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1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. Lesotho is a small, mountainous country, and completely landlocked by South Africa. The country has important diamond mines and abundant water resources. It had a population of 2.2 million in 2021. The majority of the population (some 60%) is concentrated in rural areas.

1.2. Lesotho is a least developed country (LDC). Its gross national income (GNI) per capita peaked at USD 1,480 in 2012, before decreasing steadily to reach USD 1,210 in 2020 due to several shocks, in particular an unfavourable external environment, episodes of floods and droughts, and more recently the COVID-19 pandemic. However, the country's GNI per capita rebounded in 2021 and 2022.¹ The GDP per capita showed similar trend (Table 1.1).

1.3. Lesotho's economy is vulnerable and is subject to external and environmental volatility. It relies on South Africa for key aspects of its economic activities. On average, over 75% of its merchandise imports are sourced from South Africa, including most food products. In addition, most of its households depend heavily on remittances from South Africa. Lesotho also relies heavily on benefits accruing from the SACU revenue pool (Main report, Section 1.2), which are dominated by South Africa's import demand.

1.4. The economy is narrow based. By main economic sectors, services are the largest contributor to its GDP (Table 1.1); however, small-size textile manufacturing, agriculture, and mining are also important pillars of its economic activities.

1.5. Recurrent droughts are a serious hindrance to agricultural production and productivity growth, and their impact is further magnified by the fact that about three fourths of the people living in rural areas are dependent on subsistence farming (Section 4.1.1).

1.6. Human development indicators did not record any firm improvement during the review period, and the country remains in the low human development category. Indeed, while the value of the United Nations Development Programme's (UNDP) Human Development Index (HDI) improved from 0.503 in 2015 to 0.524 in 2019, due to progress in the country's health and education outcomes, Lesotho's HDI value for 2021 decreased to 0.514, positioning it 168th out of 191 countries and territories.²

1.7. According to the World Bank, Lesotho's poverty rate stood at 32.4% in 2017, down from 66.3% in 2002. However, 2021 projections point to an increase in poverty to 35.8%. The occurrence of various shocks such as the COVID-19 pandemic, and recurrent extreme weather conditions, appears to have reversed the trend in poverty reduction.³

1.8. Lesotho is largely exposed to international trade. The share of trade in GDP remained high during the review period (Table 1.1).

Table 1.1 Selected economic indicators, 2014-22

	2014	2015	2016	2017	2018	2019	2020	2021	2022
GDP (current LSL million)	26,492.0	30,107.1	31,102.4	30,734.6	33,829.2	35,196.8	34,856.0	35,076.0	41,769.3
GDP (current USD million)	2,441.1	2,359.7	2,114.4	2,306.7	2,556.2	2,436.0	2,117.7	2,373.4	2,553.5
Real GDP growth (annual %)	1.7	3.1	3.6	-3.1	-1.5	-0.8	-5.6	1.6	0.6
GDP per capita (USD)	1,165.1	1,113.8	986.3	1,062.7	1,163.0	1,094.5	939.5	1,040.3	1,107.4
Population ('000)	2,095.2	2,118.5	2,143.9	2,170.6	2,198.0	2,225.7	2,254.1	2,281.5	2,305.8
Inflation (annual % change, CPI)	5.4	3.2	6.6	4.4	4.8	5.2	5.0	6.0	8.3
Unemployment, total	16.9	16.9	16.8	17.0	16.9	16.9	18.5	18.3	18.0

¹ World Bank, *GNI per Capita (Atlas Method)*. Viewed at: <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=LS>.

² UNDP, *Human Development Report (Lesotho)*. Viewed at: <https://hdr.undp.org/data-center/specific-country-data#/countries/LSO>.

³ World Bank, *The World Bank in Lesotho*. Viewed at: <https://www.worldbank.org/en/country/lesotho/overview#:~:text=GDP%20is%20expected%20to%20expand,also%20expected%20to%20drive%20growth>.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
(% of total labour force) (modelled ILO estimate)									
GDP by type of expenditure (% of GDP at current prices)									
Final consumption expenditure, government	38.8	36.9	39.6	39.7	38.1	37.2	36.7	41.5	..
Final consumption expenditure, households	75.9	75.4	74.9	88.2	83.6	78.9	85.5	79.6	..
Final consumption expenditure, NPISH	1.2	1.2	1.5	1.4	1.7	1.8	1.8	1.8	..
Gross fixed capital formation	29.4	28.3	26.6	27.4	26.0	27.1	23.9	26.7	..
Changes in inventories	4.7	2.1	2.1	-5.2	-4.5	1.9	2.6	-0.6	..
Exports of goods and services	38.1	42.9	45.8	47.5	49.8	45.3	42.8	46.0	..
Less: Imports of goods and services	88.1	86.8	90.5	98.9	94.6	92.2	93.5	95.1	..
GDP by economic activity (% of GDP at basic current prices)									
Agriculture, forestry and fishing	4.4	4.2	5.5	5.6	4.8	5.0	5.7	4.8	4.5
Mining and quarrying	10.4	9.4	5.2	4.3	6.7	5.9	9.6	5.8	5.0
Manufacturing, of which:	13.7	17.0	18.8	17.3	18.9	19.2	17.9	18.9	19.1
Textiles, clothing, footwear and leather	11.3	14.1	15.7	14.7	16.3	17.0	16.2	17.4	..
Electricity and water	5.9	5.7	5.6	6.0	5.4	5.5	5.5	5.3	5.3
Construction	6.1	5.7	4.9	4.9	4.4	3.5	2.1	2.4	2.6
Services	59.5	57.9	60.0	61.9	59.7	60.9	59.2	62.8	63.5
Wholesale and retail trade; repair of motor vehicles	13.1	11.7	12.6	13.2	11.3	9.5	7.6	8.1	8.7
Transportation and storage	2.8	2.4	2.4	2.3	2.2	2.1	1.8	1.8	2.2
Accommodation and food service activities	1.4	1.1	1.2	1.3	1.1	0.8	0.4	0.5	0.5
Information and communication	3.6	3.5	3.9	3.5	3.4	3.2	3.1	3.1	2.7
Financial and insurance activities, of which:	8.5	9.7	9.5	9.6	9.0	13.2	14.3	14.0	12.6
Financial service activities, except insurance	6.9	8.2	7.4	7.5	6.5	10.7	12.1	11.8	..
Real estate activities	5.3	4.7	4.6	4.8	4.3	4.0	3.8	3.9	3.6
Business services	3.2	3.5	3.4	3.4	3.0	2.8	2.5	2.6	2.6
Professional, scientific and technical activities	1.1	0.9	0.9	0.9	0.8	0.8	0.8	0.8	..
Administrative and support service activities	2.1	2.5	2.5	2.5	2.2	2.0	1.7	1.8	..
Public administration and defence; compulsory social security	18.5	18.5	19.5	20.7	22.2	22.2	22.5	25.4	27.7
Education and health	2.1	2.0	2.1	2.2	2.1	2.1	2.2	2.4	2.0
Other service activities	1.0	0.9	0.9	1.0	1.0	1.0	1.0	1.0	0.8
Public finance (% of GDP)									
Total revenue	53.3	51.5	46.2	47.6	43.9	43.9	48.9	48.2	..
Tax revenue	19.2	20.7	20.8	20.7	34.8	35.7	38.3	37.9	..
Total expenditure	-55.3	-48.4	-54.3	-54.0	-57.8	-53.8	-47.7	-52.8	..
Net lending (+)/Net borrowing (-)	-2.1	3.2	-8.1	-6.4	-13.9	-9.9	1.2	-4.6	..
Total public debt stock (LSL billion)	10.4	13.7	12.4	12.1	15.5	17.1	18.6	19.1	..
External debt	8.7	11.9	10.6	10.2	12.3	13.0	13.6	14.4	..
Domestic debt (including IMF)	1.7	1.8	1.8	1.9	3.2	4.0	5.0	4.7	..

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Money and interest rates									
Broad money (M2, percentage change)	4.0	12.6	-4.9	25.5	10.5	-8.8	17.1	3.9	..
Narrow money (M1, percentage change)	2.7	29.3	-7.9	26.4	0.0	-13.5	30.3	2.5	..
Credit to private sector (percentage change)	12.4	7.4	3.0	8.5	10.7	8.2	0.7	13.1	..
Interest rates (percentage per annum, end of period)									
Prime lending rate	10.4	10.9	11.7	11.4	11.3	11.2	8.2	8.4	8.7 ^a
Savings deposit rate	0.9	0.5	0.6	0.8	0.7	1.4	0.7	0.7	0.7 ^a
Deposit rate (1 year)	3.2	3.3	3.5	3.7	4.2	4.2	3.8	3.2	2.8 ^a
Central bank policy rate	..	6.3	7.0	6.8	6.8	6.5	3.5	3.8	4.3 ^a
External sector									
Exchange Rates, (LSL/USD, period average)	10.9	12.8	14.7	13.3	13.2	14.4	16.5	14.8	16.4
Nominal effective exchange rate (percentage change; - depreciation)	-7.9	-5.2	-9.2	6.8	0.1	-4.7	-8.7	6.3	-2.9
Real effective exchange rate (percentage change; - depreciation)	-5.6	-3.9	-5.7	8.5	1.9	-2.1	-6.0	8.7	-1.9
Current account/GDP	-5.0	-3.3	-8.1	-6.2	-2.2	-3.0	-0.9	-3.8	-5.9
Trade/GDP (based on BoP)	125.2	128.1	139.1	144.9	143.9	136.4	136.1	139.1	129.5
Total reserves (USD million, end of period)	1,081.3	997.4	925.2	657.7	728.5	774.1	..	..	..
In months of imports of goods and services	5.6	5.5	5.2	3.3	3.4	3.9	..	..	..
Remittances – net (USD million)	..	..	..	..	..	..	..	..	..
Inflow	393.0	370.8	453.5	549.8	581.8	543.7	468.0	499.2	575.5
(% of GDP)	16.1	15.7	21.4	23.8	22.8	22.3	22.1	21.0	22.5
Outflow	..	..	..	..	..	..	..	..	..
FDI (USD million)	..	..	..	..	..	..	..	..	..
FDI flow in Lesotho	94.5	206.5	159.2	123.1	128.7	35.7	29.6	26.6	..
FDI flow abroad	..	..	..	..	..	..	..	..	..
FDI stock in Lesotho	615.3	571.9	590.6	574.8	703.5	1,155.6	1,138.2	1,114.2	..
FDI stock abroad	..	..	..	..	..	..	..	..	..

.. Not available.

a Data refer only to March 2022.

Source: Central Bank of Lesotho (CBL), *Macroeconomic Statistics*. Viewed at: <https://www.centralbank.org.ls/index.php/statistics/macroeconomic-statistics>; Bureau of Statistics. Viewed at: <https://www.bos.gov.ls>; World Bank, Databank. Viewed at: <https://databank.worldbank.org/home>; UNCTAD Stat. Viewed at: <https://unctadstat.unctad.org/EN/>; and IMF data. Viewed at: <https://data.imf.org/>.

1.9. Lesotho is a member of the Common Monetary Area (CMA) (Main Report, Section 1.2). The IMF classifies Lesotho's *de facto* and *de jure* exchange rate arrangement as a conventional peg at par to the South African rand, which is also legal tender in the country.

1.10. The country has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement of IMF. It maintains one exchange restriction arising from single discretionary allowances of LSL 1 million per individual per calendar year, for residents over 18, and of LSL 200,000 on the same basis for residents under 18. The availability of foreign exchange beyond these limits is subject to a discretionary approval on a case-by-case basis.⁴

⁴ IMF (2022), *Kingdom of Lesotho: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/161. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2022/06/08/Kingdom-of-Lesotho-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-519018>.

1.2 Recent economic developments

1.11. Lesotho's economy has continued to face structural impediments in the last decade. Real GDP has grown only slightly since 2014 and has shrunk from 2017 to 2020 (Table 1.1). The decreasing GDP per capita, combined with lower remittances at the back of sluggish economic activities in South Africa, led to a significant fall in the country's GNI in 2020 (Section 1.1).

1.12. Factors behind Lesotho's economic setback are multifaceted. The country's exports, which are largely dominated by textiles and diamonds, have been losing competitiveness. Lesotho's exposure to climate shocks has also continued to undermine economic activities in the agricultural sector, as droughts and floods episodes have become more frequent over the past decade.

1.13. Weaknesses in Lesotho's macroeconomic management have also weighed on its economic growth. The economy relies heavily on SACU's transfers, and revenues are subject to considerable external volatility. In such a context, the country's pro-cyclical fiscal management, with high public expenditures that increase when transfers are buoyant but not scaled back when transfers fall, creates an uncertain macroeconomic environment to the detriment of business activities.

1.14. The COVID-19 pandemic further depressed Lesotho's economy in 2020, and GDP contracted by 5.6% (Table 1.1). Weak external demand, supply chain disruptions, and notably closure of domestic textile industries, also weighed on GDP growth. In this context, the authorities resorted to both fiscal and monetary instruments to support the economy. On budget, resources were reallocated from some components of non-financial assets towards pandemic-related social assistance spending. Consequently, this affected implementation of infrastructure development projects. Regarding monetary policy, the Central Bank of Lesotho (CBL) rate was cut five times in 2020 by a total of 300 basis points from 6.50% in 2019 to 3.50%. Accordingly, the prime lending rate dropped to an average of 8.2% in 2020 from 11.3% in 2019.

1.15. In 2021 and 2022, GDP growth rates were slightly back in the positive territory. However, the current geopolitical tensions and the related hike in fuel prices, as well as an unfavourable business sentiment, continue to pose a serious risk to Lesotho's medium-term economic prospects. Though, in an optimistic scenario, the IMF considers that Lesotho's medium-term growth is expected to be supported by the construction sector, in particular the second phase of the Lesotho Highlands Water Project (LHWP II).⁵

1.16. In recent years, the authorities have undertaken strategic measures aiming to overcome the numerous challenges facing the economy. The National Strategic Development Plan II (NSDP II) for 2018/19-2022/23 aims to enhance inclusive and sustainable economic growth and private sector-led job creation, by strengthening human capital, building infrastructure, and promoting national governance and accountability systems.

1.17. Macroeconomic policies were also used to respond to short-term and structural challenges. Lesotho is in the process of reforming its public financial management, with a view to, *inter alia*, strengthening expenditure controls, promoting a transparent and well-coordinated budget process, and strengthening the monitoring of public enterprises. According to the IMF, the country has also developed a draft Public Financial Management and Accountability Bill, with a view to improving budget processes and limit the accumulation of domestic arrears.⁶

1.18. Monetary and exchange rate arrangements continue to focus on ensuring price stability and maintaining adequate reserves to safeguard the peg. Annual inflation rates, proxied by CPI, were around 5% before 2020, except for 2016 when inflationary pressures from the food and non-alcoholic beverages sectors were worsened by the 2015 drought-reduced harvests and higher importing costs from South Africa. Also, in 2021 and 2022, there were pronounced inflationary pressures from price increases in food and fuel in the context of geopolitical tensions, together with pandemic-induced supply chain disruptions and higher freight costs.

1.19. Lesotho has recorded a fiscal deficit during most years since 2014, due to high public expenditures, poor revenue collection, and the decline in transfers from the SACU revenue pool. The

⁵ IMF Country Report No. 22/161.

⁶ IMF Country Report No. 22/161.

deficit was particularly high in 2016-19, with a peak of 13.9% in 2018 (Table 1.1), mainly driven by an increase in compensation of employees. Fiscal balance posted a surplus in 2020, driven by sizeable receipts of SACU revenue and royalties on naturally occurring assets, including water royalties from LHWP project.

1.20. Lesotho's current account is traditionally in deficit. The deficit was particularly high in 2016 (8.1% of GDP), largely driven by the widening of the trade deficit (Table 1.2). This reflected high imports and weak growth in exports of goods and services. The deficit was also determined by a decline in net current transfers as a result of a fall in SACU receipts. Current account deficit eased steadily to its lowest level in 2020. The sharp contraction in 2020 reflected a surge in the secondary income account surplus buoyed exclusively by increases in SACU receipts. However, Lesotho's current account balance worsened in 2021 and 2022, mainly due to an expansion on the services account deficit, coupled with a declining surplus on the income balance.

Table 1.2 Balance of payments, 2014-22

(USD million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current account	-122.5	-77.6	-170.9	-143.2	-55.6	-72.3	-18.2	-90.9	-149.9
Goods	-946.9	-801.7	-731.1	-799.0	-710.4	-719.1	-713.5	-753.2	-746.9
Credit	875.7	928.6	881.3	1,028.3	1,221.1	1,063.5	888.8	1,060.9	1,052.3
Debit	1,822.6	1,730.3	1,612.4	1,827.3	1,931.5	1,782.6	1,602.3	1,814.0	1,799.2
Services	-299.2	-272.9	-329.0	-420.2	-460.7	-417.8	-364.5	-387.4	-428.3
Credit	29.9	45.7	59.2	33.4	32.4	29.2	13.3	19.3	13.7
Debit	329.1	318.5	388.2	453.6	493.1	447.0	377.8	406.6	442.1
Primary income	317.5	315.8	409.6	477.7	505.0	476.0	418.5	431.5	513.9
Credit	472.6	454.8	532.7	613.7	643.8	603.6	526.6	553.9	629.9
Debit	155.1	139.0	123.1	136.1	138.8	127.6	108.1	122.4	116.0
Secondary income	806.2	681.1	479.6	598.3	610.5	588.6	641.3	618.1	511.5
Credit	828.2	702.9	501.7	624.0	637.3	609.5	674.4	641.4	533.3
Debit	22.1	21.8	22.0	25.7	26.8	20.9	33.1	23.3	21.8
Capital account	32.6	37.4	48.8	39.4	36.6	86.0	93.4	130.0	113.0
Financial account	-133.8	-217.4	-280.8	-75.3	139.1	-38.5	208.5	67.6	-131.4
Direct investment	-94.5	-206.5	-79.2	-42.2	-40.9	-35.7	-28.0	12.4	7.8
Portfolio investment	0.0	-0.3	-0.2	-0.2	-0.3	97.7	38.6	13.5	-11.8
Other investment	-162.3	-122.9	-38.1	169.4	113.3	-158.1	84.3	-28.5	-24.1
Reserve assets	122.9	112.2	-163.2	-202.2	66.9	57.7	113.5	70.3	-103.3
Net errors and omissions	-43.9	-177.2	-158.7	28.5	158.1	-52.2	133.3	27.2	-94.5

Source: IMF, IMF Data, Balance of Payments. Viewed at: <https://data.imf.org/>.

1.21. According to the authorities, the international reserves to import coverage has been declining from its 5.6-month peak in 2014 to just above 4 months in 2020 and 2021. This, however, improved following receipts of the IMF's SDR allocation, which was meant to mitigate the effects of the COVID-19 pandemic. The SDR allocation restored the level of reserves to the pre-COVID-19 level, closing the year 2022 to around 4.5 months of prospective imports.

1.3 Trade performance and foreign direct investment

1.3.1 Trends and patterns in merchandise and services trade

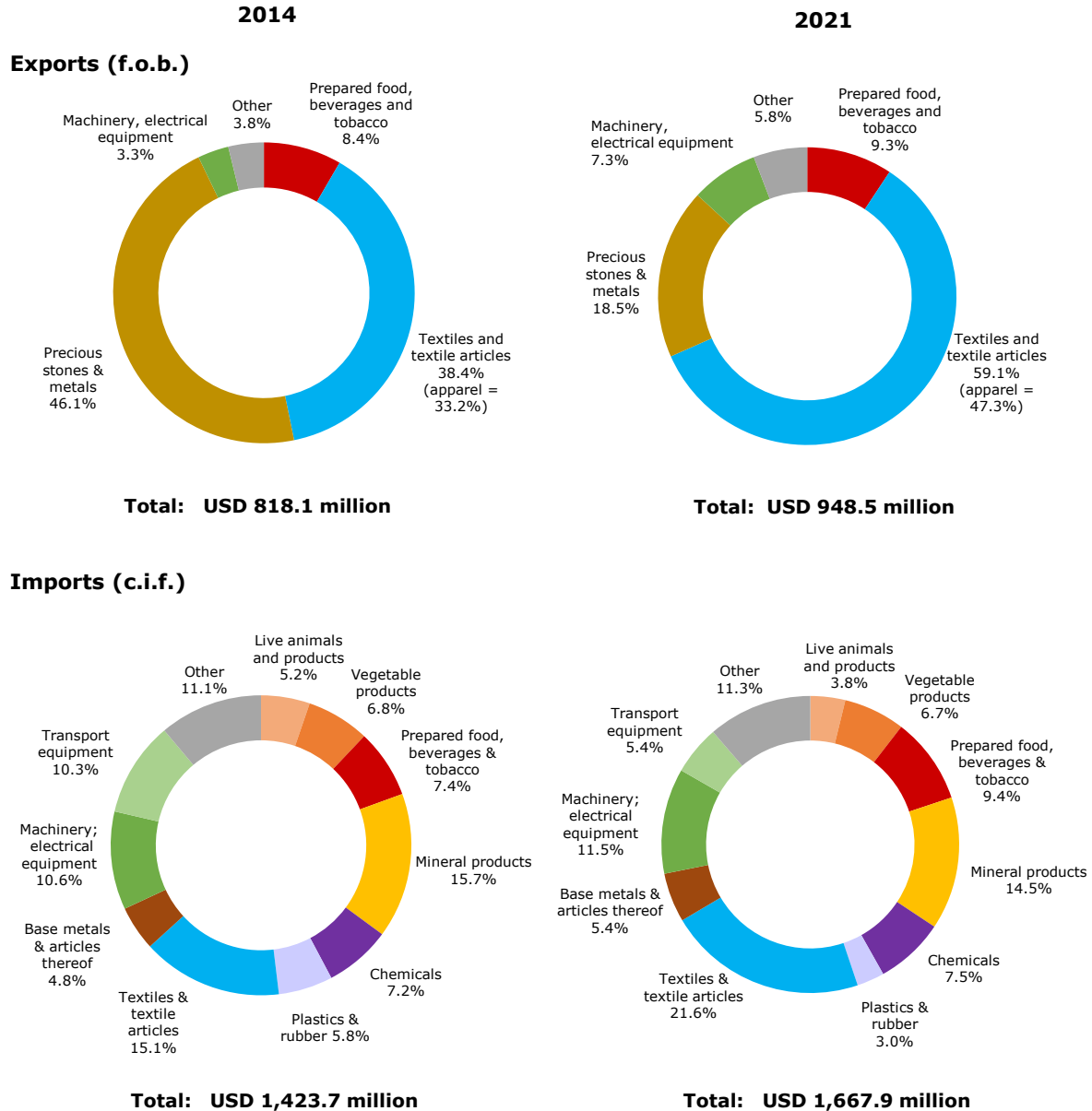
1.22. Lesotho's economy is largely exposed to international trade in goods and services, which remains an important driver of its economic performance. The share of imports and exports in GDP has been consistently high since 2014, with values above 140% in 2017 and 2018 (Table 1.1).

1.23. Based on UN Comtrade data (Table A1.1), the merchandise trade deficit widened steadily in 2014-17, driven by several factors, in particular higher imports of equipment for extension work within the mining industry and, to a certain extent, an increased demand for food products at the back of the poor harvests in 2015 and 2016. Diamond exports also fell dramatically due to a decline in diamond production, coupled with lower prices in the international diamond market then. Improvement resumed in 2018, as the merchandise trade deficit faded steadily, with a remarkable reduction in 2020 in the wake of the COVID-19 crisis. The steady reduction during this period was, partly, driven by buoyant diamond exports in the context of favourable international market conditions coupled with the discovery of rare and high-valued diamonds.

1.24. During the review period, Lesotho's exports performance was generally stable, with minor fluctuations due to diamond market conditions and the competitiveness of its textiles sector. The

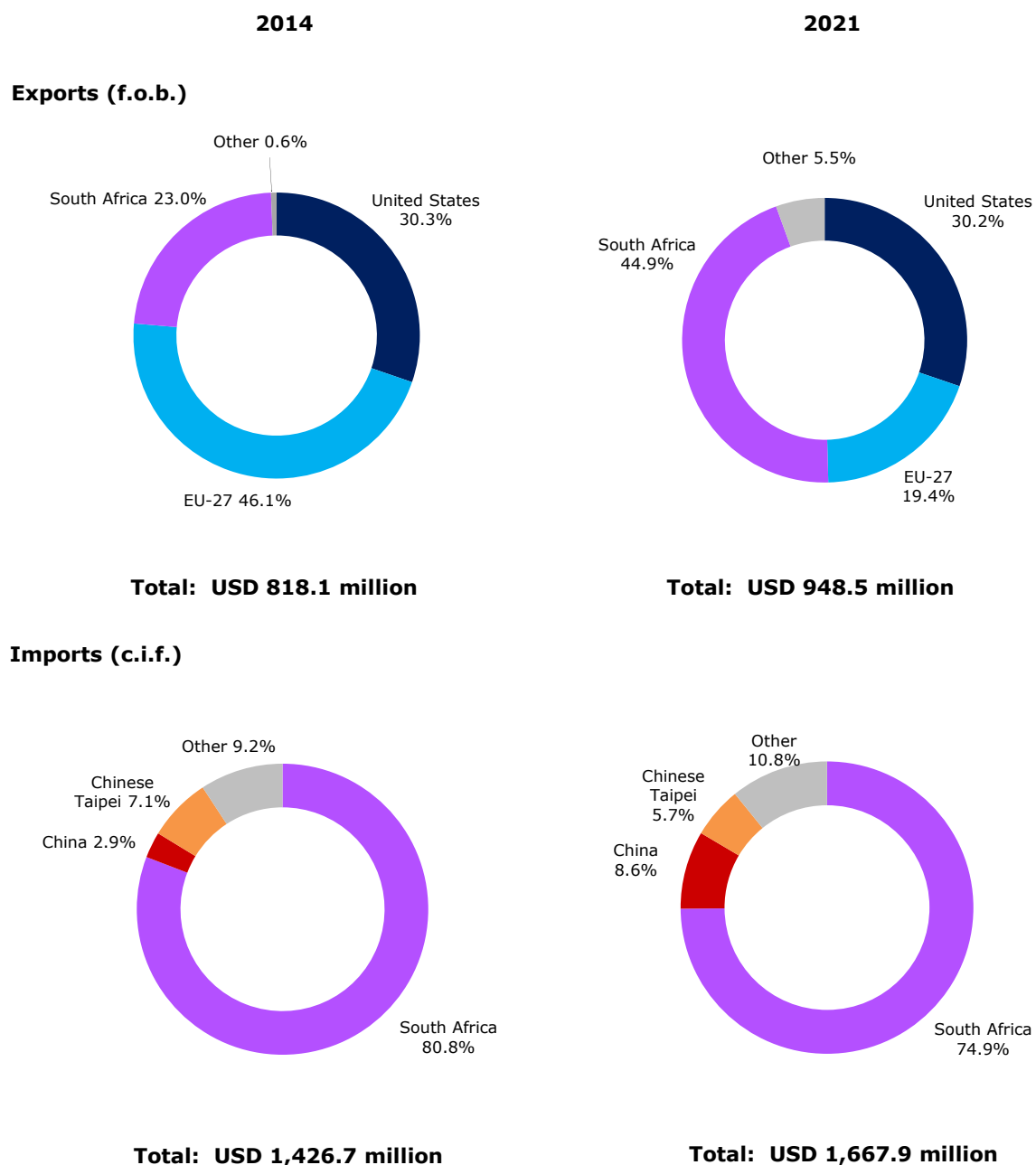
composition of its merchandise exports has remained broadly unchanged. Textiles and textile products, and precious stones remain the main exported products. The prepared food, beverages, and tobacco category is also important, although its performance is highly affected by the recurrence of poor harvests (Chart 1.1 and Table A1.1).

Chart 1.1 Product composition of merchandise trade by main HS section, 2014 and 2021



Source: WTO Secretariat calculations, based on UN Comtrade database.

1.25. The geographical distribution of exports also remained broadly unchanged. South Africa, the United States, and the European Union remain, by far, Lesotho's main export destinations (Chart 1.2 and Table A1.2). While the United States is the main market for textile products, the European Union appears to attract Lesotho's exports of diamonds. South Africa is a destination for textiles and food products, and its market share expanded further during the review period.

Chart 1.2 Direction of merchandise trade, 2014 and 2021

Source: WTO Secretariat calculations, based on UN Comtrade database.

1.26. The composition of imports is more diversified than that of exports. The leading import categories are textiles, machinery, electrical equipment, transport equipment, food, and petroleum products (Chart 1.1 and Table A1.3). A large share of Lesotho's imports continues to be sourced from South Africa. Other important import sources include Chinese Taipei, China, the United States, the European Union, and India. (Chart 1.2 and Table A1.4).

1.27. Lesotho's trade in services balance has been in deficit since 2014. Its main services import categories are travel, transport, and business services (Table 1.3). Exports are rather marginal and concentrated in travel services.

Table 1.3 Trade in services, 2015-22

(USD million)

	2015	2016	2017	2018	2019	2020	2021	2022
Trade balance	-272.9	-329.0	-420.2	-460.7	-417.8	-364.5	-387.4	-428.3
Services exports	45.7	59.2	33.4	32.4	29.2	13.3	19.3	13.7
Transport	1.1	0.8	0.6	0.6	0.6	0.5	0.6	0.5
Travel	34.4	48.1	22.8	23.6	20.8	6.3	7.9	6.6
Other services	10.2	10.2	9.9	8.2	7.8	6.6	10.9	6.6
Insurance and pension services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges for the use of intellectual property n.i.e.	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Telecommunication, computer, and information services	1.7	2.9	1.8	0.1	0.4	0.0	3.6	0.0
Other business services	5.3	4.6	5.1	5.1	4.7	4.1	4.6	4.1
Government goods and services n.i.e.	2.9	2.5	2.7	2.8	2.5	2.2	2.5	2.2
Services imports	318.5	388.2	453.6	493.1	447.0	377.8	406.6	442.1
Transport	56.7	51.2	57.9	61.5	55.5	47.5	52.7	52.4
Travel	174.0	257.9	303.0	341.8	319.4	270.0	289.4	329.3
Other services	87.9	79.1	92.6	89.8	72.1	60.3	64.6	60.4
Insurance and pension services	10.6	9.8	11.1	11.8	10.8	9.7	11.0	10.9
Financial services	0.8	0.7	0.8	0.8	0.7	0.6	0.7	0.6
Charges for the use of intellectual property n.i.e.	3.4	2.9	3.2	3.3	3.0	2.6	2.9	2.6
Telecommunication, computer, and information services	7.9	7.2	13.1	8.9	10.8	7.1	5.6	6.0
Other business services	43.5	37.6	41.4	41.9	38.2	33.7	37.4	33.9
Government goods and services n.i.e.	21.7	20.9	23.0	23.2	8.6	6.6	7.1	6.4

Source: IMF, IMF Data, Balance of Payments. Viewed at: <https://data.imf.org/>.**1.3.2 Trends and patterns in FDI**

1.28. Lesotho is traditionally a net recipient of foreign investments. FDI inflows have been on a declining trend since 2015 (Table 1.1). Mining and the textile industry traditionally attract a substantial share of investments. However, energy facilities, in particular renewable power plants, have benefited from foreign investments in recent years. South Africa; Türkiye; Mauritius; Chinese Taipei; Hong Kong, China; and Singapore are the main sources of investment.

2 TRADE AND INVESTMENT REGIMES

2.1 General framework

2.1. The Constitution of Lesotho has been amended nine times since its adoption in 1993. The latest amendment was assented into law in May 2020. The amendment requires the Prime Minister to obtain majority support of the members of the National Assembly before advising the King to dissolve Parliament. The amendment has also changed the maximum duration of Parliament's prorogation from 12 months to 2 months. In addition, it reformed other subjects such as filling the position of Prime Minister when vacant and clarified the role of a caretaker government.

2.2. The substance of the general legal and institutional framework remained broadly unchanged during the review period. Lesotho is a constitutional monarchy. The political system was extensively described in the previous Review.⁷

2.3. Legislative power in Lesotho is vested in the Parliament. In terms of the Constitution, the Parliament consists of the King; a non-elected Senate; and a National Assembly, elected every five years. The National Assembly consists of 80 members elected in terms of a constituency system by the electorate; and 40 are elected in accordance with the principle of proportional representation. The Senate consists of the 22 principal chiefs and 11 other senators nominated by the King. On 7 October 2022, Lesotho held its 11th legislative poll to elect the 120 members of its National Assembly.

2.4. The executive power vests in the King but is exercised through the Prime Minister, who is the head of government and appointed for a five-year term by the King, on the advice of the Council of State. The Prime Minister shall be the leader of the majority party or coalition in the National Assembly. The term of the current Prime Minister began on 28 October 2022.

2.5. Judicial power vests in the courts of Lesotho. These are the Court of Appeal; the High Court, and its specialized divisions, i.e. the commercial and land divisions, subordinate courts, and courts martial, and any other tribunal established by the Parliament.

2.6. The Constitution remains the highest-ranking law in the hierarchy of legal instruments. In the domestic hierarchy, it comes before acts, regulations, circulars, and administrative decisions. As indicated during the previous Review, international treaties must be ratified by the Parliament to become part of the domestic legislation.

2.2 Trade policy formulation and framework

2.7. As a SACU member, most of Lesotho's trade policies, in particular issues pertaining to market access, are shaped at the SACU level. For issues not covered by the SACU Agreement, trade and trade-related policies are mainly the responsibility of the Ministry of Trade, Industry, Business Development and Tourism (MTIBDT). Its activities include coordinating the formulation and implementation of trade policies, including WTO-related matters and any other trade agreements. Other ministries and agencies are also involved in trade policy making, including the ministries in charge of economy, finance, agriculture, and the Central Bank of Lesotho.

2.8. The 2002 SACU Agreement also provides for a National Body to be established in each member country. The National Body, upon establishment, will be in charge of SACU issues (including tariff changes) at the national level and will make recommendations to the Customs Union. In this regard, a Trade and Tariff Bill is undergoing a parliamentary approval process in Lesotho in order to provide a legal basis for the establishment of Lesotho's National Body.

2.9. To facilitate regular consultations, the Lesotho Coordination Committee on Trade was established in 2017. It has four subcommittees (trade facilitation; market access; monitoring and evaluation; and standards, product development, and market diversification). Under the Committee's responsibility, Lesotho adopted its trade policy framework for 2021-25, the formulation

⁷ WTO document [WT/TPR/S/324/Rev.1](#), 5 February 2016, Annex 2, Section 2.

process of which was open to private sector organizations. According to the authorities, these organizations are generally consulted on trade policy formulation, implementation, and follow-up.

2.10. The National Trade Policy Framework (NTPF) was developed in the context of Lesotho's 2020 Vision and the NSDP II (Section 1.1). The NTPF is a strategic tool to guide both public and private sectors regarding the promotion of domestic and external trade.⁸

2.11. The NTPF prioritizes the development of a broader based private sector, which was further underpinned by the adoption of a National Industrialization Policy in 2015. As a policy document, the NTPF provides guidelines for implementing the Government's trade agenda and, to that end, identifies specific policy and regulatory goals aimed at advancing Lesotho's trade development. The following topics are identified under the NTPF as priority intervention areas for trade development: domestic market infrastructure; trade agreements; regional integration and export competitiveness; trade in services; trade facilitation; national quality infrastructure; intellectual property; competition and consumer protection; and the role of trade in sustainable development. For each of these priority areas, the NTPF provides policy recommendations and guidance for specific interventions that will be developed over the coming decade.

2.12. The Lesotho National Trade Strategy (LNTS) 2021-2025 is also an important strategic policy paper adopted in 2020, with a view to further promoting the country's trade performance, in particular with respect to exports. Under the Strategy, Lesotho aims to bolster the competitiveness of its economy to promote economic diversification, and uphold employment and income growth. The Strategy places a special emphasis on the country's micro, small, and medium-sized enterprises (MSMEs) in strategic sectors with export potential. It considers horticulture, textiles and apparel, and light industries as priority economic activities with high potential for export growth. It has developed strategic objectives to tackle obstacles that are preventing MSMEs from realizing their full export potential.

2.13. Since 2016, a National African Growth and Opportunity Act (AGOA) Response Strategy has also been in place, with a view to improving and maximizing the benefits of the AGOA and access to the US market.⁹ The Strategy seeks to address the various competitive constraints faced by Lesotho. The authorities indicate that all relevant stakeholders were involved in the strategy development process.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.14. Lesotho is an original Member of the WTO. It grants at least most-favoured-nation (MFN) treatment to all of its trading partners. It is not a signatory to any plurilateral agreement negotiated within the WTO framework and did not take part in the WTO negotiations on basic telecommunications nor in those on financial services. The concessions made by Lesotho at the conclusion of the Uruguay Round are contained in Schedule CXV as regards goods and in WTO document [GATS/SC/114](#) as regards services. Lesotho has not been involved in any dispute under the WTO dispute settlement mechanism, whether as a complainant, a respondent, or a third party.

2.15. During the review period, Lesotho notified some of its trade measures to the WTO (Table 2.1). Nevertheless, as of June 2023, some notifications, including those on state trading enterprises, remained outstanding.

⁸ Lesotho Government, *Lesotho: National Trade Policy Framework, 2021-2025*. Viewed at: https://www.lesothotradeportal.org.ls/kcfinder/upload/files/Legal_1626769469.pdf.

⁹ Ministry of Trade and Industry (2016), *The AGOA Response Strategy for Lesotho*. Viewed at: <https://agoa.info/images/documents/6186/agoa-response-strategy-report-for-lesotho-2016.pdf>.

Table 2.1 Notifications to the WTO, 2016 to 31 May 2023

Agreement	Description	Periodicity	WTO document (latest if periodic)
Agreement on Agriculture			
Articles 10 and 18.2	Export subsidy (ES:1)	Annual	G/AG/N/LSO/5-10 (08/10/2019) G/AG/N/LSO/11-13 (19/07/2022)
Article 18.2	Domestic support (DS:1)	Annual	G/AG/N/LSO/14 (26/09/2022) and Rev.1 (28/09/2022) G/AG/N/LSO/15 (27/09/2022) G/AG/N/LSO/16/Corr.1 (28/09/2022)
Regional Trade Agreements			
Enabling clause, para. 4(a)	Notifications of regional trade agreements	<i>Ad hoc</i>	WT/COMTD/N/55 (01/11/2019) WT/COMTD/RTA11/N1 (20/07/2017)
GATT 1994, Article XXIV:7(a)	Free trade areas	<i>Ad hoc</i>	WT/REG381/N/1 (04/04/2017) WT/REG381/N/1/Add.1 (12/02/2018) WT/REG443/N/1 (21/01/2021)
General Agreement on Trade in Services			
Article III:3	Laws/regulations	<i>Ad hoc</i>	S/C/N/962-968 (16/10/2019) S/C/N/1065-1071 (04/01/2021)
Article III:4	Contacts and enquiry points	<i>Ad hoc</i>	S/ENQ/78/Rev.16 (22/04/2016)
Article IV:2	Contacts and enquiry points	<i>Ad hoc</i>	S/ENQ/78/Rev.16 (22/04/2016)
Article 18:5	Laws/regulations	<i>Ad hoc</i>	G/ADP/N/1/LSO/1 (03/10/2019)
Agreement on Subsidies and Countervailing Measures			
Article 25.11	Countervailing duty actions (taken within the preceding six months)	Semi-annual	G/SCM/N/298/Add.1 (22/04/2016) G/SCM/N/305/Add.1 (21/10/2016) G/SCM/N/313/Add.1 (21/04/2017) G/SCM/N/321/Add.1 (23/10/2017) G/SCM/N/328/Add.1 (20/04/2018) G/SCM/N/334/Add.1 (19/10/2018) G/SCM/N/342/Add.1 (24/04/2019) G/SCM/N/349/Add.1 (15/11/2019)
Agreement on Trade Facilitation (TFA)			
TFA, Articles 15 and 16 (WT/L/931)	Category commitments	<i>Ad hoc</i>	G/TFA/N/LSO/1 (04/06/2018) G/TFA/N/LSO/1/Add.1 (28/02/2020) G/TFA/N/LSO/1/Add.2 (18/02/2021) G/TFA/N/LSO/2 (12/04/2021) G/TFA/N/LSO/3 (21/06/2021) G/TFA/N/LSO/4 (14/07/2021) G/TFA/N/LSO/1/Add.3 (21/10/2021) G/TFA/N/LSO/1/Add.4 (28/02/2020) (09/08/2022)
Agreement on Rules of Origin			
Annex II, para. 4	Preferential rules of origin	<i>Ad hoc</i>	G/RO/N/158 (21/07/2017)
Agreement on Anti-Dumping			
Article 18.5	Laws/regulations	<i>Ad hoc</i>	G/ADP/N/1/LSO/1 (03/10/2019)

Source: WTO Secretariat.

2.16. Lesotho continues to actively participate in various negotiating groups, including the ACP group, the African group, the Group of 90 (G-90), and the group of least developed countries (LDCs). It is also a co-sponsor of the proposal on intellectual property ("W52" sponsors).

2.3.2 Regional and preferential agreements

2.17. Lesotho's membership in regional trade agreements is largely determined through SACU, and the Southern Africa Development Community (SADC) to a certain extent (Main Report, Section 2.4). In 2017, the country ratified the SADC Protocol on Trade in Services.

2.18. Lesotho ratified the African Continental Free Trade Area (AfCFTA) in November 2020. According to the authorities, Lesotho is involved in Phase I (trade in goods and services) and Phase II (competition, investment, IPRs) of the AfCFTA negotiations.

2.3.3 Other agreements and arrangements

2.19. Lesotho is eligible for unilateral preferences under the AGOA, whereby the United States provides eligible sub-Saharan African countries with duty-free access to the US market for a list of products. The textiles and clothing industries have been the major beneficiary of the AGOA.

2.20. Products originating from Lesotho are also eligible to preferential access in Armenia, Australia, Belarus, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Türkiye, the United Kingdom, and the United States under their respective GSPs, as well as to India, Morocco, Chile, China, Chinese Taipei, Kyrgyz Republic, Thailand, the Republic of Korea, and Montenegro under their LDC-specific preferential schemes.¹⁰

2.4 Investment regime

2.21. Several laws and regulations, such as the Companies Act, the Business Licensing and Registration Act, have provisions pertaining to the administration of business activities, in particular governance of investment.

2.22. Companies are incorporated under the Companies Act, 2011 and its Regulations, 2012. The Act provides for electronic company registration, as well as electronic regulatory filing. Registration is done at the One-Stop Business Facilitation Centre (OBFC), which was established under the MTIBDT. Under the Act, foreign companies are allowed to register as an external company within 10 days of opening a business in Lesotho.

2.23. During the review period, Lesotho adopted the Business Licensing and Registration Act, 2019 and its Regulations, 2020.¹¹ The new legislation aims to streamline business licensing procedures, whereby applications are processed by a licensing officer. It also seeks to promote the inclusion of small businesses into the formal sector. Under the Act, the licensing and registration application can be done electronically.

2.24. By this law, in order to operate in Lesotho, all businesses (citizens and foreigners) must obtain a Business Identification Card. In addition, foreign businesses are required to hold a business permit to be authorized to engage in a business in Lesotho. To obtain a business permit, a foreign business must submit a business plan which ascertains, *inter alia*, its minimum capital resource of no less than LSL 2 million its prospective employment generation (not less than six Lesotho citizens), the strategic nature of the business to the Lesotho economy, and a statement of technology transfer and the company's business expertise.

2.25. The new legislation also introduces a risk-based system, whereby a licence is required for business activities whose operations are deemed to pose public health, environment, or national security risks. These are listed in Schedule 1 of the Business Licensing and Registration Act, 2019 and consist of : supply of liquefied petroleum gas and petroleum products, waste collection and treatment, sewerage, remediation and other waste management services, wholesale and retail sale

¹⁰ WTO, *Preferential Trade Arrangements Database: Lesotho*. Viewed at: <http://ptadb.wto.org/Country.aspx?code=426>.

¹¹ eRegulations Lesotho. Viewed at: <https://lesotho.eregulations.org>.

of health-related articles or products, food and beverage services, personal service activities, metal waste or scraps, repairs and maintenance, animal production, fishing and aquaculture, medical goods, and chemicals for animals and crops. Businesses that do not pose any risk are only required to be registered and can start operations before registration.

2.26. Under the new legislation, a Trading Enterprise Appeal Tribunal will hear appeals from decisions made pursuant to exercise of power under the Act.

2.27. As was the case during the previous Review, Lesotho has no stand-alone foreign investment law. A National Investment Policy was adopted in 2015 to pave the way for the drafting of a consolidated Investment Bill. In addition, the policy paper outlines the Government's initiatives to support domestic and foreign investment, including support programmes for investments. The policy further highlights investment facilitation activities that are available in Lesotho. According to the authorities, the drafting process of the Investment Bill is at an early stage.

2.28. Restrictions on foreign ownership are maintained in the case of land acquisition and of businesses operating in certain sectors. Foreigners can lease land directly from the Government and hold land titles as long as they have a local partner that owns at least 20% of the company. The title is valid for 60 years.

2.29. Furthermore, Lesotho applies some restrictions to foreign investors at the sectoral level, in particular in the case of small-scale activities. The Business Licensing and Registration Regulations, 2020, in its Schedule 16, lists 47 types of services and activities reserved for Lesotho nationals. However, a partnership with foreign enterprises is possible. There are also restrictions on foreign investment in the areas of mining (artisanal activities) and banking (restrictions on the members of the board of directors) (Sections 4.2.1 and 4.4.1.2).

2.30. For businesses involved in industrial activities, issuance of a manufacturing licence is governed by the Industrial Licensing Act, 2014. It is valid for one year (renewable) and subject to the submission by investors of an impact report on public health, occupational safety, and environmental issues, where necessary.

2.31. New businesses also require an Environment Impact Assessment (EIA) issued by the Department of Environment. This requirement applies to projects and activities in industries, including construction, transportation, mining, forestry-related activities, agriculture, the processing and manufacturing industries, energy and electric infrastructure, waste handling/storage/transport/treatment and disposal, and communications. It was indicated during the previous Review that MSMEs may be exempted from this requirement.

2.32. Regarding the institutional framework for Lesotho's investment regime, the Lesotho National Development Corporation (LNDC), the Lesotho Tourism Development Corporation (LTDC), and the Basotho Enterprise Development Corporation (BEDCO) are the main government agencies involved in investment promotion, business registration and the administration of Lesotho's incentive schemes for investors. The LNDC is responsible for, *inter alia*, the promotion of both local and foreign investment. It encourages investment in the manufacturing and processing industries, mining, commerce, chemicals, petrochemicals, plastics, technology, and tourism. The LNDC provides assistance to foreign investors with company registration, licences, and work permits; publishes information on investment opportunities; and administers a number of incentives (Section 3.3.1). Most of BEDCO's activities concern small investors, in particular the promotion of indigenous Basotho businesses, while the LTDC is in charge of promoting tourism projects.

2.33. Lesotho is a signatory to several bilateral agreements for the promotion and reciprocal protection of investments (APRPIs). As of June 2023, Lesotho had three APRPIs: with Switzerland, Germany, and the United Kingdom. In addition, Lesotho has double taxation agreements with South Africa, the United Kingdom, Mauritius, Botswana, and Eswatini.

2.34. Lesotho is party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) and to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Award. It is also a member of the Multilateral Investment Guarantee Agency (MIGA) and a partner of the Overseas Private Investment

Corporation (OPIC). Lesotho has a Commercial Court Division, which was officially inaugurated in February 2013.

2.35. The incentive schemes available to investors remained broadly unchanged during the review period. Lesotho grants mainly tax incentives to national and foreign investors for manufacturing activities, including a lower income tax rate and no withholding tax on dividends.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures and requirements

3.1. Any Lesotho or foreign business (incorporated in Lesotho) can engage in merchandise import for commercial purposes. Importers of controlled goods are required to apply for an import permit with the relevant Ministry (Section 3.1.4). As part of Lesotho's trade facilitation programme, business registration and the application and issuance of trade permits are progressively migrating from a paper-based process to an online platform, through the Lesotho National Single Window (LNSW). However, as of now, only the customs administration and the Ministry of Trade, Industry, Business Development and Tourism (MTIBDT) (through its licensing and registration unit, the One-Stop Business Facilitation Centre (OBFC)) are connected to the system. The process was initiated in June 2022.

3.2. On 4 January 2016, Lesotho deposited with the WTO its instrument of acceptance of the Protocol concerning the Agreement on Trade Facilitation Agreement (TFA). It has notified the list of measures for the different Categories (A, B, and C), and has indicated the implementation dates for Categories B and C.¹² On 21 October 2021, Lesotho submitted a request for an extension of its definitive date (from 31 December 2021 to 31 December 2024) for the provision concerning freedom of transit.

3.3. During the review period, Lesotho continued to implement its Customs Modernization Programme. Under the programme, the authorities established the Lesotho Trade Information Portal in 2020, an integrated website that provides up-to-date information on import, export, and transit.¹³

3.4. Lesotho also participates in the SACU Customs Modernization Programme, under which there is a customs information exchange framework (Main Report, Section 3.1). The implementation of a Preferred Trader Programme was another achievement of Lesotho's customs modernization efforts. The programme grants preferential treatment to traders on the basis of their level of customs compliance and the risk associated with their operations. Benefits include quicker processing times of customs procedures, prioritized clearance and release of goods, automatic qualification to VAT and customs deferment account, and expedited refund processing. The authorities indicate that in May 2023, 10 preferred traders were listed in Lesotho. They also noted that the country was in the process of implementing SACU's Authorized Economic Operator programme, which provides preferential treatment to importers and exporters throughout the region.

3.5. The Customs and Excise Act, 1982, its Regulations of 1984, and their related amendments continue to govern customs procedures. In addition, Lesotho's Customs and Excise Act provides for the application of Schedules 1 to 7 of SACU's Customs and Excise Act (also known as the Tariff Book). According to the authorities, a Customs Amendment Bill is currently undergoing parliamentary approval with a view to further harmonizing customs procedures within the SACU region. Revenue Services Lesotho (RSL) is responsible for customs procedures and for administering all taxes levied on imports.

3.6. Customs formalities may be completed by importers or by an approved customs broker. However, most importers hire a clearing agent to clear goods through customs. Since March 2016, the RSL has migrated to the ASYCUDA World system to process customs declarations. The authorities indicate that, in 2020 as part of the Customs Modernization Programme, an electronic platform, e-tariff, was established under ASYCUDA World to allow importers to browse for commodities to determine their classification codes and calculate related import duties. According to the authorities, the 2022 Time Release Study estimated that the average time required for customs clearance was approximately five hours.

3.7. Generally, the following documents are required for the customs declaration from extra-SACU countries: customs declaration form, known as the Single Administrative Document (SAD);

¹² WTO, Lesotho's status of TFA implementation. Viewed at: <https://tfadatabase.org/en/members/lesotho>.

¹³ Government of Lesotho, Lesotho Trade Information Portal. Viewed at: <https://www.lesothotradeportal.org.ls/>.

commercial invoice; transport bill; packing list; import permit (if applicable); certificate of origin (if applicable); and rebate certificate (if applicable). For imports from SACU countries, traders must present the SAD form, commercial invoice, and import permit (if applicable). For imports originating from South Africa, the SAD form and other listed documents must be submitted for commercial consignments.

3.8. In addition to the documents listed above, all imports arriving in Lesotho from South Africa should be accompanied by a customs notification issued by the South African Revenue Services (SARS). As indicated during the previous Review, all imports coming from outside SACU are moved in bond from the South African customs office to the one in Lesotho where clearance takes place, i.e. importers pay a guarantee to the South African customs authorities, which is released once the RSL acknowledges that it has received the shipment. Goods imported into Lesotho from other SACU members are cleared at the borders for VAT collection purposes.

3.9. In principle, customs declarations are processed using a risk management method that provides for three channels: a red channel (high risk), requiring a physical inspection of both documents and goods before customs clearance; a yellow channel (medium risk), requiring a documentary check; and a green channel (low risk) for immediate release.

3.10. The provisions of the Customs and Excise Act, 1982 on customs valuation are aligned with those in the WTO Agreement on Customs Valuation. They remained broadly unchanged during the review period. The authorities indicate that almost all imports were valued according to the transaction value during the review period. Lesotho continues to maintain a valuation database for imported used vehicles, to address undervaluation.

3.1.2 Tariffs and other charges

3.1.2.1 Applied MFN tariffs

3.11. As a SACU member, Lesotho applies its common external tariff (Main Report, Section 3.3.1). Lesotho does not apply any tariff quotas (TQs) on an MFN basis.

3.1.2.2 Bindings

3.12. In the Uruguay Round, Lesotho bound 100% of its tariff lines at 60% and 200%. On two lines, applied tariff rates are higher than their bound levels (60%) (Main Report, Table 3.4). These lines are subject to a mixed tariff, where the highest rate between the specific and the *ad valorem* applies. The two lines refer to worn clothes.

3.1.2.3 Tariff preferences

3.13. Lesotho continues to grant preferential treatment in the context of the SACU and Southern Africa Development Community (SADC) agreements (Main Report, Sections 2.4 and 3.3.3).

3.1.2.4 Other duties and charges

3.14. In addition to customs duties, imports are subject to VAT, excise duties, and other levies.

3.1.2.4.1 Value added tax (VAT)

3.15. In accordance with the Value Added Tax Act No. 9 of 2001 (as amended) and complemented by various regulations, Lesotho collects VAT on goods and services, whether locally produced or imported. There are three rates of VAT: 15% (the standard rate) on most goods and services, which was increased from 14% in 2018; 10% on electricity; and zero on basic commodities as well as exports of goods and services. The Telecommunications VAT rate was increased from 12% to the standard rate of 15% in March 2020 and the Electricity VAT rate from 9% to 10% in March 2021.

3.16. VAT is levied on all imports based on the c.i.f. price. The VAT Act provides a list of items that are exempted from VAT.

3.17. As indicated during the previous Review, VAT on imports is due at the Lesotho border, unless the importer has paid the VAT in South Africa and presents the invoice to prove it. In these cases, Lesotho can claim the VAT amount from SARS in accordance with the agreement between SARS and the RSL.

3.1.2.4.2 Excise duties and other levies

3.18. Lesotho charges excise duties on a number of goods, both locally produced or imported, in the context of the harmonized regime (Main Report, Section 3.3.4).

3.19. Although the SACU Agreement (Schedule 1) allows for the application of certain levies such as environmental levies, the authorities indicate that Lesotho does not yet collect them.

3.20. In accordance with the Agricultural Marketing (Distribution of Dairy Products) Regulations, 1992, Lesotho continues to collect a 2.5% levy on imported dairy products (Section 4.1.2).

3.1.3 Rules of origin

3.21. Lesotho applies preferential rules of origin for all its RTAs; and non-preferential rules of origin, as described in the Customs and Excise Act of 1982 and its regulations (Main Report, Section 3.2).

3.22. During the review period, there were no amendments to the rules of origin provisions of the Customs and Excise Act, 1982 (Section 47) and its Regulations (Section 41).

3.1.4 Import prohibitions, restrictions, and licensing

3.23. Lesotho's import control regime has not undergone any significant change since the previous Review. Lesotho prohibits imports of a number of products based on security, health, moral, or economic considerations. It also prohibits imports of certain chemicals, through the Environmental Act, 2008, to comply with the international environmental conventions to which it is a signatory.

3.24. Prohibited products are drugs and narcotics, counterfeit goods and money, carbide of calcium, cigarettes with a mass of more than 2 kg per thousand cigarettes, hazardous waste, chemicals and substances, weapons, military clothing for sale, indecent or obscene material, and prison-made and penitentiary-made goods.

3.25. Import restrictions are mainly governed by the Customs and Excise Act, 1982¹⁴; Import and Export Control Act, 1984 (as amended); Import Restrictions Regulations, 1988 (as amended); and the Agricultural Marketing Act, 1967¹⁵ and its regulations.

3.26. Lesotho's last notification of its import restriction regime was submitted to the WTO in 2010. It consisted of a list of goods subject to a non-automatic import permit.¹⁶ Lesotho requires an import permit for a selected number of agricultural and manufactured goods regardless of their origin, and in certain cases only when they originate from outside the SACU area (Table 3.1). The list of goods subject to an import permit has remained largely unchanged since the previous Review. The consolidated list of controlled goods was first published in 2009 through the Import Restrictions Regulations.

3.27. The permits are not automatic, and their requirements and duration vary depending on the product. Import permits for bread, dairy, and eggs are granted depending on the supply of locally produced goods. Permits can be valid for one shipment (e.g. clothing, milk, dairy products, and livestock), one year (e.g. petroleum fuel, precious stones, and alcoholic beverages), one month (e.g. sugar, bread, fresh fruits and vegetables), or three months (i.e. bank notes, gold securities, or foreign currency).¹⁷ In most cases a trading licence is required for importers before applying for

¹⁴ Customs and Excise Act, 1982 (Act No. 10 of 1982) and its amendments.

¹⁵ Act No. 26, 1967.

¹⁶ WTO documents [G/LIC/N/3/LSO/1](#), 6 June 2008; [G/LIC/N/3/LSO/2](#), 23 November 2010; and [G/LIC/N/1/LSO/1](#), 23 November 2010.

¹⁷ WTO document [G/LIC/N/3/LSO/2](#), 23 November 2010; and information provided by the authorities.

one of these import permits, with exceptions including clothing; tyres; vehicles; milk; dairy products; and bank notes, gold securities, or foreign currency.¹⁸

Table 3.1 Goods requiring an import permit/licence, 2023

Goods subject to licensing	Legislation	Administrator	Scope of application
1. Milk and other dairy products	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Regulations – Distribution of Dairy Products (Legal Notice No. 241 of 1992) Agricultural Marketing Regulations – Distribution of Dairy Products 1993 	Lesotho National Dairy Board	All trading partners
2. Sugar	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Regulations – Import of Sugar, 1989 (Legal Notice No. 176 of 1989) 	Ministry of Agriculture, Food Security and Nutrition (MAFSN)	All trading partners
3. Bread	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Regulations – Bread, 2005 (Legal Notice No. 5 of 2005) 	MAFSN	All trading partners
4. Fresh fruits and fresh vegetables	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Regulations 1992 (Legal Notice No. 28 of 1992) 	MAFSN	All trading partners
5. Pulses, beans and peas	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Regulations – Beans, Peas, Maize and Sorghum 1986 (Legal Notice No. 178 of 1986) 	MAFSN	All trading partners
6. Red meat	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Regulations, 1992 (Legal Notice No. 141 of 1992) 	MAFSN	All trading partners
7. Poultry and eggs	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Regulations – Egg control 1969 (Legal Notice No. 35 of 1969) 	MAFSN	All trading partners
8. Wool and Mohair	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Agricultural Marketing Act No. 26 of 1967 	MAFSN	All trading partners
9. Livestock and livestock products	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Proclamation No. 57 of 1985 – Importation and exportation of Livestock and livestock products 	MAFSN	All trading partners
10. Pullets and one day old chickens	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Livestock Disease Proclamation No. 10 of 1896 and its amendments of 1984 	MAFSN	All trading partners
11. Bees	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Livestock Disease Act 	MAFSN	All trading partners
12. Diamonds and other precious stones, cores and samples of precious stones	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Precious Stones Order 1970 Precious Stones (Kimberley Process) Regulations 2003 (Legal Notice No. 66 of 2003) Precious Stone (Prescription of Forms and Licence Fees) Regulations 2004 (Legal Notice 64 of 2004) Precious Stones (Diamond Dealer's Licence Grant and Renewals) Regulations 2004 (Legal Notice No. 160 of 2004) 	Ministry of Natural Resources	All trading partners
13. Used clothing	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Export and Import Control Act, 1984 (Amended in 1996) 	Ministry of Trade Industry, Business Development and Tourism (MTIBDT)	Extra-SACU trading partners only

¹⁸ WTO document [G/LIC/N/3/LSO/2](#), 23 November 2010.

Goods subject to licensing	Legislation	Administrator	Scope of application
14. Tyres (new and used)	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Export and Import Control Act – Amendment 1996 (Legal Notice No. 5 of 1996) 	MTIBDT	Extra-SACU trading partners only
15. Vehicles (new and used)	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Export and Import Control Act – Amendment 1996 (Legal Notice No. 5 of 1996) 	MTIBDT	Extra-SACU trading partners only
16. Alcoholic beverages (i.e. wines, spirits and beer)	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Liquor licensing Act 1998 (Act No. 8 of 1998) 	MTIBDT	All trading partners
17. Petroleum fuel	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Fuel and Services Control Regulation for Petroleum Fuel 1999 	Ministry of Natural Resources	Extra-SACU trading partners only
18. Bank notes, gold securities or foreign currency	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Exchange Control Regulations, 1989 (Legal Notice No. 175 of 1989) 	Central Bank of Lesotho	All trading partners
19. Medicines, medical devices, drugs, toxic chemicals	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Dangerous Medicines Act 1973 	Ministry of Health	All trading partners
20. Explosives	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) Internal Security (Arms and Ammunition) Act 1966 	Ministry of Natural Resources	All trading partners
21. Fire arms and ammunitions	<ul style="list-style-type: none"> Import restrictions Regulation – Amendment 2009 (Legal Notice No. 175 of 2009) 	Ministry of Local Government, Chieftainship, Home Affairs and Police	All trading partners

Source: Compiled by the WTO Secretariat based on information provided by the authorities; and WTO document [G/LIC/N/3/LSO/2](#), 23 November 2010.

3.2 Measures directly affecting exports

3.2.1 Export procedures and requirements

3.28. Export requirements have largely remained the same since the previous Review. In general, the registration formalities required to import goods for commercial purposes are also applicable to exports (Section 3.1). All commercial exports must be the subject of a customs declaration.

3.29. As was the case during the previous Review, documents required for customs clearance for exports destined to extra-SACU countries consist of the SAD form, the commercial invoice, the certificate of origin; the examination (inspection) certificate (if applicable), and the foreign exchange control declaration endorsed by an authorized bank (Form F178). For exports destined to SACU members, exporters must present the SAD form and the commercial invoice at the border.

3.2.2 Export prohibitions, restrictions, and licensing

3.30. The export control framework remained largely unchanged. Lesotho prohibits the export of certain drugs and chemicals¹⁹, and may prohibit the exports of ammunition or any good that could be converted into or used to manufacture ammunition.²⁰ It also applies export prohibitions on products pursuant to international conventions, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

3.31. Lesotho requires export permits for some agricultural products, diamonds, drugs, medicines, weapons, and hazardous waste and substances (Table 3.2). These restrictions are in place for various reasons, including safety, health, and compliance with international regulations

¹⁹ Drugs of Abuse Act, 2008, Article 43.

²⁰ Customs and Excise Act, 1982, Section 114(5).

(e.g. Kimberley Process for diamonds). Control of agricultural products, including fish products, aims to ensure food security.

Table 3.2 Goods requiring an export permit, 2023

Goods subject to permit	Legislation	Administrator
Cereals and legumes (wheat, maize, sorghum, barley, oats, peas, and beans)	Agricultural Marketing (Cereal and Legume Export) Regulations, 1972 (Legal Notice No. 33 of 1972)	Ministry of Agriculture, Food Security and Nutrition (MAFSN)
Wool and mohair, hides and skins	Importation and Exportation of Livestock Products Proclamation (Amendment) Act 1984; and Stock Diseases Amendment Act No. 18 of 1984	MAFSN
Fish	Importation and Exportation of Livestock Products Proclamation (Amendment) Act 1984; and Stock Diseases Amendment Act No. 18 of 1984	MAFSN
Firearms and explosives	Internal Security (Arms and Ammunition) Act, 1966 (Act No. 17 of 1973)	Ministry of Local Government, Chieftainship, Home Affairs and Police
Drugs and psychotropic substances	Lesotho Dangerous Medicines Act, 1973 (Act No. 21 of 1973)	Ministry of Health
Medicines	Medical, Dental and Pharmacy Order, 1970 (Order No. 13 of 1970)	Ministry of Health
Rough diamonds	Precious Stones (Kimberley Process) Regulations, 2003 (Legal Notice No. 66 of 2003)	Ministry of Natural Resources
	Precious Stones (Prescription of Forms and Licence Fees) Regulations, 2004 (Legal Notice No. 64 of 2004)	
Hazardous waste or substances	Environment Act, 2008 (Act No. 10 of 2008)	Ministry of Defence, National Security and Environment

Source: WTO Secretariat based on Lesotho's legislation on the Lesotho Trade Information Portal. Viewed at: www.lesothotradeportal.org.ls; and information provided by the authorities.

3.2.3 Export taxes, charges, and levies

3.32. Diamond exports from Lesotho are subject to a levy of 15% of their value.²¹ No other taxes, charges, or levies are collected on exports.

3.2.4 Export promotion and support

3.33. Lesotho maintains an incentive framework for local manufacturers that export under the Rebate Item 470.03 programme (Main Report, Table 3.5). Under the programme, raw materials imported into Lesotho to manufacture products for export outside the SACU area are exempted from paying customs duties and VAT. However, if the final good is exported to the SACU area, exporters must pay the import duties that were initially exempted. The authorities indicate that manufacturers under this regime are also charged company tax at the rate of 10% instead of the standard 25%.

3.34. In addition, exports of goods (and services) are subject to zero rate VAT. Therefore, exporters may claim a refund for VAT paid on imported inputs that are incorporated into an export product.

3.35. Lesotho does not have export processing zones. However, efforts are ongoing to design a legal framework for their establishment. The authorities indicate that the draft National Special Economic Zones Policy is aligned to the goals of the NSDP II, which seeks to promote employment and economic growth by establishing a strong industrial base in Lesotho. The Policy aims at laying the ground for the conception and implementation of relevant laws and institutions.

3.36. The Lesotho National Development Corporation (LNDC) plays the role of the country's export promotion agency. It is responsible for supporting exporters to market their internationally known

²¹ Precious Stones Order No. 24, 1970.

products. In addition, it offers technical advice to exporters on foreign markets and specific exportable products. It also facilitates participation of exporters in international trade fairs and exhibitions.

3.2.5 Export finance, insurance, and guarantees

3.37. Lesotho's Partial Credit Guarantee Scheme, which is administered by the LNDC, continues to play an important role in providing support, in the form of export finance services, for the development of domestic businesses, especially MSMEs. The Scheme aims to support exporters' activities and businesses in general, and to promote their participation in global value chains. At its inception, the scheme provided 50% guarantee on loans worth up to LSL 5 million. It targets all sectors and business sizes with local shareholding. In April 2020, as a supportive measure in the context of the COVID-19 pandemic, and to improve the impact and reach of the Scheme, the authorities expanded guarantee cover from the previous 50% to 75% of the loan, waived all related fees, and increased the maximum guarantee amount from LSL 5 million to LSL 8 million.

3.38. The authorities indicate that Lesotho is developing new financing instruments, notably a supply chain financing mechanism.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.39. Lesotho continues to grant incentives and other support measures administered by the LNDC, which focus mainly on investment (Section 2.4). It also maintains an incentive framework for local manufacturers that export under rebate (Section 3.2.4).

3.3.2 Standards and other technical requirements

3.40. Lesotho is a member of the SADC Standardization, Quality Accreditation and Metrology (SQAM) programme, which aims to harmonize standards and conformity assessment procedures across all members.

3.41. The Lesotho Standards Institution Act, 2014 came into force in 2020, and it is the main legislation that governs the standardization process in Lesotho. It provides for the establishment of a standards body in charge of developing national standards in consultation with all relevant stakeholders. A new institution, the Lesotho Standards Institution (LSI), was established in 2020.

3.42. LSI's mandate is to develop, publish, and maintain Lesotho Standards. According to the authorities, as the National Standards Body of Lesotho, the LSI follows international best practices. Its service charter is standards development, testing, certification, and inspection. Accreditation, metrology, and technical regulation framework are left as functions of the newly restructured Department of Quality, Metrology and Technical Regulations (DQMTR).

3.43. LSI has replaced the DQMTR as the enquiry point under the TBT Agreement, but this information has yet to be notified to the WTO. LSI is a member of the International Organization for Standardization (ISO). The authorities indicate that it is also an affiliate member of the International Electromagnetic Commission (IEC).

3.44. The authorities note that LSI runs the National Standardization Programme whereby national standards are developed according to the LSI guide for development, publication, maintenance, and application of Lesotho standards, in accordance with ISO/IEC Directives.

3.45. For a standard to be developed, a proposal can come from a consumer, regulator, or the business community, or internally as informed by the national development agenda such as the NSDP II. Upon receipt of a request for the introduction of a new standard, LSI subjects the proposal to economic relevance; if approved, a new project is established. LSI sends the project to the relevant technical committee, or a new technical committee is inaugurated, in which experts are sought from, *inter alia*, industry associations, buyers, producers, academia, and consumer/civic societies.

3.46. When the technical committee has drafted a standard, the Standards Institution Act, 2014 provides for it to be subjected to a public inquiry, for a period of three months, to collect comments from stakeholders. After that, the Standards Management Committee that approved the project should also approve the draft standards for publication. Five technical committees (Food; Energy; Quality Management Systems; Environmental Management; and Traffic, Transport and Transit) are currently in place with more than 30 draft standards awaiting publication. According to the authorities, while some standards can be home grown, most of the Lesotho standards are adoptions from ISO, the African Organization for Standardization (ARSO), and the SADC Cooperation in Standardization.

3.47. The technical regulations framework is rather unclear. Each Ministry develops its own technical regulations, and there is no harmonized procedure. The number of technical regulations approved by each Ministry is not available.

3.48. The authorities indicate that a draft document on a quality policy and a technical regulation framework is currently undergoing review and is expected to be approved by the Cabinet by June 2024.

3.49. The DQMTR is responsible for metrology activities in Lesotho. The metrology framework is governed by the Weights and Measures Act, 1970. However, the Act has not been fully implemented. The DQMTR performs both industrial and legal metrology.

3.50. It also requires that markings shall be in English or Sesotho. Metrology regulations are formulated based on International Organization of Legal Metrology (OIML) recommendations and SADC Cooperation in Legal Metrology (SADCMEL) harmonized documents. The existing metrology regulations are the Weights and Measures (Metrication) (advisory board) Regulations, 2013 and Weights and Measures (Units of Measurement) Regulations, 2017. The following regulations are at the drafting stage: Weights and Measures (Labelling Requirements for Prepackages) and Weights and Measures (Non-automatic Weighing Instruments).

3.51. As of May 2023, Lesotho had not submitted any notifications regarding its TBT measures. According to the authorities, Lesotho is preparing to submit notifications under its TBT Agreement obligations.

3.52. In principle, surveillance at the border is the responsibility of LSI. However, the authorities indicate that no control mechanism is currently implemented at the border.

3.53. Lesotho does not have either a functional national accreditation authority or international accredited testing and certification bodies. It has not signed any mutual recognition agreement.

3.3.3 Sanitary and phytosanitary requirements

3.54. Lesotho has continued to make efforts to further rationalize SPS matters, including its relevant policy framework. According to the authorities, a Plant Protection Policy was approved by the Cabinet in 2021 to update the 2014 Policy. It is now a working document that is expected to guide the authorities in implementing phytosanitary measures and providing reference for the formulation of relevant legislation. They also note that a Food Safety Policy is in its final drafting stage and is expected to be completed by the end of 2023.

3.55. The broad regulatory framework, in practice, seems to have remained almost unchanged. Food safety issues continue to be regulated through Public Health Order, 1970 (Order No. 12), which provides rules for the storage of foodstuffs and prohibits the sale of food or animal feed in states that make them unfit for human consumption. It obliges food and animal feed traders to take adequate measures to prevent any infection or contamination thereof. The Ministry in charge of health is in charge of implementing the Order. According to the authorities, officers from the Ministry implement food inspection at borders.

3.56. The regulatory framework for plant protection also continues to be governed by the Agricultural Marketing Act, 1967. In principle, the Department of Agricultural Research of the Ministry of Agriculture, Food Security and Nutrition (MAFSN) undertakes measures to safeguard the country against the risks associated with the entry, establishment, or spread of exotic plant pests

and diseases. However, it appears that Lesotho was lacking relevant border inspection services until 2019. Lesotho's phytosanitary border inspection services were launched in January 2019, to allow for an effective inspection of plants and plant products before being imported or exported.²²

3.57. Imports of agricultural products require the issuance of import permits by the Department of Agricultural Research. Importers can get information regarding relevant imports requirements through a dedicated electronic platform.²³ The issuance of import permits depends on the risk associated with the products. In general, an import permit contains a statement of conditions to be fulfilled before an importation is allowed. As part of SPS requirements for imports (as reported by the International Plant Protection Convention (IPPC)), the consignment must be accompanied by an authenticated phytosanitary certificate issued by the national plant protection organization of the country of origin.²⁴

3.58. Lesotho's 2014 Plant Protection Policy document indicates that the country's phytosanitary framework is weak due to understaffed agencies and limited financial resources to prevent the introduction of unwanted pests. This situation, according to the policy document, has contributed significantly to the decline in agricultural production.

3.59. The Department of Livestock Services is in charge of administering SPS requirements that pertain to livestock and related products, including meat products. The Animal Disease Act (Act No. 1984) and the Importation and Exportation of Livestock and Livestock Products Proclamation No. 57 of 1952 remain the main legal instruments for the regulation of trade in livestock. The Act allows Lesotho citizens and non-citizens living in Lesotho to import animals and animal-derived products, which are considered to be safe. The Proclamation prohibits importation of undesirable livestock (defined as livestock of inferior quality) and provides for importation of livestock only if permitted by the Department of Livestock Services. Requirements attached to the issuance of the import permit for livestock, including related fees and required documentation, are published on the eRegulation website. In 2023, the permit fee is LSL 100 for meat and meat products, as well as milk and milk products; LSL 50 per animal for large animals; and LSL 30 per animal for stock and pets.²⁵ The permit fee for live chickens is LSL 200. In order to obtain an import permit, a transport permit, issued by the MAFSN, is required. A health attestation is also required for import of live animals, offal, and poultry.

3.60. Lesotho has no policy document on genetically modified organisms (GMOs). Based on information provided to the FAO on its GMO information platform, Lesotho is currently working on its Biosafety Bill to govern the use and trade of GMOs. For the time being, while it does not produce GMO products, import of genetically modified food or feed is allowed and there is no authorization process.²⁶ The authorities indicate that the Department of Agricultural Research in collaboration with the Department of Environment has recently undertaken a project to enable the testing of GMOs.

3.61. In 2008, an SPS National Committee was created to, *inter alia*, advise the Government on SPS issues and coordinate the implementation of policies. The Committee is a multi-institutional entity chaired by the MAFSN. Representatives of private sector are also part of the Committee.

3.62. The Department of Agricultural Research of the MAFSN is Lesotho's national enquiry point for SPS measures.²⁷ Lesotho has not submitted any notifications on SPS measures to the WTO.

²² Department of Agricultural Research, *Agriculture Launched Phytosanitary Border Inspection: Compliance with Sanitary and Phytosanitary (SPS) Measures*. Viewed at: <https://lesothotradeportal.org.ls/kcfinder/upload/files/Article%20Inspection%2004.01.2018%20.pdf>.

²³ eRegulations Lesotho. Viewed at: <https://lesotho.eregulations.org/objective/118?l=en>.

²⁴ IPPC, *Phytosanitary Import Requirements*. Viewed at: <https://www.ippc.int/en/countries/lesotho/reportingobligation/2012/12/phytosanitary-import-requirements-1/>.

²⁵ eRegulations Lesotho. Viewed at: <https://lesotho.eregulations.org/procedure/160?l=en&embed=true&includeSearch=true>.

²⁶ FAO, *FAO GMO Foods Platform*. Viewed at: <https://www.fao.org/food/food-safety-quality/gm-foods-platform/browse-information-by/country/country-page/en/?cty=LSO>.

²⁷ WTO document [G/SPS/ENQ/26](#), 11 March 2011.

3.63. Lesotho is a member of the Codex Alimentarius²⁸, the World Organisation for Animal Health (WOAH, originally OIE), and the IPPC.

3.3.4 Competition policy and price controls

3.64. Lesotho has not yet enacted a competition law, and there is currently no competition regulatory authority. The authorities indicate that, in some instances, the MTIBDT may play the role of a competition authority. The Ministry can act as the competition authority in cases of predatory pricing, or those involving restrictive agreements and mergers or acquisitions. Lesotho approved a Competition Policy in 2013, alongside a Consumer Protection Policy. The Competition Policy provides guidelines for the establishment of competition legislation. According to the authorities, the Competition Bill has been approved by Parliament and is undergoing last enactment stages; the Act is expected to be published in the Government Gazette by end-2023.

3.65. The authorities also indicate that the policy document serves as basis for promoting competition in the national economy.

3.66. In practice, regulators for certain sectors (finance, telecommunications, and energy) are in charge of regulating the bulk of competition issues (Sections 4.4.1, 4.4.2, and 4.2.2).

3.67. Price controls are in place, on a permanent basis, for oil products, electricity, and water supply (Section 4.2.2).²⁹ Pursuant to the Price Control Act, 1979 (No. 4 of 1983), bread, beans, peas, raw milk, maize, and sorghum can be subject to temporary price controls depending on the market conditions (Section 4.1.2).

3.3.5 State trading, state-owned enterprises, and privatization

3.68. Lesotho has not made any notifications to the WTO regarding state trading enterprises. The authorities indicate that Lesotho maintains no state trading enterprise within the meaning of the working definition in Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII.

3.69. While information was not available on state-owned enterprises, the State continues to hold shares in companies across almost all economic sectors. These include Lesotho Electricity Company (LEC), the Lesotho Highlands Development Authority (LHDA), the Water and Sewerage Company (WASCO), and the Lesotho Post Bank.

3.3.6 Government procurement

3.70. Lesotho is neither a signatory nor an observer to the WTO Agreement on Government Procurement. None of its trade agreements contain substantial government procurement provisions. The provisions on public procurement that are contained in the EPA with the European Union focus mainly on transparency and cooperation.

3.71. In 2018, Lesotho enacted an amendment to its Public Procurement Regulations, mainly clarifying procurement methods and modifying procurement thresholds.³⁰ Therefore, the Public Procurement Regulations, 2007³¹ and Public Procurement Amended Regulation, 2018 govern the public procurement system. During the review period, the Procurement Policy and Advisory Division (PPAD), under the Ministry of Finance, continued to ensure its implementation, with overall responsibility for the public procurement regime.

3.72. The Public Procurement Regulations, 2007 (as amended) apply to procurement of works, goods, and services by public institutions. The legislation provides for a decentralized public procurement regime whereby ministries, districts councils, state-owned legal entities, any other bodies covered by public law, or any project-implementing authority authorized to carry out public procurement and funded by foreign loans, grants, and assistance, as contracting authorities, operate

²⁸ Since Lesotho does not have its own food standards, Codex Standards are used as equivalent to national standards.

²⁹ Fuel and Services Control Act, 1983 (No. 23 of 1983).

³⁰ Public Procurement (Amendment) Regulations, 2018.

³¹ Public Procurement Regulations, 2007, as promulgated by Legal Notice No. 1 of 2007.

their own tender panels that are responsible for the decision on the award of contract. As was the case during the previous Review, a Government Procurement Manual and a Government Code of Good Practice for Procurement are in place to guide contracting authorities in the implementation of the legislation.

3.73. In general, public procurement in Lesotho involves one of three methods: direct purchase, competitive quotations, and open tender (Table 3.3). The appropriate procurement method depends on predefined thresholds for the contract's estimated value (Chart 3.1). However, exceptional procurement procedures, i.e. limited tendering, the comparison method, or non-competitive procurement, may be used in certain circumstances, subject to an authorization from the PPAD, and based on a reasonable justification from the procuring entity. A confirmation from the supervising Minister that such procurement is in the public interest is also required. Open competitive tendering is not explicitly defined as the default method.³²

3.74. The invitation to tender must be made available publicly, through the mass media and on the procurement unit's website in either of the official languages (Sesotho and English).

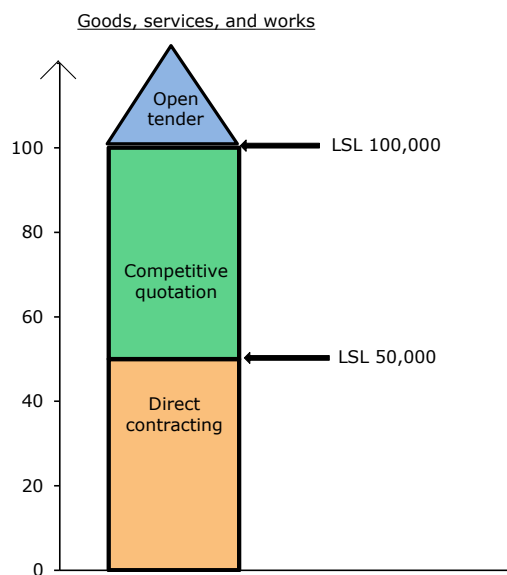
Table 3.3 Main procurement methods

Procurement method	Characteristics
Open tendering	The procurement process is open to all suppliers that wish to participate, regardless of their geographical origin. The tender must include at least three participants.
Competitive quotation (or price comparison)	Under this method, the Procurement Unit will select at least three businesses that meet the conditions for the tender and requests for quotations. The selected contractor will be the one offering the lowest prices by comparing prices.
Direct contracting	The contract is granted to one supplier without any competitive process. This method is applied when only one supplier is capable of meeting the requirement.

Source: Public Procurement Regulations (as amended) 2007.

3.75. Foreigners can participate in a tender process without any restriction. However, they have to first register as legal entities, apply for trading licences, and register with the Lesotho Revenue Authority for tax purposes. In evaluating proposals, the procurement unit grants a margin of preference of 15%, 10%, or 5% to domestic bidders. A margin of 15% is granted to a local business with a majority shareholding of at least 51%. A 10% margin is granted to (i) a business owned between 30% and 50% by Lesotho nationals; (ii) a tenderer bidding to supply goods of Lesotho origin; (iii) a tenderer performing at least 50% of the contract in Lesotho and using and developing the capacity of Basotho staff; (iv) a tenderer subcontracting at least 50% of the contract to one or more Basotho businesses; (v) a tenderer that has the largest use of locally produced goods, materials, and services; or (vi) a tenderer employing the largest share of local labour; and 5% to a business owned between 10% and 30% by Lesotho nationals. The margins of preferences are non-cumulative.

³² Government of the Kingdom of Lesotho (2018), *Public Procurement Policy*. Viewed at: <http://www.finance.gov.ls/documents/laws%20and%20regulations/FINAL%20PROCUREMENT%20POLICY%20%2019%20APRIL%202018.pdf>.

Chart 3.1 Procurement thresholds, 2023

Source: Public Procurement Act.

3.76. Regarding the dispute resolution mechanism, aggrieved bidders may appeal to PPAD, which will seek the opinion of an independent Appeal Panel. The complainant may proceed before courts if still not satisfied.

3.77. In 2018, the Government adopted a Public Procurement Policy with a view to, *inter alia*, developing transparent public procurement policies, legislation, guidelines and processes; and establishing an oversight body to carry out compliance monitoring and take enforcement measures. The Policy also seeks to promote environmental protection through public procurement methods, and facilitate the participation of youth, women, people with physical disabilities, and SMEs.

3.78. A new Public Procurement Act was passed in March 2023. It is yet to enter into force. The Act is meant to establish a public procurement authority and regulate the public procurement system in order to optimize efficiency in public procurement. Among the reforms brought about under the Act, it encourages environmentally responsible procurement and introduces e-procurement to enable procurement entities to disseminate tender documents and receipts electronically.

3.3.7 Intellectual property rights

3.79. Lesotho is a member of the World Intellectual Property Organization (WIPO) and is signatory to the following WIPO-administered agreements: the Berne Convention; the Paris Convention; the Rome Convention; the Patent Cooperation Treaty; the Madrid Agreement (Marks); the Madrid Protocol; the WIPO Convention; and the Marrakesh VIP Treaty, which was signed by Lesotho on 23 July 2018. In addition, Lesotho is a member of the African Intellectual Property Organization. On 4 January 2016, Lesotho ratified the Protocol amending the TRIPS Agreement.³³

3.80. Lesotho's regulatory framework for IPRs remained broadly unchanged during the review period. The Industrial Property Order, 1989 (as amended) (IPO 1989)³⁴ and its regulations³⁵ continue to provide for the protection of patents, utility models, industrial designs, and marks (collective marks and trade names including well-known marks) under terms that have remained

³³ WTO, *Amendment of the TRIPS Agreement*. Viewed at: https://www.wto.org/english/tratop_e/trips_e/amendment_e.htm.

³⁴ IPO 1989 was published in the Government Gazette on 14 April 1989. It was amended for the last time in 1997 by Act No. 4 of 1997.

³⁵ Industrial Property Regulations, 1989 (Legal Notice No. 85), published in the Government Gazette on 5 June 1989.

unchanged throughout the review period (Table 3.4). The Order provides for compulsory licences. Parallel imports are not covered under the law.

3.81. Under the Ministry of Justice, Law and Parliamentary Affairs, the Office of the Registrar General is responsible for reviewing and approving applications to register patents, utility models, industrial designs, and marks, and it serves as the contact point for all industrial property matters. Applications for industrial property rights remained marginal in Lesotho. Trademark registration was the most claimed right during the review period (Table 3.4).

Table 3.4 Trademark and patent applications and registration, 2016-23

Year	Trademark applications	Trademark registrations	Patent applications	Patent registrations
2016	580	349	2	2
2017	492	162	2	0
2018	469	109	4	14
2019	371	117	1	4
2020	380	47	0	0
2021	380	38	1	1
2022	263	74	0	0
June 2023	161	40	2	0

Source: Information provided by the authorities.

3.82. As was the case during the previous Review, the Copyright Order, 1989 (CO 1989) continues to provide protection for copyrights and related rights. Pursuant to the Order, any original work in the following categories qualifies for protection: literary, artistic, and scientific works and their transformations (including expressions of folklore); performers; producers of phonograms; and broadcasting organizations (Table 3.5). By law, copyright protection covers works of Lesotho-based resident authors, and works first published in Lesotho regardless of the nationality or residence of their authors; performers who are nationals of Lesotho; and performances taking place, fixed in a phonogram or broadcast in Lesotho; performers, phonograms, and broadcasts originating in foreign countries prescribed by the Minister of Justice, Law and Parliamentary Affairs; unpublished works and works first published by foreign authors or in foreign countries if the country in question grants similar protection to Lesotho; and expressions of foreign folklore, foreign authors, performers, phonograms, and broadcasts.

3.83. The Lesotho Copyright Society of Authors and Artists (LESCOSAA) was created pursuant to the Copyright Order, 1989. It is a collective management organization with the purpose of promoting and protecting the interests of authors, artists, and performers who registered as members. LESCOSAA is also responsible for the collection and distribution of royalties and other remuneration accruing and due to its members in respect of their rights.

Table 3.5 Terms of protection, 2023

	Duration of the protection under Lesotho's legislation	Duration of protection under TRIPS Agreement
Patents	15 years extendable by 5 years (Article 14 of the IPO 1989).	20 years (Article 33).
Industrial designs	Five years, extendable for two successive periods of five years (Article 24 of the IPO 1989).	At least 10 years (Article 26).
Trade marks (marks, collective marks and trade names)	10 years, extendable for consecutive periods of 10 years (Article 29 of the IPO 1989). The authorities indicate that the period of protection can be extended only once.	Seven years, renewable indefinitely (Article 18).
Utility models	Seven years, not renewable (Article 18 of the IPO 1989).	Utility models are not mentioned explicitly in the TRIPS Agreement.

	Duration of the protection under Lesotho's legislation	Duration of protection under TRIPS Agreement
Copyrights and related rights	<p>In general, works are protected for the life of the authors plus 50 years after their death (Article 13 of the CO 1989).</p> <p>Cinematography or audiovisual works are protected for 50 years from the making of the work or 50 years from the date it is made available to the public (Article 13 of the CO 1989).</p> <p>Photographic works or works of applied art are protected for 25 years from the making of the work (Article 13 of the CO 1989).</p> <p>Performers and broadcasting organizations rights are protected for 20 years from the end of the year in which the performance/broadcast took place (Articles 24 and 29 of the CO 1989).</p> <p>Producers of phonograms are protected for 20 years computed from the end of year in which the phonogram was published for the first time (Article 26 of the CO 1989).</p>	<p>The Berne Convention (Article 7) as incorporated into the TRIPS Agreement provides that the term of protection shall be the life of the author and 50 years after his or her death (Articles 2 and 9).</p> <p>When the term of protection is calculated on a basis other than the life of a person, the duration of protection would be of at least 50 years from the end of the calendar year of authorized publication, or from the making of the work, or from the end of the calendar year of making it. This applies for works other than photographic works or works of applied art (Article 12).</p> <p>Performers and producers of phonograms are protected for 50 years; and broadcasting organizations for 20 years (Article 14.5).</p>

Source: Compiled by the WTO Secretariat based on Lesotho's legislation.

3.84. The IPO 1989 and the CO 1989 provide for civil and criminal sanctions. Civil remedies may consist of, *inter alia*, confiscation of offending goods and payment of damages to the right holders for any economic damage endured because of an infringement of their rights. Under the IPO 1989, any person who infringes the law is subject to a fine of LSL 10,000, imprisonment for a period of 10 years, or both.

3.85. The CO 1989 provides that people who are guilty of infringement may be fined for up to LSL 12,000 or be imprisoned for a term not exceeding five years or both. Any person whose rights are in danger of being infringed or have been infringed can refer their case to a court of competent jurisdiction. The RSL also may detain suspected goods for the purpose of investigating or determining whether they are counterfeit. Although the Order provides for sanctions and border measures to prevent counterfeit or pirated goods from being imported, the full implementation of the measures remains rather limited.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1.1 Overview

4.1. The agricultural sector accounted for less than 5% of GDP in 2022. However, most of the population (more than 70%) depends on agriculture for both food and income. Lesotho's primary crops are corn (maize), beans, wheat, sorghum, and peas. From a trade point of view, Lesotho is a net importer of agricultural and processed agricultural products. The sector contributed about 12% to export earnings in 2021, while it accounted for approximately 35% of imports. Lesotho imports at least 70% of its foods from South Africa.

4.2. The performance of agriculture is frequently undermined by environmental challenges, including erosion and land degradation as a result of floods and droughts. Environmental degradation has worsened due to agricultural activities on steep slopes and marginal lands. The 2015/16 El Niño drought resulted in one of the worst droughts experienced in the last three decades and left around 709,000 people food insecure.³⁶ In addition, Lesotho recorded poor harvests through 2017-20 due to below normal rains during farming seasons. In reaction to this, the Government initiated an intensive crop production programme, with an emphasis on grain production (maize, wheat, and legumes).

4.3. The most pronounced decline occurred in 2018, as output contracted by 20%.³⁷ The lack of significant investment in agriculture has left the sector vulnerable to climate change. Several other constraints, including low uptake of new technologies and appropriate inputs, poor advisory services, and limited access to credit, continue to constrain the expansion of agricultural production and productivity.

4.4. About 20% of Lesotho's land area is arable.³⁸ Lesotho is heavily deforested, with forests covering only some 1.6% of the land area.³⁹ Agricultural activities are mainly under small-holder rainfed systems, which are characterized by very limited input use and heavy reliance on maize production. Most households have less than 1 ha per family. The main crops grown in Lesotho include maize, sorghum, wheat, and beans, whose production and yield were erratic during the review period (Table 4.1). The main types of livestock reared are sheep and goats, as well as cattle. The livestock industry is dominated by wool and mohair production.

Table 4.1 Selected indicators for main crops, 2017-22

	2017/18	2018/19	2019/20	2020/21	2021/22
Maize					
Production (metric tonnes)	109,912	24,621	21,782	33,987	27,963
Area planted (hectares)	146,313	44,296	51,547	92,435	129,088
Yield (metric tonnes/hectare planted)	0.75	0.56	0.42	0.37	0.22
Sorghum					
Production (metric tonnes)	40,335	8,412	4,111	7,162	923
Area planted (hectares)	88,999	3,332	14,157	9,825	24,079
Yield (metric tonnes/hectare planted)	0.52	0.6	0.3	0.72	0.04
Wheat					
Production (metric tonnes)	6,975	1,784	2,234	1516	5704
Area planted (hectares in winter)	8,246	15,539	3,936	3755	7774
Yield (metric tonnes/hectare planted)	0.93	0.6	0.6	0.4	0.73

³⁶ World Bank, *Kingdom of Lesotho: Agriculture Public Expenditure Review*. Viewed at: <https://documents1.worldbank.org/curated/en/696511563446367867/pdf/Lesotho-Agriculture-Expenditure-Review.pdf>.

³⁷ Central Bank of Lesotho (2020), *2019 Annual Report*. Viewed at: https://www.centralbank.org.ls/images/Publications/Research/Reports/Annual/2019_CBL_Annual_Report_-_07.09.2020.pdf.

³⁸ World Bank, *Arable Land (% of Land Area) - Lesotho*. Viewed at: <https://data.worldbank.org/indicator/AG.LND.ARBL.ZS?locations=LS>.

³⁹ FAO (2020), *Global Forest Resources Assessment 2020*. Viewed at: <https://www.fao.org/3/cb0021en/cb0021en.pdf>.

	2017/18	2018/19	2019/20	2020/21	2021/22
Beans					
Production (metric tonnes)	6,781	883	3,681	..	..
Area planted (hectares)	27,068	4,718	4,718	..	..
Yield (metric tonnes/hectare planted)	0.30	0.4	0.4	..	..

.. Not available.

Source: Lesotho Bureau of Statistics, Agricultural Production Survey (various editions).

4.1.2 Agricultural policy

4.5. The institutional framework for agricultural policy has not changed since the previous Review. The Ministry of Agriculture, Food Security and Nutrition (MAFSN) is responsible for agricultural policy formulation and implementation. It also provides advisory services to farmers. Lesotho's key policy objective in agriculture is to develop the sector to ensure food security, and to leverage agricultural activities to promote job creation.

4.6. In accordance with the National Strategic Development Plan II (NSDP II) for 2018/19-2022/23, the authorities aim at ensuring sustainable commercial agriculture and limiting climate change impacts, environmental degradation, and other natural disasters, as well as harmful agricultural practices. In this regard, their specific interventions seek to, *inter alia*, increase agricultural production and commercialization, protect the environment, and reverse the trend of the current environmental degradation (Table 4.2).

Table 4.2 Strategic objectives in agriculture

Strategic objectives	Interventions
Improve functioning of land markets	<ul style="list-style-type: none"> Organize land titling. Conduct land capability assessment and create online database of land parcels suitable for agricultural production and responsible irrigation. Market identified land parcels to potential investors.
Improve genetic resources	<ul style="list-style-type: none"> Promote improved animal breeds and use of plant germ plasm. Enhance seed certification capacity. Enhance production and use of certified seeds (including plant propagating materials). Promote research and dissemination of drought-tolerant crop varieties. Promote conservation of gene banks, community seed banks, and zoological and botanical gardens to conserve biological diversity of valuable plant and animal species. Promote management and conservation of indigenous breeds and enhance appropriate use. Promote vertical integration in agricultural sector.
Build sustainable infrastructure for agriculture ^a	<ul style="list-style-type: none"> Provide access corridors and other supporting infrastructure (e.g. livestock sales yards) for agriculture. Promote environmentally friendly and energy-saving irrigation and water harvesting. Promote climate-smart and resource-efficient infrastructure. Develop irrigation policy and irrigation master plan. Strengthen and promote integrated catchment management. Promote development of private sector-led post-harvest and storage facilities. Establish Lesotho Agri-Georeferenced Information System.^b
Improve access to finance and risk sharing in agriculture	<ul style="list-style-type: none"> Provide financial and technical support services to farmers to facilitate access to finance. Strengthen agricultural financial institutions. Explore and establish agri-insurance in collaboration with private sector. Finalize and operationalize collateral registry to allow use of land and other assets as collateral. Develop capital market instruments for agriculture.
Improve technology and use for agriculture	<ul style="list-style-type: none"> Promote conservation agriculture. Mechanize agricultural production. Enhance integrated management of pests and diseases. Strengthen national agriculture research. Strengthen animal disease control through surveillance and risk assessment. Enhance farmer access to veterinary services.

Strategic objectives	Interventions
Improve production of high-value crops and livestock products	<ul style="list-style-type: none"> Support small-holder farmers in producing high-value crops. Develop climate screening guidelines to reduce production risks and vulnerabilities. Promote crop diversification with differing susceptibilities to droughts, pests, flooding, etc. Review subsidy policy to include high-value crops and livestock. Develop market-responsive breeding programmes (both livestock and crops). Promote intensive and commercial livestock production. Promote production and use of quality feeds.
Build capacity of farmers, agricultural institutions, and associations	<ul style="list-style-type: none"> Organize producers and industry players into enterprise-based associations (system) in order to transform the Lesotho agri-food system. Provide institutional framework and enforcement mechanisms for development of well-functioning producer organizations and industry associations. Integrate environment and climate change into agricultural policies, strategies, plans, and regulatory frameworks. Review Extension Services Model to incorporate outsourcing of extension service from private sector. Raise awareness of farmers advocating for adoption of climate-smart and conservation agricultural practices. Strengthen capacity of extension agents, associations, and training institutions on climate-smart and conservation agriculture. Provide agriculture skills-based training for youth, women, and vulnerable groups.
Develop value chains in agri-food systems and enhance agricultural markets	<ul style="list-style-type: none"> Promote aggregation of small-holder farmers into upgraded value chains. Improve private sector-led distribution of input subsidies. Develop community- and enterprise-based value chain systems. Develop and promote sanitary and phytosanitary regulatory framework systems and Codex-compliant food policy and food quality labels. Develop and implement agricultural market strategy (e.g. resuscitate agri-products, exhibitions, and auction sales). Promote agricultural value addition and processing.
Improve management of range resources	<ul style="list-style-type: none"> Promote active and inclusive participation of all stakeholders in rangeland resource management. Improve range governance. Rehabilitate rangelands and wetlands in collaboration with private sector, investors, and communities. Develop and implement conservation strategies to improve rangeland resource resilience to climate change. Improve existing guidelines and grazing control regulations for sustainable management of range resources. Develop national fire policy for rangeland management. Improve rangeland grazing capacity. Devise and implement mechanisms for mandatory compensation for utilization of rangeland resources (e.g. environmental services and ecosystem services) for the grazing levy, etc. Manage alien and invasive vegetation species. Enforce key land use policies and acts (e.g. land, environment, range, water, climate change, etc.).

- a Physical infrastructure strategic interventions should take into account the environmental impact assessment, as per the Environment Act, 2008.
- b Timely availability of reliable georeferenced land, climate, plant nutrients, production, and water information – integrated with infrastructural and socio-economic factors – are essential for stakeholders, policy makers, enterprises, and land users to exercise the best choices in using resources to achieve sustainable levels of food production and development.

Source: Information provided by the authorities; and National Strategic Development Plan II, 2018/19-2022/23.

4.7. To strategically support agriculture's role in ensuring food safety, as well as climate change mitigation and adaptation, the authorities are in the process of developing a National Agriculture Investment Plan (NAIP).

4.8. A Climate-Smart Agriculture Investment Plan (CSAIP) was adopted in 2017. Among policy actions prioritized under the CSAIP, the authorities aim to strengthen agricultural research and extension and building capacity for farmers to access climate finance.⁴⁰ Other public programmes to

⁴⁰ World Bank, *Lesotho Climate-Smart Agriculture Investment Plan*. Viewed at: <https://documents1.worldbank.org/curated/en/847551575647928833/pdf/Lesotho-Climate-Smart-Agriculture->

improve agricultural production include the Wool and Mohair Production Project (WAMPP), the Small-holder Agriculture Development Project, and the Agriculture Productivity Programme for Southern Africa (APPSA).

4.9. Lesotho submitted its most recent domestic support notification in 2022, covering FY2019/20 and FY2020/21.⁴¹ All the measures included in the submissions were exempt of reduction commitments and consisted of, *inter alia*, research management, veterinary services, rehabilitation of irrigation services, and seed and fertilizer support programmes. In its most recent notifications submitted in 2022, Lesotho also notified that it did not grant any agricultural export subsidies during calendar years 2019, 2020, and 2021.⁴²

4.10. The LNDC also provides support to agricultural projects, mainly in horticulture, in the context of the partial credit guarantee scheme, which targets all sectors (Section 3.2.5).⁴³ Since 2020, the Scheme provides farmers with a 75% guarantee on loans worth up to LSL 8 million.

4.11. Among policy interventions in the agricultural sector, temporary price controls may apply to bread, beans, peas, maize, and sorghum depending on market conditions (Section 3.3.4). At the time of the previous Review, raw milk was subject to price controls, administered by the Lesotho National Dairy Board (LNDB). The authorities indicate that no price control was undertaken for these products during the Review period.

4.12. Lesotho also maintains different types of regulations affecting agricultural imports and exports. In 2023, the simple average applied MFN tariff in agriculture (ISIC Rev.2 definition) was 3.7% (Main Report, Table A3.1). Specific, mixed, and variable (formula) duties apply mainly to agricultural products. In addition, certain agricultural goods and inputs are subject to VAT at zero rate; these include beans, bread, lentils, maize, milk, peas, sorghum, wheat, livestock, and poultry feed as well as fertilizers, seeds, and pesticides.

4.13. Pursuant to the 1984 Export and Import Control Act, permits are required for imports of certain agricultural goods, including those originating in SACU members (Sections 3.1.4). The list includes beans and peas, bread, dairy products, eggs, fruits, sugar, meat, and vegetables. According to the authorities, this system is implemented with a view to better managing local supply. The permits are issued by different institutions including MAFSN and the LNDB.

4.14. Exports of some agricultural products (plants, animals, and related products) also require permits (Section 3.2.2). A permit is granted only if the product has been duly inspected in accordance with the appropriate veterinary or health requirements.

4.15. The dairy sector continues to be governed by the LNDB. In accordance with the Agricultural Marketing (Distribution of Dairy Products) Regulations, 1992, the LNDB oversees the issuance of permits to dairy producers, processors, and traders, and charges a levy on all invoiced products. It also oversees standards of production, storage, packaging, processing, and distribution of dairy products.

4.16. To import dairy products, traders must hold, in addition to the import permit issued by the LNDB, an SPS permit issued by the Department of Livestock Services (Section 3.1.4). According to the authorities, the import permit system aims to monitor the quantities of milk and milk products imported. Imports of dairy products attract the highest SACU CET rates (Main Report, Section 3.3.1). Moreover, imported dairy products are subject to a levy of 2.5% of their value.

4.17. The land ownership framework was reformed in 2010 to further improve the investment climate in agriculture. For example, pursuant to the Land Act, 2010⁴⁴, land ownership is open to nationals and foreigners. Foreigners can hold land titles as long as they have a local partner that owns at least 20% of the company. However, according to the NSDP II, the regulation of land

[Investment-Plan-Opportunities-for-Transitioning-to-More-Productive-Climate-Resilient-and-Low-Carbon-Agriculture.pdf](#).

⁴¹ WTO documents [G/AG/N/LSO/14/Rev.1](#), 28 September 2022; and [G/AG/N/LSO/15](#), 27 September 2022.

⁴² WTO documents [G/AG/N/LSO/11](#), [G/AG/N/LSO/12](#), and [G/AG/N/LSO/13](#), 19 July 2022.

⁴³ LNDC. Viewed at: <https://www.lndc.org.ls/agro>.

⁴⁴ Land Act, 2010 (Act No. 8 of 2010), published in the Government Gazette on 14 June 2010.

markets remains weak due to high prevalence of land speculation. The authorities note that lack of access to land for productive use and lack of enforcement of land policies have affected private investments, especially for foreign investors.⁴⁵

4.2 Mining and energy

4.2.1 Mining

4.18. During the review period, the contribution of the mining sector fluctuated, with a peak in 2020 (Table 4.3). Diamond production is the backbone of the sector in Lesotho. It recorded a noticeable growth from 2017 to 2019, due to two new entrants and favourable international prices. Lesotho has not yet developed diamond polishing industries. As a consequence, diamond exports are exclusively made of rough diamonds.

4.19. Economic activities in the sector also include industrial minerals such as dolerite, sandstone, clay, and sand. There have also been some indications of semi-precious stones such as agate, chert, rock crystal, amethyst, olivine, zircon, and chrome diopside.

Table 4.3 Mining indicators, 2016-22

	2016	2017	2018	2019	2020	2021	2022
% contribution of mining and quarrying to GDP (constant prices)	5.2	4.3	6.7	5.9	9.6	5.8	5.0
Diamond production ('000 carats)	342	1,126	1,294	1,113	481	..	..
Exports ('000 carats)	245	1,001	1,278	1,306	539	..	..

.. Not available.

Source: Central Bank of Lesotho; and Kimberley Process, *Lesotho*. Viewed at: <https://www.kimberleyprocess.com/en/lesotho-0>.

4.20. As was the case during the previous Review, there are six major mines under leases in Lesotho.⁴⁶ All mines are jointly owned by the State and a foreign company. The state participation equity interest in each company ranges from 20% to 30%.

4.21. The Ministry of Natural Resources is the main entity responsible for the mining sector. It is in charge of disseminating information on mineral resources, as well as regulating and managing prospecting and mining activities to develop the mining sector. Under the Ministry, the Commissioner of Mines and Geology is responsible for ensuring the implementation of the mining legislation and conducting inspections of mining premises and operations.

4.22. The Mining Board, an interdepartmental group formed by representatives of, *inter alia*, the Ministry of Finance and Chamber of Commerce and chaired by the Principal Secretary of the Ministry of Natural Resources, is responsible for the issuance of authorizations to both local and foreign investors to conduct activities in the mining sector.

4.23. Lesotho's mining development strategies are specified in its 2015 Mineral and Mining Policy. The Policy notes several challenges that continue to hinder the development of a responsible, equitable, and sustainable mining industry in Lesotho. These include insufficient knowledge of the country's mineral resources endowment, an inadequate taxation regime, and a lack of a clear position of the Government on value addition and domestic empowerment.⁴⁷

4.24. As part of the objectives pursued by Lesotho's mining policy, the authorities expressed the need to update mining and quarrying legislation to maximize the sector's contribution to economic and social development. However, the legal and institutional framework has remained broadly

⁴⁵ Government of Lesotho, *National Strategic Development Plan II, 2018/19-2022/23*. Viewed at: <https://www.gov.ls/wp-content/uploads/2021/06/National-Strategic-Development-Plan-II-2018-19-2022-23.pdf>.

⁴⁶ Letseng, Kao, Kolo, Liqhobong, Lemphane, and Mothae.

⁴⁷ Ministry of Mining, *The Minerals & Mining Policy 2015*. Viewed at: <http://www.mining.gov.ls/legislation/Minerals%20and%20Mining%20Policy.pdf>.

unchanged. The authorities indicate that the Ministry of Mining is in the process of reviewing the mining sector related laws, which are mostly outdated and fragmented.

4.25. The regulation of artisanal mining is also an integral part of the authorities' ambition in the mining sector. The Government's plan, as indicated in the Policy, aims at transforming artisanal mining activities from their hazardous working conditions and environmental degradation practices to a poverty-reducing economic activity. In 2021, Lesotho passed a new law legalizing diamond artisanal and small-scale mining, which has been prohibited since 2005. The new law specifies that artisanal mining is open only to indigenous Basotho individuals. The publication of the law was preceded by passing of the Precious Stones (Prevention of Illicit and Theft of Diamonds) Regulations, 2020, which paved the way by granting amnesty to people in possession of illegal rough diamonds if they declared the stones to the Government.

4.26. The regulatory framework was largely described in the previous Review.⁴⁸ Under the Constitution, all rights of ownership in minerals are vested in the State. Lesotho's mining sector continues to be governed by the Mines and Minerals Act, 2005; Precious Stones Order, 1970; and the Mine Safety Act, 1981.

4.27. By law, companies (local and foreign) willing to engage in mining activities require a licence. The Mines and Minerals Act No. 37 of 2005, deals with, *inter alia*, the allocation of prospecting and mining licences and leases, transfer, and revocation of mineral titles, and granting of incentives to local and foreign investors. The Mining Board issues prospecting licences, mining leases, and mineral permits, provided the applicant (national or foreign) has adequate financial resources, technical competence, and experience, and makes proper provisions for environmental protection. The environmental impact assessment licence is issued by the Ministry in charge of environment. The Act provides for the following types of mining rights: (i) prospecting licence to conduct mineral exploration; (ii) mining lease to conduct mining extraction and production on a large scale; and (iii) a mineral permit. Application for all three mining rights must be submitted to the Mining Board through the Commissioner.

4.28. The duration of an exploration licence is two years from the date of its issuance, renewable for one more year, unless otherwise provided by the Minister. It does not confer to its holder any right to dispose of discovered substances, which remain the property of the State. The duration of the mining permit is 10 years, and thereafter it may be renewed for another 10 years.

4.29. Production and trade of precious stones is regulated by the Precious Stones Order No. 24 of 1970, which complements the Mines and Minerals Act, 2005. Pursuant to the legislation, all diamonds bought or imported into Lesotho must be registered. The licensing regime for diamond dealing is governed through the Precious Stone Regulations, 2004.

4.30. A number of trade policy measures apply to the diamond industry. Exports of diamonds require Kimberley Process Certificates (Section 3.2.2), and are subject to a levy of 15% (Section 3.2.3). Imports of diamonds are subject to a tariff of zero.

4.31. The Mine Safety Act, 1981 aims at preventing the occurrence of accidents at mines, and securing the safety, health, and welfare of persons employed at mines.

4.32. The Government reserves the right to acquire at least 20% ownership in any large-scale mines. The terms and conditions governing a mining lease for diamonds are subject to individual negotiations with the Mining Board and the Ministry of Finance on the related tax conditions. Regarding taxation, under the Mines and Minerals Act No. 37 of 2005, the Government requires payment of a 10% royalty on precious stones. However, in practice, the rate can be negotiated on a case-by-case basis. Some companies operate under reduced rates as low as 4%.⁴⁹

⁴⁸ WTO document [WT/TPR/S/324/Rev.1](#), 5 February 2016.

⁴⁹ IMF (2022), *Kingdom of Lesotho: Selected Issues*. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2022/06/07/Kingdom-of-Lesotho-Selected-Issues-519023>.

4.33. Lesotho maintains a number of incentives to attract investors to the sector. Mining companies, local or foreign, are exempted from taxes on capital items during exploration and construction, and there are certain exemptions from withholding taxes on dividends and interest payments.

4.2.2 Energy

4.34. The contribution of electricity and water to Lesotho's GDP stood at 5.3% in 2022 (Table 1.1). The Government's strategic direction of the energy sector developments is set out in Lesotho's Energy Policy 2015-2025. The Policy aims to provide Lesotho with an affordable, reliable, and environmentally friendly energy supply. It is aligned to Vision 2020 and the NSDP II, and promotes development of environmentally cleaner renewable energy and increasing the share in the energy mix.

4.35. Lesotho's energy sector is characterized by a high level of consumption of energy from biomass sources. In 2020, Lesotho's final energy consumption was dominated by biofuels at 57% followed by oil products at 26%, electricity at 7%, and coal at 7%.⁵⁰

4.36. The predominance of traditional biomass energy (wood, shrubs, crop wastes, and dung) to meet households' energy needs, mostly in rural areas, poses challenges of environmental degradation in the form of deforestation and soil erosion. The heavy dependence on imported petroleum products also puts the economy at risk of unstable oil import prices.

4.37. Lesotho has no known oil, gas, or coal reserves; thus, all petroleum products and coal are imported from South Africa.

4.2.2.1 Water and electricity

4.38. Water is in relative abundance and thus the generation of electricity using hydropower has strong potential. However, the current infrastructure is very limited, and Lesotho has been obliged to import power from Mozambique and South Africa. Electrification in Lesotho is limited, particularly in rural areas. About 41% of households have access to electricity, concentrated mainly in urban areas. The Government has set a goal of universal access to electricity by 2030.⁵¹ Lesotho has identified hydropower, wind generation, and solar power as potential renewable energy sources to help reach this target.

4.39. Lesotho's main source of electricity is from the Muela hydropower plant that generates about 72 MW (Table 4.4). Energy demand, which stands at 145 MW, is satisfied from both domestic generation and through imports from Electricidade de Moçambique (EDM) in Mozambique and Eskom in South Africa within the Southern African Power Pool (SAPP) (Table 4.5). Lesotho also exports excess electricity produced to Eskom when electricity demand is low (Table 4.6).

Table 4.4 Installed capacity of electricity power stations

(MW and kVA)

Area	Units	Number
Semonkong	Hydro (MW)	0.18
Semonkong	Diesel (kVA)	500
Mantsonyane	Hydro (MW)	2
Muela	Hydro (MW)	72
Moshoeshoe 1	Solar (MW)	0.28

Source: Lesotho Highlands Development Authority; and Lesotho Electricity Company.

⁵⁰ African Energy Commission, *Lesotho*. Viewed at: <https://au-afrec.org/lesotho>.

⁵¹ Government of Lesotho, *National Strategic Development Plan II, 2018/19-2022/23*. Viewed at: <https://www.gov.ls/wp-content/uploads/2021/06/National-Strategic-Development-Plan-II-2018-19-2022-23.pdf>.

Table 4.5 Electricity purchases by the Lesotho Electricity Company (LEC) from Muela, Eskom, and EDM, FY2015-20

(GWh)

FY	Muela	Eskom	EDM	Total
2015/2016	520.81	203.01	80.37	804.18
2016/2017	512.05	268.36	105.18	885.59
2017/2018	518.28	275.83	98.06	892.17
2018/2019	494.43	296.61	99.08	890.11
2019/2020	389.14	429.82	99.51	918.47

Source: Lesotho Electricity Company.

Table 4.6 Total electricity imports and exports, 2015-19

(GWh)

Year	Imports (GWh)	Exports (GWh)
2015	260.6	4.4
2016	372.6	2.6
2017	386.9	0.8
2018	396.7	2.9
2019	529.3	0.9

Source: Lesotho Highlands Development Authority; and Lesotho Electricity Company.

4.40. In the electricity sector, the Lesotho Electricity Authority Act, 2002 (amended) is the main law regulating the industry. In addition, a number of regulations are in place to govern, *inter alia*, licence applications⁵², licence fees⁵³, electricity prices⁵⁴, and dispute resolution.⁵⁵ In 2019, the Lesotho Electricity and Water Authority (Electricity Supply) Regulations, 2019 were issued to implement a number of safety standards in the electricity sector. In 2021, the Mini-Grid Power Generation, Distribution and Supply Regulation, 2021 was promulgated to promote the development of mini-grid systems. According to the authorities, there are currently 11 concession agreements signed with a developer to establish mini-grids in 7 districts to increase electricity access in hard-to-reach areas.

4.41. The Lesotho Electricity and Water Authority (LEWA) regulates both electricity (i.e. generation, transmission, distribution, supply, and trade) and urban water and sewerage services. The LEWA is responsible for issuing licences for electricity supply activities, setting tariffs, regulating the quality of supply, and resolving disputes.

4.42. The electricity industry continues to be dominated by the LEC, which is the monopoly transmitter and distributor of electricity, and the Lesotho Highlands Development Authority (LHDA), which is the main generator of electricity through its Muela Hydro Power Station. The two companies are state-owned. The LHDA sells almost all the energy it produces to the LEC (Table 4.7). Private investment is currently allowed in electricity generation. According to the authorities, an Independent Power Producer (IPP) was licensed in 2022 by LEWA. For an IPP to sell power to the LEC, a Power Purchase Agreement (PPA) must be signed. The Ministry of Natural Resources is currently drafting an IPP framework that will provide clarity and encourage investment into the power generation sector by IPPs. The IPP sells its output to the LEC in accordance with a PPA agreed by the two parties and approved by the LEWA.

⁵² Lesotho Electricity Authority (Application for Licences) Rules, 2012 (Legal Notice No. 38 of 2012) published on 8 June 2012.

⁵³ LEA (Licensee Fees and Levies) Regulations, 2009 (Legal Notice No. 135 of 2009); and LEWA (Licence Fees and Customer Levies for Water and Sewerage Services) Regulations, 2013 (Legal Notice No. 140 of 2013).

⁵⁴ LEA (Electricity Price Review and Structure) Regulations, 2009 (Legal Notice No. 136 of 2009).

⁵⁵ LEA (Resolution of Disputes) Rules, 2010 (Legal Notice No. 34 of 2010); and LEWA (Resolution of Complaints for Water and Sewerage Services) Rules, 2013 (Legal Notice No. 102 of 2013).

Table 4.7 Electricity generation and sales by LHDA to LEC, 2015-19

(GWh)

Year	Generation	Sales to LEC
2015	532.2	527.8
2016	507.7	505.1
2017	501.0	500.2
2018	515.8	512.9
2019	391.6	390.7

Source: Lesotho Highlands Development Authority.

4.43. Rural electrification projects are mainly conducted by the Rural Electrification Unit (REU) under the Department of Energy. It coordinates and manages the implementation of off-grid and rural electrification projects outside the LEC service area. REU projects are funded through a Universal Access Fund, which is financed by the electrification levy collected by LEC.⁵⁶ LEC is also involved in Lesotho's rural electrification efforts, with some projects implemented within its service territory (within 3.5 km from the existing distribution network).

4.44. LEC has historically filed for tariff changes each year. LEWA published the application with an invitation to stakeholders to submit their comments in writing. An application by LEC becomes effective three months after filing unless LEWA issues a notice of modification or a counter proposal. LEC's tariff model relies on a single-part variable tariff (per kWh) for residential, general purpose, and street lighting customers and a two-part tariff (with maximal demand capacity and energy consumption charges) for commercial and industrial customers.⁵⁷ All electricity consumers also pay customer and electrification levies per kWh on top of the variable portion of the tariff. The customer levy covers a portion of LEWA's operating costs, and the electrification levy funds electrification projects.

4.45. In FY2019/2020, Lesotho introduced two categories of tariff for residential consumers. The first category is for the first 30 units (kWh), which are priced at LSL 0.7273 per kWh. The second category is for consumers consuming above 30 units (kWh), the price of which is set at LSL 1.4782 per kWh. During the review period, the lowest electricity tariffs were for industrial and commercial consumers (under LSL 0.3 per kWh).

4.46. The water sector in Lesotho is mainly governed by the Water Act, 2008⁵⁸, which regulates the management, protection, conservation, and use of water resources.⁵⁹ The Water and Sewerage Company (WASCO), a state-owned company, maintains a monopoly in Lesotho's water supply activities.⁶⁰ It is responsible for the abstraction, treatment, distribution, and storage of water for urban populations. The Department of Rural Water Supply (DRWS) has the mandate to ensure the provision of water supply in rural areas.

4.47. As indicated during the previous Review, Lesotho has developed together with South Africa the Lesotho Highlands Water Project (LHWP) with two main objectives: (i) to increase its electricity production; and (ii) to export/transfer water to South Africa to increase its revenues from water royalties and electricity sales. The project consists of four phases, the last of which was expected to be finalized by 2020. It was expected that by 2020, 5 dams and 200 kilometres of tunnels would have been constructed between the 2 countries.

4.2.2.2 Hydrocarbons

4.48. Lesotho is not an oil producer, and to date no explorations have been conducted to discover the existence of viable resources. Petroleum products used domestically are imported from South Africa. In terms of volume, petrol is the most imported product (Table 4.8). Lesotho does not

⁵⁶ LEA (Universal Access Fund) Rules, 2011 (Legal Notice No. 83 of 2013).

⁵⁷ Department of Energy, *Investment Plan for Lesotho*. Viewed at: https://www.cif.org/sites/cif_enc/files/srep_investment_plan_lesotho.pdf.

⁵⁸ Water Act, 2008 (Act No. 15 of 2018), published in the Government Gazette on 30 December 2008.

⁵⁹ There is also a Lesotho Water and Sanitation Policy, which was issued in 2007.

⁶⁰ Water and Sewerage Company (Proprietary) Limited (Establishment and Vesting Act, 2010) (Act No. 10 of 2010), published in the Government Gazette on 3 August 2010.

have a national depot; however, it relies on four privately owned depots in Maseru with storage capacity of approximately eight days of petroleum supply.

Table 4.8 Lesotho's imports of petroleum products, 2015-22

(kilolitres)

	Products			
	Petrol	Diesel 500 ppm	Diesel 50 ppm	Illuminating paraffin
2015	116,904.447	67,582.35	29,972.24	28,930.03
2016	127,157.00	59,734.92	41,289.78	3,0871.33
2017	133,335.50	56,4367.62	37,334.45	33,620.34
2018	138,186.87	48,195.00	49,195.00	34,160.62
2019	139,639.00	0	114,110.00	26,289.00
2020	121,359.00	0	95,588	44,106.00
2021	124,011.00	0	105,479.00	41,043.00
2022	120,594.00	0	118,384.00	31,409.00

Source: Information provided by the Department of Energy.

4.49. In principle, the Regulation of the Importation and Marketing (advertising, selling, and pricing) of Petroleum Products is the responsibility of the Department of Energy. In 2000, under the Fuel and Services Act, 1983, the responsibility for pricing of petroleum products was delegated to the Petroleum Fund with Legal Notice No. 44 of 2000. The Petroleum Fund was legally established by the Petroleum Fund Legal Notice No. 96 of 1997. Its responsibility includes, *inter alia*, reviewing and publishing, on a monthly basis, the pump prices of diesel, petrol, and illuminating paraffin. In light of keeping the petroleum products' pump prices the same throughout Lesotho, the districts and/or dominant places are categorized into four pricing zones based on the distance travelled while delivering products from Maseru. Each zone has a transport differential element in its price structure.

4.50. Only registered oil companies are permitted to import petroleum fuel into Lesotho in quantities greater than 200 litres. According to the authorities, five oil companies (of which two are multinational) are currently in charge of the importation of petroleum products, usually from the Durban refineries in South Africa. Companies that are interested in engaging in petroleum fuel import business must lodge an application with the Department of Energy. The licensing procedures are governed by the Fuel and Services (Importation of Petroleum Products) Regulation, 1999. Businesses wishing to import petroleum fuel into Lesotho are required to submit, mainly, the following documents: the company's proof of registration in Lesotho, proof of depot availability of a minimum 500,000 litres, supply agreement from the source, and the proposed marketing arrangements with locally registered petroleum dealers.

4.3 Manufacturing

4.51. Manufacturing remains an important contributor to Lesotho's GDP growth, and textiles, clothing, and footwear activities are the main components in the sector's value added and exports. Other manufacturing activities include the production of leather, food and beverages, consumer electronics, clay-based brick, and ceramic tiles. In 2022, the sector's contribution to GDP was 19.1% (Table 1.1).

4.52. Most firms operating in Lesotho's manufacturing sector are foreign owned, mainly from South Africa, Chinese Taipei, the Philippines, and China. In general, their presence in Lesotho is driven by favourable labour costs and the advantages of US trade preference under the AGOA scheme. Locally owned firms are mostly MSMEs. The bulk of manufactured products are exported, about two thirds to the United States, and one quarter to South Africa.

4.53. Lesotho's NDSP II considers manufacturing as one of its priority sectors. The Policy pursues the objectives of diversifying products, building business linkages between domestic and foreign firms, and developing industrial clusters and integrated supply chains.

4.54. The Government's strategic vision in the manufacturing sector is to take advantage of opportunities stemming from existing preferential agreements, such as those under SACU, SADC, AGOA, and GSP, to diversify and deepen manufacturing activities for regional and international markets to promote sustainable job creation. Lesotho adopted the following policy documents to guide Government measures: NSDP II and Lesotho's Industrial Policy 2015 (to be reviewed).

4.55. The pre-COVID-19 (first quarter 2020) figures indicate that there were 51,510 people employed in the manufacturing sector. However, the uncertainty brought about by the COVID-19 pandemic has led to a halt in some manufacturing activities; hence, the number of employees in manufacturing declined to 34,082 in 2021.⁶¹

4.56. Clothing and textiles continue to be among the items subject to the highest average import duties of the SACU tariff schedule (Main Report, Table A3.1). Worn clothing and other worn articles attract tariff rates higher than 50% (Main Report, Table 3.3). The highest *ad valorem* equivalent (AVE) (532.3%) applies to some worn textile articles.

4.57. Competitiveness in manufacturing is undermined by several factors, including limited access to finance, low productivity, poor infrastructure, high input costs, and low-skilled labour. Moreover, the sector is facing increasing competition from abroad, due to increased erosion of the value of AGOA and GSP preferences.

4.58. The Ministry of Trade, Industry, Business Development and Tourism (MTIBDT) is responsible for the manufacturing sector. It is in charge of coordinating the development and implementation of the Government's vision for Lesotho's industrial activities. The Ministry chairs the Inter-Ministerial Task Team for the Textiles and Apparel Industry, which is in charge of analysing industry performance and making recommendations to improve its competitiveness and attract investments. Another important institution for the manufacturing sector is the Lesotho National Development Corporation (LNDC), whose functions include facilitating investment in the manufacturing sector (Section 2.4).

4.59. Lesotho maintains an incentive regime for its local manufacturers, particularly those who export their products (Section 3.2.4). These firms are subject to a corporate tax of 10%, compared to 25% for other activities. Other incentives granted to the manufacturing sector are those administered by the LNDC, which focus mainly on investment (Section 2.4).

4.4 Services

4.4.1 Financial services

4.4.1.1 Overview

4.60. Lesotho's financial sector consists of 4 commercial banks, 10 insurance companies, 49 insurance brokers, 132 microfinance institutions, 2 asset management firms, 6 stockbrokers, 2 money transfer institutions, 1 credit bureau, 1 financial leasing company, 5 mobile money issuers, 7 registered pension funds, 3 pension fund intermediaries, 4 pension fund administrators, and 1 "large" financial cooperative. The Central Bank of Lesotho (CBL) is the regulator of all Lesotho's financial institutions; as such, it is the main licensing authority. Besides the CBL, the Commissioner of Cooperatives also has some responsibilities in the financial sector, and is in charge of cooperatives. Large financial cooperatives are regulated by the CBL, which conducts onsite examination and offsite surveillance to ensure adherence to the prudential requirements and proper functioning of the banking system.

4.61. In 2020, the financial system's assets, as a ratio of GDP, was 85.6%.⁶² The banking industry accounted for 67.1% of the total financial sector assets, while the insurance industry accounted for 28.8%.

4.62. The capital markets in Lesotho are still small and concentrated, with limited investment options. They comprise mainly money markets and securities markets entirely made up of government securities.

4.63. The CBL considers FinTech as instrumental in the provision of various innovative financial services and products in particular to facilitate financial inclusion and to move towards a cash-lite

⁶¹ Lesotho Bureau of Statistics (2021), *Performance of the Manufacturing Sector in Lesotho*. Viewed at: https://www.bos.gov.ls/new%20folder/Copy%20of%20Economics/Manufacturing_1st_Quarter_2021.pdf.

⁶² Central Bank of Lesotho (2022), *2021 Financial Stability Report*. Viewed at: https://www.centralbank.org.ls/images/Publications/Supervision/2021_CBL_Financial_Stability_Report_-_Internet_File_-_HR_Singles_-_5.07.2022.pdf.

society. At the same time, the CBL is cognizant of the risks associated with this process. As a consequence, the authorities developed in 2020 the Concept Note on FinTech Strategy for Lesotho. The Concept Note is expected to engage all relevant stakeholders in the FinTech space regarding the need to develop a FinTech Strategy for Lesotho.⁶³

4.64. The financial sector is governed mainly by the Central Bank of Lesotho Act, 2000; the Cooperative Societies Act, 2000; the Financial Institutions Act (FIA), 2012; and the Insurance Act, 2014. The FIA 2012 establishes the conditions for licensing and supervision of local or foreign banking and credit institutions, excluding insurance providers, and depending on their characteristics, cooperatives and credit bureaus. The Insurance Act provides the regulatory framework for insurance. A number of regulations and acts complement these legal instruments by dealing with specific aspects of the financial sector.⁶⁴

4.4.1.2 Banking and non-banking services (excluding insurance)

4.65. Lesotho's banking system remains concentrated and largely foreign owned. The three major banks (Standard Lesotho Bank, First National Bank, and Ned Bank) are subsidiaries of South African banks, and the fourth (Lesotho Post Bank), the only domestic bank, is fully owned by the Government. In 2022, these three subsidiaries accounted for about 87% of total loans and had 35 (out of a total of 50) branches in 2022.

4.66. The basic legal framework for the banking and non-banking industries (excluding insurance) has remained broadly unchanged and continues to be regulated mainly by the FIA 2012. Licensing requirements are the same for nationals and foreigners, and they remained broadly unchanged during the review period. In accordance with the FIA 2012, licensing and minimum capital requirements depend on their classification in one of the four categories designed by the law (Table 4.9). In addition, financial institutions must be incorporated as a "public company" in Lesotho.⁶⁵

Table 4.9 Financial institutions classification (excluding insurance companies), 2021

Type of financial institution	Coverage	Minimum capital requirement
Type I	(a) Commercial banks; (b) merchant/investment banks; and (c) mortgage banks	LSL 20 million
Type II	(a) Saving banks; (b) deposit-taking banks microfinance business; (c) large financial cooperatives	LSL 10 million
Type III	(a) Credit institutions; (b) acceptance houses; (c) discount houses, and (d) Finance Houses	LSL 5 million
Type IV	(a) Foreign exchange bureaus; (b) money transfers; (c) credit guarantee facility, and (d) credit only microfinance institutions	To be determined by the Commissioner in charge of the regulations

Source: FIA 2012.

4.67. As was the case during the previous Review, Lesotho does not maintain any restriction on foreign capital but applies restrictions on the members of the board of directors of a financial institution. The chief executive officer, who is a member of the board of directors, must reside in Lesotho. Foreign financial institutions can apply for a licence as long as they appoint a legal agent resident in Lesotho, and according to the authorities they can be established as branches or subsidiaries as long as they meet the conditions set by the legislation.

4.68. Persons willing to carry out financial activities as a cooperative must register with the Commissioner of Cooperatives.

⁶³ CBL (2020), *2020 Annual Report*. Viewed at: https://www.centralbank.org.ls/images/Publications/ANNUAL_REPORTS/CBL_2020_Annual_Report.pdf.

⁶⁴ CBL, *Supervision Regulations*. Viewed at: <https://www.centralbank.org.ls/index.php/legislation-supervision/540-regulations>.

⁶⁵ The term "public company" in Lesotho refers to limited (liability) companies whose shares can be freely sold and traded to the public (Articles 23 and 24 of the Companies Regulations, 2012). In the case of private companies, shares can only be allocated only among their owners.

4.69. Interest rates are market-driven. According to the authorities, the CBL sets only the prime interest rate. Furthermore in 2022, it issued a Directive to oblige commercial banks to keep the spread between lending and deposit rates under a certain limit.⁶⁶

4.70. CBL continues to abide by the Basel I Rules for determining the prudential rules for commercial banks in Lesotho. Basel II.5 implementation was postponed in 2022.

4.71. With respect to Lesotho's anti-money laundering framework, the financial institutions (Know Your Customer) Guidelines, 2021 repealed the financial institutions (Know Your Customer) Guidelines, 2007. The authorities consider that the money laundering and financing of terrorist activities are now regulated under a more modern regime, made up of the Money Laundering and Proceeds of Crime Act, 2008, as amended in 2016, and the Money Laundering and Proceeds of Crime Regulations, 2019.

4.72. Three commercial banks and two private change bureaus are authorized by the CBL to deal in foreign exchange, in accordance with Lesotho's exchange controls mechanism.⁶⁷ The CBL retains the power to approve foreign exchange requirements for all capital account transactions including FDI and remittances.

4.73. In accordance with the Credit Reporting Act, 2011 and its Regulations, 2013, Lesotho has a licensed credit bureau (a South African operator) to collect and process credit information of potential customers to assess their credit risk. According to the authorities, the financial sector uses this process to confirm the credit status of each applicant. As a result, it has helped lenders receive better credit information and, therefore, reduced the apparent credit risk.

4.74. In general, Lesotho's banking sector performed well during the review period (Table 4.10). The year 2021 exhibited some signs of weakness, mainly with respect to the industry's profitability, which deteriorated further, as banks were still recovering from the impacts of the COVID-19 pandemic. In addition, banks' asset quality remains an issue of concern, due to concentration risk in certain loan types and exposure to single or group of borrowers. In 2022, there was a decline on the liquidity positions as indicated by a decline in liquidity ratios.

Table 4.10 Financial soundness indicators, 2017-22

(%)

		Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Capital adequacy	Regulatory capital to risk-weighted assets	17.8	17.9	19.2	23.0	22.2	24.0
	Regulatory Tier 1 capital to risk-weighted assets	21.2	20.2	21.5	24.9	24.1	25.6
Asset quality	Non-performing loans net of provisions to capital	6.4	5.8	4.7	4.6	5.7	5.2
	Non-performing loans to total gross loans	4.4	3.7	3.3	4.2	4.1	4.3
	Large exposures to capital	80.7	82.1	83.0	69.2	58.4	61.6
Earnings and profitability	Return on assets	2.4	3.4	3.1	2.0	0.6	1.7
	Return on equity	18.0	28.6	24.8	17.1	5.0	13.4
	Interest margin to gross income	59.6	60.4	58.5	56.1	57.4	56.3
	Noninterest expenses to gross income	62.2	60.7	41.5	65.6	77.6	69.2
Liquidity	Liquid assets to total assets	36.3	36.1	22.6	28.2	29.1	19.3
	Liquid assets to short-term liabilities	52.8	52.9	34.0	41.9	43.2	29.1
Sensitivity to market risk	Customer deposits to total (non-interbank) loans	184.6	179.8	170.7	195.1	192.8	177.4
	Net open position in foreign exchange to capital	24.5	23.6	28.3	42.2	38.4	19.6

Source: CBL.

⁶⁶ CBL (2022), *Financial Institutions (Banks) (Pricing) Directives*. Viewed at : https://www.centralbank.org.ls/images/Public_Awareness/Press_Release/PRESS_STATEMENT_OF_BANK_PRICING- AG - FINAL_DRAFT_16.03.22.pdf

⁶⁷ Legal Notice No. 175 of 1989: Exchange Control Regulations.

4.4.1.3 Insurance services

4.75. The insurance sector is governed by the Insurance Act, 2014, which distinguishes long-term (i.e. life insurance), short-term (i.e. non-life insurance), and micro-insurance businesses. It also covers insurance intermediaries such as agencies and brokers. The industry consists of 10 insurers, of which 6 are long-term insurers and 4 are short-term insurers. In 2021, the long-term insurance industry had most of its net written premiums (NWP) from life cover (59.6%), followed by endowment (31.2%), and credit life (5.1%), while the short-term insurance business consists largely of motor and property insurance products with a combined share of 70.8% of total short-term insurance NWP.⁶⁸ The CBL considers that, overall, the insurance industry remains sound and stable. The sector experienced an increase in assets, which was driven by investments made by the sector.

4.76. The licensing requirements did not change during the review period. To operate in Lesotho's insurance sector, insurance providers must register, have a commercial presence in the country, and obtain an insurance licence. Under the Insurance Act, only "public companies" are allowed to obtain an insurance licence. According to the authorities, there are no composite licences allowing operators to engage in both banking and insurance activities. Lesotho does not maintain any restrictions on foreign capital. The minimum capital required is LSL 2 million.

4.77. On 28 May 2021, the Insurance (Registration and Licensing Requirements for Insurers) Regulations, 2021 was adopted. It further clarifies the application process and requirements for obtaining a licence to carry on insurance or re-insurance business in Lesotho under the Insurance Act. It determines applicable fees and documentation requirements and also describes the review process by the CBL.⁶⁹ Furthermore, on 26 March 2021, the Insurance (Qualification Requirements for Insurance Intermediaries) Notice, 2021 was published. It set up the minimum qualification requirements for insurance intermediaries and principal officers to conduct insurance business in Lesotho. It applies to insurance agents, insurance brokers, and principal officers.

4.4.2 Telecommunications and postal services

4.78. The contribution of telecommunications to Lesotho's GDP has remained stable since the previous Review, at around 3%. Mobile telephone subscription figures fluctuated slightly between 2015 and 2017, before decreasing markedly in 2018 (Table 4.11). According to the authorities, the decline is due to the change in the methodology of counting active telephone subscribers. The same factor explains the decline of mobile teledensity. The authorities also note that adoption of the new population figures based on the 2016 Population and Housing Census also played a role. Internet penetration increased steadily from 38% in 2015 to 69% in 2021.

Table 4.11 Main ICT indicators, 2015-21

Indicators	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
Fixed telephone subscriptions	41,123	40,570	28,206	7,506	8 750	13,426	7,225
Mobile telephone subscriptions	2,289,315	2 140,141	2,233,403	1,638,263	1,584,739	1,583,192	1,509,748
Overall telephone subscriptions	2,330,438	2,180,711	2,261,609	1,645,769	1,593,489	1,596,618	1,516,973
Fixed teledensity (%)	2	2	1	0	0	1	0
Mobile teledensity (%)	122	114	119	82	79	79	75
Overall teledensity (%)	124	116	120	82	79	80	76
Internet subscriptions	708,463	833,532	923,407	1,126,125	1,216,308	1,365,459	1,389,524

⁶⁸ CBL (2022), *2021 Financial Stability Report*. Viewed at: https://www.centralbank.org.ls/images/Publications/Supervision/2021_CBL_Financial_Stability_Report_-_Internet_File_-_HR_Singles_-_5.07.2022.pdf.

⁶⁹ *Government Gazette* (2021), No. 54, Vol. 66, 28 May. Viewed at: https://www.centralbank.org.ls/images/Legislation/Supervision/Regulations/Insurance/Insurance_Registration_Licensing_Requirements_Regulations_2021.pdf.

Indicators	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
Internet penetration (%) (Internet subscriptions per 100 inhabitants)	38	44	46	56	61	68	69

.. Not available.

Source: Bureau of Statistics. *Lesotho Demographic Survey (2011) & 2016 Population and Housing Census* - www.bos.gov.ls; Bureau of Statistics. *Annual National Accounts 2019*; Data from ICT Household surveys conducted by Lesotho Communications Authority.

4.79. The telecommunications legal and institutional framework remained broadly unchanged. The Communications Act, 2012 remains the main legislation that regulates telecommunications, broadcasting, and postal services in Lesotho. The Ministry of Information, Communications, Science and Technology (MICST) is the main entity in charge of formulating and developing the legislation for this sector. The Lesotho Communications Authority (LCA) is the regulator of the telecommunications sector. As such, it has supervisory roles over all aspects of telecommunications. The functions of the LCA include the allocation of operators' licences, the promotion of fair competition, approval of retail prices, management of the radio frequency spectrum, and protection of consumers. Under the Communications Act, 2012, all interconnection agreements require the LCA's approval.

4.80. The Government considers telecommunications as an important way to enhance social and economic development. However, as indicated in the NSDP II, factors limiting Lesotho from realizing the benefits of the digital economy include the low rate of digital literacy and high costs of developing ICT infrastructure, particularly in the remote mountain region. As such, the authorities' strategic interventions in telecommunications seek to improve sectoral governance to facilitate the development of ICT facilities and infrastructure and to promote ICT literacy, with a special emphasis on women. Universal access to telecommunications services also remains another priority in the sector. A dedicated Universal Access Fund is in place to ensure universal access to communications services (telephony, Internet access, broadcasting, and basic postal services). The fund is financed by the LCA, the Government, and the two network operators, Econet Telecom Lesotho (ETL) and Vodacom Lesotho (VCL).⁷⁰

4.81. To participate in the telecommunications market, companies (domestic or foreign) must hold a licence. There is no limitation on foreign capital, and domestic and foreign companies can participate under the same terms.

4.82. As at the time of the previous Review, the two main telecommunication providers are ETL and VCL. VCL is the leading mobile operator. It is a privately owned company (20% domestic and 80% by a foreign private company). It provides mobile and Internet services, but it is also eligible to provide fixed-line services. ETL is 30% owned by the State (and 70% by a foreign private company). It provides fixed and mobile telephone services, as well as Internet services.

4.83. In addition, there are another two licensed companies providing Internet services: LEO (Pty) Ltd and Comnet (Pty) Ltd. The Lesotho Electricity Company Communications (LECC), a telecommunications subsidiary company of the LEC, is also licensed to provide communications network infrastructure, through leasing of network elements and capacity at wholesale level, to other licensed service providers.

4.84. Retail rates are subject to the approval of the LCA according to a cost-based approach. During the review period, the interconnection rate applied by providers continued to decrease, in accordance with the LCA's reduction programme of the interconnection rate that was initiated in 2012. The interconnection rate reached LSL 0.09 per minute in 2020/2021, down from LSL 0.38 in 2014/2015.

4.85. In 2016, the Lesotho Communications Authority (Administrative) Rules No. 77 of 2016 were adopted to regulate the procedure for application of operating licences, finite resources (numbers and radio frequency spectrum), and type approval of terminal telecommunications equipment. They further prescribe procedures on amendment, renewals, transfer, suspension, or revocation of

⁷⁰ The revenue to the Fund is made up of: annual contributions of 1% of net operating income from licensed network operators, 25% of LCA's annual surplus and Government funds.

licences. The Rules also regulate issues such as infrastructure sharing, competition management, tariffs, and protection of consumers.

4.86. On 9 May 2023, Lesotho published its current licensing classification mechanism and related fees, which are provided under the Lesotho Communications Authority Licensing Classification and Fees Rules, 2023. The Rules prescribe the applicable categories of licences, authorization tenure, and related fees. Under the current rules, an operator can hold a licence to provide different types of services regardless of the technology used (i.e. technology neutrality).

4.87. The Lesotho Communications Authority (Quality of Service) Rules, 2023, which were also published on 9 May 2023, set the standards and parameters to which telecommunications service providers have to meet when providing services to consumers. In addition, the new Rules introduce an amendment to the penalties for non-compliance to the quality of service parameters.

4.88. Postal services are categorized into commercial postal (courier) services and public postal services. According to the authorities, there are currently four courier service providers and one public postal operator (Lesotho Post Office (LPO)). The LPO is a state-owned agency under the MICST. It has exclusive rights for the use of post office boxes and selling of postage stamps, for which it is under obligation to provide universal services.

4.89. Under the Communications Act, 2012, the LCA is mandated to grant licences to operators to provide commercial postal services as well as public postal services for which the LPO has not been given exclusive rights. The Act also instructs the LCA to develop the conditions under which the postal services infrastructure can be used and to implement an approval system for postal rates.

4.90. In 2018, the Lesotho Communications Authority (Administrative) (Amendment) Rules No. 22 of 2018 amended some provisions of the Administrative Rules, 2016 to incorporate regulatory provisions that apply to the postal services. Issues covered in this amendment include clarification of global international operators' activities in Lesotho (to better determine revenue collected in Lesotho) and renewal of postal licences.

4.4.3 Transport

4.4.3.1 Overview

4.91. As a landlocked country, Lesotho is completely dependent on links through South Africa for its connectivity. Most of Lesotho's international trade passes through the port of Durban and continue by rail or road.

4.92. The Ministry of Public Works and Transport (MPWT) is responsible for the overall transport sector. It is in charge of, *inter alia*, formulating policies, monitoring their implementation, and administering the institutional and legal framework. Poor road conditions and lack of transport infrastructure and services continue to isolate remote areas from access to financial, health, and education services. Lesotho's transport sector comprises road, air, rail, and inland water transport, of which roads represent the main mode of transport.

4.93. During the review period, there were no significant legislative changes in the transport sector.

4.4.3.2 Air transport

4.94. Lesotho has 43 domestic aerodromes, of which 32 are operational. Moshoeshoe I International Airport (MIA) in Maseru is the main air transport gateway. Airport and airstrip infrastructure are maintained by the Government. Airstrips around the country are served mainly by charter flights. Lesotho has two local operators (MGC Aviation and Mohahlaula Airlines), and both currently offer charter services.

4.95. Lesotho has no national airlines company. South African Airlink continues to be the only international commercial carrier operating in Lesotho. It operates direct flights only between Maseru and Johannesburg and has no scheduled domestic flights. Under the bilateral air services agreement (BASA) between Lesotho and South Africa. South African Airlink can operate without any restriction on capacity, frequency, and slots.

4.96. Airport ground services are managed by South African Airways, but all personnel must be Lesotho nationals.

4.97. Air transport is mainly regulated by the Civil Aviation Act, 2008 and the Department of Civil Aviation (DCA) of the MPWT is the entity in charge of regulating air transport, including civil aviation, developing infrastructure, and licensing air transport operators. The DCA is also responsible for the establishment and maintenance of aerodromes and air navigation facilities. The Civil Aviation Act also provides for the development of BASAs on air transport. According to the authorities, Lesotho has signed BASAs with South Africa, the United Arab Emirates, Qatar, and Türkiye, while the agreement with Rwanda is yet to be finalized. They also note that the Government intends to renegotiate a number of old BASAs. Information regarding the substance of Lesotho's BASAs was not available.

4.4.3.3 Road transport

4.98. Lesotho's total road network consists of 6,906.26 km, of which 1,798.76 km are paved. The remainder consists of 3,830.52 km of gravel roads and 1,276.98 km of earth tracks. The road network continues to deteriorate due to, *inter alia*, extreme weather, such as flood episodes.⁷¹

4.99. During the period under review, the legal and institutional framework regulating road transport services did not undergo any significant change. The Department of Transport and Traffic of the MPWT is the entity responsible for developing the country's road network and for maintaining inter-urban roads, bridges, and footbridges. The Roads Directorate is a semi-autonomous entity operating under the MPWT. It is in charge of managing the road network, including the construction, upgrading, and maintenance of all roads in Lesotho.⁷²

4.100. Road transport services are mainly regulated by the Road Transport Act, 1981, and by the Road Transport Regulations, 2004.

4.101. Passenger services are mainly provided by private taxi and bus transport operators. To provide passenger services, operators require a public transport permit, which depends on the route and on the demand. Only vehicles registered in Lesotho are eligible for a permit. Permit applications must be submitted to the Road Transport Board under the MPWT. Cabotage is not generally allowed, except under certain circumstances where short-term permits can be issued for transport of special consignments.

4.102. The Road Transport Board controls the prices in the passenger transport segment based on the national transport cost per passenger.⁷³ The Board also controls issuance of public transport permits. Prices for freight transports are not regulated.

4.103. As at the time of previous Review, a few locally registered freight transport companies were from South Africa and the rest were owned exclusively by Lesotho nationals. Freight transport by road also requires a permit from the Department of Traffic and Transport. Permits are not route-specific.

4.104. Cross-border road freight transport into SACU members is carried out under a SACU cross-border permit. The permit is issued by the Department of Traffic and Transport. This permit authorizes the carriage of goods on any cross-border journey in the SACU region.

4.4.3.4 Railways and water transport

4.105. Lesotho's railways consist of a 2.5 km rail line between Maseru Bridge Border and Maseru Station. The station facilities are owned by the Government, but they are leased, operated, and

⁷¹ Government of Lesotho, *National Strategic Development Plan II, 2018/19-2022/23*. Viewed at: <https://www.gov.ls/wp-content/uploads/2021/06/National-Strategic-Development-Plan-II-2018-19-2022-23.pdf>.

⁷² Roads Directorate Act of 2010 (Act No. 16 of 2010), published in the Government Gazette on 1 January 2010.

⁷³ The Road Transport Board includes the Traffic Commissioner and representatives of passenger and freight transport operators.

maintained by the South African rail company, Transnet. Two freight trains run daily and there has been no regular passenger service since 1989.

4.106. Water transport in Lesotho consists of 39 inland river crossings located in the mountainous areas. Water transport services providers consist of public and private-owned small rowing boats.

4.4.4 Tourism

4.107. The NDSP II recognizes the importance of tourism in leveraging the country's touristic potential to contribute to growth. The Government considers the sector as key for growth and job creation. Between 2016-19, tourism arrival fluctuated but remained high. The authorities indicate that there were no arrivals recorded in 2020 due to the closure of borders in the context of COVID-19 restrictions. However, arrivals resumed in 2021 and 2022 (Table 4.12). South Africa, Zambia, and the United States are the top countries of origin. The sector's contribution to GDP remains marginal and its performance is subdued due to several factors, including its high dependence on the South African market, which further exacerbates its vulnerability.

Table 4.12 Tourist arrivals by country of origin, 2016-22

Market	2016	2017	2018	2019	2020	2021	2022
South Africa	1,081,227	1,009,856	1,056,433	1,009,982	0	249,349	489,780
Zimbabwe	20,835	20,991	20,407	23,228	0	5,734	9,436
China	6,878	7,830	6,099	7,971	0	2,571	3,122
United States	10,026	8,589	8,732	9,239	0	1,642	3,639
Botswana	8,972	7,513	6,916	8,791	0	1,585	3,166
United Kingdom	4,970	5,554	4,880	5,724	0	704	2,218
India	4,389	4,745	3,614	4,950	0	2,425	3,892
Netherlands	7,856	9,275	8,840	8,177	0	323	1,775
Germany	7,955	8,913	9,477	8,957	0	558	1,717
Eswatini	5,006	3,930	4,897	5,439	0	962	1,750
Other	38,100	49,970	42,353	49,923	0	12,788	30,675
Total	1,196,214	1,137,166	1,172,648	1,142,381	0	278,641	541,134

Source: Lesotho Tourism Development Corporation (LTDC), *Annual Arrivals and Accommodations Report*; and information provided by the authorities.

4.108. The authorities note that the tourism sector's performance is undermined by, *inter alia*, limited access to finance, insufficient infrastructure development and maintenance, limited tourism brand management and communications, lack of policy and regulatory frameworks, and low-quality standards and services.⁷⁴

4.109. A National Tourism Master Plan was developed in 2019. It envisages seven strategic actions: (i) ensure an appropriate institutional and legal framework; (ii) improve visitors' experience; (iii) improve and expand the product base; (iv) provide the necessary infrastructure; (v) marketing and branding of the destination; (vi) create a favourable business and investment climate, and (vii) ensure environmental and social sustainability.

4.110. As at the time of the previous Review, the sector is regulated through the Accommodation, Catering and Tourism Enterprises Act, 1997⁷⁵ and its Regulations, and the Tourism Act, 2002 (as amended), which established the Lesotho Tourism Development Corporation (LTDC).⁷⁶ Other relevant legal instruments include the Historical Monuments, Relics, Fauna and Flora Act 1967, the Casinos Order 1989, the Liquor Licensing Act 1998, and the Environment Act 2001.

4.111. The institutional framework did not undergo any major change since the previous Review. Tourism development is under the responsibility of the Ministry of Tourism, Environment and Culture (MTEC) and the LTDC. The MTEC is in charge of, *inter alia*, developing and implementing the tourism policies and legislation and issuing tourism licences and Environment Impact Assessment (EIA)

⁷⁴ Government of Lesotho, *National Strategic Development Plan II, 2018/19-2022/23*. Viewed at: <https://www.gov.ls/wp-content/uploads/2021/06/National-Strategic-Development-Plan-II-2018-19-2022-23.pdf>.

⁷⁵ Accommodation, Catering and Tourism Enterprises Act, 1997 (Act No. 13 of 1997), published in the Government Gazette on 30 December 1997.

⁷⁶ Tourism Act 2002 (Act No. 4 of 2002), published in the Government Gazette on 26 February 2002.

clearances. Its functions include promoting tourism and investment in this sector, developing strategic marketing, creating touristic products and circuits, and providing financial assistance.⁷⁷ Several private-sector associations are also in place to defend the interests of their members. In 2021, an umbrella organization for the tourism sector, the Lesotho Council for Tourism (LCT), was established. The members of the Board include representatives of all the tourism subsector organizations from accommodation, tour operation, tour guiding, hiking, travel agents, recreational parks, event organizers, restaurant owners, crafters, and heritage and wildlife conservations.

4.112. Licensing procedures also remained unchanged during the review period. They are governed by the Accommodation, Catering and Tourism Enterprises Act, 1997, which provides domestic and foreign individuals with the same access to the tourism sector, subject to a licence approved by the Tourism Licensing Board. The Board members include representatives of the MTEC, Ministry of Health, the LTDC, and the Commissioner of Police; as well as of different tourism associations. The Act establishes 11 types of licences for (i) camp sites; (ii) hotels; (iii) lodges; (iv) restaurants; (v) self-catering establishments; (vi) bed and breakfasts; (vii) youth hostels; (viii) resorts; (ix) motels; (x) catering; and (xi) guest house licences.⁷⁸ Prior to the approval of a licence, the Ministry of Health, the police, and the Maseru City Council must inspect the facilities of the business to be considered for a licence and submit inspection reports to the Licensing Board.⁷⁹ Licences are valid for one year and are renewable.

4.113. The authorities note that Lesotho has seen noticeable growth and transformation of its tourism sector as more tourism facilities continue to be established by local investors, notably in the accommodation segment. There are no barriers to foreign entry in tourism, and tourism operators can benefit from general investment incentives.

⁷⁷ Tourism Act, 2002, Articles 3 and 4.

⁷⁸ Accommodation, Catering and Tourism Enterprises Act, 1997, Article 14.

⁷⁹ Accommodation, Catering and Tourism Enterprises Act, 1997, Articles 17 and 20.

5 APPENDIX TABLES

Table A1.1 Merchandise imports by HS section/chapter/subheading, 2014-21

	2014	2015	2016	2017	2018	2019	2020	2021
Total imports (USD million)	1,423.7	1,409.6	1,485.3	2,065.6	1,624.6	1,364.3	1,280.6	1,667.9
	(% of total)							
1-Live animals and products	5.2	4.1	3.9	3.8	4.0	3.6	4.0	3.8
HS 02 Meat and edible meat offal	3.0	2.3	2.1	1.9	2.2	1.9	2.3	2.3
2-Vegetable products	6.8	6.9	11.4	6.8	5.8	9.0	7.5	6.7
HS 11 Products of the milling industry; malt; starches; inulin; wheat gluten	3.0	3.1	5.5	2.3	1.8	3.4	3.1	2.7
HS 10 Cereals	1.4	1.3	2.8	2.3	1.4	2.4	1.3	1.1
3-Fats and oils	1.2	0.9	0.8	0.7	0.8	0.8	0.8	0.9
4-Prepared food, beverages and tobacco	7.4	8.4	8.1	7.2	8.6	11.5	9.9	9.4
HS 22 Beverages, spirits and vinegar	1.1	2.0	1.8	1.7	2.1	3.3	2.1	2.2
HS 24 Tobacco and manufactured tobacco substitutes	1.0	1.5	1.4	1.3	1.4	1.8	2.3	1.8
HS 19 Preparations of cereals, flour, starch or milk; pastrycooks' products	1.4	1.1	1.1	1.0	1.2	1.4	1.4	1.4
5-Mineral products	15.7	14.2	11.1	18.8	14.2	14.6	11.9	14.5
HS 27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	15.0	13.5	9.9	17.8	13.4	13.8	11.2	13.6
HS 2710 Petroleum oils and oils obtained from bituminous minerals, other than crude	8.9	10.6	8.6	7.4	10.5	12.3	8.1	9.9
6-Chemicals and products thereof	7.2	7.6	8.5	6.3	6.9	6.7	9.1	7.5
HS 30 Pharmaceutical products	1.3	1.8	3.3	2.2	2.2	2.7	4.0	2.4
7-Plastics and rubber	5.8	4.1	3.0	2.3	3.0	2.6	2.8	3.0
8-Raw hides and skins; leather, furskins and articles thereof	0.5	1.4	1.1	0.4	0.6	0.8	0.6	0.8
9-Wood, cork, straw	1.2	1.2	1.3	1.0	1.4	0.7	1.2	1.5
10-Pulp of wood; paper and paperboard	2.5	2.5	2.4	2.0	2.4	2.7	2.0	2.1
11-Textiles and textile articles	15.1	21.5	19.0	16.9	20.3	18.5	20.1	21.6
HS 60 Knitted or crocheted fabrics	3.3	6.8	5.4	5.5	6.4	6.1	7.4	7.8
HS 54 Man-made filaments; strip and the like of man-made textile materials	0.8	3.1	3.0	2.3	3.1	2.8	3.0	3.9
HS 52 Cotton	4.0	5.9	5.0	4.6	5.4	4.6	4.2	3.4
12-Footwear, headgear, etc.	1.3	1.4	1.4	1.2	1.6	1.4	1.4	1.5
13-Articles of stone, plaster, cement	0.9	0.8	0.9	0.7	0.9	0.8	0.8	0.9
14-Precious stones and metals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15-Base metals and articles thereof	4.8	4.1	4.0	14.4	4.7	3.6	4.1	5.4
16-Machinery, electrical equipment	10.6	10.7	11.7	9.7	14.0	13.3	12.1	11.5

	2014	2015	2016	2017	2018	2019	2020	2021
HS 85 Electrical machinery and equipment and parts thereof	3.2	5.5	6.2	5.3	7.0	6.0	6.1	6.4
HS 84 Machinery and mechanical appliances; parts thereof	7.4	5.2	5.5	4.4	7.0	7.3	6.0	5.1
17-Transport equipment	10.3	6.9	8.2	5.5	7.8	6.9	5.3	5.4
HS 87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	10.2	6.9	8.2	5.4	7.7	6.8	5.3	5.3
18-Precision equipment	1.5	0.5	0.5	0.5	0.8	0.8	4.0	0.9
19-Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20-Miscellaneous manufactured articles	1.8	2.6	2.5	1.9	2.3	1.7	2.2	2.5
21-Works of art, etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.2	0.1	0.1	0.0	0.1	0.1	0.1

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.2 Merchandise exports by HS section/chapter/subheading, 2014-21

	2014	2015	2016	2017	2018	2019	2020	2021
Total exports (USD million)	818.1	603.8	638.3	673.2	882.4	646.0	837.3	948.5
	(% of total)							
1-Live animals and products	0.1	0.3	0.4	0.7	0.5	0.7	0.5	0.6
2-Vegetable products	0.6	0.8	2.9	2.4	1.1	1.6	1.4	1.5
3-Fats and oils	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
4-Prepared food, beverages and tobacco	8.4	8.5	1.2	1.0	8.5	1.0	8.1	9.3
5-Mineral products	0.1	0.4	0.3	0.4	0.2	0.3	0.2	0.2
6-Chemicals and products thereof	0.1	0.2	0.3	0.3	0.2	0.4	0.4	0.3
7-Plastics and rubber	0.1	0.1	0.1	0.2	0.2	0.4	0.2	0.2
8-Raw hides and skins; leather, furskins and articles thereof	0.4	0.4	1.4	0.0	0.0	0.1	0.0	0.1
9-Wood, cork, straw	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
10-Pulp of wood; paper and paperboard	0.3	0.6	0.7	0.8	0.7	0.6	0.3	0.5
11-Textiles and textile articles	38.4	48.9	75.1	78.0	62.3	67.3	50.3	59.1
HS 61 and HS 62 Articles of apparel and clothing accessories	33.2	39.5	64.9	66.5	54.3	57.4	41.0	47.3
HS 51 Wool, fine or coarse animal hair; horsehair yarn and woven fabric	2.9	6.2	5.2	5.6	1.9	3.6	4.7	5.0
12-Footwear, headgear, etc.	0.8	1.6	1.9	1.7	1.2	1.2	0.8	0.8
13-Articles of stone, plaster, cement	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1
14-Precious stones and metals	46.1	30.5	0.0	0.0	15.6	17.2	31.8	18.5
HS 71 Precious or semi- precious stones	46.1	30.5	0.0	0.0	15.6	17.2	31.8	18.5
HS 7102 Diamonds	0.0	0.0	0.0	0.0	15.6	17.2	31.8	18.5
HS 7105 Dust and powder of natural or synthetic precious or semi-precious stones	46.1	30.5	0.0	0.0	0.0	0.0	0.0	0.0
15-Base metals and articles thereof	0.3	0.4	0.6	0.3	0.2	0.4	0.2	0.2
16-Machinery, electrical equipment	3.3	4.5	9.3	9.9	8.1	7.9	5.1	7.3
17-Transport equipment	0.5	1.1	2.1	0.9	0.8	0.6	0.4	1.0
18-Precision equipment	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.1
19-Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20-Miscellaneous manufactured articles	0.3	1.6	3.5	3.1	0.2	0.0	0.1	0.1
21-Works of art, etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.3 Merchandise imports by origin, 2014-21

	2014	2015	2016	2017	2018	2019	2020	2021
Total imports (USD million)	1,423.7	1,409.6	1,485.3	2,065.6	1,624.6	1,364.3	1,280.6	1,667.9
	(% of total)							
Americas	1.4	0.5	0.6	0.6	0.5	0.2	0.3	0.6
United States	1.4	0.4	0.4	0.4	0.5	0.1	0.3	0.5
Other America	0.0	0.0	0.2	0.2	0.1	0.0	0.0	0.1
Europe	1.4	1.3	1.8	1.0	1.7	1.7	1.8	1.9
EU-27	0.9	1.0	1.3	0.6	1.3	1.3	1.6	1.7
Belgium	0.0	0.3	0.2	0.2	0.1	0.1	0.1	0.4
Germany	0.1	0.2	0.1	0.1	0.5	0.0	0.5	0.4
Netherlands	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2
Italy	0.1	0.1	0.5	0.0	0.1	0.1	0.3	0.2
EFTA	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Other Europe	0.2	0.1	0.3	0.3	0.4	0.3	0.2	0.2
United Kingdom	0.2	0.1	0.3	0.2	0.2	0.1	0.1	0.1
Commonwealth of Independent States (CIS)^a	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Africa	81.8	76.9	78.2	72.3	71.1	78.4	72.6	77.0
South Africa	80.8	74.7	76.6	70.7	69.2	76.9	71.0	74.9
Zambia	0.3	1.2	0.9	0.7	1.0	0.7	0.9	0.6
Mozambique	0.3	0.2	0.0	0.0	0.4	0.1	0.2	0.5
Zimbabwe	0.1	0.3	0.2	0.5	0.3	0.3	0.2	0.3
Eswatini	0.0	0.1	0.2	0.0	0.0	0.2	0.2	0.2
Ghana	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Middle East	0.3	0.6	1.1	0.2	0.4	0.1	3.3	0.7
United Arab Emirates	0.2	0.5	0.9	0.1	0.2	0.1	3.3	0.6
Asia	15.1	20.7	18.4	25.9	18.4	19.6	21.8	19.3
China	2.9	5.2	4.9	14.8	6.1	6.2	6.6	8.6
Japan	1.5	1.7	1.2	1.6	2.0	1.8	1.8	1.4
Other Asia	10.8	13.9	12.3	9.4	10.4	11.6	13.3	9.3
Chinese Taipei	7.1	8.3	6.7	5.3	6.3	6.1	6.2	5.7
India	1.6	2.2	2.9	2.5	2.1	2.6	3.8	1.4
Hong Kong, China	1.0	1.3	1.2	0.7	0.6	1.1	1.5	0.8
Viet Nam	0.6	1.3	0.6	0.5	0.5	0.4	0.7	0.7
Pakistan	0.2	0.4	0.5	0.2	0.5	0.6	0.5	0.2
Thailand	0.1	0.3	0.2	0.1	0.1	0.1	0.2	0.1
Korea, Republic of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other	0.0	0.0	0.0	0.0	7.9	0.0	0.3	0.6
Memo:								
EU-28	1.1	1.1	1.6	0.9	1.4	1.5	1.7	1.8
SACU	80.9	74.8	76.8	70.8	69.2	77.2	71.2	75.1

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.4 Merchandise exports by destination, 2014-21

	2014	2015	2016	2017	2018	2019	2020	2021
Total exports (USD million)	818.1	603.8	638.3	673.2	882.4	646.0	837.3	948.5
	(% of total)							
Americas	30.4	29.5	46.0	46.4	33.9	39.0	28.0	31.1
United States	30.3	29.0	45.1	45.5	33.4	38.1	27.0	30.2
Other America	0.1	0.5	0.8	0.9	0.5	0.9	1.0	0.9
Canada	0.1	0.4	0.7	0.8	0.5	0.6	0.5	0.6
Mexico	0.0	0.0	0.1	0.0	0.0	0.3	0.5	0.2
Europe	46.2	30.7	0.7	1.1	16.3	18.3	33.0	19.6
EU-27	46.1	30.7	0.6	1.0	16.2	18.1	32.9	19.4
Belgium	46.1	30.5	0.0	0.0	15.6	17.2	31.8	18.5
Germany	0.0	0.2	0.5	0.9	0.6	0.8	1.0	0.8
EFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Europe	0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.2
United Kingdom	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.1
North Macedonia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commonwealth of Independent States (CIS)^a	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Africa	23.2	28.3	52.4	51.9	41.6	39.2	38.3	46.8
South Africa	23.0	27.7	49.7	49.2	40.1	37.4	37.0	44.9
Eswatini	0.1	0.3	1.3	1.7	0.8	1.1	0.8	1.1
Botswana	0.0	0.1	0.3	0.3	0.2	0.4	0.3	0.3
Egypt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Mauritius	0.0	0.2	0.2	0.2	0.1	0.1	0.0	0.1
Tanzania	0.0	0.0	0.1	0.0	0.1	0.2	0.1	0.1
Mozambique	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ethiopia	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Middle East	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Asia	0.2	0.3	0.8	0.6	0.7	3.4	0.6	0.4
China	0.0	0.0	0.1	0.0	0.2	2.7	0.1	0.0
Japan	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Other Asia	0.1	0.3	0.7	0.5	0.5	0.6	0.5	0.3
Bangladesh	0.0	0.0	0.2	0.0	0.1	0.0	0.1	0.1
Chinese Taipei	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1
New Zealand	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0
Australia	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Other	0.0	11.1	0.0	0.0	7.4	0.0	0.0	2.1
Memo:								
EU-28	46.2	30.7	0.7	1.1	16.3	18.3	33.0	19.5
SACU	23.1	28.1	51.4	51.2	41.2	38.9	38.1	46.2

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on UN Comtrade database.