MINISTRY OF TRADE AND INDUSTRY

NATIONAL AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA) RESPONSE STRATEGY AND ACTION PLAN FOR **LESOTHO**

MINISTRY OF TRADE & INDUSTRY
Enhancing Trade For All

2019 – 2025

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This publication is made possible by the support of the American People through the United States Agency for International Development (USAID). It was prepared by the USAID-funded Southern Africa Trade and Investment Hub (The Hub) project implemented by DAI. The author’s views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.

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LIST OF ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
APHIS	US Animal and Plant Health Inspection Service
CBL	Central Bank of Lesotho
CBP	Customs and Border Protection
CIA	Central Intelligence Agency
CMT	Cut, Make and Trim
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
EPA	Economic Partnership Agreements
EU	European Union
FDA	Food and Drugs Administration
FDI	Foreign Direct Investment
FSMA	Food Safety Modernization Act
FSSC	Food Safety System Certification
FTA	Tripartite Free Trade Area
GOL	Government of Lesotho
GSP	Generalized System of Preferences
HACCP	Hazard Analysis and Critical Control Point
HS	Harmonized System
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
ISO	International Organization for Standardization
ITC	International Trade Centre
LDC	Lesser Developed Country
LNDC	Lesotho National Development Corporation

LRA	Lesotho Revenue Authority
LWMGA	Lesotho Wool and Mohair Growers Association
M&E	Monitoring & Evaluation
MCC	Millennium Challenge Corporation
MFN	Most Favoured Nation
MOTI	Ministry of Trade and Industry
MSBDCM	Ministry of Small Business Development, Cooperatives and Marketing
NASC	National AGOA Steering Committee
NES	National Export Strategy
NMC	National Monitoring Committee
NSDP	National Strategic Development Plan
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measures
NTR	Normal Trade Relations
OBFC	One Stop Business Facilitation Centre
OEC	Observatory of Economic Complexity
OECD	Organisation for Economic Co-operation and Development
OSBP	One Stop Border Posts
PSCEDP	Private Sector Competitiveness and Diversification Project
QI	Quality Infrastructure
RECs	Regional Economic Communities
ROO	Rules of Origin
SACU	Southern African Customs Union
SADC	Southern Africa Development Community
SADCAS	SADC Accreditation Service
SARS	South African Revenue Authority

SME	Small to Medium Enterprise
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan Africa
TBT	Technical Barriers to Trade
TCB	Trade Capacity Building
TCF	Third Country Fabric
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
US	United States
USAID	United States Agency for International Development
USFDA	United States Food and Drug Administration
USG	U.S. Government
USITC	United States International Trade Commission
USTR	United States Trade Representative
VAT	Value Added Tax
WAMPP	Wool and Mohair Promotion Project
WRAP	Worldwide Responsible Accredited Production
WTO	World Trade Organization

EXECUTIVE SUMMARY

This document contains a National African Growth and Opportunity Act (AGOA) Utilization (Response) Strategy for Lesotho. The strategy provides a comprehensive plan to increase exports from Lesotho to the United States under the AGOA nonreciprocal unilateral trade preference program and attract more U.S. investment into Lesotho.

The Act has been in existence for over 18 years and has been amended six times since its enactment on May 18, 2000. The latest iteration of AGOA from July 2015 to September 2025 is the longest extension in the history of the trade arrangement with Sub-Saharan Africa (SSA). While the U.S. Government (USG) is committed to continued and improved trade with SSA, there is currently no commitment to the continuance of the AGOA program in its current format after September 2025. It is therefore critical that beneficiary countries think of the trade relationship they anticipate to have with the USG after 2025 to prepare themselves for the possibility of the discontinuation of the facility.

In response to a request for support from the Lesotho Ministry of Trade and Industry (MTI), the USAID Southern Africa Trade and Investment Hub (the Hub) reviewed the 2015 Lesotho AGOA Response Strategy to develop this AGOA Utilization Strategy. The strategy focuses on diversification to increase exports of other products to the United States under AGOA to avoid relying on exports of textiles and apparel products. The lack of a current and effective AGOA Utilization Strategy for Lesotho was cited as one of the primary reasons for the low utilization of the AGOA program.

The strategy is made up of four main sections:

1. Situation Analysis;
2. Strategy;
3. Action Plan; and
4. Monitoring and Evaluation Framework.

The development of this AGOA Utilization Strategy involved several consultations with stakeholders from both the private and public sector, civil society and representatives of international development partners in Lesotho.

Lesotho has over the years enjoyed high but gradually declining exports to the United States with over US$299.3 million exports under AGOA in 2015 which went down to about US$289.1 million in 2017. Major challenges for Lesotho continue to be high unemployment and poverty with unemployment rate increasing from an estimated 26.8% in 2015 to about 29.2% in 2017 (CIA World Factbook/World Bank, 2017).

Under the overall guidance and supervision of MTI and working closely with assigned officials from the MTI to ensure ownership of the final document, institutional memory and continuity, the development of this AGOA Strategy for Lesotho was based on identifying AGOA-eligible products with potential for increased exports. This was done through an analysis of the country’s trade data for a four-year period (2014-17) and designing product specific export strategies to increase utilization of the AGOA trade preference program.

The resultant updated strategy is aimed to guide targeted support to develop the identified export products by addressing supply and market access constraints.

The overarching strategy for Lesotho should be to pursue niche markets for the identified potential export products. The target is to increase current exports from Lesotho to the United States under AGOA from about US$289.1 million in 2017 by at least 5% annually during the next five years in line with government budget predictions and the CBL Economic Outlook 2015-2018. Successful implementation of this AGOA Utilization Strategy for Lesotho will result in increased exports to the U.S. market under the AGOA program bolstered by exports of other potential products in line with the country's drive to improve exports of other products besides textiles and clothing.

Based on the analysis, the suggested priority potential export products for Lesotho to the United States under AGOA are:

- Textiles and apparel, and footwear products (short term);
- Natural/organic products, bottled water and canned foods (medium term); and
- Handicrafts, and leather and leather accessories (long term).

The selection of the above recommended products/sectors with potential for export from Lesotho to the United States under the AGOA program was done using a combination of methodologies including:

- AGOA eligibility of the product;
- Looking at previous and existing exports;
- Current and potential production capacity based on research and feedback from discussions during stakeholder consultations; and
- Identified comparative advantage for Lesotho.

A detailed Implementation Plan Matrix of this AGOA Utilization Strategy for Lesotho includes strategic objectives, performance indicators, anticipated deliverables and proposed lead and support institution(s) responsible for the implementation of the activity as well as the timeframe for implementation indicated as short term (1-2 years), medium term (over 2-5 years), and long term (over 5 years). The objective for highlighting the strategic activities and specific implementing entities is to provide clarity to avoid duplication of effort and to facilitate effective implementation of the strategy guided by clear monitoring and evaluation (M&E) activities.

The Implementation Plan will be the main tool for ensuring effective management and implementation of this strategy led by the AGOA Secretariat in liaison with MTI and the National AGOA Steering Committee. The Institutional Structure for the implementation of the strategy is in Figure 10 under Section 4.0.

1.0 SITUATION ANALYSIS

1.1 Overview of AGOA

The African Growth and Opportunity Act[1] (AGOA) is a non-reciprocal unilateral trade preference program that provides duty-free (and largely quota-free) access into the United States (U.S.) for products from eligible Sub-Saharan African countries. The Act has been in existence for over 18 years and has been amended six times since its enactment on May 18, 2000. The latest iteration from July 2015 to September 2025 is the longest extension in the history of the trade deal with Sub-Saharan Africa (SSA).

The AGOA program aims to promote a free-market system, expand U.S.-African trade and investment, stimulate economic growth and assist SSA's integration into the global economy. The two focus areas for the AGOA program are to increase exports from AGOA eligible countries to the United States, and to encourage investment by U.S. firms into SSA. As outlined in its policy statement, the U.S. Government (USG) objective for the AGOA program is to:

a) Increase trade and investment with Sub-Saharan African countries;
b) Expand U.S. assistance to SSA's efforts on regional integration;
c) Reduce tariffs and non-tariffs between the two regions;
d) Strengthen and expand the private sector in SSA; and
e) Facilitate the development of civil societies and political freedom.

This trade initiative provides the most liberal access to the U.S. market consisting of over 300 million people. The combined AGOA/Generalized System of Preferences (GSP)[2] program covers over 6,400 product lines[3] from eligible SSA countries, over 700 of which are agricultural. The products consist of more than 1,800 tariff line items (including apparel, footwear, wine, luggage, handbags, watches, certain motor vehicle components, chemicals, steel and many others) under AGOA, in addition to the 4,600 items enjoying duty-free status under the U.S. GSP program.

1.2 AGOA Eligibility Criteria

Each year, the U.S. President designates a Sub-Saharan African country as eligible to benefit from the AGOA program. For a country to be eligible, the U.S. President determines that it has met or is making continual progress towards establishing:

f) A market-based economy;
g) Rule of law, political pluralism, and right to due process;
h) Elimination of barriers to U.S. trade and investment;
i) Economic policies to reduce poverty;
j) A system to combat bribery and corruption; and
k) Protection of internationally recognized worker rights.

Furthermore, the country must not engage in activities undermining U.S. national security or foreign policy interests, and gross violations of internationally recognized human rights. Eligibility requirements including product and general rules of origin (ROO) are set out in the legislation (https://www.trade.gov/agoa).

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[1] The African Growth and Opportunity Act (AGOA), first authorized in 2000, provides for duty-free treatment for nearly all goods from eligible sub-Saharan African countries. AGOA is currently set to expire on September 30, 2025.

[2] The Generalized System of Preferences (GSP), first authorized in 1974, is a unilateral preference program that allows eligible developing countries to import duty-free import over 3,500 items.

[3] AGOA Key Stats https://agoa.info/

1.2.1 Rules of Origin

According to the ROO for the AGOA program, beneficiaries can only export under the facility if:

a) The product is directly exported from the beneficiary country;
b) At least 35% of the value of the product is originating from the beneficiary country (local cumulation); and
c) Up to 15% of the required 35% may be of U.S. origin or/and the remainder from other AGOA beneficiary countries (regional cumulation).

In addition to the above, AGOA eligible least developed countries (LDCs) like Lesotho qualify for the Third Country Fabric (TCF) provision. The TCF provision is a special rule that allows lesser-developed beneficiary countries duty-free/quota-free access into the United States for apparel made from fabric imported from any country, including non-AGOA beneficiary countries. Under the AGOA facility, a LDC is defined as a country whose per capita income is less than US$1,500. However, while Botswana, Namibia and Mauritius are middle income countries, they have been granted LDC status under the AGOA program.

1.3 Highlights of the 2015 AGOA Extension

The U.S. President signed the AGOA Trade Preferences Extension Act of 2015 into law in June 2015, renewing AGOA by a further 10 years to September 30, 2025. The extension includes the TCF provisions, which are important to the development of the textile and apparel industry in SSA.

The Act promotes compliance with the eligibility criteria by providing greater flexibility to the United States to withdraw, suspend, or limit benefits under AGOA if it is determined that such action will be more effective than termination. Highlights of the AGOA Extension and Enhancement Act include:

a) An out-of-cycle review allowing the U.S. President to review at any time whether an AGOA beneficiary country is making progress towards meeting eligibility requirements with a 60-day notification period prior to termination from being an AGOA beneficiary;
b) Emphasis on promoting the role of women and youth in social and economic development in SSA;
c) United States Trade Representative (USTR) should consider requesting the Regional Economic Communities (RECs) to prepare biennial AGOA utilization strategies, to encourage greater regional integration. The development of this AGOA Utilization Strategy for Lesotho is consistent with the aforementioned USTR recommendation; and
d) The U.S. trade capacity building (TCB) agencies are expected to provide appropriate resources to assist the development and implementation of the biennial AGOA utilization strategies.

While the USG is committed to continued and improved trade with SSA, currently there is no commitment to the continuance of the AGOA program in its current format after September 2025. However, several ideas have been proposed including graduating the dispensation to a more reciprocal model like the existing Economic Partnership Agreements (EPAs) between some African countries and the European Union. The AGOA beneficiary countries need to realize that not only are there about six years of the program remaining but that there is no certainty about the program being renewed. It is therefore critical that beneficiary countries start thinking of the trade relationship they anticipate to have with the USG post AGOA period to prepare themselves for the possibility of the discontinuation of the facility.

1.4 Benefits Under AGOA

The AGOA program has been touted as a significant and fundamental shift in U.S. policy towards sub-Saharan African countries and the cornerstone of the United States' economic engagement with SSA over the years. Consequently, the 10-year AGOA Extension to September 2025 is an opportunity for AGOA beneficiary countries to ramp up their investment and trade promotion efforts. The AGOA Extension emphasizes the need to "boost trade and investment between Sub-Saharan Africa" and focuses on regional integration, economic development and diversifying sources of growth, eliminating barriers to trade and investment as well as the promotion of the role of women in social and economic development. AGOA provides more liberal access to the U.S. market than any other U.S. unilateral trade preference arrangement and reinforces African reform efforts.

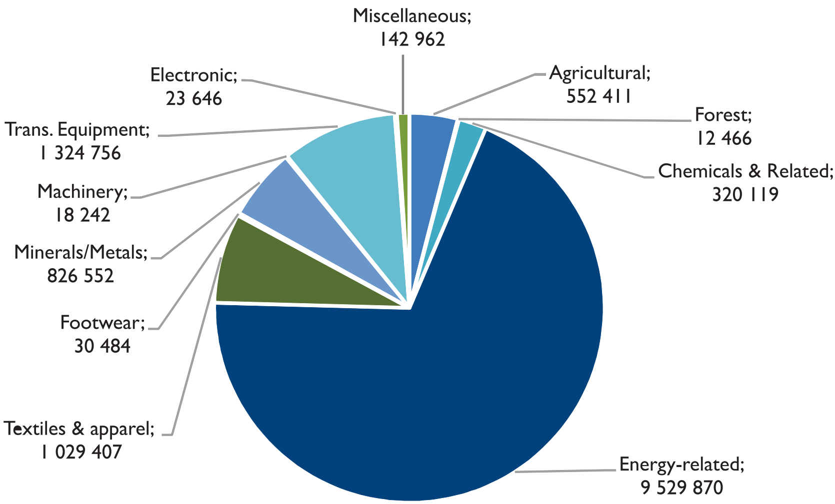
At the core of AGOA regulations are the tariff benefits that provide duty-free access to the U.S. market for products from eligible sub-Saharan African countries in addition to provisions that allow for duty-free and quota-free treatment for eligible textiles and apparel products. Also, through its eligibility criteria, AGOA has helped to encourage the governance and economic reforms needed to support economic growth and encourage investment. Benefits for Lesotho from the AGOA unilateral trade preference program include:

a) **Tariff advantage:** Exports from Lesotho have a significant tariff advantage over those from non-AGOA eligible countries, making Lesotho products more competitive. Tariff exemptions on textiles and apparel products under AGOA are as high as 30%.
b) **Wide range of eligible products**: The AGOA Extension offers an increased range of eligible products (over 6,400 products lines) which allows more diversified exports to the United States by Lesotho as well as an opportunity to develop local value chains (see section on proposed potential products/sectors below).
c) **Opportunity for regional integration:** AGOA facility provides an opportunity to create regional integration through the development of value chains, production sharing and collaboration to meet volumes required by the U.S. market and for pitching the region as one big market.
d) **Capacity building of associations and institutions:** Local institutions will build their capacity and strengthen process through technical assistance and the TCB provided by the various USG support agencies such as the USAID Southern Africa Trade and Investment Hub (the Hub) and others whose mandate is to provide technical assistance to AGOA beneficiary countries to facilitate increased utilization of the program.
e) **Promotion of women in social and economic development:** The AGOA Extension and Enhancement Act, encourages the promotion of women in social and economic development. Increased participation of women in labour will help increase the quantity and quality of available labour for industries involved in international trade.
f) **Job creation:** AGOA has been credited with the creation of over 300,000 jobs in SSA since its inception hence increased utilization of AGOA by Lesotho will result in more job opportunities for Basotho.
g) **Long term relationships:** Local companies that utilize AGOA will be exposed to the U.S. market and can create strategic alliances and other relationships with their U.S. counterparts, which might continue after the expiry of the AGOA facility.
h) **Giving local companies international exposure:** Participation in the U.S. market under AGOA gives companies the much-needed experience for entering other international markets.
i) **Annual AGOA Forum:** The United States and SSA organize a Trade and Economic Cooperation Forum annually, commonly known as the AGOA Forum, to discuss trade and investment issues which helps to resolve any concerns and map the way forward.

1.5 AGOA Statistical Overview

According to the United States International Trade Commission (USITC), overall exports under AGOA moved by about 30% from US$10.6 billion in 2016 to US$13.8 billion in 2017 (see Figure below). Through the AGOA program, energy/oil exports recorded the biggest jump with over 47% from US$6.47 billion in 2016 to US$9.53 billion in 2017. Non-oil exports (NOE) were about 31% (US$4.28 billion) of total AGOA exports in 2017 compared to 39% (US$4.16 billion) in 2016. In contrast, NOE from sub-Saharan African countries increased from US$1.4 billion in 2001 to US$4.1 billion in 2015. Over the years, although oil/energy has been the biggest beneficiary sector under the AGOA program, several non-oil sectors have registered significant exports under the facility, particularly automotive and automotive parts, primary metals, as well as textiles and apparel (see Figure 1 below).

Figure 1: 2017 Overall AGOA Exports



Source: USITC

In 2017, while exports only increased by 2% from US$1.01 billion in 2016 to US$1.03 billion in 2017, most countries recorded lower figures than in 2016. Lesotho's exports fell from US$295.2 million in 2016 to US$288.9 million in 2017 while during the same period, Malawi's textiles and apparel exports to the United States under AGOA also decreased from US$1.6 million to US$321,000 and Botswana's exports fell from US$4.8 million in 2016 to US$991,000 in 2017. Botswana's decrease is attributed to the relocation to Lesotho of one of the major textile and apparel exporters, Carapparel.

As per Table 1 below, Kenya and Lesotho remain the major beneficiaries of textiles and apparel under AGOA. On the other hand, during the period under review, East African countries made big gains, led by Madagascar (US$93.5 million to US$148.0 million), Ethiopia (US$36 million to $55 million), and Rwanda (US$460,000 to US$1.5 million). While Madagascar is in the Southern Africa Development Community (SADC) region, it is considered part of the East African block, for one reason or another. Following its re-authorization effective January 2018, Eswatini's (formerly Swaziland) exports will be keenly observed.

Table 1: SSA Textiles and Apparel Exports

Country	2016 (US$'000s)	2017 (US$'000s)
Kenya	339,338	339,029
LESOTHO	**295,162**	**288,926**
Madagascar	93,448	147,994
Mauritius	187,363	139,646
Ethiopia	36,349	55,587
Tanzania	36,931	40,511
Ghana	6,159	8,429
South Africa	7,245	6,008
Rwanda	460	1,494
Botswana	4,766	991
Uganda	36	359
Malawi	1,556	321
Mali	2	48
Benin	0	27
Cameroon	2	13
Senegal	20	11
Zambia	0	4
Nigeria	3	4
Togo	1	3
Cote d`Ivoire	5	2
Namibia	2	1
Total	**1,008,850**	**1,029,407**

Source: USITC

1.6 Review of the 2015 National AGOA Response Strategy for Lesotho

In response to a request for support by the Lesotho Ministry of Trade and Industry (MTI) to USAID/Southern Africa, the Hub reviewed the National AGOA Response Strategy for Lesotho developed in 2015 with a view to develop a revised AGOA Utilization Strategy focusing on diversification to increase exports of other products to the United States under AGOA to avoid relying on exports of textiles and apparel products. The lack of a current and effective AGOA Utilization Strategy for Lesotho is one of the primary reasons for the low utilization of the AGOA program particularly for non-textile products, hence the need to develop an updated AGOA Utilization Strategy.

The review of the AGOA Response Strategy involved several consultations with Lesotho stakeholders from both the private and public sector, civil society and representatives of international development partners across the country. Below is a summary of findings on the review of the 2015 AGOA Response Strategy for Lesotho:

a) Several consulted stakeholders were not aware of the existence of the 2015 AGOA Response Strategy for Lesotho and their expected role in implementing the strategy, hence they were not sure of the status of the strategy;
b) There was a general lack of awareness of the AGOA program and its benefits among most of the consulted stakeholders. Most consulted stakeholders indicated that they believed the AGOA program to be only for the textiles and apparel sector;
c) Although there has been implementation of some aspects of the strategy, there was no coordinated approach to the implementation, which could have affected utilization of the program particularly the projected increase of exports of proposed products for diversification; and
d) There was no institution specifically tasked with driving the implementation of the strategy as the recommended institutional structure in the AGOA Response Strategy tasked with spearheading the process was dormant.

This revised AGOA Strategy for Lesotho aims to address the above limitations in order to increase utilization of the facility.

1.7 Review of Economic Performance of Lesotho

Lesotho is a least developed country (LDC) with a Gross Domestic Product (GDP) per capita of approximately US$998.1 and a total GDP of US$2,367 million in 2014 (WTO Trade Policy Review of 2015). Lesotho, together with Namibia, Eswatini and South Africa is a member of the Common Monetary Area, Southern Africa Customs Union[4] (SACU), which allows unrestricted movement of capital and convertibility of transactions among the four countries. According to the WTO Trade Policy Review of 2015, Lesotho's participation in world trade differs significantly from that of the other SACU members.

Lesotho is mainly dependent on textile, manufacturing, agriculture, remittances from Lesotho workers in South Africa, and regional customs revenue and other tax collections. According to the 2018 CIA World Factbook and other sources, Lesotho households depend heavily on

[4] The Southern African Customs Union is the oldest Customs Union in the world having come into existence in December 1969 with the Customs Union Agreement between South Africa, Botswana, Lesotho, Namibia and Swaziland. It entered into force in March 1970, replacing the Customs Union Agreement of 1910.

remittances from family members working in South Africa in mines, farms, and as domestic workers. In 2017, the estimated GDP composition for Lesotho by sector consisted of services (60%), Industry (35%) and Agriculture (5%). The services sector mainly consists of retail trade, tourism, financial services and public social services. The country has over the years maintained reasonable levels of inflation, current account deficit, public debt and fiscal deficit.

As a member of SACU, Lesotho revenues from Customs Union accounted for roughly 26% of total GDP in 2016. However, SACU revenues are volatile and expected to decline over the next five years. However, the Government of Lesotho (GOL) continues to strengthen its tax system to reduce dependency on customs duties and other transfers. Lesotho also gains royalties from the South African Government for water transferred to South Africa.

According to CIA World Factbook, government remained Lesotho's largest employer with the wage bill increasing to 23% of GDP – the highest in SSA – followed by the textile and apparel sector. The Central Bank of Lesotho (CBL) envisages that although there are uncertainties and challenges in manufacturing particularly the textiles and clothing and agricultural sectors, Lesotho's GDP will rise to about 4.6% in 2018, mainly supported by the mining industry and the services sector. The 2018/19 Lesotho Budget Speech to Parliament estimated global output to grow by 3.7% in 2017 compared to 4.7% growth in SSA during the same period, driven by increased agricultural and mining output. Table 2 highlights some of the key macroeconomic indicators for Lesotho.

Table 2: Macroeconomic Indicators for Lesotho

Indicator	2015 (est.)	2016 (est.)	2017 (est.)	Country Comparison to the World (2017)
GDP (Purchasing Power Parity)	$6.954 billion	$7.118 billion	$7.448 billion	167
Real GDP growth rate %	2.5%	2.4%	4.6%	50
GDP Per Capita (Purchasing Power Parity)	$3,600	$3,700	$3,900	180
GNI (formerly GNP)	$1,320	$1,270	-	
Gross National Savings	23.8% of GDP	21% of GDP	20.3% of GDP	87
Inflation Rate (Consumer Prices)	-	6.4%	6.6%	190
Population Growth Rate	1.34%	1.33%	1.33%	173
Exchange Rate - Maloti (LSL) per US Dollar	14.71	14.71	14.48	
Commercial Bank Prime Rate	-	11.58%	12%	67
Unemployment	26.8%	28.3%	29.2%	

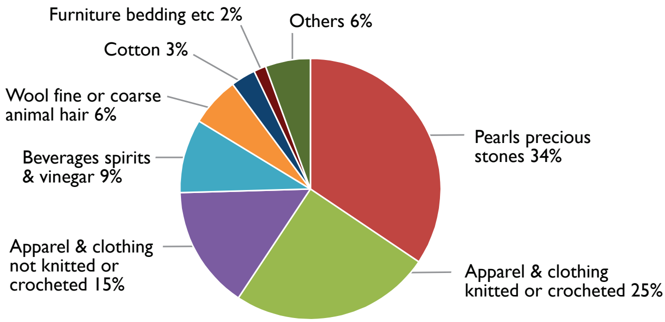
Source: CIA World Factbook/World Bank, 2017

In 2017, total exports were estimated at over US$1.0 billion, up from about US$894 million in 2016 mainly consisting of manufacturing (clothing, footwear), wool and mohair, food and live animals, electricity, water, and diamonds against total estimated imports of US$1.7 billion in 2017 and US$1.6 billion in 2016. Southern Africa particularly South Africa (80%) and other SADC countries (6.5%) are the main export partners for Lesotho while about 14.3% of exports go to the United States mainly consisting of textile and apparel products under the AGOA facility. Having a few export products makes Lesotho highly vulnerable to demand and supply changes, highlighting a need to increase the number of export products.

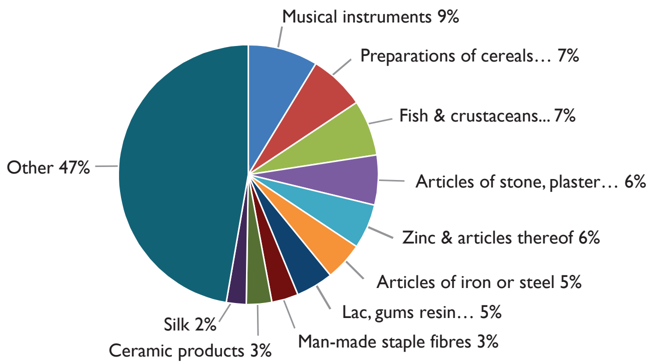
South Africa and SADC are the major sources of imports for Lesotho accounting for 44.6% and 42.4% respectively. Imports consist of food, building materials, vehicles, machinery, medicines, and petroleum products (see Figure 2).

Figure 2: Major Exports and Imports for Lesotho in 2016

Exports



Imports



Source: Lesotho Bureau of Statistics

Major challenges for Lesotho continue to be high unemployment and poverty with unemployment rate increasing from an estimated 26.8% in 2015 to about 29.2% in 2017 (CIA World Factbook/World Bank, 2017). According to modelled International Labour Organization (ILO) estimates, Lesotho's unemployment rate has not declined in recent years and remains around over 25% with youth unemployment being almost 10% higher. The high unemployment rate plays a key role in keeping over half of Lesotho's population below the poverty line, and about three quarters of the people live in rural areas mostly engaged in livestock herding and subsistence agriculture. ILO also indicates that Lesotho has among the lowest labour productivity rates in the world and production remains very labour-intensive. Developing an effective export strategy focusing on diversified exports and attracting increased investment would increase job opportunities and reduce poverty in Lesotho.

1.8 Overview of the Business Environment in Lesotho

The Lesotho National Strategic Development Plan (NSDP) targets private sector job creation and long-term GDP growth of 5% per annum, using the following key strategies for creating high and shared growth:

a) Mobilization of domestic and foreign savings and improving the investment climate;
b) Promoting economic diversification;
c) Improving quality and competitiveness of the labour force;
d) Facilitating technology transfer and partnerships for research;
e) Building minimum infrastructure platform, especially to link production centres and markets and to facilitate external trade;
f) Promoting global integration and trade; and
g) Development of the private sector.

As is the case with most sub-Sahara African countries, addressing trade diverting policies and related non-tariff barriers (NTBs) to trade is of utmost importance to Lesotho to improve its business environment. Transporting goods to and from Lesotho represents a challenge for traders since Lesotho has no direct sea access and has a very small international airport. Lesotho needs to effectively deal with NTBs between its borders with South Africa to facilitate the ease of movement of goods in and out of the country. Although South Africa offers quality port facilities in Durban, Lesotho firms can only access the port by road and rail having first endured the inefficient bureaucracy and congestion at the borders. Consulted stakeholders cited protective tariffs, customs valuation above invoice prices, port congestion in South Africa and import permits as some of the other major barriers to trade in Lesotho.

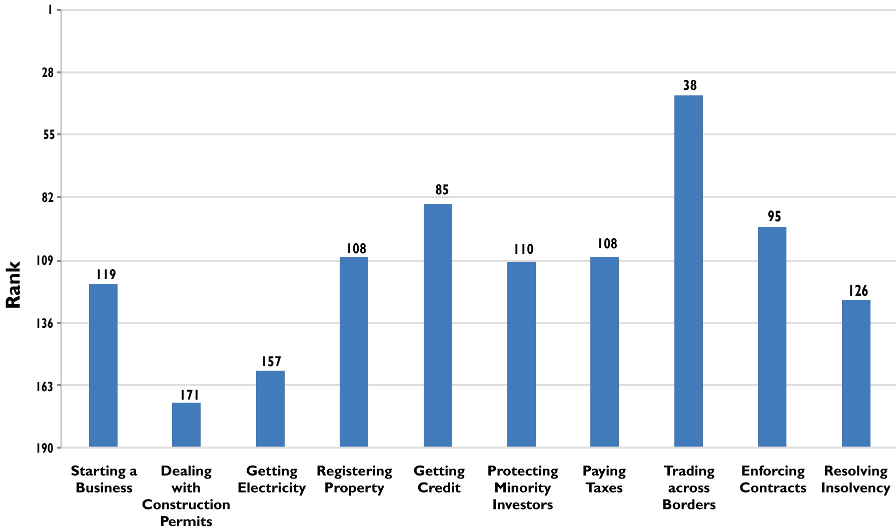
On comparison of general cost against other countries in the region and in east Africa, Lesotho is competitive in most areas. As depicted in Table 3, Lesotho competes well in cost of electricity, water, value added tax (VAT) on imports, corporate tax and maximum bank interest rate. This gives Lesotho a lot of leverage in attracting investors to the country. However, Lesotho charges more for work permits for expats than all the other countries cited below except Zambia.

Table 3: Comparison of General Costs and Other Indicators

Cost Element	Lesotho	Malawi	Ethiopia	Kenya	South Africa	Zambia
1. Mean monthly wage skilled/ semi-skilled (US$)	Vary per sector	368-413.43	74-84	120-150	1485.59 / 269.77	252-350
2. Weekly working hours	45 hours/ week	48 hours/ week	48 hours/ week	45 hours/ week	45 hours/ week	48 hours/ week
3. Overtime allowed/ week	11 hours/ week	12 hours/ week	25 hours/ week	20 hours/ week	10 hours/ week	No limit
4. Rent EPZ/MFEZ factory (US$ per sqm/per month)	n.a	6-11	n.a	2-3.70	4 to 15	8 to 15
5. Electricity (US$c per kWh)	2c-14c/kWh	7c/ kWh	1c-3c/kWh	18c-20c/ kWh	11,7c/kWh (Municipality) 8c/ kWh (ESKOM)	9c/kWh to 25c/kWh
6. Water cost (US$)	44c-1.79/ 1000liters	0.76/ 100m3	0.19 – 0.58/ m3	0.58-2.00/ m3	0.032/100m3	0.79/ 100m3
7. VAT on imports	14% (to be increased to 15%; awaiting govt gazette)	16.5%	15%	16%	15%	16%
8. Corporate tax	Manufacturing company (10%) Non-manufacturing company (25%)	30%	30%	30%	28%	35%
9. Bank interest rate (local currency)	Min. 11.4% Max. 31.8%	Min. 33.8% Max. 42.8%	Min. 5% Max. 11%	Min. 18% Max. 20%	10.5%	Min. 37.5% Max. 45%
10. Work permits for expats (US$)	Work permits (255.07) Application fee (44.51)	176.46	Yes	Yes	111.57	3,377
11. Availability of industrial parks	Yes	Yes	Yes	yes	Yes	Yes
12. Availability of land for construction	Yes	Yes	Yes	Yes	Yes	Yes

The 2019 World Bank Doing Business report ranks Lesotho106 out of 190 assessed countries, a slight decrease compared to position 104 in 2018, and the same ranking as in 2017 but a further deterioration from 100 out of 189 countries in 2016. Table 4 shows that Lesotho ranks poorly in many business climate indicators compared to other countries. Seven out of 10 indicators rank over 100 with only Trading Across Borders (38), Getting Credit (85) and Enforcing Contracts (95) ranking below 100. (**lower ranking indicates better performance**).

Table 4: 2019 Lesotho Rankings on Doing Business

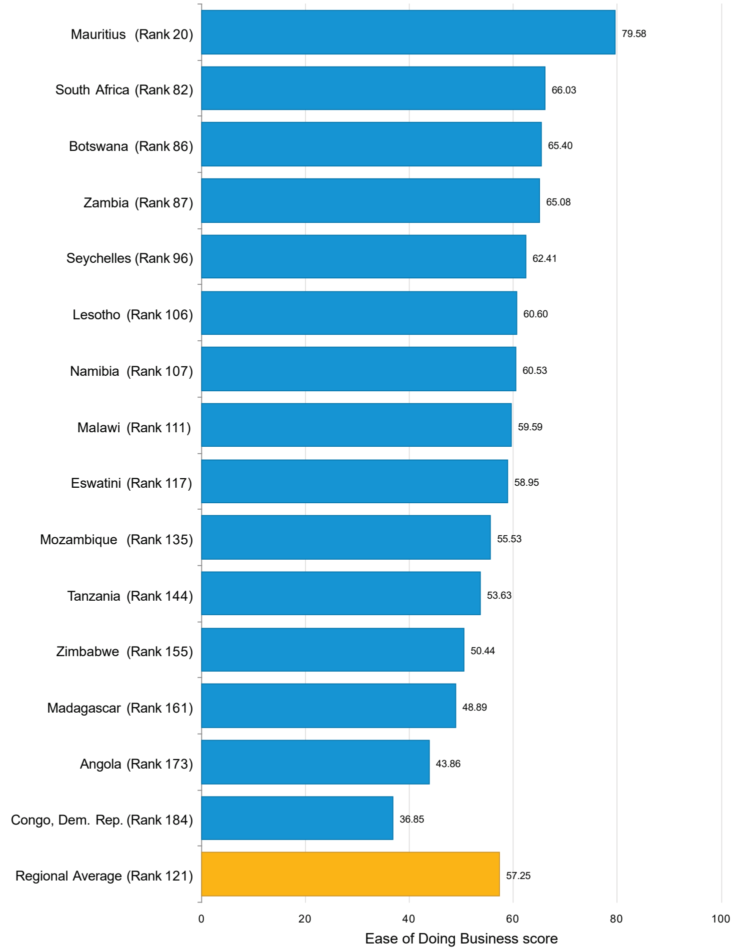


Source: World Bank Doing Business 2019

The Doing Business Report sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations (World Bank, 2017). Lesotho has over the years taken steps to improve its regulatory framework to improve its business environment, but progress has been slow. Against the other 16 SADC countries, Lesotho remained on sixth position in 2019, the same position it was in 2018, confirming the need for the country to improve its business environment to be more competitive.

According to the report, in 2019, Lesotho performed poorly against other SADC countries in five out of the 10 Doing Business indicators where it is ranked poorly against the regional average (see Figure 3).

Figure 3: How Economies in SADC Rank on the Ease of Doing Business in 2019



Source: World Bank Doing Business 2019

Compared to all five SACU countries, Lesotho was third both in 2017 and 2018 compared to being fifth in 2016. As shown in Table 5 below, the five indicators where Lesotho performed better than the SADC regional average are: trading across borders (40/118); getting credit (77/89); enforcing contracts (95/129); registering property (109/118); and starting a business (119/128). All the indicators that were worse than the regional average (i.e. above region average) should be considered priority areas for improvement to enhance the business climate in Lesotho by being at least equal or better than the regional average. Lesotho should reduce the time and cost spent by businesses complying with requirements and regulations to increase competitiveness.

Table 5: Lesotho Rankings on Doing Business Indicators in 2019

Indicator	Lesotho Ranking 2018	Lesotho Ranking 2019	SADC Average	Highest Ranked SADC Country	Ranking
Trading across borders	40	38	119	Eswatini	32
Getting credit	77	85	93	Zambia	3
Enforcing contracts	95	95	131	Mauritius	27
Protecting minority investors	108	110	104	Mauritius	15
Registering property	109	108	118	Mauritius	35
Paying Taxes	111	108	97	Mauritius	6
Starting a business	119	119	133	Mauritius	21
Resolving insolvency	124	126	117	Mauritius	35
Getting electricity	152	157	130	Mauritius	34
Dealing with construction permits	167	171	109	Mauritius	15

Source: Prepared with information from World Bank Doing Business SADC Regional Report 2019

1.9 Overview of Lesotho Exports to the World

The analysis was mainly conducted at Harmonized System[5] (HS) two, six and 10 digit level. As show in Figure 2 above, Lesotho shows a high reliance on a few export products. In 2016, the Observatory of Economic Complexity (OEC) ranked Lesotho the 162nd largest export economy in the world. Table 6 depicts the top 10 exports for Lesotho to the world from 2014-2016 based on the International Trade Centre (ITC) Trade Map. According to the ITC Trademap, Lesotho exported a total of about US$1.0 billion in 2017, up from about US$941.1 million in 2016 with the major exports for Lesotho during this period being textiles and clothing and diamonds. In 2016, apparel and textiles accounted for 46.6% of exports, diamonds for 29.9% of exports and electrical machinery, equipment and parts thereof were 17.1% of exports while wool, fine or coarse animal hair was 5.1%[6] with natural or cultured pearls contributing the highest in 2017 at about 36.3%. This was followed by articles of apparel and clothing accessories (knitted or crocheted) at about 24% and articles of apparel and clothing accessories (not knitted or crocheted) at about 18.6%. The combined two apparel and clothing accessories (HS Code 61 and 62) contributed the highest exports for Lesotho at 42.6% in 2017. Appendix A shows all Lesotho exports to the world between 2013 and 2017 excluding the United States.

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[5] The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products. It came into effect in 1988 and has since been developed and maintained by the World Customs Organization (WCO), an independent intergovernmental organization based in Brussels, Belgium, with over 200-member countries.

[6] It should be noted that there are often significant variances on trade statistics between different sources of data e.g. there are difference between export figures for Lesotho indicated by the Lesotho Bureau of Statistics and the ITC Trade Map Database (calculated based on UN COMTRADE statistics).

Table 6: Top 10 Lesotho to the World 2013-2017 (US$'000)

Code	Product Label	Exported value in 2013	Exported value in 2014	Exported value in 2015	Exported value in 2016	Exported value in 2017
Total	**All products**	**353,798**	**818,435**	**586,332**	**941,117**	**1,036,783**
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad...	16,641	376,617	184,783	276,907	376,276
61	Articles of apparel and clothing accessories, knitted or crocheted	65,103	163,465	135,574	266,790	248,859
62	Articles of apparel and clothing accessories, not knitted or crocheted	63,047	108,376	86,790	182,335	193,058
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television...	50,527	22,521	20,790	50,659	59,333
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	6,487	23,193	36,665	46,995	57,491
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings;	417	1,894	9,537	21,441	19,235
52	Cotton	16,101	17,434	18,735	24,060	15,971
11	Products of the milling industry; malt; starches; inulin; wheat gluten	17,531	4,011	3,557	16,144	12,450
64	Footwear, gaiters and the like; parts of such articles	25,970	6,403	8,893	11,778	11,262
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	222	1,097	472	114	6,323

Source: https://www.trademap.org/Product_SelCountry_TS.aspx?nvpm

Figure 4: Markets for Lesotho Exports in 2016

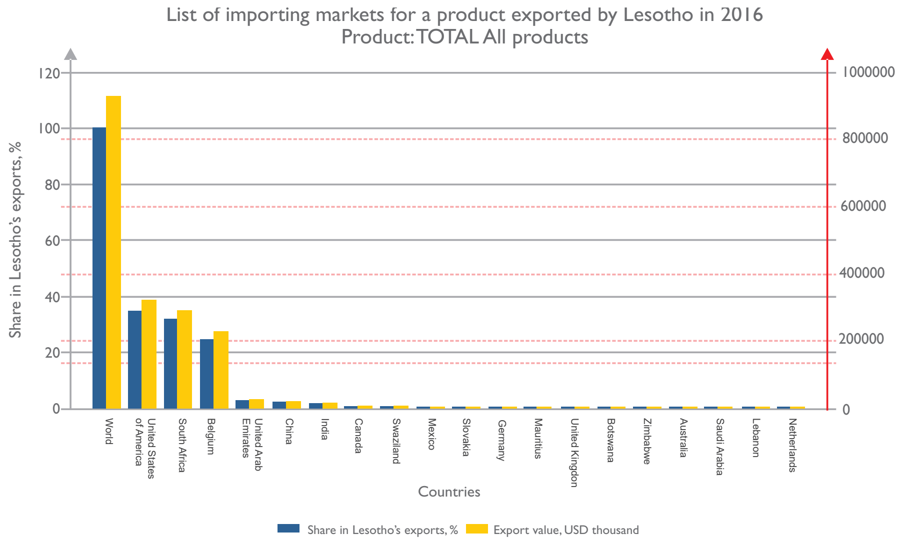

Figure 4 depicts the markets for Lesotho exports in 2016 with the United States (35%), South Africa (32%), Belgium (24%), United Arab Emirates (UAE) (3%) and China (2%) being the destination for 96% of exports from Lesotho.

As highlighted above, there has over the years been very limited diversification of exports and markets for Lesotho, which amplifies the need for an export diversification strategy for the country.

However, there is some diversification in SACU mainly on exports to South Africa with small electrical parts and machinery, auto parts, and miscellaneous items having started to emerge in the last couple of years. All these are currently destined for the South African market.

1.10 Overview of Export Sectors

In Lesotho, horticulture, aquaculture and agro-processing, manufacturing and mining sectors have products already being exported to regional and international markets or have potential for export development mainly through value addition for export. The sectors can be developed to help drive export growth and allow economic growth for the country.

1.10.1 Horticulture, Aquaculture and Agro-processing

Under this sector, Lesotho currently exports and has potential to increase production of wool and mohair, trout, cereal, flowers, fruits and vegetables (beans and asparagus), and processed foods, amongst other products, for export. Stakeholders suggested that capacity could be developed through domestic and intra-SADC trade to ensure capacity for export to international markets. However, there is a need for Lesotho to critically assess its comparative advantage and exploit areas where the country can effectively compete internationally and specifically on the U.S. market.

A World Bank Study contends that in Lesotho, commercial agriculture, including fruit production, faces numerous hurdles such as degraded land, primarily due to soil erosion, and poor management, unpredictable and frequent droughts, difficult topography, small size of holdings, and overall lack of technical and management resources as well as perennial lack of funds. Also affecting agricultural investment is the land tenure. The provisions of the Lesotho Land Act restrict leasehold of rural land through marriage, gifts and inheritance – which means many rural dwellers only have Form Cs rather than leases. An owner of land through a Form C is only permitted to use the land without defined time or ownership. Without leases, farmers are unable to use land as collateral for any borrowings. Therefore, the land owner has limited access to funding for agricultural production activities. All these issues require attention to ensure increased production, productivity and competitiveness.

Nevertheless, Lesotho possesses some of the elements necessary to support competitive horticulture production such as high altitude, excellent soils and access to water. The high altitude means Lesotho harvests its produce two to three weeks earlier than South Africa giving products from Lesotho an opportunity to reach the market ahead of competitors.

Based on the results of the World Bank funded Private Sector Competitiveness and Economic Diversification Project[7] (PSCEDP), Lesotho has potential to commercially produce plums, apples, apricots and peaches. While currently all the produce is supplied to local retailers and South Africa, to be competitive outside these markets particularly in the United States under AGOA, Lesotho would need to consider value-added agro-processing activities like canning, juicing and drying. In addition to the huge U.S. market, there is a growing market for dried organic fruit in the UAE, which Lesotho can have access to with the right products.

Lesotho also has to engage the U.S. Animal and Plant Health Inspection Service[8] (APHIS), to ensure the above listed fruit and vegetable products have APHIS approval to enter the United States.

1.10.1.1 Wool and Mohair

Wool and mohair are increasingly becoming Lesotho's main agricultural exports and have the potential to contribute immensely to economic growth and to reduce the existing poverty in rural communities. The two commodities, which are mostly produced in the highlands districts of Lesotho with Quthing, Qacha's Nek, Mokhotlong, Thaba-Tseka and Botha-Bothe as main pasturelands, are among the country's major income earners with great potential for expansion. According to the Lesotho Wool and Mohair Growers Association (LWMGA), in 2015, revenues from wool contributed about US$16.1 million while mohair generated about US$4.5 million with more than 32,000 farmers receiving

[7] *The key objective of the Private Sector Competitiveness and Economic Diversification Project is to facilitate increased participation of the private sector in the economy by creating conditions for improving its productivity and competitiveness. The first phase of the project launched in 2007 was specifically to improve the public sector, while the second five-year phase aimed at establishing the horticulture project started in 2013.*

8 https://epermits.aphis.usda.gov/manual/index.cfm?

individual payments amounting to US$20 million. The ITC Trade Map shows that in 2015 and 2016, Lesotho exported wool (HS 51) worth US$36.7 million and US$47.0 million respectively. In 2015, Lesotho improved the production of wool and mohair through the construction of shearing sheds and supporting smallholder agriculture developments. At the same time, the Wool and Mohair Promotion Project[9] (WAMPP) was launched in 2014 to enable smallholder livestock producers to generate higher incomes and more sustainable livelihoods and increase the producers' ability to cope with and recover from natural shocks.

According to International Fund for Agricultural Development (IFAD), the Wool and Mohair Promotion Project has three components: climate-smart rangeland management; improved livestock production and management; and wool and mohair fibre handling and marketing. Besides being a major source of income for the rural communities, wool and mohair along with live animals contribute about 4.8% of Lesotho's GDP. While South Africa is a primary export destination, a substantial amount of wool exports goes to the Indian, China and Czech Republic markets. Unfortunately, the products are mostly exported as raw materials without any value addition.

However, wool and mohair are not an AGOA eligible. While most wool tariff lines are duty free under the most favoured nation[10] (MFN), several wool and mohair products are charged varied MFN duties to enter the U.S. market.

1.10.1.2 Trout

Reports suggest that global fish consumption has increased five-fold in the last five decades, resulting in aquaculture now being the fastest growing sustainable food production sector in the world, with global sales estimated at US$80 billion. In Lesotho, fish farming is increasingly becoming an important sector of the economy and the potential for aquaculture development has increased due to the existing and planned water development projects.

Created in response to the rapidly growing global demand for fish, particularly the demand for locally produced trout as well as the growing dependence of South Africa on imported trout. Currently, about 80% of Lesotho's trout goes to Japan, with 15% being exported to South Africa while the rest is sold locally.

Trout fish (HS 03) is not AGOA eligible but enjoys zero duty under MFN/normal trade relations[11] (NTR).

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[9] WAMPP is a US$38.9 million, seven-year project aimed to boost the economic and climate resilience of poor, smallholder wool and mohair producers to adverse effects of climate change in the Mountain and Foothill Regions of Lesotho.

[10] A most favoured nation (MFN) clause is a level of status given to one country by another in the interests of trade and enforced by the World Trade Organization. It is essentially a method of establishing equality of trading opportunity among states by making originally bilateral agreements multilateral. MFN is a method of establishing equality of trading opportunity among states by guaranteeing that if one country is given better trade terms by another, then all other states must get the same terms.

[11] In 1998, in the United States, "most favoured nation status" has been renamed "permanent normal trade relations" as all but a handful of countries had this status already. Since then, the term normal trade relations (NTR) has replaced most favoured nation in all U.S. statutes.

1.10.2 Manufacturing

The manufacturing sector together with mining are considered the best prospect industry sectors for Lesotho. However, manufacturing's contribution to GDP growth remained modest in 2016, due to slow growth in textiles and clothing for the U.S. AGOA market. While major industries in the manufacturing sector in Lesotho include textiles, clothing, footwear, food and beverages, the sector is dominated by production of textile and clothing.

1.10.2.1 Textile and Clothing

Although Lesotho is now one of the largest exporters of garments from SSA to the United States, the sector had remained undeveloped for several years. It only started growing in the mid-1990s with the advent of majority rule in 1994 when several investors began relocating to Lesotho from the former South African Bantustans following the withdrawal of investment incentives by the new South African government. The introduction of the AGOA program by the USG in 2000 resulted in more investors from China and Taiwan attracted by the duty-free and quota free U.S. market preferences under the AGOA facility leading to increased growth of the garment factories in Lesotho. The enviable growth of the Lesotho textile and garments industry has been aided by the GOL's deliberate policies on encouraging investment in the textiles, clothing and footwear manufacturing sector to take advantage of the AGOA trade preference program. Though currently less than the early-2003 peak of about 54,000 workers, the combined footwear and textile and garments manufacturing industry reportedly remains the largest formal private sector employer in Lesotho with about 46,500 workers.

1.10.2.2 Leather and Footwear

Although footwear is eligible for export to the United States under the AGOA facility, Lesotho currently has only two footwear manufacturers, both based in Maputsoe. The two firms produce about 7.2 million pairs of shoes per year mainly for export with approximately 1,253 employees. However, the domestic market largely relies on imports from South Africa.

1.10.2.3 Water Bottling

Often referred to as 'White Gold' by the Basotho people, water is Lesotho's major natural resource. Rainfall and winter snowfalls provide an estimated 5.5 billion cubic metres of water annually. Lesotho water is very clean anchored by the multi-million Lesotho Highlands Water Project, the largest bi-national infrastructure project between Lesotho and South Africa. Lesotho also has about 137 known natural springs, six of which are near Maseru coupled with several boreholes countrywide which flow throughout the year fed by renewable groundwater reserves recharged by rainfall and cleaned by the natural environmental system.

The bottled water industry in Lesotho is expected to continue to grow in response to local and international demand. The industry takes advantage of the readily available water considered to be some of the purest in the world with very little microbiological and chemical contamination, which eliminates the need for intensive treatment. Consulted water bottling companies indicated existing and potential capacity to meet both local and foreign market demand with some already supplying chain stores in South Africa and eyeing prospective markets in Botswana, Namibia and other SADC countries as well as Middle East market.

The water producers established a Water Bottling Federation to serve the interests of water bottlers in Lesotho and to help maintain a commercially vibrant water bottling sector by coordinating efforts of its members to supply products to the domestic and international markets. The federation is fully functional and has been engaged by the Ministry of Small Business Development, Cooperatives and Marketing (MSBDCM) on numerous occasions.

1.10.3 Mining

The Mining Sector has grown during the past decade driven by the diamond industry and the mining sector's annual contribution to the GDP for Lesotho has continued to increase with the highest so far being 4.5% in 2010–2011. Besides diamonds, Lesotho has dimension stone, clays, gravel, base metals and uranium but inadequate infrastructure and financial constraints have continued to limit commercial activity in the sector. In addition to mining activity in Lesotho, the country has over the years benefited from remittance wages from Basotho employed in the mines in South Africa. However, the gradual reduction in deep-gold-mine operations in South Africa coupled with an increased availability of South Africans who are willing to work in the mines due to lack of employment opportunities in the country have resulted in the reduction of the number of Basotho miners working in South Africa causing a decline in annual remittances from South African.

It is important to note that the development of any export sector and economic growth for the country largely depend on the government taking a leading role in creating a business-enabling environment to encourage investment, effective private sector participation, and to ensure smooth flow of market information. The GOL would need to assume a similar role in developing required infrastructure to facilitate increased production and marketing as well as reinforcing a sound legal framework for trade.

1.11 Lesotho's Trade with the United States

Distance to the market due to geographic positioning will always be a challenge for Lesotho and most Southern African countries exporting to the United States, especially with distance-sensitive goods such as fruits and vegetables and any bulky products. Consequently, countries like Mexico, Canada, Asia and some south American countries will always have better export opportunities and competitiveness given the proximity to the market and tariffs, as well as existing trade agreements and relations. Lesotho will always be competing with countries nearer the U.S. market thus Lesotho should focus on products with comparative advantage in targeted niche markets.

The United States imported from Lesotho US$361.2 million in 2014 which went down to US$308.6 million in 2017. This represented only about 0.02% of the total U.S. imports from the world in 2014 going down to about 0.01% in 2017. Compared to U.S. imports from other SADC countries during the same period, Lesotho contributed about 2.3% both in 2014 and in 2017. Of the 16 SADC countries, Lesotho was the 4th highest exporter to the United States in 2014 and 5th in 2017 with US$361.2 million and US$308.6 million, respectively.

Table 7 shows that the highest exporters from SADC to the United States in 2014 were South Africa with over US$8 billion followed by Angola (US$5.5 billion), and Mauritius (US$401.4) while in 2017, South Africa, Angola, Botswana and Madagascar exported more than Lesotho.

Table 7: SADC Exports to the United States 2014 – 2018 (Year-To-Date from Jan – Apr)

Country	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	2017 YTD US$'000	2018 YTD US$'000	Percent Change YTD 2017 – YTD 2018
South Africa	8,278,624	7,437,219	7,015,036	8,044,212	2,158,443	2,720,990	26.1%
Angola	5,477,548	3,009,896	2,916,524	2,650,546	482,112	711,547	47.6%
Botswana	317,999	225,286	444,976	775,603	146,718	123,247	-16.0%
Madagascar	217,448	322,267	441,781	742,391	265,051	375,907	41.8%
LESOTHO	**361,248**	**329,809**	**310,592**	**308,606**	**83,558**	**153,504**	**83.7%**
Mauritius	401,353	394,888	334,778	284,661	81,904	89,530	9.3%
Mozambique	99,848	109,897	127,477	156,602	41,668	43,916	5.4%
Namibia	256,220	110,529	116,954	146,446	51,742	47,470	-8.3%
Tanzania	86,236	106,686	152,732	131,454	58,216	38,222	-34.3%
Congo (DRC)	154,378	153,455	149,102	87,903	25,872	26,707	3.2%
Zambia	55,646	58,609	69,521	64,952	12,209	57,179	368.3%
Malawi	80,259	60,641	75,584	64,727	27,631	15,822	-42.7%
Zimbabwe	64,645	63,810	23,537	54,583	21,242	9,331	-56.1%
Swaziland	81,527	19,915	16,996	19,616	1,434	1,510	5.3%
Seychelles	3,891	5,839	5,596	12,639	4,254	1,983	-53.4%
Comoros	2,086	1,212	2,675	5,071	505	1,584	213.8%
Total	**15,936,868**	**12,408,746**	**12,201,185**	**13,544,941**	**3,462,055**	**4,416,864**	**27.6%**

Source: https://dataweb.usitc.gov/scripts/REPORT.asp

1.12 Analysis of Lesotho Exports under AGOA

Table 8 shows that Lesotho has over the years enjoyed high but gradually declining exports to the United States with over US$299.3 million exports under AGOA (excluding GSP) in 2015 which went down to about US$289.0 million in 2017. Total AGOA + GSP[12] exports were about US$289.0 million in 2014 and over US$289.1 million in 2017.

A further analysis shows that about 80% of the exports from Lesotho to the United States in 2014 consisted of the 1,800 product lines under AGOA with GSP only contributing about 0.02% while 20% of the products entered the U.S. market without any preferential treatment (no program claimed). In contrast, AGOA products accounted for 93.7% of all Lesotho exports to the United States in 2017 while only about 0.03% was through GSP with 6.3% entering the U.S. market without any preferential program.

[12] *Both AGOA and GSP exports are generally considered as AGOA exports*

Table 8: Total U.S. Imports from Lesotho by Import Program from 2013 – 2017

Country	Import Program	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	2017 YTD US$'000	2018 YTD US$'000	Percent Change YTD 2017 – YTD 2018
Lesotho	AGOA (excluding GSP)	288,889	299,314	295,164	289,013	82,315	98,579	19.8%
	GSP	82	53	59	105	30	0	-100.0%
	No program claimed	72,277	30,442	15,369	19,488	1,213	54,925	4,428.8%
	Total	**361,248**	**329,809**	**310,592**	**308,606**	**83,558**	**153,504**	**83.7%**

Source: https://dataweb.usitc.gov/scripts/REPORT.asp

As highlighted above, articles of apparel and clothing have over the years continued to be the backbone of exports from Lesotho to the United States under AGOA making up over 90% of all Lesotho exports to the United States in 2017. While commendable, this highlights the lack of diversity in Lesotho exports under the AGOA facility. As mentioned earlier, the lack of an effective diversification strategy is one of the primary reasons for the low exports of other AGOA eligible products by Lesotho. Thus, the development of this AGOA Utilization Strategy for Lesotho focused on increasing exports of other AGOA eligible products is aimed to reduce dependency on exports of textiles and clothing thus increasing utilization of the AGOA preferential trade program.

South Africa and Angola's exports contributed 87.3% of the total AGOA exports in 2016 and 88.2% in 2017 (see Table 9) mainly consisting of oil, automotive and mineral exports. Apart from apparel and energy products, South Africa exports a wide range of goods with motor vehicles becoming the country's major export under AGOA making South Africa arguably the biggest AGOA beneficiary. However, although oil remains the top U.S. import under AGOA, oil imports from the region to the United States are said to have fallen by about 80% (nearly US$40 billion) since 2011.

Table 9: SADC Exports to the U.S. under AGOA 2016-2018 (YTD from January – April)

Country	(US$'000, Customs Value)			
	2016 AGOA Exports (Including GSP Provisions)	2017 AGOA Exports (Including GSP Provisions)	2017 YTD AGOA Exports (Including GSP Provisions)	2018 YTD AGOA Exports (Including GSP Provisions)
1. South Africa	2,843,185	2,932,333	716,117	877,960
2. Angola	1,999,179	2,270,620	278,424	438,407
3. Botswana	4,841	991	991	0
4. Madagascar	96,935	152,916	45,346	57,416
5. LESOTHO	**295,223**	**289,118**	**82,345**	**98,579**
6. Mauritius	200,782	158,479	47,544	51,500

Country	(US$'000, Customs Value)			
	2016 AGOA Exports (Including GSP Provisions)	2017 AGOA Exports (Including GSP Provisions)	2017 YTD AGOA Exports (Including GSP Provisions)	2018 YTD AGOA Exports (Including GSP Provisions)
7. Mozambique	15,264	10,580	117	949
8. Namibia	1,465	2,284	314	516
9. Tanzania	37,476	40,847	11,391	13,136
10. DRC	NE	NE	NE	NE
11. Zambia	1,818	1,036	187	109
12. Malawi	51,546	43,041	19,913	7,218
13. Zimbabwe	NE	NE	NE	NE
14. Swaziland	NE	NE	NE	324
15. Seychelles	40	NE	NE	NE
16. Comoros	0	0	0	0
Total	**5,547,754**	**5,902,245**	**1,202,689**	**1,546,114**

Source: Adapted from USITC https://pubapps2.usitc.gov/africa/total_gsp_agoa_import_suppliers.jsp

1.13 Lesotho AGOA Eligible Products Exported to Other Countries Excluding the U.S.

AGOA eligible products that Lesotho is currently exporting substantial quantities to countries excluding the United States, and for which the United States imports significant quantities are potential export products from Lesotho to the United States. Table 10 shows some of the AGOA eligible products from Lesotho at HS Code 2 with exports of above US$1 million to other parts of the world other than the United States. Some of these products could be exported to the United States as part of the diversification focus for Lesotho. Recommended priority potential products for export to the United States under AGOA will be discussed under the strategy section on the next page.

Table 10: AGOA Eligible Products Currently Exported from Lesotho to the World Excluding the United States (US$'000)

		United States of America's Imports from World			Lesotho's Exports to World		
Product Code	Product Label	Value in 2015	Value in 2016	Value in 2017	Value in 2015	Value in 2016	Value in 2017
Total	All products	2,313,424,569	2,275,391,150	2,409,480,182	586,332	941,117	1,036,783
'01	Live animals	3,323,897	2,613,368	2,847,029	102	872	1,454
'08	Edible fruit and nuts; peel of citrus fruit or melons	15,428,069	15,785,164	18,103,261	66	1,077	2,052
'11	Products of the milling industry; malt; starches; inulin; wheat gluten	1,663,149	1,674,399	1,739,527	3,557	16,144	12,450
'12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	2,669,126	2,476,754	2,466,950	531	976	1,094
'19	Preparations of cereals, flour, starch or milk; pastrycooks' products	6,292,327	6,882,598	7,364,152	186	870	1,470
'22	Beverages, spirits and vinegar	22,200,787	23,375,604	24,692,204	49,671	158	87
'23	Residues and waste from the food industries; prepared animal fodder	2,983,484	2,915,195	2,939,966	1,721	6,147	4,604
'39	Plastics and articles thereof	50,244,766	50,817,331	54,879,660	771	937	1,120
'42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	14,448,716	13,730,252	13,499,930	2,300	8,944	172
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	58,320,314	65,778,892	60,006,905	184,783	276,907	376,276
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	330,044,570	319,085,907	349,105,215	5,232	3,000	4,906
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	333,525,810	340,855,922	356,783,703	20,790	50,659	59,333
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	284,383,662	283,617,499	294,588,067	6,161	6,434	655
'94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	61,163,743	63,196,997	67,229,726	9,537	21,441	19,235

1.14 How a Product Qualifies for AGOA Duty-Free Treatment?

A product qualifies for AGOA duty-free treatment under the following conditions[13]:

a) The product must be included in the list of GSP eligible articles, or included in the list of AGOA products, or be a qualifying apparel/textile item;
b) The product must be imported into the United States directly from an AGOA beneficiary country or pass through another country in a sealed container and addressed to a location in the United States;
c) The product must be the growth, product, or manufacture of the AGOA beneficiary country by fulfilling the relevant ROO requirements for general or apparel items respectively;
d) If foreign materials are imported into the AGOA country first to be used in the production of an AGOA eligible product, the sum of the cost of the materials produced in the AGOA beneficiary country, plus the costs of processing, must equal at least 35% of the product's value when the product is sold for export into the United States;
e) In the case of clothing/apparel, the 35% rule does not apply directly, instead, the goods need to comply with the respective ROO requirements; and
f) The U.S. importer must request duty-free treatment under AGOA on the relevant customs entry form (Form 7501) by placing a "D" in column 27 in front of the U.S. tariff number that identifies the imported article.

1.15 Analysis of Investment Climate in Lesotho

The two focus areas for the AGOA unilateral trade preference program are to:

a) Increase exports from AGOA eligible countries to the United States; and
b) Encourage investment from the United States and other parts of the world into SSA.

The aim of this Strategy is to identify opportunities for Lesotho to broaden and deepen its trade and investment ties with the U.S. in line with the above-mentioned two focus areas for the AGOA program. Consistent with this thinking, the Lesotho NSDP seeks to improve the investment climate and remove the constraints to growth and job creation. In addition, besides appreciating the importance of foreign direct investment (FDI) to economic growth, Lesotho equally values the involvement of local investors in the economy and the need to empower and facilitate the growth of local entrepreneurs. Although limited restrictions on foreign ownership of small businesses exist, the government actively encourages FDI in all areas of the economy with foreign investors enjoying the same rights and protection as local investors.

United Nations Conference on Trade and Development (UNCTAD, 2009) argues that FDI inflows into host countries are determined by a variety of factors including the economic attractiveness of host countries, profitability of the investment, various policy and institutional elements and business facilitation measures. Lesotho currently has no foreign investment law, and has limited bilateral investment treaties (BITs) to protect foreign investors.

Nonetheless, the concerted effort to attract FDI, which resulted in an inflow of investment in the textile and apparel sector in Lesotho coinciding with the start of the AGOA program in 2000 has continued to this day. As a result, over the past decade, Lesotho's FDI averaged above 3% of GDP annually, mainly targeted at the textile and apparel, mining and the business services sectors.

[13] *https://agoa.info/about-agoa/product-eligibility.html*

Table 11: 2017 Top Five Sources and Destination of FDI (US$ Million)

Inward Direct Investment			Outward Direct Investment		
Total Inward	**141,662**	**100%**	**Total Outward**	**196**	**100%**
1. South Africa	75,656	53.4%	South Africa	196	100%
2. UK	30,586	21.6%			
3. Taiwan	28,809	20.3%			
4. British Virgin Islands	4,519	3.2%			
5. China	2,092	1.5%			

Source: https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm

Table 11 shows that in 2017, over half (53.4%) of Lesotho's FDI was from South Africa closely followed by UK (21.6%) and Taiwan (20.3%) while all of Lesotho's foreign (outward) investment went to South Africa.

Through LNDC, Lesotho actively encourages investment in sectors like textile and apparel; energy and mining; and environmental technologies. LNDC offers incentives such as tax incentives, factory space at discounted rental rates, long-term loans, and assistance with work permits and licenses, as well as logistical support for relocation. Textile manufacturing companies that export outside the SACU market, can import raw materials and export finished products duty-free and tax-free. Currently, there are five industrial areas with construction of a sixth area in Botha Bothe District scheduled to start soon. Current tax and financial incentives for Lesotho are:

a) 10% corporate tax on profits earned by manufacturing companies exporting outside SACU;
b) 15% VAT;
c) Easy repatriation of manufacturing profits;
d) Manufacturing corporate tax rate of 10% on profits for intra-SACU trade;
e) No advance corporation taxes paid by companies on the distribution of manufacturing profits;
f) No withholding tax on dividends distributed by manufacturing companies to local or foreign shareholders;
g) Payments made in respect of external management skills and royalties related to manufacturing operations are subject to withholding tax of 10%;
h) Training costs are allowable at 125% for tax purposes; and
i) Lesotho Revenue Authority (LRA) has introduced flexible VAT payment systems for compliant firms to ease cash flows.

The presence of local natural resources is a key element in building productive capacity and attracting investment in sectors of interest, ultimately influencing the success of the investment. Compared to other SADC countries, Lesotho's FDI has been commendable, mainly driven by investment in the textiles industry and the mining sector. While Lesotho has a relatively small market with a population of only about two million people, investing in Lesotho provides potential access to a huge regional market as Lesotho is part of a five member Customs Union, SACU and the 16-member SADC. Lesotho's membership provides access to a potential market of about 277 million people with a combined GDP of US$471.1 billion as well as access to the Common Market for Eastern and Southern Africa (COMESA)-East African Community (EAC)-SADC Tripartite Free Trade Area (FTA) and the recently launched African Continental Free Trade Area consisting of all 55 members of the African Union. The Tripartite FTA consist of 26 countries with a combined population of over 600 million and a GDP of about US$624 billion. Foreign investment in Lesotho provides a ready market for products and an opportunity for regional integration and value chain development.

In an effort to create an enabling environment for increased investment, Lesotho has over the years been working to improve the country's investment climate. The activities are anchored on a structured Investor Roadmap program focusing on the legal, institutional and regulatory reforms required to remove or simplify impediments to providing a business-friendly environment to encourage investment and trade in key productive sectors. For instance, in an effort to improve the country's capacity to resolve commercial cases, Lesotho established a Commercial Court in 2010 with the support of a grant from the USG-funded Millennium Challenge Corporation. In 2016, Lesotho launched a credit information bureau to improve credit conditions and facilitate effective credit risk management by registered credit providers. Furthermore, to facilitate FDI and business operations, Lesotho long established a One-stop Business Facilitation Centre (OBFC), consisting of all services required to start and operate a firm from inception to when the firm decides to end its operations. The OBFC also hosts the Lesotho Trade Information Portal, a single online authoritative source of all laws, regulations, and procedures for importing and exporting, which provides transparency and predictability to trade transactions and reduces the time and cost of doing business.

The main drawback for investment in Lesotho is the current age-long land tenure issue. The provisions of Lesotho's Land Act seem to restrict leasehold of rural land through marriage, gifts and inheritance – which means many rural dwellers only have Form C's rather than leases. As indicated above, this restricts the use of land. Without leases, farmers are unable to collateralize land and therefore, have limited access to credit to invest in land and agricultural production activities. However, the Land Act of 2010 reformed the land tenure system, allowing foreign investors to hold land titles as long as 20% of the company is owned by local investors. In addition, the Land Act allows the use of land as collateral, which has expanded access to credit.

1.16 Comparative Advantage for Lesotho

The Organisation for Economic Cooperation and Development (OECD) maintains that comparative advantage[14] is one of the principal theories in understanding international trade and the benefits of trade liberalization. However, comparative advantage is a concept of the relative costs of doing things, hence no country can develop a comparative advantage in everything. Invariably, all countries have a comparative advantage in something.

[14] The theory of comparative advantage indicates that specialization according to comparative advantage is a precondition for reaping gains from trade. Any substantive interference with this process, even if it entails government support to sectors in which a country may have natural comparative advantage, can reduce these gains or even render them negative

The main sources of comparative advantage for Lesotho for increasing utilization of the AGOA facility include:

a) Reasonably relative abundance of cheap, educated and less militant labor;
b) Conducive climate for agricultural production;
c) Availability of natural resources such as abundant supply of water and mineral resources; and
d) A competitive investment incentive scheme.

1.17 Development of the National AGOA Utilization Strategy for Lesotho

As highlighted above, the Hub agreed to assist the GOL to review the 2015 Lesotho AGOA Response Strategy and develop an updated AGOA Utilization Strategy. The Strategy focuses on identifying other products for increased exports from Lesotho to the United States under AGOA to avoid over dependency on exports of textiles and apparel products.

Currently in SADC, only Botswana, Malawi, Madagascar, Mauritius, Mozambique, Tanzania and Zambia have or are in the process of developing their national AGOA Response/ Utilization Strategies in line with the AGOA Extension and Enhancement Act (2015) recommendation.

The Terms of Reference (ToRs) for developing this strategy are summarized as follows:

a) Comprehensive review of the National AGOA Strategy for Lesotho developed in 2015, to ensure that it is in line with national working documents such as National Strategic Development Plan;
b) Identify and analyze key AGOA eligible sectors for Lesotho with potential competitive advantage on the U.S. market;
c) Develop an action/implementation plan that will be reviewed annually;
d) Clarify the NTBs to trade encountered by Lesotho firms that are exporting to the U.S. under the AGOA program;
e) Identify U.S. market sanitary and phytosanitary (SPS) requirements and investigate the support required by Lesotho firms to meet U.S. market requirements to unlock the potential trade for Lesotho products; and
f) Develop a framework which will assist business community of Lesotho to build strategic partnerships and relationships with U.S. companies and agencies to access lines of credit from Overseas Private Investment Corporation (OPIC) and other capacity building programs.

Under the overall guidance and supervision of MTI and working closely with assigned officials from the MTI and LNDC to ensure ownership of the final document, institutional memory and continuity, the process of developing this Strategy involved the following activities:

a) Advising Lesotho on setting up of a Stakeholder Consultation Committee/Reference Group to help spearhead the review and development of an updated National AGOA Utilization Strategy for Lesotho;
b) Developing and presenting the final Inception Report for the assignment to Lesotho before undertaking a comprehensive review of the 2015 National AGOA Response Strategy for Lesotho and conducting consultations of producers with visits to the selected projects to engage with the stakeholders of identified products with export potential to the United States under AGOA;
c) Conducting a situation analysis to review the current economic environment and the performance of Lesotho including a comparison of the AGOA performance for Lesotho

against other SADC countries coupled with literature review to evaluate experiences of selected successful AGOA/GSP eligible countries;

d) Analyzing data collected from the literature review and during stakeholder consultations involving representatives of both public and private sector entities;

e) Developing an initial draft AGOA Utilization Strategy for Lesotho focusing on other potential products for export to the United States in addition to what has over the years become the traditional textile and clothing exports, with a clear implementation plan and a monitoring and evaluation (M&E) program for the strategy to increase utilization of the AGOA facility.

f) Conducting a stakeholder validation workshop to confirm the validity of the draft strategy before incorporating suggested changes into the final document followed by the submission of the final AGOA Utilization Strategy to USAID/Southern Africa for approval before submitting the document to MTI for final approval and launch.

The development of this AGOA Strategy for Lesotho was based on identifying AGOA-eligible products with potential for increased exports through an analysis of the country's trade data for a four-year period (2014-17) and designing product specific export strategies to increase utilization of the AGOA trade preference program. The resultant updated strategy is aimed to guide targeted support to develop the identified export products by addressing supply and market access constraints.

2.0 STRATEGY

2.1 Introduction

As defined above, the main objective of this strategy is to focus on increasing exports of other products to the United States under AGOA to avoid over reliance on exports of textiles and apparel which will ultimately help to increase utilization of the AGOA program by Lesotho. The overarching strategy for Lesotho should be to pursue niche markets for the identified potential export products. At the same time, continue to extend the markets for current textile and apparel products while increasing production of such product ranges like work wear (uniforms) to service existing and new markets. The products for the niche markets can be increased over time as more markets are established, spurred by increased demand for Lesotho products on the U.S. market. In the meantime, Lesotho would need to increase production capacity of the selected products to satisfy current and potential demand.

This strategy aims to guide Lesotho to formulate a sustainable export driven program to facilitate increased exports of value added products. To achieve this, the formulation of the required strategy must involve all stakeholders including the private sector, civil society, and development partners. Most critically there is need for increased coordination to facilitate improved production capacity for the targeted products coupled with increased production of high value crops where agricultural products are involved.

Figure 5 depicts other suggested activities to help Lesotho to unlock the AGOA unilateral trade preference program to increase utilization of the facility, in addition to suggested product specific and general interventions on the next page.

Figure 5: Unlocking the AGOA Unilateral Trade Preference Program

The detailed implementation plan in section 3.1 of this strategy includes strategic objectives, performance indicators, anticipated deliverables and proposed lead and support institution(s) responsible for the implementation of the activity as well as the timeframe for implementation indicated as short term (1-2 years), medium term (over 2-5 years), and long term (over 5 years). The objective for highlighting the strategic activities and specific implementing entities is to provide clarify to avoid duplication of effort and to facilitate effective implementation of the strategy guided by clear M&E activities.

2.2 Broad Strategy Directions

This AGOA Utilization Strategy for Lesotho seeks to address the constraints identified during the review of the economic environment and performance of Lesotho as well as feedback from the stakeholder consultations, to increase the growth and competitiveness of exports to the U.S. market under AGOA.

2.2.1 Goal

The focus of this strategy is to enable Lesotho to increase utilization of the AGOA preferential market by developing a diversification strategy to encourage exports of products with potential for increased exports to the U.S. market under the AGOA facility. The strategy provides Lesotho with actionable recommendations to achieve this goal. The target is to increase current exports from Lesotho to the United States under AGOA from about US$289.1 million (including GSP) in 2017 by at least 5% annually during the next five years in line with government budget predictions and the CBL Economic Outlook 2015-2018.

2.2.2 Outcome

Successful implementation of this AGOA Utilization Strategy for Lesotho will result in increased exports to the U.S. market under the AGOA program bolstered by exports of other potential products in line with the country's drive to improve exports of other products besides textiles and clothing. This outcome will be achieved by developing the export potential of the identified sectors and products, developing strategic initiatives to eliminate constraints and increasing existing productivity and potential production capacity while improving competitiveness of Lesotho products on the U.S. market.

2.2.3 Objective of the Strategy

The National AGOA Utilization Strategy for Lesotho provides a prioritized roadmap for developing competitiveness of export products for Lesotho under the AGOA trade preference program focusing on other products in addition to the textile and apparel products that the country has been exporting to the United States under AGOA. The strategy provides guidance on the support required to develop the identified export products by addressing constraints related to policy, supply and market entry requirements. The overall objective of the strategy is to take full advantage of the preferential market access provided by the AGOA program.

The specific objectives of the AGOA strategy are to:

a) Increase activities and awareness of the AGOA unilateral trade preference program in Lesotho;
b) Identify priority products with potential for increased exports under AGOA in addition to the traditional textile and apparel products;
c) Identify policy responses and build capacity to resolve supply constraints and market entry requirements for products to facilitate increased utilization of exports under AGOA; and
d) Promote policies that facilitate increased FDI and propose relevant incentive package.

2.3 Priority Export Products for Lesotho, Product Specific Constraints and Suggested Strategic Interventions

The selection of the recommended products/sectors with potential for export to the United States from Lesotho under the AGOA program was done using a combination of methodologies including looking at previous and existing exports; current and potential production capacity based on research and feedback from discussions during stakeholder consultations as well as identified comparative advantage for Lesotho.

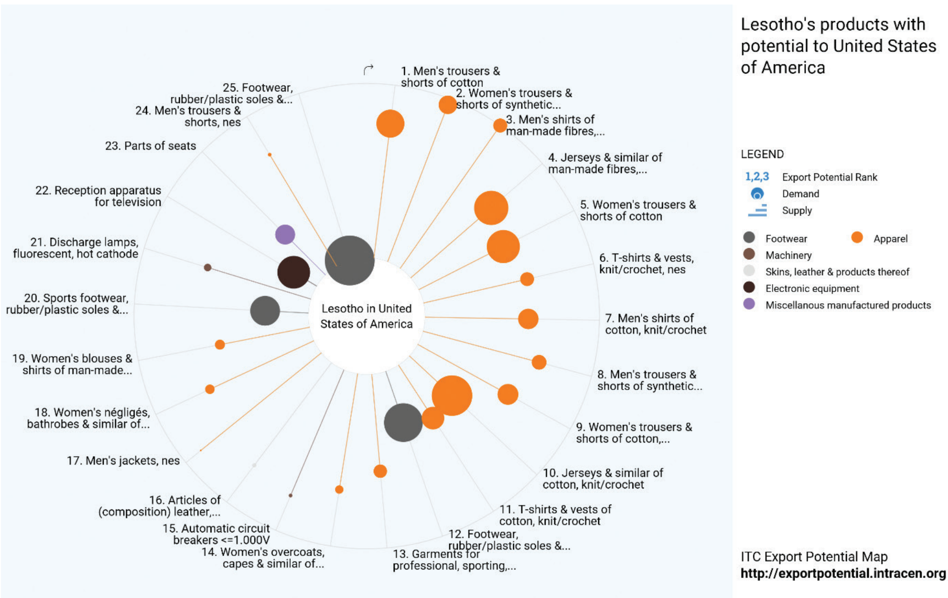
The final prioritized potential sectors and products were further informed by the following:

a) AGOA (including GSP) eligibility for the product;
b) Availability of natural resource;
c) Capacity and potential for development;

d) Contribution to job creation and poverty reduction;
e) Existing and potential production;
f) Investment that can break-even within five years;
g) Potential for local involvement;
h) Potential for niche markets;
i) Potential for regional integration;
j) Tariff rate for non-AGOA beneficiary countries;
k) U.S. market potential; and
l) Unique product characteristics.

The recommended potential export products or sectors for Lesotho for support under the AGOA program were also selected in view of their potential for export development based on existing or previous performance coupled with information from the ITC's Export Potential Map on Lesotho products with potential for export to the United States (see Figure 6).

Figure 6: Lesotho Products with Potential Export to the United States



Source: http://exportpotential.intracen.org/#/products/analyze?

Based on the foregoing analysis, the suggested priority potential export products for Lesotho to the United States under AGOA as detailed in Table 12 below are: **textiles and apparel and footwear products** (short term); **natural/organic products, bottled water and canned foods** (medium term); and **handicrafts and leather and leather accessories** (long term).

Table 12: Potential Export Products for Lesotho to the United States under AGOA

1. Short Term Products (1-2 Years)						
Product Description			**U.S. Market Size (in US$'000) in Imports**	**Key Import Sources**	**Import Sources from SSA**	**Remarks**
a)	Textiles and Apparel	This is very broad and has so far been the mainstay of Lesotho export to the U.S. under AGOA and increase in FDI, albeit mainly from Asia	In 2015, the U.S. apparel market was valued at US$343 billion of which around US$88 billion consisted of imports, up from US$82 billion in 2014.	China (36%), Vietnam (11%), Bangladesh (6%), Indonesia (6%), and Honduras (5%) with India, Mexico, Cambodia, El Salvador and Pakistan making up the rest of the top ten textile suppliers.	This is broad	Lesotho is already a major exporter. In addition to production of current products, focus on work wear and items that attract over 30% duties under MFN.
b)	Footwear	64029105: Footwear w/outer soles of rubber or plastics, o/than sports, covers ankle, w/metal toe-cap, w/ext. surf. uppers o/90% rubber or plastics MFN Text Rate 6%	US$ 20,526.2 (2017 imports) Country of origin; no special programs claimed. 99.3% North American NAFTA. 0.4% Colombia-U.S. Free Trade Agreement 0.3%	China 98% Colombia 0.4% Mexico 0.4% Bangladesh 0.3% Turkey 0.3%		This can be marketed together with workwear products. A benchmarking program to likes of Ethiopia is recommended.

2. Medium Term Products (2-5 Years)

Product Description		U.S. Market Size (in US$'000) in Imports	Key Import Sources	Import Sources from (SSA)	Other Information
a) Natural/ organic (e.g. rosehip)	15159080: Fixed vegetable fats and oils and their fractions nesoi, whether or not refined, not chemically modified MFN Rate: 3.2% (rosehip oil)	US$176,951.1 (2017 imports) AGOA: US$2.8 (2017) US$42.3 (Jan-Mar 2018) Country of origin; no special programs claimed 40.2%, (US$71,174.9 in 2017, and US$24,192.6 Jan-Mar 2018)	Mexico (35.0%), Spain (10.6%), Canada (9.8%), Italy (7.7%)	Kenya: US$2,253.5, Ghana: US$174.3, RSA: US$82.7, Madagascar: US$15.0, Zambia: US$8.0	Need to look at organic certification of the rosehip and other specialty products, and work with the Rosehip Company and Rosacanina, the two companies currently processing rosehip.
	08135000: Mixtures of nuts or dried fruits of Chapter 8 MFN Rate: 14% (dried rosehip fruit)	US$5,828.4 (2017 imports) AGOA: US$ 8.7 (0.1%) Country of origin; no special programs claimed: US$3,175.6 (54.5%)	Canada 25.8%, Mexico 20.1% China 17.9%, Chile 11.2%, New Zealand 9.1%, Turkey 7.4%.	RSA: 0.1%, (US$4.3)	
b) Bottled Water	22011000: Mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored MFN Rate: 0.26 US cents/liter	US$395,059.0 (2017 imports) Country of origin; no special programs claimed.: 87.8% (2017) GSP: 1.0% (2017)	Italy 39.0% France 36.8% Mexico 10.3%	Ethiopia: US$55.0 (2017) Ghana: US$5.3 (2015)	
c) Canned Foods (e.g. Asparagus, Peaches, etc.)	07092010: Asparagus, fresh or chilled, not reduced in size, if entered September 15 to November 15, inclusive, and transported to the U.S. by air MFN Rate: 5%	US$68,633.9 (2017 imports) Peru-U.S. FTA (73.3%), NAFTA (26.3%)	Peru (73.3%), Mexico (26.3%)		The success of this sector depends on investment being found to expand/ operate Basotho Canners.

3. Long Term Products (Over 5 Years)						
Product Description		**U.S. Market Size (in US$'000) in Imports**	**Key Import Sources**	**Import Sources (SSA)**	**Other Information**
a) Handicrafts (arts and crafts) (This is broad, only selected two tariff lines)	46029000: Basketwork, wickerwork and other articles made directly from plaiting materials or from articles of heading 4601, nesi; loofah articles MFN Rate: 3.5%	US$218,727.4 (2017 imports) Country of origin; no special programs claimed.: 75.7% GSP: 24.0% AGOA: US$12.7 (2017)	China (54.9%), India (19.2%), Vietnam (13.4%), Thailand (7.8%), Canada (2.4%)	Madagascar (0.1%), South Africa, Senegal, Kenya, Ghana, Botswana	Need to work with trading houses that handle the marketing, and monitor production and quality aspects of the products
	69120050: Ceramic (o/than porcelain or china) household articles and toilet articles (o/than table and kitchenware), nesoi MFN Rate: 6%	US$64,950.7 (2017 imports) Country of origin; no special programs claimed. (95.9%), GSP (2.6%), AGOA less than 1%	China (87.4%), Vietnam (2.3%), Thailand (1.9%), Italy (1.4%)	Republic of South Africa, (US$20.7 in 2017), less than 1%	
c) Leather and leather accessories	42010060: Saddlery and harnesses for animals nesoi, (incl. traces, leads, knee pads, muzzles, saddle cloths and bags and the like), of any material MFN Rate: 2.8%	US$296,985.0 (2017 imports) Country of origin; no special programs claimed. 68.8% NAFTA: 22.9% GSP: 7.9%	China: 47.5% Mexico: 22.3% India: 9.3% France 5.1% Vietnam 3.4% Taiwan 3.1% United Kingdom 2.8%	Republic of South Africa: US$23.4 (and US$9.1 YTD Jan-Mar 2018)	Lesotho is currently producing shoes, horse saddles, and handbags.
	42022160: Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesoi, n/o US$20 ea. MFN Rate: 10%	US$80,120.9 (2017 imports) Country of origin; no special programs claimed. 93.1% GSP) 5.2% AGOA: US$62.1 (0.1%)	China 57.3% Vietnam 11.2% India 10.9%	Ethiopia: US$105.5 Uganda: US$15.9 Kenya: US$9.5 Niger: US$1.9 Mali: US$1.3 RSA: US$0.3	
	42033000: Belts and bandoliers with or without buckles, of leather or of composition leather MFN Rate: 2.7%	US$447,562.3 (2017 imports) Country of origin; no special programs claimed. 79.8% GSP: 9.0% CAFTA: 6.6% NAFTA 4.5% AGOA: US$63.6	China 48.1% Italy 16.5% India 9.7%	RSA: US$5.4 (and US$74.6 YTD Jan-Mar 2018) Kenya US$30.7 Ethiopia US$0.5 Zimbabwe: US$4.2 (non-AGOA)	

2.3.1 Short Term (1-2 years) Priority Potential Export Products for Lesotho

The short-term category consists of Lesotho products with potential for export to the United States under the AGOA program within the next 1-2 years. These products are either already being exported or have been exported before, so the aim would be to increase exports or find markets for the product(s) in the United States within this period.

The suggested priority export products during this period are **textiles and apparel and footwear.** During the period, Lesotho would need to focus on resolving identified constraints to increase exports to the United States under the AGOA program. Emphasis should be on increasing production of existing products and extending the product range for the current market and increasing sales through the use of marketing tools (improved product, increased promotion, price reductions, better routes to markets and increased use of technology).

2.3.1.1 Textile and apparel

At the heart of the AGOA regulations are provisions that allow for duty-free and quota-free treatment for eligible textile and apparel products. So far, the most exported products from SSA under AGOA are from the textile and apparel sector. The U.S. apparel market was valued at US$343 billion in 2015, of which around US$88 billion consisted of imports, up from US$82 billion in 2014. Currently, U.S. textile imports are dominated by China (36%), Vietnam (11%), Bangladesh (6%), Indonesia (6%), and Honduras (5%) with India, Cambodia, Mexico, El Salvador and Pakistan making up the rest of the top ten textile suppliers.

While the traditional exporters of textiles and apparel to the United States have been the Asian region, there is now a deliberate move by big retailers from the United States to venture into Africa. The African continent, led by Kenya and Ethiopia, is becoming ever more important for textile production due to increased wages and growing domestic demand within Asia coupled by the AGOA program. Retailers such as PVH Company (formally known as the Phillips-Van Heusen Corporation) which owns brands like Van Heusen, Tommy Hilfiger, Calvin Klein etc., as well as H&M and VF Corporation are the new entrants into East Africa and are currently looking for further opportunities in the Southern Africa region.

As highlighted earlier, Lesotho has over the years enjoyed high but gradually declining exports to the United States with articles of textiles and clothing continuing to be the backbone of these exports making up over 90% of all Lesotho exports to the United States in 2017. This highlights a general lack of diversity in Lesotho exports under the AGOA facility, a situation that this strategy aims to address.

In developing this strategy, besides meeting with representatives of two of the three textile association in Lesotho, several textile manufacturing firms were consulted to get their views on the status of the sector. The general consensus is that Lesotho's competitiveness in exporting to the United States under AGOA, largely capitalizing on the high duty products for textile and apparel and some of the above mentioned comparative advantages for the country. Table 13 shows the duty applicable to non-AGOA exporters, which AGOA beneficiary countries are exempted from. Not being charged these duties when exporting to the United States under AGOA gives a cost competitiveness advantage to AGOA beneficiary countries like Lesotho.

Table 13: Duty Applicable to Non-AGOA Exporters

% Duty	HTS Code	Knit or Crochet	HTS Item Description (Truncated)	Fiber Content
32.0	6111.30.20.00	X	Babies' blouses and shirts, except those imported as sets	Of synthetic fibers
32.0	6111.30.30.00	X	Babies' T-shirts, singlets and similar garments, except those imported as parts of sets (239)	Of synthetic fibers
30.0	6111.30.40.00	X	Babies' sweaters, pullovers, sweatshirts, waistcoats (vests), and similar articles, except those imported as parts of sets (239)	Of synthetic fibers
32.0	6105.20.10.00	X	Men's or boys' shirts	Of man-made fibers
32.0	6106.20.20	X	Women's or girls' blouses	Of man-made fibers
32.0	6109.90.10	X	T-shirts, singlets, tank tops and similar garments	Of man-made fibers
32.0	6110.30.30	X	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles	Of man-made fibers
32.0	6114.30.20	X	Other garments, bodysuits and body shirts	of man-made fibers

The success of the Lesotho textile and apparel sector has largely been due to conducive business climate largely facilitated by LNDC through the various incentives. The sector is anchored by two embroidery firms and garment screen-printers, a packaging industry with two firms which produce corrugated cartons for garment exporters and one coat hanger factory that produces hangers for products exported to the United States under AGOA. Although some companies have in-house laundries which can be rented, the country has no commissioned laundries, garment dye facilities, garment label printers, zip manufacturers and thread dye firms. Most garment trims are imported from South Africa and Asia. This does not only highlight an area for increasing Lesotho's competitiveness but provides an opportunity for possible entry points for involvement in the sector particularly for local investors. This would help to respond to the increased complaints about the lack of meaningful involvement of Basotho in the seemingly lucrative textile and apparel sector.

Table 14: SSA Garment Exports to the U.S. (US$'000)

	Category	2014	2015	2016	Jan-June 2016	Jan-June 2017	%
1.	Lesotho Total	290,309	299,690	295,646	132,221	126,229	-4.53
	Lesotho Cotton Apparel	113,778	111,404	100,997	49,058	44,643	-9
	Lesotho Man-Made Fibre Apparel	176,531	188,284	194,614	83,163	81,586	-1.9
2.	Kenya	379,238	368,273	340,536	172,957	159,922	-7.54
3.	Mauritius	223,060	215,255	197,078	88,81	65,248	-26.53
4.	Madagascar	18,668	48,978	102,528	43,626	70,172	60.85
5.	Tanzania	17,480	27,316	36,955	16,540	18,921	14.39
6.	Ethiopia	12,030	17,647	32,669	14,837	23,013	55.11
7.	South Africa	6,092	8,370	7,584	3,469	2,975	-14.26
8.	Ghana	3,831	9,204	6,255	4,441	4,063	-8.51
9.	Botswana	9,460	8,251	4,767	2,889	992	-65.66
10.	Malawi	4,083	6,277	1,564	539	321	-40.48
11.	Rwanda	134	194	454	327	720	120.4
12.	Seychelles	104	97	457	393	122	-69.07
13.	Nigeria	57	55	88	47	130	175.91
14.	Uganda	53	10	49	1	340	26,029.8
	Sub-Saharan Africa	**1,020,662**	**1,013,753**	**1,028,745**			

Source: USG–OTEXA and USITC

Looking at exports of garments from the whole SSA to the United States between 2014 and 2017, while Kenya outperforms the sub-continent during that period, Lesotho was the second highest exporter (see Table 14). Lesotho is also a key regional player, exporting apparel to numerous South African retailers such as Edcon, Woolworths, Mr. Price and Foschini.

Workwear has been identified as potential product range for exporting to niche markets in the United States as part of the diversification focus, within the textile and apparel industry. The workwear sector is a US$10 billion dollar per year business in the United States, with the global market expected to exceed US$48 billion by 2022. The growth of the sector is largely driven by the huge working population supported by the increase in female workforce and fabric innovations promising enhanced style, safety, comfort and functionality. Other factors driving the growth of this market include expansion of the food service industry, steady growth of the healthcare and social care sectors, recovery in construction along with the generation of new employment opportunities in these sectors. The United States is arguably the global leading market for workwear driven by increasingly high levels of professionalism in the corporate sector.

Three workwear suppliers were visited in Maseru (Seshoeshoe Productions, Liberation Clothing, Afri Expo Textiles) and four in Maputsoe (Jonnson Workwear, Kopano Textiles, Humin Jeanswear, Spilla Jeans). The Lesotho workwear sector is very strong with most firms already exporting to South Africa and other markets in the SADC region such as Angola, Zambia and Zimbabwe. The firms are however looking for linkages with U.S. buyers.

The sector manufactures 11 million pieces per year and employs over 5,300 people. There is an understanding and appreciation of social compliance by most of the manufacturers with one firm (Humin) being World Responsible Accredited Production (WRAP) certified. Other firms attended the WRAP workshops organized by the Hub in April 2018 indicating their interest in social compliance issues.

Although there is a huge interest from Lesotho firms to be WRAP certified, costs are being a major factor hindering the progress. It is worth noting though that Lesotho currently lead the way in WRAP certification with six companies are already certified (see Table 15).

Table 15: Lesotho WRAP Certified Firms

Firm	Production Activity	Number of Employees
1. Lesotho Precious Garments	Knit garments	3,900
2. Tai Yuan Garments	Knit garments	2,600
3. Super Knitting	Knit garments	1,086
4. Shinning Century	Knit garments	401
5. Hippo Knitting	Knit garments	789
6. Eclat Evergood Textiles	Knit garments	600

Product Specific Constraints

Most constraints identified in the previous AGOA Response Strategy for Lesotho remain unresolved. Among the cited constraints are insufficient market opportunities, limited technology, lack of required skills, inadequate volumes, inadequate infrastructure and lack of access to funding.

a) **Limited technology:** There is a general reluctance to invest in design technology by firms in Lesotho. Most local textile producers rely on assistance from the head office of their parent company for critical activities like development of new products.

b) **Lack of skills transfer:** In addition to increased complaints about the lack of meaningful involvement of Basotho in the textile and apparel sector, the majority of producers in Lesotho still have their high value services such as soft management and leadership skills, product development, research, design, branding and marketing being done at the firm's head offices in Taiwan, China or South Africa, resulting in lack of transfer of skills to Basotho. The scarcity of required skills such as engineering is a major concern for Lesotho firms resulting in them resorting to bringing in expatriates to work on their machinery. This results in the industry continuing to rely on foreigners thus perpetuating this situation. However, the National University of Lesotho is now addressing this skills-gap by offering an engineering program.

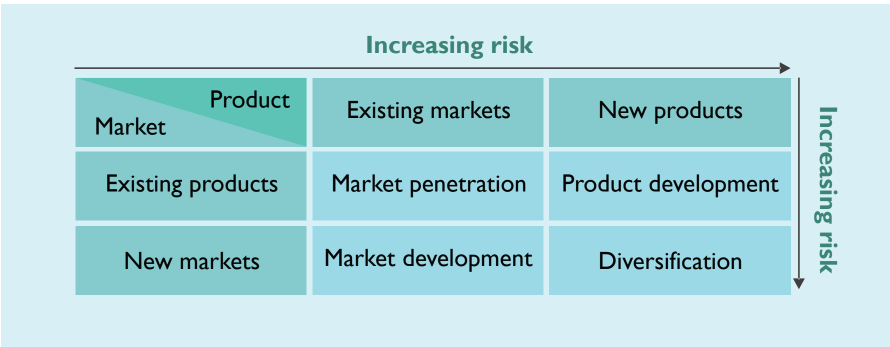
c) **Inadequate volumes:** The general main constraint to increased exports from the SADC region to the United States under the AGOA program is insufficient volumes of products required by the market across all products. While this might not be as prevalent in the Lesotho textile and apparel sector as is the case in other AGOA eligible textile and apparel producing countries in the region, there are still instances where this occurs.

d) **Inadequate infrastructure:** While the GOL through LNDC provides investors with serviced factory shells, demand continues to outstrips supply. Some of the stakeholders met during the consultations lamented the lack of required factory facilities to accommodate their intended expansion with some indicating having been in discussions with LNDC for over two years requesting for factory space. On the other hand, firms requiring to dye and launder their products such as denim manufacturers are limited by the lack of adequate water effluent treatment facilities. This results in firms having to outsource their work to South African based dyers and laundries, which impacts on competitiveness and speed to market.

e) **Distance to the market and high cost of transportation:** Lesotho textile and apparel producers experience the same challenges as other producers in the SADC region, mainly that of distance and speed to market coupled with high cost of transportation. The problem is magnified for Lesotho by the number of NTBs to trade such as the cumbersome administrative regulations and customs procedures highlighted earlier. Of concern to exporters are the delays at the South African borders and the resultant risk to consignment caused by the requirement by the South African Revenue Authority (SARS) to open and inspect sealed consignments in transit.

Suggested Strategic Interventions

Figure 7: Suggested Strategic Interventions to Increase Sales of Textile and Garments for Lesotho



The interventions to resolve the existing constraints to increased exports of textile and apparel products from Lesotho to the United States under the AGOA program should include considering available opportunities to offer existing and new products within existing and/or new markets. The objective is to recapture the lost markets while at the same time increasing the quantities of products sold to existing markets and finding new markets in the United States by taking advantage of the AGOA facility.

Figure 7 depicts suggested strategic interventions to increase sales of textile and garments from Lesotho to the U.S. market as detailed below:

Constraint		Suggested Strategic Interventions
a)	Market penetration - identifying ways to increase sales of existing products in existing markets.	• This is achieved by increased promotion, price reductions, identifying better routes to markets, and or increased use of technology. • Lesotho should increase marketing efforts and take advantage of having an already well-known brand on the U.S. market, to increase sales of existing products to their current and previous buyers. This can be aided by strengthening of marketing structures in Lesotho and in the United States with support from relevant USG agencies and the USAID-funded Southern Africa Trade and Investment Hub. • Having a distributor(s) in the United States is an unavoidable layer in the distribution channel to help increase sales hence firms should consider appointing U.S. based distributors to help find markets for their products. • Manufacturers need to review their current operations with a view to identify areas that can be improved to increase production and productivity as well as to help reduce/eliminate unnecessary costs. Where possible, identify and employ appropriate technology. • Social compliance remains a key competitive factor which all suppliers must address. To increase competitiveness of local products on the U.S. market, Lesotho manufacturers need to get the required certifications such as social accountability standards developed by international organizations like WRAP, Supplier Ethical Data Exchange (SEDEX) and Business Social Compliance Initiative (BSCI). • Further WRAP training would need to be conducted to enable firms to achieve WRAP certification. Firms are advised to approach relevant USG agencies and other development partners for possible assistance.
b)	Product development - developing new products for the current markets.	• Innovative products could be developed for both the workwear and the fashion market to extend the product range and appeal to existing markets taking advantage of the fact that Lesotho products are already a well-known brand on the U.S. market.
c)	Market development - requires offering existing products to new markets.	• The Lesotho workwear sector would need to be linked to U.S. buyers through various methods such as ad hoc buyer missions, participation at specialized workwear trade shows (e.g. Magic Show) and possible engagement of U.S. based representatives with a good knowledge of the U.S. workwear retail industry.

d)	Diversification - developing new products for new markets.	• New textile products could be developed for both the workwear and the fashion sector targeting new markets particularly considering the move by the big U.S. retailers to make Africa their new sourcing destination for garments. • Also the milling of coated fabrics, knits, woven polyester and woven poly-cotton would result in new products for new markets.

Of the four suggested interventions above, diversification is considered the riskiest as it often involves venturing into unfamiliar territory and targeting a new audience as well as funding the added cost of new product development.

As was succinctly put in a Lesotho Potential Export Diversification Study done in 2005[15], export diversification is not simply a matter of looking for the next miracle product to give a magic answer. It is about providing a solid infrastructure within an economy and building upon that foundation, and this includes strong regional and global linkages. In its effort to achieve increased export to the United States under AGOA of other products besides textile and apparel, it is important for Lesotho to consider that although the objective is to diversify away from the textile and apparel sector, there is still need to use current export success stories and look to expand both market and product opportunities from that base to develop new opportunities.

Other suggested strategic interventions under this sector include:

Constraint	Suggested Strategic Interventions
1. Insufficient market opportunities	a) Increase participation in selected trade shows such as Source Africa in South Africa and Magic Show in Las Vegas; b) Organize and participate in trade missions; c) Organize buyers mission targeting buyers of reputable organizations; and d) Organize benchmarking missions for LNDC and targeted local producers to leading textile and apparel producers like Ethiopia and Kenya to learn from their successes.
2. Limited technology	a) Improve access to finance for capital and recapitalization of machinery; b) Facilitate technology upgrade; and c) Identify required technology and possible sources of funding e.g. soft loans or grants.
3. Lack of skills	a) Conduct a skills audit to identify existing versus required skills with the view to introduce a coordinated skills development program and review the country's education curriculum to address the identified skills gap; b) Introduce a compulsory skills transfer program to ensure that selected skills are transferred by expatriates to locals in an agreed timeframe; and c) Capacitate vocational and technical training institutions to ensure sustainability and the quality of graduates.

[15] *TRALAC Working Paper no. 10 (http://www.paulroos.co.za/wp content/blogs.dir/12/files/2011/ uploads/ 20060202_ sandreywp10.pdf)*

4. Inadequate volumes of products required by the U.S. market	a) Train supervisors and operators to increase productivity; b) Provide more innovative incentives to encourage increased production; and c) Facilitate upgrading of factory machinery.
5. Inadequate infrastructure	a) Get private sector to complement LNDC on construction of factory shells to reduce existing backlog and to ensure availability of factory facilities to potential investors e.g. consider using the build–operate–transfer (BOT) or build–own–operate–transfer (BOOT) strategy; and b) Improve provision of utilities in factory shells especially the quality of water.
6. Distance to the market and high cost of transportation	a) Expedite current implementation of the customs modernization program and implement trade facilitation tools to streamline customs procedures at the borders to minimise delays thus reducing the time and cost of doing business; b) Improve the road network and explore alternative routes to the market. This might require engaging South African authorities on completing and maintaining routes (both road, rail and borders of interest to Lesotho to reduce the cost of doing business and increase competitiveness of local products on the U.S. market; c) Facilitate the elimination of NTBs to reduce costs resulting from these NTBs by establishing an NTB handing framework that feeds into the tripartite NTB reporting and handing mechanism; and d) Consider combining consignments and limit the number of transport travelling empty to reduce cost.

2.3.1.2 Footwear

In 2017, the United States imported footwear under HS Code 64029105 amounting to over US$20.5 million from mainly China (98%) with the rest coming from Colombia, Mexico, Bangladesh, and Turkey. While there were no substantial imports of footwear products from SSA into the United States during this period, there is an opportunity for Lesotho to market footwear with workwear products. With a MFN duty rate of 6% for non AGOA eligible countries coupled with Lesotho's comparative advantage in the sector, there is room for competitiveness of Lesotho footwear products on the U.S. market.

Table 16: Footwear Manufacturers in Lesotho

	Enterprise	Firm Location	Approximate Annual Production	Jobs	Main Markets
1.	Jaguar Shoes	Maputsoe	2.4 million pairs of pool sandals/ lasted sandals / thongs / soccer boots / school shoes	467 (464 local and 3 expatriates)	South Africa
2.	Reflex Footwear	Maputsoe	4.8 million pairs of school shoes/ slippers / "stokies" / casual footwear	786 (780 local and 6 expatriates)	South Africa
	Total		**7.2 Million Pairs**	**1,253**	

There are currently only two footwear manufacturers in Lesotho, both based in Maputsoe, that produce predominantly for the South African market (see Table 16). The two firms employ a total of approximately 1,250 employees, producing about 7.2 million pairs of shoes per year of which 99% are made from synthetic leather.

Product Specific Constraints

While there is potential for this sector, and information in Table 13 above shows that the United States has a market for footwear products, footwear manufacturers cite high cost of production as one of the main reasons for lack of competitiveness against the main suppliers of this product to the United Sates.

Suggested Strategic Interventions

Although there are indications that a market exists in the United States for these products as highlighted in the U.S. import figures for the product above, the starting point for Lesotho for this sector would be to conduct investigations on the competitiveness of Lesotho footwear into the United States. The Hub can collaborate with the manufacturers to establish possible linkages for the suppliers. The need to upgrade technology will also be investigated with a view to improve competitiveness of Lesotho footwear.

However, as was the case in Rwanda, the GOL working with its SACU partners should consider removing or reducing taxes on imported raw materials to support the industry and improve its competitiveness on the United States market against such major suppliers like China and Colombia.

Constraint	Suggested Strategic Interventions
1. High cost of production	a) Offer incentives targeted at encouraging factories to upgrade their equipment and to introduce automation, e.g. reducing import duties; b) Engage USG agencies to provide support on trade capacity building; c) Arrange for funding for training especially on training of trainers programs for quicker multiplier effect, and engage consultants to help improve productivity and quality related programs; and d) Provide training on productivity and quality issues to improve efficiency and for multi-skilling of the workforce.
2. Lack of competitiveness	a) Consider removing/reducing taxes on imported raw materials and accessories to reduce production costs and improve competitiveness on the U.S. market.

2.3.2 Medium Term (2-5 years) Priority Potential Export Products for Lesotho

Although **natural/organic products, bottled water and canned foods** require more time and resources to achieve their potential for growth, the products have adequate potential in Lesotho for increased export growth under the AGOA program.

2.3.2.1 Natural/Organic Products

Figure 8: Top 10 Categories of Specialty Food Sales in 2016

Retail Sales of Specialty Food: Top 10 Categories in millions of dollars	2016	% Share	% Change 2014-16
Cheese and Plant-Based Cheese	$4,422	7.5%	12.4%
Frozen and Refrigerated Meat, Poultry, and Seafood	$3,738	6.3%	11.4%
Chips, Pretzels, and Snacks	$3,570	6.0%	13.6%
Coffee and Cocoa (non-RTD)	$3,223	5.4%	12.1%
Bread and Baked Goods	$2,798	4,7%	15.8%
Chocolate and Other Confectionery	$2,195	3.7%	10.0%
Yoghurt and Kefir	$2,042	3.4%	27.2%
Frozen Lunch and Dinner Entrées	$2,017	3.4%	18.1%
Refrigerated Lunch and Dinner Entrées	$1,963	3.3%	33.0%
Condiments, Dressing, and Marinades	$1,928	3.3%	8.1%

Source: https://www.specialtyfood.com/news/article/state-specialty-food-industry-2017/

Natural/organic products can be considered under the specialty food category. Specialty foods are typically "unique and high-value food items made in small quantities from high-quality ingredients"[16]. Consumers generally pay higher prices for specialty foods and may perceive them as having various benefits compared to non-specialty foods. Usual specialty food stores sell specialty and premium food products, which include a variety of artisanal cheese and yogurt, nuts and snacks, candy and chocolates, baked goods, and packaged coffee and tea as well as several gourmet foods (see Figure 8). Various Lesotho products can fall under the speciality food category.

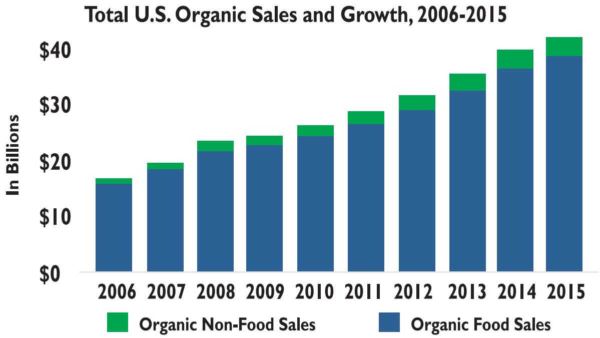
Lesotho exports of dried fruit (HS Code 081340) and plants used for pharmaceutical purposes (HS Code 121190) to the EU market grew from less than €100,000 in 2012 to over €1.5 million in 2016. The pharmaceutical plants, particularly rosehip, are now also exported to Germany, France, Poland, and the UK.

The specialty foods sector is now a US$140.3 billion market in the U.S. (2017), and continues to grow. The "State of the Specialty Food Industry", an annual report published by the Specialty Food Association indicated a 15% jump in total sales of specialty foods between 2014 and 2016. By comparison, all food sales at retail grew by over 2% while total unit sales for specialty foods were up 13%. Demand for specialty food is increasing driven by changing lifestyles and growing purchasing power of consumers. Specialty foods are outstripping their non-specialty counterparts in almost every category as consumers continue to become more aware of quality in their food choices with health and wellness being the fastest growing categories. The U.S. market for specialty food is driven by rising rate of diabetes and obesity, which is pushing consumers to focus on health lifestyles, thus increasing the demand for specialty food.

[16] *https://www.specialtyfood.com/news/article/state-specialty-food-industry-2017/*
[17] *https://www.ota.com/resources/market-analysis*

According to the Organic Traders Association[17], Americans spend about US$50 billion on organic products annually, and growing. The organic market is a growing niche market globally. Organic Traders Association contends that consumer demand for organic products has grown by double-digits annually since the 1990s. Reports show that in the UAE the organic shelf space has grown by over 60% in the last four years.

Figure 9: Total U.S. Organic Sales and Growth for 2006-2015



Source: OTA.Com

Based on this and other reported data, organic products can be a key tool for stimulating rural economic development, creating economic growth and reducing poverty levels. As depicted in Figure 9 above, organic sales increased from about US$3.6 billion in 1997 to over US$43.3 billion in 2015. The $43 billion in organic food sales marked the first time the American organic food market has broken though the $40-billion mark. In 2016, organic sales in the United States increased to around US$47 billion, an increase of almost US$3.7 billion from the previous year. Worldwide, organic food sales are reported to have increased by over 8% in 2017, driving past the stagnant 0.6% growth rate in the overall food market.

Currently, the U.S. organic food sales make up nearly 5% of total food sales, while acreage devoted to organic agriculture is less than 1% of total U.S. cropland.

2.3.2.2 Rosehip

During the stakeholder consultations, discussions were held with Rosa Canina, one of the two major Rosehip producers in Lesotho. Rosehip or rose haw and rose hep, also known as Rosa Eglanteria or Rubignosa is a wild plant, mostly found on the Lesotho mountains. There are various explanations for the way in which the plant got introduced in Lesotho. While it is currently mostly found in the mountains, rosehip can be planted in dongas and erosion gullies to prevent the massive soil erosion problem experience in Lesotho. More importantly is the fact that harvesting is done voluntarily by local communities that then sell the harvested fruit from their villages or from community council offices to the processors. This helps to generate much needed income for the communities. The buyers provide the required bags and guide the harvesters on quality issues as well as the appropriate timing for harvesting. The harvested fruit is first dried in large ovens then opened to remove the hair and seeds from the shell. The shells are then cleaned and sorted before being bagged and labelled for shipment. All other material produced during processing are combined to produce a highly nutritious and versatile animal feed.

Rosehip is believed to be rich in vitamins A, D and E and is full of antioxidants that help combat free radicals in the body. The shells (skin) are used for rosehip tea which is said to prevent bladder infections, dizziness and headaches. The oil produced from the seeds is used for high quality cosmetic and is renowned for excellent tissue regeneration properties which reduces the appearance of scars, sun damage and signs of aging as well as prevention of the formation of thickening of the skin when forming scar tissue. Rosehip oil also helps to accelerate the healing process, especially on skin that has been subjected to excessive sunlight.

While the actual potential for Rosehip production in Lesotho is currently not known, in 2017 Rosa Canina exported 1,200 tons of processed fruit mostly to Europe with some of the product going to the United States through a company in Cape Town, South Africa. While there is a market for Lesotho Rosehip oil for cosmetics in the United States, the current biggest users of Rosehip products are Germany, Luxemburg, Netherlands, Switzerland and UK.

It is estimated that Lesotho has potential to produce 8-10,000 tons of this product per year and currently only about 30% is being produced generating between R200-300 million per annum. A resource assessment will be conducted to ascertain the potential production capacity.

2.3.2.3 Dried Fruit

Lesotho has potential to produce reasonable quantities of different deciduous fruits for local consumption and for the export market. As mentioned above, due to the country's conducive geographical attributes and weather as well as availability of water, educated labour and business friendly environment, Lesotho has good potential to produce good quality deciduous fruits. Commercial production of deciduous fruits is already receiving required support from the World Bank-funded PSCEDP, which is now in its second phrase.

However, distance to the market will always be a challenge for Lesotho especially in transporting distance-sensitive goods like fruits and vegetables. At the same time, on the U.S. market, Lesotho will always face stiff competition from countries with stronger competitive advantage such Mexico and the South America mainly due to proximity to the U.S. market and better historical and cultural connections. One way of reducing these ostensibly insurmountable challenges would be for Lesotho to increase production of dried fruits, even better if these fruits are organic.

2.3.2.4 Medicinal Products

The use of complementary medicines in the form of herbal medicines and nutraceutical products continues to gain popularity. According to World Health Organization[18] (WHO), 95% of the world's population relies on complementary medicines for primary health care in developing countries like Lesotho.

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[18] *World Medicines Situation 2011 Report, 70*

[19] *Journal of Ethnopharmacology 170, 2015, 184–200 (http://www.ethnopharmacologia.org/prelude2018/pdf/biblio-hs-45-seleteng-kose.pdf)*

[20] *Marijuana Business Daily (https://mjbizdaily.com/lesotho-attracts-another-major-medical-cannabis-investment/)*

Lesotho's climate, environment and culture are conducive to production of various medicinal products. A 2015 survey on medicinal plants used in the Maseru district recorded a total of 80 plants as treating 38 common ailments in addition to eight medicinal plants and 146 new medicinal uses of 34 plants that were not recorded elsewhere in literature[19]. A Toronto-based firm, Supreme Cannabis[20], realizing the potential for growing medicinal products in Lesotho, recently announced a 10 million Canadian dollars (US$7.7 million) investment for a 10% stake in Medigrow Lesotho. Medigrow is licensed to cultivate medical cannabis and manufacture cannabis oil products. Medigrow and Supreme will export their products to Canada and other international markets.

In 2017, the United States imported over US$6.4 million worth of mint leaves, of a kind used in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes (HS Code 12119040) mainly from France, Egypt, China, Germany and Mexico (see Table 17). Also in 2017, the United States imported fresh or dried plants (including seeds and fruits) used in perfumery, pharmacy, insecticidal, fungicidal or similar purposes, (HS Code 12119092) totaling US$342.3 million. These were imported mainly from India (26%), China (19%), Mexico (11%), Germany (6%) and Egypt (5%). While this product is not AGOA eligible, it has a 0% MFN rate.

Table 17: 2017 Top 10 Suppliers to the United States of Mint Leaves Used in Perfumery, Pharmacy or for Insecticidal, Fungicidal Purposes

	2015	2016	2017		2018		Percent change
Source	US$'000			Percent of total	January-Apr US$'000		YTD2017-YTD2018
All sources	*7,981.9*	6,014.5	6,418.7	*100.0%*	2,632.1	1,914.4	-27.3%
1. France	1,078.0	1,441.4	1,640.3	25.6%	683.0	527.8	-22.7%
2. Egypt	1,328.3	1,202.0	1,002.7	15.6%	398.5	185.7	-53.4%
3. China	1,100.7	595.9	831.7	13.0%	228.1	139.0	-39.1%
4. Germany	377.5	456.0	556.5	8.7%	163.0	166.8	2.3%
5. Mexico	2,525.6	436.3	461.6	7.2%	366.1	185.7	-49.3%
6. Morocco	768.5	700.3	443.8	6.9%	235.3	229.0	-2.7%
7. Canada	32.7	381.6	241.6	3.8%	121.2	44.4	-63.4%
8. India	187.7	154.2	211.9	3.3%	58.2	125.6	115.8%
9. Republic of South Africa	0.0	0.0	210.9	3.3%	125.8	0.0	-100.0%
10. Peru	108.9	63.6	161.7	2.5%	39.2	48.7	24.2%

Source: https://dataweb.usitc.gov/scripts/details.asp?

Product Specific Constraints

On specialty products and fruits, Lesotho is disadvantaged due to distance to market and poor competitiveness due to poor productivity, insufficient production capacity, high cost of production and transport as well as the cost of compliance with U.S. market requirements including technical regulations, certifications and standards such as food safety, SPS and quality.

Information on herbal products in Lesotho is lacking mainly because, like in most developing countries particularly in Africa, knowledge is passed on orally from one generation to another. As a result, the information is often not well documented, if at all. On the other hand, existing publications have relied on previous literature and some of them are out of print resulting in gaps in the documentation of the medicinal plants used. Also, some species are reportedly over-harvested due to the high demand of medicinal plants.

Suggested Strategic Interventions

Generally, for Lesotho to successfully export under this category, there would be need to substantially increase production capacity of the targeted products to meet the quantities required by the market. Additionally, it would be critical to have organic as well as both food safety and quality certifications.

Below is a detailed discussion of suggested strategic interventions to identified constraints:

Constraint	Suggested Strategic Interventions
1. Inadequate supply of required quantities due to low production capacity and productivity	a) Review of land ownership legislation to facilitate commercial farming, investment and to enable land to be used as collateral for borrowing to fund production; b) Facilitate collaboration among producers in Lesotho and regionally when there is a huge order; c) Train producers on productivity improvement; d) Create awareness of existing providers of required assistance and any government incentive programs aimed at facilitating export growth; e) Provide assistance on key infrastructure required for the success of the sector, particularly road networks, water and electricity; f) Capacitate farmer's associations through training and technology improvement and encourage dialogue and cross-pollination of ideas to enhance production; g) Increase effective use of land earmarked for horticulture purposes; h) Align available training with sector requirements; and i) Provide grants and soft loans for start-ups, SMEs and women entrepreneurs.

2. Difficulty in accessing the U.S. market	a) Profile the sector for the export market and work with relevant USG agencies such as the Hub to enhance export promotion and market linkages through participating at selected U.S. trade shows (e.g. at the Fancy Food Shows, Expo West, International Food Technology (IFT) Show, etc.) and organize buyer missions targeting relevant buyers and producers; b) Identify dedicated agent(s)/distribution partners in the United States; c) Provide export development support for producers using U.S. market experts; and d) Provide research and development to ensure development of the required products.
3. Difficulty in meeting the stringent U.S. market requirements	a) Expedite the development of the national quality infrastructure (QI) including the establishment of a national standards body for Lesotho, as well as the development of required policies, laboratory capacity, conformity assessment and standards to facilitate the competitiveness of local products targeting the suggested potential export products and sectors; b) Engage the department of standards to establish the relevant U.S. technical regulations and standards including SPS and private standards using the existing national enquiry point on technical barriers to trade (TBT) established with the support of the then Southern Africa Trade Hub in 2015; c) Increase awareness of U.S. market requirements through training on such aspects like U.S. Food and Drug Administration (FDA) requirements and guidelines on the Food Safety Modernization Act (FSMA) using U.S. experts (e.g. Registrar Corp); d) Involve USG agencies and other relevant international development partners to provide required capacity building and training, in addition to engaging volunteer experts from the United States; e) Capacitate service providers such as the department of standards and its proposed Lesotho Standards Authority, SADC Accreditation Service (SADCAS), research institutes and testing laboratories, among others to provide the required services; and f) esotho also has to engage the U.S. APHIS, to expedite clearance of natural, fruit and vegetable products to enter the United States.

2.3.2.5 Bottled Water

In 2017, the United States imported mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured (HS Code 22011000) for around US$395 million, mainly from Italy, France, Mexico, Norway, Iceland and Germany (see Table 18).

Table 18: Top Six United States Sources of Mineral and Aerated Waters in 2015-2018 (YTD January to April)

Source	2015	2016	2017	2017	2018	2018	Percent change YTD2017-YTD2018
	US$'000			Percent of total	January-Apr US$'000		
All sources	**328,439.5**	**356,771.4**	**395,059.0**	**100.0%**	**117,769.0**	**128,661.7**	**9.2%**
1. Italy	139,243.2	138,072.8	154,124.7	39.0%	43,657.3	54,121.1	24.0%
2. France	113,109.9	132,309.0	145,363.0	36.8%	47,271.6	45,289.5	-4.2%
3. Mexico	24,306.4	30,176.7	40,523.2	10.3%	9,680.3	14,426.2	49.0%
4. Norway	18,182.1	18,313.5	13,796.5	3.5%	6,761.5	3,497.5	-48.3%
5. Iceland	9,787.1	13,925.3	13,630.2	3.5%	4,476.6	4,140.6	-7.5%
6. Germany	9,023.5	8,398.7	9,080.7	2.3%	1,868.7	1,972.3	5.5%

Source: https://dataweb.usitc.gov/scripts/tariff_current.asp

There is also a huge appetite for flavoured waters in the United States as the country imported over US$2.3 billion worth of flavoured water (HS Code 22021000) mainly from Austria (36.8%), Switzerland (34.4%), Mexico (9.3%), Italy (4%), France (3.5%), Canada (3.2%) and United Kingdom (1.5%). The above highlights an opportunity for Lesotho to extend its current product range of water to include a variety of flavoured bottled water for this market in addition to the unflavoured range. The AGOA eligibility also gives a competitive edge to Lesotho on both flavoured and unflavoured water, with non AGOA beneficiary countries being charged an MFN rate of 0.2 cents/litre on flavoured water and 0.26 cents/litre for unflavoured water.

Besides AGOA eligibility, Lesotho bottled water has potential for being competitive on the U.S. market as producers can take advantage of the abundant availability of raw material that requires less cost in processing due to the clean sources. In addition, the unique characteristics of the water can make it appeal to a wide market as the water comes from natural springs. In addition, there is potential to flavour the water with unique natural/organic products such as rosehip, which is uniquely Basotho.

Product Specific Constraints

While some producers have routinely had their water samples tested at laboratories for quality purposes, the biggest constraint is the lack of accredited testing facilities in Lesotho. This has forced some suppliers to resort to having their bottled water tested and certified in South Africa, which increases production costs and reduces competiveness of the final product as well as creating serious financial constrain to the producers. The lack of local accredited testing laboratory facilities does not only increase the cost of production but often results in delays in getting the required results due to distance which can cause delays in meeting delivery deadlines especially for urgent orders.

Suggested Strategic Interventions

Constraint	Suggested Strategic Interventions
1. Lack of local accredited testing facilities	a) Expedite the establishment of a national standards body for Lesotho; b) Capacitate the department of standards and work with SADCAS to have existing local testing laboratories accredited to provide the required services; and c) Accelerate the establishment of the national QI including the development of policies, laboratory capacity, conformity assessment and standards to facilitate the competitiveness of water producers targeting the U.S. market
2. Difficulty and cost of in complying with U.S. market requirements	a) Engage the department of standards to help establish the relevant U.S. market entry requirements for bottled water; and b) Request USG agencies and other relevant development partners to provide required capacity building and training, in addition to engaging volunteer experts from the United States to assist with producing products that comply with U.S. market requirements.

2.3.2.6 Canned Foods

The United States imported over US$68.6 million worth of fresh or chilled asparagus (HS Code 07092010) from Peru (73.3%) and Mexico (26.3%) in 2017. With a 5% MFN rate for exporters from non AGOA beneficiary countries, there is potential for Lesotho to export canned products to the United States due to the conducive production environment for the crop coupled with other comparative advantages for the country cited above.

However, the success of this sector largely depends on investment being found to resuscitate and expand the Basotho Canners, or establishing a new canning facility. The Basotho Canners is currently not operational but LNDC is currently looking for a Joint Venture investment partner to run the factory on a management contract basis. The factory is said to be capable of processing raw materials for fruits, vegetables and ingredients to produce consumer products like canned baked beans in tomato sauce, organic peaches and asparagus, fruit juice and tomatoes, among others. This will be in line with the priorities in the new five-year strategic development plan espoused by LNDC, which has the development of agro-processing industry as one of its priorities. The plan is to equip and capacitate local smallholder farmers to produce sufficient raw materials for the cannery with any excess supply being absorbed locally as fresh produce.

The history of asparagus farming in Lesotho dates back to the Second Five Year Development period of 1975/76 – 1980/81 when the GOL introduced some cash crops including asparagus[21], to alleviate poverty and create employment opportunities for the rural poor. This highlights the skills and knowledge Lesotho has in growing this crop which could be beneficial if properly harnessed.

[21] *Asparagus Production and Sustainable Rural Livelihoods in Lesotho*

Lesotho has high potential for horticulture production particularly vegetables and deciduous fruits based on the country's unique conducive weather, high altitude and availability of high quality water resulting in quality produce and the ripening of fruits earlier than competitors. Horticulture is a promising sector currently being supported by the World Bank[22] through the PSCEDP. In addition to the potential to grow asparagus, Lesotho already produces apples, plums, mushrooms, cucumbers, peppers, tomatoes, peaches, and potatoes. While most of these can currently only be grown for the local and regional markets, mainly South Africa, there is potential to increase production of some of these crops for canning and export.

Product Specific Constraints

Stakeholders cited poor management skills as the main reason for the poor performance and ultimate closing down of the cannery coupled with inconsistent supply of required inputs. The cannery remains closed due to the delay in finding a suitable investor to partner with LNDC to resuscitate and expand the factory.

One of the critical challenges that would continue to face the Basotho Canners is insufficient raw materials and related limited productivity and production capacity. In addition, the cannery would need to have all required food safety certifications to access the U.S. market and effectively compete.

Suggested strategic interventions for this sector are outlined below:

Suggested Strategic Interventions

Constraint	Suggested Strategic Interventions
1. Low production capacity to meet required volumes for the export market	a. Increase availability of raw materials through facilitating increased production; b. Capacitate farmers to increase production and encourage private sector collaboration as part of an inclusive business approach; c. Improve availability of quality seeds to increase yield taking advantage of the SADC harmonized seed initiative which is aimed at facilitating the movement of quality approved seeds across the region; and d. Partnership arrangements with U.S. importers of canned fruit/veggies.
2. Lack of working capital for farmers	a. Facilitate the formation and capacitating of farmers' association to encourage investors and international development partners to work with smallholder farmers in this sector; and b. Facilitate availability of more viable sources of funding to invest in the farming of crops required by the cannery.

[22] *The World Bank funded a second PSCEDP to contribute to the development of selected non-textile sectors to increase private sector investment, firm growth and job creation.*

2.3.3 Long Term (Over 5 years) Priority Potential Export Products for Lesotho

Handcrafts, leather and leather accessories are the sectors suggested for consideration under the long term category for the priority potential export products for Lesotho. The products in these sectors require a lot more resources and time to resolve the impediments to increase utilization of the AGOA program. However, if properly supported, the products are still considered to have adequate potential for export growth. The stakeholder consultations indicated that there have been and could still be exports of items from these sectors, albeit in very small quantities.

2.3.3.1 Handcrafts

Handcrafts consist of both arts and crafts. Also known as craftwork or simply craft, handicrafts are generally a type of work where useful and decorative devices are made completely by hand or using only simple tools. Handicrafts can also be part of the home accessory market, which includes handcrafted, semi-handcrafted and machine-made goods.

The 2013 United Nations Educational, Scientific and Cultural Organisation (UNESCO) Creative Economy Report confirms the creative economy as one of the most rapidly growing sectors of the world economy and a highly transformative one in terms of income generation, job creation and export earnings. On the other hand, figures published by UNCTAD in 2013 show that world trade of creative goods and services totaled a record US$624 billion in 2011 with the growth in this sector more than doubling from 2002-2011 averaging 8.8% annual growth rate during that period. Growth in developing country exports of creative goods was even stronger, averaging 12.1% annually over the same period.

The United States imported over US$218.7 million worth of handcrafts from the world in 2017 mainly from China (54.9%), India (19.2%), Vietnam (13.4%), Thailand (7.8%), Canada (2.4%), Madagascar (0.1%), South Africa, Senegal, Kenya, Ghana and Botswana, showing the demand for the product. However, the figure was way less than the US$519.4 million, US$553.0 million and US$533.0 the country imported from the world in 2014, 2015 and 2016 respectively. Nonetheless, the U.S. remains the largest importer of home accessories followed by the EU and Japan together with Hong Kong.

Potential buyers of handicrafts in the United States are:

1. **Specialty and lifestyle stores** – look for unique products not available at mass retailers.
2. **Catalogue and internet retailers, direct to consumer channel** – A high percentage of young consumers in the United States, including Hispanics and African Americans, buy home accessories through this channel.
3. **Independent retailers** – Small stores such as tourists' shops, art galleries and museums. This channel has been traditionally a large and constant outlet for handicrafts and there is a growth in the luxury market.

Stakeholder consultations for the development of this strategy included discussions with several producers of arts and crafts in Lesotho including Leribe Craft Centre, Basotho Hat, Handmade in Lesotho and Nchafatso Craft Co-operative Society and Lesotho Cooperative Handicrafts Limited.

Like in most countries in the region, the Lesotho handicrafts sector mainly consists of women groups and individuals, mostly is rural and semi-rural settings. The main arts and crafts products in Lesotho include handmade scarves, knee rugs, stoles, ponchos, cushion covers, shoulder bags, vests, jackets, tapestry, wall hangings, table runners and table mats from mohair and wool as well as traditional dresses, baskets and pottery products. There is also a Jewelry manufacturing co-operative that operates from home and markets all its products in Lesotho.

Although most producers belong to associations representing up to 20 individual artisans, there is currently generally very little support for the sector and most producers experience funding and skills challenges. Lesotho Cooperative Handicrafts Limited has over 600 individual members with an annual sales turnover of about R800,000. Some of the producers such as Leribe Craft Centre and Lesotho Cooperative Handicrafts Limited used to export to Germany, Australia and the United States but the exports ended after the Lesotho Post Office stopped providing required transport service.

To galvanize this sector, there is an urgent need for effective coordination of production and market access activities which would result in increased exports and utilization of the AGOA facility. For instance, in South Africa and Botswana, all marketing of handicrafts is handled by marketing houses as well as the coordination of production and the quality management of products to ensure effective production and marketing for the country. For this sector to grow in Lesotho, it is important for the country to help set up and collaborate with marketing houses for effective marketing and distribution. The sector would also benefit from having a national association through which members can channel their common requirements in one voice. Currently, there are too many small ineffective associations.

Although Lesotho has recently not exported substantial quantities of handicrafts, there is an existing skills base for the sector, producing quality products for which there is a significant market in the United States as evidenced by the U.S. import figures above. Furthermore, there is potential to considerably increase production by developing the rural based handicraft industry.

Like the textile and apparel sector, the handcrafts sector has potential to generate more employment and income where it is required most. Increased demand for handicraft products has potential for increased job creation, poverty reduction and potential regional integration by sourcing from the region to meet any surge in demand. The sector is very broad with non AGOA eligible countries being charged an MFN rate of between 3.5% and 6% giving a price competitive edge on the U.S. market for Lesotho products, as an AGOA eligible country.

Product Specific Constraints

The overarching constraint for this sector is the urgent need for effective coordination of the sector to increase production and market access activities. Several other constraints affect the competitiveness and profitability of the sector, including high transport costs, inconsistent product quality, poor marketing, limited access to credit, lack of adequate raw materials such as quality mohair, dyes, twine and thread. Most suppliers of essential raw materials have closed down.

Furthermore, South Africa charges duty on goods on transit, insufficient knowledge of U.S. market requirements and the high cost of compliance with what the producers consider to be stringent market requirements are additional constraints that the sector has to contend with.

Suggested strategic interventions for the above constraints are outlined below:

Suggested Strategic Interventions

Constraint	Suggested Strategic Interventions
1. Poor coordination of the sector	a) Commission a study on the status of the sector and use the results to help inform the way forward; b) Establish a handicrafts association/ body to help identify and coordinate the common needs of the sector; c) Capacitate the association/handcrafts centre to effectively discharge their mandate; d) Set up and collaborate with a marketing house/ handcrafts centre to help with effective coordination, marketing and distribution of products; and e) Encourage regional integration collaborative efforts to help augment quantities required to meet large orders.
2. Limited support for the sector and insufficient production capacity	a) Use the MSBDCM and other existing government entities and facilities to build capacity and to increase support for the sector; b) Facilitate provision of affordable funding such as soft loans or grants for start-ups, SMEs and women entrepreneurs, other disadvantaged groups and minority owned businesses; c) Capacitate vocational and technical training institutes to ensure sustainability; d) Engage local or regional USG agencies to understand available TCB programs and how to access them; and e) Facilitate an investment friendly environment and conduct investment missions to targeted countries with representatives of the sector to create awareness and existing investment opportunities in the sector.
3. Lack of adequate raw materials (e.g. quality mohair, dyes, twine and thread)	a) Facilitate access to funding of production activities; b) Facilitate investment into value addition infrastructure and downstream processing opportunities; and c) Assist the sector with training in areas such as marketing, costing and general business principles.

4. Low market access and acceptance	a) Participate in trade and investment missions to identify opportunities and create awareness of existing products; b) Profile the sector to create awareness of available products; c) LNDC to provide necessary market intelligence or commission a U.S. based firm to assist with marketing in the United States; d) Develop a website and establish a data base of available products to increase visibility and access to required products; e) Capacitate producers on standards and quality issues and improve the local QI to provide the required standards related services; f) Provide required training workshops for effective participation in exhibitions, marketing, costing and export planning; and g) Organize and support exporters to attend relevant exhibitions to market their products and meet buyers to understand market requirements.
5. Insufficient knowledge of U.S. market requirements and the high cost of compliance with the requirements	a) Engage the market to better understand export market requirements; b) Create adequate awareness on export market requirements; c) Provide required capacity building and training, including engaging U.S. volunteer experts; d) Work with U.S. experts to understand U.S. market requirements; e) Engage local or regional USG agencies to understand available TCB programs and how to access them; and f) Expedite the establishment of the local QI to provide the required standards related services.
6. High transport cost and distance to the market	a) Government through Ministry of Transport to improve the local transport infrastructure and help explore possible alternative routes to the market; b) The LNDC and the subsequent handicrafts association to identify dedicated agent(s)/distribution partners to facilitate distribution of products destined for the U.S. market; c) The MTI, LNDC and handicrafts association to encourage exporters to cooperate/combine orders to reduce transport cost; and d) The LRA needs to engage SARS authorities on the duty being charged on goods on transit.

7. Inconsistent quality and lack of capacity to meet required volumes for export	a) The Lesotho department of Standards and the Lesotho Standards Authority (when operational) to train producers on quality issues and productivity improvement; b) The MTI, LNDC and handcrafts association to encourage marketing houses to consolidate products and help encourage increased production; c) The LNDC to facilitate collaboration among local producers and regionally to increase sources for required products; and d) The MTI and LNDC to engage local or regional USG agencies to access available relevant TCB programs.
8. Risk of lack of continuity, as young artisans aren't taking up this trade	a) Awareness training about the opportunities this sector brings; and b) Training new/young artisans to avoid knowledge gap.

2.3.4 Footwear and Leather Accessories

As indicated above, the Lesotho footwear industry currently consists of two footwear manufacturers which employs about 1,253 people, producing about 7.2 million pairs of (typical) shoes a year. Jaguar Shoes (formally Springfield Footwear) used to make branded pool sandals for Puma before Puma left the market. Now Jaguar Shoes is establishing itself with other retailers and scaling up production.

As shown in Table 12 above, in 2017 the United States imported about US$297 million of saddlery and harnesses for animals (HS Code 42010060) mainly from China (47.5%), Mexico (22.3%), India (9.3%) and France (5.1%) with the only supplier from SSA being the Republic of South Africa (RSA) which exported only US$234,000.

During the same year, the United States also imported leather handbags (HS code 42022160) worth over US$80.1 million from China (57.3%), Vietnam (11.2%) and India (10.9%) while at the same time about US$447.6 million of leather belts and bandoliers with or without buckles (HS Code 42033000), were imported from China (48.1%), Italy (16.5%) and India (9.7%). The exporters of leather handbags from SSA to the United States were Ethiopia, Uganda, Kenya, Niger, Mali and RSA with RSA, Kenya, Ethiopia and Zimbabwe being the sources of leather belts and bandoliers in SSA for the United States.

The above shows the availability of a market for these products in the United States with a MFN rate of between 2.7 and 10% for non-AGOA eligible countries, which gives Lesotho producers and other AGOA beneficiaries a reasonable competitive edge as their products are exempted of this duty.

Product Specific Constraints

The constraints for this sector are not very different from those of the handcraft producers which include insufficient capacity to meet required export volumes, insufficient knowledge of U.S. market requirements, limited investment for the sector, inadequate market access and acceptance, as well as long distance to the market.

Below are the proposed strategic interventions to overcome the constraints affecting this sector:

Suggested Strategic Interventions

Constraint	Suggested Strategic Interventions
1. Insufficient capacity to meet required export volumes	a) Conduct a study to have a better understanding of the sector and its challenges before deciding on the way forward on the required assistance; and b) Engage local or regional USG agencies to understand available TCB programs and how to access them.
2. Insufficient knowledge of U.S. market requirements	a) Engage U.S. based experts to help better understand export market requirements and interact with potential buyers; b) Create adequate awareness on export market requirements; c) LNDC to provide necessary market intelligence or commission a U.S. based firm to assist with marketing in the United States; and d) Work with U.S. experts to understand U.S. market requirements.
3. Inadequate market access and acceptance	a) Profile the sector and provide information to targeted markets to create awareness of available products; b) Participate in trade and investment missions to identify opportunities and create awareness of existing products; c) Develop a website and establish a data base of available products to increase visibility and access to required products; d) Provide required training workshops for effective participation in exhibitions, marketing, costing and export planning; and e) Organize and support exporters to attend relevant exhibitions to market their products and meet buyers to understand market requirements.
4. Distance to the market	a) Identify dedicated agent(s)/distribution partners to facilitate distribution of products destined for the U.S. market; and b) Government through Ministry of Transport to improve the local transport infrastructure and help explore possible alternative routes to the market to reduce the time and cost of business for the sector.
5. Limited investment for the sector	a) Investigate the possibility of facilitating local investors and entrepreneurs to use this sector particularly footwear as their entry point into the economy in support of the textile and apparel sector; b) Facilitate provision of affordable funding such as soft loans or grants for start-ups, SMEs and women entrepreneurs, other disadvantaged groups and minority owned businesses; and c) Conduct investment missions to targeted countries with representatives of the sector to create awareness and existing investment opportunities in the sector.

2.4 Identified Key Cross-cutting Constraints to Increasing Utilization of AGOA

As has already been outlined above, this strategy aims to provide guidance to Lesotho on the support needed to develop the identified export products by addressing constraints related to policy, supply and market entry requirements to take full advantage of the preferential market access provided by the AGOA program. In addition to the product specific constraints highlighted above, Lesotho would need to address the key constraints for all products below to increase utilization of the AGOA trade preference program.

2.4.1.1 Insufficient Knowledge of the AGOA Program and Benefits

Stakeholder consultations revealed a general lack of knowledge of the AGOA program and its benefits particularly to other sectors besides the textile and clothing sector. The apparent lack of knowledge of the AGOA program by the stakeholders contributes to the current limited utilization of the AGOA incentives by other sectors in Lesotho.

2.4.1.2 Inadequate Awareness of U.S. Market Requirements

Linked to the above constraint is the need for awareness of U.S. market entry requirements. Stakeholders highlighted the critical importance for export firms to have full understand of all market entry requirements for their products to enable them to figure out what they need to do to comply. Most producers have very limited knowledge of the U.S. market and market entry requirements relevant to their products. They generally believe the requirements are too complicated for them to comply with, so exporters opt for other less cumbersome markets mostly SADC and Europe. Furthermore, most Lesotho producers lack expertise on how to market their products to the U.S. market.

2.4.1.3 Inadequate Productivity and Production Capacity

Across the SADC region, inadequate productivity and production capacity are major constraints for most producers and Lesotho is no exception. This is particularly more critical when dealing with the U.S. market as buyers from that market tend to, more often than not, require large quantities due to the size of the market. Lesotho, like other AGOA eligible countries in the region, has low production capacity due to lack of readily available raw materials, no or limited access to investment and lack of affordable sources of funds for production, and lack of suitable or modern equipment. At the same, some producers lack the required technical expertise and management experience.

2.4.1.4 Insufficient Funding and Limited Access to Investment

As highlighted above, lack of sources of affordable and limited access to investment retards implementation of planned business ideas and anticipated growth in Lesotho. However, the reforms to address obstacles to access to credit through establishment of a credit reference bureau and the implementation of the Land Act of 2010 are positive moves to address limited sources for funds.

2.4.1.5 Cost of Compliance with U.S. Regulations and Standards

Technical regulations, standards, and conformity assessment continue to increase the cost of doing business in today's economy. The International Organization for Standardization (ISO), defines standards as documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines or definitions to ensure that materials, products, processes and services are fit for their purpose.[23] United Nations' Food and Agriculture Organization (FAO) maintains that the main objective of standardization is that all companies in a given economic sector adhere to the same standards (i.e. the same procedures or product specifications) resulting in ease logistical procedures, facilitate trade, prevention of consumer deception and improvement quality. However, improvement in quality will only be achieved when the advocated standard requirements are an improvement in relation to common practice.

The FSMA upgraded the role of the FDA, allowing it to mandate standards for foreign growers, processors and packers to be equal to standards in the U.S. Any producer exporting food products to the United States would be required to register with the U.S. Food and Drug Administration[24] (FDA) as food exporters are required to ensure that food products exported to the United States are safe for consumption. Any food products imported into the United States are subject to FDA inspection when entering the country and FDA may detain imported products if the shipments are found to be non-compliant with U.S. requirements.[25]

Consequently, although not mandatory, certification of food processors by accredited organizations to such food safety standards like Hazard Analysis and Critical Control Point (HACCP) and ISO/ Food Safety System Certification (FSSC) 22000 are a common prerequisite to ensure compliance with U.S requirements. Additionally, there are also private standards from buyers which suppliers have to comply with for their products to be considered by the buyer. Furthermore, producers must satisfy other USG and market conditions, such as safe labour practices for workers, WRAP certification and Fair Trade[26] certification, among others.

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[23] *A product standard is a set of criteria that products must meet, and a process standard is a set of criteria for the production process. On the other hand, ISO Guide 2 (1996), states that certification is a procedure by which a third party gives written assurance that a product, process or service is in conformity with certain standards.*
[24] *FDA is responsible for enforcing the Federal Food, Drug, and Cosmetic Act (FD&C Act) and other laws which are designed to protect consumers' health, safety, and pocketbook. These laws apply equally to domestic and imported products.*
[25] *The FDA's strategy is guided by four goals i.e. imported food must meet U.S. food safety requirements; FDA border surveillance will prevent unsafe food from being imported; there will be a rapid and effective response to unsafe imports; and an effective and efficient food import program will be established.*
[26] *A 501 (c) (3) non-profit organization, Fair Trade USA is the leading third-party certifier of Fair Trade products in the United States.*

Currently, Lesotho has no accredited testing laboratories or certification bodies to provide the required services. This means that any producers requiring such services can only get that from other countries, mainly South Africa adding to the cost of production, which ultimately reduces the competitiveness of local products.

2.4.1.6 High Cost of Production and Distance to Market

While a comparison of general cost against other countries in the region and in east Africa, shows that Lesotho is competitive in most areas (see Table 3 above), discussions with stakeholders highlighted that high cost of production in Lesotho mainly results from cost of finance, machinery and compliance with international markets standards and technical regulations. Of critical concern though is the cost of getting the products to the market due to distance from the market, which is often worsened by the delays at both the border and at the port due to congestion. The delays have at times resulted in exporters losing contracts after failing to meet set delivery deadlines especially for textile and apparel deals.

2.4.1.7 NTBs to Trade

NTBs[27] to trade are restrictions that go beyond their legitimate intended purposes and have the deliberate or unintended effect of increasing the cost and time of doing business. Non-tariff measures[28] (NTMs) are government restrictions on trade for a range of legitimate public policy reasons such as safety, health and consumer information. These trade restrictions increase the cost of imports/exports. The most cited NTB during the stakeholder consultations was the delays at the South African border and the related risk because of the demand by SARS to open and inspect sealed consignments in transit which often exposes the consignment to risk of damage and theft coupled with delays due to port congestion.

2.4.2 Strategic Interventions to Address Cross-Cutting Constraints

A proposed integrated institutional structure for the Lesotho AGOA Utilization Strategy is outlined in Figure 10 (see Section 4.0). The structure, spearheaded by a National AGOA Steering Committee (NASC) comprising of both public and private sector and civil society organizations, will be tasked with ensuring effective implementation of the AGOA strategy. The NASC will be co-chaired by the private sector and MTI with MTI being the custodian of the strategy. The LNDC will be the AGOA Secretariat, tasked with ensuring the implementation of the AGOA Utilization Strategy for Lesotho. Critically, the AGOA Secretariat (LNDC) would need to develop a budget for implementation of the AGOA Utilization Strategy for Lesotho and present it to NASC for approval.

[27] *The SADC Protocol on trade defines Non-Tariff Barriers as any barrier to trade other than import and export duties.*

[28] *The terms NTMs and NTBs are often used interchangeably*

Below are the suggested interventions to address each of the seven cross-cutting constraints outlined on the previous page:

Constraint	Suggested Strategic Interventions
1. Insufficient knowledge of the AGOA program and its benefits	a) LNDC to suggest an appropriate AGOA Secretariat structure for approval by NASC before establishment; b) NASC requests LNDC (the AGOA Secretariat) to develop and implement a countrywide awareness on the AGOA program and its benefits; c) The LNDC (AGOA Secretariat) to include export-oriented service providers in the awareness campaign to provide information on their services; and d) AGOA Secretariat to champion the development of a robust information dissemination program to provide information on AGOA to targeted local and U.S.-based stakeholders.
2. Insufficient awareness of U.S. market requirements	a) AGOA Secretariat to organize required sector-specific workshops on U.S. market requirements with support/input from U.S. sector experts; b) AGOA Secretariat to distribute information on U.S. market requirements to targeted exporters; c) AGOA Secretariat to develop a database on AGOA eligible products and make it easily accessible; d) AGOA Secretariat to link the database on AGOA eligible products to websites of other strategic organizations (e.g. USG agencies, World Bank, other development partners, all government ministries, LCCI, Private Sector Foundation, Department of Standards/Lesotho Standards Authority, LRA, OBFC and the Trade Portal etc.) e) MTI/Department of Standards to provide a list of common U.S. requirements, standards, general import documentation, technical regulations, U.S. FDA and U.S. Customs and Border Protection (CBP) requirements to AGOA Secretariat for sharing with relevant stakeholders; f) AGOA Secretariat to establish a link between U.S. buyers, Lesotho producers, and the United States and Lesotho private sectors through their respective Chambers of Commerce; g) MTI to provide support the Lesotho Trade Attaché in the United States for the next seven years to help conduct market research and to promote Lesotho products in the United States or appoint a U.S.-based company to carry out that function; and h) AGOA Secretariat through MTI to help identify and request from the various USG agencies for required information and support for TCB to develop private sector business associations and networks in the U.S. markets to facilitate export development.

3. Inadequate productivity and production capacity	a) LRA to identify and facilitate implementation of export inclined incentives; b) MTI to coordinate the introduction of business linkage programs between SMEs and large organizations to promote private sector development and create a local market for SMEs; and c) Government to ensure consistent economic and regulatory policies.
4. Cost of compliance with U.S. regulations and standards	a) MTI to help expedite the establishment of the QI including the national standards body and related service providers to assist producers to comply with required U.S. standards and regulations; b) LNDC/LCCI/Private Sector Foundation, MSBDCM and the Department of Standards to facilitate producers of selected products to get required certifications; c) LNDC/LCCI/Private Sector Foundation, Department of Standards and MSBDCM to identify sponsors to provide funding for training of trainers on relevant standards and regulations; and d) MTI and MSBDCM to engage development partners to provide support to ensure compliance with U.S. standards and regulations.
5. Inadequate funding and limited access to investment	a) CBL to facilitate reduction of the current cost of finance and provide affordable funding to unlock the bottlenecks to increased production and productivity; b) LNDC to identify investment requirements for potential investors particularly from the United States and help meet the expectations of critical investors to attract more FDI; c) MTI/LNDC to capacitate or form a national Doing Business Committee to help identify and implement activities to improve Ease of Doing Business indicators; d) LNDC to engage the USG agencies and other development partners to revive the implementation and auditing of the Investor Roadmap and Strategy on Regulatory Reforms; and e) MTI to engage SADC Secretariat on the SADC Investment Sub-Committee programs to develop a SADC Regional Action Programme on Investment aimed at addressing barriers to investment and contribute to improving the investment climate in the SADC region.

6. High cost of production and distance to market	a) Government through the Ministry of Transport to revamp the transport network to reduce the cost of transport and improve the competitiveness of local exports; b) LRA to engage SARS authorities on how to resolve the long outstanding issue of inspection of sealed consignment in transit to reduce consignment delays failure to which the issue can be elevated to either SACU or SADC level; and c) LCCI/Private Sector Foundation, MSBDCM, LNDC and member associations to encourage exporters to cooperate on transportation of raw materials and finished products to reduce empty trips and cost.
7. NTBs to trade	a) LRA to expedite the implementation of the customs modernization program and the WTO Trade Facilitation Agreement to facilitate cross borders trading; b) MTI to develop/implement a national NTB to trade strategy to facilitate the elimination of NTBs to reduce the time and cost of doing business; c) MTI to conduct regular NTBs surveys to continuously identify and resolve NTBs; d) MTI to create or capacitate the National Monitoring Committee (NMC) on NTBs as a national mechanism for monitoring and coordinating elimination of NTBs; and e) MTI to create awareness and encourage stakeholders to use the COMESA-EAC-SADC tripartite NTB Monitoring Mechanism to help resolve NTBs.

While Lesotho has potential to diversify its exports to the United States under the AGOA program from textiles and clothing to other products as indicated above, for most of the products, lack of productive capacity is a major issue. As is the case with most SADC countries, Lesotho needs to increase production and build export capacity and capability. This might require building local capacity through developing intra-SADC trade to increase capacity for export. Identifying and focusing on a niche market could be a key market strategy into the United States for the priority products with potential to compete on the U.S. market highlighted above. On the other hand, Lesotho can increase supply capacity through increased investment in targeted sectors. FDI from countries with substantial export experience in these sectors and products would not only help to increase production of required products but could also bring much needed expertise and technology.

2.5 Suggestions to Facilitate Faster Clearance of Exports to the United States

Below is a list of suggested ways to facilitate faster clearance of merchandise to United States[29]:

1. Include all information required on your customs invoices;
2. Prepare your invoices carefully, type them clearly and allow sufficient space between lines. Keep the data within each column;
3. Ensure that your invoices contain the information that would be shown on a well prepared packing list;
4. Mark and number each package so it can be identified with the corresponding marks and numbers appearing on your invoice.
5. Show a detailed description on your invoice of each item of merchandise contained in each individual package.
6. Mark your goods legibly and conspicuously with the country of origin unless they are specifically exempted from country-of-origin marking requirements, and with such other marking as is required by the marking laws of the United States;
7. Comply with the provisions of any special laws of the U.S. that may apply to your goods, such as laws relating to food, drugs, cosmetics, alcoholic beverages, radioactive materials etc.;
8. Observe the instructions closely with respect to invoicing, packaging, marking, labelling, etc., sent to you by your customer in the United States;
9. Work with CBP to develop packing standards for your commodities;
10. Establish sound security procedures at your facility and while transporting your goods for shipment;
11. Consider shipping on a carrier participating in the Automated Manifest System; and
12. If you use a licensed customs broker for your transaction, consider using a firm that participates in the Automated Broker Interface.

2.6 Resource Mobilization and Financing

Following the approval and formal launch of this AGOA Utilization Strategy for Lesotho and the below implementation plan, a preliminary estimation of level of effort and related budget should be submitted through the AGOA Secretariat for approval before implementation. The required resources may be leveraged from existing and prospective development (donor) funded projects in Lesotho.

Some of the most relevant existing international development projects in Lesotho for possible consideration are IFAD, Millennium Challenge Corporation (MCC), The Hub, and The World Bank.

3.0 Action Plan

The action plan indicates specific strategic objectives, activities and expected outcomes as detailed in the Implementation Plan Matrix in 3.1 on the next page. The Implementation Plan will be the main tool for ensuring effective management and implementation of this AGOA Utilization Strategy for Lesotho led by the AGOA Secretariat in liaison with MTI and the NASC.

[29] *Source: https://www.cbp.gov/sites/default/files/documents/Importing*

The Institutional Structure for the implementation of this AGOA Utilization Strategy is in Figure 10 under Section 4.0.

3.1 Detailed Implementation Matrix

Strategic Objective	Activity (Intervention)	
1. Establish an effective institutional structure for the national AGOA Utilization Strategy for Lesotho.	a) Confirm proposed AGOA Institutional Structure (see M&E Section 4.0 of this strategy). b) Develop TORs (Scope of Work) for the AGOA Secretariat. c) Capacitate the AGOA Secretariat to conduct AGOA activities.	
2. Create awareness of the AGOA preference program, its benefits and the U.S. market requirements countrywide for the priority export products for Lesotho.	a) Develop a robust information dissemination program on AGOA activities for Lesotho including: doing business in the United States, AGOA success stories, available export development programs, potential market leads and with links to other useful websites. b) Develop an easily accessible AGOA Website with a section on frequently asked questions and answers. c) Hold periodic AGOA awareness workshops using U.S. experts wherever possible, targeting producers of potential priority export products. d) Circulate AGOA related information to exporters through print and electronic media. e) Organize trade missions and participation by export ready firms from Lesotho at suitable trade shows targeting producers of potential priority export products.	

	Performance Indicator	Deliverable/Output	Implementing Body: Lead Institution	Implementing Body: Support Institution	Timing: S	Timing: M	Timing: L
	a) Progress reports on implementation of the AGOA Utilization Strategy through reports by the AGOA Secretariat during scheduled AGOA meetings as proposed in the M&E section. b) Feedback and presentations from the AGOA Secretariat. c) Number of activities/ initiatives implemented from the AGOA strategy.	a) Effective implementation of the AGOA Utilization Strategy. b) Increased volume of exports under AGOA. c) Increased volume of FDI in the priority sectors for the AGOA strategy.	NASC	MTI and LNDC	X		
	a) Number of visits to the AGOA website (hits), and queries received as well as responses to the queries. b) Number of AGOA awareness workshops organized per year, number of participants at each workshop, and feedback received from workshop participants. c) Size of email distribution list and the quantity/ quality of feedback from the recipients. d) Number of missions organized, and trade shows attended as well as number of participants from Lesotho per year.	a) Increased awareness of the AGOA trade preference program, how to utilize it and its benefits. b) Increased utilization of the AGOA program and number and amount of priority export products from Lesotho to the United States under the AGOA facility. c) Confirmed investors per priority sectors d) Annual percentage increase in investment	AGOA Secretariat/ NASC	MTI, LCCI, MSBDCM, Private Sector Foundation, LTEA, LIEA, other sector associations, relevant service providers the Hub, and U.S. Embassy in Lesotho	X		

Strategic Objective	Activity (Intervention)	
3. Enhance marketing of Lesotho products in the United States	a) Confirm the agreed AGOA Institutional Structure and any personnel set up for U.S. presence to drive AGOA activities b) Update or develop and publish promotional material on AGOA for use by those in the United States such as a handbook of AGOA and this AGOA Strategy c) Provide the AGOA team in the United States with information on available products, quantities, as well as current and potential production capacity etc.	
4. Improve market information and intelligence among exporters	a) Link Lesotho and United States private sectors through their respective chambers of commerce b) Establish a focal point for enquiries about exporting under AGOA to facilitate access to information required by exporters c) Profile the priority potential export sectors and products, and target U.S. buyers to create much needed awareness to create linkages and facilitate exports. d) Engage sector experts to help identify specific U.S. buyers, participate at appropriate trade shows, and promotional activities as well as conducting market research to understand market requirements.	
5. Facilitate increased production and productivity	a) Identify and provide required technical assistance to increase production/ productivity of the prioritized potential export products b) Encourage out-grower schemes for asparagus and other crops for the canning factory by facilitating availability of viable sources of funding for farmers to purchase required inputs and equipment while guaranteeing a market for their produce c) Identify and facilitate implementation of export inclined incentives d) Coordinate introduction of a business linkage programs between SMEs and large organizations to promote private sector development and create a local market for SMEs e) Facilitate provision of quality seeds to farmers producing priority products f) Facilitate importation of products from neighbouring countries required by the cannery to augment local supply g) Ensure guaranteed markets and prices for local products, supported by consistent economic and regulatory policies	

	Performance Indicator	Deliverable/Output	Implementing Body: Lead Institution	Support Institution	Timing: S	M	L
	a) Number of activities to enhance marketing of Lesotho products in the United States b) Required AGOA promotional material to be developed and planned activities per year	a) Completed U.S AGOA set up for Lesotho b) Developed and shared annual activity program c) Enhanced marketing activities for Lesotho products in the United States	LNDC	Lesotho Ministry of Foreign Affairs and International Relations, Lesotho Embassy in the United States and MTI	X		
	a) Number of producers informed of opportunities to export to the U.S. market under the AGOA program b) Quality/quantity of available information on the U.S. market requirements c) Number of trade shows and participants attended	a) Increased business transactions on AGOA reported by exporters per quarter. b) Increased exports to the U.S. under the AGOA trade preference program.	LNDC	MTI, LCCI, MSBDCM, the Hub, Private Sector Foundation, LTEA, LIEA, other sector associations	X		
	a) Available capacity building programs to facilitate production and productivity b) Farmers involved in out-grower schemes and the range products covered and quantities produced c) Government policies aimed at guaranteeing markets and prices for Lesotho priority export products	a) Increased productivity per AGOA priority product/sector b) Increased exports and profits per sector	Ministry of Agriculture and Food Security / LNDC	MTI, LRA, Ministry of Development Planning, Ministry of Forestry, Range and Soil Conservation, MSBDCM and development partners		X	

Strategic Objective	Activity (Intervention)	
6. Facilitate availability of sources of affordable funding and link producers/ exporters with suppliers of required funding	b) Increase efforts on facilitate reduction of the current cost of finance and provide affordable funding to unlock the bottlenecks to increased production and productivity c) Continue to look for viable sources of funding internationally and link producers and exporters of the priority sectors/ products to affordable financial services d) Provide bridging finance to targeted exporters while awaiting their export revenues e) Identify investment requirements for potential investors particularly from the United States and help meet the expectations of critical investors to attract more FDI f) Capacitate or form a national Doing Business Committees to help identify and implement activities to improve Ease of Doing Business indicators g) Engage the USG agencies and other development partners to revive the implementation and auditing of the Investor Roadmap and Strategy on Regulatory Reforms h) Engage SADC Secretariat on the SADC Investment Sub-Committee programs to develop a SADC Regional Action Programme on Investment aimed at addressing barriers to investment and contribute to improving the investment climate in the SADC region	
7. Coordinate skills development to develop public-private sector driven industry skills base	a) Conduct skills audit to identify existing skills gap for the export priority sectors b) Capacitate sector specific vocational and tertiary education to bridge the identified gaps c) Engage stakeholders to agree on a mechanism to transfer essential skills from expatriates to locals during their attachment to the firm d) Review education curriculum to include requisite skills per sector e) Improve on-job training programs to cater for required programs and skills	
8. Increase market opportunities for priority export products from Lesotho	a) Develop an AGOA export development initiative focusing on training and capacity building of exporters of prioritized products to improve their export marketing skills b) Facilitate linkage between local organizations wishing to cooperate to meet the volumes required by the U.S. market c) Develop linkage and supply diversity programs between SMEs and large organizations to allow SMEs to develop marketing capabilities, a culture of producing quality products and to have a market for their products d) Facilitate regional integration of identified products/sectors to address production capacity issues e) Organize buyer missions to bring prospective buyers to Lesotho to access the products and guide producers on market entry and what they expect	

	Performance Indicator	Deliverable/Output	Implementing Body: Lead Institution	Implementing Body: Support Institution	Timing: S	Timing: M	Timing: L
	a) Progress with establishing a credit reference bureau and implementation of the Land Act b) Reported activities on linking producers to financial services providers	a) Amount available for development projects and the number of applications and assisted producers annually b) Access to finance enhanced for producers of the priority products c) Assisted exporters and the amount disbursed annually d) Amount sourced for development purposes per year	CBL	Ministry of Finance, LNDC, MSBDCM, the Hub, USG agencies and other development partners		X	
	a) Identified skills for the skills transfer program b) The skills transfer mechanism/ program to be used and the duration c) List of training for artisans and technicians d) Feedback from industry on how the available	a) Increased number of local workers with skills required by priority sectors firms b) Number of locals with relevant skills achieved through the skills transfer program c) Increased productivity level of hired graduates d) Number of graduates with relevant industry skills per sector e) skills meet their requirements	Ministry of Labour and Employment	MTI, LCCI, Private Sector Foundation, LTEA, LIEA, other sector associations, Ministry of Education and Training, MSBDCM and development partners, University and vocational training centres		X	
	a) SMEs engaged in linkage programs with local large organizations b) Local and regional linkages organized for exporters to meet required export volumes for the U.S. market c) Training and capacity building programs organized per year d) Products and quantities exported through regional integration	a) Increased sales from linkage programs between SMEs and large organizations b) Increased exports sales from combined marketing efforts c) Increase in number of companies involved in combined exports per year	LNDC	MTI, LCCI, Private Sector Foundation, LTEA, LIEA, other sector associations, MSBDCM and development partners,		X	

Strategic Objective	Activity (Intervention)	
9. Enhance capacity to comply with required U.S. standards, technical regulations and market requirements to improve competitiveness	a) Identify compliance requirements in targeted U.S. markets and communicate the information to relevant organizations in Lesotho b) Conduct a needs assessment for QI organizations in Lesotho and develop a program to address the needs c) Facilitate interaction between AGOA priority products/sectors and QI institutions providing required support on quality issues d) Conduct an assessment to determine current available laboratory services and their capabilities to provide accredited services e) Work with SADCAS to build capacity of local laboratories to provide required services f) Provide an update on establishment the Lesotho Standards Authority and provide a plan on the way forward regarding the timing on provision of services required by exporters g) Build the capacity to assist producers in the export sectors to meet U.S. certification requirements such as food safety, ISO/FSSC 22000, HACCP and Fair Trade etc. h) Explore possibilities of potential exporters under AGOA to receive technical assistance on meeting U.S. standards and technical requirements from development partners	
10. Enhance business regulatory legislation to improve the competitiveness of Lesotho exports	a) As outlined in 1 above, establish the AGOA Utilization Strategy Institutional Structure, and allocate responsibilities b) Identify and implement essential incentives for the proposed priority products	
11. Engage local and regional USG agencies on technical assistance and TCB programs	a) Identify capacity building requirements for priority export products/ sectors b) Identify technical assistance required to facilitate export development and to increase investment in Lesotho c) Identify local and regional USG agencies offering required TCB and technical assistance d) Identify the conditions for accessing the available support from the USG agencies	

	Performance Indicator	Deliverable/Output	Implementing Body		Timing		
			Lead Institution	Support Institution	S	M	L
	a) Capacity needs identified b) Number of QI programs developed c) Organizations provided with required capacity building	a) Enhanced QI and better competitiveness of local firms b) Improvement in the participation of local firms in standards/ quality related issues c) Increase in level of support in programs on quality improvement and accredited facilities d) Lesotho exporters of the identified products able to meet U.S. standards and technical requirements	Department of Standards	MTI, sector associations, SADCAS, SADCSQAM, SADCSTAN, SADCTRLC, LNDC and development partners		X	
	a) AGOA Institutional Structure established operational b) Number of identified required incentives per priority sector c) Available incentives per AGOA priority sector d) Conditions and approved budget for the incentives	a) Business regulatory environment enhanced and cost of doing business reduced b) The number of incentives provided and beneficiaries per sector c) Improved production capacity and competitiveness	AGOA Secretariat/ NASC	MTI, LRA, LNDC, relevant government ministries, the Hub and development partners		X	
	a) List of capacity building requirements for priority export products/sectors b) Identified local and regional USG agencies offering relevant and TCB technical assistance c) Support required per AGOA priority products/sector d) Assistance provided by available USG agencies locally and in the United States	a) Increased number of technical capacity building programs provided per sector and those assisted b) Number of technical assistance programs c) Increased number of participants and/ or firms assisted and amount of technical assistance provided	LNDC	MTI, the Hub, U.S. Embassy to Lesotho and development partners	X		

Strategic Objective	Activity (Intervention)	
12. Facilitate reduction of NTBs to trade	a) Develop a national NTB strategy and action plan to facilitate the elimination of NTBs to trade to reduce border delays and costs caused by the delays b) Conduct regular NTBs surveys to continue identifying and resolving the NTBs c) Establish an NMC on NTBs as a national mechanism for monitoring and coordination of NTB elimination d) Identify and implement relevant trade facilitation tools e) Identify customs administration procedures that require improvement f) Facilitate awareness and encourage increased use of the COMESA-EAC-SADC tripartite NTB monitoring mechanism	
13. Facilitate the establishment of required sector associations and capacitate existing associations to increase coordination of required assistance	a) Facilitate stakeholders to form or strengthen sector associations or body (e.g. handicrafts) to help identify and coordinate the common needs of the sector b) Identify capacity needs for each association and provide necessary interventions	
14. Facilitate an investment friendly environment	a) Investigate the expected investment requirements by potential investors and work on meeting the critical expected investor requirements b) Reduce all rankings for on the Ease of Doing Business indicators to below 90 in the next five years through required regulatory reforms c) Capacitate the OBFC through providing required training, resources and legislation to enhance its effectiveness d) Visit successful countries on implementing regulatory reforms such as Rwanda to learn from their experience e) Engage USG agencies to access TCB to improve the investment climate and to be assisted with how to access invest from American businesses	
15. Provide grants and soft loans for start-ups, SMEs, women entrepreneurs and businesses owned by other disadvantaged groups	a) Review the AGOA priority products and sectors to identify opportunities for projects requiring assistance b) Develop a mechanism for providing and managing grants/ loans program c) Engage USG agencies and other development partners to access available TCB and any funding assistance	
16. Attract U.S. investment and purchasing commitment arrangements into select sectors	a) Profile sectors that require investment, b) Develop investment matrix featuring investment incentives	

Key: S – Short Term (1 year); M – Medium Term (2-5 years); and L – Long Term (Over 5 years)

			Implementing Body		Timing		
	Performance Indicator	Deliverable/Output	Lead Institution	Support Institution	S	M	L
	a) Administration procedures targeted for improvement b) Number and effectiveness of trade facilitation tools implemented c) Awareness creation workshops on the use of NTB monitoring mechanism	a) Improved efficiency at ports and borders b) Reduced delays at borders resulting in reduced time and cost of doing business c) Improved competitiveness and improved ability to meet orders d) Reduction in NTBs and time taken for them to be resolved e) Increased reporting of NTB and reduced time and cost of doing business	MTI	LRA, Ministry of Finance, the Hub, SADC Secretariat, Ministry of Public Works and Transport and development partners		X	
	a) Number of sector associations formed or assisted b) Sector specific capacity needs identified c) Number of workshops and participants trained per year	a) Increased number of associations in priority products/sectors b) Increase in production capacity per AGOA priority sector	MTI	LCCI, Private Sector Foundation, LTEA, LIEA, other sector associations, MSBDCM and development partners		X	
	a) Annual reduction in rankings on Ease of Dong Business indicators b) Improved international competitiveness rankings for Lesotho on the Ease of Doing Business, Global Competitiveness Index and Heritage Foundation, etc.	a) Increased FDI per year from the United States b) Number of companies investing in Lesotho per year	LNDC	MTI, the Hub, relevant government ministries and development partners		X	
	a) Number of available projects for SMEs and women owned businesses per priority sector b) Demand for support and available budget for grants/ loans for projects in the Lesotho potential priority products or sectors c) Number of assisted start-ups, SMEs and women	a) Increased exports under AGOA in the priority potential export products or sectors by start-ups, SMEs, women entrepreneurs and businesses owned by other disadvantaged groups	MSBDCM	MTI, LNDC and development partners		X	
		a) Investment Roadshow in 3 States in the US	LNDC, MTI	The Hub, and U.S. Embassy in Lesotho		X	

4.0 MONITORING AND EVALUATION FRAMEWORK

4.1 Introduction

The Trade Preferences Extension Act of 2015 specifies that AGOA eligible beneficiary countries should develop utilization strategies on a biennial basis to effectively and strategically utilize benefits under the AGOA program. Additionally, each beneficiary country should publish the public versions of its AGOA utilization strategy on applicable Internet website of the country. On the other hand, USTR should publish public versions of all AGOA utilization strategies on the Internet website of the Office of the United States Trade Representative.

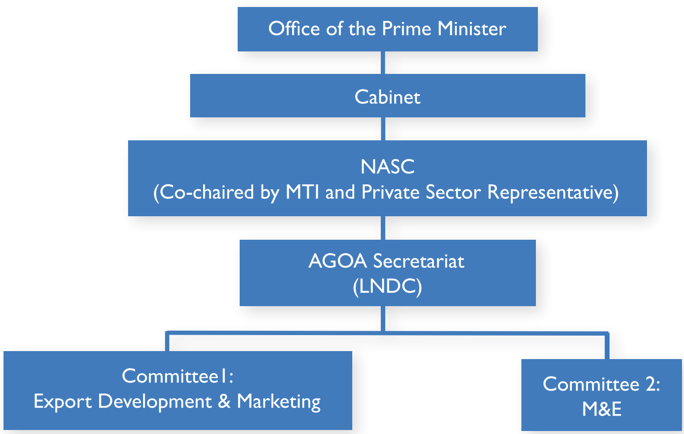
Although this AGOA Utilization Strategy for Lesotho covers the whole period of the extension of the AGOA program starting immediately after the launch of this strategy until September 2025, it will be reviewed every two years to ensure its continued relevance, in line with the Trade Preferences Extension Act.

4.2 Institutional Structure for the AGOA Utilization Strategy for Lesotho

An Institutional Structure and M&E framework would be critical to ensuring effective management and implementation of the strategy. Feedback received during the development of this strategy indicated that besides the lack of a focused strategic approach, an ineffective institutional support mechanism results in poor utilization of AGOA opportunities. An effective institutional mechanism supported by a strong monitoring system ensures provision of regular information on progress with implementation while evaluation identifies implementation challenges.

The Institutional Structure for the AGOA Utilization Strategy for Lesotho is depicted in Figure 10.

Figure 10: Institutional Structure for the AGOA Utilization Strategy for Lesotho



As the case with the development of the strategy, it is critical that the proposed institutional structure for the implementation of the AGOA Utilization Strategy for Lesotho consist of both public and private sector as well as civil society organizations to ensure effective management and implementation.

As highlighted earlier, the AGOA Institutional Structure will be headed by the NASC co-chaired by the private sector and MTI. The NASC will be responsible for the AGOA Utilization Strategy for Lesotho and provide overall strategic guidance on its implementation. The NASC will consist of representatives of such entities like: Ministry of Agriculture and Food Security, MSBDCM, Ministry of Development Planning, Ministry of Finance, Civil Society, Lesotho Millennium Development Agency, Private Sector Competitiveness and Economic Diversification Project for Lesotho, Council of Nongovernmental organizations, Lesotho Chamber of Commerce and Industry, Private Sector Foundation of Lesotho, and the Association of Lesotho Employers, etc. This will ensure that views of all interested parties are considered.

The LNDC will house the AGOA Secretariat while MTI (Department of Industry) will be the custodian of the strategy. While a proposal of the full composition of the AGOA Secretariat will be submitted to NASC for approval, ideally the AGOA Secretariat Unit should consist of an AGOA Coordinator and two other support staff. The AGOA Unit will work in close liaison with the MTI and special committees reporting to the NASC to ensure implementation of the agreed activities for each sector in the strategy. The two suggested committees so far are: 1) Export Development & Marketing; and 2) M&E. Other committees will be set up as and when necessary and all committees will mainly be made up of NASC members.

In addition to the above setup, Lesotho will also need to ensure that it has effective representation in the United States to facilitate identification of opportunities on the U.S. market to increase demand for Lesotho products. The suggested setup should include the establishment of an AGOA desk at the Lesotho Embassy in the United States working with LNDC to provide a vital link between AGOA exporters in Lesotho and prospective buyers in the United States.

Having effective representation in the United States will also help expedite issues by taking advantage of the time differences between the United States and Lesotho. The AGOA Secretariat at LNDC and the AGOA desk at the Lesotho Embassy in the United States should work closely with the U.S. Embassy in Lesotho and other relevant USG agencies such as the MCC to identify opportunities and take advantage of the AGOA facility. In addition, MTI and the AGOA Coordinator will need to work closely with all relevant USG agencies to effectively utilize the available technical support and TCB programs offered by USG agencies and such USAID funded projects like the Southern Africa Trade and Investment Hub.

Immediately after the launch of the approved AGOA Utilization Strategy for Lesotho, NASC should organize a strategic planning process to facilitate implementation of the strategy and to help integrate the strategy into the public investment planning and budgeting process for Lesotho.

4.3 M&E Framework

The M&E framework for the strategy will be based on the following:

1. An AGOA Institutional Structure depicted in Figure 10 above. To ensure effective implementation of the strategy, progress would need to be reported to the Office of the Prime Minister by the co-chairs of the NASC through Cabinet.
2. The AGOA Secretariat will be required to provide scheduled periodic updates on implementation progress including a report on any issues impeding implementation.
3. The AGOA Utilization Strategy Implementation Plan Matrix will be the main tool for assessing progress and performance spearheaded by the AGOA Secretariat in liaison with NASC.
4. During the first year of implementation of the strategy, the NASC and the AGOA Secretariat should meet monthly and, as and when required to review implementation progress, thereafter it can be decided how often they will need to meet.
5. The AGOA Secretariat will every six months produce a report on the progress of the implementation of the strategy and provide the latest statistics on Lesotho exports under AGOA.
6. The report will be used to update the Cabinet and the Office of the Prime Minister on the progress through the NASC.

The AGOA Utilization Strategy for Lesotho will be reviewed annually during the period of the AGOA program to ensure its continued relevance in line with the recommendations of the AGOA Extension and Enhancement Act (2015), in addition to being in alignment with existing national development plans.

APPENDIX A: LIST OF LESOTHO EXPORTS TO THE WORLD EXCLUDING THE U.S.

Code	Product Label	Lesotho's Exports to World				
		Exported value in 2013	Exported value in 2014	Exported value in 2015	Exported value in 2016	Exported value in 2017
Total	**All products**	**353,798**	**818,435**	**586,332**	**941,117**	**1,036,783**
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad... .	16,641	376,617	184,783	276,907	376,276
61	Articles of apparel and clothing accessories, knitted or crocheted	65,103	163,465	135,574	266,790	248,859
62	Articles of apparel and clothing accessories, not knitted or crocheted	63,047	108,376	86,790	182,335	193,058
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television... .	50,527	22,521	20,790	50,659	59,333
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	6,487	23,193	36,665	46,995	57,491
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings... .	417	1,894	9,537	21,441	19,235
52	Cotton	16,101	17,434	18,735	24,060	15,971
11	Products of the milling industry; malt; starches; inulin; wheat gluten	17,531	4,011	3,557	16,144	12,450
64	Footwear, gaiters and the like; parts of such articles	25,970	6,403	8,893	11,778	11,262
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	222	1,097	472	114	6,323
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	874	4,678	5,232	3,000	4,906
23	Residues and waste from the food industries; prepared animal fodder	3,381	1,262	1,721	6,147	4,604
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	4,841	2,663	3,479	4,002	4,255
03	Fish and crustaceans, molluscs and other aquatic invertebrates	1,198	349	1,654	1,778	3,323
88	Aircraft, spacecraft, and parts thereof	0	0	1	468	2,176
08	Edible fruit and nuts; peel of citrus fruit or melons	59	64	66	1,077	2,052
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	1,289	633	1,689	1,417	2,019

Code	Product Label	Lesotho's Exports to World				
		Exported value in 2013	Exported value in 2014	Exported value in 2015	Exported value in 2016	Exported value in 2017
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	2,340	765	186	870	1,470
01	Live animals	288	310	102	872	1,454
39	Plastics and articles thereof	388	482	771	937	1,120
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal... .	242	551	531	976	1,094
99	Commodities not elsewhere specified	9	39	68	540	680
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	2,020	4,170	6,161	6,434	655
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal... .	0	19	76	508	585
73	Articles of iron or steel	372	1,520	1,734	457	559
72	Iron and steel	131	190	271	323	512
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial... .	249	208	556	607	508
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	1	108	200	168	496
65	Headgear and parts thereof	29	22	106	289	396
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral...	283	388	429	241	366
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	0	0	0	268	343
55	Man-made staple fibres	332	305	248	243	331
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical... .	148	269	137	271	264w
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, . . .	86	70	95	206	208
76	Aluminium and articles thereof	23	116	146	289	183
44	Wood and articles of wood; wood charcoal	75	280	189	118	177

Code	Product Label	Lesotho's Exports to World				
		Exported value in 2013	Exported value in 2014	Exported value in 2015	Exported value in 2016	Exported value in 2017
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles... .	907	2,891	2,300	8,944	172
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or... .	36	21	28	203	169
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	31	4	53	116	169
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	833	53	38	85	121
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	129	275	408	347	98
10	Cereals	79	144	73	116	97
21	Miscellaneous edible preparations	31	148	76	128	97
22	Beverages, spirits and vinegar	67,620	59,019	49,671	158	87
60	Knitted or crocheted fabrics	346	16	51	46	75
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	33	894	27	60	61
54	Man-made filaments; strip and the like of man-made textile materials	957	621	89	53	54
41	Raw hides and skins (other than furskins) and leather	16	99	15	6	54
96	Miscellaneous manufactured articles	75	161	68	43	53
70	Glass and glassware	154	112	103	166	51
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	26	180	187	177	49
69	Ceramic products	19	38	10	25	48
80	Tin and articles thereof	0	0	0		46
83	Miscellaneous articles of base metal	2	23	19	12	38
24	Tobacco and manufactured tobacco substitutes	0	184	11	4	36
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	3	52	117	89	32

Code	Product Label	Lesotho's Exports to World				
		Exported value in 2013	Exported value in 2014	Exported value in 2015	Exported value in 2016	Exported value in 2017
07	Edible vegetables and certain roots and tubers	8	64	34	24	28
40	Rubber and articles thereof	92	57	85	22	26
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring... .	2	5	16	26	24
74	Copper and articles thereof	43	132	27	20	17
30	Pharmaceutical products	450	219	247	84	12
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles... .	0	0	0		9
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere... .	522	329	60	71	8
20	Preparations of vegetables, fruit, nuts or other parts of plants	22	7,095	79	39	7
50	Silk	1	20	24	9	7
95	Toys, games and sports requisites; parts and accessories thereof	29	33	31	50	7
86	Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures... .	4	13	9	2	6
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable... .	7	8	231	15	5
09	Coffee, tea, maté and spices	3	109	180	12	5
57	Carpets and other textile floor coverings	2	2	0	41	2
66	Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof	509	98	13		1
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0	0	0	3	1
38	Miscellaneous chemical products	1	7	31	6	1
02	Meat and edible meat offal	27	52	51	1	1
18	Cocoa and cocoa preparations	0	10	2	8	1
35	Albuminoidal substances; modified starches; glues; enzymes	0	5	4	2	1

Code	Product Label	Lesotho's Exports to World				
		Exported value in 2013	Exported value in 2014	Exported value in 2015	Exported value in 2016	Exported value in 2017
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals... .	0	1	6		1
29	Organic chemicals	5	9	41	98	
26	Ores, slag and ash	0	3	0		
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	0	1	0		
37	Photographic or cinematographic goods	1	0	0	4	
31	Fertilisers	1	269	16		
05	Products of animal origin, not elsewhere specified or included	0	144	93		
17	Sugars and sugar confectionery	15	30	34	25	
13	Lac; gums, resins and other vegetable saps and extracts	1	1	0	10	
43	Furskins and artificial fur; manufactures thereof	0	0	0	7	
45	Cork and articles of cork	0	0	3		
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	15	66	0		
75	Nickel and articles thereof	0	18	0		
89	Ships, boats and floating structures	0	3	18		
91	Clocks and watches and parts thereof	15	40	0		
92	Musical instruments; parts and accessories of such articles	17	131	0	3	
93	Arms and ammunition; parts and accessories thereof	0	2	0		
81	Other base metals; cermets; articles thereof	0	25	4	2	
78	Lead and articles thereof	0	0	1	23	
79	Zinc and articles thereof	4	1	0		
97	Works of art, collectors' pieces and antiques	0	20	0		

Source: https://www.trademap.org/Product_SelCountry_TS.aspx?nvpm