



LESOTHO HANDBOOK



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1. OVERVIEW

The Kingdom of Lesotho, also known as the Mountain Kingdom, is a small landlocked country entirely surrounded by South Africa. It is just over 30,000 km² (11,583 sq miles) in size and has a population of slightly over two million people. Its capital and largest city is Maseru. Lesotho is classified as one of the Least Developed Countries (LDC) and has a per capita income of \$1879 and a Gini coefficient of 0.52. National poverty figures indicate that 57.1% of the population lives below the national poverty line.

The current population of Lesotho is 2,166,291 based on the 2015 United Nations estimates. This is an increase of 1.20% (25 487 people) compared to population of 2,122,110 in 2014. In Lesotho, the population is equivalent to 0.03% of the total world population. The population density is 71 per km² (184 people per mi²). Lesotho is divided into ten districts.

2. TRANSPORT SYSTEM

The developments in the road transport sector in Lesotho have been influenced to a greater extent by the improvements in the road network extensions. In 2003, there were approximately 7 438 kilometres of roads. Of these, 1217 kilometres were paved, 3 758 were gravel and 2 463 were earth roads. By 2013, the road network had grown to approximately 8 638 kilometres, including some 1 817 kilometres of paved roads, 4 358 of gravel roads and 2 463 of earth roads.

Currently the dominant mode of domestic transport is road, which accounts for more than 70% of Lesotho's transport needs, and is followed by rail and air. The government is responsible for the Lesotho Freight and Bus Services Corporation, which operates a far smaller percentage of public road passenger transport services mainly in areas and on routes where volumes are low and where the private sector cannot provide a profitable service. Cargo and passenger transport services are mainly provided by private sector operators in the freight, taxi and bus industries.

Lesotho is connected to South Africa's well-developed regional road network via a total of 15 border posts (those at Ficksburg and Maseru operating 24 hours a day). Lesotho has 2.5 kilometres of narrow-gauge railway along the border with South Africa at Maseru West industrial area. This connects the capital city of Maseru via the border bridge on the Mohokare (Caledon) River to South Africa's Bloemfontein-Bethlehem line.

3. DEVELOPMENTS

Lesotho has achieved the following in terms of road projects:

- Upgrading of the Likalaneng–Thaba-Tseka road to bitumen standard
- Construction of the Roma–Ramabanta–Semonkong–Sekake road to bitumen standard, including two bridges at the confluence of the Senqu and Senqunyane rivers
- Resealing of the Matsieng, Maseru–Mafeteng and Maseru–Maputsoe roads
- Paving of town centres in all districts, including some surrounding urban areas and
- Building of new roads in rural areas, an initiative which connected communities that were formerly isolated from the rest of the country.

Table 1 below lists all ongoing projects in Lesotho

Table 1: On-going major projects

Name	Length	Contractor	Maloti	Intervention
Leshoele- Mathokoane- Setene-Bene	40km	China GEO	535 m	Upgrading to Bitumen standard
Alywal’s kop-Tele	10km	Matekane Construction	117m	Upgrading from gravel to bitumen
Nyenyne- Mapoteng- Makhorona	37km	EXR Construction	378m	Reconstruction and rehabilitation of the road.
Oxbow- Mapholaneng	70km	CMC Di Ravenna	452m	Reconstruction of the road
Bethel Bridge	140km	Stefanutti Stocks	137.3m	Construction of new bridge

4. ROAD TRANSPORT LEGISLATION

The Department of Transport and Traffic is responsible for the efficient operation of road transport, ensuring the availability of public transport and monitoring the participation of the private sector. The Lesotho Road Fund operates on a fee-for-service basis to enable road users to contribute towards road maintenance and construction. The fund’s largest source of revenue has historically been the road maintenance levy, which is included in the price of fuel, followed by tollgate fees and licence fees on motor vehicles.

4.1 Speed Limits

The maximum speed limit in Lesotho is 80 km/h for open roads, 100 km/h for highways and 50 km/h in town.

4.2 Traffic Fines

The offenses and official fines as outlined in the Road Traffic Act are shown in Table 2 below.

Table 2: Traffic Fines

OFFENCE	AMOUNT (ML)
Failed to comply with instruction, direction given by a traffic officer, or obstructed, hindered or interfered with the exercise of a power or performance of a duty	500
Holder of a learner's licence was not accompanied by a person with a licence authorising him or her to drive the vehicle	1000
Operated a vehicle with a GVM exceeding 3 500 kilograms, without the required roadworthy certificate	1000
Parking vehicle dangerously in the road and blocking other road users	1000
Failure to produce documents of motor vehicle	1000
Driving without driving license	1000
Failure to stop vehicle on command of Traffic Officer	1500
Operate un-roadworthy motor vehicle	3000
Disregard Stop / Yield Sign	1000
Overloading a bus or minibus	500

5. REQUIREMENTS FOR IMPORTATION AND EXPORTATION

5.1 Importation Process

Imports coming into Lesotho arrive in two categories: goods from within SACU (Intra-SACU goods) and goods from outside SACU (Extra-SACU goods). Extra-SACU goods are subject to Customs duties, according to the Harmonised System Code and Value Added Tax (VAT) at the rate of 14%, or 15% in the case of alcoholic beverages.

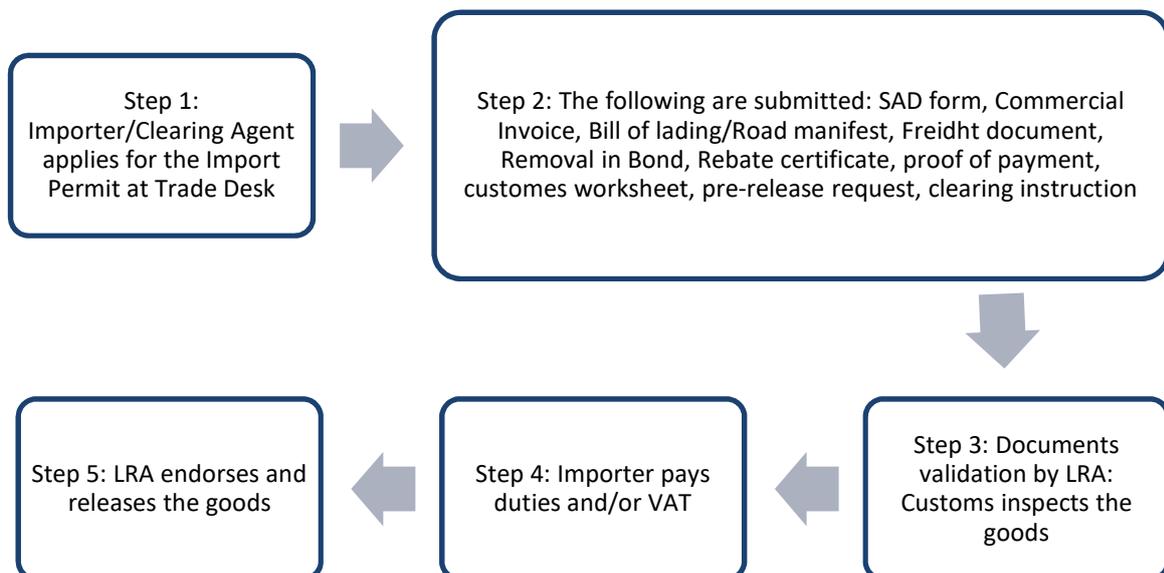
All importers are required to register with the Ministry of Trade and Industry, Cooperatives and Marketing. Import permits are then issued based on the type of products being imported.

- Import Permit for Agricultural goods is obtained from the Ministry of Agriculture and Food Security
- Import Permit for alcoholic products is obtained from the Ministry of Tourism, Environment and Culture, and
- Import Permit for Medicinal goods is obtained from the Ministry of Health.

The documents required for importation are import documents, commercial invoice, customs import declaration (SAD 500), inland bill of lading, packing list and VAT Deferral form.

Import VAT is payable at the Lesotho border for goods worth M250.00 and above. Extra SACU goods are subject to Customs duties, which must be paid to the LRA Customs at the border posts upon arrival. The clearance process of goods bought from extra-SACU is as shown below in Figure 1:

Figure 1: Clearance process for extra-SACU goods

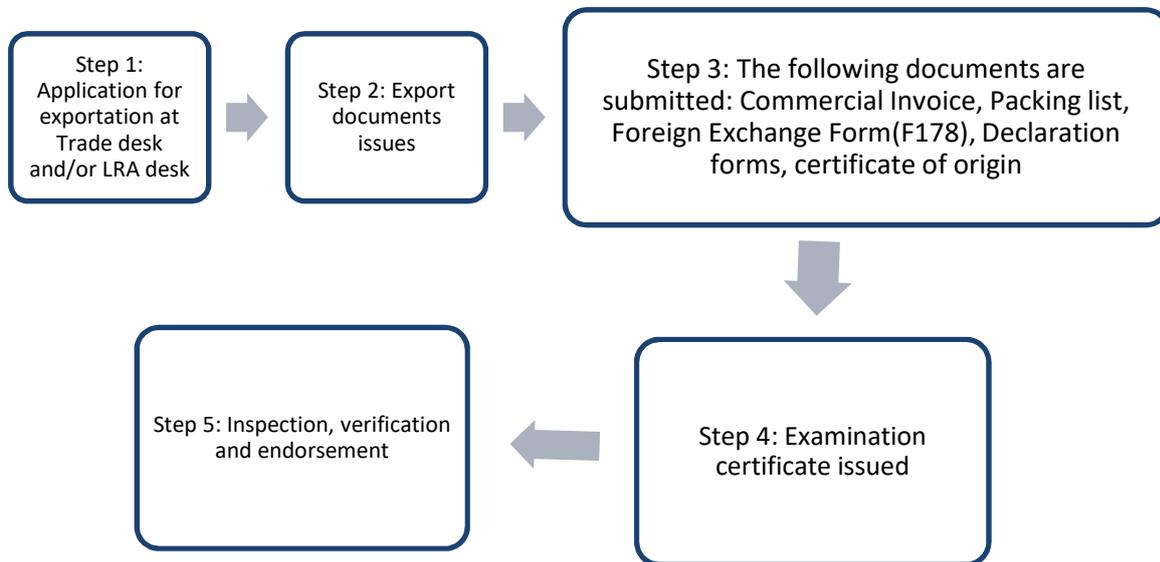


5.2 Exportation

Regardless of the value of the goods, an export whether to Intra/Extra SACU of more than M5, 000.00 requires a completed SAD500 document with at least five copies, where the first two copies are submitted to Lesotho Customs at the border, the last two copies are submitted to SARS at the border and the last copy is submitted with the goods at the destination place.

The procedures for exportation are outlined in Figure 2 below:

Figure 2: Procedures for exportation

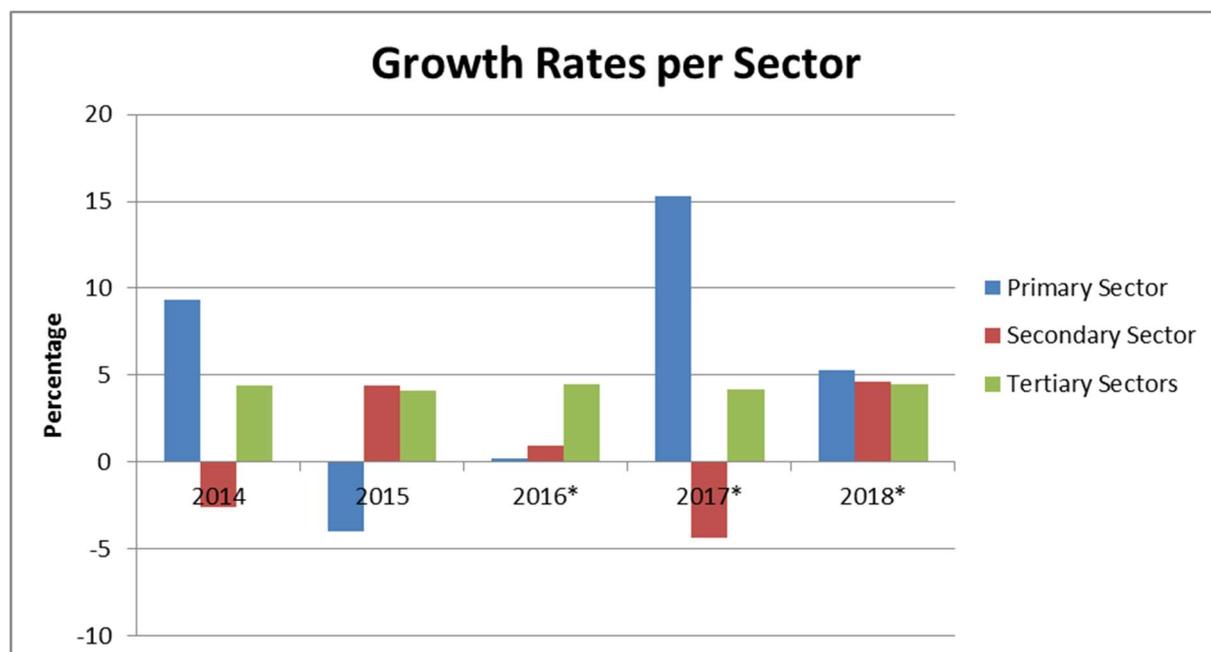


6. ECONOMIC OUTLOOK

After four years of robust growth averaging 4.3% annually, economic growth in Lesotho declined to an estimated rate of 3.4% in 2015 and further declined in 2016 to 2.6%. The decline in growth in 2015 was affected by low implementation of the public investment budget, which weighed heavily on the construction sector and other inter-related sectors that were highly dependent on government spending. Slow growth in manufacturing and spill-overs from slower growth in the South African economy put a further constraint on growth. Lower SACU revenues and lower global growth prospects also impacted the growth. GDP is expected to accelerate steadily to 2.9% in 2017, mainly supported by the mining industry as well as the services sector.

Lesotho's economy is dependent on diamonds extraction, export of water to South Africa and workers' remittances from the SACU. The agricultural sector, which accounts for 8.6% of GDP, is the main source of income for the majority of rural population. The primary sector is expected to rebound in the medium term and register a robust growth of 15.3% in 2017. The secondary sector is projected to slow down and ultimately dip by 4.4% in 2017 before rebounding strongly in 2018. The tertiary sector, which accounts for the largest share of GDP, is expected to grow steadily at an annual average growth rate of 4.3% over the period 2016-2018 as shown in Figure 3 below:

Figure 3: Domestic growth per sector



Source: www.centralbank.org

7. TRADE ENVIRONMENT

Lesotho's trade vision is to achieve a pre-eminent position in the sub-region and in Africa, as an investment destination of choice. The country also endeavours to be competitive in the multilateral trading system, while maintaining the highest consumer protection standards. Its main trade policy objectives are to expand and diversify exports and promote foreign investment, with a view to achieving sustainable and inclusive growth. The government's priority therefore includes increasing Lesotho's productive capacity by removing supply-side constraints and improving its infrastructure. Lesotho has also identified four economic sectors with great potential for growth and employment generation: manufacturing, mining, agriculture and tourism.

South Africa is an important trade partner for Lesotho. Imports to Lesotho are textiles, machinery & mechanical appliances, electrical equipment, miscellaneous manufactured articles and vegetable products (which make up 84% of the total commodities and those exported include mineral products), prepared foodstuff, vegetable products, textile and vehicles, aircraft, vessels and associated transport equipment.

8. BUSINESS ENVIRONMENT

According to the World Bank, Lesotho was ranked 110th in 2015 which was slightly better than the 2016 ranking of 114th for out of a total of 189 economies ease of doing business. Starting a business in Lesotho (112) is ranked better than South Africa (120) because Lesotho created a one-stop shop for company incorporation and eliminated the requirements for paid-in minimum capital and for notarization of the articles of association. Lesotho (36) is out-performing all the other SACU member states on the trading across border's ranking, which is broken down as follows:

Table 3: Lesotho vs. South Africa on Trading across borders

Indicator	Lesotho	South Africa
Time to export: Border compliance (hours)	4	100
Cost to export: Border compliance (USD)	150	428
Time to export: Documentary compliance (hours)	3	68
Cost to export: Documentary compliance (USD)	90	170
Time to import: Border compliance (hours)	4	144
Cost to import: Border compliance (USD)	150	657
Time to import: Documentary compliance (hours)	3	36
Cost to import: Documentary compliance (USD)	90	213

9. CHALLENGES AND OPPORTUNITIES

Lesotho is a small, landlocked, least developed country faced with several challenges, which make it difficult for Lesotho to be competitive. These are:

- **Undiversified industrial base:** Economic growth and exports depend on a manufacturing sector that is nearly entirely driven by the export-oriented apparel industry. The challenge is to attract more foreign direct investment in order to diversify its economy and reduce its dependence on this single activity
- **A heavy dependence on South Africa:** Lesotho imports over 60% of its food requirements, livestock and almost everything else from South Africa. This has often been blamed for stifling the local economy, with farmers unable to compete with huge commercial farms across the border

- **Extreme poverty and high rates of unemployment:** Eliminating extreme poverty is one of the greatest challenges facing Lesotho today. Research indicates that more than 40% of the population is living below the poverty line, with rates and severity particularly high in rural and mountainous areas
- **Inequitable distribution of income:** Lesotho is also regarded as one of the most unequal societies in the world, as measured by the Gini coefficient
- **The physical and financial infrastructure is under-developed:** The country's weak infrastructure acts as a constraint to diversified and accelerated industrialisation

Lesotho's key growth sectors over the medium term are manufacturing, tourism, textiles and apparel, services, mining, high-value agriculture and small/medium and micro enterprises. The following opportunities are identified:

9.1 Manufacturing Sector

a. Textile and Garment

The anchor industry in this sector is textile and garment manufacturing which has existed in Lesotho for 30 years, competently servicing the US and regional markets. Lesotho's garment industry produces approximately 90 million knitted garments a year. For the past five years Lesotho has been the number one exporter of garments to the US under AGOA.

An opportunity exists for investors to establish knitting mills to support the garment industry and export garment accessories such as zippers and buttons.

b. Leather and Footwear

The leather industry in Lesotho is in its infancy stage, despite the fact that shoes qualify for all benefits under AGOA. The country relies on imports from South Africa and is looking at growing this sector. Opportunities for operators in this sector would include the exporting of footwear and footwear components, leather garments, leather goods including bags, car seat covers, wallets, belts, gloves and other accessories.

c. Packaging Materials and Accessories

Manufacturers in Lesotho consume a lot of finishing accessories and packaging materials. All accessories are imported, therefore operators have an opportunity to export packaging materials (boxes and plastic packaging materials).

d. Water Bottling

Lesotho's major natural resource is water and it is considered one of the purest sources of water in the world, with very little microbiological and chemical contamination, which means the water does not require intensive treatment. Many natural springs of Lesotho flow year-round and the waters from most of these springs are physically, chemically and biologically clean as well as sparkling, cool and refreshing. The country has about 137 documented springs, with six springs within close proximity of Maseru. There is therefore an opportunity for operators to export bottles / plastics to be used for bottling water in Lesotho.

9.2 Tourism Sector

a. Accommodation Facilities

Lesotho has experienced growing annual tourist arrivals over the years. In 2014, Lesotho received 1,078,510 tourist arrivals, and in 2015 the visitor volumes have been recorded at 1,082,403. The country is under-supplied with accommodation facilities of appropriate standards, particularly along key and strategic tourism nodes. Investors have an opportunity to develop new accommodation facilities, which will offer international quality service to travelers. They also have an opportunity to export materials required for the construction of these facilities.

b. Ski Resorts

Lesotho experiences snowfall between May and August every year. The mountainous country has long south facing slopes that offer opportunities for the development of ski resorts in Kotisephola (Mokhotlong district) and Sehlabathebe (Qacha's Nek district).

c. Health and Wellness Resorts

Lesotho has a number of attributes that can be leveraged to position the country as a health and wellness destination. These include a high altitude, clean mountain air, abundance of naturally clean water, endemic medicinal plants and hot springs. This therefore makes health spas and wellness resorts an area with great potential for investors.

d. Water Sports and Recreation

The LHWP presents a notable opportunity for initiating water-based sporting and recreational activities. The dams are also suited to leisure cruise boats and extreme sporting events. There is currently one small cruise operating on the Mohale dam, leaving room for further investment opportunities in cruise boats.

9.3 Construction

The following sites have been identified by the Lesotho National Development Corporation as industrial sites that require developing:

- A site of 31 hectares in the Nyenye industrial area which is 80 kilometers north of Maseru
- A 40-hectare industrial site at Ha Tikoe, 7 kilometers south of Maseru City;
- A seven hectare site in Berea, and
- A 121 hectare site in Butha-Buthe for Special Economic Zone development.

Further opportunities exist in the development of commercial property:

- Three prime sites totaling 18,150m² in Maseru City Centre
- 5,700m² in Mafeteng town, approximately 80 km south of Maseru, and
- 140 hectares near the northern border crossing of Caledonspoort. The site provides an opportunity for the development of an eco-lodge with conference facilities and outdoor entertainment for the tourism industry.

9.4 Renewable Energy

Lesotho produces 80 megawatts of electricity, with the demand in winter going as high as 120 megawatts. Opportunities lie in the generation of solar energy, wind energy and hydro power to generate electricity and meet the current supply gap.

a. Hydro Power

The Lesotho Highlands Water Project offers opportunities for mid to large-scale hydropower development. Several studies have been conducted on possible pumped-storage plants as well. It is estimated that the large-scale hydropower generation potential for Lesotho is approximately 450 MW.

b. Solar Power

The Lesotho Energy Master Plan estimated solar energy at an annual average of 7,520 MJ/m² (mega joules per meter square) per day on horizontal surface. As part of the national sustainable development policy, one of the main objectives of the government in the energy sector is to promote the adoption of solar energy technologies. This provides an opportunity for operators to export solar home systems and solar water heater to Lesotho.

9.5 Freight Transport

The topmost goods that are exported from Lesotho to South Africa are machinery and mechanical appliances, electrical appliances, textiles and textile articles, footgear, head gear, umbrellas and prepared foodstuffs. The topmost goods that are exported from South Africa to Lesotho are mineral products, prepared foodstuffs, machinery and mechanical appliances, electrical equipment, vehicles, aircraft, vessels and associated transport equipment, chemicals and allied products. Transport operators should consider opportunities for the transportation of these goods for growing market share and business operations.

10. CONTACT DETAILS OF RELEVANT AUTHORITIES

Table 4 below is information on key stakeholders in the cross-border road transport environment for both South Africa and Lesotho.

Table 4: Contact Details

South Africa	Cross-Border Road Transport Agency	012 471 2000
	SARS Customs	0800 00 7277
	Department of Home Affairs: Ports of Entry Caledonspoort Port of Entry – Mr Mofokeng Ficksburgbrug Port of Entry - Ms Hardnick Maserubridge Port of Entry- Mr Moeti Van Rooyenshek Port of Entry- Mr Mafuya Makhaleen Bridge Port of Entry- Ms Ndima Monontsha Pass - Mr M Kutumane	058 223 0266 /8400 051 933 2760 or 051 933 4540 051 924 4300/ 4319 051 583 1525 or 051 58 1530 051 673 1484 058 713 1600
	SAPS	+27 (0) 12 393 1000
	Department of Agriculture and Rural Development	(051) 861 8511/8311/ 012 319 6000
	SANRAL	012 844 8000/ 051 405 5051
	Department of Police, Roads and Transport	(051) 409 8849
	Department of Transport	012 309 3000
	Lesotho	Ministry of Public Works and Transport
Lesotho Road Fund		(+266) 2232-1696, (+266) 2232- 1697
Immigration at Border Post		+266 2232 4452
Lesotho Revenue Authority		22313796/ 22328585
Lesotho Ministry of Home Affairs		+266 22323771
Ministry of Tourism, Environment and Culture		+ 266 22313034
Lesotho National Development Corporation		+266 22312012
Emergency Number (Police)	123 / 124	