

# Unlocking the Power of Regional Trade for Climate Action: Opportunities and Strategies for Lesotho in AfCFTA and SADC

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## 1. Introduction




Lesotho is a small, landlocked developing country in Southern Africa, and it faces significant challenges, from droughts and increased temperatures to changing agricultural patterns and ineffective international trading. As part of its strategy to address these challenges, it must explore the intersection of trade and climate action. Regional frameworks, particularly the Southern African Development Community (SADC) and the African Continental Free Trade Area (AfCFTA), offer avenues to integrate climate action resilience into economic policies and unlock new opportunities for sustainable development.

This policy brief examines how Lesotho can leverage regional trade agreements, specifically the Southern African Development Community (SADC) and the African Continental Free Trade Area (AfCFTA), to advance climate action. It highlights opportunities within these frameworks and outlines strategies for aligning trade policies with climate goals to drive sustainable development.

## 2. Climate Vulnerabilities in Lesotho and the need for Action

Lesotho's economy is highly dependent on sectors like agriculture and energy, which are extremely vulnerable to the effects of climate change. Prolonged droughts since 2015 to be specific, extreme weather events such as hailstorms and land degradation have worsened food insecurity and compromised water resources management. The country needs to integrate climate change mitigation and adaptation strategies into its economic planning particularly through mentioned regional trade policies.

### Key Challenges:

-  **Agricultural dependency:** Lesotho's reliance on rain-fed agriculture increases its vulnerability to climate variability.
-  **Energy Needs:** Muela Hydropower, which supplies a significant portion of the country's electricity, is sometime affected by changing heavy rainfall patterns. However, the country is in the process of developing and constructing Ramarothole Energy Plant in Mafeteng which is also going to address energy issues.
-  **Limited Infrastructure:** The lack of climate-related infrastructure such as weather and climate stations and servers impede adaptation efforts. Additionally, internet infrastructure is still a challenge to address information dissemination on climate adaptation and other climate related issues.

### Recommendations

Lesotho can position itself to take advantage of AfCFTA and SADC's trade opportunities by aligning its national bills, frameworks, strategies and policies with regional climate and trade goals and sustainable development goals (SDGs).

## 3. AfCFTA: Opportunities for green growth

AfCFTA is the largest free trade area by number of countries in Africa including Lesotho, offering an expansive market for Lesotho's goods and services. Integrating climate considerations into this framework can lead Lesotho to green growth where trade is aligned with climate goals.

### Market Expansion for Green Goods

AfCFTA also provide Lesotho with access to over 1 billion consumers since she has access to all African countries. This could help Lesotho export climate resilient products, such as drought-resilient

crops and renewable energy solutions, to large African markets. Such exports can diversify Lesotho's economy while enhancing its resilience to climate risks.

### Technology Transfer

Regional trade through AfCFTA can facilitate the exchange of low carbon technologies and green innovations such as new technologies that use Artificial Intelligence and machine learning models, enabling Lesotho to adopt new technologies that promote sustainability and reduce emissions. Lesotho can develop and produce more relevant human capital tech for sustainable development and attainment of the trade mainstreaming policies and implementation.

### Investment in Green Sectors

The free trade area encourages foreign direct investment (FDI) in green industries such as renewable energy, sustainable agriculture and eco-friendly manufacturing. These sectors can drive job creation while supporting climate mitigation.

However, Lesotho's limited production capacity in green goods. Also, infrastructure gaps in Lesotho hinder access to regional markets, reducing the potential for exporting green products.

## 4. SADC: Regional Cooperation for Climate Action

SADC is a pivotal in cording regional climate initiatives offering Lesotho the chance to collaborate on shared projects and policies aimed at improving climate resilience.

### Collaborative climate projects and initiatives

SADC promotes joint climate adaptation and mitigation projects such as renewable energy grids, climate smart agriculture and developing SADC Seasonal Forecasting. Lesotho can participate in such projects to enhance its climate resilience while benefiting from economic of scale.

### Shared Resources for Renewable Energy

SADC focuses on regional integration and includes the development of cross-border energy projects like hydropower, solar and wind energy systems. Therefore, by aligning with these projects, Lesotho can enhance energy security while reducing its carbon footprint. Given Lesotho's environment and topology, she can benefit from these projects and develop more projects and export energy produced.

### Climate Smart Agriculture

Through SADC, Lesotho can produce food security by adopting and exporting climate smart agricultural practices which increase crop yields while minimizing environmental impacts. Access to regional expertise and technologies can drive this transformation.

### Key Challenges

There is policy misalignment between national and regional climate strategies and disparities in climate action capacity among member states which hinder collective action.

## 5. Aligning Trade and Climate Policies: Strategic Priorities for Lesotho

For Lesotho to unlock the potential of regional trade for climate action, a key priority is aligning its trade policies with climate objectives.

Strategy Recommendations:

## Policy Integration

Lesotho must integrate climate goals into its trade policies and vice versa, ensuring that all sectors such as agriculture, energy and manufacturing adhere to sustainability standards and principles. This integration can help Lesotho meet its international climate commitments under the Paris Agreement while boosting its trade potential.

## Strengthening Legal Framework

Effective legal frameworks are essential for promoting green trade. Lesotho should adopt laws that facilitate the development, export and import of climate-smart technologies and products, ensuring environmental sustainability in trade agreements.

## Capacity Building

Lesotho's success in aligning trade with climate action will depend on building local capacity. Training and skills development in climate-smart trade practices are critical. Regional partnerships, such as with SADC, can provide the technical assistance needed to enhance this capacity.

## 6. Role of the Private Sector in achieving regional integration

Engaging the private sector is crucial for advancing green trade and innovation. Lesotho's private sector can play a leading role in:

### Investment in Sustainable Industries

Lesotho private sector can invest in renewable energy, sustainable agriculture, and green technologies. These investments not only support Lesotho's climate goals but also stimulate economic growth by creating new markets and job opportunities.

### Public-Private Partnerships

By fostering and strengthening public private partnerships (PPPs), Lesotho can encourage collaboration between government and businesses in areas such as green infrastructure, renewable energy projects, agriculture projects and technology transfer.

### Fostering Green Entrepreneurship

Entrepreneurs are key drivers of research and innovation. Supporting green entrepreneurship through incubation programs, sustainable funding and mentorship can foster the development of climate-smart solutions.

However, there is limited access to climate finance for private businesses that needs to be addressed as soon as possible. Additionally, there is a weak engagement of the private sector in public policy discussions. There is also a need to strengthen and transform the National Climate Change Committee into Lesotho Climate Change Commission which will directly work on these issues directly.

## 7. Overcoming Infrastructure and Resource Mobilization Challenges

### Infrastructure Development

To fully benefit from AfCFTA and SADC's opportunities, Lesotho needs to invest in research and development, and climate-resilience infrastructure. This includes renewable energy systems, low-carbon transportation such as telemedicine the use of drone and efficient logistics systems and chatbots that facilitate green trade.

## Resource Mobilization

Securing adequate funding for climate action is a persistent challenge. Lesotho can tap into climate finance mechanisms such as the Green Climate Fund (GCF) and seek international support to finance climate-smart infrastructure and trade projects.

## Fostering Innovation and Entrepreneurship

Innovation is key to advancing green trade. Lesotho can:

### Support Incubation Programs

Incubation programs for green entrepreneurs offer access to mentorship, funding and resources that help develop climate-smart solutions. These programmes can foster research and innovation in sectors like renewable energy, water management and sustainable agriculture.

### Incentivize Green Innovation

Lesotho should provide research and innovation grants for climate-related businesses that can incentivize the development of cutting-edge solutions that address climate challenges while promoting sustainability.

### Encourage Networking and Collaboration

Lesotho can foster and strengthen collaboration between green entrepreneurs and investors, research institutions and regional stakeholders to drive knowledge sharing and innovation.

## 8. Conclusion and recommendations

Unlocking the potential of regional trade for climate action presents a strategic pathway for Lesotho to address its climate vulnerabilities while promoting sustainable development. Through strategic engagement with AfCFTA and SADC, Lesotho can enhance its economic growth and resilience to climate change.

- Align national trade policies with regional climate goals.
- Strengthen legal frameworks that support green trade.
- Invest in climate-resilient infrastructure and secure funding through international climate finance mechanisms.
- Engage the private sector in climate-related trade initiatives, particularly through public-private partnerships.
- Foster innovation by supporting green entrepreneurs and providing incentives for climate-smart solutions.

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