

Country profile LESOTHO

Enhanced Integrated Framework (EIF)
for trade-related assistance for Least Developed Countries (LDCs)





SUMMARY

Lesotho is ranked 138 out of 183 economies in the World Bank's *Doing Business Survey*. While the overall rank in doing business slipped one place from 137 in 2010 to 138 in 2011, reforms underway show that progress can be made in a number of key areas. Efforts are also ongoing to build relations with partners worldwide including through negotiating trade and investment framework agreements and trade and investment cooperation agreements.

Lesotho has been part of the Integrated Framework (IF) programme since 2002, when the Diagnostic Trade Integration Study (DTIS) was undertaken, with national validation taking place in February 2003. The DTIS Action Matrix identified national priority areas, which were key to supporting trade development. These included:

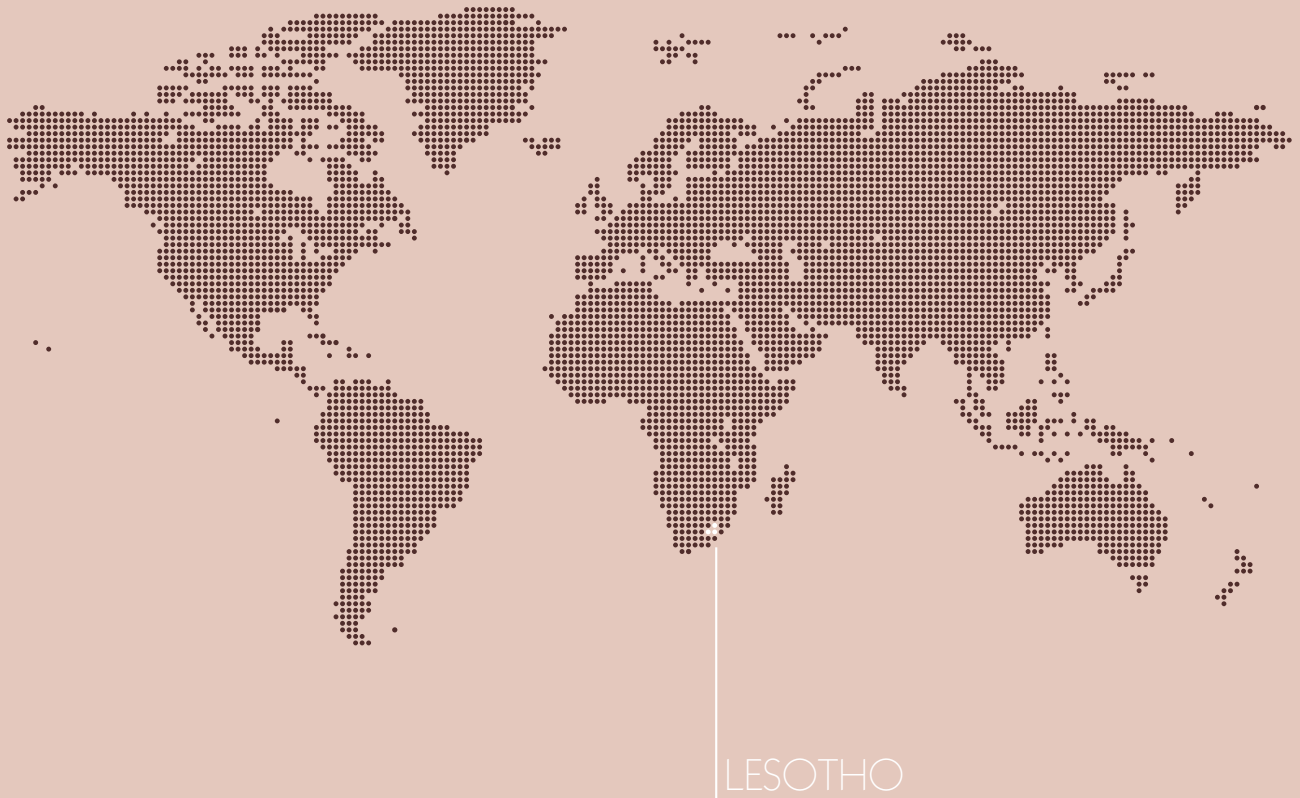
- building up capacity in institutions for national policy-making and boosting trade;
- regional and multilateral integration to help open up regional and global markets while developing the domestic market;
- improving the business environment; and
- physical infrastructure.

Lesotho has been making headway in rolling out the DTIS Action Matrix, attracting other development partners in funding identified priorities, lining up behind the Government's trade development agenda. As part of the IF programme, Lesotho benefitted from two projects: export product and market development (targeting peaches and mushrooms); and support for a coordinated approach to trade.

The Enhanced Integrated Framework (EIF) project now in place was approved in January 2010. The project establishes the National Implementation Unit (NIU) and aims to strengthen Lesotho's integration into the global trading economy. At the same time, the goal is to match the vision of the Poverty Reduction Strategy for sustainable growth and the country's overall efforts in raising competitiveness, producing and exporting a wider range of high value products.



WORLD MAP



EIF countries:

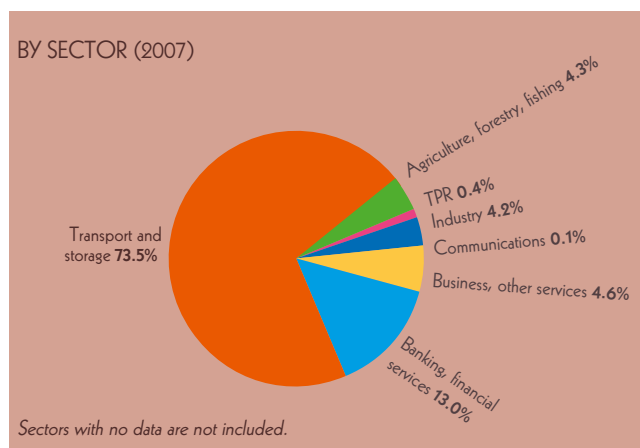
Afghanistan	Democratic Republic	Madagascar	Sierra Leone
Angola	of the Congo	Malawi	Solomon Islands
Bangladesh	Djibouti	Maldives	South Sudan
Benin	Eritrea	Mali	Sudan
Bhutan	Ethiopia	Mauritania	Tanzania
Burkina Faso	The Gambia	Mozambique	Timor-Leste
Burundi	Guinea	Myanmar	Togo
Cambodia	Guinea-Bissau	Nepal	Tuvalu
Cape Verde	Haiti	Niger	Uganda
Central African	Kiribati	Rwanda	Vanuatu
Republic	Lao PDR	Samoa	Yemen
Chad	Lesotho	São Tomé and Príncipe	Zambia
Comoros	Liberia	Senegal	

FACTS AND FIGURES

Geographical area: 30,355 sq km
Population: 2,066,000
Population growth rate (2009): 0.8% ¹
GDP real growth rate: 4.9%
GDP: US\$1,600 million
GDP per capita, PPP: US\$1,542
Major exports: clothing, footwear, wool and mohair, livestock and water
Poverty (% living below US\$1.25/day): 43.4%
Human development index (2006): 155/179
Aid for Trade flows: disbursements in 2007 US\$1.2 million (commitments US\$62.2 million)

Aid for Trade at a Glance 2009

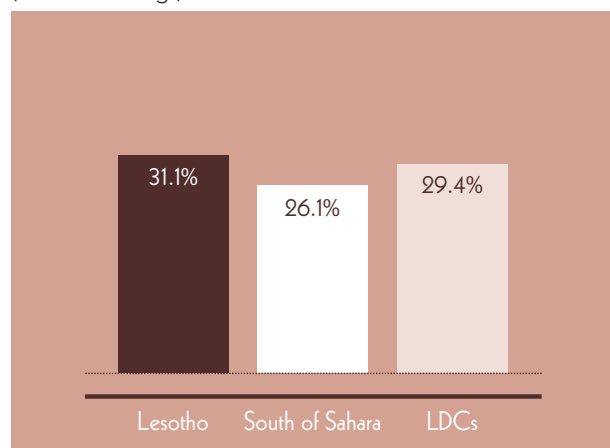
AID FOR TRADE FLOWS



Aid for Trade at a Glance 2009

SHARE IN ODA

Share of Aid for Trade in sector allocable ODA compared to regional and income group averages (2006-2007 avg.)



Aid for Trade at a Glance 2009

¹World Bank, World Development Indicators



ISSUES



Lesotho as a country land-linked and country-linked by its neighbour, South Africa, has a pressing need for trade to give it the opportunity it deserves to compete in the domestic, regional and international economy and trade its way out of poverty.

National development indicators show where some of the pressing challenges lie, whether in the numbers of people still living below the poverty line, low levels of education and training or the need to tackle the fall-out from the prevalence of HIV/AIDS. Lesotho's high levels of unemployment pose serious challenges, and there are real concerns over food security, worsened by droughts in recent years.

Manufacturing and textiles have made strong contributions in recent years to Lesotho's economy,

boosted by the Africa Growth and Opportunity Act (AGOA) to help expand the benefits of trade. Nonetheless, the mainstay remains subsistence agriculture with 80% of the population living in rural areas and engaged in farming activities. Furthermore, economic growth - in decline in the context of the global crisis - reductions in revenue from South African Customs Union (SACU) customs duties, as well as from remittances and low levels of investment all continue to pose significant challenges to building up national capacity to trade productively.

The Enhanced Integrated Framework (EIF) programme, which begun under the earlier Integrated Framework (IF), has enabled Lesotho to make headway by: bringing on board poor farmers; building up community-based organizations (many of them for women); and helping them start to access new markets with agricultural products.





RESULTS



Sharing good practice on what works – Lesotho hosts an EIF regional workshop for Eastern and Southern Africa

Lesotho has shown how communities can have their lives turned around when trade opportunities are nurtured. A broad-based consultation involving Government, the private sector, partner agencies and community organizations around the country's priorities on trade activities went hand in hand with the Diagnostic Trade Integration Study (DTIS) in 2002.



The DTIS mapped the bottlenecks to trade and looked at how to explore the potential in regional and global markets, including around building up national capacity on trade, improving the business environment and investment climate. Areas such as infrastructure, trade facilitation and trade statistics were also highlighted.

To improve the business environment following up on the DTIS priorities, the World Bank, together with the Government, ran a five-year project looking at business support, export development and competitiveness, as well as regulation issues, licensing and company registration policy.

In line with the DTIS, DFID ran a three-year project to support Lesotho in trade negotiations and trade policy. Additional assistance led to a focus on job creation and food security with achievements to date including the set-up of a policy and regulatory analysis unit as well as an information strategy for the private sector.

Through the support of the Integrated Framework (IF) driven by the National Implementation Unit (NIU) and in collaboration with the Ministry of Agriculture, working closely with the International Trade Centre (ITC), two agro-based projects have taken off.

The mushroom project led to:

- Mushroom training, which helped over 5,000 individuals and families across 10 districts to grow and sell oyster mushrooms (with women as the major beneficiaries of the project, including communities living with HIV/AIDS).
- Farmers are now producing 25 kg of edible and medicinal mushrooms per square metre. While the storage capacity has grown to 15,000 spawn bags for distribution, the demand has been growing to more than 20,000 in six weeks. Farmers on average can now earn 1,100 maloti per month (approximately US\$160).
- The Mushroom Centre Mother Unit set-up provides a model of how to use locally available materials in a sustainable development cycle that includes maize crops and wheat stalks sourced from Basotho farmers. The unit provides jobs for local labourers and a network linking farmers nationwide.
- The project has since attracted further funding of US\$750,000 from China. By 2007, the project had supported the training of 15 mushroom specialists from Lesotho in South African and Chinese best practices in production and management, using locally available raw materials.
- A number of Government-sponsored campaigns across the country on the health benefits of mushrooms, including demonstrations at hospitals and schools, have significantly raised awareness and demand for the product.

Under the peaches project:

- A feasibility study including market surveys was carried out as well as familiarization tours of the agro-processing industry abroad and support for an export awareness campaign. In total, 7,000 trees have been distributed to farmers in six districts, and there are strong trends for future exports.





FORWARD LOOK

The National Implementation Unit (NIU) team is leading the way forward to build on the foundations already achieved and forge clear links between trade priorities and the wider national development agenda under consultation.

- Future plans for agro-products focus on improving sector-wide strategies, connecting producers to markets, diversifying products,



improving quality and volumes and developing skills and support for mushroom producers, cooperatives and retailing outlets. This will cover how best to meet the demand that exists for agro-based products, improve branding and packaging to get better prices and move up the value chain to dried and powder products, agro-processing and compliance with food standards certification.

- Current estimates suggest that the awareness of mushrooms' nutritional and medicinal benefits have greatly increased as a result of the English/Sesotho outreach campaigns rolled out alongside a range of awareness-raising activities on food quality and marketing. Moves to help access international markets mean that the project benefits could be multiplied across the country. Currently, women's cooperatives are able to sell 1 kg of mushrooms for 20 rand to local markets, schools and hospitals. Yet the future outlook to access retail outlets such as 'Pick 'n Pay' and 'Shoprite' supermarket chains is promising as farmers get support in standards and packaging in the next phase of the project.

Lesotho's One-Stop Business Facilitation Centre now in place, managed across Government and bringing together a range of services for business and investors, will also play a vital role going forward. Moving on with education for the next generation and equipping the labour force with the right skills also needs to be part of the solution.

For the update of the National Development Plan, there is a clear focus on the need to open up



Lesotho's horizons, by making the most of its regional position to launch into new markets in South Africa and beyond. This has to be matched with the right plan of action to encourage good governance, strong and sustainable growth shared by all, job creation and higher skills and innovation alongside support to agricultural production and infrastructure. The update to the Diagnostic Trade Integration Study (DTIS) will be a key part of this roadmap and deserves to count on international support and backing.

Lesotho has a good basis on which to build for the future, where helping put poor rural communities at the centre of trade and development efforts has shown how change can have an impact on carving out strong prospects, especially for the most vulnerable. Much remains to be done, but with the Enhanced Integrated Framework (EIF) and wider partners' support to continue down this track, the trade development future will be secured for the next generation of Lesotho's traders, farmers, businessmen and women.

Are you ready to get involved and be part of Lesotho's trade story?

To find out more go to:
www.gov.ls/trade/ and www.enhancedif.org



Find out more at:
www.enhancedif.org

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