement Trade Facilitation Reforms with a view to enhancing cooperation between the public and private sectors, while improving domestic and cross-border trade, with a possible impact on economic growth. To monitor implementation of the TF Roadmap, the National Trade Facilitation Committee was established.

3.111 Substantial progress made in implementing TF measures:

- 2014 - Commencement of implementation of ASYCUDAWorld (AW): seven commercial offices were connected to the system; thus, clearance of imports and exports through these offices is done in ASYCUDA world.
- In 2018, the Government of Lesotho signed an agreement with the United Nations Conference on Trade and Development (UNCTAD) to undertake a technical assistance project to support and enhance the Customs operations within the scope of ASYCUDAWorld (AW) to maximize systems changing technologies and Customs best practices. The work involved:
 - I. migration of the Lesotho revenue Authority AW system to the latest release and upgrading of its proprietary server engine (Soclass);

- II. implementation of the valuation database, ASYPM, Post Clearance Audit, private shoppers` module, Preferred Traders` Module and development of system enhancements according to the Lesotho Revenue Authority; (now Revenue Services of Lesotho (RSL) requirements and vision. The system also improved collection and accounting of revenue collections and hence availed a statistical database for fiscal and economic policy purposes.

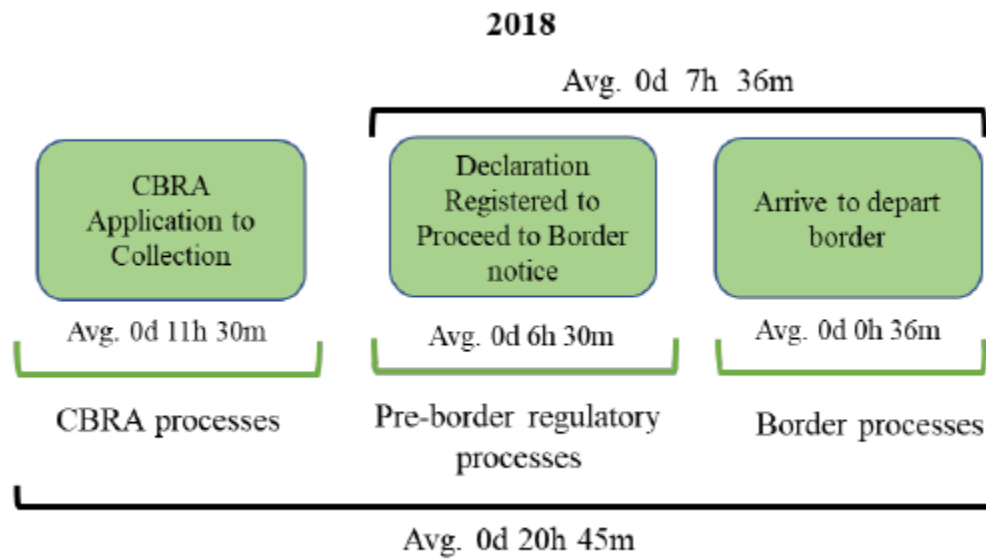
This process resulted in substantial clearance time saving, enhanced integrity of Customs operations as well as improved relationships between Customs and the private sector.

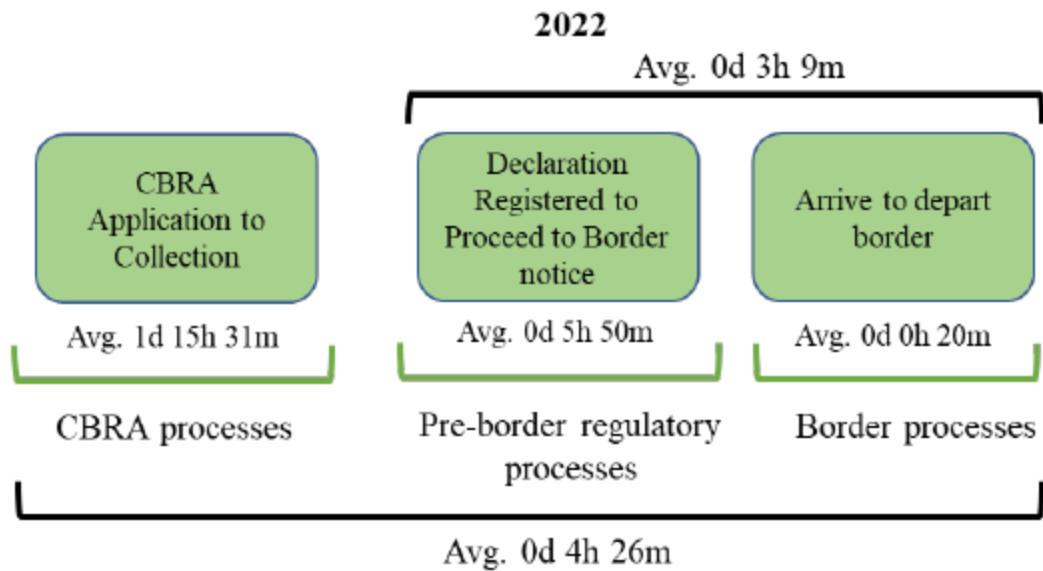
To further enhance border efficiency, the following measures have been implemented:

In 2014, 2018 and 2022 the Time Release Studies/plus (TRS) were commissioned. These Studies measured the time taken for goods to complete the entire process for import and export, including Revenue Service of Lesotho (RSL) *Pre-regulatory border* and *Border processes*. These are the processes over which RSL has control over, and where the impacts of reduced time following RSL reforms are felt. The TRS+ 2022 included Cross Border Regulatory Agencies (CBRA) processes for the application and receipt of licenses, certificates, permits, and other documents (LPCOs) relevant to the selected CBRA.

Due to implementation of trade facilitation measures, the time taken for goods to complete the entire import and export processes has been reduced by 16 hours 19 minutes between 2018 and 2022 according to the TRS+ 2022.

Figure 1





- September 2019 commenced Implementation of valuation database in RSL.
- November 2019 the final upgrade and go live to the latest versions were done although minor challenges relating to the taxation rules were identified after the system upgrade and UNCTAD team assisted to fix the issue.
- 2014 Lesotho Trade Portal was launched: It provided trade and trade related information; the portal is operational (www.lesothotradeportal.org.ls). In 2020, the portal was upgraded and renamed Leotho Trade and Information Portal.

- 2022 Developed a National Single Window (LNSW): To harmonise declaration documents, electronic payments, permit documents and modernize border posts.

EXCHANGE OF INFORMATION WITH SARS

- Prepared the XML Datasets from ASYCUDA World data for the exchange of data with SACU Member States.
- Developed components which facilitate auto generation of required ASYCUDA World documents based on pre- arrival information from SACU Member States

Lesotho is also implementing the following Regional Trade Facilitation Programs:

I. SACU Trade Facilitation Programme

The aim of the SACU TF programme is to promote intra-SACU trade. In this regard, a range of activities and initiatives currently being pursued to facilitate trade at the national, bilateral and regional levels have been consolidated into a single plan. Consequently, six priority areas to underpin the SACU trade facilitation programme have been identified, focusing on IT Interconnectivity; Enforcement; Improving Border Efficiencies; Partnerships with Traders; Legislation; and establishing One Stop Border Posts.

The SACU Trade Facilitation Programme is guided by the need to:

- Facilitate the free movement of goods;
- Freedom of transit and transport facilitation;

- Customs Cooperation;
- Collaboration on monitoring the import and export of prohibited and restricted goods;
- Harmonization of product standards and technical regulations within the Common Customs Area; and
- Support trade negotiations and implementation of trade agreements concluded with third parties.

SADC – Trade Facilitation Programme

The SADC Trade Facilitation Programme provides a way of consolidating the SADC Free Trade Area, it directly responds to the Industrial Development and Market Integration in the Revised Regional Indicative Strategic Plan, 2020-2030.

The SADC TF programme identified activities, which the region must implement in order to have free movement of goods within the SADC Free Trade Area, while at the same time reducing the cost of doing business.

COMESA, EAC and SADC /AfCFTA Non-Tariff Barriers Mechanism

Lesotho has adopted the Tripartite and AfCFTA Non-Tariff Barriers Mechanisms to enhance free movement goods and service within the region/continent.

Priority 4: Regional integration and cooperation:

Regional economic integration and cooperation offers the potential to, promote trade, encourage value addition and diversification from primary commodities thereby contributing to overall improvements in economic growth in regions. Lesotho is a member of the following regional bodies:

Southern African Customs Union (SACU),

Southern African Development Community (SADC)

Tripartite and the African Union (AU). Lesotho is hence implementing a number of programmes emanating from the regional blocks.

Lesotho is implementing programmes under SACU relating to among others industrialisation, trade facilitation and trade agreements completed with third parties. SADC has recently developed a Comprehensive Trade Facilitation Programme (CTFP), driven by SADC's agenda for integration, industrialization, the requirements of the WTO Trade Facilitation Agreement, and other legal instruments associated with trade facilitation, across member states. The CTFP is expected to facilitate, support and complement the efforts of Member States to streamline border logistics and tackle obstacles to intra-regional and regional value chain development.

The SADC Industrialization Strategy and Roadmap provides guidance towards operationalizing the regional integration agenda through industrialization. It further seeks to enhance comparative advantages of the economies in the SADC region through value chain participation that has the potential to expand production possibilities.

Lesotho has identified interventions from the SADC Industrialisation Strategy, which are in line with her NSDP and Industrial Policy and developed the MSME Competitiveness project funded by SADC Trade Related Facility, aimed at promoting domestic and regional value chains. The project has three activities preparation of a horticulture Business Development Services (BDS) strategy, training skilled horticulture BDS providers and managing a BDS fund to deliver, horticulture BDS to commercial farmers and MSMEs

Lesotho has also concluded the negotiations of the Economic Partnership Agreement (EPA) with the European Union as part of SADC, which came into force in 2016 and its now under implementation the objectives of the agreement are among others to promote regional integration, economic cooperation and to support conditions for increasing investment.

Negotiations are also ongoing to conclude Free Trade Area agreement with COMESA and EAC under the SADC configuration and the AfCFTA under AU this are all targeted at promoting regional and market integration.

Priority 5: Structural economic transformation

5.1 Agriculture

To promote sustainable and diversification in agriculture, Lesotho introduced the greenhouse technology to local farmers for production of high value Fresh Fruits and Vegetables (FFVs) for supply to both domestic and international markets, through the Enhanced Integrated Framework (EIF) Tier II project, the Horticulture Productivity and Trade Development Project (HPTD). A total of 115 greenhouses have been installed in Maseru, Mafeteng, Berea and Leribe districts. Furthermore, total employed in these districts is recorded at 100 employees (79 men and 21 women), with a combined annual income of M 865, 200 or an average income of M 721 per month per person. The HPTD Project further initiated production of mushrooms throughout the country. The spawn production facility for these mushrooms is based at Masianokeng. The facility capacity has been increased from 12,500 to 500,000 spawn bags per annum, benefitting an estimated 7,000 people.

Through World Bank support, the Government financed the Private Sector Competitiveness and Economic Diversification Project and horticulture pilot farms (commercial orchards) which produce fruits such as apples, cherries, apricots, blue berries, peaches have been established in Mahobong, Qoqolosing and Thuathe plateau. A total of 10,761 trees were planted over an area of approximately 10ha to test the performance of different varieties of apples, peaches, plums, cherries, apricots as well as blueberries. On the basis of the success of the pilot farms, a horticulture farm was initiated in Mahobong and a company (Likhothola Fruit Farmers Association) was registered. The company is, therefore, currently producing fruits which supply the local market and the neighbouring Free State towns. Total employment created by the company is around 918 casual labourers. Two more horticulture rollout farms have further been established in Mahobong and Likhethlane in the Leribe district.

In order to diversify and commercialize agriculture production, Lesotho introduced Intensive Crop Production (ICP) in 2012/13. Sharecropping with Government, the model seemed unsustainable, although seed and fertilizer subsidies were provided and the Geographic Information System (GIS) field mapping was done. On climate change coping strategies, Lesotho assisted farmers with training on climate change, and currently 1000 farmers

use improved varieties of maize and bean seeds. More than 420 production facilities have been given to 50,866 farmers, and production involves fruits and vegetables production, poultry, piggery and ram breeding and 43 irrigation schemes completed under irrigated crop production. Lesotho constructed 13 new woolsheds to facilitate harvesting of wool and mohair production, and about 30,000 farmers were provided with improved small stock breeds (merino rams & angora goats).

To strengthen farmers' capacity for production, Lesotho rehabilitated seven farmers training centres. About 1,500 farmers were trained on the use of agricultural technologies for production of high value crops. The competitive Grant Programme under the Agriculture Investment Plan and Marketing by SADP sensitized about 21,761 people (farmers, teachers, chiefs and councillors) on Conservation Agriculture (CA) while the Ministry directly sensitized about 18,916 people. To improve animal production, Lesotho vaccinated 935, 870 sheep and goats against anthrax and sheep scab, while 76, 842 other animals were vaccinated against anthrax and 26,357 against rabies. Lesotho further trained 54 persons in para-veterinary and is performing border inspection of agricultural imports for sanitary and phytosanitary controls. The new drought tolerant varieties of seeds have been improved (VPO 2050 maize and SUG 131 bean) and Climate Smart Agriculture was also promoted.

5.2 Education

Whilst the Lesotho does not have an explicit policy on utilization of technology in schools, the importance of technology in schools has, over the years, been embedded in other national policies. For instance, the NSDP 2012-17 has a strategic objective that seeks to Enhance Skills Base, Technology adoption and Foundation for Innovation. From this objective alone, it is apparent that technology and innovation were not separated from skills development. The Government of Lesotho in partnership with the Private Sector, is encouraging use of ICT in education, with 12 pilot schools assisted with e-learning facilities comprising, for each school, 24 student laptops, a server, a projector and projector screen and training on digital skills.

Secondly, the National ICT policy highlights ICT as a tool to enable the country to achieve its development. The policy also provides a brief stakeholder analysis and the roles that are expected in realizing the policy goals. It

identifies 10 catalysts in the implementation of the policy, which include education and human resource development. However, ICT utilization in primary and secondary schools has remained minimal over the years.

At tertiary level, utilization of technology is rather diverse and there are notable efforts to encourage innovation. For instance, "There are a number of initiatives underway with input from various stakeholders, with the Annual Science and Technology Innovation Expo exhibiting innovative projects by NUL staff and students. The Expo in January 2018 is showcasing between 200 and 300 products ready to be commercialized and make a positive impact on the national economy" – Lesotho Review (2017).

Priority 6: Means of implementation

6.1 Domestic resource mobilization

The Government of Lesotho is implementing the following measures to mobilise revenue for implementation of the Vienna Program of Action and other national development priorities:

- The Government has introduced several measures to encourage tax compliance and maximize government revenue collections from general and business taxpayers. The Voluntary Disclosure Program for registered and unregistered tax payers is expected to yield an estimated M225 million in additional revenue. Other tax administration measures, targeting improved compliance by major tax contributors are expected to yield an additional M350 million in the same period.
- The Government is further introducing a small business taxation to simplify and improve tax compliance. Existing regulations on different tax administration, including the mining tax regime and fringe benefits taxation will be reviewed to cater for windfall taxation and expand tax base and compliance.

- A unitary rate of 15% VAT will be introduced gradually in-service sectors for alignment. Further reforms and measures to improve VAT compliance and maximize collection will be strengthened.
- Government agencies are introducing new and innovative ways of collecting revenue for all rendered public
- To reduce government leakages and manage the public-sector bill, the Government of Lesotho has undertaken a census of all government employees to identify ghost workers and improve information management.
- To reduce pilferage and leakages in the public financial management, the Government of Lesotho has introduced the Public Financial Management Reforms, which include the Integrated Financial Management Information system (IFMIS), aligning government procurement and payments processes.
- 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 (for instance, the Queen 'Mamohato Memorial Hospital), the potential is there and should be explored. For a more aggressive PPP approach, it is necessary to enact PPP law and supporting regulations. NSDP II Financing Strategy also favours PPP as a source of alternative finance.

6.2 Official Development Assistance

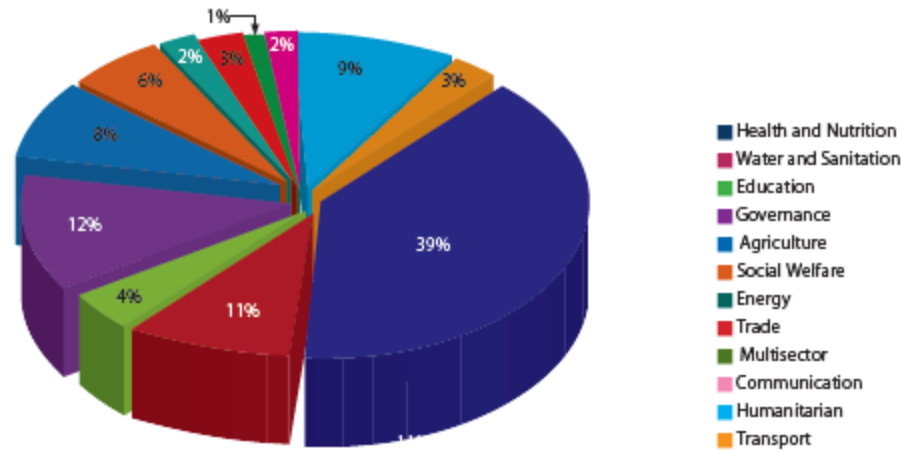
Lesotho has received ODA mainly from DAC countries and multilateral organisations, with some inflows from other development partners. DAC countries have been more active in recent years, supporting primarily the 'softer' sectors, whilst international organisations were more active in infrastructure (as well as China, as a bilateral donor).

ODA has grown steadily until 2014, when it dropped significantly, and then since 2016 has shown some signs of recovery. The top major development partner countries in the last 15 years are the US (USD837.87 mil.), Ireland (USD132.44 mil.), Japan (USD81.21 mil.), Germany (USD65.78 mil.), and the UK (USD65.05 mil.). Amongst the multilaterals, the EU has been the largest with USD 351.41 mil., followed by the WBG with USD243.59 mil. and the UN with USD147.99 mil. in the period 2015-2019. Other multilaterals have committed USD344.83 mil. Amongst the Non-DAC reporting countries, Kuwait and UAE are the biggest partners with the spent of USD16.7 million and USD14.01 million, respectively.

NSDP II Financing Strategy pays considerable attention to ODA. Based on past performance, it lists 16 major development partners: the European Union (EU), World Bank Group (WBG), China, African Development Bank (AfDB), International Monetary Fund (IMF), the United Nations (UN), Global Fund, OPEC Fund International Development (OFID), International Fund for Agricultural Development (IFAD), Japan, South Africa, GIZ, EIB, FAO, USAID, and the UK (Government of Lesotho, n.d.). It states that Lesotho needs to source about LSL11.3 billion (40.8 per cent) of the total costs of projects from the Development Partners; in the form of loans LSL6.3 bn. (22.7 per cent) and grants LSL4.99 bn. (18.1 per cent), over the next five years. The World Bank and China are the major IDPs in the infrastructure projects, whilst the EU member states are, either bilaterally or multilaterally through the EU support, more active in the social ('soft') sectors where democracy, rule of law, and governance feature at the top. USAID projects are more focused on enhancing economic capacity, while also active in democratic governance and related areas.

Figure 3

Figure 12 Lesotho, ODA by Sectors, 2016-2020



Source: MoDP, 2016b, 2018a; 2019b and 2020a

A remarkable increase in disbursements have been noted in Social protection and Energy generation sectors – more than 10-fold, Education sector – 5-fold and in Agriculture sector –more that twofold, in 2016/17 compared to 2015/16 fiscal year.

6.3 Foreign Direct Investment

In 2019, Lesotho attracted USD118 mil. in FDIs, whilst the FDI stock in the country has grown to USD732 mil. The textile industry and small-scale manufacturing are the main industries that attract FDIs in the country (UNCTAD, 2020a).

Performance in '*Doing Business*' ranking is usually directly correlated with the success in attracting FDIs, and Lesotho's performance as of late has been declining. In the most recent 2020 report (World Bank, 2020b), Lesotho slipped 18 places from the previous year's ranking. Investors usually list the high port authority expenses (as Lesotho is a landlocked country), low quality of infrastructure, and the recent political instability as the main impediments to investment.

The Government recently introduced an automated customs system to expedite the customs procedure. The good quality labour force is usually listed as Lesotho's advantage, although it has not been independently documented. Textile industry has traditionally been the most attractive, especially due to the access it has to the US market, as over 80 per cent of its production was destined to the US market.

Compared to the other fast-growing African economies, Lesotho's share of FDIs is extremely low. Moreover, there is an issue with diversification, as only two industries (manufacturing and mining), attract FDIs. It is expected that the tourism sector will attract additional investment as Lesotho has a high potential to attract foreign investment in tourist facilities of different quality.

Lesotho developed the Investment Policy in 2021, this Policy is fundamental in guiding government efforts to promote industrialization and investment. The main objectives is to promote domestic and foreign direct investment, promote Basotho entrepreneurship and SME linkages, promote export product and market diversification, increase value-added of production in Lesotho, improve the quality of physical infrastructure and increase the use of e-commerce and e-government.

Lesotho is also in the process undertaking the SDG investor mapping exercise. The intended investor mapping will bring together national development aims and private interests, and ensure that the private investors contribute to the delivery of the country's development.

In the absence of an investor map, it is not possible to bring together national development aims and private interests, thus enabling the private investors contribute to the delivery of the country's development.

6.4 South - South Cooperation

Trade relations are largely dominated by Lesotho's geographic and economic relationship with South Africa and SACU partners. South Africa is both main export (47.3% of all exports in 2012) and main import partner (88.9%). Taiwan, China and Hong Kong are amongst main importers, but with shares below 5%. Several development projects have received support through concessional loans from China, UAE and Saudi Arabia and a technical cooperation project with Lao PDR has allowed to launch the Lesotho Trade Portal which was also developed by a small Lao software company

Government of Lesotho has submitted its first South-South Cooperation Report in 2018 and has committed itself to reporting on annual bases as this has proved to be one of many avenues that the country can access assistance from its neighbour and aid where possible. Reporting on the South-South will help Lesotho to introspect and evaluate the economic benefits brought by the cooperation.

6.5 Means of implementation and review:

The importance of building a modern data collection system for evidence-based policymaking and timely and regular analysis is evident from Lesotho's NSDP/RISDP/MDG/VPOA experience. The lack of up-to-date data has hampered assessment of progress in many Global Agendas. Given domestic capacity constraints in this area, support from development partners and international agencies will be critical to develop personnel and tools for governmental data recording, analysis and management

Some of the challenges experienced in this reporting process has been lack of data. Per NSDP I review, some of the results of the era could not be accounted for due to lack of data. In this case, there is need to strengthen the national capacities to collate and utilise data for reporting. In the context of the existing Aid Coordination Forum, Lesotho should facilitate linkages to enhance investment and South South Cooperation into the VPOA priorities address this issue.

It has been reported that up to USD100 million per year have not been captured and this often led to the frustration of IDPs who have scaled-down their support in recent years. Lesotho has been one of the highest (in many years the highest) recipients of ODA per head of population in Africa (OECD, 2011).

In the last three years (2018-2020), MoDP has produced an annual publication entitled: '*Lesotho Development Cooperation Report*' or DCR174. In the document, the main flows are captured, and the main trends assessed. The partners are classified as: bilateral, multilateral and third sector (international NGOs and foundations). For each group, the review of the most recent engagements (last five years) has been captured and put into a wider development context. The DCR also attempts to link the official development flows with the NSDP II agenda and outline how particular flows have contributed to achieving the planned results. As reported; health, governance, and humanitarian are the sectors that benefited the most from ODA175. The Report also provides a clearer picture on the structure of the flows, reporting separately on grants and concessional loans. In the end, DCR provides a look at the predictability of the development flows and their possible impact on the budget (MoDP, 2018a; 2019b; 2020a).

In 2014, Lesotho launched the *Public Sector Investment Database* (PSID), which provided an overview of the development funds that Lesotho received. The design and launch were supported by EU and UNDP, with Synergy being the software provider. At the time, it was applauded as a success in mapping the donor funding and providing better coordination of foreign aid (Martin, 2016). The Database also provided a geographic spread of the flows, including maps where the funding has been fully disbursed. At the time, the Government itself acknowledged that the Database is an effective tool in managing aid flows in Lesotho, and to increase harmonisation and transparency (as reported in Martin, 2016). The PSID was managed by MoDP and IDPs had access to it, where they could input their most recent data on projects. The PSID was designed to improve data

availability for the NSDP II planning purposes and to allow linking ODA spending with the NSDP II. However, by the time of launching NSDP II, the PSID was defunct. It was introduced under project financing and when the project financing stopped, the maintenance of PSID ceased¹⁷⁶. PSID focussed only on the financial flows from IDPs and did not account for other development financial flows. Hence, it may be advisable to consider extending the reporting requirements and include other flows like the private development flows (FDIs, remittances, third sector, and so on).

MoDP leads in the monitoring of ODA. The monitoring of other development finance flows is decentralised. MoF and CBL monitor FDIs and remittances, whilst CBL oversees the financial sector and has first-hand information on the credit activities and access to credit by different groups. OOF and portfolio investments are usually picked up by CBL. Specialised government agencies like LNDC, LTDC, and BEDCO collect information as per their professional remit and share it with their line ministries. Data is still largely fragmented, and it is difficult to provide a complete picture of all the flows to the country.

From the 2018/19 Budget, budgeting and financial planning were done using the Central Budget Management System (CBMS). The system was expected to be improved and the full Integrated Financial Management Information System (IFMIS) to be launched. In addition, CBMS is expected to be used for other operations: budget management tasks - virements, supplementary budget, reallocations, and so on (Linpico, GRM International and NTU, 2019). This will improve the monitoring of the budget execution in MDAs and enhance the overall reporting capacity of the Government.

Overall, if budgetary and planning modules are well integrated, they will create a powerful planning and monitoring tool, assisting the Government in timely adjusting the policies and policy interventions. In FY2012/13, LRA began the implementation of the Integrated Revenue Management System (IRMS), which brings together customs and tax administration (World Bank, 2018a). For each of the tax categories, a separate module has been developed or is under development. This should generally facilitate the ease of doing business in Lesotho, lessen the administrative burden besides improving the fiscal collection and management capacity of the Government.

6.6 Review Systems

The review of development cooperation and development finance is usually conducted by MoDP, as the lead government institution. In the past, the review was done occasionally. However, in the last three years, the MoDP has been producing the DCR at the end of every year. The DCR serves as both the monitoring and review instrument.

In 2019, the Government of Lesotho undertook the VNR to assess progress made on the full implementation of NSDP II. The exercise was aimed at identifying development gaps and priority areas where strategic interventions may be required (MoDP, 2019a). The VNR was undertaken to provide a platform to monitor and review progress of NSDP II, and thus enable timely corrective intervention should it be needed. VNR focuses on all 17 SDGs, providing a review of the achievements. One outcome from the VNR is that the Lesotho Government has a practice of occasional review its policies. For instance, in 2018, the Government ran the Joint Education Sector Review and to be reviewed were the National HIV/AIDS Policy, the Minerals and Mining Policy and HSDS. Some MDAs, like the Ministry of Social Development (MoSD), provide a national review document on their operations – the Social Protection Annual Review. This Annual review provides an overview of the results in implementing the National Social Protection Strategy (Government of Lesotho, 2013b) singling out successes and current issues in implementation. The World Bank and UNICEF have also undertaken the Health Sector Expenditure Review (UNICEF and World Bank, 2018) and World Bank has conducted the Education Public Expenditure Review (World Bank, 2019b) and the Public Expenditure Review (World Bank, 2018a).

VI. Conclusion and Way Forward:

Key messages

- Due to its geographic location; Lesotho depends entirely on the South African for transit of persons and goods. To improve the transit policies, the two countries, would need to strengthen their bilateral relations relative to transport, border control and ICT. The current arrangement results in high transport costs which undermine competitiveness of Lesotho and potential to attract foreign direct investment (FDI).
- Failure to implement some of the commitments made under the economic blocks impacts more on landlocked countries like Lesotho rather than those that have access to the sea.

- The Lesotho Energy balance is dominated by high dependence on biomass energy which lead to negative social and environmental impacts. Lesotho must explore more on the adoption of renewable energy technologies to improve energy balance and access.
- ODA continues to be an important source for the country's development budget since a disproportionate share of domestic resources are used for recurrent costs. An effective management system to ensure investment in key development areas is necessary, the development finance assessment is expected to enable the country to effectively and systematically mobilise, utilise, monitor and account for variety of resources that may be available for the country.