



LESOTHO COUNTRY PROFILE REPORT

MARCH 2017



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COUNTRY FACT SHEET

COUNTRY	LESOTHO
Capital	Maseru
Language	Sesotho and English
Location	It is surrounded by South Africa
Area	30,355 sq.km
Prime Minister	Pakalithi Mosisili
Currency	Maloti - the currency is pegged at par with the South African Rand (ZAR)
Population	2.1 million
Land Divisions	Lesotho is divided into 10 districts and they are Butha-Bothe, Leribe, Mafeteng, Berea, Maseru, Mohale's Hoek, Mokhotlong, Qasha's nek, Quthing and Thaba-Tseka
GDP per capita	\$1 034.22
GDP per capita global ranking	153 (2014)
GDP growth	4
Main Exports	Clothing and diamonds
Main export partners	United States, South Africa, Belgium and Canada
Main Imports	Food, fuel, machinery and building materials
Main Imports partners	South Korea, China, Taiwan, Hong Kong, United States and South Africa
Ease of Doing Business	114 out of 189 countries
Competitiveness Ranking	113 out of 140 countries
Gini Coefficient	0.52
Human Development Index	Value = 0.50 (2014) Rank = 161 out of 188 countries (2014)
Index of Economic Freedom	50.6

LIST OF ACRONYMS

AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
CBL	Central Bank of Lesotho
C-BRTA	Cross-Border Road Transport Agency
CBRTS	Cross-Border Road Transport System
COMESA	Common Market for Eastern and Southern Africa
CMA	Common Monetary Area
DHA	Department of Home Affairs
EAC	East African Community
EFTA	European Free Trade Agreement
EIF	Enhanced Integrated Framework
eNATIS	Electronic National Information System
EPA	Economic Partnership Agreement
FSDS	Financial Sector Development Strategy
FTA	Free Trade Area
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
IMF	International Monetary Fund
JBCC	Joint Bilateral Commission for Cooperation
LDC	Least Developed Countries
LHWP	Lesotho Highlands Water Project
LRA	Lesotho Revenue Authority
LTDC	Lesotho Tourism Development Corporation
MASCON	Maseru Container Terminal
NMTT	National Ministerial Task Team
NSC	North South Corridor

NSDP	National Strategic Development Plan
NTBs	Non- Tariff Barriers
OBFC	One-Stop Business Facilitation Centre
OLAS	Operating Licensing Administration System
OSBP	One Stop Border Post
PTA	Preferential Trade Agreement
RAS	Registration and Administration System
RISDP	Regional Infrastructure Development Master Plan
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South Africa Revenue Services
STASSA	Statistics South Africa
TIDCA	Trade, Investment and Development Cooperative Agreement
TPP	Trans Pacific Partnership
WTO	World Trade Organisation

EXECUTIVE SUMMARY

This Country Profile Report provides information on Lesotho that is relevant to cross-border road transport operators, regulatory authorities and other stakeholders with interest in cross-border business between Lesotho and South Africa. The report further provides an update of recent developments in Lesotho with regards to the performance of the economy, road transport projects, traffic legislation and policies that affect cross-border operations. It also covers passenger transport statistics and freight volumes conveyed between South Africa and Lesotho and most importantly for operators it covers business opportunities in Lesotho.

Lesotho is a small landlocked country totally surrounded by South Africa with a population of just over 2 million people. Following four years of robust growth averaging 4.3% annually, economic growth in Lesotho slowed to an estimated rate of 3.4% in 2015 and it was expected to continue with the downward trend in 2016 at 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 highly dependent on government spending. Slow growth in manufacturing and spill overs from slower growth in the South African economy were a further brake on growth. Lower Southern Africa Customs Union (SACU) revenues and lower global growth prospects also impacted the growth.

Lesotho's economy is dependent on clothing and textiles; diamonds extraction; exports of water to South Africa and workers remittances from the SACU. The agricultural sector, which accounts for only 8.6% of Gross Domestic Product (GDP), is the main source of income for the majority of rural population.

According to the World Bank, Lesotho was ranked at 110 in 2015 which was slightly better than the 2016 ranking of 114 for ease of doing business out of a total of 189 economies. Lesotho is also ranked 113th most competitive nations in the world out of 140 countries ranked in the 2015-2016 edition of the Global Competitiveness Report (GCR).

In order to enable Lesotho to benefit more fully from the growth opportunities offered by the regional and global economy, improvements in the business environment are required; facilitating trade and regional integration; making credit more available and affordable and addressing the government bureaucracy.

The future growth of Lesotho's economy is closely linked to deepening regional integration, with South Africa accounting for the bulk of Lesotho's regional trade. Benefits to this relationship include access to South Africa's excellent transport network, technology,

expertise, goods markets, investment resources and capital and financial markets. To take full advantage of these opportunities, Lesotho is engaged in a variety of initiatives, such as the construction of access roads to border posts and modern one-stop border facilities, the establishment of a dry port, and discussing with South Africa ways in which the handling of transit cargo and policy coordination may be enhanced.

Lesotho has also achieved in the area of harmonisation and simplification of customs rules and procedures including the introduction of a single administrative document to import/export goods; development of a model customs law which will be implemented in future and the transit management and training manuals for building capacity of customs administration in the region.

As a mountainous country with very rugged topography, Lesotho deals with a number of obstacles to the development of transport networks which results in Lesotho's cross border transactions attracting higher transport costs as well as customs and handling charges. The dominant mode of domestic transport is road, which accounts for more than 70 percent of Lesotho's transport needs, followed by rail and air.

Major achievements in the recent past include the upgrading of the Likalaneng–Thaba-Tseka road to bitumen standard; the construction of the Roma–Ramabanta–Semonkong–Sekake road to bitumen standard, including two bridges at the confluence of the Senqu and Senqunyane rivers and resealing of the Matsieng, Maseru–Mafeteng and Maseru–Maputsoe roads.

The commercial conveyance of passengers by road between South Africa and Lesotho is carried out by taxis, buses and tour operators. All commercial passenger operators, both in South Africa and Lesotho have to have valid cross-border road transport permit in order to transport passengers across the South African and Lesotho borders.

The Report also identified investment opportunities in the manufacturing sector, tourism sector, construction and renewable energy.

1. INTRODUCTION AND BACKGROUND

1.1 Introduction

The aim of this Country Profile report is to provide a consolidated platform for the dissemination of information that is useful to key stakeholders in the cross-border environment, particularly cross-border road transport operators, regulatory authorities and trading parties. The information can be used to support informed decision making and identification of opportunities by operators in respect to the Lesotho segment of the cross border industry.

This report also provides up to date information about Lesotho focusing on the road transport environment, requirements for undertaking cross-border transportation, corridor developments that (may) have an impact on cross-border operations, road transport projects currently taking place in Lesotho and the business environment specifically focusing on the ease of doing business.

1.2 Background

The C-BRTA is a regulatory authority founded in terms of the Cross-Border Road Transport Act No 4 of 1998, as amended, for the purpose of facilitating unimpeded movement of persons, services and goods between South Africa and neighbouring countries in the region.

The core mandate of the Agency is to:

- Improve the unimpeded flow of freight and passengers in the region;
- Introduce regulated competition in respect of cross-border passenger road transport;
- Reduce operational constraints for the cross-border road transport industry as a whole;
- Liberalise market access progressively in respect of cross-border freight road transport;
- Enhance and strengthen the capacity of the public sector in support of its strategic planning, enabling and monitoring functions; and
- Empower the cross-border road transport industry to maximise business opportunities and to incrementally regulate themselves to improve safety, security, reliability, quality and efficiency of services.

The C-BRTA Act defines the four core functions which support delivery of the mandate of the Agency: regulatory, facilitation, advisory and conducting law enforcement in a cooperative

and coordinated manner with regards to cross-border road transport. With regard to its advisory function, the Agency is required to provide advice to the Minister.

Additionally, there are other instruments that also provide the broader context of the mandate and functions of the Agency above and these include: the SADC Protocol on Transport, Communications and Meteorology (PTCM) and the SACU Memorandum of Understanding (MoU) on Road Transportation.

1.3 Methodology

A qualitative approach was adopted through secondary research that relied on relevant publications, internet based resources and references. Semi-structured interviews and engagements were planned with the relevant departments in Lesotho but due to time constraints it was not possible.

1.4 Objectives of the Report

The objectives of the report are to:

- Provide relevant information that can be used by cross-border road transport operators in conducting their business, towards improving operations and resolving challenges that may be encountered in corridors;
- Provide information that can be used by other stakeholders in the cross-border value chain towards informed decision making;
- Help transport operators to understand better the countries that they do business in;
- Assist relevant stakeholders know and understand the requirements of doing cross-border road transport business in Lesotho;
- Provide information with respect to possible opportunities for South African cross-border road transport operators; Provide relevant information with respect to regulatory and law enforcement authorities that may be contacted to resolve possible challenges that may be faced in the course of conducting cross-border operations between Lesotho and South Africa; and
- Identify areas and opportunities to strengthen trade.

1.5 Structure of the Report

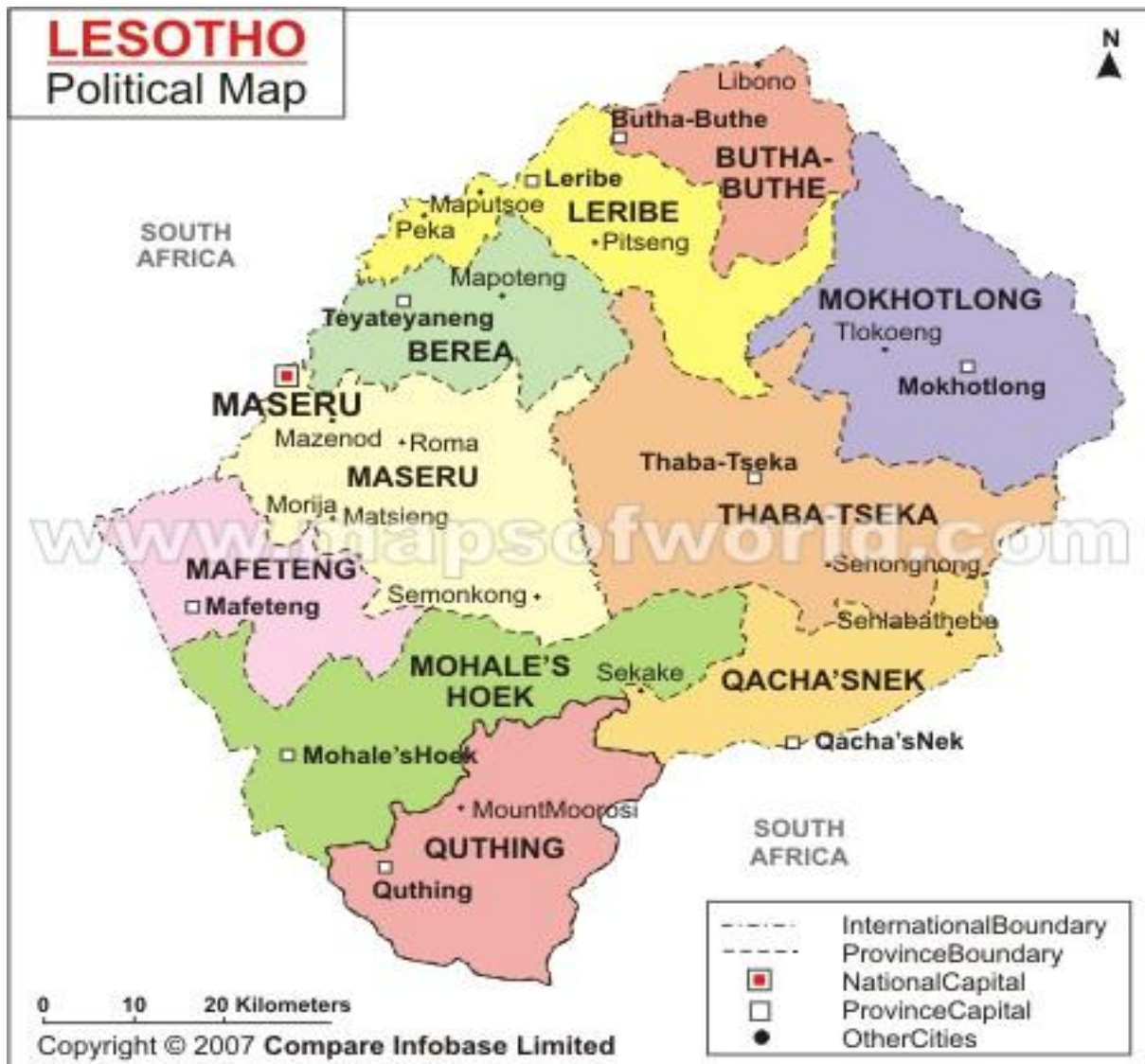
The report is divided into six chapters which are:

- Introduction and Background;
- The overview of Lesotho;
- Economic outlook of Lesotho – which includes the trade environment, documents required for importation and the business environment;
- Road transport environment;
- Passenger transport; and
- Opportunities in Lesotho.

2. OVERVIEW OF LESOTHO

The Kingdom of Lesotho, also known as the Mountain Kingdom, is a small landlocked country entirely surrounded by South Africa. The name Lesotho means the land of the people who speak Sesotho. It is just over 30,000 km² (11,583 sq miles) in size and has a population slightly over two million. Its capital and largest city is Maseru.

Figure 1: Map of Lesotho



Source: www.mapsofworld.com, Accessed on 27/09/2016

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 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 and Table 1 shows the population spread per district

Table 1: Population spread per district

District	Capital	Area	Population
Berea	Teyateyaneng	2,222	309 430
Butha-Bothe	Butha-Bothe	1,767	119 105
Leribe	Hlotse	2,828	381 785
Mafeteng	Mafeteng	2,119	207 363
Maseru	Maseru	4,279	459 760
Mohale's Hoek	Mohale's Hoek	3,530	204 751
Mokhotlong	Mokhotlong	4,075	119 258
Qasha's Nek	Qasha's Nek	2,349	72 218
Quthing	Quthing	2,916	146 372
Thaba-Tseka	Thaba-Tseka	4,270	147 248
Total		30,355	2 166 291

Source: World Population Review, Accessed on 27/09/2016

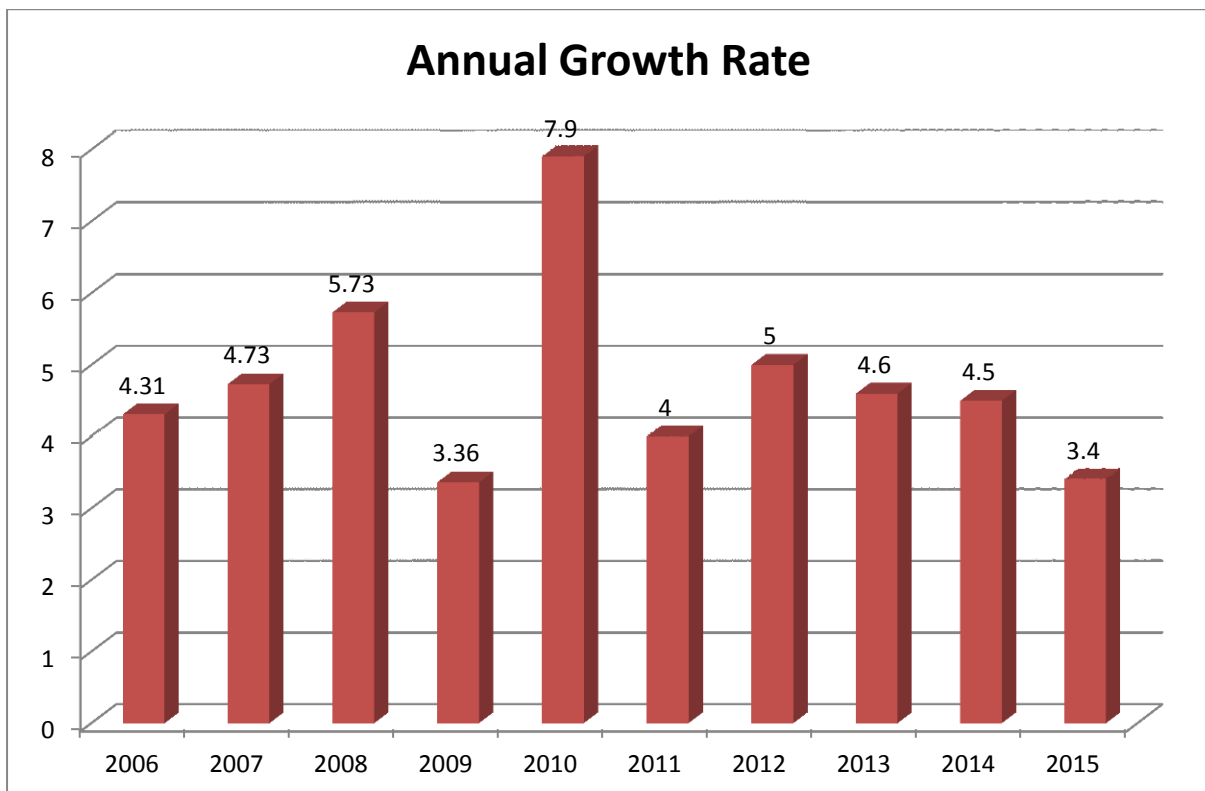
The people are mostly Basotho nationals with a few thousand expatriate Europeans and several hundred Asians. Sesotho and English are official languages; Zulu and Xhosa are also spoken.

3. ECONOMIC OUTLOOK

3.1 Economy

After four years of robust growth averaging 4.3% annually, economic growth in Lesotho declined to an estimated rate of 3.4% in 2015 as shown below in Figure 2 and further decline in 2016 at 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 highly dependent on government spending. Slow growth in manufacturing and spill overs from slower growth in the South African economy were a further brake 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 mining industry as well as services sector. Advance infrastructure development associated with the second phase of the Lesotho Highlands Water Project (LHWP) which is expected to commence in 2017 is also set to boost economic growth starting from 2018 although regional drought conditions are likely to curtail crop production.

Figure 2: Lesotho GDP Annual Growth Rate



Source: www.tradingeconomics.com, Accessed on 28/09/2016

Despite the country's solid economic performance in recent years, growth remained non-inclusive. Consequently, a large population is still languishing in extreme poverty. Unemployment remains high at 24% and the country's Gini coefficient of 0.52 means that inequality is still a problem.

Lesotho's economy is dependent on diamonds extraction, exports of water to South Africa and workers remittances from the SACU. The agricultural sector, which accounts for only 8.6% of GDP, is the main source of income for the majority of rural population. Yet, in recent years, increasing foreign direct investments (mainly from China) in textile industry and commerce have created more jobs and strengthened the economy. However, widespread poverty, youth unemployment and high prevalence rate of AIDS remain the main obstacles to growth.

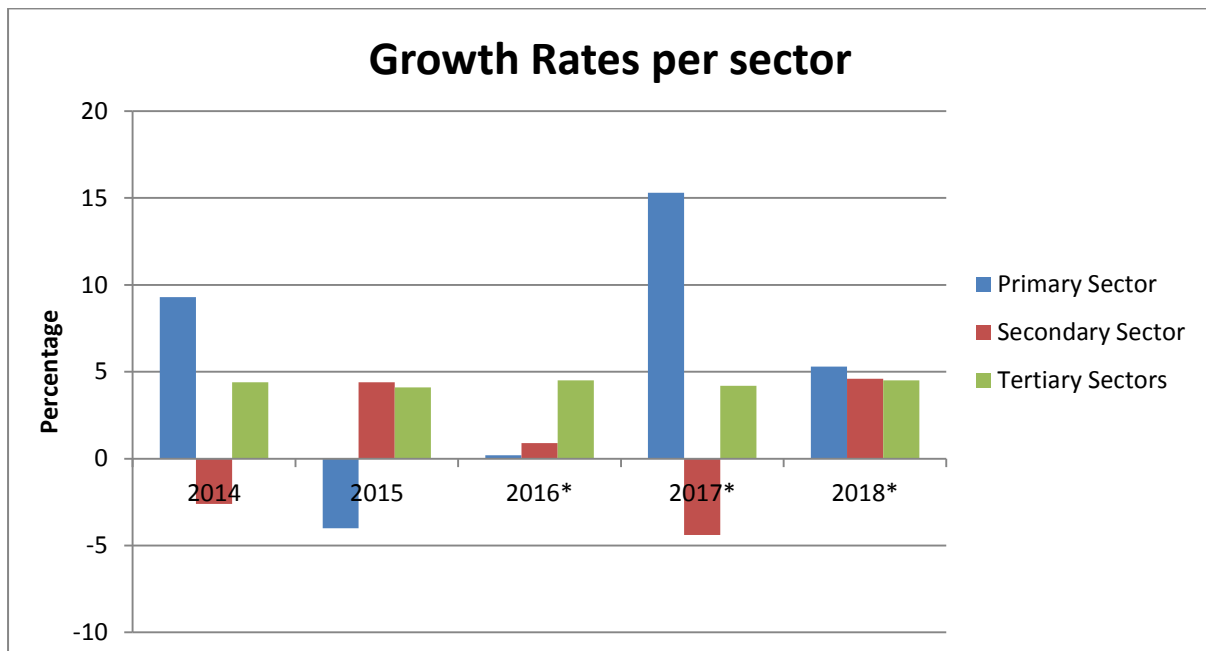
Following a dip in 2015, the primary sector (comprises of agriculture and mining and quarrying sectors) is expected to rebound in the medium term and register a robust growth of 15.3% in 2017 as shown in Figure 3 below. The sector is expected to benefit from strong growth prospects in the mining industry which will see the engagement of full production capacity of existing mines (Letšeng and Kao Diamond mines following expansion works at the latter) and the full scale commencement of production at the Lihobong mine. Lihobong mine was set to start production in late 2016 following the establishment of its main treatment plant, with full production (of approximately 1.1 million carats per year) to be achieved in 2017. Prevailing drought conditions restrained growth in 2016 in the agricultural sub sector however; the sub sector is set to recover in 2017 on the prospects of better rainfall.

The secondary sector (comprises of manufacturing, building and construction) is projected to slowdown and ultimately dips by 4.4 per cent in 2017 before rebounding strongly in 2018 as shown in Figure 3 below. The manufacturing sub sector is set to remain subdued over the period 2016 – 2018, mainly due to a decline anticipated in the textiles and clothing industry. While textiles and clothing exports to non-AGOA destinations are expected to grow, exports to US markets are set to remain under pressure due to continuous erosion of the country's competitiveness in the US market. Furthermore, the recent signing of the Trans Pacific Partnership (TPP) agreement between several Pacific Rim countries and the US poses a threat to Lesotho's manufacturing exports. The building and construction sub sector is projected to dip and rebound in 2018. With major construction works, especially construction works associated with the development of Lihobong mining plant, the sub sector is set to dip by 16.4% in 2017. However, in the subsequent year building and construction activities are set to recover largely supported by the commencement of advanced infrastructure

development (particularly access road to Polihali Dam, accommodation facilities, telecommunication infrastructure and power supply) associated with the second phase of the LHWP.

The tertiary sector (comprises of the retail sector, telecommunications, real estate) 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. This steady growth path is largely supported by relatively strong growth anticipated in wholesale and retail trade, transport and communications as well as financial and insurance services. A rebound in general economic growth, (which is expected to boost domestic demand), is set to provide impetus to consumer spending, boosting wholesale and retail trade services. Transport services are set to benefit from low oil prices as well as prospects in the mining and construction industries. Telecommunication services are projected to continue to benefit from the on-going enhancement of telecommunication products including increased coverage of internet services (following the construction of 3G and 4G sites) and mobile money services by mobile operators. Facilities to enable cross-border fund transfers through mobile money services will also have positive effects on this sector. On-going reforms including the establishment of the national identification card system, credit reference bureau and implementation of the Land Act of 2010 are expected to give impetus to financial and insurance services. The implementation of the Land Act of 2010 is expected to improve security of tenure and the use of land as collateral to access credit. In the process, real estate and business services are set to benefit too. Figure 3 shows the domestic growth per sector.

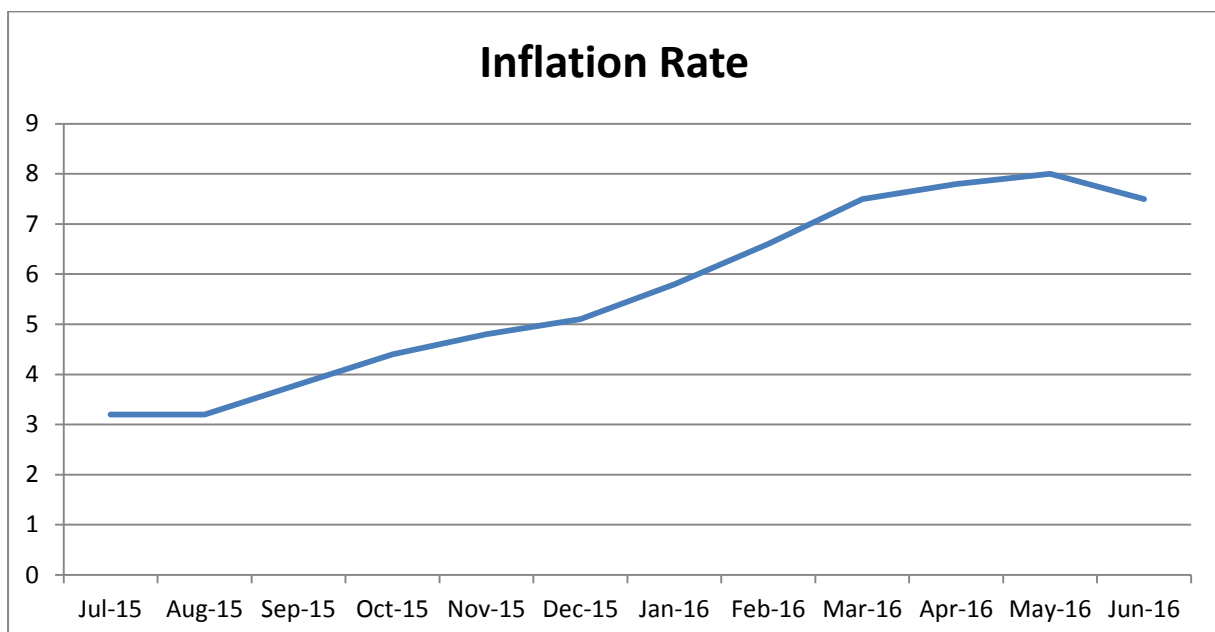
Figure 3: Domestic growth per sector



Source: www.centralbank.org, Accessed on 28/09/2016

Lesotho's inflation rate was recorded at 7.5% in June 2016 due to scorching regional drought conditions exerting upward pressure on food prices and domestic currency continues to remain under pressure. Figure 4 below shows the inflation rate trend up to June 2016.

Figure 4: Lesotho Inflation Rate



Source: www.tradingeconomics.com, Accessed on 28/09/2016

Lesotho is facing a tough fiscal outlook due to the decline in SACU revenues from 29.2% of GDP in 2014/15(April to March) to 16.4% of GDP in 2016/17 and is expected to remain low in the medium term. Recent depreciation of the Maloti have increased the public debt to GDP ratio to 60% in 2015/16, and the projected sharp decline in SACU revenues call for a substantial and sustained fiscal adjustment to protect debt sustainability and the peg with the South African Rand.

The monetary and financial sector is expected to continue to support economic growth. Money supply is projected to increase at an average growth rate of 7.0% in the medium term with the private sector credit which is set to increase at an average annual growth of 14.2% in the medium term as the driving force. This reflects the acceleration in overall economic growth anticipated in the medium term, particularly the expected growth in household and business investment spending. The expected growth in wholesale and retail trade, transport and communication, and building and construction activities is expected to give thrust to credit growth. Reforms aimed at addressing obstacles to credit, in accordance with the Financial Sector Development Strategy (FSDS), including the establishment of credit reference bureau and the on-going implementation of the Land Act of 2010 are also expected to have a positive effect on credit growth.

The Central Bank of Lesotho (CBL) is responsible for formulating, implementing and supervising monetary and foreign exchange policies, ensuring the stability of the financial sector and regulating and supervising financial and non-financial institutions. However, since Lesotho is a member of the SACU Common Monetary Area (CMA) with Namibia, Botswana, South Africa and Swaziland. Its monetary policy is delegated to the South African Central Bank, and the Loti, is pegged at par to the South African Rand. Therefore, Lesotho remains constrained in the use of monetary policy to undertake macroeconomic adjustments as it must keep an adequate level of international reserves to maintain the peg with the rand.

3.2 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, and be competitive in the multilateral trading system while maintaining the highest consumer protection standards. Lesotho hopes to achieve this through development of policies conducive to promotion of entrepreneurial skills and transfer of appropriate technology, and through smart partnership of the public and private sectors.

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.

Lesotho has signed a number of trade agreements which afford expanded access to regional and international markets. In addition, its status as a LDC in the World Trade Organisation (WTO) gives it duty-free access to the markets of industrialised countries. Lesotho is also a member of the Land-Locked LDC group, which lobbies for special consideration to be shown to exports-driven countries lacking their own direct sea-freight facilities. The Enhanced Integrated Framework (EIF) is an aid-for-trade partnership for LDCs that supports such countries in being more active in the global trading system by helping them to address supply-side constraints to trade.

Lesotho is also a member of SACU, the regional framework for trade cooperation. Its products therefore enjoy duty free access to a market of more than 55 million consumers with a combined GDP of US \$407 billion. Countries in the common customs area are able to negotiate new Free Trade Area (FTA) agreements with third parties as a bloc. Together with other SACU members, Lesotho enjoys a Preferential Trade Agreement (PTA) with the Common Market of the Southern Cone (MERCOSUR), comprising Argentina, Brazil, Uruguay and Paraguay (a total market of 400 million consumers), as well as the European Free Trade Area (EFTA), made up of Switzerland, Norway, Iceland and Liechtenstein. Lesotho can also export all products to the European Union (500 million consumers) duty-free under the SACU Economic Partnership Agreement (EPA).

The US and SACU signed a Trade, Investment and Development Cooperative Agreement (TIDCA) in 2008. The TIDCA establishes a forum for consultative discussions, cooperative work and possible agreements on a wide range of trade issues, with a special focus on customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary measures, and trade and investment promotion. Currently five priority areas are under review, comprising of the regional industrial development policy, revenue sharing arrangement, trade facilitation, development of SACU institutions and unified engagement in trade negotiations. The achievements so far include:

- streamlining of the work programme on regional industrial development, with the agro-processing and automotive subsectors targeted as suitable for cross-border collaboration and
- the launch of the regional Preferred Trader scheme (This is part of SACU's efforts to facilitate trade within the region, through strengthening partnerships with traders. The scheme involves maintaining and managing trader compliance among accredited clients.)

While no conclusion has been reached regarding revision of the SACU Revenue Sharing Formula and the expansion of SACU membership, important steps have been taken in studying the merits of these proposals.

Lesotho is a member of SADC, a grouping of 15 countries with a combined population of some 277 million and a cumulative GDP of US \$1 193 billion. SADC launched an FTA in 2008 involving zero tariff levels for 85% of all goods traded among member states. Liberalisation of tariffs on the remaining 15% of goods considered to be sensitive products continues, with further consolidation of the FTA underway to address outstanding tariff phase down obligations, rules of origin, tariff lines and non-tariff barriers.

Lesotho is also participating in negotiations on a Tripartite Free Trade Area (T-FTA) between SADC, the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). Lesotho's products also benefit from preferential market access to the Australian market of 22 million consumers, with products entering either duty-free or at reduced rates of duty. Under the Generalised System of Preferences (GSP) system, a long list of products (excluding dairy, poultry and eggs) have been granted duty-free entry to Canada with its population of 34 million people.

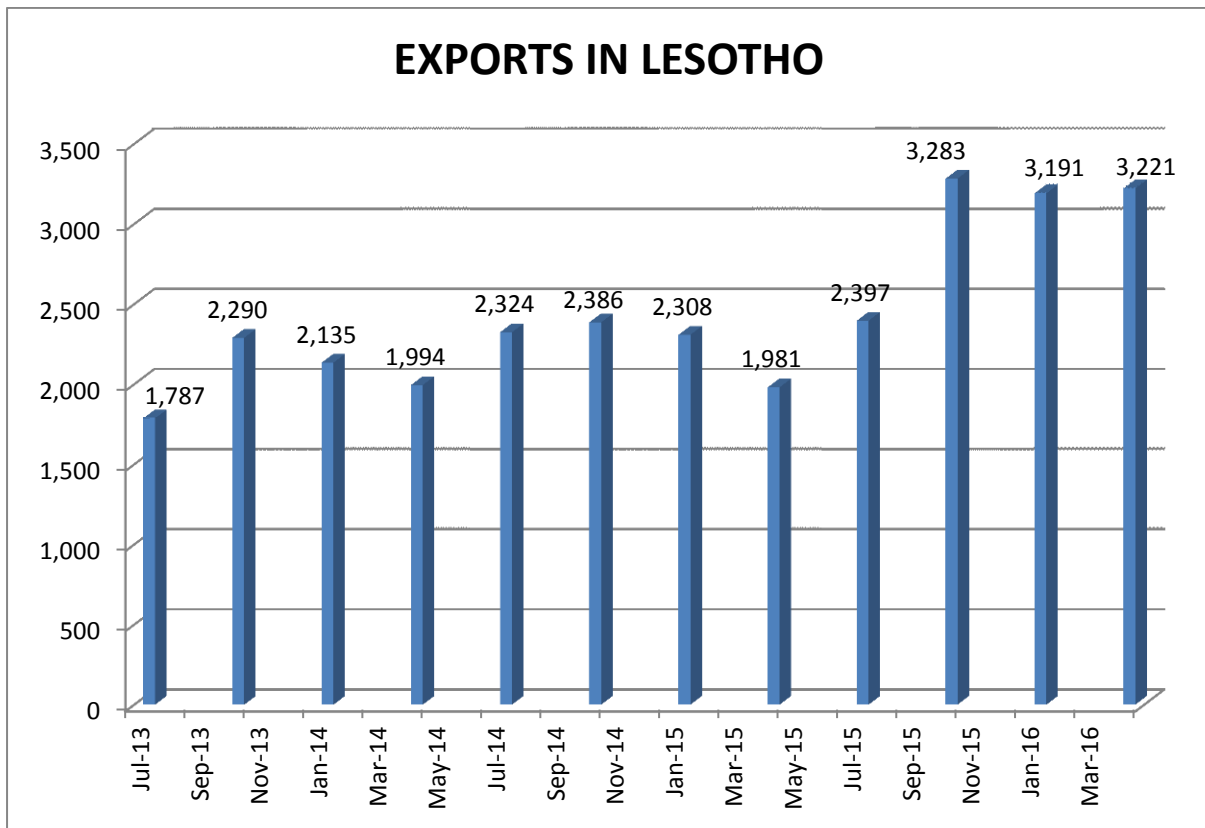
Furthermore, close to 100% of Lesotho's industrial products, including textiles and clothing, can be exported duty and quota free to Japan with its 127 million consumers. Lesotho's products are eligible for duty free access to New Zealand in terms of a GSP scheme introduced in 1972, while Turkey also provides duty free access for Lesotho's industrial products.

Lesotho is keen to foster closer economic ties with Asian countries, including China, India and Pakistan, creating new opportunities for product and market diversification.

3.2.1 Exports

Lesotho's exports increased to 3220.85 LSL Million in the first quarter of 2016 from 3191.09 LSL Million in the fourth quarter of 2015. Exports reached an all-time high of 3283.03 LSL Million in the third quarter of 2015 due to the increase in textile and clothing exports as shown in Figure 5 below.

Figure 5: Exports in Lesotho



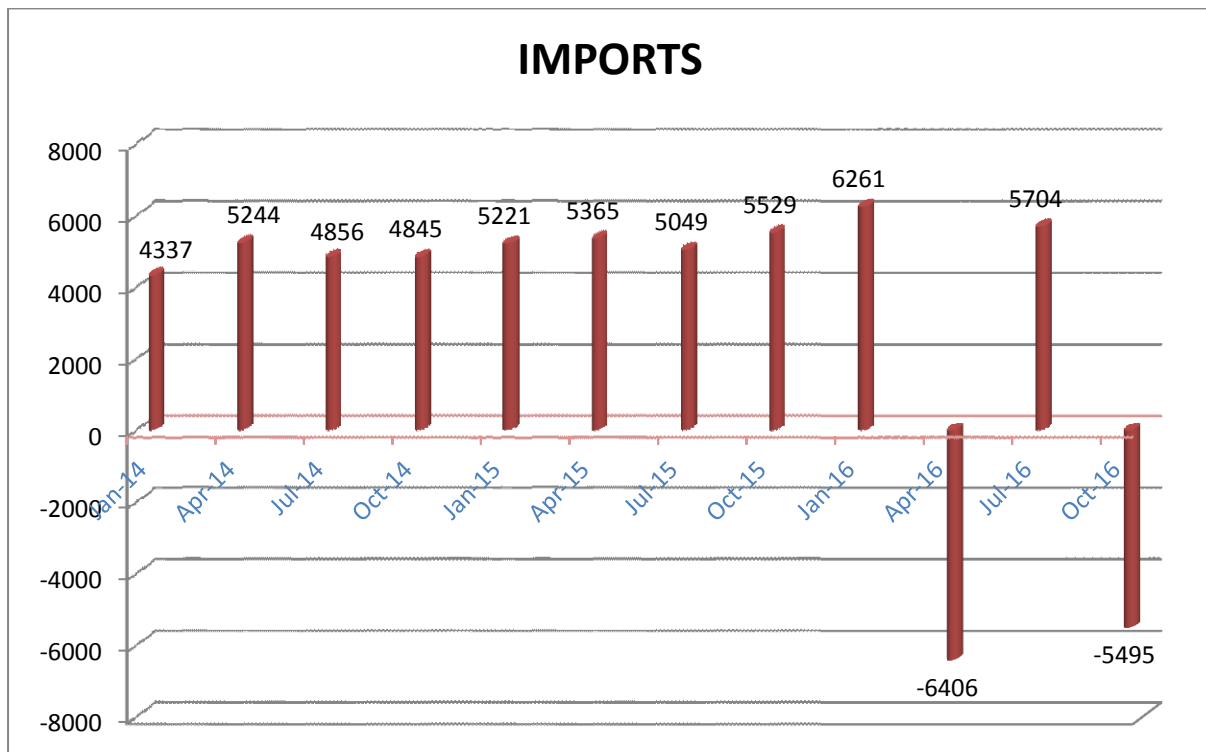
Source: www.tradingeconomics.com, Accessed on 29/09/2016

Lesotho main exports are clothing (40% of total exports) and diamonds. Others include water, wool and tobacco. Main export partners are: the United States (primary destination for Lesotho's textiles and clothing exports) and South Africa followed by Belgium and Canada.

3.2.2 Imports

Lesotho's imports decreased to 5495 LSL Million in the third quarter of 2016 from 5704 LSL Million in the second quarter of 2016. They reached an all-time high of 6261 LSL Million in the first quarter of 2016 as shown in Figure 6 below.

Figure 6: Imports in Lesotho



Source: *www.tradingeconomics.com*, Accessed on 29/09/2016

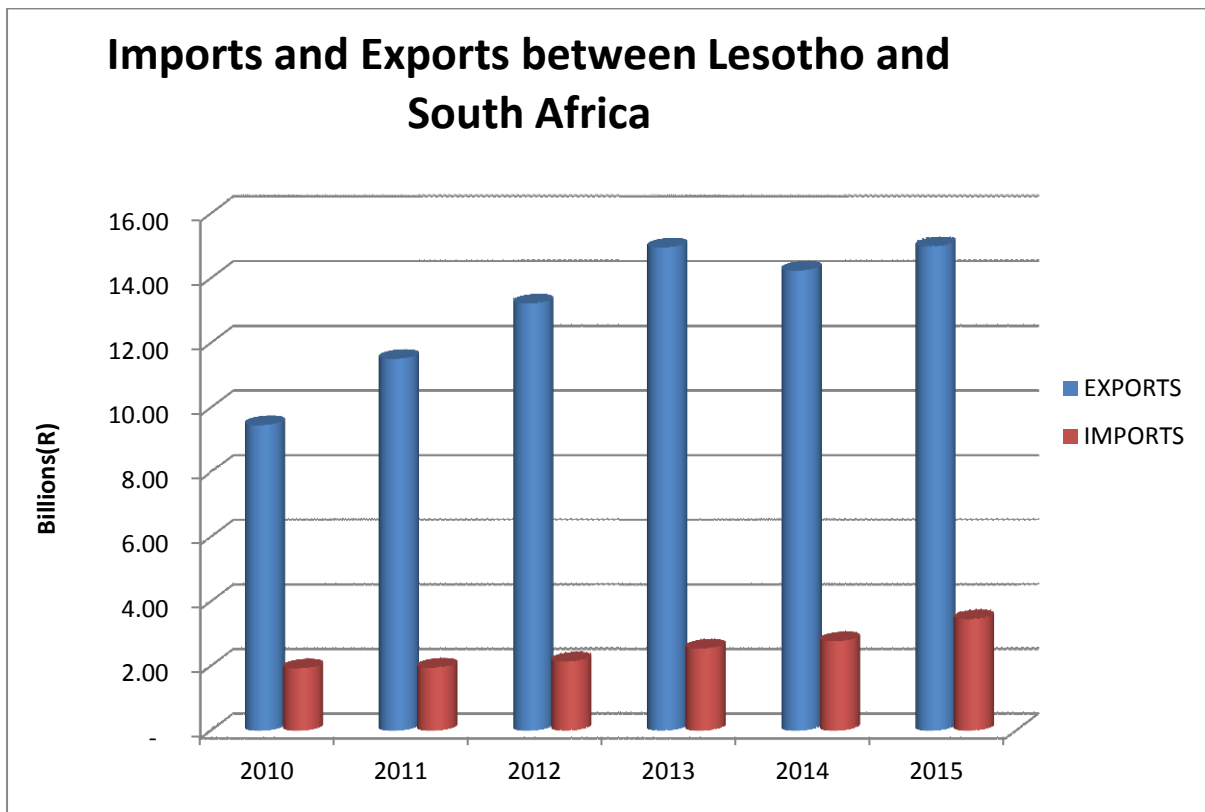
Lesotho's main imports are food, fuel, machinery and building materials. Main import partners are South Korea, China, Taiwan, Hong Kong, United States and South Africa.

3.2.3 Nature and Volume of Trade with South Arica

Lesotho has experienced economic and political changes over the last two decades which involved shifts from dependence on subsistence agriculture toward intensified mining, water exports, manufacturing exports, and services.

South Africa is an important trade partner for Lesotho and Figure 7 below shows the trend of trade between South Africa and Lesotho. Imports have been steadily increasing while exports decreased by 5% in 2014 but recovered in 2015.

Figure 7: Imports and Exports between Lesotho and South Africa



Source: www.thedti.gov.za, Accessed on 07/10/2016

Tables 2 below illustrate the nature of cargo traded between South Africa and Lesotho; it also shows the annual share of the different commodities as a percentage of the total traded.

Imports to Lesotho are textile, Machinery & mechanical appliances; electrical equipment, Miscellaneous manufactured articles and vegetable products which make up 84% of the total commodities.

Table 2: South Africa's imports

COMMODITY	2012	2013	2014	2015	2016
Live animals, animal products	0.7%	1.1%	1.1%	1.1%	0.9%
Vegetable products	12.3%	11.1%	9.1%	5.3%	5.6%
Animal or vegetable fats & oils	0.0%	0.0%	0.0%	0.1%	0.1%
Prepared foodstuffs	4.2%	3.5%	2.7%	1.7%	2.6%
Mineral products	1.0%	1.1%	1.1%	1.0%	0.6%
Products of the chemical or allied industries	0.3%	0.4%	0.3%	0.4%	0.3%
Plastics & rubber	0.3%	0.4%	0.3%	0.2%	0.2%
Raw hides & skins, leather	0.0%	0.5%	4.4%	3.5%	3.1%
Wood & articles of wood	0.1%	0.3%	0.1%	0.1%	0.0%
Pulp of wood	1.8%	2.4%	2.0%	1.6%	1.4%
Textiles & textile articles	30.0%	38.8%	44.8%	53.1%	56.6%
Footwear, headgear, umbrellas	12.2%	11.4%	7.7%	6.6%	4.1%
Articles of stone, plaster, cement, glass & glassware	0.3%	0.4%	0.2%	0.1%	0.1%
Natural or cultured pearls, precious or semi-precious stones	2.8%	0.2%	0.7%	0.4%	0.0%
Base metals & articles of base metal	0.8%	1.2%	1.4%	0.6%	0.3%
Machinery & mechanical appliances; electrical equipment	31.3%	24.7%	21.9%	15.9%	14.6%
Vehicles, aircraft, vessels & associated transport equipment	1.1%	2.0%	1.0%	2.9%	2.1%
Optical, photographic, cinematographic	0.0%	0.0%	0.1%	0.0%	0.0%
Miscellaneous manufactured articles	0.6%	0.4%	1.1%	5.4%	7.4%
Works of art, collectors pieces & antiques	0.0%	0.0%	0.0%	0.0%	0.0%
Other unclassified goods	0.0%	0.1%	0.1%	0.0%	0.0%
Equipment components/parts for motor vehicles	0.0%	0.0%	0.0%	0.0%	0.0%

Source: www.thedti.gov.za, Accessed on 13/02/2017

Table 3 shows commodities exported which include mineral products, prepared foodstuff, vegetable products, textile and vehicles, aircraft, vessels & associated transport equipment.

Table 3: South Africa's exports to Lesotho

COMMODITY	2012	2013	2014	2015	2016
Live animals, animal products	5.1%	5.5%	5.8%	6.1%	5.7%
Vegetable products	11.0%	9.8%	10.6%	8.4%	11.2%
Animal or vegetable fats & oils	1.3%	1.4%	1.3%	1.2%	1.3%
Prepared foodstuffs	9.6%	10.3%	10.3%	11.6%	11.4%
Mineral products	24.6%	21.1%	21.0%	17.6%	15.9%
Chemical or allied industries	6.3%	7.0%	6.7%	6.7%	6.5%
Plastics & rubber	3.0%	4.6%	3.3%	3.2%	3.3%
Raw hides & skins, leather, fur skins	0.4%	0.4%	1.0%	1.6%	1.4%
Wood & articles of wood	1.7%	1.7%	1.6%	1.9%	1.7%
Pulp of wood	1.8%	1.8%	2.0%	1.7%	1.9%
Textiles & textile articles	6.4%	7.1%	7.1%	8.3%	8.2%
Footwear, headgear, umbrellas	1.8%	2.1%	2.0%	2.0%	1.9%
Articles of stone, plaster, cement, glass & glassware	1.5%	1.5%	1.2%	1.3%	1.1%
Natural or cultured pearls, precious or semi-precious stones	0.0%	0.1%	0.0%	0.0%	0.1%
Base metals & articles of base metal	5.5%	5.3%	5.0%	5.6%	5.5%
Machinery & mechanical appliances; electrical equipment	10.5%	10.8%	11.5%	12.6%	12.4%
Vehicles, aircraft, vessels & associated transport equipment	6.5%	6.7%	6.8%	6.5%	7.1%
Optical, photographic	0.6%	0.6%	0.6%	0.6%	0.7%
Miscellaneous manufactured articles	2.2%	2.3%	2.3%	3.0%	2.7%
Works of art, collectors pieces & antiques	0.0%	0.0%	0.0%	0.0%	0.0%
Other unclassified goods	0.0%	0.0%	0.0%	0.0%	0.0%
Equipment components/parts for motor vehicles	0.1%	0.0%	0.0%	0.0%	0.0%

Source: www.thedti.gov.za, Accessed on 13/02/2017

3.3.4 Document requirements for importation and exportation

3.3.4.1 Importation

Imports coming into Lesotho arrive in two categories, that is, 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.

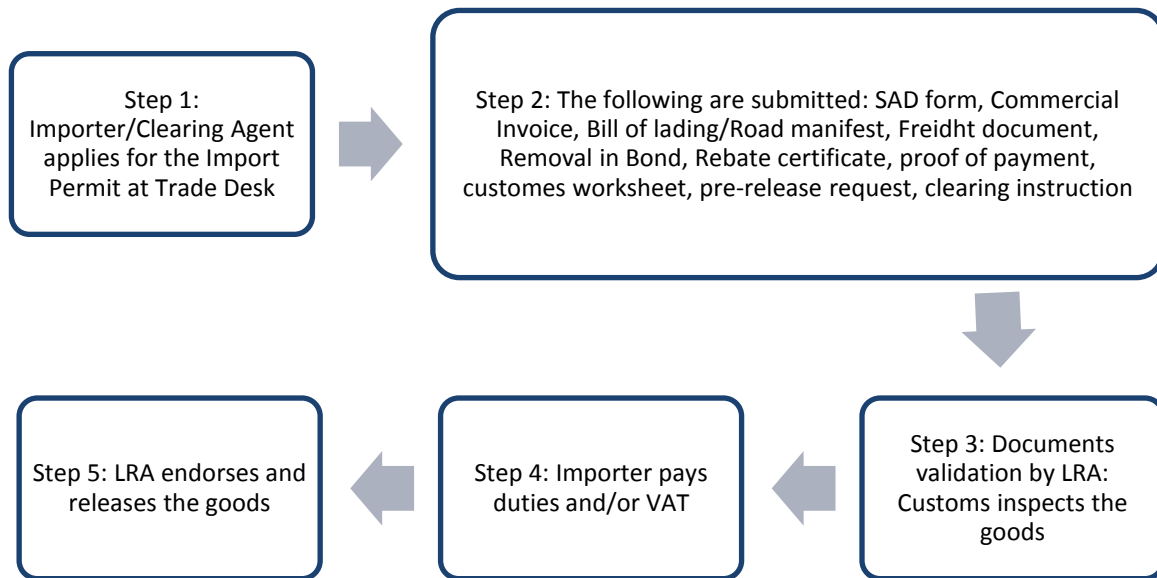
In order to facilitate a quick passage through Customs, importers should attach all documents listed above to the SAD form, after verification by Customs a risk based physical inspection may be conducted followed by the collection of revenue, then the release of the consignment.

Lesotho has entered into an agreement for prevention of fiscal evasion of taxes with South Africa. VAT charged on all goods purchased in RSA imported into Lesotho is claimed by LRA from the SARS. This arrangement provides that an importer into Lesotho presents a valid tax invoice in terms of the South African VAT Act 1991 as proof of payment of VAT, therefore no cash payment of VAT shall be required at the ports of entry into Lesotho on imported goods. Cash payment may only be accepted should the tax invoice be invalid.

Import VAT is payable at the Lesotho border for goods worth M250.00 and above. In a case where imported goods were zero rated in RSA but not zero rated in Lesotho or when an invoice is not valid as per the validity requirements and such goods are valued at or above the M250.00 threshold, the importer will pay the VAT due at the border.

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 as shown below in Figure 8.

Figure 8: Clearance process for extra-SACU goods

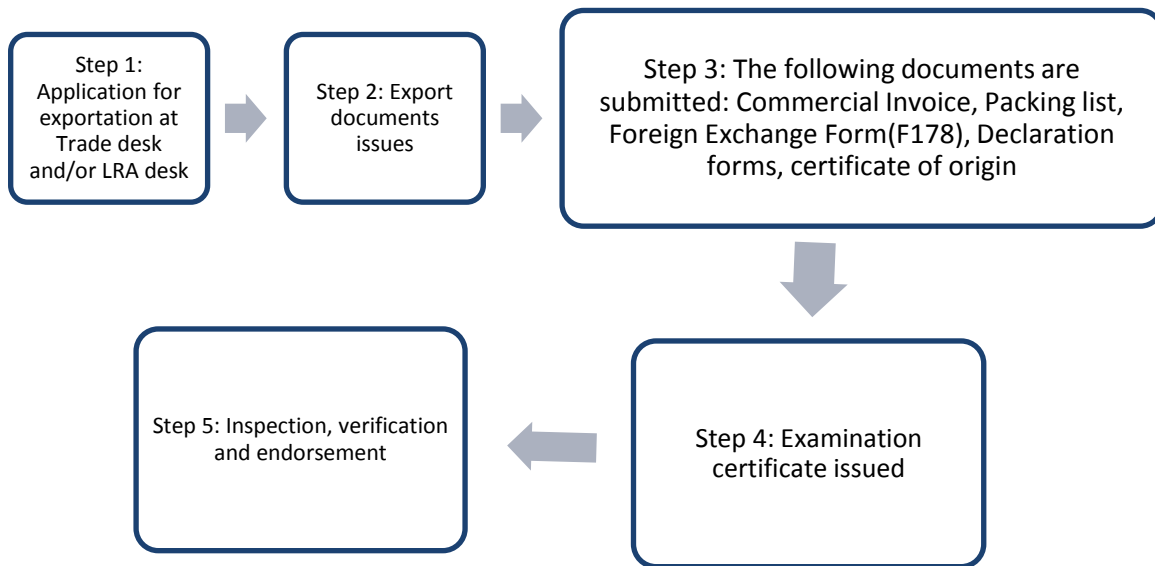


3.3.4.2 Exportation

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 ,and the last two copies 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 9 below

Figure 9: Procedures for exportation



Individuals exporting goods outside of SACU proceed through the following steps:

- Register as an OBFC user and obtain a unique user ID and password;
- Complete the Universal Data Form using the One-Stop Business Facilitaation Centre (OBFC) Export Utility, create a file and upload export information;
- Print the Exchange Control (F178) document and a request for an inspection;
- Ensure that the Exchange Control documents are endorsed by the Bank and the LRA Customs inspection done, then complete additional fields in the system (Public interface);
- Send the completed form to the Export Visa Desk at the OBFC;
- Verification is done and then an export visa is issued.

3.3 Business Environment

The business environment in Lesotho remains challenging. The country is ranked within the middle income category according to the Global Competitiveness Index (GCI) of the World Economic Forum and ranked within the lower middle income category according to the World Bank's Doing Business Report.

Business Climate Surveys highlight the following among the main obstacles to doing business in Lesotho:

- Lack of access to finance;
- Corruption;
- Crime and theft;
- Inefficient government bureaucracy;
- Policy instability; and
- Insufficient capacity to innovate.

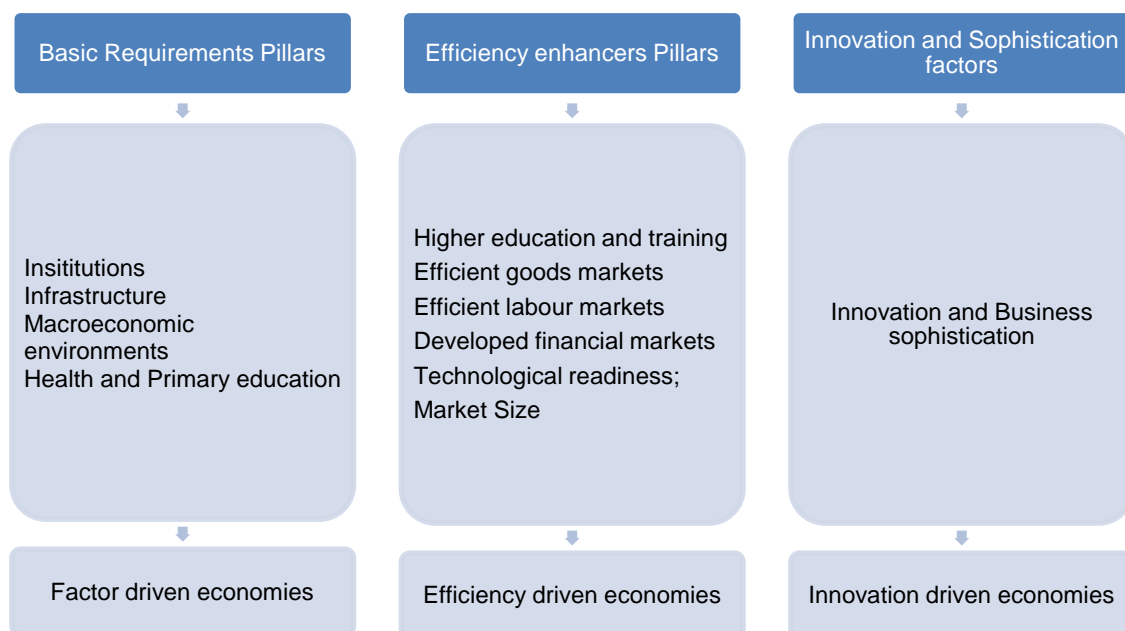
In order to enable Lesotho to benefit more fully from the growth opportunities offered by the regional and global economy, improvements in the business environment are required; facilitating trade and regional integration; making credit more available and affordable and addressing the government bureaucracy.

3.3.1 Global Competitiveness

Lesotho is the 113th most competitive nations in the world out of 140 countries ranked in the 2015-2016 edition of the Global Competitiveness Report (GCR). The Report assesses the ability of countries to provide high levels of prosperity to their citizens depending on how productively a country uses available resources.

The GCR is based on the pillars of competitiveness which are shown below:

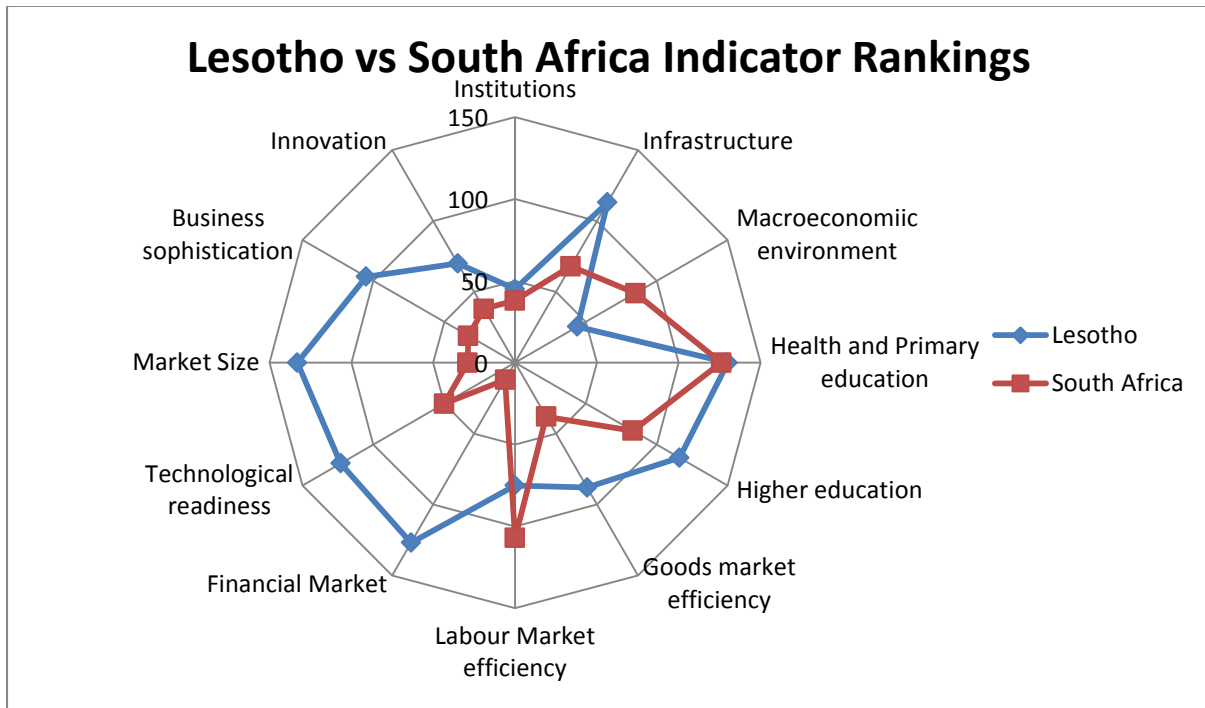
Figure 10: Global Competitiveness Index Framework



Source: Global Competitiveness Report, Accessed on 30/09/2016

When comparing Lesotho to South Africa on the pillars, Lesotho out performed South Africa on two indicators which are macroeconomic environment and labour market efficiency as shown on Figure 11.

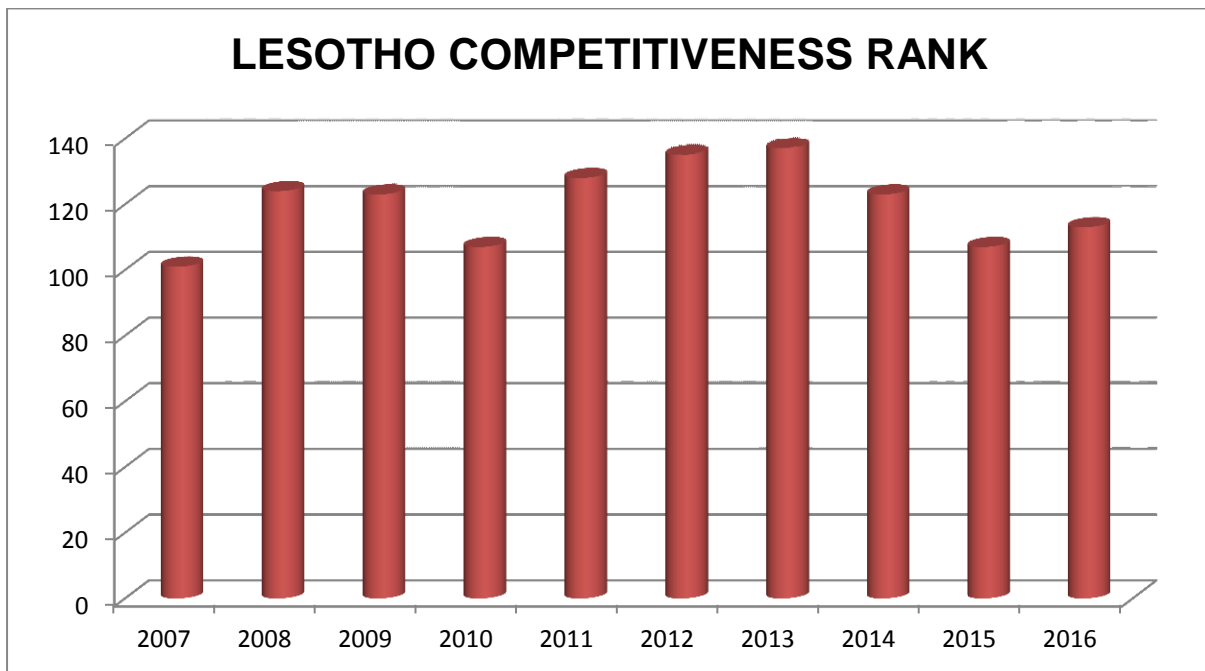
Figure 11: Lesotho vs. South Africa Indicator Rankings



Source: Global Competitiveness Report, Accessed on 30/09/2016

Competitiveness Rank in Lesotho averaged 119.82 from 2007 until 2016, reaching an all-time low of 137 in 2013 and a record high of 101 in 2007.

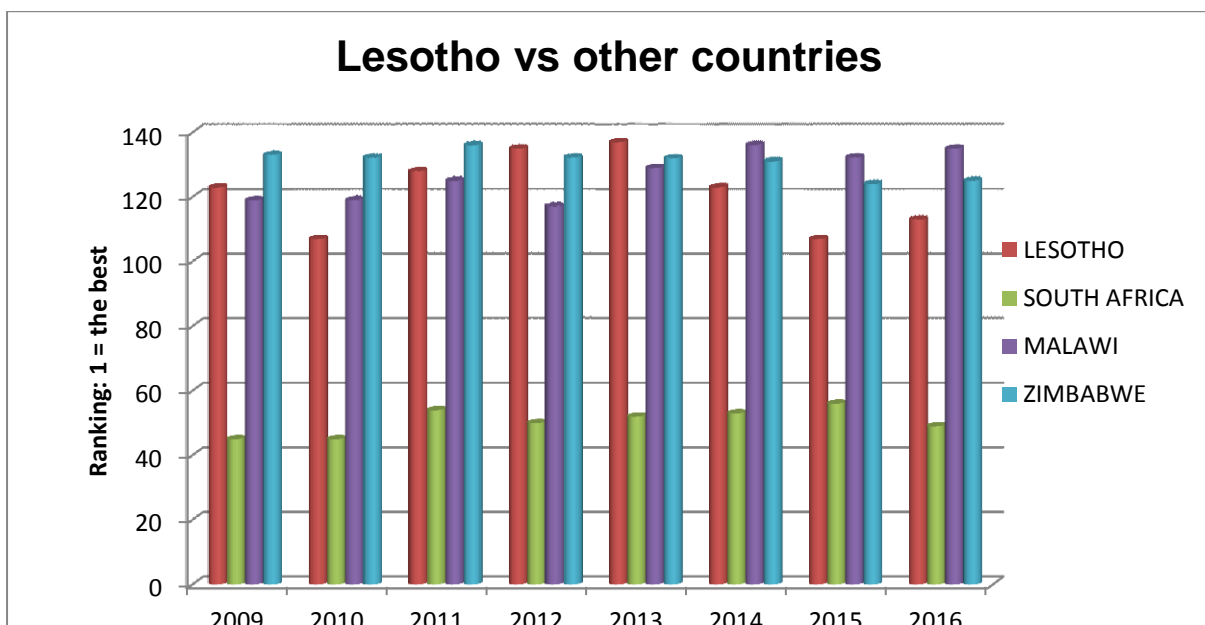
Figure 12: Lesotho's Competitive Ranking



Source: Global Competitiveness Report, Accessed on 06/10/2016

When comparing Lesotho to South Africa, Malawi and Zimbabwe, as shown in Figure 13 below, Lesotho is performing better than Malawi and Zimbabwe.

Figure 13: Lesotho vs. Other Countries Ranking

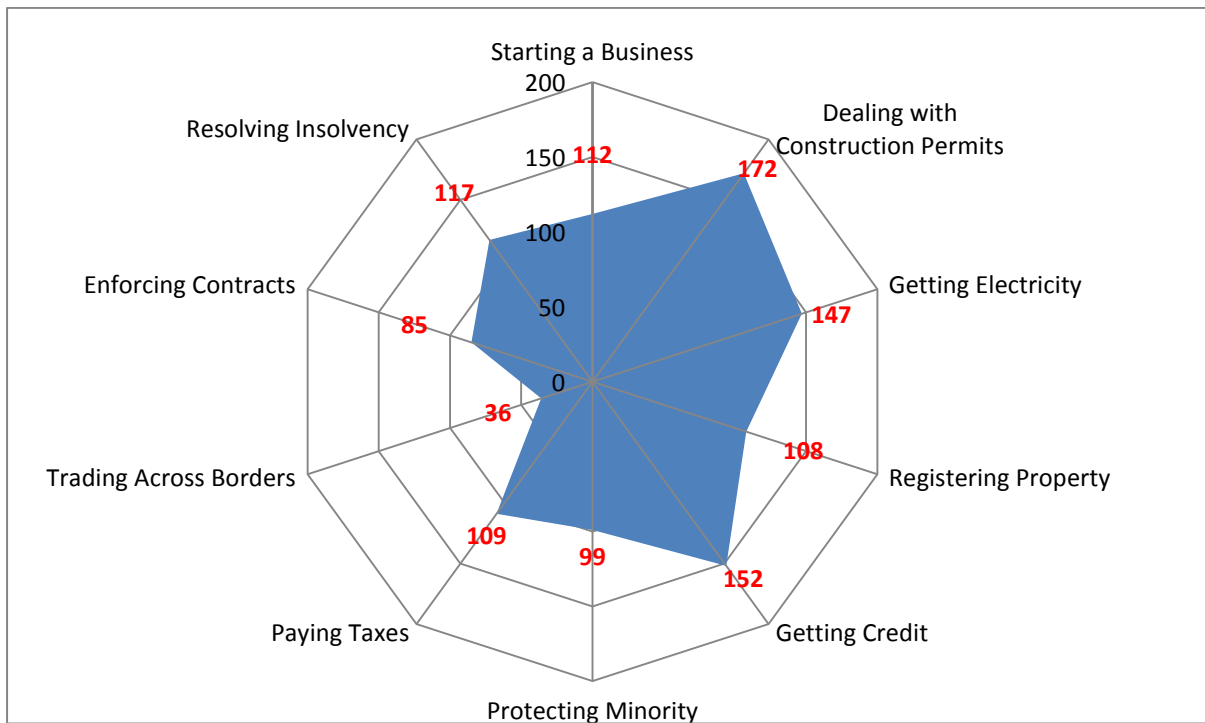


Source: Global Competitiveness Report, Accessed on 06/10/2016

3.3.2 Ease of Doing Business

According to the World Bank, Lesotho was ranked at 110 in 2015 which was slightly better than the 2016 ranking of 114 for ease of doing business out of a total of 189 economies. The ease of doing business covers 10 themes and their ranking are depicted in Figure 14 below, but this report only focuses on Starting a Business and Trading across borders.

Figure 14: Lesotho Rankings



Source: World Bank, Doing Business 2016, Accessed on 06/10/2016

- **Starting Business**

This indicator looks at the ease of starting a business taking into considerations procedures officially required by an entrepreneur, and the time and cost required to complete these procedures. It assumes that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that the entrepreneur will pay no bribes.

Starting a business in Lesotho is ranked better than South Africa where according to the World Bank report, Lesotho is ranked 112 where-else South Africa is 120. The ranking is due to the time it takes which is lower than all the SACU member states as per Table 4 below. Lesotho made starting a business easier by creating a one-stop shop for company incorporation and by eliminating the requirements for paid-in minimum capital and for notarization of the articles of association.

Table 4: Comparative Rankings for Starting a Business

	LESOTHO	SWAZILAND	BOTSWANA	NAMIBIA	SOUTH AFRICA
Rank	112	156	143	164	120
Procedures	7	12	9	10	6
Time(days)	29	30	48	66	46
Cost	9.3	23.4	0.7	11.1	0.3

Source: World Bank, Doing Business 2016, Accessed on 11/10/2016

The breakdown of the procedures in Lesotho are outlined in Table 5 below

Table 5: Procedures required in registering a firm in Lesotho

No.	Procedure	Time to complete	Associated Costs
1	Conduct a company name search and apply for business registration Agency: OBFC	7 days	Certified copies at LSL 2 per page + LSL 500 for a domestic company+ LSL 30 for search of company name
2	Pay the registration fee, submit the receipt and obtain company registration documents and TIN number Agency: OBFC	1 day (simultaneous with previous procedure)	No charge
3	Have land lease stamped and pay the stamp duty Agency: Deeds Registry and the Land Administration Authority	1 day	No charge
4	Receive an inspection by the public Health Inspector and obtain health certificate Agency: Public Health Inspector	14 days	LSL 60
5	Apply for an operational license Agency: Ministry of Trade and Industry	7 days	No charge
6	Pay the operational license, submit the receipt and obtain the license Agency: OBFC	1 day (simultaneous with previous procedure)	LSL 650
7	File for workman's compensation with an insurance	1 day (simultaneous with previous procedure)	No charge

company

Agency: Insurance company

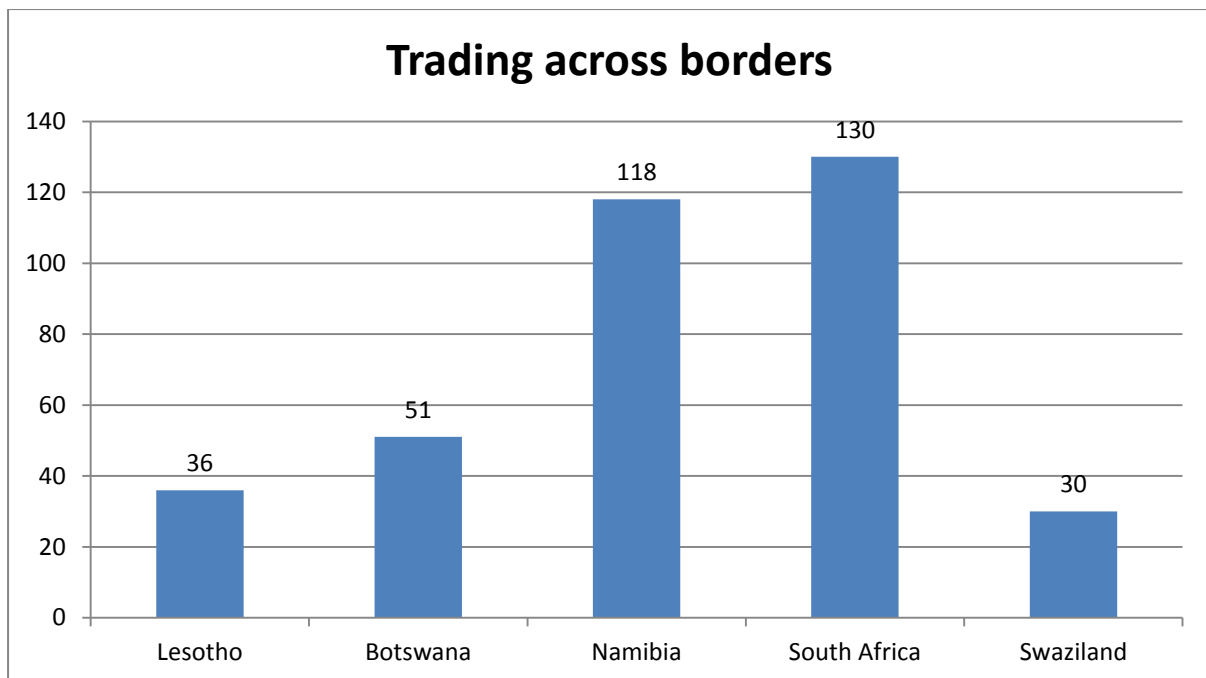
Source: World Bank, Doing Business 2016, Accessed on 11/10/2016

- **Trading across borders**

Making trade between economies easier is increasingly important for business in today's globalised world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

Swaziland and Lesotho are out-performing the other member states on this indicator at 30 and 36 respectively.

Figure 15: SACU Rankings



Source: World Bank, Doing Business 2016, Accessed on 11/10/2016

This rating is based on a set of specific predefined procedures. It is based on the time and cost (excluding tariffs and the time and cost for sea transport) as shown in Table 6 below.

Table 6: 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

**24 hours = 1 day therefore 100 hours = 4 days*

Source: World Bank, Doing Business 2016, Accessed on 11/10/2016

4. ROAD TRANSPORT ENVIRONMENT

4.1 Overview

Road transport is the main mode of transport and facilitator of international and domestic trade in Africa, accounting for between 80 and 90% of passenger and freight transport in the region. High transport prices adversely affect the prices of goods and the terms of trade faced by exporters and importers in the continent. Infrastructure constraints and the inconsistent application of regulation also contribute to the poor outcomes in the road sector leading to disparities in terms of price and quality of service.

Regional integration is of prime importance given Lesotho's small size and geographical position within the larger economy of South Africa. Benefits to this relationship include ready access to its neighbour's excellent transport network, technology, expertise, goods markets, investment resources and capital and financial markets. To take full advantage of these opportunities, Lesotho is engaged in a variety of initiatives, such as the upgrading of border post facilities, the establishment of a dry port, development of cargo handling facilities and the railway station, as well as the construction of access roads to border posts and modern one-stop border facilities. The possibility of establishing a Lesotho hub/commercial presence at one of the South African ports is also being explored.

Key achievements have been in the area of harmonisation and simplification of customs rules and procedures, including:

- Introduction of a single administrative document to import/export goods;
- Development of a model customs law which will be implemented in future;
- Transit management and training manuals for building capacity of customs administration in the region; and
- A review of border customs procedures and processes by the LRA, leading to the development of a 'Clearance of Goods Process', with new standard operating procedures developed based on the principles of seamless flow of commercial traffic and facilitation of legitimate cargo.

4.2 Lesotho 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. From the periods around independence in 1966 to the late seventies, there was not a single tarred or paved road in Lesotho. At the time, the population was low and other forms of transport such as donkeys, horses and animal carts were commonly used. Passenger transport was provided by the government owned National Bus Corporation while freight transport was provided by the Lesotho Freight Services Corporation. These services were concentrated around predominantly gravelled roads in the low lands and foot hills.

In the eighties, new gravelled roads were extended and old ones improved. The socioeconomic life among the Basotho also changed, with rural-urban migration influenced mostly by accessibility to roads and commercial activities, as well as employment opportunities in the mines of South Africa. The middle eighties saw an erection of a paved highway that was to link the south with the north in the low lands. This marked the beginning of the passenger transport under the hands of private bus operators.

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. In the subsequent decade, despite challenges such as floods which destroyed large tracts of the network, including bridges and culverts, the Government of Lesotho has invested heavily in expanding the networks of urban and rural roads, upgrading gravel roads to bitumen standard, building new bridges and repairing and rehabilitating existing 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.

The main trunk route north, the Main North One (A1), provides access to most of the north. The A1 from Maseru to Botha-Bothe and on to Mokhotlong is tarred, as is the Katse Road, which has opened up much of the northern highlands. The Main North One also connects to improved roads at Caledonspoort and Ficksburg on the South African side of the border.

Tarred roads link Maseru to other district headquarters in Lesotho's lowlands, as well as connecting the capital to Mohale Dam via the A3 along the Maseru to Thaba-Tseka route. The main trunk route to the south, the Main South One (A2), comprises a good tarred road from Maseru to Moyeni (Quthing), Mount Moorosi and on to Mphaki.

Currently the dominant mode of domestic transport is road, which accounts for more than 70% of Lesotho's transport needs, 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 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 opening 24 hours a day. Maseru is only 450 kilometres from the economic hub of Johannesburg and 575 kilometres from the port of Durban on the east coast, the destination of the vast majority of Lesotho's manufactured goods, which are transported there by road or rail before being shipped overseas.

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. Two freight trains run every day, carrying mainly cement, maize, fuel and freight containers and making up about one third of Lesotho's international trade in bulk goods. Lesotho Government is seeking funds to conduct a feasibility study emanating from the backing from SADC for the development of a rail link that would run from Maseru to South Africa's sea ports of Durban and Port Elizabeth.

Lesotho is struggling to develop the Maseru Container Terminal (MASCON), into a dry port due to lack of funds and the failed assistance from the US's Millennium Challenge Account (MCA). The Government of Lesotho has nonetheless made visible improvements at MASCON with the purchase of two reach stackers that are instrumental in the loading and off-loading of containers. The fencing of the perimeter area has been completed and the levelling of the platform for the safe storage of containers is underway in order to cater for increased traffic in the movement of containerised goods.

Infrastructure provision and maintenance is the responsibility of the Ministry of Public Works and Transport, which is also responsible for creating an enabling environment for the private sector to develop efficient, cost-effective and safe transport services. This involves setting standards and guidelines to ensure operational efficiency in transport systems and infrastructure and meeting Lesotho's obligations regarding regional and international transport conventions. Institutional reform is currently geared towards improving efficiency in the financing and maintenance of roads in the country. The Ministry is also tasked with

developing a national road network that links the entire country, in addition to developing and maintaining inter-urban roads, bridges and footbridges.

The government of Lesotho developed a National Strategic Development Plan (NSDP) which has prioritised creating integrated transport systems. The focus is on improving national roads and access roads to production sites for agriculture, manufacturing, tourism and mining, as well as between main towns. Rural and urban roads are developed to improve access and reduce time to markets and services, this involves:

- Developing and maintaining access roads in rural and urban areas;
- Promoting efficient labour-intensive construction projects;
- Developing policy and relevant legislation for water transport;
- Promoting private participation in water transport;
- Exploring different financing strategies to accelerate road infrastructure development and options for increasing revenue;
- Undertaking future analysis to prevent congestion, especially in major towns, reduce pollution and inform town planning;
- Developing plans for integrated/intermodal transport systems, including well-developed bus stations and/or interchanges; and
- Exploring options for improving public transport systems.

The Plan also underlines the importance of transport safety, particularly the need to reduce road accidents. In this regard, the quality and safety level of existing infrastructure is to be assessed, and both infrastructure and standards upgraded.

4.2.1 Road projects

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 which were formerly isolated from the rest of the country.

Table 7 below shows the on-going projects:

Table 7: 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
Nyenyeye- Mapoteng- Makhoroana	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

South Africa has initiated a feasibility study on traffic decongestion at the Maseru Border Post, which forms a link in SADC's vital North-South Corridor. This looks at separating traffic by rerouting freight, passenger and vehicle traffic to different border posts, expanding Maseru Bridge Border Post, and relocating some processes away from the border post.

4.3 Road Traffic 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.

4.3.1 Speed Limits

The maximum speed limit in Lesotho is:

- Open roads 80 km/h
- Highways: 100 km/h
- In Town: 50 km/h

4.3.2 Traffic Fines

The offenses and official fines as outlined in the Road Traffic Act are shown in Table 8 below

Table 8: 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

4.3.3 Vehicle Dimensions and Weights Restrictions

Legal load limitations are imposed in order to protect the roads from the excessive damage caused by heavy loads. The load limitations are based on:

- The engine power of the vehicle and limitations specified;
- Tyre manufacturers specifications;
- The damage or wear caused by an axle load to the road; and
- The load concentration applied by a group of axles or axle units to bridge structures.

Tables 9 and 10 below give an indication of the Axle, Gross Combination Mass and Dimensional limits for Lesotho and other SACU countries.

Table 9 : Load Limits

LEGAL LOAD LIMITS ON GOODS VEHICLES					
COUNTRY	STEERING AXLE	SINGLE AXLE	TANDEM AXLE	TRIDEM AXLE	COMBINATION AXLE
Botswana	7 700 kg	8 200 kg	16 000 kg	24 600 kg	50 200 kg
Lesotho		8 200 kg	16 400 kg	21 000 kg	49 000 kg
Namibia	7 700 kg	8 200 kg	16 400 kg	21 000 kg	48 400 kg
South Africa	7 700 kg	8 000 kg	16 000 kg	24 000 kg	56 000 kg
		(2 wheels)	(2 wheels)		
South Africa		9 000 kg	18 000 kg		
		(4 wheels)	(4 wheels)		
Swaziland	7 700 kg	8 200 kg	16 400 kg	21 000 kg	50 200 kg

Table 10: Dimensional Limits

LEGAL DIMENSIONAL LIMITS ON GOODS VEHICLES					
COUNTRY	OVERALL WIDTH	OVERALL HEIGHT	LENGTH OF RIGID	LENGTH OF ARTICULATED	LENGTH OF COMBINATION
Botswana	2,5 m	4,1 m	12,5 m	17,0 m	22,0 m
Lesotho	2,6 m	4,1 m	12,5 m	17,0 m	22,0 m
Namibia	2,5 m	4,1 m	12,5 m	17,0 m	22,0m
South Africa	2,5 m	4,3 m	12,5 m	18,5 m	22,0 m
	(medium)				
South Africa	2,6 m				
	(heavy)				
Swaziland	2,5 m	4,1 m	12,5 m	17,0 m	20,0 m

Lesotho's axle load regulations and legal dimensional limits compares favourably with other countries in the SACU region.

5. PASSENGER TRANSPORT

The commercial conveyance of passengers by road between South Africa and Lesotho is carried out by taxis, buses and tour operators. All commercial passenger operators, both in South Africa and Lesotho must have a valid cross-border road transport permit in order to transport passengers across the South African and Lesotho borders.

The collection of International arrivals' data at major border posts is conducted by Lesotho Tourism Development Corporation (LTDC), which has been experiencing challenges due to the introduction of the new system which was not able to store and provide data. LTDC was therefore forced to seek assistance from Statistics South Africa (STATSSA). This was done through MOU that was signed by the Ministers of Tourism of Lesotho and South Africa in May 2012 which includes amongst others issues information and data sharing. The MOU is in line with the implementation of the Joint Bilateral Commission for Cooperation (JBCC) between the two countries. The South African data was Lesotho's first point of reference because:

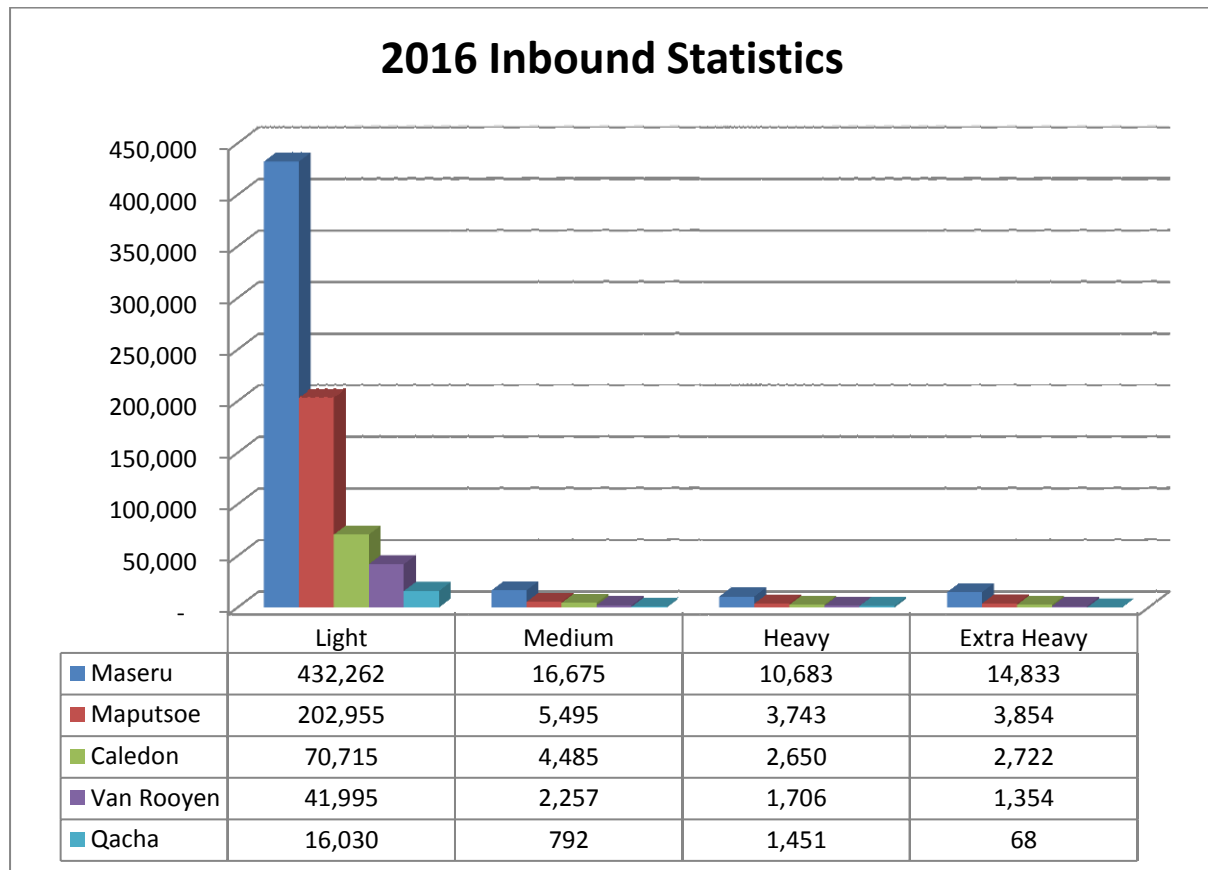
- Lesotho is landlocked by South Africa; and
- South Africa's ability to produce accurate data because of the up to date immigration system.

The information received from South Africa on its departures which are arrivals into Lesotho for the year 2015 was 1,078,510 international visitors arrived in Lesotho. The top ten inbound markets that visited Lesotho were South Africa, Zimbabwe, China, USA, Botswana, United Kingdom (UK), India, Netherlands, Germany and Swaziland. South Africa was Lesotho's largest inbound market of international visitor arrivals with 90 percent (968,742) followed by Zimbabwe with (1.9 percent) 20,523 while the rest of the countries recorded below 1 percent. With a total of 1,078,510 international visitor arrivals in 2015, Africa's top three source markets (South Africa, Zimbabwe and Botswana) contributed 92.5 percent share of the total arrivals.

5.1 Inbound statistics

Foreign commercial vehicles that entered Lesotho's commercial border posts from January 2016 to October 2016 are shown below in Figure 16.

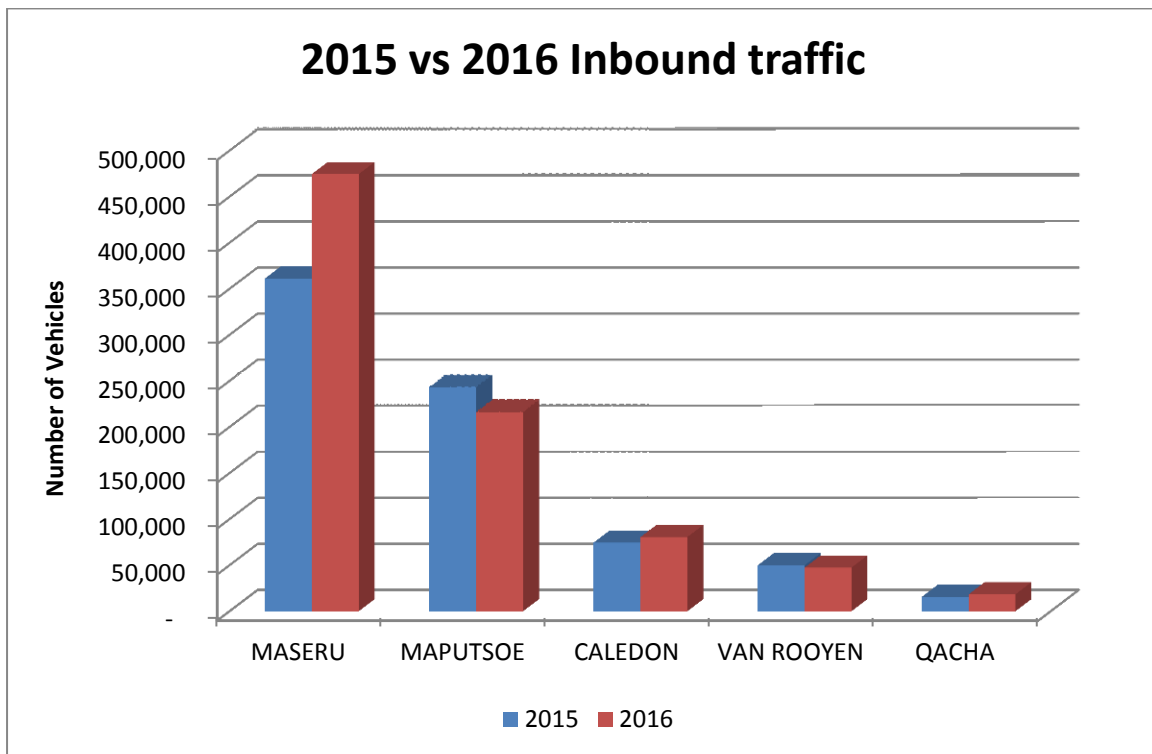
Figure 16: Inbound foreign vehicles



Source: Lesotho Revenue Authority -www.lra.org.ls, Accessed on 24/11/2016

Using the five commercial borders as depicted above, there was an increase of inbound traffic in three borders namely Maseru (31% increase), Caledon (8% increase) and Qacha (17% increase) from 2015 to 2016. The other two commercial border posts had 11% and 5% decrease as depicted in Figure 17 below.

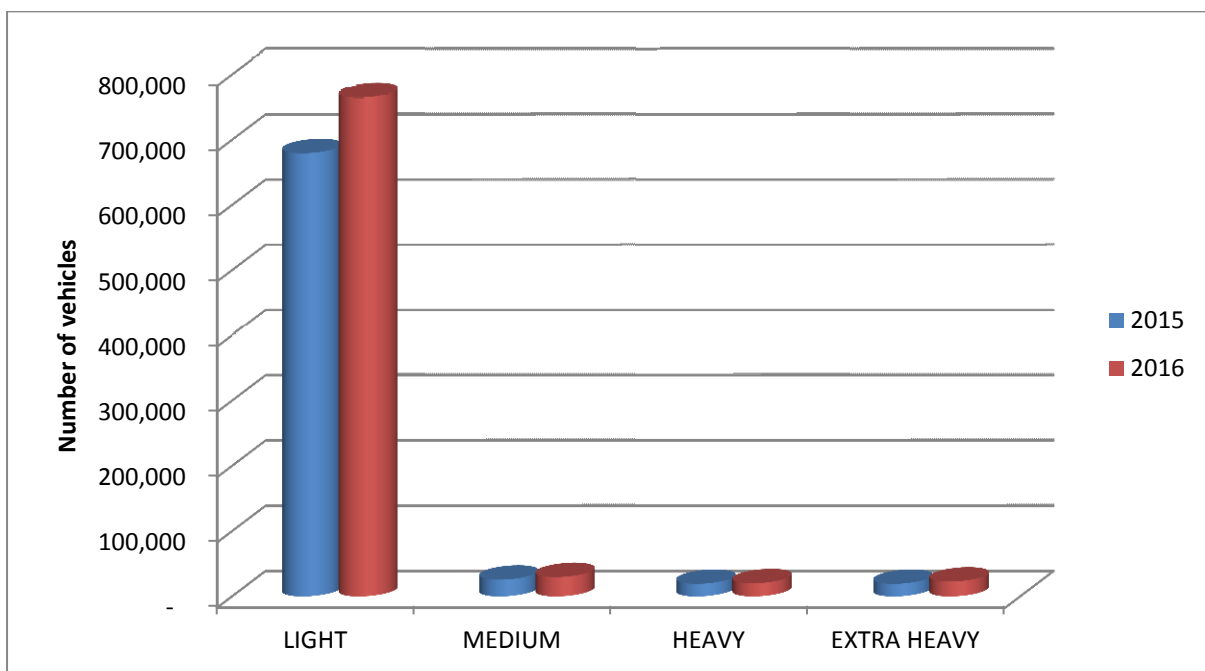
Figure 17: Inbound traffic 2015 vs. 2016



Source: Lesotho Revenue Authority -www.lra.org.ls, Accessed on 24/11/2016

Figure 18 below shows the comparison according to vehicle classification.

Figure 18: Vehicle classification traffic 2015 vs. 2016



Source: Lesotho Revenue Authority -www.lra.org.ls, Accessed on 24/11/2016

There was a slight increase in heavy vehicles of 4%, light vehicles increased by 12%, medium by 15% and extra-heavy vehicles by 18%.

5.2 Cross-Border Operators profile

Table 11 shows statistics for cross-border permits issued to operators between Lesotho and South Africa based on permits issued by the C-BRTA between 2015 and 2016.

Table 11: Operator permits issued in the period

FINANCIAL YEAR	FREIGHT PERMITS	BUS PERMITS	TAXI PERMITS
2014/2015	3896	410	2093
2015/2016	3824	347	1418

Source: the CBRTA, Accessed on 31/10/2016

As shown in Table 11 above:

- The number of permits issued to freight operators decreased by 1.88%;
- The number of permits issued to bus operators decreased by 18.5%; and
- The number of permits issued to taxi operators decreased by 47.6%.

The overall permits issued by the C-BRTA for the Lesotho operations decreased for the 2015/16 financial year end. Freight decreased by 1.88% from last year's figures, taxis were mostly affected as they decreased by 47.6% and buses by 18.5%.

5.3 Challenges

Lesotho is a small, landlocked, least developed country faced with several challenges which makes it difficult 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 for Lesotho is to attract more Foreign Direct Investment (FDI) in order to diversify its economy and reduce its dependence on this single activity. The country must develop competitiveness in FDI in the manufacturing sector and improve access to international markets.

- **A heavy dependence on South Africa**

Lesotho imports over 60 percent 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. Importing food has also become much harder with prices in South Africa rocketing in recent years, while spending power in Lesotho has plummeted. Retrenchments in South Africa's mining sector, where many Basotho men work as migrant labourers delivered another blow to food security.

- **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 poverty line, with rates and severity particularly high in rural and mountainous areas. In addition statistics indicate that 40% of the active labour force is presently unemployed. Meanwhile, unemployment remains high and the lack of job creation is a key structural problem

- **Inequitable distribution of income**

Lesotho is also regarded as one of the most unequal societies in the world, as measured by the Gini coefficient

- **Few natural resources**

Lesotho is very poor in natural resources. The only resource that can be processed easily for export market is water. There are also few minerals and diamonds. The country's terrain however makes it costly to extract these resources from the ground as opposed to other areas of the region with similar resources base.

- **The physical and financial infrastructure is under-developed**

The country's weak infrastructure acts as a constraint to diversified and accelerated industrialisation. The present industrialisation rate is already exerting tremendous pressure on the existing infrastructure. Specific road transport infrastructure challenges in Lesotho include the following:

- Inadequate approach roads to borders;
- Insufficient parking for vehicles within the border; and
- Infrastructure and operational deficiencies.

It is important to note that infrastructure and capacity constraints remain a problem in the border environments. Inadequate infrastructure leads to congestion at inspection facilities at border crossings. The operational issues in the day-to-day movement of goods across borders require a well-functioning and easy-to-operate interface between business and government.

- **RSA - Lesotho cross-border Passenger Transport operations**

Cross-border road passenger transport between the South Africa and Lesotho has been characterised by instability and violence since 2000 due to challenges with respect to the sharing of the market between legitimate cross-border operators and domestic (inter- and intra-provincial) operators.

The Ministers of Transport from the two countries established a task team to address the challenge. The task team is having periodic engagements with the Ministers and the SADC Secretariat with a view to finding lasting solutions to the impasse.

- **Institutional strengthening**

Institutional strengthening to support trade and investment could also prove to be essential. While Lesotho has made strides in this regard there is room for further improvement. For example, the private sector currently remains fragmented and ineffective as far as advocating for pro-business policies. There are also insufficient central sources of comprehensive business information to facilitate trade and investment decisions.

Lesotho is faced with vast challenges given the changing patterns of the World economic landscape within the framework of globalisation. Whilst the instituted interventions as discussed above could have a profound impact on sustainable economic growth and development, Lesotho appears to remain very vulnerable to integration in the global economy.

6. OPPORTUNITIES

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 Report identified the following investment opportunities which are classified according to sectors:

6.1 Manufacturing Sector

6.1.1 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 5 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.

6.1.2 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.

6.1.3 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).

6.1.4 Water Bottling

Lesotho's major natural resource is water and it is considered one of the most pure in the world with very little microbiological and chemical contamination which 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 and are sparkling, cool and refreshing. The country has about 137 documented springs and 6 springs are

within close proximity of Maseru. There is therefore an opportunity for operators to export bottles/plastics to be used for bottling water in Lesotho.

6.2 Development infrastructure in the Tourism Sector

6.2.1 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 and also to export materials required for construction of the facilities.

6.2.2. 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.

6.2.3 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 - 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.

6.2.4 Water Sports and Recreation

The LHWP poses 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 therefore creating further opportunity for investments in cruise boats.

6.3 Construction

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

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

Further opportunities exist in the development of the commercial property:

- 3 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 Caledonspoor. The site provides an opportunity for the development of an eco-lodge with conference facilities and outdoor entertainment for the tourism industry.

The second phase of the Lesotho Highlands Water Project was signed into agreement in August 2011, ratified in May 2013 and launched in March 2014. This phase of the project comprises of the construction of Polihali dam and generation of Hydro power at Kobong. Opportunities exist at the design and construction stages of the project for investors.

6.4 Renewable energy

Lesotho produces 80 megawatts of electricity and the demand in winter goes 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

6.4.1 Hydro power

The Lesotho Highlands Water project offers opportunities for mid to large scale hydropower development and 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.

6.4.2 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.

6.5 Freight Transport Opportunities

The top most 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 top most 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

7. CONCLUSION

Lesotho is a small, mountainous country that is completely landlocked by South Africa. It has a population of just over two million and a GDP per capita of \$1034.20 and it is classified as a low-income country. Lesotho depends on a narrow economic base of textile manufacturing, agriculture, remittances and regional customs revenue.

The Report shows that Lesotho relies on South Africa for much of its economic activity; it imports 90% of the goods it consumes from South Africa, including most agricultural inputs. As a member of SACU, revenues from SACU accounted for roughly 44% of total government revenue in 2014. The South African Government also pays royalties for water transferred to South Africa from a dam and reservoir system in Lesotho. The Government of Lesotho is strengthening its tax system to reduce dependency on customs duties and other transfers.

The country finds itself at a crossroads requiring new growth engines, a more streamlined role for the state, and a dynamic private sector to seize opportunities in the Southern African market.

Lesotho's private-sector growth is hindered by business regulations. Despite making progress in streamlining business and property registration and in establishing and operating a credit bureau, Lesotho ranks low on key Doing Business Indicators, such as dealing with construction permits, accessing finance, and the cost of capital. These are constraints on

domestic entrepreneurship, suggesting that the domestic private sector remains dependent on the state and non-tradable sectors.

Not all is doom and gloom for Lesotho as the Report discusses Lesotho's trade policy whose main objectives are to expand and diversify exports and promote foreign investment. The Government identified four economic sectors for growth and employment generation – these are manufacturing, mining, agriculture and tourism. Opportunities for operators were also identified based on the potential identified by government.

8. CONTACT DETAILS OF RELEVANT AUTHORITIES

Table 12 below lists information on key stakeholders in the cross-border road transport environment for both South Africa and Lesotho. Should a cross-border transport operator or any other stakeholder face any challenge or need assistance in the course of conducting cross-border business, it is recommended that they contact the following stakeholders.

Table 12: 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	058 223 0266 /8400 051 933 2760 or 051 933 4540
	Ficksburgbrug Port of Entry - Ms Hardnick	051 924 4300/ 4319
	Maserubridge Port of Entry- Mr Moeti	051 583 1525 or 051 58 1530
	Van Rooyenshek Port of Entry- Mr Mafuya	051 673 1484
	Makhaleen Bridge Port of Entry- Ms Ndima	058 713 1600
	Monontsha Pass - Mr M Kutumane	
	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	(+266) 2232 7310
	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	

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