

ACTION MATRIX

INSTITUTIONAL CAPACITY: NATIONAL POLICY MAKING AND TRADE ENHANCEMENT			
Barrier or Opportunity	Policy Action	Technical Assistance	Time Frame
1. Insufficient trade data for policy analysis by government and non-government actors	Computerize customs as a first step to establish a reliable statistical accounting system Integrate data reporting with SACU	IT equipment and software purchases Train staff in data collection and statistical analysis	Medium term
2. Weak analytical capacity in support of trade and investment agreements negotiators	Create trade policy analysis unit in MITM. Expand and train analytical staff. Create coordinating body as recommended below.	Train and equip staff of MITM and other related units in the Ministry of Foreign Affairs, Ministry of Development Planning the Ministry of Law and Constitutional Affairs, and other public and private institutions to conduct economic analysis	Short term
3. Fragmented trade policy process	Create coordinating body	Advice on administrative reorganization and help with setting up IT support.	Short term
4. Opportunities to affect Lesotho's external economic environment Weak industrial base	As above. Organize lobbying effort in the EU and US (see above "the small size domestic market" barrier). Address Address supply side constraints	As above As above in "the small size domestic market" barrier.	Medium term Medium term
REGIONAL INTEGRATION (HOW TO INCREASE DOMESTIC MARKET)			
Barrier or Opportunity	Policy Action	Technical Assistance	Time Frame
5. Excessive economic borders and inconsistent regulatory frameworks within SACU	Harmonize tax systems, licensing and customs procedures, and regulatory frameworks	Train and equip staff for economic analysis; Legal analysis to rewrite laws; Train staff on SACU-wide procedures	Medium term
6. Tariff peaks in SACU tariff and excessive anti-dumping actions create anti-export bias	Assert Lesotho's position in SACU Tariff Board Lobby SACU to reduce tariff peaks in CET Seek to restrain South Africa's anti-dumping actions through SACU	Technical and financial support for data collection systems (including computerization) Training to develop analytical expertise to assess the welfare cost of trade restraining actions	Medium term
7. Onerous rules of origin in SADC Trade Protocol prevent development of regional supply chains	Conduct analysis of harmful impact of restrictive rules of origin Lobby other SACU members for relaxed rules of origin	Train and equip staff to conduct economic analysis	Medium term
8. Compliance with TRIPS attracts FDI	Integrate with South Africa's intellectual property rights regime	Training Legal expertise	Medium term

		Support for administrative reorganization	
9. Compliance with TBT allows to integrate into external production networks	Use South Africa's conformity assessment, certification, but review carefully its mandatory domestic technical regulations	Legal support to adopt South Africa's standards Train personnel in TBT-related issues	Medium term
10. Compliance with SPS	Use South Africa's testing, quarantine, etc.	Legal support to harmonize with South Africa and develop local expertise	Medium term
11. Reducing transaction costs through improved customs procedures	Computerize customs	Training, software and hardware needs	Short term
MULTILATERAL ISSUES			
Barrier or Opportunity	Policy Action	Technical Assistance	Time Frame
12. Cutting costs through regional regulatory cooperation	See above	See above	Long term
13. GATS Negotiations—improving business climate and competition	Liberalize at least as much as South Africa Liberalize more than South Africa in key areas (e.g., tourism)		Short term
14. WTO Government Procurement Agreement	Study costs and benefits of implementing agreement Lobby other SACU members to sign and implement agreement as a group	Training to develop analytical expertise Support for administrative reforms	Medium term
BILATERAL ISSUES			
Barrier or Opportunity	Policy Action	Technical Assistance	Time Frame
15. FTA with United States	Study options, including whether to sign alone or with other SACU members Lobby SACU members	Train and equip staff for economic analysis	Short term
16. Cotonou Agreement	Study options, lobby SACU members	Train and equip staff for economic analysis	Short term
17. Double transformation requirement in EU and the prospect of the waiver termination in US.	Launch lobbying effort to obtain a waiver on a double transformation requirement in EU and the extension after 2004 in the US	Technical advice on designing the lobbying strategy	Short term
BUSINESS ENVIRONMENT			
Barrier or Opportunity	Policy Action	Technical Assistance	Time Frame
18. Dispersed and unreliable information about	Set up a unit that would gather (and provide) relevant information.	Equipment and training	Short term

business regulations in Lesotho 19. Difficulties experienced by (potential) foreign investors in conducting due diligence about opportunities in Lesotho	Set up a web site and keep it updated Either separate the LNDC into an autonomous investment promotion agency or strengthen the existing capacity. Establish a One-Stop-Shop		
20. Complex business licensing procedures 21. Absence of an Investment Code	Shifting to a registration system with areas identified as outside of private business activity Develop an Investment Code	Computerization of <u>revised</u> procedures Technical support in designing and supporting such a code	Short term
22. Land leases for too short time	Shifting to leases granting the right of use of 99 years	Assessment of impact on land prices	Short term
23. Environmental degradation	Cost impact analysis and implementation of provisions of the 2001 Environment Act based on a principle that a polluter should pay for the damage done to natural environment	Technical assistance needed	Short term
24. Unpredictable Lesotho Electricity Corporation's billing practices	Improve Lesotho Electricity Corporation's billing procedures	No technical assistance needed	Short term
25. Telecommunications: insufficient roaming arrangements in Lesotho	Make mobile phone services fully compatible with South Africa's	No technical assistance needed	Short term
26. Tax laws discriminate against services	Equalize tax rates across all sectors except for public 'bads'	No technical assistance needed	Short term
27. Foreign investors have difficulties obtaining visas because of lack of Lesotho's consular services	Accept visas granted by RSA as valid for Lesotho for short-term business trips Sign a consular agreement with South Africa (or other country) to provide consular services across the world Revise visa regulations, making it easier for potential investors to obtain multiple entry visas	No technical assistance needed	Short term
28. Complex procedures to obtain land leases, site development, and land survey	Overhauling administrative procedures and establishing a land registry Create interagency coordinating process Simplify procedures Computerize and reduce the number of fees required	Training of surveyors and strengthening of cadastre	Medium term
29. Weak entrepreneurial skills. No Basotho managers	Work with industry groups to promote Basotho to higher-level positions and establish business-training programs	Support for the development and implementation of a comprehensive, multi-faceted program.	Medium term

	Cooperate with the Chamber of Commerce and banks to establish workshops to train in writing business plans Review technical courses offered in schools to include business training		
30. No linkages between SMMEs and large-scale industry No backward linkages.	Work with industry groups to improve small business training Work with banks to improve SMME access to credit	As above.	Medium term
31. No diversification of exports, especially in the agro industry sector	Improve the policy and regulatory environment for exports Establishment of export oriented agro industries utilizing locally available raw materials	Financial and technical assistance needed for production, processing and marketing	Short to medium term
32. Insufficient customs facilities	Provide full-service customs services at more border posts	Support for training of new staff	Medium term
33. Low tax compliance among foreign owned firms.	Introduce basic accounting procedures compatible with international and South Africa's standards and improve Tax Authorities Simplify tax code (equalize tax rates across various sectors, see above on discrimination against services)	Support for training for both accountants and Lesotho Revenue Authority in consultations with South African experts	Long term
34. Worker discontent and tensions with foreign investors.	Provide incentives to expatriates in foreign owned companies to have a command of English. Institutionalization of a dialogue involving foreign investors, government and non-government organization on industrial relations and conditions needed to promote Basotho to managerial positions	Providing information on experience of other developing countries	Long term
35. Small size of domestic market—single SACU market as an opportunity	See actions under multilateral and regional headings Launch lobbying effort to obtain a waiver on a double transformation requirement in EU and the extension after 2004 in the US	See assistance needed under respective multilateral and regional headings Technical advise on designing the lobbying strategy	Long term
PHYSICAL INFRASTRUCTURE			
Barrier or Opportunity	Policy Action	Technical Assistance	Time Frame
36. Deficient rail facilities	Work with Maseru railhead stakeholders to facilitate improvements	No assistance needed	Short term
37. Insufficient supplies of water to industrial estates	Find ways to reduce consumption and link the development of factory shells to the availability of water Explore possibilities of recycling water for industrial use	Survey of water availability as a constraint to industrial and agricultural development	Medium term

38. Lack of industrial sites.	Survey possible sites taking into account environmental constraints including availability of water	Financial and technical assistance needed to assess possible environmental impacts of various locational variants of industrial development	Medium term
39. Insufficient all-weather roads, especially in rural areas	Prioritize with a special emphasis of the impact on agricultural sector Expand private contracting for road construction and maintenance in multi-year contracts	Financial and technical assistance needed. It should be linked to commitment to future maintenance as well as take into account Lesotho's potential to attract tourism.	Long term
40. Lack of access to utilities throughout rural areas and potential industrial sites.		Financial and technical assistance needed.	Long term
OTHER CROSS CUTTING ISSUES			
Barrier or Opportunity	Policy Action	Technical Assistance	Time Frame
41. FDI data are internally inconsistent	Create better systems for gathering information Computerization	Technical advice on designing tax reporting systems Support equipment purchases Train staff in data collection and statistical analysis	
42. Trade liberalization reduces government revenue	Introduce broad-based tax system to reduce reliance on border taxes Assess impact of tax reform	Train and equip staff Expertise for legal and organizational reforms	