UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

Lesotho
Rapid eTrade Readiness Assessment

UNITED NATIONS
Geneva, 2019

United Nations publication issued by the United Nations Conference on Trade and Development.

UNCTAD/DTL/STICT/2019/8

eISBN: 978-92-1-004258-1

NOTE

Within the UNCTAD Division on Technology and Logistics, the ICT Policy Section carries out policy-oriented analytical work on the development implications of information and communication technologies (ICTs) and e-commerce. It is responsible for the preparation of the Information Economy Report (IER) as well as thematic studies on ICT for Development.

The ICT Policy Section promotes international dialogue on issues related to ICTs for development and contributes to building developing countries' capacities to measure the information economy and to design and implement relevant policies and legal frameworks. It also monitors the global state of e-commerce legislation (unctad.org/cyberlawtracker). Since 2016, the Section has coordinated a multi-stakeholders' initiative entitled eTrade for all (etradeforall.org), which aims to improve the ability of developing countries, particularly least developed countries (LDCs), to use and benefit from e-commerce.

Reference to companies and their activities should not be construed as an endorsement by UNCTAD of those companies or their activities.

The following symbols have been used in the tables:

Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row;

A dash (-) indicates that the item is equal to zero or its value is negligible;

Reference to "dollars" (US$) means United States of America dollars, unless otherwise indicated;

Reference to "M" means Loti, the currency of Lesotho, which is pegged to the South African Rand;

Details and percentages in tables do not necessarily add up to the totals because of rounding.

PREFACE

The eTrade for all Initiative, launched at the fourteenth Ministerial Conference of UNCTAD in July 2016, is a practical example of how to harness the digital economy in support of the 2030 Agenda for Sustainable Development, notably Sustainable Development Goals (SDGs) 5, 8, 9, and 17. The initiative seeks to raise awareness, enhance synergies, and increase the scale of existing and new efforts by the development community to strengthen the ability of developing countries to engage in and benefit from e-commerce by addressing seven relevant policy areas:

- E-commerce readiness assessment and strategy formulation
- ICT infrastructure and services
- Trade logistics and trade facilitation
- Payment solutions
- Legal and regulatory frameworks
- E-commerce skills development
- Access to financing

As part of the initiative, demand-driven assessments are envisaged to provide a basic analysis of the current e-commerce situation in the countries concerned, and to identify opportunities and barriers. The resulting reports will serve as a valuable input to these countries' involvement in various discussions related to e-commerce and digital trade, such as in the context of the UNCTAD Intergovernmental Group of Experts on E-commerce and the Digital Economy. It may furthermore help developing countries, especially LDCs, to identify areas in which they could benefit from assistance by eTrade for all partners.

Lesotho's Rapid eTrade Readiness Assessment is the eighteenth of such assessments conducted by UNCTAD. This report is expected to contribute to the efforts of the Government of Lesotho to build a robust, safe and business-friendly e-commerce and digital economy environment.

With the eTrade for all partners, UNCTAD is committed to supporting Lesotho in its resolve to make e-commerce work for the country's development.

Shamika N. Sirimanne
Director, Division on Technology and Logistics, UNCTAD

As a founding partner of the eTrade for all initiative, the EIF has been supporting the least developed countries (LDCs) in articulating their digital priorities through the eTrade Readiness Assessments led by UNCTAD. The eTrade Readiness Assessment of Lesotho illustrates the opportunities that digital trade can offer for economic development. It also stresses that realizing these opportunities requires concerted efforts by the government, the private sector and development partners.

Access to affordable Internet remains vital for Lesotho. However, the progress is still far from meeting the Sustainable Development Goal 9.c calling for universal affordable access to the Internet and reaching "1 to 2" Affordable Internet Target, with the 1 GB mobile broadband prices remaining high and above 2% of the average monthly income.

Building trust in digital solutions is essential. It requires ensuring confidence in ICT curricula in schools and universities, promoting lifelong learning, including through vocational training, and supporting digital skills of small businesses. In addition, ensuring access to finance remains important for small businesses to realize digital trade potential.

While acknowledging significant constraints, the report also shows progress in streamlining customs procedures and implementing trade facilitation reforms, including the ratification of the WTO Trade Facilitation Agreement. Among the next steps feature the adoption of a Single Window System and development of postal services to support the handling of small-parcels.

The EIF support has proven to be fundamental to address some of the recommendations identified in various e-trade readiness assessments conducted in the past. The recent examples range from targeted support to develop e-commerce strategies in Cambodia and Senegal, to developing new ICT/e-commerce regulations in Myanmar and Rwanda, to supporting Bhutanese farmers in online auctioning of potatoes.

The recommendations identified in the eTrade Readiness Assessment of Lesotho serve as a springboard for bringing the solution-orientated partnership between EIF, UNCTAD and the broader partnership in the EIF with the government and people of Lesotho to the next level.

I would like to thank the authors of the report and our colleagues in UNCTAD for bringing to light the state of play of e-trade readiness in Lesotho, taking stock of recent progress, and identifying the necessary actions that will further support digital development in Lesotho. I would also like to express my gratitude to Hon. Mr. Tefo Mapesela, Minister of Trade and Industry, the EIF in-country team: Mr. Soaile Mochaba, Principal Secretary of the Ministry of Trade and Industry and Mr. Phera Lepati, Director of Planning, Ministry of Trade and Industry, and the government of Lesotho for the commitment in realizing the country's potential in digital economy.

The EIF stands ready to support Lesotho's trade-led development efforts in any way it can.

Ratnakar Adhikari
EIF Executive Director

ACKNOWLEDGEMENTS

This Rapid eTrade Readiness Assessment of Lesotho was prepared by Paul Baker, UNCTAD Consultant, in close collaboration with a team comprising Cécile Barayre, Iris Macculi, and Marian Pletosu, under the overall guidance of Torbjörn Fredriksson. The in-country technical and coordination support of UNCTAD national consultant, Makuena Leboela, was instrumental in ensuring the substantive depth of this assessment. Pablo Quiles and Kananelo Makoetlane provided strong research support to the team.

The UNCTAD team wishes to express its profound gratitude to Hon. Mr. Tefo Mapesela, Minister of Trade and Industry, Mr. Soaile Mochaba, Principal Secretary of the Ministry of Trade and Industry, and Mr. Phera Lepati, Director of Planning, Ministry of Trade and Industry, for their support during the implementation of this project. UNCTAD is also grateful to the Permanent Mission of Lesotho in Geneva for its guidance and facilitation of the assessment process.

The assessment benefited from inputs by some 40 Basotho institutions from both the public and private sectors. UNCTAD wishes to thank all individuals who responded to the survey questionnaires, took part in the Focus Group Discussions and granted bilateral interviews in Maseru in January 2019.

Comments and inputs provided by the following eTrade for all partners agencies have substantially improved the final report: ITC, UPU, UNIDO and UNCITRAL. Several contributions were received from UNCTAD's Division on Technology and Logistics as well as the Division of Investment and Enterprise.

Desktop publishing was prepared by Keel Chan and the cover was designed by Magali Studer. The document was externally edited by Nancy Biersteker.

Funding for this report was kindly provided by the Enhanced Integrated Framework (EIF), a core partner of the eTrade for all initiative.

TABLE OF CONTENTS

ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ASYCUDA	Automated System for Customs Data
AWSB	Association of Women in Small Business
B2C	Business-to-consumer
BEDCO	Basotho Enterprises Development Corporation
BoS	Bureau of Statistics
C2C	Customer-to-Customer
CBL	Central Bank of Lesotho
CHE	Council on Higher Education
CMP	Customs Modernization Programme
CPSS	Committee on Payment and Settlement Systems
DAI	Digital Adoption Index
EASSy	Eastern Africa Submarine Cable System
ETL	Econet Telecom Lesotho
FBB	Fixed Broadband
FDI	Foreign Direct Investment
FSDS	Financial Sector Development Strategy
GNI	Gross National Income
GoL	Government of Lesotho
GPS	Global Positioning System
GSMA	Global System for Mobile Association
HIV	Human Immunodeficiency Virus
ICT	Information and Communications Technology
IDI	ICT Development Index
IER	Information Economy Report
IFAD	International Fund for Agricultural Development
IOSCO	International Organization of Securities Commissions
IRU	Indefeasible Right of Use
ITC	International Trade Centre
ITU	International Telecommunication Union
KMs	Kilometres
KYC	Know Your Customer
LCA	Lesotho Communications Authority
LDC	Least Developed Country
LEAP	Lesotho Enterprise Assistance Programme
LEC	Lesotho Electricity Company
LNDC	Lesotho National Development Corporation
LPS	Lesotho Postal Services
LRA	Lesotho Revenue Authority
LTA	Lesotho Telecommunications Authority also shown as Lesotho Communications Authority
MB	Megabyte
MBFIs	Member-Based Financial Institutions
MCC	Maseru City Council

MFIs	Micro-Finance Institutions
MNOs	Mobile Network Operators
MoCST	Ministry of Communications, Science & Technology
MoDP	Ministry of Development Planning
MoET	Ministry of Education and Training
MoF	Ministry of Finance
MoFAIR	Ministry of Foreign Affairs and International Relations
MSMEs	Micro, Small and Medium-Sized Enterprises
MTI	Ministry of Trade and Industry
NBFI	Non-Bank Financial Institutions
NSDP	National Strategic Development Plan
NSW	National Single Window
NTB	Non-tariff barrier
NTFC	National Trade Facilitation Committee
NTM	Non-tariff measure
NUL	National University of Lesotho
OBFC	One-Stop Business Facilitation Centre
OECD	Organisation for Economic Co-operation and Development
OPGW	Optical Ground Wire
ORE	Operational Readiness for E-commerce
PFMIs	Principles of Financial Market Infrastructures
PPP	Public-Private Partnerships
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SUFIL	Support for Financial Inclusion in Lesotho
TFA	Trade Facilitation Agreement
TFSP	Trade Facilitation Support Program
TVET	Technical and Vocational Education and Training
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UPU	Universal Postal Union
US$	United States of America dollars
USF	Universal Service Fund
USSD	Unstructured Supplementary Service Data
VCL	Vodacom Lesotho
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organization

EXECUTIVE SUMMARY

Lesotho has experienced impressive economic growth over the past decade, with a Compound Annual Growth Rate of 3.6 per cent annually since 2007 and a real gross domestic product (GDP) per capita growth of 25 per cent in the last decade.[1] This growth was largely supported by increased diamond exports. The country is exploring economic diversification in a handful of sectors, such as mining, quarrying, textiles, and apparel.

In this context, e-commerce can potentially boost economic performance and diversify sources of incomes, improving accessibility to customers, markets and trade information, all of which play a key role for development and graduation from the LDC category. Nevertheless, the conditions for success require the adoption of a series of fundamental reforms, such as having reliable and affordable infrastructure, the necessary legal and regulatory framework in place for payments, the appropriate solutions with regard to access to finance, and the capacity to respond the needs of the digital economy.

E-commerce readiness assessment and strategy formulation

Lesotho has recently entered the digital era with the adoption of several government services. However, Lesotho has not yet adopted a focused stand-alone e-commerce strategy. The second National Strategic Development Plan is expected to be published soon, although it does not address e-commerce as one of the pillars supporting Lesotho's fight against poverty.

The overall e-commerce enabling environment in Lesotho faces challenges, thus hampering its further development. The main challenges include the population's lack of trust in online systems, low level of Internet access by the population, minimal technology adoption by firms, lack of access to financing and weak IT skills across the overall population. These challenges mean that the e-commerce ecosystem, while improving in comparison to previous years, is still relatively embryonic.

The country has in place public-private dialogue platforms, but these are not yet used to identify and address the challenges faced by the private sector in the area of e-commerce.

ICT infrastructure and services

Affordable access to the country's ICT networks has been identified as one of the key areas slowing down the adoption of e-commerce amongst the Basotho population. Lesotho enjoys high levels of infrastructural connectivity – the country is connected to the region through three main submarine cables. The 3G coverage network is almost 100 per cent and mobile usage is widespread (the ratio of 'SIM cards' to population exceeds 1:1). But the use of the Internet, even mobile Internet, remains limited - only 37 per cent of the population has an active mobile broadband subscription.

The main constraint on Internet roll-out is the price of service. Although it appears to be comparable to other SACU countries, it represents six per cent of the country's monthly average income (a percentage that might be even higher in rural areas). This situation is aggravated by the limited competition present in the country, with only two incumbents: Vodacom and Econet.

Trade logistics and trade facilitation

Despite being landlocked, Lesotho's inherent connectivity challenges are mitigated by having to agree on border cooperation with only one country, South Africa. The country has benefited by support from international donors (including the World Bank and UNCTAD) to shorten the customs clearance time. Recent reforms also include the creation of a One-Stop Business Facilitation Centre and the rationalization of customs procedures. The country signed the World Trade Organization's Trade Facilitation Agreement in January 2016. Lesotho performs better overall than its peers on different trade facilitation-related indicators, a reflection of the country's efforts to improve its trading environment. Challenges persist, such as the the lack of home addressing, which creates a difficulty for delivery service providers, the appearance of roadblocks and poor transfer of information between South Africa and Lesotho, and the weak performance of the Lesotho Postal Service.

[1] *Source: World Bank's World Development Indicators Database*

Payment solutions

The Internet has limited use as a channel to buy and sell goods; only about one-third of the population made a digital payment in the last year (World Bank, 2018). While this percentage is slightly higher than the Sub-Saharan African average, which stands at 29 per cent, the reality on the ground shows that mobile payment systems, i.e. Vodacom's M-Pesa and Econet's EcoCash, are boosting those percentages, since only 10 per cent of the population has a debit card and only six per cent has a credit card. Despite the discounts offered online, the general population is reluctant to make orders online, preferring to rely on face-to-face or telephone interactions to carry out the purchase of goods.

Legal and regulatory framework

Frequently highlighted during UNCTAD's in-country consultations was the damaging effect that the lack of a sound and robust legal and regulatory environment was having on e-commerce, particularly since this was creating a lack of trust and fear of being scammed through e-commerce.

Lesotho's legal and regulatory framework is weak, lacking most of the key laws and regulations necessary to ensure the correct functioning and development of e-commerce-related services. The Electronic Transactions and Electronic Commerce Bill of 2013 and the Computer Crime and Cybercrime Bill are pending ratification and adoption by the Parliament. As highlighted by UNCTAD's Cyberlaw Tracker, of the four main regulatory areas, Lesotho currently covers only one on data protection, through the Data Protection Act of 2013.

Skills development for e-commerce

This lack of trust in e-commerce also translates into low use of the Internet; 35 per cent of the country's population does not know how to use the Internet and 15 per cent asserting that they do not believe they need Internet. The low acceptance of ICT technology and services also has repercussions on the demand for ICT-related majors, which do not offer an attractive future for Basotho graduates, as reported by the stakeholders during the in-country consultations. Those that follow that career path likely migrate to South Africa, where their skills are in higher demand with better pay.

The lack of business skills has been identified as a major constraint to the sector's development and, although a series of business incubators and accelerators exist to address this issue, the awareness of their existence appears to be limited.

Access to financing

The last major challenge identified in this rapid assessment concerns the difficult access to funding for companies, particularly MSMEs, due mainly to the high interest rates charged by the four banks that operate in Lesotho, which in many cases exceed the 20 per cent. Inaccessible funding hampers the ability of MSMEs, particularly start-ups, to up-scale production andto be able to serve a broader customer base.

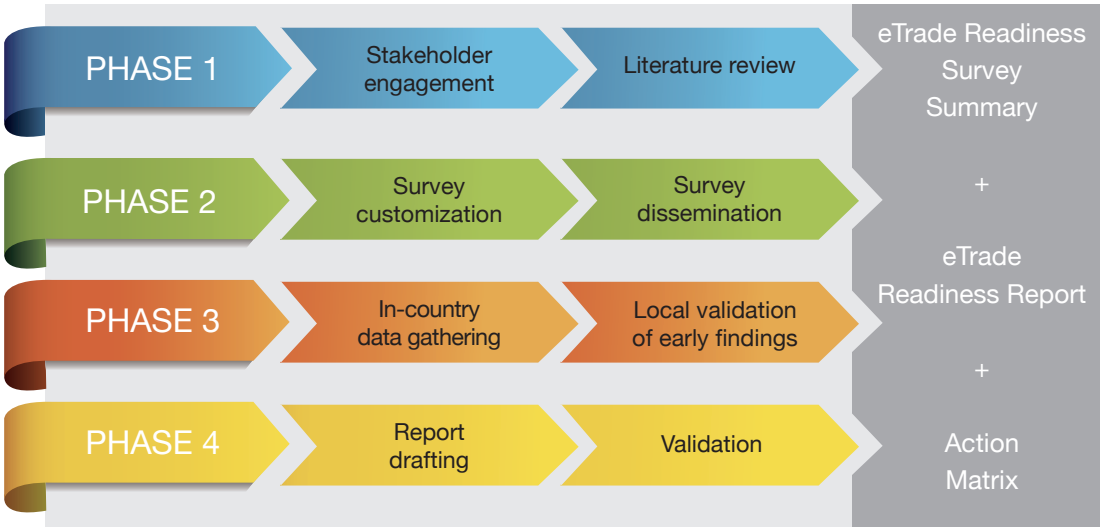
A series of incubators have been established to provide start-ups with (1) the right skills to ensure the success and viability of the company, and (2) the funding necessary to develop their business. Such funding is channeled through start-up business pitch competitions.

Despite its economic and geo-location challenges, Lesotho has started to consider some of the benefits that e-commerce can bring to its population, with some companies starting to rely increasingly on online-based platforms (social media platforms) to conduct their businesses, especially those selling consumer products. Nevertheless, the afore-mentioned challenges should be addressed if the country wants to take advantage of the true potential that e-commerce offers.

METHODOLOGY

A four-step approach was used for the Rapid eTrade Readiness Assessment of Lesotho, to ensure a high level of participation and engagement of key stakeholders in the consultative process:

Figure 1: Assessment methodology



✓ Phase 1 | **Stakeholder engagement and literature review, 1-31 December 2018.** It included official communications between UNCTAD, Lesotho's Ministry of Trade and Industry (MTI) and the Permanent Mission of the Kingdom of Lesotho in Geneva. Literature review and data analysis were made possible through access to up-to-date statistics provided by ITU, UPU and the World Bank, in addition to data compiled by UNCTAD on behalf of the eTrade for all initiative.

✓ Phase 2 | **Online survey customization and dissemination, 10 January - 4 March 2019.** Two (2) customized questionnaires for the most relevant public and private sectors stakeholders were distributed by MTI to more than 100 stakeholders in Lesotho. A total of 42 completed questionnaires were used for this report.

✓ Phase 3 | **Semi-structured in-country interviews and local validation, 21-25 January 2019 during the consultants' mission to Maseru.** Six focus group meetings were held at the MTI's facilities. A briefing on early findings and suggestions was presented to the Management Team of the MTI.

✓ Phase 4 | **Report writing and finalization with UNCTAD, 28 January – 31 May 2019.**

As with all Rapid eTrade Readiness Assessments, the seven policy areas used in the eTrade for all initiative were used as entry points for this assessment. These are:

- ✓ E-commerce readiness assessment and strategy formulation
- ✓ ICT infrastructure and services
- ✓ Trade logistics and trade facilitation
- ✓ Payment solutions
- ✓ Legal and regulatory frameworks
- ✓ Skills development for e-commerce
- ✓ Access to financing

The information provided in this report is based on data collected from respondents to the survey for both the public and private sectors and the stakeholders' meetings during the in-country mission.

SUMMARY OF MAIN FINDINGS AND MAIN RECOMMENDATIONS

MAIN FINDINGS	MAIN RECOMMENDATIONS
e-Commerce Readiness Assessment and Strategy Formulation	
While the country has identified e-commerce as a way to lift its population out of poverty, it has not yet created a stand-alone policy and strategy tackling this area. Similarly, key policy papers also do not address e-commerce directly, although they address related areas, such as e-governance. The private sector needs to be more carefully consulted through public-private sector dialogues. There is only limited use of e-commerce platforms by small firms; the main channels appear to be through social media.	Engage in a national e-commerce strategy development process. Identify a champion to ensure that the domestic e-commerce challenges are regularly and effectively addressed. Create a public-private dialogue to ensure that the barriers faced by the private sector are removed. Expand the capacity of the Bureau of Statistics (BoS) and Lesotho Communications Authority (LCA) statistics department. Enhance trade negotiators' e-commerce capacities. Facilitate payment mechanisms that work with social media.
ICT Infrastructure and Services	
Overall, the country is well connected through hard infrastructures, such as submarine cables. Despite the fact that almost 70 per cent of the population has a phone, only approximately 30 per cent of the population has mobile Internet access, mainly due to the high cost of the service. The Universal Service Fund (USF) is considered one of the only successful cases in Africa, having supported the deployment of 46 base stations to remote areas and the connection of 40 schools to the Internet. Address investment shortfalls and the opportunities for private-public partnerships.	Expand the 4G network to cover the totality of the country, with possible cooperation from agencies such as the ITU, World Bank, Broadband Commission, etc. Map the existing coverage of the ICT-related industry in the country. Expand the range of e-government services offered. Remove barriers to competition in the telecommunications market. Strengthen the role and capacity of the USF. Identify possible PPP avenues to tackle infrastructural ICT shortcomings.
Trade Logistics and Trade Facilitation	
The condition of the road network is poor affecting the performance of delivery suppliers. One of the main issues affecting Lesotho is the lack of physical addressing. Overall, the country outperforms the average of Sub-Saharan Africa and that of low incomes countries with respect to trade facilitation and trade logistics indicators. Since 2012, the country has implemented a series of trade facilitation measures, such as the simplification and reduction of customs procedures. Ensuring that trade facilitation measures can benefit women and youth traders is not always sufficiently well monitored. The implementation of the WTO Trade Facilitation Agreement is seen as critical for improving trade facilitation in Lesotho.	Address the lack of physical address by creating a national addressing system. Adopt a Single Window System for the submission and processing of customs documents. Ensure the efficiency and efficacy of the existing NTM-reporting mechanism. Solve identified NTMs and cooperate in the avoidance of new ones. Enable the exchange of information across the customs programs between Lesotho and South Africa. Identify existing issues affecting traders, in particular women and youth. Create more commercial borders (24h/7). Expedite implementation of the TFA. Develop Postal Services to support small parcels for cross-border e-commerce. Strengthen the operational capability of Lesotho Post to support e-commerce and ensure operational efficiency of the postal network.

MAIN FINDINGS	MAIN RECOMMENDATIONS
Payment Solutions	
Mobile money has gained significant momentum, with the country's two telecommunications service suppliers providing their own mobile money options: M-Pesa and Ecocash. Interoperability between them and banks, though, remains a problem. Despite the rise in mobile money, cash on delivery remains the main payment system for e-commerce operators in Lesotho, with few providing on-line payment solutions, mainly due to lack of awareness of possible solutions and lack of trust from the consumer about this kind of payment.	Identify avenues enabling Basotho to pay their taxes electronically. Educate merchants to increase their confidence in electronic and mobile payment tools. Carry out nation-wide campaigns to raise awareness across the general population about existing digital payment solutions and their benefits. Increase information security mechanisms in current electronic payment solutions (USSD, e-banking, etc.). Adopt the necessary policies and regulations to allow the establishment of FinTech companies (such as Sandbox and others). Achieve full interoperability between banks and mobile money operators.
Legal and Regulatory Framework	
The legal and regulatory framework necessary for e-commerce to thrive is missing. Bills have been prepared with regards to e-transactions and cybercrime, and bills are being prepared to cover Consumer Protection and Competition. Political instability has delayed consideration of the bills.	Carry out a regulatory gap analysis on e-commerce. Review, update and adopt the missing laws necessary to create a reliable and improved e-commerce business environment, such as Electronic Commerce, Cybercrime, Recognition of Signatures, Consumer Protection, and Competition Law. Adopt incentives to promote the use of e-commerce and increase the available information about setting up a business.
e-Commerce Skills Development	
One of the main constraints hampering Lesotho's competitiveness is the poor access to basic digital skills. In this context, few students decide to follow an ICT career path, and those that do so, tend to move to South Africa in pursuit of better professional opportunities. Basotho entrepreneurs face significant information barriers, have poor business skills, and lack support programs and mentors.	Upgrade the existing education curriculum, engaging the private sector in its design. Expand the capacity of e-commerce enterprises with business skills. Enhance the USF scope, providing access to computers in schools. Increase support to innovators and hubs. Link local MSMEs with big corporations, encouraging the transfer of knowledge.
Access to Financing	
Despite the existing initiatives aiming to improve access to finance coming from the government and development partners, such as the partial guarantee scheme, access to financing remains a challenge, particularly for MSMEs, which are forced to resort to private sources of funding or to informal ones.	Put in place the incentives and business-enabling environment that are necessary to attract incubators, business accelerators, and venture capitalists. Provide training to MSMEs to build business proposals. Sensitize commercial banks on the characteristics of e-commerce. Expand start-up meetings to rural areas. Review existing governmental schemes to assess their operability.

FINDINGS UNDER THE SEVEN ETRADE FOR ALL POLICY AREAS

1. E-COMMERCE READINESS ASSESSMENT AND STRATEGY FORMULATION

In recent years, the Government of Lesotho has turned its attention to the benefits of the digital economy, as demonstrated with the efforts undertaken to digitalize the different government services. Yet, despite the efforts made to change the policy and regulatory landscape, Lesotho has not adopted a focused stand-alone e-commerce policy and strategy. Additionally, the e-commerce enabling environment in Lesotho faces challenges, with low technology adoption and a lack of access to financing and skills across the general population. These challenges mean that the e-commerce ecosystem, while improving over time, is still relatively embryonic. Public-private dialogue platforms are in place, but these have not always been successful in adopting new policies. They should be used to identify ways through which the country can exploit the benefits of e-commerce and use these towards the population's socio-economic development.

While Lesotho has made significant efforts to improve the e-commerce business environment, these efforts have often been undermined by a complex political economy environment in the country, due to significant government changes, which has thwarted the adoption of a strong policy and regulatory framework. As a result, Lesotho ranks relatively low - in the bottom one-fifth of countries in global rankings when it comes to its performance in e-commerce indices. Lesotho indeed was ranked 133 out of 176 economies in ITU's ICT Development Index (2017), registering a drop of three ranks from 2016. In 2018, Lesotho ranked 126 out of 151 economies worldwide in the United Nations Conference on Trade and Development (UNCTAD) B2C E-Commerce Index (2018), a one-place drop in comparison to the 2017 ranking and was placed 25th in the regional index. The country also ranked 115 out of 139 economies in the World Economic Forum (WEF) Networked Readiness Index (2016), and 145 out of 173 economies in the Universal Postal Union (UPU) Integrated Index for Postal Development (2018).

With regard to the World Bank's Ease of Doing Business Index (2019), Lesotho ranked 106 out of 190, having experienced a setback in comparison to the 2018 (104th), and 2017 (100th). Comparing these two different sets of indicators, the ICT ranking is worse than the doing business ranking, partly reflecting the lack of policies, low level of e-readiness and lack of e-government plans, as explored in this chapter.

Table 1: IT Development Ranking in Southern African Customs Union (SACU) Countries

Country	ITU IDI Ranking	UNCTAD B2C E-commerce Index
Botswana	105	100
Lesotho	133	126
Namibia	118	103
South Africa	92	77
eSwatini[2]	N/A	122

Source: ITU (IDI 2017 report), UNCTAD (2018 B2C e-Commerce Index)

[2] *'eSwatini, meaning "land of the Swazis"*

1.1 National policies related to ICT, e-government, and e-commerce

The absence of e-commerce strategies and policies limits the overarching impact that individual policies can have in bridging Lesotho's digital economy divide.

Lesotho's policy backbone is supported by four main policies: the ICT Policy for 2005, Lesotho's Communications Policy of 2008, the National Broadband Policy of 2014 and the National Strategic Development Plan (NSDP) (Phase I 2012/13 - 2016/17; and Phase II 2018/19 – 2022/23). These policies are often outdated and have, in the case of the National Broadband Policy, failed to be adopted formally by the Government of Lesotho.

ICT Policy of 2005

With the vision "[to] create a knowledge-based society fully integrated into the global economy by 2020", the ICT Policy of 2005 aimed to achieve a complete integration of ICTs across all sectors of the economy. The policy's objectives were to:

- Create awareness among all stakeholders about the importance of integrating ICTs in Lesotho's development process;
- Facilitate the deployment of a national broadband backbone network, enabling the delivery of ICT services and products;
- Mobilize resources, attract investment and establish innovative financing mechanisms needed to realise ICT policy goals;
- Facilitate the broadest possible access to public domain information;
- Promote the development and dissemination of local ICT products and services;
- Promote usage of ICTs throughout all sectors of society, including disadvantaged groups;
- Strengthen the existing ICT institutional, legal and regulatory framework;
- Create a conducive and secure environment for producers and consumers of information over electronic networks;
- Promote collaboration and coordination among all sectors of the economy and at regional and international levels.

The 2005 policy recognizes the tremendous growth opportunities through e-commerce for businesses in Lesotho, as an enabler of local businesses to have access to potential markets both domestically, but also importantly, across the world. The objectives and strategies of the policy in this area were:

Objectives

- Encourage new business development in the area of e-commerce.
- Promote awareness among the private sector about the importance and benefits of e-commerce to sector growth.
- Create a conducive climate that will facilitate the productivity and global competitiveness of the private sector.
- Develop a transparent, stable and effective legal and fiscal operating environment to promote online commercial transactions.
- Protect the interests of all participants in e-commerce.

Strategies

- Develop laws and regulations to govern electronic commerce and trade at national, regional and international levels.
- Cultivate a culture of e-commerce in the country, which supports electronic business transactions.
- Promote affordable access to ICT products and services.
- Educate all stakeholders on the nature, benefits, and risks associated with e-commerce.
- Encourage and support the creation of national associations of users.

Similarly, the ICT Policy 2005 also recognizes the benefits of adopting e-governance tools as an instrument to improve the country's governance, improve the efficiency of its management, improve the delivery of Government services to the public, empower citizens, and increase their participation in the political process.

Lesotho Communications Policy 2008

Building on the Lesotho Telecommunications Policy of 1999 and ICT Policy for Lesotho of 2005 the Lesotho Communications Policy of 2008 established the institutional framework governing the regulation of the telecommunications, broadcasting and postal sectors. The policy goals were as follows:

- Regulatory reform. The policy aimed to strengthen the regulatory capacity of the Lesotho Communications Authority (LCA).
- Convergence. The Policy aimed to reflect and promote the convergence of services and networks based on the Internet.
- Universal Service. The Policy expected to foster universal access to a diverse range of high-quality communications services at affordable prices, including advanced networks, in order to enable Lesotho to participate in the global information society.
- Competition. The Policy intended to promote a competitive communications market. In particular, the policy will facilitate the cooperative deployment and sharing of infrastructure, thereby avoiding duplicative deployment of infrastructure while promoting service-based competition.

The Policy aimed to be aligned with the World Trade Organization's (WTO) Telecom Reference Paper and the Southern African Development Community (SADC) Protocol on Transport, Communications, and Meteorology.

One of the most important aspects of the Policy is the creation of the Universal Service Fund (USF). The fund is generated by applying a 1.5 per cent levy on revenues from the two Mobile Network Operators (MNOs), Vodacom Lesotho (VCL) and Econet Telecom Lesotho (ETL). The Lesotho Communications Authority (LCA), as the country's regulatory agency in communications-related areas, is the administrator.

This Fund is considered to be one of the most successful cases in Africa, having supported the deployment of 46 base stations to remote areas and the connection of 40 schools to the Internet. The new USF strategy aims to roll out telecommunications services in rural areas, particularly broadband service. The LCA, in collaboration with MNOs, provided 10 schools with mobile labs and Internet access. In the forthcoming year, the USF will stimulate demand for broadband by enabling greater uptake, including through the roll-out of public WiFi.[3]

National Broadband Policy

This National Broadband Policy[4], drafted in 2014 but never adopted, highlighted the importance of having a robust broadband infrastructure to promote the availability, affordability, and relevance of broadband services. The policy aimed to achieve:

a. Better communications and access to information;

b. Economic growth and sustainable development; and

c. Better health, education and employment opportunities.

The policy recognized that while mobile technology provides an immediate competitive edge, this should be eventually matched by fixed infrastructure access, including backhaul. In this context, the Government stipulated that it would only intervene and establish its own backhaul capacity if the private sector fails to do so, recurring in that case to solutions such as public-private partnerships.

National Strategic Development Plan 2012/13-2016/17

The National Strategic Development Plan (NSDP) 2012/13-2016/17 established the pathway to reduce poverty and achieve sustainable development while identifying a series of strategic goals:

I. Pursue high, shared and employment-creating economic growth

II. Develop key infrastructure (Minimum Infrastructure Platform)

III. Enhance the skills base, technology adoption and foundation for innovation

IV. Improve health, combat HIV and AIDS and reduce vulnerability

[3] *See Gillwald, A., Deen-Swarray, M. & Mothobi, O. (2017). The State of ICT in Lesotho. Lesotho Communications Authority, Maseru, Lesotho.*

[4] *See ITU (2018). The State of Broadband 2018 – Annex 1: Target 1 – List of National Broadband Policies, 2018. International Telecommunications Union, Geneva. Available from: https://www.broadbandcommission.org/Documents/Policy%20Section%20Documents/BRoadbandPolicies2018.pdf*

V. Reverse environmental degradation and adapt to climate change

VI. Promote peace, democratic governance and build effective institutions

Significantly, the NSDP recognized the role that ICT can play in increasing the country's competitiveness. In this context, the NSDP aimed to facilitate access to high-speed broadband and to basic ICT services throughout the country, widen ICT literacy, review and implement an e-Government strategy and facilitate smooth migration from analogue to digital. The strategy also aimed to promote e-services and develop a niche of ICT sub-industries through FDI as well as research and development.

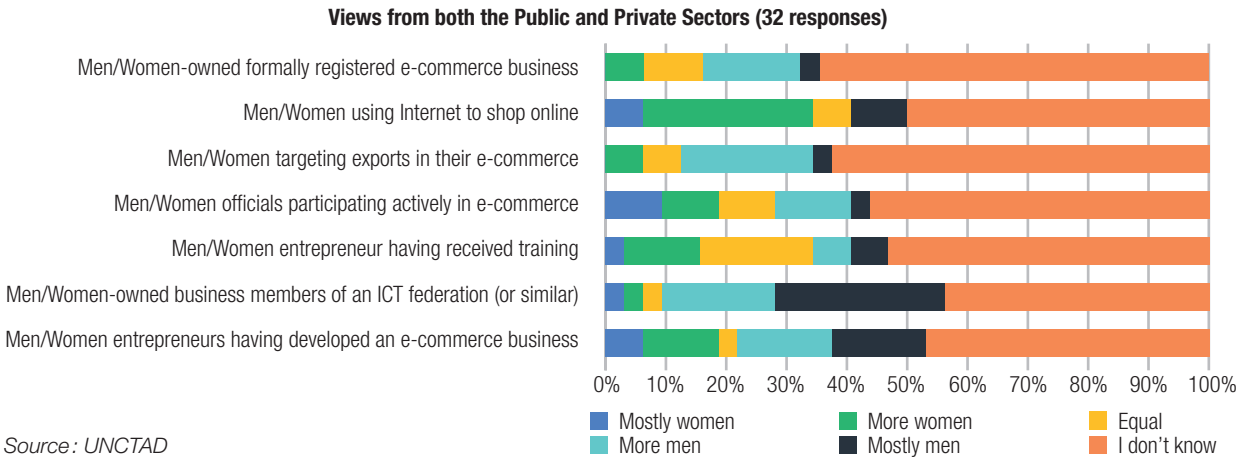
Improving Internet connectivity has been a priority for the Government of Lesotho, as witnessed through the Lesotho eGovernment Infrastructure Phase I, a project with an objective of enhancing the Government's digital capability by deploying modern and secure digital infrastructure. The project enhanced the capability of the Government's data centres and portals – thus improving the effectiveness of public service delivery across ministries, key government agencies and local governments. The project also improved access to automated administrative eServices including ePayroll; civil registration; eHealth, eProcurement, eCustoms, and revenue management. During the implementation phase of the project, the Government identified a need to further extend rural connectivity, improve the availability of fibre infrastructure and establish a national ePayment system[5].

The Second National Strategic Development Plan (NSDP II) 2018/19 – 2022/23

During NSDP II implementation, the GoL will continue to restructure the ICT sector and support the applications of ICT in all productive sectors, to enhance efficiency and promote private sector-led job creation and inclusive economic growth. This strategic support will take three forms. First, to improve an enabling environment by fostering the development of innovative sector policies, strengthening public institutions, and developing ICT facilities and related infrastructure and networks. Second, to build human resources to improve knowledge and skills, particularly for women and girls, and promote ICT-literacy and lifelong learning of citizens through e-Learning and awareness programs, thus reducing the digital divide. Third, to promote the development of ICT applications and information content for all NSDP II projects/activities, and those of the private sector.

With regard to gender, Lesotho has a number of women-specific associations, such as the Association of Women in Small Business (AWSB) and Women in Business, defending the interests of women during the formulation of policies. However, the characteristics of gender in business is largely unknown, with more than half of the respondents of the survey conducted for this assessment, choosing "I do not know" when asked about the gender ratio in business. Of those who replied, the sense is that the e-commerce business is mainly dominated by men (see Figure 2).

Figure 2: Gender ratio in Business



Source: UNCTAD

[5] *Kingdom of Lesotho. Preparation and Supervision Mission Maseru, Lesotho eGovernment Infrastructure Project Phase I & II. 29 October-9 November 2018. Aide Memoire, page 2.*

1.2 National policies related to trade

While Lesotho has adopted e-Government services platforms, it does not have an explicit e-commerce strategy, and the trade policy is currently in development.

The existing policy framework aims to create a conducive business environment for Basotho businesses while seeking to expand into the domestic as well as international markets. The National Trade Policy and the new NSDP 2018/19-2022/23 (NSDP II), also currently under draft, states the country's desire to adopt an export-led growth model, therefore making trade a central component of Lesotho's economic development.

The NSDP II specifically identifies ICT as having "a critical role in enhancing efficiency in production processes, and improving access to markets thereby facilitating regional and global integration." Nevertheless, the policy does not make specific reference to the role that e-commerce can play in achieving such an objective.

e-Government Services

To attract Basotho citizens to the use of online services, the Government, in cooperation with international partners such as the African Development Bank, the World Bank and UNCTAD, has adopted a series of e-government services. Some of the key achievements have been the establishment of a Government Portal, which comprises services related to construction permits, labour, visa, and submission of company incorporation and business licenses[6], etc. UNCTAD also provided support for increasing the on-line transparency of investment procedures.[7]

The main achievements of the e-Government Phase I Project, supported by the African Development Bank, are:

1. **Rural mobile connectivity.** The Phase I project deployed nine mobile towers in rural areas. These sites serve a population of 36,500 Basotho nationals. The capital cost of building the sites was awarded to the MNOs through a competitive tendering process in which VCL was awarded five sites and ETL, four sites.
2. **Data centre connectivity.** A second component involved connecting the government's data centre at Mohale's Hoek to their data centre in Maseru by a 100km fibre link. This involved completing the Lesotho Electricity Company (LEC)'s OPGW fibre network to Mohale's Hoek. Comnet acquired the fibre from LEC through an indefeasible right of use (IRU) for ten years and administers and provides the government data centre with managed connectivity services using this fibre[8].
3. **Metro dark fibre.** A third element involved the government acquiring metropolitan fibre in Maseru from ETL through a ten-year IRU. This fibre connects key government ministries and offices in Maseru.
4. **ePayments.** The phase I project did not encompass any ePayment components. This is, therefore, a new intervention in Phase II.

The objective of the e-Government Phase II project is to improve citizen access to reliable e-Services, particularly for those citizens living in rural and unserved areas, through expansion of digital infrastructure in Lesotho.

Key Outcomes

- **Reducing the digital divide**
- **Providing reliable connectivity to citizens and businesses in Thaba-Tseka**
- **Providing citizens in rural areas with Internet access and digital training**
- **Incentivizing the take up of ePayment services**
- **Maximizing the impact of Bank-sponsored projects**

Components Areas

- **Expansion of mobile telephony coverage to rural areas.** This component will support the construction of 48 mobile sites to achieve 99.6 per cent population coverage.

[6] *See https://www.companies.org.ls/*

[7] *See eRegulations Lesotho. Available from: https://lesotho.eregulations.org/*

[8] *Leo and Comnet are the two licensed network service providers of Internet services.*

- **Extension of fibre networks.** This component will support the completion of a 96km OPGW fibre network from Roma (Maseru) to Thaba-Tseka.
- **The rollout of eService centres.** This component will support the upgrade and refurbishment of 20 rural eService centres to make them suitable to host eService facilities.
- **Establishment of a national electronic Payment System.** This component will develop regulation to support ePayments, provide financial education and agent network programmes, establish liquidity management and know your customer (KYC) processes; support a pilot agency roll out and establish a national Financial Switch.
- **Capacity-building and skills development**. This component will provide staff development skills in areas relating to coordination, project management, negotiations skills, financing products, debt management, and planning; training programmes for project implementation units and planning officers; aide flow impact assessments, monitoring and evaluation surveys for donor projects, and upgrade of the development assistance database/management system at Ministry of Development Planning (MoDP); and strengthening the debt management system at the Ministry of Finance (MoF). The component will also support the operations of the project implementation unit.

While the Government has ensured that it will address e-commerce-related issues across the overarching policies, it has not done so in a stand-alone document. Moving forward, it would be beneficial for the country to set up its vision and objectives regarding e-commerce in a dedicated policy and accompanying strategy, tackling the different issues that this assessment has identified.

1.3 National coordination

Increasing the participation of the private sector to formulate and roll-out e-commerce strategies is essential in Lesotho.

A stronger public-private dialogue is needed for the development of e-commerce. The role of local, private sector stakeholders remains relatively weak in the decision-making process. Several Government agencies are responsible for providing ICT services and infrastructure. The Ministry of Communications, Science and Technology oversees the ICT sector, while the Ministry of Trade and Industry supervises and coordinates the development of e-commerce services.

In this context, there is currently no public-private sector dialogue on e-commerce and the digital economy at the national level. While there is an inter-ministerial committee, the National Trade Facilitation Committee (NTFC) dealing with planning and implementing the successful trade facilitation reforms, this organization is not currently addressing any e-commerce-related issues. Most of the stakeholders consulted during the field mission expected the Government to take the lead in facilitating policy and strategy formulation on e-commerce.

Lesotho has recently established the Lesotho Coordinating Committee on Trade (LCCT), chaired by the Minister of Trade and Industry. A series of technical committees fall under the umbrella committee (such as the technical committees on Standards, Product and Market Diversification; Trade Facilitation; Market Access; and Monitoring, Evaluation and Resourcing. As such, this committee could provide a base to anchor further national discussions on e-commerce.

1.4 Current status of e-commerce activities in Lesotho

E-commerce activities are limited in Lesotho. Social media channels, such as Facebook, have become the main platforms for trading on-line, indicating that there is an increasing buyer-seller interface through online means. Facebook, in particular, is mainly used for Consumer-to-Consumer (C2C) or Business-to-Consumer (B2C) transactions. A number of buy/sell groups with 50,000 plus members who use the groups to advertise, negotiate and sell a wide range of products, including cars and houses. The key advantage is the fast turnaround. While the bulk of the products are second-hand goods, there is also some retail activity.

1.5 Access to relevant statistics

The availability of data in Lesotho is also limited. The Bureau of Statistics (BoS) has a weak capacity, and therefore the data collected remains minimal. The more reliable sources of information are international databases, such as the UN-ITU for ICT-related information. The LCA collects a small sample of indicators regarding ICT, under the series titled "The State of ICT in Lesotho".[9]

Moving forward, clear and authoritative data on the ICT sector in general and e-commerce specifically will be critical to inform policy reforms reliably. Robust data will support the planning, monitoring, and evaluation of various ICT and e-commerce initiatives. Reliable data on the number of mobile and fixed-broadband Internet subscribers, and the number of overall Internet users will be particularly important for benchmarking and measurement of progress. To achieve this, increased capabilities from the BoS, storage, processing, and sharing of information among all ICT stakeholders will be needed.

[9] *See LCA – ICT Research. Available from: https://www.lca.org.ls/ict-research/*

2. ICT INFRASTRUCTURE AND SERVICES

Lesotho's proximity to South Africa has enabled the country to have a strong infrastructural backbone, connected to the region's main submarine cables. The two existing mobile operators have launched 4G networks, while 2G and 3G networks cover almost all of the country. However, the spread of 4G more widely and further technology roll-outs across the country will require significant investments, since Lesotho's mountainous geography needs additional antennas and related infrastructure. This resulted in Lesotho being one of the countries where Internet (both fixed and mobile) is least affordable, with a 500 MB data package representing around seven per cent of the country's monthly Gross National Income, despite the fact that ownership of SIM cards exceeds the country's population. As observed in other LDCs, social media applications, particularly Facebook, are the channels most widely used on this ICT infrastructure and are the ones being currently used as e-commerce platforms.

2.1 Broadband, mobile, and smartphone penetration

Despite the widespread use of mobile phones, only 37 per cent of the population has an active mobile broadband account.

The use of the mobile phone in Lesotho is widespread, with 106 mobile phone subscriptions per 100 inhabitants. Nevertheless, this figure is to be taken with caution as it is normal practice to have multiple SIM cards and phones – as highlighted by the ITU, mobile phone ownership stands at 76 per cent.[10] The marginal use of smartphones in Lesotho is mainly due to the high cost of the device and the service: as shown in Figure 4, a 500MB data package costs approximately US$ 6, which represents six per cent of the country's monthly GNI per capita (ITU, 2018).

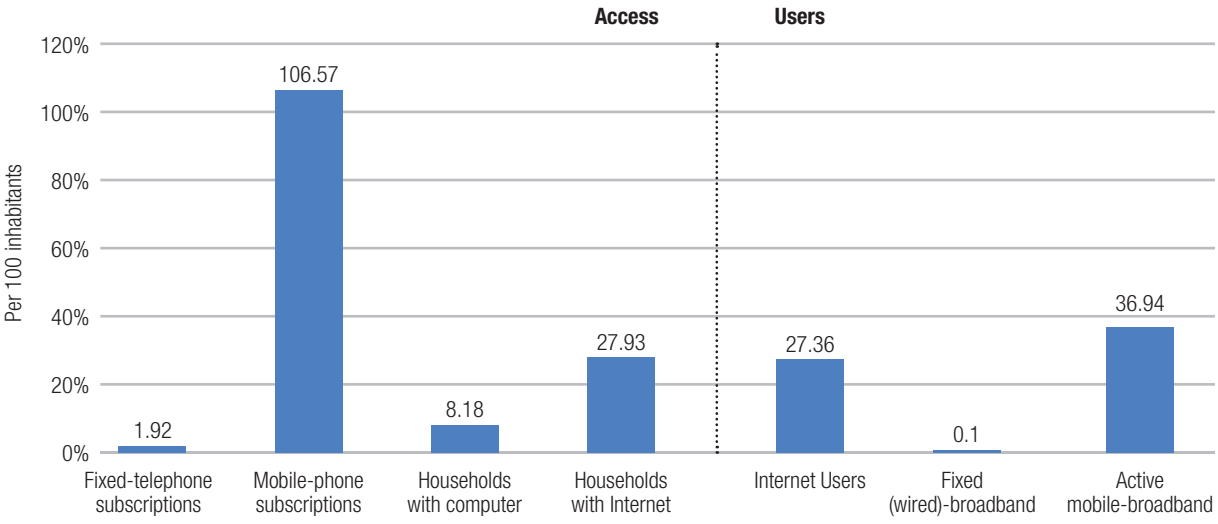
Overall, data show that the majority of Internet subscribers are mobile Internet subscribers, as opposed to fixed-broadband Internet subscribers, who only represent 0.1 per cent of the population. As highlighted by a recent survey conducted by the Universal Service Fund in 2017:

a. 67.5 per cent of the population had never used the Internet

b. 57.1 per cent of the population did not know what the Internet was

c. 59.4 per cent did not know how to use the Internet

Figure 3: Key ICT indicators



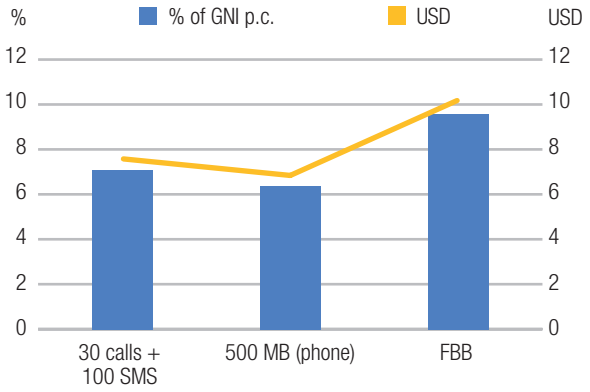
Source: ITU (2017)

[10] *See ITU ICT Development Index: http://www.itu.int/net4/ITU-D/idi/2017/*

d. 49.3 per cent did not own a device for accessing the Internet

e. 20.7 per cent of those using the Internet were limited by the slow speed of the Internet – they would use more if the speed were adequate for their needs.[11]

Figure 4: Affordability of ICT Services (2017)



Source: ITU

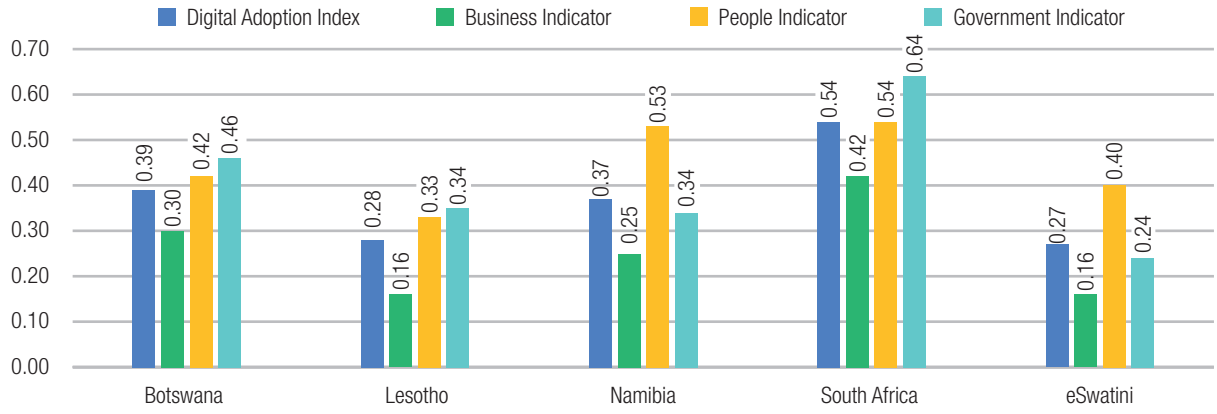
The Maseru region has the highest number of Internet users, with a 45 per cent penetration rate. Nevertheless, the number of non-Internet users is still a significantly high number. Considering that more than 95 per cent of the country has mobile broadband coverage and 67.5 per cent of the same has never used it, measures to promote the adoption of mobile Internet are needed.[12]

Lesotho's small population , estimated at 2.2 million in 2017, has only two operators. VCL is the main service provider, with around 75 per cent of share of total users. The second service provider is ETL.

Despite the low number of Mobile Network Operators (MNOs), the network coverage is good: the country has achieved full coverage of a 2G network, 98 per cent for 3G, and 70 per cent for 4G, thanks in part to the USF. The USF is currently testing 5G technology, with the Central Bank of Lesotho (CBL) as a pilot. Regulation of the ICT sector is undertaken by the Lesotho Communications Authority (LCA), under the oversight of the Ministry of Communications, Science and Technology.

The low connectivity is reflected in international standards, such as the Digital Adoption Index (DAI). The World Bank's Digital Adoption Index is a composite index of ICT sector performance, which was introduced in the 2016 World Development Report and updated in 2018. It is comprised of three sub-components showing the relative adoption by businesses, people, and government. As seen in Figure 5, Lesotho lags behind its SACU partners when it comes to digital adoption, with only eSwatini being slightly behind Lesotho, due to a lower rate of government digitalization. It is worth highlighting the low rate of Lesotho with regards to the Business Indicator, which measures the adoption of those technologies necessary to increase productivity and accelerate broad-based growth for business. This is an indication of the low level of private investment to adopt the available software and infrastructure that would enable them to be more effective and efficient.[13]

Figure 5: Digital Adoption Index



Source: World Bank (2016)

[11] *Universal Service Fund (2017). Strategic Business Plan 2017/18-2019/20. Lesotho Communications Authority, Maseru.*

[12] *Ibid.*

[13] *WB (2016). Digital Adoption Index. The World Bank Group, Washington D.C. Available from: http://www.worldbank.org/en/publication/wdr2016/Digital-Adoption-Index*

2.2 Reliability, affordability, latency, speed and coverage

The affordability of ICT infrastructure in Lesotho remains one of the main challenges hampering the development of e-commerce.

Different plans and policies have been put in place in order to ensure that the Basotho population is able to access the different ICT services, such as the aforementioned Lesotho Communications Policy of 2008 and the draft National Broadband Policy of 2015. Nevertheless, affordability of the services remains an issue, with 40 per cent of Internet users indicating that their use of the Internet was limited by the fact that it is too expensive.[14]

In terms of regional distribution of users by district, the rural districts of Thaba-Tseka, Mokhotlong, Qacha's Nek and Quthing had the most non-Internet (mobile) users. This is partly explained by the limited infrastructure present in those regions , compared to the lowlands. These regions also suffer from low media coverage, as newspapers, radio or television are not accessible by most households.

In 2009, the Government issued the Lesotho Communications Authority Rules, establishing the Universal Service Fund (USF), which aims to ensure that all citizens of Lesotho have access to telephony, broadband, diverse broadcasting content and basic postal services.

Since 2009, the Fund has collected one per cent of the network operators' net operating income. It furthermore started with a US$ 700,000 contribution from the LTA and 25 per cent of the Regulator's operating surplus.

The LEC also provides wholesale fibre network infrastructure. However, LEC's fibre network only serves eight out of ten districts in Lesotho. These are also the areas with the lowest population density and consequently challenging to justify a commercial roll-out of communications networks. In contrast, ETL has fibre availability across all ten districts. ETL's fibre network is regularly vandalized and subject to network outages and can therefore be unreliable. In addition, parts of ETL's network uses microwave networks (where there is no fibre) further affecting network availability.

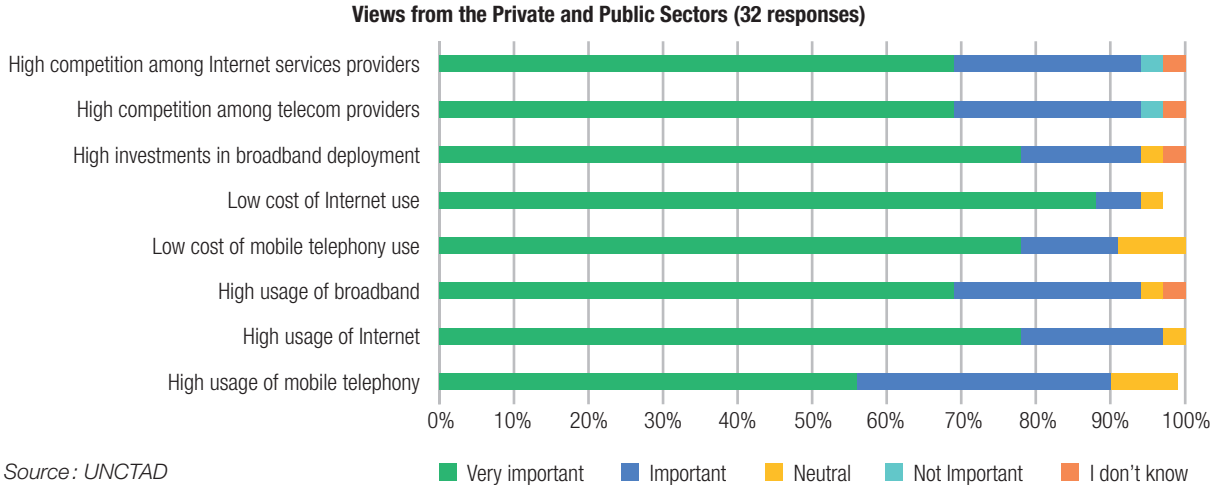
2.3 Major infrastructure projects

Telecommunications infrastructure has developed considerably, with three international gateways offering access through South Africa to the Eastern Africa Submarine Cable System (EASSy), Seacom, and West Africa Cable System (WACS) submarine cables.

As reported by the LCA, there are currently no major infrastructure projects in process, nor any to be implemented in the near future.

[14] *Universal Service Fund (2017), ibid.*

Figure 6: Key elements for a conducive e-commerce environment in ICT



Source: UNCTAD

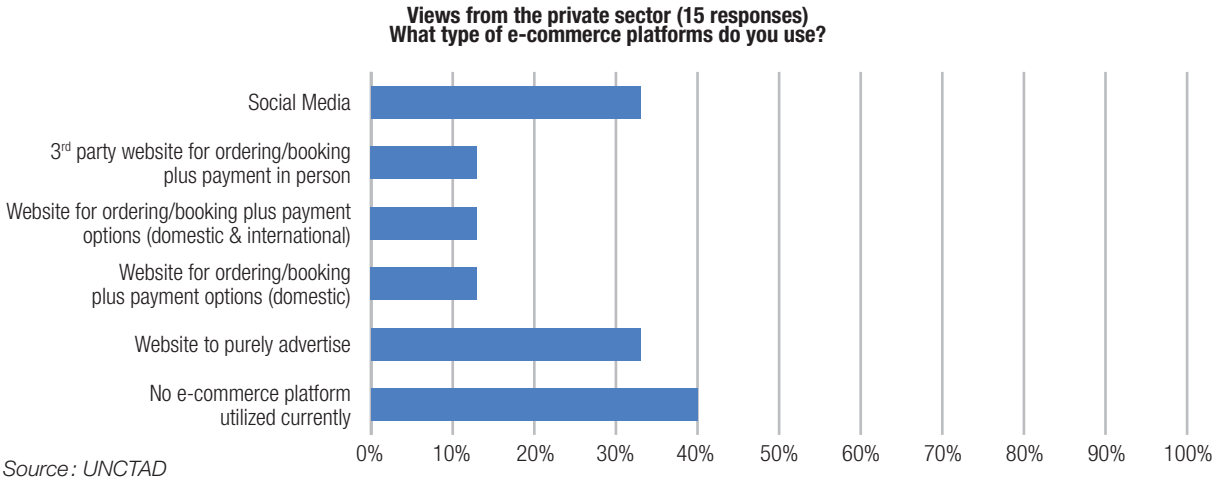
2.4 ICT Services

The implementation of the e-Government Project has led to the establishment of new services being digitalized.

The Government's priority is to expand the availability of public services online, mainly due to the increasing demand from the population and from international companies. The current services offered by the e-Government Portal are: Tourism Licensing e-services, Database, and a series of linkages from other ministries and parastatals, such as the e-Visa system for the Ministry of Home Affairs, and e-Customs system for the Lesotho Revenue Authority. However, and despite these reforms, the trust of the general population of e-commerce remains low, as there is still a preference for human interaction over filling forms online. It might take time and a series of awareness campaigns to change this situation and create a situation where the population feels comfortable with online systems.

From the private sector perspective, the Basotho population does not use websites on a frequent basis, relying mainly on social media (mainly Facebook). Yet, while international brands are eager to leverage on mainstream social media platforms to reach local audiences, local brands and businesses are still slow adopters, as shown in Figure 7.

Figure 7: Types of Platforms used in Lesotho



Source: UNCTAD

3. TRADE LOGISTICS AND TRADE FACILITATION

Lesotho faces a series of inherent physical connectivity challenges due to being landlocked. These challenges might be lessened by the fact that the country only has one neighbour, South Africa, with which to agree on border cooperation. Nevertheless, transport and border challenges persist, primarily related to the appearance of road blocks and poor transfer of information between the Basotho and South African customs. The country has also made efforts to shorten the clearance time and improve the trading environment, having ratified the Trade Facilitation Agreement in January 2016, operationalised a one One-Stop Business Facilitation Centre, and undertaken a rationalisation of its customs procedures. The country has also benefited from support from international development partners, such as the World Customs Organization and the World Bank and its Trade Facilitation Support Programme, through which a single window approach is currently being discussed.

3.1 Mode of delivery, last mile delivery, traffic and regulations

Road conditions are an obstacle to the overall in-country accessibility, with the main challenge being the lack of postal addresses, which is being overcome with ingenious solutions by operators.

Overall, the preferred transport mode in Lesotho is by road, satisfying more than 70 per cent of the country's transport needs. The total road network in Lesotho is approximately 6,907 kms in length, of which 1,799 kms are paved, 3,831 kms are gravel roads and 1,277 kms are earth tracks. The condition of the road network is a challenge for transporters, since the average road is in poor condition, and it is continuing to deteriorate over time due to a lack of maintenance and exposure to extreme weather events, such as floods.

Lesotho is connected to South Africa's road network through 15 different border posts, of which five are commercial (Maseru Bridge, Maputsoe Bridge, Caledonspoort, Qacha's Nek, and Van Rooynens Gate), opening 24 hours a day. Maseru, the destination of most Lesotho's manufactured goods transported by road or rail before being shipped overseas, is about 450 kilometres from Johannesburg and 575 kilometres from the port of Durban. Lesotho is also connected with South Africa through 2.5 kilometres of narrow-gauge railway, connecting Maseru to South Africa's Bloemfontein-Bethlehem line. Two freight trains run every day, carrying mainly cement, maize, fuel, apparel goods and freight containers – making up around one third of Lesotho's international trade in goods.

The Government is planning to open by the end of 2019 a One-Stop-Shop physical facility for Vehicle Registration and Driver Licensing. This facility will simplify processes related to vehicle registration and licensing in Lesotho, cutting the time and costs involved by putting these services under one single facility. Similarly, the country is currently developing, with the support from the World Bank, the Lesotho Integrated Transport Information System (LITIS), moving away from the currently used Electronic National Transport Integrated System (ENATIS).

The Government has placed a priority on improving the overall transport and logistics system. The draft NSDP II has identified the following objectives related to strengthening transport infrastructure:

1. Enhance an enabling environment for road infrastructure development.
2. Maintain existing roads and access routes.
3. Improve access to main towns, key border posts and productive sectors.
4. Improve urban and rural transportation systems.
5. Improve management of Government physical assets.
6. Improve systems and legal frameworks in traffic and transport sub-sector.
7. Improve air transport to support international trade and tourism.
8. Improve road safety.

E-commerce would benefit from the efforts being made to improve the transport infrastructure across the country. In this context, it is worth highlighting that more efficient multi-modal transport networks enable e-commerce operators to satisfy the needs of their clients more quickly and in a more reliable way. Transport for e-commerce goods is mostly carried out by express delivery couriers. The Micro, Small and Medium-Sized Enterprises (MSMEs) companies, such as Doorstep Deliveries, also provide domestic transport services.

With regard to the role of the Lesotho Postal Services (LPS), this offers a wide range of traditional postal products and services, such as conveyance and delivery of mail and parcels, agency and remittance services, expedited mail service, philatelic services, private boxes and private bags, electronic money transfer, bulk posting, franking machine services as well as "telecentre" services. While the LPS has experienced a decline in mail volumes, it has not benefited from the increase in the parcel business, mainly to the increasing competition and the lack of adequate resources. Some of the main challenges faced by the LPS include:

- Absence of postcode and addressing system
- Inadequate power and Internet connectivity
- No Postal Training School

As reported by stakeholders during the field mission, the relevance of the national post office in Lesotho for business is minimal, particularly due to the weak performance experienced in the past years. In this context, local stakeholders have reported that the Ministry of Communications, Science, and Technology (MoCST) has plans to deploy e-service centers at its Post Offices promoting particularly Internet accessibility.

As in many developing countries, one of the key e-commerce challenges facing Lesotho is the weak physical addressing system, affecting the safety and efficient delivery of parcels. Only a small proportion of the population in Lesotho has a home address. This issue has been raised by a series of operators, which have started to use alternative options, such as GPS to track the customer's location. Weak physical addressing is a problem for local start-ups and e-commerce vendors, in particular delivery businesses. Customers of these businesses ultimately suffer from the weak physical addressing. There is no policy or strategy currently in place to address these issues.

3.2 Trade Facilitation

Lesotho ratified the WTO Trade Facilitation Agreement (TFA) in January 2016, one of the first LDCs to do so, together with Zambia. The WTO TFA is a multilateral trade agreement aimed at expediting import, export and transit administrative procedures.

The country has attracted significant support from development partners under the World Bank's Trade Facilitation Support Programme (TFSP). Particularly, the TFSP is supporting Lesotho in: i) revising legislation (customs and electronic legislation that will be affected by the creation of the single window); ii) developing legislation (on electronic single window), iii) enhancing the implementation of ASYCUDA World and of the Trade Information Portal, iv) setting up a National Trade Facilitation Committee, and v) improving coordinated border management.

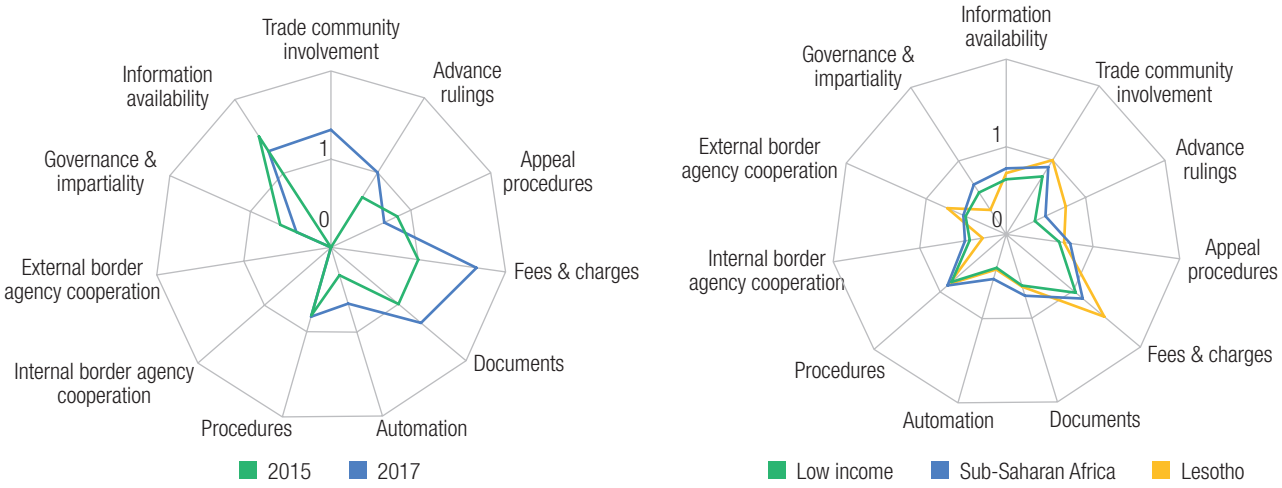
According to OECD trade facilitation indicators, Lesotho improved significantly in the different trade facilitation indicators between 2015-2017, particularly in the area of trade community involvement, fees and charges, documents, and advance rulings. Overall the country performs better than the average Sub-Saharan African and low-income countries in the areas of fees and charges, advance rulings, and external border agency cooperation.

Eighty-five per cent of the respondents to the UNCTAD survey have identified as "very important" or "important" logistics solutions for e-commerce as one of the key factors influencing a decision to invest in e-commerce solutions.

Customs

Linked to its trade facilitation efforts during the last decade, Lesotho has adopted a series of measures aiming to streamline its customs clearance procedures. The main changes undertaken were the launch of the Customs Modernization Programme, the implementation of ASYCUDA as the Customs Management System automating Customs-clearance processes (introducing Direct Trader Input of data, paperless processes, online payment of taxes, and basic data validation with South African Revenue

Figure 8: OECD Trade Facilitation Indicators: Lesotho



Source: OECD

Service SARS), and the increase in the number of services provided by the One-Stop Business Facilitation Centre. Lesotho has also taken steps to establish a a National Single Window (NSW), having developed a draft NSW policy, which is currently being finalized and consolidated into a final Blue Print.

Importers are not generally required to register with the Lesotho Revenue Authority (LRA) unless they wish to access a tax benefit for their extra-SACU shipments. Importers must apply to the One-Stop Business Facilitation Centre (OBFC) for a rebate certificate in addition to registration with the LRA.

Although importers do not require a clearing agent to clear goods through customs, most of them (70 per cent) rely on these to clear their goods, mainly due to the fact that import clearance remains largely manual and operates without a systematic risk management system, despite the recent efforts to modernize its customs procedures. In August 2012, the LRA launched a Customs Modernization Programme (CMP) to simplify and streamline customs procedures and reduce costs for border users. The programme led to the computerization of customs documentation and payment transactions, the adoption of risk management methods and the establishment of a preferred trader scheme.[15] Additionally, the CMP has been instrumental to implement the ASYCUDA World system.

It is worth highlighting that the World Customs Organization (WCO) has been active in providing support to Lesotho in improving the customs environment in the country, with the most recent activities being a train-the-trainers workshop on Customs Valuation for the LRA and a Diagnostic Mission on WTO TFA Implementation.[16]

Box 1: Competing with the Big Players: Doorstep Deliveries

Doorstep Deliveries is a delivery-service provider offering a wide range of third-party products through its own website, through which its consumer can choose and buy the products online, delivering the selected goods to the pre-defined location. The company operates fully online, with no physical store, and its customers can order the products online or by phone, with the latter being the most common channel. The company also provides delivery services for corporate clients. The current available payment methods are cash-on-delivery at the doorstep, online or through mobile money.

Doorstep Deliveries benefited from the Vodacom Innovation Hub, which provided the founding team the necessary skills to open the company. One of the main challenges faced by the company is the lack of home addressing, which has forced the company to use GSP in order to locate its clients.

Source: UNCTAD based on interviews

[15] *See WTO (2012). SACU Trade Policy Review: Lesotho. World Trade Organization, Geneva.*

[16] *See WCO (2018). WCO Mercator Programme Diagnostic Mission to the Lesotho Revenue Authority (LRA) on WTO TFA Implementation, WCO, December 04; and WCO (2018). A train-the-trainers workshop on Customs valuation for Lesotho Revenue Authority, WCO, November 22.*

4. PAYMENT SOLUTIONS

Mobile money has emerged as the main tool used by Basotho to access financial services. This is offered mainly by the two telecom operators, Vodacom and Econet. The First National Bank has also put in place an eWallet. Despite the growth in this particular form of payment system, cash-on-delivery is still the most common form of payment for e-commerce transactions. One example of recent legislation for payment solutions is the Payment System Act 2014, which empowers the Central Bank of Lesotho to oversee, inspect and monitor the payment and settlement systems in the country to ensure their safety and efficiency. The Act has been operationalised through the Payment Systems (Issuers of Electronic Payments Instruments) Regulations of 2017. The Regulations also aim to strengthen mobile money regulation and promote market confidence, protect investors and manage risks. Despite this reform, there were only approximately 550,000 active mobile money accounts, creating 29.7 million transactions worth about US$ 284 million by the end of 2017. In order to broaden the use of on-line transactions, stakeholders meeting during consultations highlighted the need to enhance the interoperability between banks to allow payment channels to cut across different platforms.

4.1 Banking penetration

With a low banking penetration across the population, strong entry requirements and high loan premiums hinder the development of a competitive sector.

The financial services sector in Lesotho can be divided into banking and non-banking financial services, with more than 75 institutions operating in the country. Regarding the banking sector, Lesotho hosts:

- The Central Bank of Lesotho (CBL), responsible for regulating and supervising both banking and non-banking financial institutions and operating as a financial adviser to the GoL,
- Four commercial banks – three South African (Standard Lesotho Bank Ltd, Nedbank Lesotho Ltd and First National Bank) and one national (Lesotho PostBank), and
- Three development corporations: Lesotho National Development Corporation (LNDC), Basotho Enterprises Development Corporation (BEDCO) and the Investment Promotion Unit, which sits within the LNDC.

Non-banking financial institutions (NBFIs) include 51 moneylenders six insurance companies, and 12 insurance brokers.

Lesotho has a high level of financial inclusion on a regional level¬- with the third highest formal financial inclusion rate (61 per cent), only behind South Africa (68 per cent) and Namibia (65 per cent), ¬¬- mainly due to the use of formal insurance products. Access to banking remains relatively low: only one-third of the population has a bank account, a situation that is exacerbated in rural areas.[17]

The majority of citizens rely on unregulated providers or family and friends to meet their needs for financial services. According to the information reported by different stakeholders, this is mainly due to the stringent requirements requested by banks in order to access financial services. The cost of more accessible services provided by unregulated providers is substantially higher than those offered by regulated providers Almost two-thirds of the adult population use informal financial mechanisms, with 29 per cent of adults saving through informal groups, 33 per cent borrowing from informal sources and 37 per cent belonging to a burial society.[18]

Post offices in Lesotho offer remittance services that are cheaper than commercial banks and other remittance service providers. They constitute an important element for financial inclusion due to their wide coverage and outreach in major towns and remote/rural areas and for offering cash transmission services outside bank accounts[19]. Lesotho Post

[17] *FinMark Trust (2014). Lesotho: Household welfare and national growth through an enhanced quality and depth of financial inclusion Financial Inclusion Roadmap 2014–2020. FinMark Trust, Cenfri & UNCDF.*

[18] *Ibid.*

[19] *AFI. Digital Financial Services (DFS) Working Group. 'Digitally-Enabled Cross-Border Remittances in Lesotho: Key Policy Considerations to Break Uptake Barriers. Page 11.*

Office, in collaboration with other postal services in Botswana, South Africa, Swaziland and Zimbabwe, launched a reliable and secure inter-postal money transfer service, which enables people without bank accounts to send and receive money to and from these countries through the post offices, using postal orders and money orders[20]. This service uses the UPU's IFS platform (International Financial System) that provides postal operators with a postal payment interconnection ecosystem and product. Post offices have the largest outreach network throughout the country, including remote rural areas where the banking infrastructure is inadequate to deliver remittances. The LCA is responsible for the regulation of postal services through the Lesotho Communications Act of 2012.

4.2 Financial regulations

The financial regulation sector has remained relevant despite parliamentary blockage.

The importance of the financial sector was initially highlighted in the National Strategic Development Plan (NSDP I) and the preparation of a broad-based Financial Sector Development Strategy (FSDS) 2014-2017, which had four main pillars: (1) Promoting Financial Inclusion, (2) Mobilizing Financial Resources and Promoting Savings Culture, (3) Improving Efficiency of Financial Services and (4) Enhancing Financial Stability and Soundness. The key objectives of the current NSDP II in the area of financial services are to improve:

1. Access to finance
2. Resource mobilization for productive sectors and other economic sectors
3. Regulatory framework for the financial sector
4. Financial stability and soundness
5. Land use to enable access to credit

Regarding regulations, the Ministry of Finance is the main financial sector policymaker, with the CBL acting as the primary regulator, an authority derived from the Central Bank of Lesotho Act of 2000, which establishes the general power and responsibilities of the Bank.

The most far-reaching instrument of CBL legislation is the Financial Institutions Act, 2012, which nominates the CBL as the regulator of banks and a wide range of non-banking financial institutions (NBFIs), with the exception of insurers, pensions, investments, capital markets, payment systems and mobile money.[21]

The most recent legislation in the area of payment solutions is the Payment System Act 2014, which empowers the CBL to oversee, inspect and monitor the payment and settlement systems in the country to ensure their safety and efficiency.[22] It aims to ensure that all payment systems are well-founded, clear, transparent and have an enforceable legal basis for each material aspect of its activities in all relevant jurisdictions, in accordance with the Committee on Payment and Settlement Systems (CPSS)-International Organization of Securities Commission (IOSCO) Principles for Financial Markets Infrastructures (PFMIs).[23]

The Act has been operationalised through the Payment Systems (Issuers of Electronic Payments Instruments) Regulations, 2017. The Regulations also aim to strengthen mobile money regulation, promote market confidence, protect investors and manage risks.

As highlighted by article 3 of the Regulations, 2017, "[the] objective of these regulations is to provide for the licensing and oversight of issuers of electronic payment instruments (including issuance of e-money) as well as to provide general provisions applicable to all e-money issuers". The Regulations replace the Mobile Money Guidelines of 2012 and of 2013.

Remittance transactions in Lesotho are subject to the Deferred Pay Act 2006-2007 and Exchange Control Regulations 1989 and the Money Transfer Regulations, 2014 and Money Laundering and Proceeds of Crime Act, 2008.[24]

[20] *Ibid.*

[21] *The CBL also derives its powers from other legislation. See: Insurance Act 1976, which provides for a Commissioner of Insurance, the Credit Reporting Act 2011, the Payments Systems Act 2014.*

[22] *Sekantši, L. P. & Lechesa, M. E. (2018). The National Payment System in Lesotho, 2000 – 2016, Central Bank of Lesotho Research Bulletin.*

[23] *Ibid.*

[24] *AFI. Digital Financial Services (DFS) Working Group. 'Digitally-Enabled Cross-Border Remittances in Lesotho: Key Policy Considerations to Break Uptake Barriers, page 12.*

4.3 Main mobile, cashless payment solutions available

Mobile money has experienced an impressive expansion, granting access to financial services to those previously excluded from the traditional, bank-based system.

Mobile money uses the existing mobile infrastructure to provide all its services online, bringing costs down and enabling efficiency in the provision of cash-in and cash-out services to the poor, efficiency that is translated into savings for the poor and allowing them to smooth their consumption patterns. Mobile money also reduces transportation costs and improves information flows between the parties.[25] As highlighted by Sekantši and Motella (2016), mobile money "can also be viewed as the most reliable, accessible and convenient medium for the delivery of financial services by poor households due to its speed and liquidity as well as its ability to act as a store of value since mobile money value does not decline with time".[26]

Currently, Lesotho has three e-money products: Vodacom's M-Pesa, Econet's EcoCash, and FNB's eWallet. Both Mobile Network Operators (MNOs) have a significant combined network of approximately 8,000 agents to handle cash-in and cash-out transactions. For most customers, the agent is their primary interface with the MM system. By the end of 2017, the MNOs had approximately 550,000 combined active mobile money accounts. According to the CBL's statistics, these two systems collectively processed a total of 29.7 million transactions, worth about US$ 284 million, representing a 77 per cent and 116 per cent growth in terms of transaction volumes and values compared to 2015, when a total of 16.76 million transactions valued at US$ 135 million took place. Between 2013 and 2016, transaction volumes experienced a 388 per cent growth, while transaction values grew by 647 per cent during the prior period.[27]

Despite the increase in mobile payment transactions, the Basotho still rely mainly on cash-on-delivery to carry out their e-commerce transactions.

While being primarily a payment mechanism, mobile money can help facilitate other financial services such as loan repayments and insurance premium payments and can also act as a saving mechanism. The main characteristics of mobile money are its easy accessibility and affordability. Users of mobile money can receive money without any registration or bank account. Mobile money allows subscribers to send money from one mobile money account to any other individual, who can then withdraw this as cash from a mobile money agent. Thus, mobile money has become a cheaper and accessible alternative to bank accounts.[28]

[25] *Sekantši, L. P. & Motella, S. L. (2016). The financial inclusion conundrum in Lesotho: Is mobile money the missing piece in the puzzle? Central Bank of Lesotho, Working Paper No.02/16, July.*

[26] *Sekantši, L. P. & Motella, S. L. (2016), ibid.*

[27] *Sekantši, L. P. & Lechesa, M. E. (2018), ibid.*

[28] *Jefferis K. & Manje, L. (2014), ibid.*

5. LEGAL AND REGULATORY FRAMEWORKS

The existing parliamentary blockage affecting Lesotho has slowed down the ability of the country to put in place the necessary regulatory framework, which is key to enable the development of a strong and robust e-commerce enabling environment. Thus, the Electronic Transactions and Electronic Commerce Bill, prepared in 2013, has just been approved by the Cabinet and is now with the Parliamentary Council. Apart from the Privacy and Data Protection Law, there is no regulation on either competition law or on consumer protection. The existing regulatory framework needs to be updated and/or adapted, ensuring that it responds to the needs of e-commerce users and operators. Without this, the country would be unable to tackle the main challenges hampering Lesotho's e-commerce development: the lack of trustplus lack of recourse to predictable and transparent dispute settlement mechanisms when conflicts occuror when breach of trust arises from e-commerce transactions and online payments.

E-commerce lacks the crucial legislative and regulatory backbone necessary to thrive.

Lesotho lacks the key legal and regulatory framework necessary to enable online transactions, with no regulation covering critical areas such as e-transactions, cybercrime, consumer protection and competition law. According to UNCTAD's Global Cyberlaw Tracker, Lesotho prepared the Electronic Transactions and Electronic Commerce Bill of 2013.[29] The Bill is a transposition of the SADC Model Law on Electronic Transactions and Electronic Commerce, based on UNCITRAL texts. It has been prepared and promoted in the framework of the ITU HIPSSA project.[30] The draft law recognizes the importance of ICT for the economic and social prosperity of Lesotho, and aims, among others, to (1) promote the understanding, acceptance, and growth in the country's number of electronic transactions, and (2) remove and prevent barriers to electronic communications and transactions. The enactment of this law would develop a safe, secure and effective environment for consumers, businesses and the Government to conduct and use electronic transactions.

However, such a Bill has not been adopted by the national Parliament, although it did pass cabinet approval at the time of writing this study. The adoption of the e-transaction law would increase legal certainty, therefore strengthening the overall legal environment. In addition, the country lacks consumer protection regulations, a void that is currently being tackled in different Bills: the development and enactment of the Law on Financial Consumer Protection[31] and the aforementioned e-transactions Bill. In order to address this issue, the Government, through the Ministry of Trade and Industry (MTI), developed a Consumer Protection Policy in 2013 aimed at addressing commercial disputes.[32] The country is currently drafting a Consumer Protection Bill, which should be submitted to Parliament during 2019. As highlighted by stakeholder views (see Figure 10), the key legislation of importance to consumers in building trust relates to consumer protection, among other legislation.

On Privacy and Data Protection, the Government issued the Data Protection Act of 2013, which establishes the Data Protection Commission and enumerates the principles governing the processing of personal information.

The Government prepared in 2013 the Draft Computer Crime and Cybercrime Bill, which aims to provide a legal framework for the criminalisation of computer and network-related offences.

[29] *Draft legislation for Electronic Transactions and Electronic Commerce Bill of 2013, Art. 1.*

[30] *See ITU HIPSSA webpage on Lesotho at https://www.itu.int/en/ITU-D/Projects/ITU-EC-ACP/HIPSSA/Pages/in-country-assistance/Lesotho.aspx*

[31] *World Bank (2018). 'Unlocking the Potential of Lesotho's Private Sector: a focus on apparel, horticulture and ICT. Washington DC.*

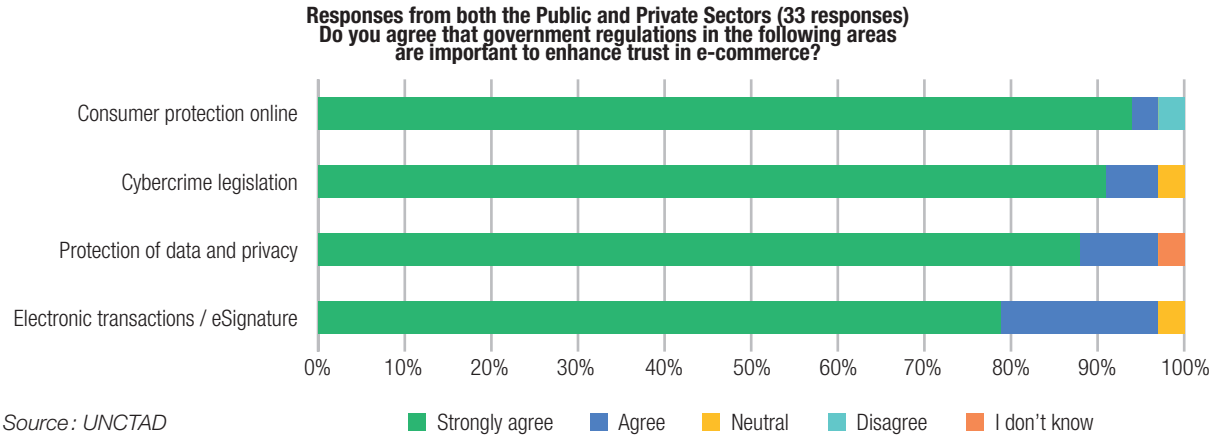
[32] *Commonwealth Secretariat: Strengthening the protection of consumer rights in Lesotho. Available from: http://thecommonwealth.org/project/strengthening-protection-consumer-rights-lesotho*

The Lesotho Communications Policy of 2008 establishes different areas set for content regulations and restrictions, which fall under the Lesotho Communications Authority.[33] The Government has agreed not to impose content regulations on content transmitted over the Internet. However, the over-the-air content that is simultaneously broadcasted over the Internet remains subject to the over-the-air content regulations.[34]

Finally, Lesotho has adopted neither a competition law nor a competition authority. According to an announcement made by the former Minister of Trade and Industry, Mr. Tefo Mapesela in July 2018, Lesotho is in the process of drafting a law to enable the formation of a competition commission in order to deal with unfair market place practices.[35] It has also been reported that the country is currently drafting a Competition Bill, with a planned submission to Parliament during the current financial year.

Overall, the process of receiving business licences and permits is challenging, with regulatory compliance costs being high: firms spend 29 days to start a business, 43 days to register property and 114 days to obtain electricity connection. This situation is expected to improve with the adoption of the The Business Licensing and Registration Bill, which are currently under review by the Parliament.[36] The Government is increasing its offer of online government-to-business services, thereby reducing the compliance time. For instance, the One-Stop Business Facilitation Centre (OBFC) in Maseru has been providing electronic business registration services to companies since 2014. Over 90 per cent of the registration is done online, with the OBFC expected to be rolled out to two more regions. With the support of UNCTAD ant the World Bank, OBFC is working on a new online service called eLicence[37] to issue trade and industrial licences. As reported by local stakeholders, the system is in its final development stages, has not yet been released.but is expected to be operational in few months. An information portal[38] hosted by OBFC describes administrative procedures step by step, from the entrepreneur or investor's point of view. At the municipal level, Maseru City Council (MCC) has created an electronic system for issuing construction permits. The MCC certified-construction practitioners can submit the permit application online, pay and upload all required documents and plans; document verification is also done online by MCC officers.[39]

Figure 9: Importance of government regulations in enhancing trust in e-commerce



Source: UNCTAD

[33] *Ministry of Communications, Science and Technology (2008). Lesotho Communications Policy of 2008. Available at:http://crm.misa.org/upload/web/ministry-of-communications-science-and-technology-lesotho-communications-policy-2008.pdf. It is worth highlighting that the LCA's main functions include: promoting network development, universal service and access to telecommunication services; promoting the range and quality of telecommunication services and other consumer interests; promoting efficient management and human resource development within the industry; promoting sustainable and fair competition between telecommunication service providers; and collecting and disseminating information for use by the industry, consumers and prospective investors.*

[34] *Ibid.*

[35] *Mpaki, B. (2018). Strengthening the protection of consumer rights in Lesotho. Lesotho Times. Available at: http://lestimes.com/competition-laws-beckon-for-lesotho/*

[36] *The Business Licensing and Registration Bill is currently being discussed by Parliament, and is expected to be enacted by June 2019. This Bill aims to simplify and streamline business licensing and registration procedures, and to facilitate speedy issuing of business licences and registration of licences. The enactment of this Bill is expected to reduce the procedural steps for licensing and registration of businesses, reducing the number of days it takes to obtain a licence.*

[37] *See https://lesotho.elicence.org/*

[38] *See https://lesotho.eregulations.org/*

[39] *Ibid.*

6. E-COMMERCE SKILLS DEVELOPMENT

A limited awareness and understanding of e-commerce currently exists across the society at all levels, leading to a persistent lack of knowledge (and trust) among those private sector enterprises participating in e-commerce and their customers, explained also by the fact that 35 per cent of the country's population does not know how to use the Internet. Those who use the Internet also fear that they might be scammed or hacked if they engage in online transactions. ICT majors are not an attractive choice for future Basotho graduates, with only 0.02 per cent of graduates following this path. Those that do are also likely to be part of the diaspora, migrating to South Africa, where such skills are more demanded and better paid. The lack of e-commerce-related business skills has been identified as a major constraint to the sector's development. A series of programmes have been put in place through business incubators and accelerators to fill the gap.

6.1 Skills gap identification

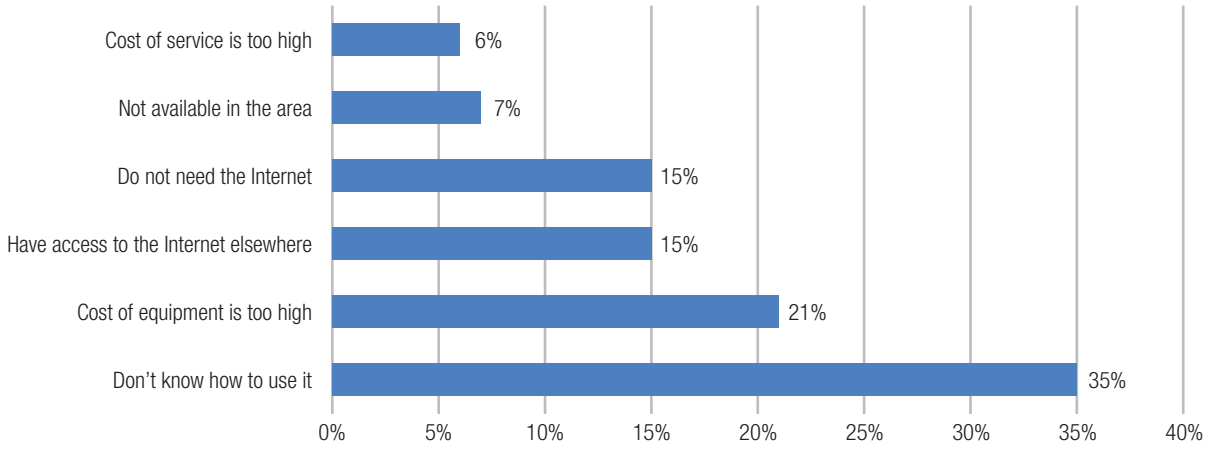
Poor access to basic digital skills training is a constraint hampering the competitiveness of Lesotho's economy.

In Lesotho, ICT limited skills among the general population hinder the development of a digital economy, and therefore its e-commerce readiness.[40] Weak digital literacy is among the key constraints to Internet usage, 35 per cent of households without Internet access having reported lack of knowledge in using computers, and 15 per cent of those stating that they did not think they needed access to the Internet (see Table 10).[41]

Other factors hampering digital literacy in Lesotho include, although to a lesser extent, the high cost of equipment and the high cost of service, low smartphone and computer penetration, lack of formal ICT training at schools, and inadequate access to electricity in rural areas.

Connectivity and ICT equipment in schools have improved in recent years, thanks to the efforts deployed by the government to equip schools, especially in the rural areas, through the USF. However, Internet accessibility in schools remains limited compared to government buildings, community centres or Internet cafes.[42]

Figure 10: Constraints to internet use for households without Internet



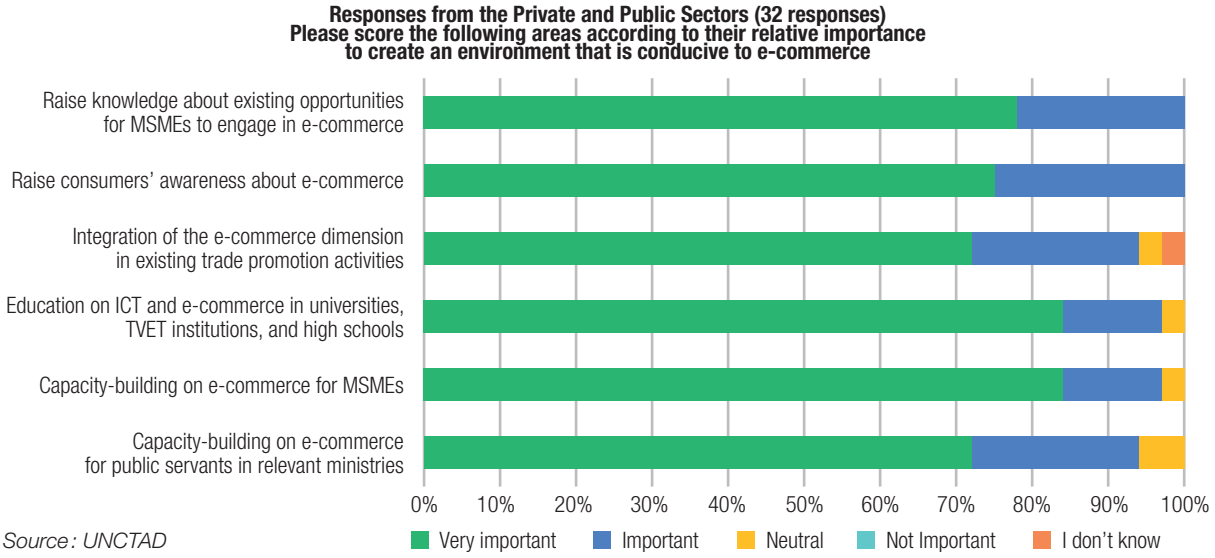
Source: World Bank (2018), with data from Gillwald, Deen-Swarray, and Mothobi (2017)

[40] *In a survey conducted by the LCA and the ITU, 50 per cent of the respondents did not know what Internet was and there is a correlation between the use of Internet and living in urban areas. See: Gillwald, A., Deen-Swarray, M. & Mothobi, O. (2017), ibid.*

[41] *Gillwald, A., Deen-Swarray, M. & Mothobi, O. (2017), ibid.*

[42] *Ibid.*

Figure 11: Key elements for a conducive e-commerce environment in skills development



Source: UNCTAD

6.2 Availability of tertiary education, professional training

Despite the existing offer, few students decide to follow the ICT path.

The offer of ICT-related majors exists, with the National University of Lesotho (NUL), the Lesotho College of Education, Lerotholi Polytechnic, Limkokwing University, Computer Business Solutions and Botho University offering degrees in computer science and ICT-related fields. Perceptions about the quality of courses offered vary greatly, depending on the educational institution, with NUL degrees getting the best reviews.

Regarding Technical and Vocational Education and Training (TVET), the government is working on strategies supporting TVET institutions to be recognized as formal training platforms. Currently, someone attending a TVET institution needs to seek university recognition in order to validate the skills.

Although unemployment among ICT graduates tends to be low, few students major in ICT-related fields in the first place. Out of approximately 1,800 students enrolling at NUL each year, fewer than 40 choose to pursue ICT-related careers. Given this, it is difficult for Lesotho to ensure that with an increasing digital economy there are enough professionals with the technical skills to bring up to speed the technical capacity required.

Even in the case of those students who decide to enrol in ICT-related careers, there is often a gap between the skills gained by graduates and the expectations of future employers. It is therefore crucial that employers inform educational institutions about what is required to close the gap between students' learning process and the needs of the labour market. Perhaps the Council of Higher Education (CHE), as the regulatory body for the quality of education, can play a vital role in matching skills required by the job market and graduates' profiles. In Lesotho, communications between the private sector and education institutions happen on an ad hoc basis and there seems to be lack of skills audit. Mentorship programs provided by employers in the private sector are specially tailored to technical institutions and therefore academic institutions do not tend to benefit much from them.

The Government and its associated institutions are the main employer for ICT majors, together with VCL, ETL, and Standard Lesotho Bank. However, brain drain is another risk to consider given the limited range of professional opportunities in Lesotho. The proximity with South Africa, where there is high emand for ICT professionals and wages are higher, can mean that qualified ICT professionals flee to the South African labour market.

Most of the ten IT firms registered in Lesotho have the Government as their main client, and the demand for IT services from the local private sector is low. Most firms have not thought about the potential to export

their services internationally, for example to South Africa, and those that have, are struggling to find partners and clients abroad.[43]

6.3 *Business incubators and business accelerators*

In addition to a lack of access to financing, key constraints highlighted by Basotho entrepreneurs include information barriers, poor business skills, and lack of support programs and mentors for growth-oriented firms.

Lesotho has not benefited from the expansion of tech hubs across Africa. ICT entrepreneurs have low awareness about pan-African digital entrepreneurship support programs[44].

Maluti Mountain Brewery Kickstart Project is a program aiming to inculcate entrepreneurship among young people (18-35 years old) in Lesotho, thereby addressing the social impact of youth unemployment in the country. The Project finances young Basotho's business ideas, with the selected ventures receiving business mentoring and coaching to ensure the survival of their enterprises.

A network of entrepreneurs focused on sharing their ideas and experiences has grown to create "The Hook Up Dinner". At such dinners, entrepreneurs collaborate and do peer-to-peer mentoring, share contacts and provide each other with potential business leads.

One of the main success stories highlighted by different stakeholders during the in-country consultations is the Vodacom Innovation Park, a technology-based business incubator programme for young entrepreneurs in Lesotho. Companies such as Black Hair and Doorstep Deliveries benefited from this programme. The Innovation Park is particularly designed to leverage the power of technology and mobile communications to differentiate, and make their businesses more competitive and productive.

Similarly, BEDCO provides business development support services for MSMEs, helping them to establish and develop their businesses by providing technical and business management training, counselling and mentoring, as well as technical know-how for quality control, design, and marketing. Although it does not provide direct start-up funding, it provides financial linkages for small businesses.

At the international level, there are several grant funding opportunities for digital entrepreneurs from across Africa that are awarded on an annual basis without giving up equity and with benefits, such as promotion, mentorship, training, including:

- The Innovation Prize for Africa,
- The Anzisha Prize,
- GSMA Innovation Fund,
- The Injini Edtech Accelerator Program,
- The Royal Academy Prize for Engineering, and
- Google's Launchpad Africa program, among others.

Box 2: Showcasing the Basotho Potential: Black Hair

"Black Hair" was created by Hape Marite in order to solve her own hair-related needs, seeing a niche in the market that no Basotho company was covering. The majority of hair products offered in Lesotho contain chemicals which damage the hair. This situation motivated Hape to research natural ingredients, leading her to discover the market potential for natural hair products through a WhatsApp group.

Black Hair benefited from the Vodacom Innovation Hub and, despite not being awarded the final prize (i.e. funding), the Hubgave her the necessary business skills to open and run the competition, through a 12-month incubation. With two full-time and three part-time employees, the company has plans to sell its products online, but according the manager, in order to be successful, the problem of trust must be addressed. As Hape said, "customers usually prefer to come to the physical location even when the prices on the Internet are lower".

Source: Authors based on interviews

[43] *World Bank (2018), ibid.*
[44] *Ibid.*

Many of the larger international technology companies, such as Amazon Web Services, Google, and Microsoft, provide online resources for free or at a reduced rate for start-ups globally. In addition, other free tools online for digital entrepreneurs include Lean Iterator (www.leaniterator.com), assisting entrepreneurs to validate their business ideas; Strategyzer (www.strategyzer.com), which has free templates and tools; and Start-up Stash (www.startupstash.com), which provides a detailed directory of tools and resources for entrepreneurs. When conducting this assessment, these were not yet used in Lesotho.

Box 3: Vodacom's Innovation Park: Improving Lesotho's Business Skills

The Vodacom Innovation Park is an incubator and accelerator program, established in 2015, which supports the development of sustainable, high impact, job creating start-ups and social enterprises in Lesotho.

The program provides dynamic and supportive incubation environment to accelerate the growth of innovative firms in Lesotho. Since its launch, the Vodacom Innovation Park has trained entrepreneurs in a wide range of industries from agriculture, fashion, e-commerce, mobile app development and a host of others, all of which have one thing in common, a huge potential to drive Lesotho's socio-economic development forward and to create jobs for other Basotho. So far, the programme has supported 24 Basotho-owned and -run businesses.

The technology-based business incubator was established by the Vodacom Lesotho Foundation with the aim to address some key challenges facing Lesotho's entrepreneurs:

- Lack of the right levels of skills, knowledge and discipline to manage and grow businesses;
- Lack of office space, facilities, connectivity and office equipment for most entrepreneurs who end up working from home, limiting their ability to either reach clients, or depriving them of the opportunity to interact with the market;
- Lack of access to finance for entrepreneurs.

To address the third issue, the program has focused on developing and preparing entrepreneurs to get to a level where they can secure finance and entice investors easily, as opposed to directly funding the entrepreneurs themselves. The program is also focused on building the right partnerships with financiers and investors who can fund and invest in graduates of the program, who will undoubtedly be worth the investment.

The 3rd VIP cohort finished their training on 31 March2019. The training takes six months, which comprises three months of in-house training and three months of mentorship and coaching. The graduates have access to the space for the next six months after graduation.

Source: Authors based on interviews and www.innovationpark.co.ls

7. ACCESS TO FINANCING

Overall, the lack of access to financing has been identified as one of the main challenges affecting the development of a competitive investment e-commerce sector. Firms and individuals have limited access to financing, with only 12 per cent of small firms being able to access a bank loan, 28 per cent in the case of medium firms. This situation is mainly due to the fact that Lesotho is considered as high risk by the country's commercial banks, which prefer to invest their assets in South Africa. Even when a firm is granted a loan, it faces premiums as high as 20 per cent. In this context, the private sector is forced to resort to personal and private funding (family and friends) or to informal financial operators. Several initiatives have been adopted by both the private sector and the international community, but the scale is small, and the requirements are deemed inaccessible to the majority of the population due to the lack of business skills, e.g. the lack of knowledge about how to prepare and present a business plan. In 2017, only six requests were granted partial guarantees by the Government in order to access bank loans.

The Government of Lesotho recognizes the important role that the financial intermediation sector plays for the country's economic development. In this context, Lesotho's Vision 2020 calls for the sector to be diverse and responsive to its clients' demands and needs, enabling access to credit, with an efficient loan management and repayment mechanisms being the cornerstones of the Micro, Small and Medium-sized enterprises (MSMEs) and the informal sector.

Lesotho is also aiming to improve the competitiveness of the banking sector and enhance access for the country's rural areas to financial services. As highlighted by UNCTAD (2013), the financial institutions play a crucial role, especially in rural areas, as these facilitate the accessibility to raw materials, enable the diversification in products and enhance the development and investment in modern farming methods and techniques, thereby potentially contributing to poverty reduction.[45] Microfinance institutions are important contributors to the efforts targeted at expanding the availability of credit to micro-entrepreneurs, MSMEs and households, since these provide banking and credit-related services to the individuals and companies that do not qualify for accessto the formal banking system.

7.1 Financing by banks and MFIs

Despite the availability of services highlighted in Section 4, access to financing is considered as a major constraint by 35 per cent of domestic firms.[46] Similarly, a recent survey highlighted that less than 5 per cent of commercial farmers have obtained a bank loan.[47] This situation is confirmed by the UNCTAD survey, which highlights a lack of access to finance for developing online services in order to invest in e-commerce solutions as one of the main constraints faced by Basotho.

The low levels of bank credits stem from the fact that banks tend to invest their excess liquidity in South Africa, mainly due to a risky investment climate in Lesotho, arising in turn from weak contract enforcement, and lack of quality investment projects. These elements lead to a situation where banks can charge annual interest rates of up to 20 per cent. As shown by Figure 12, only 12 per centof small companies have access to a bank loan, and the percentage of bank credit to the private sector barely reaches 20 per cent, significantly lower than other countries in the region.[48]

The Millenium Challenge Corporation (2018) highlights that the limited access to finance is a consequence of six underlying factors, namely:

1. Survivalist mode, with almost half the MSMEs in Lesotho created to either escape unemployment or to support the owner's family, therefore lacking a long-term plan.

[45] *UNCTAD (2013). Services Policy Review: Lesotho. United Nations Conference on Trade and Development, UNCTAD/DITC/TNCD/2012/1/Rev.1.*
[46] *World Bank (2018), ibid.*
[47] *See A2F Consulting (2018). Establishment of an Agricultural Finance Department within Lesotho Post Bank. A2F Consulting, Bethesda, MD.*
[48] *IMF (2018). Kingdom of Lesotho: Staff Report for the 2017 Article IV Consultation, IMF, Washington, DC.*

2. Limited business skills, including the inability to produce financial statements or meet accounting standards.
3. Talent gap, with MSMEs being unable to produce and offer high-quality and competitive goods and services in a consistent way.
4. Lack of zoning plans, making it difficult to open a business.
5. Limited government support, and lack of key measures, such as a dedicated customs regime, economic zones with tailored regulations and efficient fiscal regimes.
6. Market failures, with a significant extent of the informal sector, pushing down prices, and high costs to access utilities.[49]

A recent and on-going initiative to improve access to credit undertaken by the Government has been the establishment of the partial guarantee scheme to help business enterprises meet the collateral requirements of the commercial banks. In 2017, six guarantees were granted an amount equivalent to US$ 1.1 million, when the scheme facilitated credit to the tune of US$ 2.1 million. As highlighted in the NSDP II, the Government will explore additional measures to address the shortage of much-needed capital for MSMEs by providing additional guarantees and exploring other risk-sharing instruments.

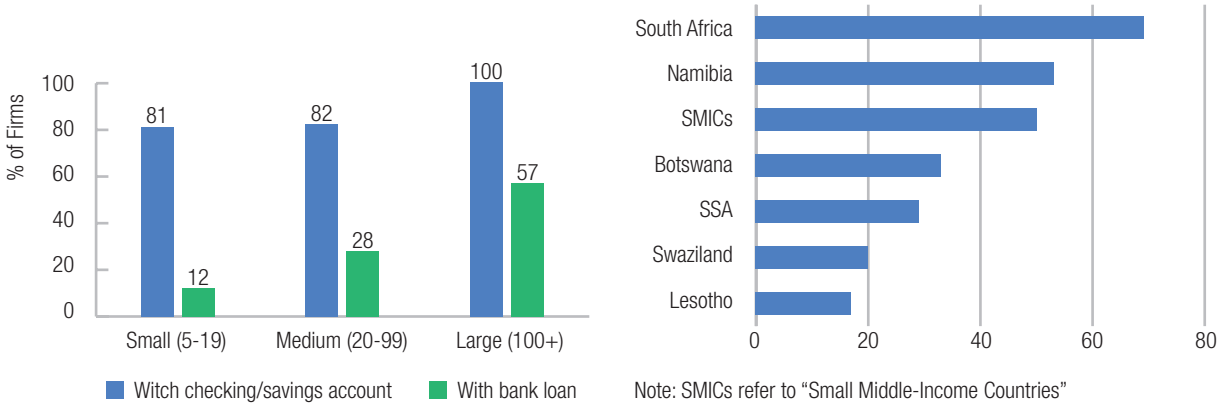
Standard Bank Lesotho, through its Enterprise Banking sector, aims to provide access to finance and capital to young entrepreneurs. The bank opened its Enterprise Hub, which supports start-up companies and young entrepreneurs by offering a range of free services, such as Wi-Fi, work and meeting space, market information, presentation facilities, skills development activities, and others.[50]

Boliba, a credit cooperative, works in rural areas providing savings and credits to poor and illiterate population groups. However, even Boliba has strong barriers to loan approval, with the beneficiaries being forced to maintain an account and deposit a certain sum of money on a monthly basis in order to ensure their ability to repay the loan.[51]

7.2 Business incubators, business accelerators and venture capitalists

To address the situation, the private sector has started to implement a series of initiatives. Among them, the Lesotho Enterprise Assistance Programme (LEAP) is a matching grant scheme designed to help MSMEs strengthen their competitiveness, efficiency, productivity, and capacity to access new markets by providing them with resources to buy business development services and improve their market readiness, through marketing and necessary business tools.

Figure 12: Use of financial services by firms (left) and bank credit to the private sector as % of GDP (right)



Note: SMICs refer to "Small Middle-Income Countries"

Source: IMF (2018)

[49] *Millennium Challenge Corporation (2018). Lesotho Compact Preparation: Financial Sector Analysis - Draft Report.*

[50] *Nhlapo, N. (2018). Platforms That Accelerate Young Entrepreneurs in Lesotho. Selibeng. Available from: https://selibeng.com/platforms-that-accelerate-young-entrepreneurs-in-lesotho/*

[51] *UNCTAD (2013), ibid.*

The public sector has expanded access to finance to the Basotho youth. BEDCO, LRA and Standard Lesotho Bank are implementing the Bacha Entrepreneurial Project, which aims to build a generation of young entrepreneurs and fund viable, sustainable and profitable business proposals for a combined start-up capital of M500,000. The business plans are selected based on viability, a strong business case and sustainability.

Most business incubators and accelerators, however, offer more soft-skills related services, and do not provide financial support.

7.3 Financing by development partners

Development partners are also providing support to improve access to financing in Lesotho. None of these appear to be dedicated funds for e-commerce.

The IFAD-funded Rural Financial Intermediation Programme aimed to extend loans to MSMEs and boost the availability of financial intermediation services among the rural population. The programme has been instrumental in building the capacity of member-based financial institutions (MBFIs) and the Lesotho Post Bank by improving human and social capital as well as broadening access to affordable and sustainable financial services.[52]

Similarly, UNDP, UNCDF and the Government of Lesotho established the Support for Financial Inclusion in Lesotho (SUFIL) programme. Implemented between 2010 and 2013, the programme aims to stimulate financial service providers to offer pro-poor products, as well as facilitating access to financial services for women.[53]

[52] *IFAD (2018). Kingdom of Lesotho - Rural Financial Intermediation Programme: Project Performance Evaluation. IFAD, EC 2018/100/W.P.3/Rev.1.*
[53] *Jefferis K. & Manje, L. (2014). Demand, Supply, Policy and Regulation. FinMark Trust, Cenfri & UNCDF.*

CONCLUSION

The present assessment was requested at an opportune moment; with the NSDP II close to adoption, the Government of Lesotho will invest a significant amount of effort in putting the necessary framework together to guide the use of e-commerce and the digital economy in the country's economic and social development.

The benefits of e-commerce are not limited to external trade but are also prominent for spurring domestic markets. This is critical considering that most Micro, Small and Medium-Sized Enterprises (MSMEs) in Lesotho are unable to penetrate international markets immediately, so the domestic market serves as a stepping stone.

Lesotho's particular situation as an LDC and a landlocked economy (LLDCs) highlights the comparative benefits of e-commerce, since its economy and geography create higher-than-usual 'natural' trade barriers. Recent research shows that e-commerce has the potential to reduce trade costs by 65 per cent, in comparison with normal transactions.[1] However, other challenges have to be addressed to create a competitive e-commerce environment, such as creating a competitive transport system and promote the use of non-cash payments.

Lesotho, like many LDCs, has the potential of leveraging e-commerce to improve accessibility to customers, markets and trade information, all of which play a key role for development and graduation. Nevertheless, the conditions for success require the adoption of a series of fundamental reforms, such as having reliable and affordable infrastructure, the necessary legislation and regulatory framework in place for payments, as well as the appropriate solutions with regard to access to finance as described in this report. The government should ensure that an overarching e-commerce policy and strategy is drafted, adopted and implemented. While public-private sector communication platforms have been successful in the area of trade facilitation, they need to be convened in order to address the different obstacles to e-commerce faced by the Basotho private sector.

Finally, while the country enjoys high levels of infrastructural connectivity, the use of Internet, even the mobile one, remains limited. Only 37 per cent of the population have an active mobile broadband account, with the service cost representing, in some cases, almost six per cent of the population's monthly income. Trust and awareness creation about the benefits of e-commerce should be one of the top priorities.

Offshoots have been observed, as demonstrated by the success by a small handful of digital-born companies. Priority should now be devoted to demonstrating that the ecosystem as a whole can be developed along with its individual components. The path to make e-commerce a tool for development in Lesotho is promising, but it will require the regulators to put in place the necessary framework, banks and financial entities to facilitate access to financing and secure on-line payment systems, and the overall country to become more aware of the secure aspects of e-platforms, and start using the existing available tools.

Overall, the role of international development partners will be crucial to facilitate the aforementioned goal. Lesotho will require significant and sustained technical and financial support in ensuring that e-commerce is firmly integrated in private-sector and trade development initiatives.

The policy recommendations contained in this report are aimed at addressing key barriers identified during the assessment process, and all stakeholders - the Government, the private sector, donor agencies, development partners and international organizations - should work together to implement the recommendations.

[1] *Lendle et al (2016). There Goes Gravity: EBay and the Death of Gravity, The Economic Journal, 126 (March), pp. 406-441.*

THE WAY FORWARD: ACTION MATRIX

E-COMMERCE READINESS ASSESSMENT AND STRATEGY FORMULATION			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by**
Draft and approve a national policy and implementing strategy for e-commerce. Adapt the draft NSDP II to include e-commerce as vehicle for growth, development and poverty alleviation.	E-commerce is recognized as a vehicle for economic growth. A national policy is drafted and adopted, and a plan for the development of e-commerce, reflecting the needs and opportunities of each sector, is developed and approved.	High	MTI, Prime Minister's Office, LCA, UNCTAD, WB, EIF, UNIDO.
Identify "champions" across the Government departments, in charge of ensuring that e-commerce is adequately mainstreamed and integrated across the policy spectrum under a lead Ministry.	E-commerce-related needs are adequately addressed, and the e-commerce policy is rolled out throughout government development actions.	High	MTI, Prime Minister's Office, LCA, Chambers of Commerce, Women Traders Associations, Freight Forwarders Associations.
Put in place a stable multi-stakeholder dialogue covering e-commerce, integrating the experience and recommendations of the private sector into the policymaking process. If possible this should be linked to or initiated through the LCCT.	Improved policy decision-making process and stronger coordination between different stakeholders working on e-commerce.	High	MoDP, MoF, MTI, LCA, Chambers of Commerce, UNIDO, Women Traders Associations, Freight Forwarders Associations.
Expand the capacity (human and technical) of the Bureau of Statistics and LCA to compile and measure ICT-related and other sets of relevant indicators (platform uses, on-line transactions, trade in goods and services occurring through e-commerce, sales values B2B, B2C and G2B).	Better reporting on the sector and thus, a better appreciation of the challenges faced by e-commerce operators is obtained, improving the decision-making process.	High	BoS, LCA, MTI, MoF, UNCTAD, WB, EIF.
In the context of the recently initiated WTO negotiations over an E-commerce Agreement, implement a training programme for negotiators on e-commerce-related matters.	Increased ability to defend their positions and interest in the international fora, as well as forge coalitions.	Low	MTI, MoFAIR, ITC, UNCTAD, EIF, WTO.

ICT INFRASTRUCTURE AND SERVICES			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by**
Analyse the impact of existing restrictions to market entry in the telecom services (licences, barriers to new operators, etc.), aiming to remove those inefficient regulations and opening up the market.	Increased competition drawn by an increasing number of operators. Increased affordability of services.	High	LCA, USF.
Monitor and evaluate the role of the USF, analysing the challenges that it has been facing and, if appropriate, strengthen its mandate and capacities.	Improved efficiency in the delivery of the services. Increased capacity of the Fund, leading to more accessible ICT-related services.	High	MoCST, LCA, USF.

ICT INFRASTRUCTURE AND SERVICES			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by**
Identify possible PPP avenues to tackle infrastructural ICT shortcomings, with a view to attracting investment in physical connectivity and ICT service offerings.	Improved ownership and accountability in the implementation of the identified projects. Improved decision-making process.	High	LCA, USF, Private Sector representatives, MoCST, Prime Minister's Office, WB, UNIDO.
Promote the accessibility of fast, reliable and affordable MBB services (4G) to the wider population by expanding the country's infrastructure in rural areas to cover the entire territory.	Rural areas are properly covered by 4G network.	Medium	USF, LCA, WB.
Expand the automation of e-government services through the new e-government portal, particularly those related to trade, such as business registration, import/export licensing, taxation and government procurement.	Improved governmental procedures, improved business environment.	Medium	MTI, MoF, MOCST.

TRADE LOGISTICS AND TRADE FACILITATION			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by:**
Tackle the lack of postal addressing system by creating national addressing standards and ensure its full implementation.	Improved business environment for e-commerce operators.	High	MoDP, MoF, MTI, WB, EIF, UNCTAD, UPU.
Move from the existing OBFC to a Single Window System, enabling a single point of submission and processing of custom documents.	More efficient and transparent trade environment.	High	MoDP, MoF, MTI, Customs, EIF, UNCTAD.
Ease existing NTMs affecting trade logistics and trade facilitation between Lesotho and South Africa by continuing the coordination of common procedures for customs and quality control.	Reduction in trade costs and time spent to cross the border. Improved trading environment.	High	Customs, MTI, UNCTAD, WB, Global Alliance for Trade Facilitation.
Enable the compatibility of the customs ICT systems between Lesotho and South Africa, allowing the exchange of information between the different customs operators.	Elimination of NTMs, reduction in trade costs and time spent to cross the border. Improved trading environment.	High	Customs, MTI, UNCTAD, WB, Global Alliance for Trade Facilitation.
Review the existing NTM-reporting mechanism, making it operational, effective, and user-friendly. Capacity-building trainings could be carried out to re-engage traders with the use of the reporting mechanism.	Improved identification of NTMs.	High	Customs, MTI, UNCTAD, WB, ITC.
Create more commercial borders (24h/7), especially on those borders where large volumes of traffic are reported.	Increased trade and reduced waiting time at borders due to border closures.	High	Customs.
Expedite implementation of the TFA, requesting the technical assistance necessary to implement the identified Category C provisions.	Significant reduction in cost of trade logistics; improved country competitiveness and enhanced e-commerce environment.	High	Customs, MTI, MoF, UNCTAD, WB, EIF, ITC.

TRADE LOGISTICS AND TRADE FACILITATION			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by:**
Develop Postal Services to support small parcels for cross-border e-commerce, including the adoption of a self-declaration scheme for customs duties, and easy–export / easy-import through the Postal Services that targets MSMEs across the country, including rural areas.	MSMEs across the country can access export and import markets using the postal network.	High	Customs, MTI, Lesotho Postal Services, UPU.
Strengthen the operational capability of Lesotho Post to support e-commerce and ensure operational efficiency of the postal network to facilitate e-commerce transactions using the Operational Readiness for E-commerce (ORE methodology).	Strategic positioning of the post, postal technology and supply chain improvements, improvement in the operational efficiency of the post, and the sustainable development of the postal sector	Medium	MoTC, MoC, Donors, Lesotho Postal Services, UPU.
Carry out a Cross-Border Trade assessment highlighting the existing issues affecting traders, in particular women and youth, drawing policy recommendations to tackle these.	Better understanding of the problems faced by traders, especially women and youth, enabling a better decision-making process.	Medium	Customs, MTI, UNCTAD, UNIDO, WB.
Consider establishing a *de minimis* import value (US$ 50-100), since the majority of e-commerce parcels are of small value, and carry out an impact assessment of the estimated effect it would have on revenue and/ or competition.	Enhanced e-commerce environment, and improvement of the overall trading environment.	Low	Customs, MTI, MoF.

PAYMENT SOLUTIONS			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by:**
Increase information security mechanisms in current electronic payment solutions (USSD, e-banking, etc.).	Security is increased for USSD use and transactions.	High	LCA, USF, Central Bank, MoF.
Achieve full interoperability between banks and mobile money operators.	Reduction of service fees, leading to an increase in bank accounts.	High	MoF, Central Bank, commercial banks.
Identify possible avenues (technical and regulatory) enabling the population to pay its taxes through the online system.	Increased use of digital payments, improved revenue collection.	Medium	MoF, IFC, WB.
Carry out dedicated training for merchants through the different chambers of commerce and associations, aiming to increase their confidence in electronic and mobile payment tools.	Increased use of digital payments.	Medium	MTI, MoF, Central Bank, private banks.
Carry out nationwide campaigns raising awareness and sensitizing the population on the existing tools regarding digital payment solutions and their benefits.	Increased demand for financial and payment services through digitization.	Medium	MTI, MoF, Central Bank, commercial banks.
Adopt the necessary policies and regulations to allow the establishment of FinTech companies (such as Sandbox and others).	Innovations in the FinTech space lead to increased options for digital payments for consumers and businesses.	Medium	Central Bank, MoF.

LEGAL AND REGULATORY FRAMEWORK			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by:**
Review, update and enact the Electronic Commerce Bill.	Improved e-commerce business environment. Trust of e-commerce expanded.	High	MTI, Prime Minister's Office, Parliament.
Carry out a legal and regulatory gap analysis on e-commerce in order to assess needs to update and/or upgrade e-commerce related bills and laws.	Improved e-commerce business environment. Trust on e-commerce expanded.	High	MTI, Prime Minister's Office, Parliament, UNCTAD, UNCITRAL.
Adopt the pending Bills on cybercrime, online contract formation, and recognition of e-signatures, and strengthen the appropriate market surveillance and enforcement capacities.	Improved e-commerce business environment. Trust of e-commerce expanded.	High	MTI, Prime Minister's Office, Parliament.
Adopt regulation on consumer protection and competition policy.	Improved business environment, and expanded trust of e-commerce.	High	MTI, Prime Minister's Office, Parliament.
Adopt MSME-specific incentives, such as tax breaks and grants, and increase the range of available information about setting up a business.	Improved business environment. Informal sector reduced.	High	MoF, MTI, Prime Minister's Office.

E-COMMERCE SKILLS DEVELOPMENT			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by:**
Assess the existing ICT-related skills gap, upgrading the secondary and tertiary education provider's curriculum in line with e-commerce industry's needs. In this context, establish a dialogue between the private sector and the education providers to keep the curricula up to date.	IT- and ICT-related curricula gain popularity among IT savvy youth and are aligned with industry needs.	High	Private sector representatives, universities, UNIDO, MoET.
Develop the capacity of e-commerce service sector and enterprises on advanced business and management skills, covering areas such as: researching product and market opportunities, creating and managing online inventory, integrating online payment solutions, proposing logistics options, handling customer orders and service.	Capacity of enterprises to create business opportunities increased. Jobs created.	High	Private sector representatives, UNIDO, MTI, business associations, universities, business schools, MoET, Customs.
Expand the USF program and provide computers, tablets and IT tools to an increasing number of primary and secondary schools.	Population becomes more familiar and comfortable with ICT tools.	High	LCA, MoET, USF.
Increase support (technical and financial) to innovation hubs, incubators and other institutes involved with upgrading ICT and e-commerce skills.	Basotho businesses become more professional, being able to operate in an efficient and sustainable way.	High	Private sector representatives, MTI, business associations, universities, business schools, MoET, UNIDO.
Link local MSMEs and start-ups with big corporations, domestic and internationally, to encourage transfer of knowledge.	Capabilities of MSMEs increased, being able to provide further Value Added due to the acquired know-how.	Medium	Private sector representatives, MTI, business associations, bid corporations, UNIDO, WB, ITC.

ACESS TO FINANCING			
Indicative action	**Expected outputs**	**Priority Level**	**Potential support by:**
Capacity-building for MSMEs, enabling them to provide business proposals and plans that meet the bank's requirements, enabling them to access financing.	Capacity of enterprises to create business opportunities increased, and jobs created.	High	Private sector representatives, MTI, business associations, universities, business schools, MoET, Customs.
Expand knowledge of existing programs, such as incubators, business accelerators and venture capitalists, both locally and internationally, able to provide access to financing to MSMEs, through business associations and targeted information campaigns.	Increased awareness of non-traditional types of financing. Access to financing increased.	Medium	MTI, MoF, Central Bank, WB, IFC, business associations.
Carry out sensitization forums across commercial banks and relevant agencies, showcasing to ?them the characteristics and needs of e-commerce-born businesses.	Banks adapt their products to the e-commerce reality. Access to financing increased.	Medium	MoF, Central Bank, commercial banks, IFC, WB.
Roll-out existing initiatives, such as the "Hook Up Dinner", to other regions, enabling rural areas to meet start-ups, entrepreneurs, and potential investors.	Increase in entrepreneurs across the whole country.	Medium	MoF, Central Bank, IFC, business associations.
Review the existing partial guarantee scheme, identify strengths and shortcomings, updating it to increase its usage by Basotho MSMEs.	Updated scheme, leading to increased access to financing.	Medium	MoF, Central Bank.

Annex I: Lesotho country profile on etradeforall.org

COUNTRY PROFILE: LESOTHO

Contact: info@etradeforall.org

GENERAL INFORMATION - 2017

Population
2.2 Millions

GDP
2 632 Millions current US$

Merchandise trade
3 140 Millions current US$

Internet users
0.7 Millions

GDP growth
-1.6 %

Land area
30 360 km2

Source: UNCTAD and ITU (complete URL addresses in the General Notes)

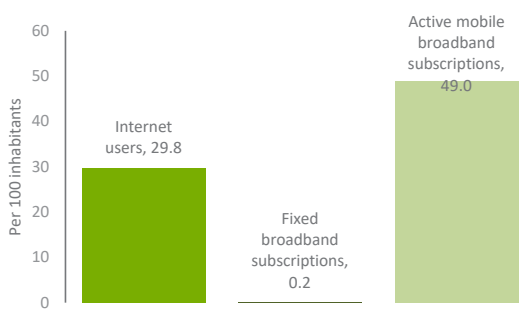
E-COMMERCE ASSESSMENT - 2016-18

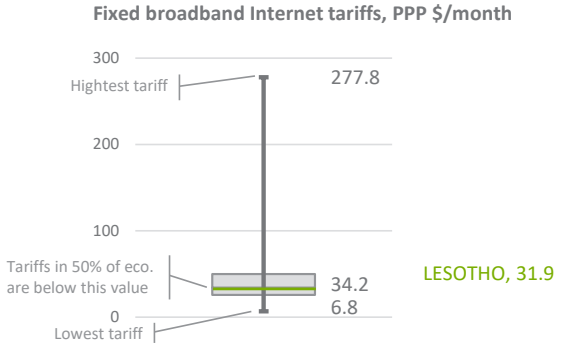
Rank in UNCTAD B2C E-commerce Index	Rank in ITU ICT Development Index	Rank in WEF Networked Readiness Index
126/151	133/176	115/139

Source: UNCTAD, ITU and WEF (complete URL address in the General Notes)

Note: 1 = Best

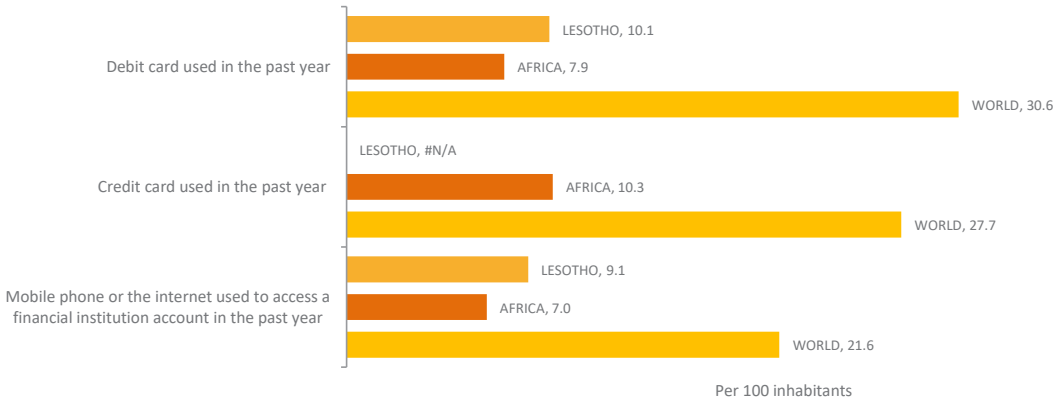
ICT INFRASTRUCTURE AND SERVICES - 2017





Source: ITU (complete URL address in the General Notes)

PAYMENTS - 2014-17

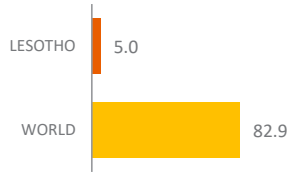


Source: World Bank (complete URL address in the General Notes)

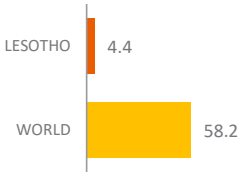
COUNTRY PROFILE: LESOTHO

TRADE LOGISTICS - 2013-18

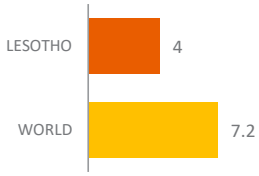
Percent of population having mail delivered at home



Postal reliability index
(0 to 100, 100 = Best)

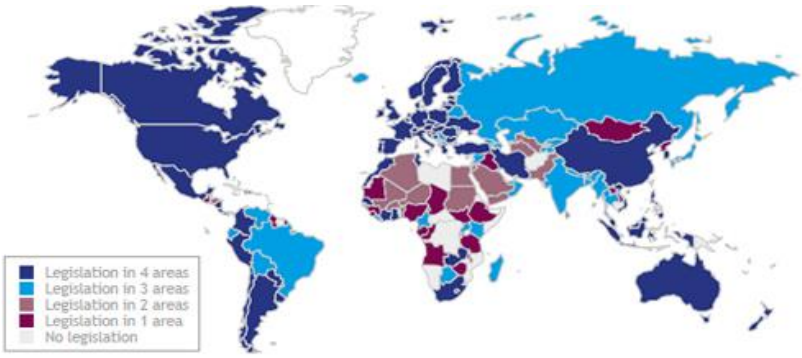


Days to clear direct exports through customs



Source: UPU and World Bank (complete URL addresses in the General Notes)

LEGAL AND REGULATORY FRAMEWORKS - 2019



LESOTHO

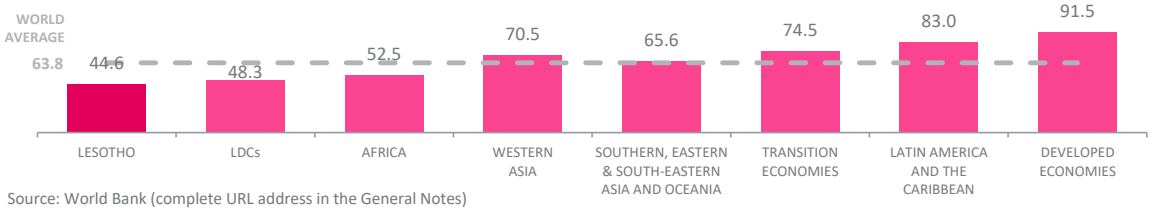
Electronic Transactions:	Draft legislation
Consumer Protection:	#N/A
Privacy and data protection:	Legislation
Cybercrime:	Draft legislation

Source: UNCTAD

For more information see: http://unctad.org/en/Pages/DTL/STI_and_ICTs/ICT4D-Legislation/eCom-Global-Legislation.aspx

SKILLS DEVELOPMENT - 2013-17

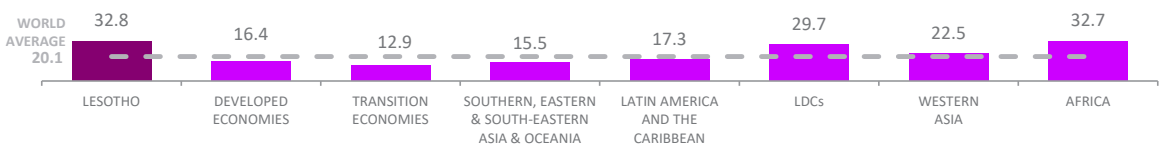
Percentage of firms using e-mail to interact with clients/suppliers



Source: World Bank (complete URL address in the General Notes)

FINANCING FOR eCOMMERCE - 2013-17

Percentage of firms identifying access to finance as a major constraint



Source: World Bank (complete URL address in the General Notes)

Annex II: Bibliography and websites used

Bibliography

- A2F Consulting (2018). Establishment of an Agricultural Finance Department within Lesotho Post Bank. A2F Consulting, Bethesda, MD.
- AFI. Digital Financial Services (DFS) Working Group. 'Digitally-Enabled Cross-Border Remittances in Lesotho: Key Policy Considerations to Break Uptake Barriers.'
- Draft legislation for Electronic Transactions and Electronic Commerce Bill of 2013, Art. 1.
- FinMark Trust (2014). Lesotho: Household welfare and national growth through an enhanced quality and depth of financial inclusion, Financial Inclusion Roadmap 2014–2020. FinMark Trust, Cenfri & UNCDF.
- Gillwald, A., Deen-Swarray, M. & Mothobi, O. (2017). The State of ICT in Lesotho. Lesotho Communications Authority, Maseru, Lesotho.
- IFAD (2018). Kingdom of Lesotho - Rural Financial Intermediation Programme: Project Performance Evaluation. IFAD, EC 2018/100/W.P.3/Rev.1.
- IMF (2018). Kingdom of Lesotho: Staff Report for the 2017 Article IV Consultation, IMF, Washington, DC.
- ITU (2018). The State of Broadband 2018 – Annex 1: Target 1 – List of National Broadband Policies, 2018. International Telecommunications Union, Geneva. Available from: https://www.broadbandcommission.org/Documents/Policy%20Section%20Documents/BRoadbandPolicies2018.pdf
- Jefferis K. & Manje, L. (2014). Demand, Supply, Policy and Regulation. FinMark Trust, Cenfri & UNCDF.
- Kingdom of Lesotho. Preparation and Supervision Mission Maseru, Lesotho eGovernment Infrastructure Project Phase I & II. 29 October-9 November 2018. Aide Memoire, page 2.
- Lendle et al (2016). There Goes Gravity: EBay and the Death of Gravity, The Economic Journal, 126 (March), pp. 406-441.
- Millennium Challenge Corporation (2018). Lesotho Compact Preparation: Financial Sector Analysis - Draft Report.
- Ministry of Communications, Science and Technology (2008). Lesotho Communications Policy of 2008. Available at:http://crm.misa.org/upload/web/ministry-of-communications-science-and-technology-lesotho-communications-policy-2008.pdf
- Nhlapo, N. (2018). Platforms That Accelerate Young Entrepreneurs in Lesotho. Selibeng. Available from: https://selibeng.com/platforms-that-accelerate-young-entrepreneurs-in-lesotho/
- Sekantši, L. P. & Lechesa, M. E. (2018). The National Payment System in Lesotho, 2000 – 2016, Central Bank of Lesotho Research Bulletin.
- Sekantši, L. P. & Motella, S. L. (2016). The financial inclusion conundrum in Lesotho: Is mobile money the missing piece in the puzzle? Central Bank of Lesotho, Working Paper No.02/16, July.
- UNCTAD (2013). Services Policy Review: Lesotho. United Nations Conference on Trade and Development, UNCTAD/DITC/TNCD/2012/1/Rev.1.
- Universal Service Fund (2017). Strategic Business Plan 2017/18-2019/20. Lesotho Communications Authority, Maseru.
- World Bank (2018). 'Unlocking the Potential of Lesotho's Private Sector: a focus on apparel, horticulture and ICT. Washington DC.
- WTO (2012). SACU Trade Policy Review: Lesotho. World Trade Organisation, Geneva.

Websites

- Commonwealth Secretariat: Strengthening the protection of consumer rights in Lesotho. Available from: http://thecommonwealth.org/project/strengthening-protection-consumer-rights-lesotho.
- ITU ICT Development Index: http://www.itu.int/net4/ITU-D/idi/2017/
- Mpaki, B. (2018). Strengthening the protection of consumer rights in Lesotho. Lesotho Times. Available at: http://lestimes.com/competition-laws-beckon-for-lesotho/
- WIPO – Lesotho. Available from: https://wipolex.wipo.int/en/legislation/profile/LS
- World Bank (2016). Digital Adoption Index. The World Bank Group, Washington D.C. Available from: http://www.worldbank.org/en/publication/wdr2016/Digital-Adoption-Index

Annex III: List of UNCTAD Rapid eTrade Readiness Assessments of LDCs

- Bangladesh: Rapid eTrade Readiness Assessment (March 2019).
- Islamic Republic of Afghanistan: Rapid eTrade Readiness Assessment (March 2019).
- Madagascar: Évaluation rapide de l'état de préparation au commerce électronique (January 2019).
- Zambia: Rapid eTrade Readiness Assessment (December 2018).
- Uganda: Rapid eTrade Readiness Assessment (December 2018).
- Burkina Faso: Évaluation rapide de l'état de préparation au commerce électronique (September 2018).
- République du Togo: Évaluation rapide de l'état de préparation au commerce électronique (September 2018).
- Solomon Islands: Rapid eTrade Readiness Assessment (July 2018).
- Republic of Vanuatu: Rapid eTrade Readiness Assessment (July 2018).
- République du Sénégal: Évaluation rapide de l'état de préparation au commerce électronique (July 2018).
- Lao People's Democratic Republic: Rapid eTrade Readiness Assessment (April 2018).
- Liberia: Rapid eTrade Readiness Assessment (April 2018).
- Myanmar: Rapid eTrade Readiness Assessment (April 2018).
- Nepal: Rapid eTrade Readiness Assessment (December 2017).
- Samoa: Rapid eTrade Readiness Assessment (October 2017).
- Bhutan: Rapid eTrade Readiness Assessment (April 2017).
- Cambodia: Rapid eTrade Readiness Assessment (April 2017).

And: http://unctad.org/en/Pages/Publications/E-Trade-Readiness-Assessment.aspx