

GROWTH

NEWSLETTER ISSUE 1. VOL 1



PRIVATE SECTOR

Competitiveness and Economic
Diversification Project



The future is in our hands

Project Manager's Memo

FOR more than ten years the Private Sector Competitiveness and Economic Diversification Project (PSCEDP) has played a significant role in the government's efforts to grow and diversify the economy.

The necessity and urgency of such efforts cannot be overstated. Our economy has been built on a narrow base, largely anchored by the textile industry.

But we have always known that although crucial, the textiles will not continue to be the mainstay of our economy because of their susceptibility to global economic upheavals.

This reality speaks to the need to find other ways to diversify our economy.

We are however alive to the fact that our people need some help to venture into other areas of the economy. Our private sector urgently requires both technical and financial support.

We have to remove the obstacles making it difficult to start and operate companies.

Barriers to trade, both locally and globally, should be removed.

It is only through a conducive environment that our private sector can grow to contribute meaningfully to the economy and create the much-needed jobs.

Reforms are necessary to help those already in business and those that want to start.

Our agriculture sector, which sustains about 60 percent of our people, has to be diversified. Our people need help to venture into commercial agriculture to reduce poverty and create sustainable jobs. Small companies, which are globally regarded as engines of economic growth and job creation, need immense support.

In the next few pages you will read the aspiring stories of how some farmers in rural Lesotho have had the courage to delve into commercial agriculture. The two fruit farms in Mahobong and one in Likhethlane are shining examples of how a little help and guidance can help farmers transform their lives and those of others in their villages.

Their orchards are producing high-quality fruits for the local market. Some of the farmers are now thinking of taking on the international markets. That is not a pipedream but genuine ambition informed by hard work and real potential that has been unlocked.

In fact, attempts to export some of the produce to the neighbouring South Africa have been successful and now the challenge is to scale-up the initiative to meet the local demand and supply to also penetrate regional and international market.

These farms vividly illustrate what we have always known: that Basotho are hardworking people who just need a little support to realise their potential.

The farmers had the land and the energy but lacked the capital.

The World Bank, through the PSCEDP, funded the three farms to show the potential that the country has in commercial fruit production. Today we have three thriving farms directly employing about 100 people and possibly a few hundred others who sell the fruits to the local market.

You will also read the stories of small companies breaking new ground with assistance from the PSCEDP's Lesotho Enterprise Assistance Project (LEAP), a matching-grant scheme funded by the World Bank and the government.

The companies have received training to improve their products and business processes.

They have been assisted to access new markets for their products.

The PSCEDP is also working on several other projects to transform the economy by removing barriers and assisting the business sector. The impact of those projects will be showcased in the next editions of this newsletter.

These projects would not have been possible without the generous support of our funders, the Lesotho government and the World Bank.

We are also greatly indebted to the Ministry of Trade and Industry - our parent ministry- as well as other ministries and stakeholders.

We have also relied on the tremendous support from the private sector and Basotho from all walks of life. We are grateful to them for making these projects the success they are today.

I would like to thank the entire PSCEDP team for their hard work and dedication.

Chaba Mokuku

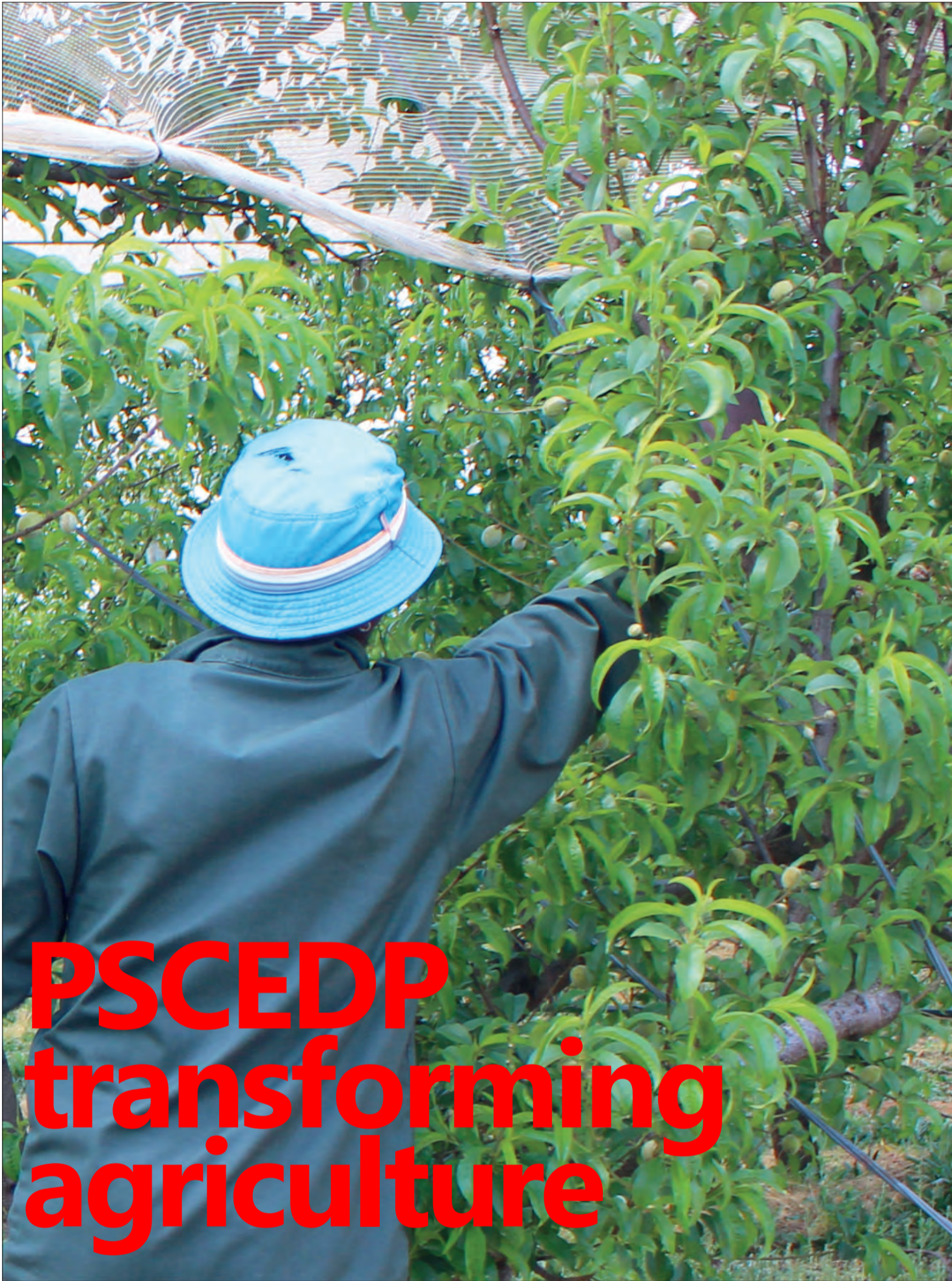
Inside

3. PSCEDP transforming Agriculture
4. Learning from others
5. The rise of commercial farming in Likhethlane
6. The future is bright
7. The making of rural jobs
8. LEAP helping businesses grow
9. Dreaming BIG
10. Making cross border trade easier
11. Cutting the red tape
12. The plan to reshape Maseru

”

Our people need help to venture into commercial agriculture to reduce poverty and create sustainable jobs. Small companies, which are globally regarded as engines of economic growth and job creation, need immense support





PSCEDP transforming agriculture

MAHOBONG

SOME 20 km from the Hlotse Town are the sprawling villages that make up Mahobong where the people have always relied on subsistence farming to survive. When the rains come the villagers flock to their fields to plant maize, their staple food. Their harvest doesn't amount to much but at least they make enough to get by. But the past few years have been particularly tough for the majority of the villagers. Droughts, unpredictable rains and poor soils have combined to reduce their maize harvest. The land that fed them for generations has become stingy. So time and again they have relied on relatives in towns or donors for food. Some have pawned their livestock to keep hunger at bay. Some simply starve. The decent houses in Mahobong belie the hunger and poverty that stalks many of the villagers here. Now some villagers have decided to change their plight and transform their lives. To do this they have turned to the same land that has sustained them. That journey out of misery started some five

years ago when government officials arrived in the village to discuss the possibility of starting a fruit farm in the area. Although some were sceptical of the wisdom of abandoning maize as their main crop, others quickly jumped at the opportunity. The idea, as pitched to the villagers by the government's Private Sector Competitiveness and Economic Diversification Project (PSCEDP), was for some villagers to consolidate their fields into one fruit farm. With funding from the World Bank, the PSCEDP helped the farmers to buy irrigation equipment, construct hail nets, get the seedlings, prepare the land and fence off the farm. Instantly, nine villagers who had been eking out a living from subsistence agriculture became commercial fruit farmers. The land they contributed was converted into shares in Likhothola Fruit Farm (Pty) Ltd, the company that owns the 10.7 hectare farm which produces plums, apples, apricots and peaches. MaPrince Phothane joined Likhothola Fruit Farm at its inception in 2012 when she



We might not be getting dividends yet but I can see that this is much better than the traditional farming. This is long-term

contributed five acres which translated into 190 shares in the holding company. Phothane, who also works at the farm, says she didn't need much persuasion to join because "I knew this was my way out of poverty". "We had the land but we were not producing enough to feed the family. We were starving," Phothane says. "We were frustrated because every year we would buy seed and fertilizer but we were not getting anything in return. The soil was tired and the rains were coming either too late or too early." "We tried growing beans but it didn't work out. My land is far from the river so I could not grow vegetables. We didn't have money to drill a borehole and buy irrigation equipment. We were trapped." The PSCEDP provided technical and financial support for the farm to cover staff salaries, livelihood support for the shareholders as well as the cost of running the farm. The shareholders were also trained in horticulture and management to prepare them to run the farm when the World Bank and the PSCEDP are no longer involved. Although they are yet to receive dividend Phothane and other shareholders believe they are "on to something big". "I can see that the future is bright. Our yield is growing every year and we are learning the business," she says. "We might not be getting dividends yet but I can see that this is much better than the traditional farming. This is long-term." Likhothola Fruit Farm employs 22 people, six women and 16 men, who are all from the surrounding villages. Most of the employees say they never thought they would find jobs. Take Masiu Ramoea (30), for instance, who joined the project in 2013. Ramoea had never been employed. He was working on his father's land when the project started. Today he is the farm's Horticulture Infrastructure Technician, maintaining the netting and irrigation infrastructure. "Apart from earning a salary I now have a trade that I can use anywhere else," Ramoea said, adding that "the project came when I was desperate". "I was down and out. My maize crop had died and I had no prospects of getting a job anywhere." His colleagues share similar stories of how their lives have been changed. Mamakhooa Matsoso, the farm manager since 2016, believes the farm is "destined for greater heights". "We have not even scratched the fruit market in this country. It is huge," she says. The farm sells its Grade A fruits to supermarkets like Shoprite and Pick'n pay. Grade B goes to street vendors while Grade C is bought by those in the fruit processing business. In early November they started harvesting peaches. Apricots came in December, plums in January and apples in early February. "The frost has been a little bit kind to us this year so we had a better harvest," Matsoso says.

10.7
Hectares

9
Shareholders

22
Employees

Learning from others



MAHOBONG

“IF your neighbour is an early riser, you too will become one,” says an Albanian proverb.

When nine villagers in Mahobong started Likhthola Fruit Farm some of their neighbours were cynical. And their doubt was not without reason.

They had watched community farming projects and cooperatives collapsing due to lack of support, skills and good management. Others had been upended by personal disputes among members. Some had just fizzled out after a few months due to neglect.

They had not seen anything to convince them that the Likhthola Fruit Farm story was not destined for a similar ending. It took them two years to notice that Likhthola Fruit Farm was not like other projects they had seen before.

So in 2014 seventeen villagers started Maa Mafubelu Fruit Farm on their fields next to Likhthola Fruit Farm.

“We had been watching and we could see this was something different,” says Andreas Simelane (31), whose family has shares in the holding company. Simelane, now a supervisor at Maa Mafubelu Fruit Farm, says it helped that they could simply use the Likhthola Fruit Farm model.

“We were learning from our neighbours and we are still learning. The concept is the same and we are growing the same fruits,” he says.

“Failure was not an option because we had planted fruit trees on all the land we had as families.”

Like Likhthola Fruit Farm, Maa Mafubelu Fruit Farm is funded by the World Bank through the Lesotho government’s Private Sector Competitiveness and Economic Diversification Project (PSCEDP). “The aim is to improve the livelihoods of rural communities by helping them venture into commercial agriculture,” says Makali Nathane, the PSCEDP’s deputy project manager.

“This is part of the national agenda to diversify the economy.”

Maa Mafubelu Fruit Farm has 17 shareholders who contributed a combined 15.6 hectares.

The focus is on apples only. Plums were on one hectare but were recently uprooted and replaced with apples. There are six varieties of apples on nine hectares.

Plums are on one hectare and the plan is to use the remaining for apples. The holding company has a seven-member board elected by the shareholders.

Thoriso Naleli, the farm manager until last November, says the project “has great potential”.

“We had our first harvest last year and it looked promising because the yields will improve as the trees mature,” says Naleli.

Vendors and shops are the main markets.

There 23 employees, two of which are also shareholders.

Naleli says the support from the World Bank through the PSCEDP is the main reason behind the project’s success.

“They have been working with us on all aspects of the farm,” he says.



17
Shareholders

15.6
Hectares

23
Employees

9
Hectares of Apples

1
Hectare of Plums

“They provided every equipment and seedling. The salaries, training, technical support and livelihood support is from them.” He says the community has also supported the farm and some villagers are now planning to start similar projects.

“The shareholders and the workers are from the community. So you can see that this is a community-driven project. They have jobs and income from this project.”

The major challenge has been the drought which has drastically reduced the water level in the nearby river.

The PSCEDP plans to sink a borehole and the processes are underway.

“Until we have a borehole we have to do with the little we get from the river,” Naleli laments. He says the farm wants to supply the international market but so far “we cannot even meet the local demand”.

He believes the farm will be profitable in the next six years.

“It is only then that we are likely to employ more people and start exporting. That is the mission and we are on course to achieve it.”



The **rise** of commercial farming in Likhethlane



For villagers like me being part of such a project is the only way out of poverty. We have the land and we just need help to make it productive



now some of them are selling fruits from the farm. Women in the surrounding villages have something to look forward to because they can either sell the fruits either fresh or dried.”

“Everyone here is deriving some benefit from this farm.”

Mafereka says other groups of villagers are now waiting for help to start their own orchards “because they have seen the benefits of this project”.

Again, the PSCEDP through the World Bank support has provided the start-up capital, hail nets, irrigation equipment and the seedlings.

They have also continued to provide the working capital and livelihood support to the shareholders.

This is in addition to technical support in the form of training to the farm workers and shareholders.

Mafereka says the orchard has helped the shareholder’s escape what she calls “the maize trap”.

“We were struggling with maize because it cannot withstand droughts that are now common here. The market for maize is also limited,” she says.

Likhethlane Fruit Farm has 24 employees, most of whom are women.

One of them is 71-year-old ‘Matankiso Tikemelo, a widow who lost her husband in 2000.

Tikemelo, who has been working at the farm for just over a year, says she now has the income to sustain her grandchildren.

“It has been tough but things are now getting better,” she says.

She hopes to be a shareholder in the next project.

“For villagers like me being part of such a project is the only way out of poverty. We have the land and we just need help to make it productive.”

LERIBE

IN 2014 Matumelo Mafereka (57) and ten other villagers were just like other struggling subsistence farmers in Leribe’s Likhethlane village.

“We had the land but we were still starving every year,” Matumelo says.

“Every year we would toil in the fields but we always ended up with nothing and had to live on food from donors.”

Their plight however dramatically changed when the Private Sector Competitiveness and Economic Diversification Project (PSCEDP), a government project funded by the World Bank, helped them start a fruit farm.

Mafereka and the other ten villagers combined their small pieces of land to create a 15.2 hectare orchard. Their land translated into shares in Likhethlane Fruit Farm (Pty) Ltd.

Mafereka, who contributed 2.1 hectares and is also a senior employee at the farm, says their lives have radically changed since then.

Started in August 2015, the farm has flourishing apple and peach trees. The first harvest was last year and the shareholders believe they have found the formula to “beat the hunger” that has stalked them for decades.

“This has completely changed the way we view farming in this area,” Mafereka says.

The farm has created jobs for other villagers who are either employed at the orchard or selling the fruits.

“The people here did not have jobs at all but

24
Employees

15.2
Hectares

10
Shareholders



Get your Business licences and Business regulations online

“Business *simplicity* & *transparency* are now a click away.”

www.lesotho.elicenses.org

www.lesotho.eregulations.org






The future is **bright**

MAHOBONG

MAMAKHOOA Matsoso (pictured), the manager of Likhothola Fruit Farm, says the success of the farm is a strong indication of how people can transform their lives if they collaborate and pull their resources together.

The Likhothola Fruit Farm started in 2012 under the Private Sector Competitiveness and Economic Diversification Project (PSCEDP) funded by the World Bank.

“This farm is a living example of how farmers can achieve great things if they work together. What we have here is a model that farmers across the country can emulate if they want to go into commercial farming,” Matsoso says.

Sitting on 10.7 hectares, the project is a result of ten villagers in Mahobong contributing their land in exchange for shares in the company that owns the farm.

“None of the farmers would have been able to start such a project on their small pieces of land,” Matsoso says.

Over the past seven years she has witnessed the shareholders slowly change from struggling subsistence to thriving commercial farmers.

“The community has been extremely supportive because they know that this is their project that is meant to empower them,” she says. Matsoso believes that the farm is on course to be profitable in the next few years.

She however says the past few years have not been as smooth-sailing as they would have wanted. The major problems, she explains, are the recurring drought and early frost which have hit production. The nearby river occasionally dries up, making it difficult to irrigate the orchard.

“Last year there was a 100 percent loss on Apricots and 80 percent loss on peaches due to early frost. This year the situation is not that bad even though we had a 40 percent loss on Apricots.”

“The frost has been kind us and we are hoping for better production on other fruits,” she says.

The farm supplies the local market but Matsoso says the future lies in breaking into the



South African and international markets.

The key to achieving that goal, she explains, is the GLOBALGAP Certification which the farm has consistently achieved over the past few years.

GLOBALGAP is an internationally recognized set of farm standards dedicated to Good Agricultural Practices (GAP). For consumers and retailers, the GLOBALGAP certification is reassurance that their food has the accepted levels of safety and quality.

It also assures them that the food has been produced sustainably, respecting the health, safety and welfare of workers, the environment, and in consideration of animal welfare issues.

Without such reassurance, farmers may be denied access to markets.

The Likhothola Fruit Farm is working on the 2020 certification.

The PSCEDP continues to train the shareholders in management.

“The idea is to help with the skills to manage the farm,” Matsoso says



Good times are coming

“I grew up in South Africa where my father worked at a mine in the Free State province.

A few years after I finished High School my father retired and we came back to our rural home in Mahobong. We started working on the family’s land.

My father’s small pension could not sustain us as a family.

Like all other villagers, we grew maize but I could see that we were fighting a losing battle because we were not harvesting enough to feed the family. I wanted to do something on my own as a young man but could not find a job.

The few odd jobs I found did not last long. I had to rely on my father but I could see that he too was struggling. Then in 2013 Likhothola Fruit Farm started hiring.

I joined as a general farm worker but I wanted to be more.

That opportunity came when some technicians came to work on the netting and irrigation infrastructure.

I joined them as an assistant and started learning the job. Today I am the horticulture infrastructure technician.

My job here is to maintain and repair the

netting and the irrigation infrastructure. I can proudly say that I now has a skill I can use anywhere in this country. The training and the experience I have gathered have opened opportunities. Before this all I had to offer was my energy to do manual jobs.

Today I have a valuable skill. This job came at a time when I was really desperate and had run out of options. I have faith that I will continue to grow with this farm.

Every day I see the impact of this project on my life. I also see this through my fellow villagers who also work here.

This project has to succeed because it is going to transform our lives. We are determined that this project works because our success depends on it.

I have a job that enables me to buy food and send my children to school.



MASIU RAMOEA (Horticulture Infrastructure Technician)

The making of rural jobs

MAHOBONG

A PART from helping villagers become commercial fruit farmers, Likhotoa, Maa Mafubelu and Likhethlane fruit farms, have also created jobs.

The biggest beneficiaries have been the youths. Statistics show that Lesotho's unemployment is hovering around 34 percent and steadily increasing as the sluggish economy struggles to create more jobs and companies close shop.

The joblessness numbers are high in rural areas where agriculture, the main source of employment, has slumped because of persistent droughts.

Some statistics put youth unemployment at around 40 percent.

The youth in rural areas like Mahobong and Likhethlane know how tough it is to get a job even when armed with a college qualification.

Take Lisemelo Makhanya (24) who graduated with a teaching diploma from the Lesotho College of Education in 2017. After two frustrating years of looking for a job she joined Maa Mafubelu Fruit Farm as a general worker in the orchard.

"There was no other option. I could not sit at home and cry about the lack of jobs," Makhanya says.

"Some of the people who graduated earlier than me are still in the village".

The decision to join the farm has changed her life.

"I have an income and the pressure of looking for a job has been lifted. I still want to be a teacher one day but for now I am happy that I have a job."

Makhanya says she has always had a keen interest in agriculture and is using her time at the farm to learn more.

"Although it's a completely new experience for me, I think I can learn enough to help the farm succeed."

Andreas Simelane (31) knows the pain of submitting application letters to companies and not getting responses. He had struggled for a job for nearly ten years when Maa Mafubelu



I have an income and the pressure of looking for a job has been lifted. I still want to be a teacher one day but for now I am happy that I have a job.

Fruit Farm started. Today he is a supervisor at the farm and says he is now "dreaming big".

"It's painful to live without hope. You wake up and just do nothing. You die inside. I am happy here," Simelane says.

Eager to learn more about fruit farming, Simelane has been to nearly every PSCEDP workshop to train the shareholders on farm management.



The Project

The Private Sector Competitiveness and Economic Diversification Project (PSCEDP) is the project of the Government of Lesotho under the Ministry of Trade and Industry, Cooperatives and Marketing with funding from the World Bank.

The key objective of this project is to facilitate private sector investment in Lesotho by improving the business environment and by diversifying sources of growth for Lesotho's economy.

The project first came into effect in 2007. PSCEDP II was relaunched in 2013 to further amplify the successes of the initial project phase. The project is aligned with the Government of Lesotho's National Strategic Development Plan II (2018-2022) with special focus on

economic diversification in the non-textile sectors such as horticulture and tourism, improving the status of Lesotho as an investment destination of choice based on the ease of doing business index as well as private sector-led economic growth.

Overall, the Project is envisaged to increase Lesotho's annual GDP growth by 5 percent. the non-textile sectors such as horticulture and tourism, improving the status of Lesotho as an investment destination of choice based on the ease of doing business index as well as private sector-led economic growth.

Overall, the Project is envisaged to increase Lesotho's annual GDP growth by 5 percent.

LEAP helping businesses grow

MASERU

THE story of Jalad Africa is a dream that started in Ethiopia but came true in Lesotho.

In 2015, Lebeoana Matsimane, an electrical engineer, was living with his diplomat wife in Ethiopia when his occasional visits to the markets in Addis Ababa opened his eyes to the potential of the leather business.

“Ethiopia is revered for the quality of its leather and you find leather products in nearly every market,” Matsimane says.

“I began to consider the possibility of starting a leather factory in Lesotho because I could see that this was something that could be replicated back home.”

The couple began exporting leather handbags and jackets to Lesotho.

“In the meantime I was travelling across Ethiopia to learn the leather industry,” he says.

By 2017 the couple was looking for a partner to establish a leather company in Lesotho.

The plan was to start a tannery that would supply leather to make handbags and jackets at their factory.

They found a partner and registered a company that year but the relationship soured along the way.

Matsimane doesn't want to dwell on what ruined the deal but says “we realised this is not the way we wanted to do business”.

And so Jalad Africa remained a dormant company as Matsimane searched for a new partner and funding. That hunt ended in late 2017 when his friend, Masupha Moshoeshe, agreed to be his partner. Coming from a quantity surveying background, Moshoeshe was also a novice in the leather business like Matsimane.

Yet that did not stop them from diving in after putting their savings together.

The result of that audacity is a small factory churning out high quality leather travel bags, handbags, belts and wallets in Thamae.

But getting to where they are today wasn't easy.

Matsimane says their biggest problem was finding the right designers.

“We were getting fashion designers who knew absolutely nothing about leather,” he says.

“Even those who had studied leather at a local vocational college were not trained to use modern machines for cutting and sewing leather.”

Help came from the Private Sector Competitiveness and Economic Diversification Programme (PSCEDP) which funded a three-week training course for Matsimane and one designer in Ethiopia.

The funding was provided under the PSCEDP's Lesotho Enterprise Assistance Program (LEAP), a matching-grant scheme funded by the World Bank and the Lesotho government.

Launched in 2007, LEAP's objective is to strengthen the human and institutional capacity of private companies as well as their representative associations through technical and financial assistance.

LEAP helped Matsimane and one of the designers to attend a training workshop in Ethiopia.

“As soon as we came back from the course our work immediately improved,” recalls Mat-

M4.6
Million in grants

130
Small Businesses

19
Medium Enterprises

simane.

In the meantime Lesotho's embassy in Ireland helped Jalad Africa connect with the Action Ireland Trust, a charity, which offered to assist the company break into the Ireland and possibly the European Union.

LEAP also helped Jalad Africa's managers attend the Africa-Ireland Economic Forum where they showcased some of their products.

Matsimane says Action Ireland Trust has linked them to an Irish businessman who owns a boutique at Maseru Mall. It is through that shop that Jalad is selling the bulk of its products under their Zeri brand that Matsimane says is “doing very well”.

“The export market is growing well. We are also getting orders from corporates.”

Last year LEAP sponsored a retired leather expert from Germany to help Jalad to standardise production and enhance efficiency.

Matsimane says they have seen “a marked improvement on our cutting, finishing and value addition”. “LEAP has also promised to bring back that expert later this year. They have also assisted us to attend international trade fairs and expos in South African and China.”



Lebeoana Matsimane



Final stitches

Dreaming BIG

ROSE Leather Works is a small company operating from a tiny three-roomed office in Maseru.

But for 'Mateboho Mathibeli, the proud owner, this is a big company punching about its weight.

It is Rose Leather Works that has helped her put her three children through school from primary to university.

One has just finished his civil engineering degree while others are still in university.

"All this is possible because of the products we make here," Mathibeli says.

Rose Leather Works makes bags, wallets, belts and cushions, sandals and morning shoes. Pig and sheep skins are Mathibeli's raw materials of choice.

In 1989 Mathibeli's career as a bookkeeper at Kabi Leather Products hit troubled waters when the company closed shop.

"I had little education so my options were limited," she explains.

"Companies were not hiring people like me so I had to work for myself."

Luckily, she had learned a few things about leather during her five years at Kabi Leather Products.

"During my lunch hour I would go to the factory to help with the production. They were working on targets so it was a way to get some extra income on the side".

Those skills helped Mathibeli after she was retrenched from Kabi Leather Products.

With her little savings she started Peter and Sons, a leather company operating from BEDCO's premises in Lakeside. The name was derived from her husband's first name.

She later changed it to Rose Leather Works.

"I thought using my husband's name was not reflecting that this was my company," she says.

From making only slippers, Mathibeli now has a wide range of products.

She says Lesotho Enterprise Assistance Project (LEAP) has helped her to diversify her products.

"LEAP hired a consultant who trained us to make prints on leather and also make use of off-cuts," Mathibeli says.

"We can now design prints for our leather and use the off cuts to make small products that cost less to produce but sell fast."

With the LEAP's sponsorship Mathibeli has attended regional and international trade fairs and expos that have opened new markets for

12
Large Businesses

13
Associations

her products.

Some of those expos include Source Africa, Cherry Festival, Botswana Show, Swaziland Show and the East Rand Show.

"We have learned what the market wants. We now know what sells and what doesn't because of our interactions with the buyers."

Mathibeli also says LEAP sponsored her leather stitching training in South Africa.

She has three permanent employees but sometimes hires more when the orders are huge.

Rose Leather Works however remains susceptible to problems that affect small companies.

Mathibeli says sometimes she cannot take huge orders because she doesn't have enough machinery and capital to deliver on time.

"Sometimes we struggle to buy leather because it's expensive and when we do get it we still have to deal with the border regulations that make it difficult to bring it in time."



Marie Françoise Marie-Nelly - Country Director for South Africa, Botswana, Namibia, Lesotho and Eswatini - visited PSCED projects in Lesotho in December 2019



PRIVATE SECTOR
Competitiveness and Economic
Diversification Project

LEAP

The **Lesotho Enterprise Assistance Program** provides Business Grant Support in the following areas:



Making cross-border trade easier



Maseru border

MASERU

FOR years Lesotho's businesses have complained about the delays at the country's commercial borders. Either they are grappling with border clearing systems that are constantly down or they are mired in tedious red tape that delays their exports and imports.

The result is that some trucks spend hours or even days stuck at the borders, waiting for customs clearance.

The huge cost of such delays have hit businesses, most of which are already struggling to survive. Others say they routinely miss delivery deadlines as they wait at the border.

Some have given up altogether after hitting a brick-wall at the border.

With borders slow, trade between Lesotho and its biggest trading partner, South Africa, has suffered severely. The knock-on effects of such delays on Lesotho's economy have been massive.

Every minute a truck spends at the border represents lost business for a company.

The hard borders have forced some businesses to resort to dishonest ways to push their products through the borders. Stories of corruption and smuggling are common as businesses try to cut corners.

Both Lesotho and South Africa have lost revenue due to such dubious practices.

But something has been changing over the past few years as both countries take steps to deal with the hard borders. That is thanks to several initiatives by the Lesotho Revenue Authority (LRA).

The World Bank, through the Private Sector Competitive and Economic Diversification Project (PSCEDP), is assisting the LRA to modernise and improve its customs systems to

make cross-border trading easier.

So far the PSCEDP has supported four projects, three of which are already in operation while one is at the initial stages.

The PSCEDP, a government project under the Ministry of Trade and Industry, is funded by the World Bank. The project seeks to improve Lesotho's business environment and diversify sources of economic growth. It is the implementing partner in the LRA's four projects.

Tebello Makhechane, LRA's deputy Commissioner Customs, says businesses are already reaping the benefits of the three customs modernisation projects funded by the World Bank through the PSCEDP.

The PSCED is the implementing partner in all the four projects.

Makhechane says the initiatives are part of the LRA's drive to bring its customs systems in line with global trends as stipulated by the World Customs Organisation.

He says the modernisation projects are urgent for Lesotho because it relies heavily on the revenue generated from trade from South Africa.

"Lesotho's share of the revenue from the South African Customs Union (SACU) depends on how much trade has flowed through the two country's shared borders," Makhechane says.

"It therefore follows that Lesotho loses out if its borders are slow and difficult to cross for businesses."

The first project involved the implementation of the Automated System of Customs Data (ASYCUDA), a computerised systems designed by the United Nations Conference on Trade and Development (UNCTAD) for countries to automate and control their core customs processes.

Lesotho launched the ASYCUDA in 2014 but

that version of the system ran into technical challenges as it aged. The PSCEDP chipped in with a M17.7 million-grant to upgrade the system.

"The previous version had become vulnerable and unstable. This meant that our processes were slow and businesses were struggling at our borders," Makhechane says.

The ASYCUDA is now operational the country's five commercial borders, including the Moshoeshe I International Airport.

The second project was to build a strong backup system for the ASYCUDA to reduce down time. Because ASYCUDA is internet-based LRA needed a backup system that would immediately kick in when the other server is down. The World Bank through PSCEDP provided a M8.1 million-grant for the equipment and system.

"This means that our customers no longer have to spend hours on the queues when the other server is not working," Makhechane says.

He says the current phase of the modernisation project is to connect the customs systems of LRA and the South African Revenue Authority (SARS). That project too has been made possible with the help of M508 000-grant from the PSCEDP.

"In the short-term the project will help the two revenue authorities to have access to the

same information so that they know what has been declared on both end of the borders," says Makhechane.

"The ultimate goal, however, is to have one customs clearance window for both countries. That will cut the time it takes to clear good and also reduce revenue leakages."

"The broader agenda is to make it easier for businesses to trade across the borders."

The LRA and PSCEDP are now collaborating on the Lesotho National Single Window that will consolidate all export and import services under one roof and a single automated system.

The idea is that services of all government agencies dealing with cross-border trading will be accessed through a single window.

In other words businesses can get all export and import permit by submitting one form to a single office. The same applies to port health permits, duty payment, and customs clearance.

"That changes a lot because it significantly cuts the time it takes to get export and import permits and all other documentation," Makhechane adds.

"It also reduces corrupt tendencies."

Chaba Mokuku, the project manager of PSCEDP, says the projects will improve the business environment by removing obstacles to cross border trading and enhancing regional integration.

"This is part of efforts to build systems that make easier for business to thrive. Investors are looking for countries that help their businesses grow instead of stifling them," Mokuku says.

"To grow our private sector we should ensure that there are no hurdles to trade both with our borders and across them."

He says the projects will significantly reduce the time it takes to move goods between the borders.

Timely boost for economic reforms

DESPITE being the nerve centre of the law making process the Ministry of Law and Constitutional Affairs has been left to make do with archaic and broken computers.

The result has been inordinate delays in drafting new laws and amending those that have to be spruced up to remain relevant.

This has created an impression of a ministry either not pulling its weight or simply not up to the task.

But that is likely to change after the ministry received computers, printers and projectors from the World Bank. The equipment was donated through the government's Private Sector Competitiveness (PSCEDP) project.

Part of the Ministry of Trade, the PSCEDP seeks to promote private sector development by removing obstacles that make it difficult for business to start and operate.

The objective is to create an ideal environment for business to start and thrive. The ultimate goal is to diversify Lesotho's economy to create employment and reduce poverty.

PSCEDP Project Manager Chaba Mokuku said Lesotho is in a race to diversify the economy to reduce overreliance on the textile sector which depends on a concession likely to expire for good in 2025.

"The primary objective is to promote private sector investment through improving the business environment by removing all

horizontal obstacles that make it difficult for investment to happen in the country," Mokuku said.

He said to grow the private sector and diversify the economy Lesotho has to reform some of its laws and regulations.

"The equipment will make it easier for the ministry to draft and research the laws and regulations that make it easier for business to operate," Mokuku said.

"It will also help the ministry coordinate with other government institutions that require help with laws and regulations."

Worth M10 million, the equipment includes 150 computers, 31 laptops, 42 printers, 17 scanners, 104 network points, 11 network switches and other accessories.

The ministry's head office, district offices and the government printers will share the equipment.

Janet Entwistle, the World Bank's country representative for Lesotho, said the equipment will help "streamline and digitize legislative process".

The goal, Entwistle added, is to make it easier to draft laws, research and share information.

"The flow of the bills will match the government's policy to remove obstacles to private sector development," she said, adding that copies of bills, laws and regulations will be shared electronically. Trade Minister



Minister Halebonoe Setšabi

Halebonoe Setšabi said the equipment will help the ministry fast-track draft laws and coordinate the drafting.

This equipment is crucial for data capturing, online research and the general administration of justice.

Habofanoeh Lehana, the Minister of Law, said he is pleased that the equipment is coming at a time when the government is working broader reforms.

Lehana said constitutional, security, judicial and parliamentary reforms are crucial for the peace and stability vital for economic growth.

The principal secretary in the Ministry of Law, Colonel Tanki Mothae, later told thepost that the equipment will dramatically change the ministry's operations. He said before the donation the ministry had "broken and outdated equipment".

"There was literally no information technology to talk about in the ministry," Colonel Mothae said.

"This equipment is coming at the right time, particularly because we are dealing with national reforms that the ministry is leading."

"With this equipment we will be able to quickly draft laws and transmit them to the relevant stakeholders and partners. It also enhances our research capacity."

Cutting the red tape

MASERU

THE One-stop Business Facilitation Centre (OBFC) will soon have an array of new features that will make it a complete one-stop shop for business registration, licensing as well as business information.

The revamped system will make it easier to register businesses, get licenses and apply for permits.

The idea, which is the main goal of the second phase of the Private Sector Competitiveness and Economic Diversification Project (PSCEDP), is to streamline and simplify the business registration and licensing processes.

The objective is to cut bureaucracy, rationalise the processes and reduce the time it takes from registering to operating a business. Existing and potential investors can also get licences and permits under the same roof.

The new portal will also provide concise information on the business processes like how to register, where to get licences and permits and what steps to follow when starting a business in Lesotho.

Started in 2007, the PSCEDP is implementing reforms to make it easier to do business in Lesotho to unlock economic value.

Although the economy has grown steadily over the years it remains far from reaching its full potential because of cumbersome regulations and processes that put off investors. PSCEDP is working to change that.

Since inception the project has transformed the way people register businesses, by automating the systems and putting the processes under one roof. No longer do people need lawyers' services to register companies.

A process that used take months can now be done within a few days.

What required visits to several offices is now being handled by officers under one roof, creating a seamless registration process that saves both time and costs. Documents like certificates of incorporation, articles of association and shareholders' details are readily available on the portal.

PSCEDP Manager, Chaba Mokuku, says the new features to the portal "revolutionarises the way people register businesses and bring them to operation".

"The drive is to make Lesotho competitive as an investment destination by making business registration and licensing simple and efficient," Mokuku says.

"If we want to attract investment, both foreign and local, we have to make it easier for them to start businesses. They have to know that they can do all the processes and get all the relevant information under one roof."

He says that the current efforts are building on the strong foundation set by the first phase of the project that created the OBFC.

"Now we are changing OBFC from just a business registration portal to a complete electronic system that allows businesses to get licences, initial tax clearance, permits and the relevant information in one place."

"The ultimate objective is to remove the hurdles that hobble businesses in Lesotho by streamlining procedures and simplifying the rules, policies and regulations."

But Mokuku says the new system will achieve much more than that because it will completely change the way Basotho do business. The new portal will allow for the registration of sole traders and other informal businesses that have remained marginalised despite their significance to the national economy.



Monaheng Monaheng

By some estimates, there are more than tens of thousands of unregistered businesses in Lesotho. They range from women selling vegetables at stalls to men repairing cars in their backyard.

Unregistered, these businesses are unable to break into the formal sector where there are opportunities for growth. They have no access to credit and lucrative contracts to help them grow.

Formal businesses shun them because they don't see them as companies in the true sense of the definition yet in most cases the only difference is that they are not registered. The result is that they remain stifled and unable to reach their full potential to contribute to economic growth and create employment.

"If these businesses are registered it means you can account for them and make the necessary policy changes to help them grow. You cannot have the right interventions if you don't know who and how many companies need help. They will have access to credit and other opportunities," Mokuku says.

Monaheng Monaheng, Director of the OBFC, says the project will "further reduce the turnaround time and associated costs of starting a business, whilst simultaneously improving the country's ranking as an investment destination."

"The electronic licensing platform is aimed at facilitating faster issuance of a traders' licence through an electronic application platform that can be accessed at all times from anywhere," Monaheng says.

"This is going to further reduce the turnaround time for an entrepreneur to start a business since the queries that may arise

will be addressed instantly to allow for faster processing of the licence application."

Monaheng says the electronic system will be particularly crucial to foreign investors who would have otherwise had to incur travel costs to travel to Lesotho just to apply for a trader's licence.

"The portal will further reduce the number of walk-ins and current queues of clients who wait to apply for licences at the OBFC offices on a daily basis."

The positive changes to the OBFC will be complemented by the Lesotho e-regulations

portal, a platform that will guide investors on the specific regulations and laws relating to business in Lesotho.

The idea here is to improve transparency so that an investor has a clear picture of what is needed to start a business, Monaheng says.

The portal tells you all there is to know about business regulations, laws and policies.

In addition, it provides pictorial evidence of the forms, permits and licences businesses require. The portal is a complete guide to the laws that govern businesses in Lesotho.

Coordinated by the PSCEDP, both the e-licensing and e-regulation platforms are being developed with the technical assistance of the United Nations Conference on Trade and Development (UNCTAD) and financial support from the World Bank group.

The PSCEDP is a project of the Lesotho government under the Ministry of Trade and Industry, Cooperatives and Marketing. Its key mandate is to facilitate private sector investment in Lesotho by improving the business environment and by diversifying sources of growth for Lesotho's economy.



Get your **Business licences** and **Business regulations** online

"Business *simplicity* & *transparency* are now a click away."

www.lesotho.elicenses.org

www.lesotho.eregulations.org



The plan to reshape Maseru



MASERU

IMAGINE a new revamped Maseru city with large, inviting open spaces with lush green gardens.

Imagine a new Maseru with well paved roads with street names, where residential houses are properly numbered?

When you give directions to visitors, all you have to do is give them your residential address and with their GPS on their phones they will be able to pinpoint exactly where your house is located.

Picture the postman finally delivering letters and parcels at your doorstep.

Visualize a Maseru with properly designated places of worship, schools, playgrounds, industrial parks and business centres.

Imagine a new Maseru with dazzling spaghetti roads to deal with a burgeoning population and increased traffic.

How about recreational centres where the youth and the elderly can play games and have clubs, instead of idling on street corners?

All these might sound too good to be true but it's a dream that will soon be realised, thanks to an ambitious master-plan that the Ministry of Local Government and Chieftainship is now currently developing.

The Maseru Master Plan will seek to inform future developmental plans for the city.

Although the plan's immediate target is to reshape Maseru for the next 30 years, its main goal is to set a solid foundation to turn Maseru into a world-class city.

The master plan seeks to systematically "cure" the haphazard nature of Maseru's settlements that have hindered the city's growth and stifled its potential.

The benefits of a well-planned city are immense, especially now when cities are jostling for investors in a crowded market.

Which city an investor chooses for a project will be determined by critical issues like congestion, zoning rules, waste management and the quality of the air.

They want to know how long it takes for employees to get from home to office.

Even issues like cycle tracks and footways might have an influence on an investor's decision.

It might even come down to issues we consider mundane like how long it takes to drive for a pint of milk, a loaf of bread or a meal with friends.

Cities, like countries, are branding themselves

to attract investment and tourists.

What they are selling to investors are not only incentives but also the right infrastructure designed to adequately serve residents, businesses and visitors.

Investors also want to know what the city will look like in the next few decades so that they can plan ahead.

It is only with a clear master plan that they can have an idea of where they will get land for expansion, where to open new branches and what kind of infrastructure to build.

Kabelo Lethunya, the Director of Housing in the Ministry of Local Government and Chieftainship, spoke eloquently of the master plan at a workshop organised by her ministry last Thursday.

The project of developing the master plan is being supported by the Private Sector Competitiveness and Economic Diversification Project (PSCEDP), a government initiative backed by the World Bank.

Lethunya said the plan was crafted in direct response to the many challenges urbanisation is posing to Maseru.

Rural to urban migration has worsened the crisis with new settlements springing up in Maseru's peri-urban areas, she said.

"The capital city (Maseru) and other towns are experiencing rapid growth due to new arrivals from rural areas, the majority of whom settle in peri-urban areas," Lethunya said.

The rapid growth has resulted in an "uncontrolled and unplanned urban sprawl that

encroaches on prime agricultural land, open spaces and natural biodiversity".

Lethunya said the Maseru Master Plan will be used to guide urban development in the city.

She said "uncontrolled settlements" were having a negative impact on infrastructure development.

The "uncontrolled settlements" were effectively pushing up the costs of setting up public infrastructure around the city.

"The inability to plan ahead of informal urban (settlements) has also created space for massive speculative land sales in most urban areas," she said.

Most urban households were now unable to afford land as the prices have soared beyond their reach.

"This has compelled such households to move even further from urban centres in search of cheaper land, thereby taking the urban sprawl even further afield."

Lethunya said the town master plan could unlock massive investment opportunities for the private sector.

She said a clear town plan will attract the right investors critical in the government's push to roll back extreme poverty and contribute to economic growth.

"With a clear master plan on how to develop the city, it will be very easy for the private sector to invest in," she said.

"This master plan will be used to guide urban development in Maseru."

Lethunya said in crafting the Maseru Master Plan the ministry will be guided by the National Vision 2020, the Land Act 2010, the Town and Country Planning Act 1980, the National Development Strategic Plan II and the National Housing Policy 2018.

On the international scene, she said the ministry will be guided by the 2030 Agenda for Sustainable Development and the New Urban Agenda.

"The New Urban Agenda (NUA) is a global framework that lays out how cities should be planned and managed in order to achieve sustainable development."

"The NUA says in order (to ensure) good planning of urban areas, there needs to be action plans similar to the Maseru Master Plan. The Maseru Master Plan will be one of the vehicles that we as Lesotho shall use to achieve the goal of the NUA."

Dr Donna Rudinoff, an expert hired by the PSCEDP to assist in crafting the Master Plan, said there is a strong correlation between

a town's competitiveness and its economic development.

She said competitive cities often facilitate private industries to create jobs for their residents.

Rudinoff said the proposed master plan will build on the 2010 plan taking into consideration changes in population size as well as relevant laws and new issues such as climate change.

The master plan will have three phases which are to be completed within a 30-year period.

"I think of city planning in terms of children," she said.

"I ask myself what facilities would a city need to have in order to meet the needs of our children living in it? Transport services, schools,

”

The capital city (Maseru) and other towns are experiencing rapid growth due to new arrivals from rural areas, the majority of whom settle in peri-urban areas

health services and the like."

Quinn Mohlokaqala, a design and construction manager at RISE International who attended the workshop, said while a new master plan is good it is important to understand why previous plans were never implemented.

That is key to ensure the current plan does not suffer the same fate, he said.