Government of Lesotho

Comprehensive High-Level Midterm Review of the Vienna Programme of Action for the Decade 2014-2024

November 2018
1. Introduction

The Kingdom of Lesotho is a small, mountainous and landlocked country of 30,355 square kilometres and approximately 2 million inhabitants, surrounded by South Africa. National development priorities are defined by the Lesotho's Vision 2020. Launched in 2003, the vision aspires to reach "a stable democracy, a united and prosperous nation at peace with itself and its neighbours” with a strong economy, a well-managed environment and a healthy and well-developed human resource base. The 5-year medium term plans, National Strategic Development Plans, are developed to guide implementation and anchor development initiatives towards the Vision. Main resources come from taxes and the revenues of the Southern African Customs Union (SACU) with the latter contributing over 40% of total fiscus.

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

During the period in 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 necessary 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 very limited. Despite some improvements in the access to basic infrastructures, such as water, ICTs, power and paved roads, the economic growth did not result in sustainable jobs.

Based on these lessons, Lesotho is developing the NSDP II to cover the period, 2018/19 – 2023/24. The plan is intended to achieve the long term national, regional and international development frameworks, guided by the Vision 2020, Agenda 2063 and Agenda 2030 respectively. Likewise, the priorities of the Vienna Programme of Action are also mainstreamed through the NSDP II, to enhance economic competitiveness and improve trade facilitation for employment creation. As its predecessor, the overarching goal of the NSDP II is to creation of inclusive growth, private sector led job and reduced unemployment, through increased investments in Agriculture, Manufacturing, Tourism & creative arts and Technology & Innovation sectors, and with focus 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

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1 Extended to 2017/18 to accommodate development of the NSDP II (2018/19 – 2023/24)
3. **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 provides a foundation for development agenda in the country, also linked to the major development agenda, include the Post 2015 Agenda and Agenda 2063, while other secondary global processes are aligned to strategies and sectoral and ministerial level.

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. 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>
<thead>
<tr>
<th>National Vision 2020 Pillars</th>
<th>NSDP</th>
<th>Agenda 2063</th>
<th>SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pillar 1:</strong> A stable Democracy</td>
<td>Goal 6: Promote Peace, Democratic Governance and effective institutions</td>
<td>Goal 11: Democratic values, practices, universal principles of human rights, justice and rule of law are entrenched&lt;br&gt;Goal 13: Peace, security and stability are preserved&lt;br&gt;Goal 14: A stable and peaceful Africa&lt;br&gt;Goal 15: Fully functional and operational African peace and security architecture&lt;br&gt;Goal 18: Engaged and empowered youth and Children</td>
<td>Goal 16&lt;br&gt;Goal 16&lt;br&gt;N/A&lt;br&gt;N/A&lt;br&gt;Goal 4, 8, 16</td>
</tr>
<tr>
<td><strong>Pillar 2:</strong> A united nation</td>
<td>Goal 6: Promote Peace, Democratic Governance and effective institutions</td>
<td>Goal 8: United Africa&lt;br&gt;Goal 9: Continental financial and Monetary institutions are established and functional&lt;br&gt;Goal 16: The African cultural renaissance is preeminent</td>
<td>Goal 2, 9, 10&lt;br&gt;Goal 17&lt;br&gt;Goal 4, 8, 10, 12, 16</td>
</tr>
<tr>
<td><strong>Pillar 3.</strong> A nation at peace with itself and its neighbors</td>
<td>Goal Promote Peace, Democratic Governance and effective institutions</td>
<td>Goal 12: Capable institutions and transformative leadership in place at all levels</td>
<td>Goal 11, 12, 16</td>
</tr>
<tr>
<td><strong>Pillar 4.</strong> A healthy and well developed human resource base</td>
<td>Goal 3: Enhance Skills base, Technology Adoption and Foundation for innovation</td>
<td>Goal 2: Well educated citizens and skills revolution underpinned by science, technology and innovation</td>
<td>Goal 4</td>
</tr>
<tr>
<td>National Vision 2020 Pillars</td>
<td>NSDP</td>
<td>Agenda 2063</td>
<td>SDGs</td>
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<tr>
<td><strong>Pillar 5: A strong economy and prosperous nation</strong></td>
<td>Goal 4: Improve health, combat HIV &amp; AIDS and reduce vulnerability</td>
<td>Goal 3. Healthy and well-nourished citizens</td>
<td>SDG 2, 3, 5</td>
</tr>
<tr>
<td></td>
<td>Goal 1: Create high shared and employment generating growth</td>
<td>Goal 1: High Standard of living, quality of life and well-being for all citizens</td>
<td>Goal 1, 2, 6, 7, 8, 9, 10, 11, 12, 17</td>
</tr>
<tr>
<td></td>
<td>Goal 6: Promote Peace, Democratic Governance and effective institutions</td>
<td>Goal 4: Transformed economies</td>
<td>Goal 2, 8, 9, 12, 14, 17</td>
</tr>
<tr>
<td></td>
<td>Goal 5: Modern agriculture for increased productivity</td>
<td>Goal 5: Modern agriculture for increased productivity</td>
<td>Goal 1, 2, 5, 8, 9, 12, 13, 14</td>
</tr>
<tr>
<td></td>
<td>Goal 6: Blue / ocean economy for accelerated growth</td>
<td>Goal 6: Blue / ocean economy for accelerated growth</td>
<td>Goal 7, 14</td>
</tr>
<tr>
<td></td>
<td>Goal 19: Africa is a major partner in global affairs and peaceful coexistence</td>
<td>Goal 19: Africa is a major partner in global affairs and peaceful coexistence</td>
<td>Goal 9, 17</td>
</tr>
<tr>
<td></td>
<td>Goal 20: Africa takes all responsibility for financing its development</td>
<td>Goal 20: Africa takes all responsibility for financing its development</td>
<td>Goal 8, 10, 17</td>
</tr>
</tbody>
</table>

**Pillar 6: A Well managed environment**

| Goal 2: Develop Key Infrastructure | Goal 10: World class infrastructure crisscrosses Africa | Goal 5, 7, 9, 17 |
| 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 |
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 has developed a National Resilience Strategic Framework (2017–2030) to facilitate an increased mainstreaming of climate and disaster risk management in the national and sector plan and strategies as well as address the issues of vulnerability based on the aspirations of various national strategy documents like 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 assessment 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 Action Agenda**

In context of the Addis Ababa Action Agenda, Lesotho will carry 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 will provide an overall mapping of financing flows, as well as look at the enabling environment for accessing, allocating, utilizing and monitoring the variety of financing available to a country.
4. 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 between 2014 to 2017 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 and only some progress was made towards the MDGs, namely 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 and snow storms and emerging signs of progressive desertification caused by climate change. This has significant implications for 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.

5. Priority Area 1: Fundamental transit policy issues

Lesotho is surrounded by South Africa and is reliant on her neighbour for transit issues. 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 border, respectively. The 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 a signatory of the SADC UNIVISA Agreement as mandated by the SADC Free Movement Protocol and the African Union Free Movement Protocol. The objective of these is to ensure free movement of persons within the region; Lesotho introduced an e-VISA in 2017 for electronic application and approval of VISAs into Lesotho. Negotiations on Joint Immigration Border Clearance are underway between Lesotho and her South Africa to ease movement of persons across borders, including introduction of the Trusted Traveller Programme. Other regional measures that have been put in place to improve freedom of transit of vehicles goods and persons across territories of other member states include 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. Further, New Standard Operating Procedures for both Immigration Services and Customs, based on the principles of seamless flow of commercial traffic at the borders, to facilitation of movement of persons and legitimate cargo using Post Clearance Audit, Risk Management, Anti-smuggling control instruments and Anti trafficking of persons.

To facilitate trade, Lesotho has introduced 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, Caledonsoort and Tele border posts) were revamped and refurbished to further allow for ease of 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.

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:

- Transiting cargo is subjected to customs procedures in the form of provisional payment. That is, cargo from Lesotho manufacturers transiting in the 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.
- 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.
• 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 rather than those that have access to the sea.

6. **Priority 2: Infrastructure development and maintenance**

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

*Transport Sector*

Due to its geographic location; 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 like USA. Furthermore, Lesotho utilizes South African railway and road networks to facilitate trade in and out of Lesotho. This results in high transport costs which undermine competitiveness of Lesotho and 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.

*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 and it is meant to enhance regional cooperation and integration to stimulate economic development and promote investment opportunities between Lesotho and South Africa.

South Africa on the other hand, paved the road from Himeville in Kwazulu Natal Province to the Sani Pass Border with Lesotho in the district of Mokhotlong. It has also upgraded the road between Bloemfontein and the Maseru Bridge; this improvement encompasses a dedicated truck lane that enhances ease of movement of persons and goods across the border. South Africa has 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 travel between the two countries, also minimizing some of the costs of transit.

*Rail Transport*

There is a 2.5 km railway line from main border post Maseru Bridge to Maseru station area called Maseru Container Terminal (MASCON), operated by a single goods train between
Lesotho and South Africa. This 2.5 km railway line transports bulky imported goods into Lesotho. Lesotho Government intends to turn the Maseru Container Terminal (MASCON) into a dry port to stimulate economic growth. It is envisaged that this rail link would run through Lesotho from Maseru to South Africa’s sea ports of Durban and Port Elizabeth.

**Energy**

The Lesotho Energy balance is dominated by high dependence on biomass energy which lead to negative social and environmental impacts. Lesotho electricity generation capacity is approximately 75 MW serving 40% of the population. The electricity is highly concentrated in urban areas. The majority of the population about 60% of households mainly residing in rural areas depend on biomass for cooking and heating.

The energy sector of Lesotho is guided by the National Energy Policy 2015-2025. This policy is an essential guiding tool to achieving a planned access rate of 50% by 2020, from 34% in 2014 (LEWA). In this respect, the Sustainable Energy Strategy suggests promoting renewable energy sources and energy efficiency and addresses the promotion of cleaner forms of energy and technologies to increase the share of cleaner fuels in the energy supply mix and reduce the share of non-sustainable forms of energy. Lesotho has also developed the Electrification Masterplan (EMP) 2018, catering 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 quality of life, providing income-generating opportunities and alleviating poverty in Lesotho.

**Renewable Energy**

Lesotho has also 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 to promote RE. The draft Country Action Agenda (CAA) 2018 is being developed with the main purpose of defining the national SE4All objectives and determining how Lesotho would to achieve the three goals of SE4All. The Government of Lesotho in partnership with the European Union is implementing a programme to support the energy sector reform, to 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.

At the regional level, a Southern African Power Pool (SAPP) 2017 – 2040, was adopted in 2017 by the SADC Energy Ministers, as a guiding document for the development of power generation and transmission in the Region. This seeks 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.”

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

<table>
<thead>
<tr>
<th>The Government of Lesotho is implementing the following projects to improve access to energy and energy efficiency:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban Distribution, Rehabilitation and transmission expansion project.</strong> 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.</td>
</tr>
<tr>
<td><strong>Northern Districts Electrification.</strong> 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-Botha districts connecting 4361 households. It is jointly funded by BADEA and the Government of Lesotho.</td>
</tr>
<tr>
<td><strong>Rural Electrification Programme.</strong> 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.</td>
</tr>
<tr>
<td><strong>Solar Street Lighting.</strong> Installation of 112 solar street lighting masts at Peka in the Leribe district.</td>
</tr>
<tr>
<td><strong>SE4All project</strong> 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</td>
</tr>
</tbody>
</table>

**ICT**

Over the past years, Government of Lesotho has put in place an enabling environment that has seen the ICT sector grow at an average annual growth rate of over 14.8 percent with significant growth seen in areas of mobile devices, computer applications, information processing, storage and dissemination as well as mobile money, e-commerce, global connectivity and online trade. Over the NSDP I period, the ICT (includes postal services) sector contribution to GDP averaged at 0.44 percent per annum and significantly contributed to national revenue. 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.

In the absence of the guiding Broadband policy of the Government of Lesotho, 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).

Lesotho is developing the Broadband Policy, to guide broadband connectivity in the country intended to provide a framework to harmonize and align government efforts to drive the introduction of broadband infrastructure and to identify new initiatives that will help 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;

(a) Better communications and access to information
(b) Economic growth and sustainable development; and
(c) Better health, education and employment opportunities

Per the NSDP II, the Government of Lesotho will continue to restructure the ICT sector and support the applications of ICT in all productive sectors and support sectors to enhance efficiency and 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 (Check Box 2).
Priority 3: International trade and trade facilitation

Lesotho made the following progress relative to international trade in Lesotho, trade costs and exports:

*International trade*

Lesotho export partners have not changed much over the years, as per Table 1 below, major exports markets have been the USA, Belgium and South Africa. The products of exports are mainly diamonds and textiles to these major markets.

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**Box 1. e-government project of the Government of Lesotho**

Lesotho e-Government Project

The Government of Lesotho is implementing an e-government project aimed at improving the county’s public service delivery through the establishment of modern core infrastructure and services among key ministries and government agencies. The project is jointly funded by the African Development Bank and the Government of Lesotho with the total project financing being USD 12,825,000.

Core components of the project:
(a) 100 km cable of fiber cable between Maseru and Mohale’s Hoek
(b) 4 service centres established in rural areas
(c) 2 data centres upgraded to international standards
(d) The government e-portal to be improved to provide 8 online services (6 interactive and 2 transactional)
(e) 500 ICT professionals to be trained
(f) 18 awareness campaigns to be held

Of the 19 e-services to be provided, 12 are various Ministry of tourism licenses (e.g. accommodation, bars) and 4 are Ministry of Labor services (e.g. skills database, labor agents). Home Affairs already has e-visa, residence permit and animal tattoo marks. The Trade Ministry already has trader’s licenses and these are not originated by the project. They will be incorporated in the new government e-portal.

7. Priority 3: International trade and trade facilitation:

Lesotho made the following progress relative to international trade in Lesotho, trade costs and exports:

*International trade*

Lesotho export partners have not changed much over the years, as per Table 1 below, major exports markets have been the USA, Belgium and South Africa. The products of exports are mainly diamonds and textiles to these major markets.
### Table 1. Destination and value of Lesotho's exports between 2014 and 2016

<table>
<thead>
<tr>
<th>Trade partner</th>
<th>Value</th>
<th>Percentage share</th>
<th>Trade partner</th>
<th>Value</th>
<th>Percentage share</th>
<th>Trade partner</th>
<th>Value</th>
<th>Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>4,090,014.90</td>
<td>45.43</td>
<td>U.S.A.</td>
<td>2,390,210.83</td>
<td>34.2</td>
<td>South Africa</td>
<td>5570</td>
<td>42.5</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>2,803,061.00</td>
<td>31.13</td>
<td>Belgium</td>
<td>2,353,395.16</td>
<td>33.7</td>
<td>U.S. A</td>
<td>3985</td>
<td>30.4</td>
</tr>
<tr>
<td>South Africa</td>
<td>2,060,882.30</td>
<td>22.89</td>
<td>South Africa</td>
<td>2,106,194.60</td>
<td>30.2</td>
<td>Belgium</td>
<td>3126</td>
<td>23.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10,133.60</td>
<td>0.11</td>
<td>Canada</td>
<td>34,318.99</td>
<td>0.5</td>
<td>Swaziland</td>
<td>118</td>
<td>0.9</td>
</tr>
<tr>
<td>Swaziland</td>
<td>7,494.80</td>
<td>0.08</td>
<td>Swaziland</td>
<td>24,077.65</td>
<td>0.3</td>
<td>Canada</td>
<td>65</td>
<td>0.5</td>
</tr>
<tr>
<td>Japan</td>
<td>7,419.80</td>
<td>0.08</td>
<td>Germany</td>
<td>21,625.46</td>
<td>0.3</td>
<td>Germany</td>
<td>42</td>
<td>0.3</td>
</tr>
<tr>
<td>Canada</td>
<td>7,000.90</td>
<td>0.08</td>
<td>Mauritius</td>
<td>13,536.89</td>
<td>0.2</td>
<td>Botswana</td>
<td>29</td>
<td>0.2</td>
</tr>
<tr>
<td>Hongkong</td>
<td>6,342.30</td>
<td>0.07</td>
<td>Australia</td>
<td>6,927.52</td>
<td>0.1</td>
<td>Mauritius</td>
<td>15</td>
<td>0.1</td>
</tr>
<tr>
<td>Australia</td>
<td>5,949.10</td>
<td>0.07</td>
<td>Hongkong</td>
<td>4,836.06</td>
<td>0.1</td>
<td>Bangladesh</td>
<td>15</td>
<td>0.1</td>
</tr>
<tr>
<td>Botswana</td>
<td>2,585.70</td>
<td>0.03</td>
<td>Botswana</td>
<td>4,128.91</td>
<td>0.1</td>
<td>Zimbabwe</td>
<td>14</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,000,884.23</strong></td>
<td><strong>99.97</strong></td>
<td><strong>Total</strong></td>
<td><strong>6,959,252.07</strong></td>
<td><strong>99.7</strong></td>
<td><strong>Total</strong></td>
<td><strong>12981</strong></td>
<td><strong>99.1</strong></td>
</tr>
</tbody>
</table>

*Source: Lesotho Bureau of Statistics*

With the support of Development Partners, Lesotho has made progress on improving overall economic competitiveness, and recognizes the importance of trade as the engine for growth. 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 Trade Policy framework.

The development of the Trade Policy for Lesotho is underway funded by the European Union under the SADC Trade Related Facility (TRF). In its absence, Lesotho utilises the Multilateral Trade Agreements, Regional Trade Agreements and other Bilateral and Preferential Arrangements such as AGOA and Generalised Systems of Preferences (GSPs) for governance of all trade related issues.

There are numerous efforts to diversify and improve productive capacities through support by Partners such as the World Bank (The Second Private Sector Competitiveness and Economic Diversification Project) to unlock potential sectors in horticulture, tourism etc. The Enhanced Integrated Framework is an on-going project in Lesotho that aims to develop national capacity in the production and marketing of high-value fresh fruits and vegetables and the establishment of value chains in the agriculture sector. Lesotho has established the Lesotho Standard Institution in 2018, in effort to support diversification and competitiveness.
To diversify markets access, Lesotho is a signatory to the Economic Partnership Agreement between 6 SADC States and the European Union (SADC-EU EPA) and has identified institutional and structural arrangements that would facilitate market access into the SADC and EU markets. Funding for the interventions are to be accessed from the EU Regional Indicative Programme for Eastern Africa, Southern Africa and the Indian Ocean (EA-SA-IO) 2014 to 2020 (RIP). The Africa Growth and Opportunity Act (AGOA) Response Strategy has also been developed to take advantage of the preferences with the aim to expand product coverage with more focus to promoting Micro Small Medium Enterprises (MSMEs).

Trade facilitation

Lesotho has prioritised improvements in trade facilitation in the National Strategic Development Plan and the Investment Climate Reform Agenda. The programmes address issues such as;

- Infrastructure development
- Automation and modern customs clearing technology
- Lead times for cargo processing.

Lesotho has ratified the WTO Trade Facilitation Agreement in January 2016 and also notified on categories A, B and C. Lesotho is in process to develop the implementation and action plan for the implementation of the WTOTFA with technical assistance and support of the World Bank under the Trade Facilitation Programme.

The National Trade Facilitation Committee (NTFC) was established in September 2017 to facilitate the domestic coordination and implementation of the World Trade Organisation Trade Facilitation Agreement and to oversee the overall national trade facilitation initiatives. NTFC among others are to develop medium and long-term plans that address trade facilitation issues and to advocate for the incorporation of the plans into implementation plans of relevant ministries and agencies. The Committee is comprised of Government Ministries and Agencies, the Trading Community and service providers and Civil Society.

Lesotho is in process towards the implementation of the Coordinated Border Management (CBM) Strategy with assistance from SADC Trade Related Facility (SADC TRF). CBM initiative resulted in the establishment of a Heads of Border Agencies (HOBA) Committee, which produced a strategy for collaboration in 2013. Agencies within HOBA include the Road Fund, Department of Traffic and Transport, Ministry of Public Works and Transport; Department of Immigration and Passport Services, Ministry of Home Affairs; Lesotho Mounted Police Service; Customs and Excise Administration, Lesotho Revenue Authority; Lesotho Tourism Development Corporation; Department of Livestock Services, Ministry of Agriculture and Food Security; Port Health, Ministry of Health; and National Security Service, Ministry of Defence and National Security.
The HOBA strategy goals include; a common policy and legal framework, clear demarcation of responsibilities among agencies, common risk management and compliance approach, development of a single front-line assessment, protection of legitimate trade and travellers, improved management information, improved operational intelligence, development of professional border staff, maximization of the use of modern technology and communications systems, establishment and management of service excellence standards, and common strategic development plan.

Other trade facilitation initiatives that Lesotho has attained include the development of the Trade and Information Portal that provides trade and trade related information, with assistance from the World Bank. The plan is to further enhance it to be interactive. Lesotho is also in process to develop a National Single Window (LNSW) assisted to harmonise declaration documents, electronic payments, permit documents and modernize border posts.

8. Priority 4: Regional integration and cooperation:

Regional economic integration and cooperation offers the potential to, promote trade, encourage value addition and diversification away from primary commodities thereby contributing to overall improvements in economic growth in regions. Lesotho is a member of regional bodies such as The Southern African Customs Union (SACU), the Southern African Development Community (SADC) 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 SME 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 SMEs.
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 a trade agreement between SACU and India, between COMESA (Common Market for Eastern and Southern Africa), EAC (East African Community), SADC under the Tripartite Free Trade Agreement and also the Continental Free Trade Area under AU this are all targeted at promoting regional and market integration.

9. **Priority 5: Structural economic transformation**

**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 Likhetlane 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 famers with training on climate change, and currently 1000 farmers use improved
diversity 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.

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 very 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
10. Priority 6: Means of implementation

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 taxpayers 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.

Official Development Assistance

Official Development Assistance (ODA) to Lesotho has increased steadily over the last decade to USD$343 million in 2015, the highest on record. ODA to Lesotho grew as a result of several factors such as, increased funding for HIV/ AIDS, the Millennium Challenge Corporation (MCC) and direct budget support from a bilateral donor and multilateral institutions to ease the impact of the global economic crisis. (MDG Report 2015). Grants made up for 40% - 60 % (between USD 44 and 70 million since 2014), the rest was disbursed as concessional loans. Annual repayments of concessional loans from Lesotho to official providers made up for USD 20 - 30 million/year since 2014. There is currently no budget support in Lesotho, all grants are project disbursements. 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.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Disbursed Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2015/16</td>
</tr>
<tr>
<td>Health and Nutrition</td>
<td>64,392,687</td>
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<tr>
<td>Water and Sanitation</td>
<td>41,123,624</td>
</tr>
<tr>
<td>Education</td>
<td>1,629,988</td>
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<tr>
<td>Governance</td>
<td>7,574,373</td>
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<tr>
<td>Agriculture and Livestock</td>
<td>2,952,847</td>
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<tr>
<td>Social Welfare</td>
<td>475,699</td>
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<tr>
<td>To Be Specified</td>
<td>4,143,483</td>
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<tr>
<td>Rural Development</td>
<td>5,861,347</td>
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<tr>
<td>Energy Generation</td>
<td>242,113</td>
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<tr>
<td>Information Technology and Telecommunication</td>
<td>3,225,653</td>
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<tr>
<td>Environment and Natural Resources</td>
<td>1,639,909</td>
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<tr>
<td>Food Assistance</td>
<td>106,418</td>
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<tr>
<td>Tourism, Culture and Youth Affairs</td>
<td>624,615</td>
</tr>
<tr>
<td>Trade</td>
<td>624,615</td>
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<tr>
<td>Banking, Finance and Insurance</td>
<td>624,615</td>
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<tr>
<td>Employment &amp; Income Generation</td>
<td>691,330</td>
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<tr>
<td>Industrial Development</td>
<td>1,225,053</td>
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<tr>
<td>Housing and Construction</td>
<td>416,410</td>
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<tr>
<td>Transport</td>
<td>1,601,237</td>
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<tr>
<td>Gender and Women Development</td>
<td>221,067</td>
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<tr>
<td>Population Welfare</td>
<td>449,281</td>
</tr>
<tr>
<td>Total</td>
<td>138,206,453</td>
</tr>
</tbody>
</table>

Source: PSID Lesotho, Last accessed 23 November 2017

The table above illustrates a significant change in sectoral distribution of ODA in 2016/17 compared to 2015/16. Even though the Health sector has been the largest destination of aid for some time in the past due to large allocations under the PEPFAR and from Global fund, yet disbursements to that sector have increased by nearly 10%. Funding of Water and Sanitation sector – one of the favourites of development partner community – has been reduced by 40%, however, it remains 21 the second largest destination of ODA to Lesotho. And disbursements to Governance sector practically have not changed in the period under review.
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.

**Foreign Direct Investment**

Lesotho has the Industrial Policy and the Investment Policy this Policies are fundamental in guiding all government efforts to promote industrialization and investment. The main objectives of this policy are 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.

**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.

**11. 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 include in the implementation of this agenda is limited mainstreaming and coordination of the VPOA in national programs. To improve implementation, monitoring and oversight on the VPOA at the national level, Lesotho will need to develop an inclusive national structure and mechanism to strengthen stakeholder engagement and information sharing. While the NSDP is an overarching national
strategy, it will be necessary to integrate the VPOA strategies at the sectoral level, as well as provide the necessary coordination to ensure alignment to the national priorities and investments.

Further, lack of data for monitoring progress made on the implementation of the various development programs has impacted on the national capacity to report on the achievement and changes that may have been achieved in implementing the agenda. 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

12. 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.