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Concept Note

Enhancing the Capacities of Lesotho MSMEs to Leverage Regional Trade Agreements and the African Continental Free Trade Area (AfCFTA)

1. Background and Context

The Kingdom of Lesotho is a small, open economy whose trade performance is shaped by its geographical position within South Africa and its membership in regional and continental trade arrangements. Lesotho's trade policy framework is anchored in the Southern African Customs Union (SACU), which provides duty-free access to a common market and a shared external tariff regime, and the Southern African Development Community (SADC) Free Trade Area. These arrangements have supported the country's export-led growth model, particularly in textiles and apparel, which benefit from preferential access to key markets such as the United States under the African Growth and Opportunity Act (AGOA), as well as regional markets.

Lesotho's trade flows are highly concentrated both geographically and sectorally. South Africa remains its dominant trading partner, accounting for the majority of imports—including intermediate goods, machinery, and food products—while also serving as a key destination and transit route for exports. On the export side, textiles and apparel constitute the backbone of Lesotho's manufacturing exports, alongside diamonds and, to a lesser extent, water and agricultural products. While this trade structure has enabled export growth, it also exposes the economy to external shocks and underscores the need for diversification into higher-value products and broader regional markets.

According to the Lesotho Bureau of Statistics (2024) the country's exports were valued at about **M18.2 billion** compared to imports of **M33.97 billion**, again confirming a substantial negative trade balance. Export composition remains concentrated in clothing and footwear (about 35.3%), diamonds (23.8%), and bulk water (18.7%), while imports are dominated by food, fuel, and manufactured goods. South Africa accounts for the majority of both imports and exports (around 58% of export value), highlighting the positive trade impact of the SACU arrangements.

Against this backdrop, strengthening the participation of Micro, Small and Medium Enterprises (MSMEs) in trade is a national priority. MSMEs face constraints including limited access to market information, weak productive capacity, challenges in meeting standards and certification requirements, and inadequate integration into regional value chains. Addressing these constraints is essential for achieving inclusive growth, employment creation, and structural transformation.

The African Continental Free Trade Area (AfCFTA), which entered into force in 2019, offers an opportunity to address some of these challenges by creating a single African market for goods and services, with reduced tariffs and improved trade facilitation. Lesotho signed the AfCFTA Agreement in 2018 and ratified it in 2019, demonstrating its commitment to deeper continental integration. The AfCFTA expands market access beyond traditional partners and provides a framework for enhancing industrialization, value addition, and intra-African trade.



To support the effective implementation of the AfCFTA, the United Nations Development Programme (UNDP), in collaboration with national stakeholders, supported the Government of Lesotho in the development of a **National AfCFTA Implementation Strategy and Action Plan**. This Action Plan provides a structured roadmap to enable the country to leverage AfCFTA opportunities while addressing key constraints faced by the private sector, particularly MSMEs.

The key components of Lesotho's AfCFTA National Action Plan include:

- a. **Trade policy and regulatory alignment:** Reviewing and aligning national policies, laws, and regulations with AfCFTA provisions, including tariff schedules, non-tariff barriers, and customs procedures.
- b. **Productive capacity and industrial development:** Strengthening priority sectors such as textiles, leather, agriculture, and light manufacturing to enhance competitiveness and value addition.
- c. **Trade facilitation and infrastructure:** Improving border procedures, logistics systems, and transport infrastructure to reduce trade costs and enhance export efficiency.
- d. **MSME development and export readiness:** Building the capacity of MSMEs to meet standards, comply with Rules of Origin, and access market information and finance.
- e. **Market access and trade promotion:** Identifying export opportunities across African markets and supporting firms to penetrate new markets through trade intelligence tools and business linkages.
- f. **Digital trade and innovation:** Promoting the use of e-commerce platforms, digital payments, and technology-enabled trade solutions.
- g. **Institutional coordination and stakeholder engagement:** Strengthening collaboration between government agencies, the private sector, and development partners for effective AfCFTA implementation.

Despite these strategic efforts, significant gaps remain in awareness and practical capacity among MSMEs to utilize AfCFTA provisions. Many enterprises have limited understanding of tariff liberalization schedules, Rules of Origin requirements, and the interface between existing regional agreements (such as SADC and SACU) and the AfCFTA framework. Additionally, the adoption of digital trade tools and integration into regional value chains remain low.

In response, the United Nations Economic Commission for Africa (ECA), in partnership with UNDP Lesotho, UNRCO Lesotho and the Africa Leather and Leather Products Institute (ALLPI), will organize a targeted capacity-building workshop. This initiative aims to equip MSMEs with practical knowledge and tools to capitalize on regional and continental trade opportunities, enhance their competitiveness, and support Lesotho's broader trade and industrialization objectives under the AfCFTA.



2. Objective

2.1 Overall Objective

To strengthen the capacity of Lesotho's MSMEs to effectively leverage the African Continental Free Trade Area (AfCFTA) by enhancing export readiness, improving compliance with trade requirements, and supporting integration into regional and continental value chains, in line with Lesotho's AfCFTA National Implementation Strategy and Action Plan.

2.2 Specific Objectives

- a. **Strengthen MSMEs' understanding and application of SADC and AfCFTA Rules of Origin and trade regulations**, enabling them to qualify for preferential market access.
- b. **Improve access to market intelligence and trade information** through the use of digital tools to identify and penetrate new African markets.
- c. **Promote MSME integration into regional and continental value chains**, including strengthening linkages with buyers, wholesalers, and retail networks.
- d. **Support the adoption of digital trade and e-commerce solutions**, including digital payments and logistics platforms, to expand market reach.
- e. **Enhance awareness of the complementarities between SACU, SADC, and AfCFTA**, enabling MSMEs to strategically utilize multiple trade regimes.
- f. **Build MSME compliance capacity**, enabling exporters to meet quality and certification standards for regional markets .

3. Expected Accomplishments

- a. Improved MSME export readiness and compliance capacity, particularly in meeting AfCFTA Rules of Origin.
 - b. Increased utilization of AfCFTA and regional trade preferences by MSMEs, contributing to diversification of export markets beyond traditional partners.
 - c. Improved access to market intelligence and data-driven decision-making, leading to the identification of new export opportunities in African markets.
 - d. Expanded participation of MSMEs in regional and continental value chains, including strengthened buyer-supplier relationships with regional retail networks.
 - e. Increased adoption of digital trade tools and e-commerce platforms, enabling MSMEs to overcome market access barriers and scale their operations.
 - f. Contribution to inclusive trade, with increased participation of women- and youth-led enterprises in regional and continental markets.
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4. Outputs

- a. A **three-day capacity-building workshop** delivered to approximately 65–70 MSMEs, focused on market access and B2B engagement.
- b. MSMEs trained on **AfCFTA Rules of Origin, standards compliance, and trade facilitation procedures**, improving export readiness.
- c. Enhanced **use of market intelligence tools** (e.g., ITC Trade Map, Market Access Map) for identifying export opportunities in African markets.
- d. Increased awareness and practical understanding of **digital trade and e-commerce solutions** for cross-border trade.
- e. **Business-to-Business (B2B) platform established**, facilitating direct linkages between MSMEs and regional buyers, wholesalers, and retail chains.
- f. Training materials, tools, and **practical export readiness guides** disseminated to participants.
- g. A **comprehensive workshop report** documenting outcomes, lessons learned, and recommendations for AfCFTA Action Plan implementation.

5. Description of Activities

The workshop will be conducted over three (3) days in Maseru, Lesotho, during the last week of September 2026, with a progressive structure that builds MSME capacity from market intelligence to compliance, digital trade, and finally market linkages.

Day 1: Market Intelligence and Export Opportunity Identification (ECA-led)

Objective link: Market access, MSME export readiness

- a. Introduction to **ITC trade intelligence tools** (Trade Map, Market Access Map);
- b. Identification of **priority export markets within Africa** under AfCFTA;
- c. Analysis of **tariffs, non-tariff measures (NTMs), and market entry requirements**;
- d. Practical, hands-on sessions on **data-driven export planning**;
- e. Identification of **sector-specific export opportunities** (textiles, leather, agro-processing).

Day 2: Trade Frameworks, AfCFTA, and Compliance (ECA-led)

Objective link: Trade policy alignment, regulatory compliance, trade facilitation



Overview of **African trade architecture**: SACU, SADC FTA, Tripartite FTA, and AfCFTA;

- b. Understanding the **interface and complementarities** between regional agreements;
- c. Detailed training on **AfCFTA Rules of Origin (RoO)** and certification processes;
- d. Compliance with **quality standards, SPS/TBT requirements, and export certification**;
- e. Introduction to **customs procedures, trade facilitation measures, and border requirements**.

Day 3: Business-to-Business (B2B) Seminar and Market Linkages)

The B2B seminar will open with remarks from key Government of Lesotho officials, formally launching the day's engagement before MSMEs proceed to exhibit their products to invited buyers.

Objective link: Market access, value chain integration, trade promotion

- a. **MSME product exhibition and showcase**;
- b. Participation of **regional buyers and retail chains** (e.g., Pick n Pay, Shoprite, SPAR, wholesalers, distributors);
- c. Structured **buyer-supplier matchmaking sessions**;
- d. Facilitated **networking and partnership discussions**;
- e. Identification of **potential supply agreements and follow-up opportunities**;
- f. On-site advisory support for MSMEs on **pricing, contracts, and export procedures**.

7. Implementation Arrangements

- a. **ECA:** Lead sponsor and technical agency responsible for training on AfCFTA, Rules of Origin, quality standards, access to trade finance and digital trade;
- b. **UNDP Lesotho:** Identification of MSMEs and buyers for the B2B Session
- c. **Local Consultant:** Delivery of training on market access tools;
- d. **ALLPI:** Provision of sector-specific training for the leather cluster and on ITC Market Access Tools;
- e. **Government of Lesotho:** Participant mobilization, policy coordination, and institutional support.

8. Monitoring and Evaluation



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- a. Pre- and post-training assessments to measure knowledge gains;
- b. Participant feedback and evaluation forms;
- c. Monitoring of SME participation in regional markets post-training;
- d. Preparation of a post-workshop report with recommendations;
- e. Identification of SMEs for follow-up technical assistance

9. Risks and Mitigation Measures

Risk	Mitigation Measure
Low SME participation	Early outreach and coordination with government and business associations
Limited engagement from buyers	Advance invitations and partnership with retail chains
Capacity gaps among participants	Use of practical, hands-on training approaches

10. Timeline

- i. **Preparation Phase:** July – August 2026
- ii. **Workshop Delivery:** Last week of September 2026
- iii. **Reporting and Follow-up:** October 2026

11. Venue

Maseru, Kingdom of Lesotho

12. Partnerships

The initiative will be implemented through a collaborative partnership involving:

- i. United Nations Economic Commission for Africa (ECA);
- ii. United Nations Development Programme (UNDP Lesotho);
- iii. Africa Leather and Leather Products Institute (ALLPI);
- iv. Experts from SACU and SADC Secretariats;
- v. Government of the Kingdom of Lesotho.



This initiative will provide a platform to strengthen the competitiveness of Lesotho's MSMEs by equipping them with practical tools, knowledge, and market linkages. By integrating technical training with direct buyer engagement, the workshop is expected to deliver tangible outcomes in terms of increased participation of MSMEs in regional and continental trade under the AfCFTA framework.