Lesotho

RISK & COMPLIANCE REPORT

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Executive Summary	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score)

Major Investment Areas:

Agriculture - products:

corn, wheat, pulses, sorghum, barley; livestock

Industries:

food, beverages, textiles, apparel assembly, handicrafts, construction, tourism

Exports - commodities:

manufactures (clothing, footwear), wool and mohair, food and live animals, electricity, water, diamonds

Imports - commodities:

food; building materials, vehicles, machinery, medicines, petroleum products

Investment Restrictions:

The Government of Lesotho (GOL) maintains a strong commitment to private investment and is generally open to foreign direct investment

Virtually all business sectors are open to foreign investors. No government approval is required, and there are almost no restrictions on the form or extent of foreign investment, except investment in small-scale retail and services businesses.

Contents

Section 1 - Background

Basutoland was renamed the Kingdom of Lesotho upon independence from the UK in 1966. The Basuto National Party ruled the country during its first two decades. King MOSHOESHOE was exiled in 1990, but returned to Lesotho in 1992 and was reinstated in 1995 and subsequently succeeded by his son, King LETSIE III, in 1996. Constitutional government was restored in 1993 after seven years of military rule. In 1998, violent protests and a military mutiny following a contentious election prompted a brief but bloody intervention by South African and Batswana military forces under the aegis of the Southern African Development Community. Subsequent constitutional reforms restored relative political stability. Peaceful parliamentary elections were held in 2002, but the National Assembly elections of February 2007 were hotly contested and aggrieved parties disputed how the electoral law was applied to award proportional seats in the Assembly. In May 2012, competitive elections involving 18 parties saw Prime Minister Motsoahae Thomas THABANE form a coalition government - the first in the country's history - that ousted the 14-year incumbent, Pakalitha MOSISILI, who peacefully transferred power the following month.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Lesotho is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Lesotho was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Lesotho was deemed Compliant for 4 and Largely Compliant for 0 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2011):

This report gives a summary of the anti-money laundering (AML) and combating financing of terrorism (CFT) measures in place in the Kingdom of Lesotho as of the time of the on-site visit from the 29th of November 2010 to the 10th of December 2010 and shortly thereafter. The report describes and analyses those measures and provides recommendations on how certain aspects can be strengthened. It also sets out the Kingdom of Lesotho's levels of compliance with the Financial Action Task Force (FATF) 40 + 9 Recommendations (see the attached table on the Ratings of Compliance with the FATF Recommendations).

The Kingdom of Lesotho is a low-income developing country which is completely landlocked surrounded by its only neighbour, the Republic of South Africa. The country is part of a Common Monetary Area comprising Namibia, the Kingdom of Swaziland and South Africa. Within the Area the South African Rand (the Rand) freely circulates on par as part of medium of exchange with these countries' national currencies.

The economy of the Kingdom of Lesotho is closely linked to and dependent on the South African economy, with more than 85 percent of imports from and exports to the South African market. In addition, the country's economy is tied to the Southern African Customs Union, which includes the CMA members plus Botswana. Further, the Kingdom of Lesotho is a member of the regional economic bloc, Southern African Development Community together with other 14 nations.

The country has a small financial sector which is dominated by subsidiaries of South African financial institutions. Of the four commercial banks operating in the country, three are owned by South African banks. In addition, the insurance sector is dominated by a South African-owned insurance company which accounts for more than 80 percent of the market. In terms of value, the financial sector contributes about 6 percent to the GDP of the country. The financial sector is increasingly modernizing, spurred on by technological developments which have allowed financial institutions especially banks to offer a variety of financial products which would have been difficult to offer given the mountainous topography of the country.

The geographical location of the country provides strategic position for both illicit and licit trading activities. The following have been identified by the authorities as crimes generating proceeds: trafficking in drugs (mainly cannabis – locally known as dagga), fire arms and human beings; counterfeit and smuggling of tobacco/cigarettes and garments; smuggling of diamonds; robbery including cash-in-transit; corruption (especially government procurement), fraud and forgery, and stock theft. Luxury vehicles, purchasing of high value household goods and construction of residential estates are the main sectors in which the proceeds are being laundered. Given the cross-border and organized nature of the criminal activities generating the proceeds, there is increased cooperation and coordination of countermeasures between the law enforcement and intelligence agencies of the two countries.

Despite the law criminalizing money laundering and terrorist financing and setting out AML/CFT obligations being in force since 2008, the Kingdom of Lesotho is still at embryonic stages with the authorities still setting up and capacitating relevant institutions such as the Financial Intelligence Unit to effectively implement the provisions of the Act. The Kingdom of Lesotho is taking significant steps to implement effective AML/CFT programmes to protect its financial systems in a manner consistent with national development objectives and international standards.

US Department of State Money Laundering assessment (INCSR)

Lesotho was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Lesotho is neither a regional nor an offshore financial center. Money laundering is related primarily to corruption and tax evasion. While there is no significant black market for smuggled goods in the country, undeclared and under-declared items pass daily between Lesotho and South Africa over the countries' extensive and porous land border. The smuggling is low level and largely committed by individuals. Smugglers commonly bring undeclared consumer goods or, occasionally, larger items like automobiles from South Africa into Lesotho. Smaller items are smuggled to avoid paperwork and other bureaucratic requirements, while larger items are smuggled to avoid paying import taxes at the borders.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 52: January – October 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: YES

Lesotho is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Government of Lesotho is steadily increasing its ability to monitor international financial transactions in Lesotho for AML/CFT purposes, limited resources, capacity, and expertise, as well as a lack of both awareness and training pose serious challenges to the adequate implementation of Lesotho's AML/CFT legislation.

AML guidelines published by the Financial Intelligence Unit (FIU) require reporting entities to submit suspicious transaction reports (STRs) to the FIU only, as opposed to both the Directorate of Corruption and Economic Offenses (DCEO) and the FIU, as provided for in the Money Laundering and Proceeds of Crime Act (MLPCA). The government has reportedly been working to revise the MLPCA for the last few years. The DCEO continues to work toward operationalizing an asset recovery unit. The FIU continues to raise awareness among banks and other professions about their obligations under the MLPCA.

Mobile Payments, or M-Payments, are becoming a possible vehicle to launder criminal proceeds in Africa and elsewhere in the world. In Lesotho, the Central Bank regulates mobile money systems Ecocash and M-pesa for AML/CFT compliance. They are mandated to follow KYC rules. All transactions are local and limited. A three-tier system based on the types of users sets maximums for transaction amounts. In 2015, the maximum volumes were revised.

Under Tier 1, under which individuals use a mobile phone self-registration, transactions are only allowed up to a maximum of 2,500 maloti (approximately $179) daily and 7,500 maloti (approximately $535) per month. Under Tier 2, subscribers are required to present their passports and proof of their sources of income. The maximum transaction for Tier 2 customers is 5,000 maloti (approximately $357) daily and 15,000 maloti (approximately $1,071) per month. Under Tier 3, similar rules as Tier 2 apply, with a maximum transaction of 7,500 maloti (approximately $535) daily and 20,000 maloti (approximately $1,429) per month. The system also has unusual behavior triggers, which can lead to the filing of a suspicious transaction report (STR). In addition to existing mobile money systems, Shoprite store has developed a cross-border money transfer system consisting of remittances between Lesotho and South Africa. A money transfer can be made at any Shoprite in South Africa to be received at any Shoprite in Lesotho. There is a daily limit of 5,000 maloti (approximately $357) to be sent and received and a monthly limit of 25,000 maloti (approximately $1,786).

Customs enforcement and other weak points at Lesotho's borders continue to be key areas of concern. The Government of Lesotho should amend its MLPCA, implement its obligations under UNSCRs 1267 and 1373, and pass its Anti-Terrorism bill into law. Lesotho should also take steps to tighten its borders controls and to curb corruption. Additionally, Lesotho should continue its efforts to monitor various forms of M-Payments and guard against possible money laundering abuse.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Lesotho conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Lesotho is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Lesotho is not considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report

No report available

US State Dept Trafficking in Persons Report 2016 (introduction):

Lesotho is classified a Tier 2 (watch list) country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Lesotho is a source, transit, and destination country for women and children subjected to forced labor and sex trafficking, and for men subjected to forced labor. In Lesotho, Basotho children are subjected to domestic servitude and forced labor in animal herding; children, especially orphans who migrate to urban areas, increasingly are subjected to sex trafficking. Basotho women and girls seeking work in domestic service voluntarily migrate to South Africa, where some are detained in prison-like conditions or exploited in sex trafficking. Some Basotho men who migrate voluntarily, although illegally and often without identity documents, to South Africa for work in agriculture and mining become victims of forced labor; many work for weeks or months before their employers turn them over to South African authorities for deportation on immigration violations to avoid paying them. Basotho are also coerced into committing crimes in South Africa, including theft, drug dealing, and smuggling under threat of violence or through forced drug use. Foreign nationals, including Chinese, subject their compatriots to sex trafficking in Lesotho.

The Government of Lesotho does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government made progress in prosecution and protection, including instituting new systems to build capacity for improvement in these areas. The government convicted a sex trafficker and sentenced him to 15 years' imprisonment (10 years suspended), identified more potential trafficking victims, issued implementing regulations for the 2011 anti-trafficking act, signed an agreement with South Africa aimed at increasing protections for Basotho workers employed there, and established a multi-agency taskforce to coordinate the investigation of trafficking cases. Despite these measures, the anti-trafficking law still does not comply with international law, and the government did not provide funding for the Victims of Trafficking Trust Fund or sufficient resources for anti-trafficking law enforcement and protection efforts. It continued to rely on NGOs to assist victims. Jurisdictional issues in the courts continued to impede trafficking prosecutions.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	42
World Governance Indicator – Control of Corruption	58

Corruption and Government Transparency - Report by US State Department

Lesotho has laws, regulations, and penalties to combat effectively corruption of public officials. Parliament passed anti-corruption legislation in 1999 and provides criminal penalties for official corruption. The Directorate on Corruption and Economic Offenses (DCEO) is the primary anticorruption organ and investigates corruption complaints against public sector officials. The Amendment of Prevention of Corruption and Economic Offences Act of 2006 enacted the first financial disclosure laws for public officials. The disclosure form to be used has been developed but has not yet been implemented. The law may also be applied to private citizens if deemed necessary by the DCEO. The law prohibits direct or indirect bribery of public officials, including payments to family members of officials and political parties. While the government made significant efforts to implement the law, some officials engaged in corrupt practices with impunity.

In 2013, the DCEO indicted both a sitting minister and a former minister for separate incidents of corruption; their cases are pending in court. In an effort to prevent corruption and economic offences, the DCEO encourages companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials. Most companies have effective internal controls, ethics, and programs to detect and prevent bribery.

Lesotho acceded to the UN Anticorruption Convention in 2005 but it is not yet a signatory to the OECD Convention on Combating Bribery. Lesotho acceded to the African Union Convention on Preventing and Combating Corruption in 2003. Lesotho is also a member of the African Peer Review Mechanism (APRM), and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body.

No U.S. firms have identified corruption as an obstacle to foreign direct investment in Lesotho. Giving or accepting a bribe is a criminal act under the Prevention of Corruption and Economic Offences Act of 2006, the penalty for which is a minimum of 10,000 maloti or 10 years imprisonment. Local companies cannot deduct a bribe to a foreign official from taxes. Corruption is mostly pervasive in government procurement; however, it is mostly low level corruption committed by lower ranking public officials.

Section 3 - Economy

Small, mountainous, and completely landlocked by South Africa, Lesotho depends on a narrow economic base of textile manufacturing, agriculture, remittances, and regional customs revenue. About three-fourths of the people live in rural areas and engage in animal herding and subsistence agriculture, although Lesotho produces less than 20% of the nation's demand for food. Agriculture is vulnerable to weather and climate variability.

Lesotho relies on South Africa for much of its economic activity; Lesotho imports 90% of the goods it consumes from South Africa, including most agricultural inputs. Households depend heavily on remittances from family members working in South Africa, in mines, on farms, and as domestic workers, though mining employment has declined substantially since the 1990s. Lesotho is a member of the Southern Africa Customs Union (SACU), and revenues from SACU accounted for roughly 44% of total government revenue in 2014. The South African Government also pays royalties for water transferred to South Africa from a dam and reservoir system in Lesotho. However, the government continues to strengthen its tax system to reduce dependency on customs duties and other transfers.

The government maintains a large presence in the economy - government consumption accounted for 37% of GDP in 2014 and the government remains Lesotho's largest employer. Access to credit remains a problem for the private sector. Lesotho's largest private employer is the textile and garment industry - approximately 36,000 Basotho, mainly women, work in factories producing garments for export to South Africa and the US. Diamond mining in Lesotho has grown in recent years and may contribute 8.5% to GDP by 2015, according to current forecasts.

Agriculture - products:

corn, wheat, pulses, sorghum, barley; livestock

Industries:

food, beverages, textiles, apparel assembly, handicrafts, construction, tourism

Exports - commodities:

manufactures (clothing, footwear), wool and mohair, food and live animals, electricity, water, diamonds

Imports - commodities:

food; building materials, vehicles, machinery, medicines, petroleum products

Banking

The banking system is essentially foreign-owned by South African Banks: Standard Bank, NedBank, and First National Bank. There is one state-owned bank which is mandated to access financial services to Basotho living in urban and rural areas of the country that do not have bank accounts. The banks are supervised by the Central Bank of Lesotho through the Financial Institution Act of 1999. For individuals, local currency accounts can be opened with any bank with an identity document and proof of residential address. For businesses, there is a need for an application letter with the specimen signatures of the signatories to the account. Banking regulations do not give power to the central bank to give directions as to interest rates, exchange rates margins, or the spread of services offered and the branch network. This is due to the currency peg with South Africa, which means that Lesotho has lost its leverage in the area of monetary policy. This creates a low political risk environment for banking investment.

Stock Exchange

There is currently no stock exchange in Lesotho, so companies are able to list on the Johannesburg Stock Exchange, however there are plans to have a stock exchange in operation by the end of 2011.

Section 4 - Investment Climate

Executive Summary

The Government of Lesotho (GOL), through its National Strategic Development Plan, recognizes the critical role that domestic and foreign investment and the development of the private sector play in driving shared economic growth. The government actively encourages foreign direct investment (FDI) in all areas of the economy, with limited restrictions on foreign ownership of small businesses. Foreign investors enjoy the same rights and protections as Basotho investors. Lesotho's standards of treatment and protection of foreign investors are good in practice, but the legal framework guaranteeing these norms remains weak. There is no foreign investment law, and there are limited bilateral investment treaties (BITs) to protect foreign investors and ensure their fair treatment.

Lesotho's performance in attracting FDI has been credible by regional standards, particularly for a landlocked nation. In recent years, FDI inflows have been mainly driven by investments in the mining sector. Despite some political uncertainty, the investment climate is reasonably conducive to U.S. investment; Lesotho, a relatively small market of only 1.9 million people, is a member of the Southern African Customs Union (SACU) and the Southern African Development Community (SADC) market, which allows foreign businesses to use Lesotho as a gateway to larger regional markets.

The commercial legal, regulatory, and accounting systems are transparent and consistent with international norms. The judicial system is an effective means for enforcing property and contractual rights, though case backlogs can lead to a slow process. Lesotho has a written and consistently applied commercial law. A Commercial Court was established in 2010, with the support of a U.S. government-funded Millennium Challenge Corporation grant, in an effort to improve the country's capacity in resolving commercial cases. Foreign investors have equal treatment before the courts in disputes with national parties or the government. The government has little history of investment disputes involving U.S. or other foreign investors or contractors in Lesotho, though in the past two year two foreign companies with government contracts have had disputes.

Though corruption remains a problem in Lesotho, no U.S. firms have identified corruption as an obstacle to foreign direct investment. Giving or accepting a bribe is a criminal act under the Prevention of Corruption and Economic Offences Act of 2006.

Lesotho is a member of the International Labor Organization (ILO) and has ratified 23 international labor conventions, including all the eight fundamental human rights instruments. Lesotho's Labor Code Order of 1992 and its subsequent amendments are the principal laws governing terms and conditions of employment in Lesotho. The law provides for freedom of association and the right to bargain collectively. The law stipulates that employers must allow union officials reasonable facilities for conferring with employees.

Lesotho has accomplished significant recent policy reforms, and the government plans to undertake further reforms. The Land Act of 2010 reformed the land tenure system, allowing foreign investors to hold land titles so long as 20% of the company is owned by local investors. The Land Act has also allowed the use of land as collateral, which has expanded access to credit. The Companies Act of 2011 reduced the time it takes to start a business from 40 days to five days and strengthened investor protections. As a result of these reforms, Lesotho's rank in the World Bank's Doing Business report improved from 153 in 2012 to 136 in 2014 to 114 in 2016.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	61 of 167	**transparency.org/cpi2015/results**
World Bank's Doing Business Report "Ease of Doing Business"	2016	114 of 189	**doingbusiness.org/rankings**
Global Innovation Index	2015	118 of 141	**globalinnovationindex.org/content.aspx?page=data-analysis**
World Bank GNI per capita	2014	USD 1,330	**data.worldbank.org/indicator/NY.GNP.PCAP.CD**

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The GOL maintains a strong commitment to private investment and is generally open to FDI, with the exception of limited restrictions on foreign ownership of small businesses. The GOL welcomes foreign investments that:

- Create jobs and open new markets and industries in accordance with the national objective of diversifying Lesotho's industrial base;
- Improve skills and productivity of the workforce and nurture local business suppliers and partners;
- Support knowledge and technology transfer and diffusion;
- Improve the quality and accessibility of infrastructure.

Foreign investors enjoy the same rights and protections as Basotho investors. The government is aware of the challenges it faces as a small, landlocked, and least developed country in facilitating investment and is committed to improving the climate for investment.

The GOL has undertaken several policy reforms in recent years to improve the investment climate in Lesotho. The Land Act of 2010 allows foreign investors to hold land titles so long as the local investors own at least 20% of the enterprise. The GOL also enacted the Companies Act of 2011, which strengthened investor protections by increasing the disclosure requirements for related-party transactions and improving the liability regime for company directors in cases of abuse of power related-party transactions. In 2013, the government launched the Consumer Protection Policy.

Other Investment Policy Reviews

Lesotho's investment policy was approved by Cabinet and became law in early 2016. The policy was developed with assistance from the United Nations Conference on Trade and Development (UNCTAD).

Business Registration

To make it easier to do business and facilitate FDI, the government established a "One Stop Business Facilitation Centre" (OBFC), placing all services required for the issuance of licenses, permits, and imports and exports clearances under one roof. OBFC services, coupled with the implementation of the Companies Act of 2011, have reduced the number of days it takes to start a business from forty days to five days. The OBFC also hosts the Lesotho Trade Information Portal, a single online authoritative source of all laws, regulations, and procedures for importing and exporting. The portal provides transparency and predictability to trade transactions and reduces the time and cost of trading across borders. The OBFC web site is http://www.obfc.org.ls/business/default.php.

The Lesotho National Development Corporation is the government's investment promotion agency. For more information, please visit: http://www.lndc.org.ls.

Industrial Promotion

Through the Lesotho National Development Corporation (LNDC), the government actively encourages investment in the following sectors: Chemicals, Petrochemicals, Plastics and Composites; Energy and Mining; Environmental Technologies; Health Technologies; Textile, Apparel & Sporting Goods; and Travel. LNDC implements the country's industrial development policies. LNDC also provides assistance through supportive services to foreign investors and publishes information on investment opportunities and the services it offers to foreign investors. It also offers incentives such as long-term loans, tax incentives, and factory space at discounted rental rates, assistance with work permits and licenses, and logistical support for relocation. For more information, please visit: http://www.lndc.org.ls.

Limits on Foreign Control and Right to Private Ownership and Establishment

Lesotho is open to foreign investment without case-by-case approval or a requirement for partial national ownership, with the exception of a defined number of small-scale businesses in certain sectors that are reserved exclusively for Lesotho citizens to encourage local entrepreneurship. The activities reserved for local ownership under the Trading Enterprises Regulations 2011 include: agent of a foreign firm; barber; butcher; snack-bar; domestic fuel dealer; dairy shop; general café or dealer; greengrocer; broker; mini supermarket (floor area < 250m2); and hair and beauty salon. Foreigners are not permitted to own or sit on the boards of these businesses. Foreign firms must have at least 20% local ownership to title land. Despite the Trading Enterprises Regulations 2011, there appear to be a significant number of foreign owned shops in reserved industries.

The Mines and Minerals Act No.4 of 2005 restricts mineral permits for small-scale mining operations on less than 100m2 to local ownership. Diamond mining, regardless of the size of the operation, is subject to the large-scale mines licensing regime, which has no restrictions on foreign ownership. However, the Government reserves the right to acquire at least 20% ownership in any large-scale mine.

The judicial system is generally independent and procedurally and substantively fair, although Freedom House Southern Africa noted politicization, chronic underfunding and structural problems in its 2012 report “Politics of Judicial Independence in Lesotho.” The judicial system upholds the sanctity of contracts and enforces them in accordance with their terms and on a non-discriminatory basis. The government enforces judicial decisions through officers of the court, and, if necessary, through criminal proceedings. A Commercial Court was established in 2010 under a U.S. government-funded Millennium Challenge Corporation grant in an effort to improve the country’s capacity in resolving commercial cases.

Privatization Program

There is no ongoing privatization program in Lesotho.

Screening of FDI

The Ministry of Trade and Industry screens foreign investments in a routine, non-discriminatory manner to ensure consistency with national interests. The lack of local entrepreneurs has meant the government is under no pressure to exclude foreign investment to the advantage of local investment, though some foreign companies have reported difficulties in obtaining work permits for expatriate staff. No government approval is required, and there are almost no restrictions on the form or extent of foreign investment, except investment in small-scale retail and services businesses (see above).

Lesotho does not currently have a specific and overarching FDI policy. FDI policy instruments include the Companies Act of 2011 and the Financial Institutions Act of 2012, as well as legislation covering mining, tourism, and manufacturing—particularly the textile industry. The Companies Act and the Financial Institutions Act of 2012 are the principal laws that regulate incoming foreign investment through acquisitions, mergers, takeovers, purchases of securities and other financial contracts and greenfield investments. There is no investment law per se. Instead, a licensing regime and established practice, supplemented by investment treaties, govern conduct towards the entry of foreign investment.

Competition Law

The government has a draft competition bill focused on improving the regulation of investments. Its goal is to “provide the legal basis for undistorted competition and thus contribute to transparency and predictability in domestic markets.” It is uncertain when the bill will be passed into law.

2. Conversion and Transfer Policies

Foreign Exchange

There are no restrictions on converting or transferring funds associated with an investment into a freely usable currency and at a legal market-clearing rate. Subject to foreign exchange control rules, Lesotho’s policy is that foreign investors may access foreign exchange for day-to-day business purposes and can remit capital and profits overseas. Investors may hold foreign currency accounts in local banks. Lesotho has acceded to Article VIII of the IMF charter, which provides for foreign exchange convertibility of current account transactions. For loan repayments, investors must notify the Central Bank of Lesotho (CBL) at the outset of an investment that the capital for that investment is a loan and must disclose the terms of the loan. Lesotho is a member of the Southern African Common Policy on approval of foreign loans.

The CBL has authorized three commercial banks and two private money exchange bureaus in Lesotho to deal in foreign exchange; however, the CBL still retains the power to approve foreign exchange requirements for all capital account transactions including FDI, capital disinvestment, and contracting and servicing offshore debt. The procedures for approving dividend remittances are somewhat bureaucratic, similar to other countries that have foreign exchange control regimes. Copies of audited company accounts are required for final dividend payments; interim dividends require only management accounts. Tax clearance certificates are required for both interim and final dividend payments.

Lesotho’s fiscal and monetary policies operate within the context of its membership of the Common Monetary Area (CMA). The CMA consists of the following SACU countries: Namibia, Swaziland and South Africa. Under the CMA, the national currency, the loti, is pegged at par to the South African rand, which is also accepted as legal tender in Lesotho. As a member of the CMA, Lesotho has free convertibility of transactions with Namibia, South Africa, and Swaziland. Under this regime, Lesotho has effectively surrendered its monetary policy to the South African reserve bank, and therefore cannot engage in currency manipulation. To maintain the rand/loti peg, Lesotho maintains reserves in rand and other foreign currencies. Lesotho’s prudent management of its reserves enables it to offer free foreign exchange convertibility for all current account transactions.

Remittance Policies

According to the CBL, there are no plans to change remittance policies in the near future. The current average delay period for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties, and management fees through normal, legal channels is two days, provided the investor has submitted all the necessary documentation related to the remittance. There has never been a case of blockage of such transfers, and shortages of foreign exchange that could lead to blockage are unlikely given that the CBL maintains net international reserves at a target of six months of import cover.

3. Expropriation and Compensation

The constitution provides that the acquisition of private property by the state can only occur for specified public purposes. Further, the law provides for full and prompt compensation at fair market value. Affected persons may appeal to the High Court as to whether the action is legal and compensation is adequate. The constitution is silent on whether compensation may be paid abroad in the case of a non-resident; such an additional provision would usually be contained in a foreign investment law. The government has no history of discriminating against U.S. or other foreign investments, companies or representatives in expropriation. The only local ownership law is the Trading Enterprises Act (see above).

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Lesotho's independent judicial system is an effective means for enforcing property and contractual rights, and Lesotho has a written and consistently applied commercial law. The judicial system is, however, inefficient – courts are overburdened, and cases can take years to resolve. A Commercial Court was established in 2010 in an effort to improve the country's capacity in resolving commercial cases. Foreign investors have equal treatment before the courts in disputes with national parties or the government. The SADC Protocol on Finance and Investment enables investors to refer a dispute with the State to international arbitration if domestic remedies have been exhausted. Lesotho is a signatory of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and also accepts ad hoc arbitration. Lesotho is a member of the International Center for the Settlement of Investment Disputes, and the Arbitration International Investment Disputes Act of 1974 commits Lesotho to accept binding international arbitration of investment disputes.

The legal system is a mixture of Roman-Dutch and English Common Law. The judicial system consists of the High Court, the Court of Appeal, subordinate courts, and the Judicial Service Commission (JSC). The High Court has unlimited original jurisdiction over civil and criminal matters, as well as appellate jurisdiction from subordinate courts. Subordinate courts, comprising resident magistrate's courts, judicial commissioner's courts, and central and local courts, administer statute laws, while chiefs administer customary and tribal laws. There is no trial by jury. Lesotho has accepted compulsory International Court of Justice jurisdiction with reservations.

Bankruptcy

The Companies Act is the principal commercial and bankruptcy law. According to the law, creditors, equity shareholders, and holders of other financial contracts of a bankrupt company have a right to nominate a person to be liquidator, and if the creditors and the shareholders nominate different persons, the person nominated by the creditors shall be the liquidator. All claims against a bankrupt company shall be proved at a meeting of creditors, equity shareholders, and the court or the liquidator may fix a time or times within which creditors of the company are to prove their claims. If the claim is rejected by the liquidator, the claimant may apply to the court by motion to set aside the rejection. Creditors who will act as witnesses are entitled to witness fees, to be paid out of the funds of the company, as they would be entitled to if they were witnesses in any civil proceedings. Creditors are paid first in a bankruptcy; equity shareholders and holders of other financial contracts then follow. According to the Labor Code, workers have the right to recover pay and benefits from local and foreign firms in bankruptcy before creditors, equity shareholders, and holder of other financial contracts, regardless of the provisions of any other law in Lesotho. Monetary judgments are usually made in the local currency. An amount of a claim based on a debt or liability denominated in a foreign currency shall be converted into Lesotho currency at the rate of exchange on the date of commencement of the liquidation.

The government has little history of investment disputes involving U.S. or other foreign investors or contractors in Lesotho. However, in the past two years, a foreign company managing the government fleet of vehicles had its contract abruptly terminated and a foreign firm with a contract to print identification documents had a contractual dispute with the government. Foreign investors have full and equal recourse to the Lesotho courts for commercial and labor disputes. Courts are regarded as fair and impartial in cases involving foreign investors.

International Arbitration

Lesotho readily accepts binding international arbitration of investment disputes. Lesotho has entered into a number of bilateral investment agreements that provide for international arbitration. For instance, under the Bilateral Investment Treaty with United Kingdom, an investor may take a dispute with the government to international arbitration. Lesotho does not have a bilateral investment treaty with the United States. The government has stated that Lesotho's courts would readily accept and enforce foreign arbitral awards – there have been no such awards to date.

ICSID Convention and New York Convention

Lesotho is a member of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

Duration of Dispute Resolution – Local Courts

Before the establishment of the Commercial Court, commercial cases used to languish for years due to the lack of specialized judges trained to deal with commercial disputes. Today, the Commercial Court has two specialized judges presiding over commercial cases. The Commercial Court has reduced the time to resolve a commercial dispute, and reduced the costs of such litigation. Incidents of government interference in commercial cases have not been reported.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Lesotho has not notified the World Trade Organization (WTO) of any measure inconsistent with Trade Related Investment Measures (TRIMs) requirements.

Investment Incentives

There are no incentives for, and no performance requirements imposed on, foreign investors as a condition of investment. However, there are tax, factory space, and financial incentives available to manufacturing companies establishing themselves in Lesotho, such as: no withholding tax on dividends distributed by manufacturing firms to local or foreign shareholders, unimpeded access to foreign exchange, export finance facility, and long-term loans. These incentives are applied uniformly to both domestic and foreign investors. For more information, see http://www.lndc.org.ls. The incentives are specified in government administrative policies and regulations.

Research and Development

U.S. and other foreign firms are able to participate in government financed and/or subsidized research and development programs on a national treatment basis, although such programs are rare in Lesotho.

Performance Requirements

With the exception of textile companies that export to the United States under the African Growth and Opportunity Act (AGOA), which are bound by SACU regulations to export all their products, there is no requirement that investors purchase from local sources or export a certain percentage of output, or only have access to foreign exchange in relation to their exports. The GOL does not impose "offset" requirements, whereby major procurements are approved only if the foreign supplier invests in manufacturing, research and development or service facilities in the country related to the items being procured. The GOL does not impose conditions on permission to invest, with the exception of land titling, which requires the entity to have at least 20% local ownership.

Requirements for visas and residence permits are neither discriminatory nor excessively onerous. For executive positions, work permits to foreign nationals are generally issued and renewed without significant delay; for technical positions, firms have to provide justification based on local skill shortage. The procedures for obtaining permits are transparent although foreign investors complain about excessive fees charged and long delays in processing. Work permits for the manufacturing sector are issued at the One Stop Business Facilitation Centre (OBFC), while all other sectors need to lodge their applications with the office of the Labor Commissioner. For more information on requirements for visas, residence permits and work permits, please visit: http://www.obfc.org.ls/business/default.php

Data Storage

The GOL does not follow a policy of “forced localization” designed to force foreign investors to increase investment and/or employment in the local economy. The government does not force foreign investors to establish and maintain data storage within Lesotho; however, foreign investors are required to keep records of local sales and employees’ remuneration locally for tax purposes.

6. Protection of Property Rights

Real Property

The right to private property is protected under the law. All foreign and domestic private entities may freely establish, acquire, and dispose of interests in business enterprises. Under the Land Act of 2010, foreign nationals are permitted to buy and hold land provided they have a local partner with at least 20% ownership. Lesotho has no competition law or overall competition regulator. The Industrial Licensing Act 1969, which allowed businesses to apply for protection against competition for up to 10 years, was repealed in 2014.

Secured interests in property, both movable and real, are recognized and enforced under the Land Act 2010. . The concept of a mortgage exists; mortgages are protected under the Deeds Registry Act of 1967. Secured interests, including mortgages, are recorded and filed by the Deeds Registry. Through the support of the Millennium Challenge Corporation, the government of Lesotho significantly improved the process of registering land titles; peaking at 88 under the “Registering Property” index of the World Bank’s Doing Business Report in 2014. However, since then Lesotho’s ranking in registering property has fallen in consecutive years and is now 108.

Intellectual Property Rights

Legal structures to protect intellectual property rights are relatively strong. Investors complain that enforcement is somewhat weak, although infringements and theft are not common. Lesotho respects international intellectual property laws, and is a member of the World Intellectual Property Organization (WIPO) as well as the African Intellectual Property Organization. . Intellectual property protection is regulated by the Industrial Property Order of 1989 and the Copyright Act of 1989, which conform to the standards set out in the Paris Convention and Berne Convention. The law protects patents, industrial designs, trademarks, and grant of copyright, but does not protect trade secrets or semi-conductor chip lay-out design. The Law Office is responsible for enforcement of the Industrial Property Order, while the Ministry of Tourism, Sports and Culture is responsible for enforcement of copyright (reflecting the law’s focus on protection of artistic works). The Deeds Registry carries out registration.

Lesotho is not listed in USTR’s Special 301 Report, nor does it host a Notorious Market.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

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7. Transparency of the Regulatory System

Business regulations in Lesotho are on the whole reasonable, but variable—modern and flexible in some areas and outdated and retrogressive in others—due to the government's piecemeal approach to reform. For example, the regulatory framework for utilities and the financial sector is modern, but mining regulation and the industrial and trading licensing system need improvements. The regulatory environment is generally weak, but it does not hinder competition, nor distort business or investment practices. The legal, regulatory, and accounting systems are transparent and consistent with international norms.

Businesses in Lesotho are regulated by the Companies Act of 2011, which changed the process of registering private and public shareholding companies in Lesotho. The act has made business registration easier by abolishing the requirement for an inspection of the proposed company premises before the company is registered, eliminating the need for a legal representative when registering a business, and providing standard articles of incorporation. The act also envisages electronic company registration, as well as electronic regulatory filing, but the office of the Registrar is not yet set up to facilitate these improvements. In December 2014, Lesotho launched an Online Companies Registry System, which has simplified company registration. . The act also allows foreign companies to register as an external company, and companies must do so with within 10 days of opening a business in Lesotho. The company must nominate a person who is either resident or maintains a full-time office within Lesotho upon whom notices and processes can be served and register the principal place of business of the company in Lesotho.

Every firm intending to engage in business must obtain a trader's license. The issuance of traders' licenses is governed by the Trading Enterprises Order of 1993, as amended in 1996, and the Trading Enterprises Regulations of 1999, as amended in 2011. Trading licenses are required for a wide range of services; some enterprises can require up to four licenses for one location. . Manufacturing licenses are covered by the Industrial Licensing Act of 1969 and the Pioneers Industries Encouragement Act of 1969. For the majority of manufacturing license applications, environmental certificates issued by the National Environmental Secretariat (NES) are sufficient. Where manufacturing activities are assumed to have actual or potential environmental impacts, however, an Environmental Impact Assessment is required, which must be approved by the NES. The introduction of the OBFC improved the industrial and trading license system. The OBFC has also streamlined other bureaucratic procedures, including those for licenses and permits.

The GOL modernized the regulatory framework for utilities through the establishment of the independent Lesotho Telecommunications Authority (LTA), which regulates the telecommunications sector, and the Lesotho Electricity and Water Authority (LEWA), which regulates both the energy and water sectors. The two authorities set the conditions for entry of new competitive operators. Currently the LTA allows Lesotho Telecom to maintain a monopoly for fixed-line and international services, while permitting competition in mobile telephone services. The LEWA allows both the Lesotho Electricity Company and the Water and Sewerage Company to maintain monopolies in their respective sectors.

The Mines and Minerals Act of 2005, the Precious Stones Order (1970), and the Mine Safety Act (1981), provide a regulatory framework for the mining industry. The Commissioner of Mines in the Ministry of Mines, supported by the Mining Board, is authorized to issue mineral rights to both foreigners and local investors. On approval, it takes about a month for both prospecting and mining licenses to be issued.

The CBL regulates financial services under the Financial Institutions Act of 2012. .

Tourism enterprises are required to secure licenses under the Accommodation, Catering and Tourism Enterprise Act of 1997. The Act provides for a Tourism Licensing Board that issues and renews licenses for camp sites, hotels, lodges, restaurants, self-catering establishments, bed and breakfasts, youth hostels, resorts, motels, catering, and guest houses. Applicants for any of the above licenses must apply to the Board three months before its next meeting. A number of government departments, specifically the Ministries of Health and Tourism, the police and, when the property is in Maseru, the Maseru City Council, must inspect properties and submit inspection reports to the Board on prescribed forms. Licenses are granted for one year and can be renewed.

Parliamentary committees may, but are not required to, publish proposed laws and regulations in draft form for public comment. Parliament may also hold public gatherings to explain the contents of the proposed laws, and these provide opportunities for comment on proposed laws and regulations. The committees generally hold such consultations for laws that are perceived to be sensitive, such as the Land Act, the Penal Code and the Children's Welfare and Protection Act.

There are no private sector or government efforts to restrict foreign participation in consortia or organization that set industry standards.

8. Efficient Capital Markets and Portfolio Investment

The regulatory system is not effectively established to encourage and facilitate portfolio investment. The stock of portfolio investment liabilities amounted to $12.6 million at the end of 2009 and comprised mostly bonds. Lesotho's capital market is relatively underdeveloped, with no secondary market for capital market transactions. The GOL issued treasury bonds at the end of 2010 to more broadly develop capital markets in Lesotho. On December, 12th 2014, the Central Bank of Lesotho published the Capital Markets Regulations, which are contained in the Government Gazette No. 76, and will govern operations of the stock exchange. In January 2016 a credit bureau and a securities market were launched, the latest in a long series of incremental steps by the government to further improve access to finance for the private sector. The credit bureau, run by Compuscan, a South African credit bureau, will facilitate the exchange of consumer credit information among credit providers to enable them to make better assessments of risk and promote responsible borrowing and lending practices. The securities market will increase the ability of businesses to raise medium to long-term capital. The trading of government bonds; corporate bonds and company shares is strictly electronic—there is no physical building—and will be initially operated by the Central Bank of Lesotho until the private sector can take over. Although the market was formally launched on January 22, there are not yet any companies listed or securities being traded.

The government accepted the obligations of IMF Article VIII in 1997, and continues to refrain from imposing restrictions on the making of payments and transfers for current international transactions.

Credit is allocated on market terms, and foreign investors are able to get credit on the local market. . However, the banking sector is characterized by conservative lending guidelines, high interest rates, and large collateral requirements. According to the IMF, as a result of structural reforms implemented under the first Millennium Challenge Corporation program, private sector credit is growing. LNDC does not provide credit to foreign investors but can acquire equity in foreign companies investing in strategic economic sectors. The private sector has access to a limited number of credit instruments, such as credit cards, loans, overdrafts, checks, and letters of credit.

Money and Banking System, Hostile Takeovers

Three South African banks account for almost 95% of the country's banking assets, which totaled over M14,814,466 ($911.6 million) in January 2016. According to the CBL, the banking system is sound—commercial banks in Lesotho are well-capitalized, liquid, and compliant with international banking standards. Foreigners are allowed to establish a bank account and may hold foreign currency accounts in local banks; however, they are required to provide a residence permit as a precondition for opening a bank account to comply with the “know your customer” requirements.

Lesotho does not have a competition law; other existing legislation is silent on measures to prevent hostile takeovers.

9. Competition from State-Owned Enterprises

Lesotho privatized most state owned enterprises (SOEs) following the adoption of the Privatization Act of 1995, including telecommunications, banks, and the government vehicle fleet. The government did not privatize the electricity and water utility companies, which enjoy monopolies in their respective sectors. . In 2004, the government established the Lesotho Postbank, which is mandated to provide Basotho greater access to financial services. The government also introduced state-owned buses in the public transportation sector in 2008, with a mandate of providing public transport to underserved areas of the country. The government also has stakes in private companies in utilities and the telecommunications, mining, and manufacturing sectors. There is a significant level of competition within these sectors—SOEs do not play a leading role. There are no laws that seek to ensure a primary or leading role for SOEs in certain sectors/industries. SOEs operate under the same tax law, value added tax rebate policies, regulatory, and policy environment as other private business, including foreign businesses.

Private enterprises are allowed to compete with public enterprises under the same terms and conditions with respect to access to markets, credit and other business operations, such as licenses and supplies. Private enterprises have the same access to financing as SOEs and on the same terms as SOEs, including access to financing commercial banks and government credit guarantee schemes.

OECD Guidelines on Corporate Governance of SOEs

SOEs are subject to hard budget constraints under the law and these provisions are enforced in practice. SOE senior management reports to an independent board of directors; some of the directors may be politically-affiliated. SOEs are required by law to publish an annual report and to submit their accounts to independent audit. SOEs are subject to the same domestic accounting standards and rules as other private investors, and these standards are comparable to international financial reporting standards.

SOEs do not exercise delegated governmental powers. U.S. firms have not reported any commercial activity by government departments or quasi-government institution that has an adverse commercial impact on their operations. There are no reported cases of SOEs being involved in investment disputes. Lesotho's judicial system is fairly independent; court processes are transparent and non-discriminatory.

Sovereign Wealth Funds

There is no sovereign wealth fund or asset management bureau in Lesotho.

10. Responsible Business Conduct

There is a general awareness of responsible business conduct and corporate social responsibility among both producers and consumers. The government maintains and enforces domestic laws with respect to labor and employment rights, consumer protections, and environmental protections. Labor laws and regulations are rarely waived in order to attract investment, and the government does not compromise on environmental laws. Since 2013, the Policy Analysis and Research Institute of Lesotho has monitored mining companies on corporate social responsibility. Additionally, Lesotho's Consumer Protection Association and the Media Institute of Southern Africa (MISA) have developed a comprehensive monitoring program that will assess corporate social responsibility in a variety of economic sectors. They plan to publish their inaugural joint report in 2016.

Foreign and local enterprises tend to follow generally accepted corporate social responsibility (CSR) principles such as those contained in OECD Guidelines for Multinational Enterprises and the United Nations' Guiding Principles on Business and Human Rights, although the government does not actively promote adherence to these principles. Firms who pursue CSR are viewed favorably by society, but CSR does not necessarily provide any advantages in dealing with the government.

11. Political Violence

In August 2014, there were clashes between the army and the police that left one police officer dead. The then Prime Minister, a number of Cabinet members and some police officers crossed the border into South Africa. Following the clashes, the Southern African Development Community provided police support and facilitated a process that led to a snap election on February 28, 2015. The elections were peaceful and were widely regarded as free and fair, and a new seven-party coalition government emerged. Since the elections more than 50 soldiers were detained in connection with an alleged mutiny and appear to have been tortured, and on June 25, 2015 a former army commander was killed by soldiers under controversial circumstances leading to a Southern African Development Community investigation, which found serious problems in the military.

Businesses and foreign investors are generally not targets of political violence.

12. Corruption

Lesotho has laws, regulations, and penalties to combat corruption of public officials. Parliament passed anti-corruption legislation in 1999 that provides criminal penalties for official corruption. The Directorate on Corruption and Economic Offenses (DCEO) is the primary anticorruption organ and investigates corruption complaints against public sector officials. . The Amendment of Prevention of Corruption and Economic Offences Act of 2006 enacted the first financial disclosure laws for public officials. The disclosure form to be used has been developed but has not yet been implemented. On February 5, 2016, the government issued regulations to initiate implementation of the financial disclosure laws for public officials. The law may also be applied to private citizens if deemed necessary by the DCEO. The law prohibits direct or indirect bribery of public officials, including payments to family members of officials and political parties. While the government made significant efforts to implement the law, some officials have engaged in corrupt practices with impunity.

In 2013, the DCEO indicted both a sitting minister and a former minister for separate incidents of corruption; their cases have not yet had a final resolution. In an effort to prevent corruption and economic offences, the DCEO encourages companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials. Most companies have effective internal controls, ethics, and programs to detect and prevent bribery.

No U.S. firms have identified corruption as an obstacle to foreign direct investment in Lesotho. Giving or accepting a bribe is a criminal act under the Prevention of Corruption and Economic Offences Act of 2006, the penalty for which is a minimum of 10,000 maloti ($667) or 10 years imprisonment. Local companies cannot deduct a bribe to a foreign official from taxes. Corruption is mostly pervasive in government procurement; however, it is mostly low level corruption committed by lower ranking public officials.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Lesotho acceded to the UN Anticorruption Convention in 2005, but it is not yet a signatory to the OECD Convention on Combating Bribery. Lesotho acceded to the African Union Convention on Preventing and Combating Corruption in 2003. Lesotho is also a member of the African Peer Review Mechanism (APRM), and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Resources to Report Corruption

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13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Lesotho does not have a bilateral investment treaty or a free trade agreement with an investment chapter with the U.S. Lesotho does have bilateral investment protection agreements with the United Kingdom (1981) and Germany (1985). In 2004, Lesotho signed a bilateral investment agreement with Switzerland; the agreement has not yet been ratified. The three agreements are posted in full on the UNCTAD website. Lesotho signed an interim Economic Partnership Agreement (EPA) with the European Union in 2009. Negotiations for a full EPA have been completed, and a formal signing is expected in June 2016. In 2008, SACU member states and the United States signed a Trade, Investment, and Development Cooperative Agreement (TIDCA).

Lesotho does not have a bilateral taxation treaty with the United States. There are no taxation issues of concern to U.S. investors.

16. Foreign Trade Zones/Free Ports/Trade Facilitation

Lesotho does not have any free or foreign trade zones. The labor intensive textile manufacturing companies that export beyond the SACU market, however, to enjoy the benefits of free trade zones since they can import raw materials then export finished products duty and tax free. The LNDC maintains five industrial areas with direct road links to attract foreign investors. These areas are mainly occupied by foreign manufacturing firms which enjoy the same investment opportunities as local entities. Construction of a sixth industrial area will begin this financial year at the Belo Industrial Estate in Botha Bothe District.

17. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	$2,218	2014	$2,181	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD
Foreign Direct Investment	**Host Country Statistical source**		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2010	$18.4	2012	$5.0	n/a
Host country's FDI in the United States ($M USD, stock positions)	2010	n/a	2012	n/a	n/a

Total inbound stock of FDI as % host GDP	2010	66%	2010	8%	n/a

Table 3: Sources and Destination of FDI

Not available

Table 4: Sources of Portfolio Investment

Not available

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

mixed legal system of English common law and Roman-Dutch law; judicial review of legislative acts in High Court and Court of Appeal

International organization participation:

ACP, AfDB, AU, C, CD, FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, Interpol, IOC, IOM, IPU, ISO (correspondent), ITU, MIGA, NAM, OPCW, SACU, SADC, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

For more information - http://www.gov.ls/

Treaty and non-treaty withholding tax rates

For more information - http://www.gov.ls/

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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