

**EXPLORING THE SUB-NATIONAL SPATIAL AND ECONOMIC DEVELOPMENT  
IMPACTS OF THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA) IN  
LESOTHO**

**by**

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of Town and Regional Planning in the Faculty of Engineering, Built  
Environment and Information Technology, University of Pretoria, Pretoria**

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## DECLARATION OF ORIGINALITY

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I **KELEBONE LEKUNYA** have obtained, for the research described in this work, the applicable research ethics approval.

I further declare that I have observed the ethical standards required in terms of the University of Pretoria's Code of ethics for researchers and the Policy guidelines for responsible research.

## SUMMARY

### EXPLORING THE SUB-NATIONAL SPATIAL AND ECONOMIC DEVELOPMENT IMPACTS OF THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA) IN LESOTHO

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Rapid and sustainable economic growth and progressive social and spatial development through industrial development, has been a persistent challenge for the Sub-Saharan Africa (SSA). A commonly held “solution” to this challenge has been to provide access of manufactured goods from the SSA-region to the dynamic markets of the affluent North. This perceived wisdom led to the passing of the African Growth and Opportunity Act (AGOA) in 2000 by the 200<sup>th</sup> Congress of the United States of America. In this exploratory study, the experience of Lesotho with AGOA, with specific reference to the economic and spatial development outcomes of the Act in the country, is explored. The findings of the study reveal that the larger settlements where the AGOA-factories are located have shown little improvement, neither from an economic, nor from a spatial perspective. The same applied to villages to which AGOA factory workers sent their remittances. This was due to the meagreness of the remittances – a function of the low wages paid in the factories and the resulting limited disposable income to support small-scale businesses in these villages. While AGOA *did* result in the creation of tens of thousands of job opportunities for unskilled and semi-skilled Basotho youth, it did not provide them with portable skills for use after leaving the factory floor. AGOA was also not found to have motivated the youth or local entrepreneurs to tap into the manufacturing sector. On the *spatial development* side, a number of landlords in the larger settlements subdivided their land and built residential rental units for the factory workers. Some landlords also sold their land illegally and informally, resulting in haphazard land development. The research findings suggest that, while “trade and development boosting tools”, like AGOA, may be useful in providing term-based job opportunities for unskilled workforce, they will most likely not have as significant a positive impact on (1) the local economy, (2) the creation of an indigenous industrial class, or (3) the building of sustainable human settlements. Other supporting instruments, in addition to tools such as AGOA, will need to be developed locally, to achieve these goals. In addition to the research findings providing an insight into the experience of Lesotho with AGOA, they should also be of assistance to scholars and policy-makers working on the development of trade-driven tools in support of struggling regions.

**KEYWORDS:** spatial development; economic development; industrial development; AGOA; development planning; co-production; Sub Saharan Africa; Lesotho; Maputsoe; Maseru; Mafeteng; Mohale's Hoek.

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## **LIST OF ABBREVIATIONS**

AGOA	African Growth and Opportunity Act
ALAF	Apparel Lesotho Alliance to Fight AIDS
BOS	Bureau of Statistics
CMT	Cut, Make and Trim
FDI	Foreign Direct Investment
FOB	Free On Board
GDP	Gross Domestic Product
LNDC	Lesotho National Development Corporation
PTA	Preferential Trade Agreements/Arrangements
SA	South Africa
SADC	Southern African Development Community
SSA	Sub Saharan Africa
USA	United States of America

# 1 INTRODUCTION

## 1.1 Background and rationale

Rapid and sustainable economic growth and progressive social and spatial development through industrial development, has been a persistent challenge for the Sub-Saharan Africa (SSA). The United States of America (US) Congress enacted the African Growth and Opportunity Act (AGOA) to specifically address this challenge. The main objectives of AGOA are to: (1) facilitate trade and development between the US and the SSA duty free and quota free, (2) ensure poverty reduction, and (3) help the SSA with integration in the global economy (US Congress, 2000; Zappile, 2011). These objectives are to be realised through the exportation of certain designated goods to the US markets from the SSA without having to pay for duties and not being restricted in terms of quantities (duty free and quota free).

AGOA has now run for fifteen years and there is both talk of (1) ending it and (2) extending it beyond 2015 when its due to expire (Schneidman, 2013; Daily Monitor, 2013; IRIN, 2012). At the same time, there are suggestions of deploying similar Acts in other parts of the world (Williams, 2014). A key driver in the views on the future of the Act (for and against) and for deploying similar such legislation elsewhere, is a series of perceptions on the value and contribution of the Act.

Over the past fifteen years, there has been an outward flow of exports from the SSA to the US markets. This has significantly increased the amount of trade between the US and the SSA. The rapid establishment of the firms and the factories in the SSA has led to thousands and thousands of jobs in the region. But it is not clear if the rapid establishment of firms turn into a long term industrial and manufacturing economy in the region. Would the SSA countries hold onto their reputation of mass production of goods and services for the foreign and domestic markets even after AGOA's expiration? Are the jobs established as a result of this mass industrialisation going to be retained beyond AGOA's expiration? Generally, have the SSA region and the individual countries put adequate measures in place to continue to exploit the US and other foreign markets following the non-renewal of AGOA? The answers to these questions would help us understand how far this preferential trade arrangement and agreement has gone in building capable states and the capable SSA region in sustaining itself through the lessons learnt from AGOA without having to rely on the USA.

The table below shows the trade flow information from the SSA region to the US and the trade flow information for Lesotho since AGOA was enacted.

**Table 1: Aggregate exports by the SSA (and Lesotho specifically) to the US (AGOA and non-AGOA goods) from 2000 to 2014 (in \$ million)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>SSA</b>	21,561	20,142	17,124	23,918	33,901	47,673	56,554	64,569	81,917	44,156	61,402	72,194	47,634	38,209	25,464
<b>Lesotho</b>	140	217	321	393	467	403	408	443	374	304	299	384	311	351	361

**Source: USITC/Department of Commerce**

Table 1 shows the aggregate exports (AGOA and non-AGOA) from the SSA to the US markets. It also shows the trade flow or exports by Lesotho to the US for the period 2000 to 2014. This table shows that the aggregate exports from the SSA to the US increased rapidly after AGOA was enacted in 2000 during the said period, though it decreased after 2011. For Lesotho, exports increased during the said period and decreased after 2008 and increased again after 2011. This might have been due to the uncertainties about AGOA's third country provision expiration after 2008 which led the producers to close shops.

**Table 2: AGOA exports (total and apparel and accessories sector) (in \$ million)**

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Total</b>		7,487	8,286	13,003	21,645	32,469	35,903	41,832	56,031	27,805	38,533	52,078	32,538	24,854	11,154
<b>Apparels</b>		264	724	1,011	1,301	1,146	1,027	986	860	704	727	855	815	908	910

**Source: USITC/Department of Commerce**

Table 2 shows the total AGOA exports and the amount of apparel proportion during the period 2001 to 2014. This table shows the same trends as those in Table 1. The apparel sector is showing the same trade patterns as the aggregate exports and the AGOA exports to the US depict. What is of great interest though is that the proportion of the apparel sector to the total AGOA exports keeps on fluctuating. Generally, the two tables show that AGOA contributed immensely to the increment of the trade flows from the SSA to the US during the period 2000 to 2014. Nonetheless, it is still unclear whether the increased volumes in trade flows impacted on the general economy of the region in a sustainable way, i.e. in the long run, will these increased volumes continue to rise regardless of AGOA expiry?

AGOA is a typical example of how international trade could be used to assert the political power of strong and rich nations over the poor ones. It is akin to having

powerful nations twisting the arms of poor nations to do their bidding in return for market access of poor nations' goods into those affluent nations' markets. Although this study investigates the impacts of AGOA on the ground, where production takes place, on the face of it, power scales are visibly exposed and always tilt in favour of the affluent partner, the USA.

Lesotho became AGOA eligible in April 2001. It exports designated goods in the form of textiles and apparels. There has been growing establishment of firms and factories in Lesotho due to the motivation emanating from the exportation of these products to the US. Key questions that are being asked are:

- Has AGOA contributed to creating and establishing an industrial economy in Lesotho?
- What has it done in terms of (1) creating and establishing a manufacturing economy and culture in the country, (2) putting in place of enabling platforms for industrial development in towns and villages in the country through infrastructure development and development of land, and (3) assisting people, especially the youth in the country to start up new and expand existing industries?

There is no study which has looked at the impacts of AGOA on the sub-national spatial and economic development of towns and villages where factories are located, nor at the sub-national (local and regional) economies of these towns and villages, nor the entrepreneurial impacts of the Act in the settlements in which it is in operation. This study was important to undertake based on two reasons; (1) because Lesotho is regarded as one of the largest textile exporters to the US under AGOA (Condon and Stern, 2010; Lall, 2005; Manoeli, 2012) and hence presents an ideal opportunity to explore whether AGOA has had meaningful outcomes for the intended beneficiaries, and most importantly, (2) to generate a better understanding of what contributions to the field of development planning (spatial, economic and infrastructural) do the preferential trade agreements (PTAs) like AGOA have in the SSA and internationally. It is envisaged that the study will make an original theoretical contribution to the body of knowledge related to development planning in Lesotho with a particular emphasis on industrial development. Lesotho presents a very good 'study opportunity' to enhance our understanding of the kind of benefits/contributions that regional development instruments like AGOA can make in the SSA and further afield. The specific contributions of the study to the literature are

that the study makes an original theoretical contribution to the body of knowledge related to development planning with regards to data on the impacts of tools such as AGOA at the sub-national level and that it will be of assistance to scholars and policy-makers working on the conceptualisation and development of trade-driven tools in support of struggling regions.

Development, whether through international trade or in any means, should be aimed at long term improvement on the lives of the ordinary people on the ground. Development programmes and initiatives like AGOA should always be seen to be strategic, i.e. they should be inclusive, focused on the long term future and anticipated to have maximum impact beyond their life span. When planning for these programmes and initiatives, planners should look at their impacts in whole not piecemeal. They should be looked upon both physically, politically, economically, socially, environmentally and institutionally. While it is important to look at AGOA economically, it is also vital to look at its outcomes where the factories are located. This is done to reveal whether in planning for its execution to the countries' economies, whether due regard was paid to its impacts on the spatial scale and what lessons could be learned from its implementation.

## **1.2 Research aim and objectives**

The research aim of this study is to investigate whether AGOA has contributed to the establishment and creation of an industrial economy in Lesotho, what it has done in terms of (1) establishing and creating a manufacturing economy and culture in the country, (2) putting in place of enabling platforms for industrial development in towns and villages in the country through infrastructure development and development of land, and (3) assisting people, especially the youth and business people to start up new and expand existing industries.

The specific objectives were:

- To explore the impacts of AGOA on the (1) sub-national spatial development and (2) sub-national state of infrastructure provision, maintenance and upgrading of the areas where the factories are located;
- To explore how the factories have contributed to the sub-national economic development in towns and villages of Lesotho through local and regional value chains;

- To determine if AGOA inspires (and has inspired) and led the Basotho business people to invest in the production of AGOA-eligible products and other associated economic opportunities; and
- To establish whether AGOA motivates (and has motivated) and led the Basotho youth to start up new and expanded their own companies to produce for the US market, the local economy and/or the wider regional economy.

### **1.3 Outline of the remainder of the dissertation**

Following this introduction (chapter 1), an overview of the relevant literature is provided in chapter 2. This is followed by a detailed discussion of the design and methods employed in this study (chapter 3). Chapter 4, which is the main component to this study, outlines the narrative realities of the spatial and economic development impacts of the African Growth and Opportunity Act (AGOA) in Lesotho during the period 2001 to 2014. The last chapter (chapter 5) presents a concise summary and some concluding remarks on the theoretical contribution of this study with reference to development planning.



## **2 LITERATURE REVIEW**

### **2.1 Introduction**

This section aims to discuss the available literature pertaining to preferential trade agreements generally and the outcomes and the impacts of AGOA in particular in the SSA. It looks at the studies that have explored the benefits of AGOA pertaining to spatial development, economic development, inspiration to the local business people and its motivation to the local youth to start their own businesses. Its impacts on the infrastructural and land use development will also be interrogated. The section is divided into three main sub-sections including this introduction. The next sub section offers a discussion of these issues (impacts of AGOA). The last section summarises the entire section. It further shows that the available literature has information gaps with regards to the sub-national economic and spatial development impacts of AGOA which need to be filled through this study.

### **2.2 Overview of the preferential trade agreements**

In today's globalised world, it is difficult if not impossible to conduct trade among nations due to tough competition and global standards which poor countries seldom prevail against. It is against this realisation that nations sign mutual trade agreements called preferential trade agreements (PTAs). For small and usually least developed countries, to survive globalisation and stiff trade competition, PTAs are necessary. PTAs are instruments of trade between nations whereby arrangements are made by the concerned nations for them to engage in trade relations on the basis of mutual understanding and benefits (Mansfield, 1994). They are negotiated in the spirit of opening or liberalising the markets and allowing certain products to be both imported and exported without quantity restrictions and with minimal or no tariffs. Nations wishing to enter into PTAs engage each other in respectful and mutually beneficial ways. They agree on a set of rules and commit to such agreements. They also establish mechanisms by which conflicts arising out of the misunderstood terms of trade can be resolved. There are different forms of PTAs. There are trade agreements between two countries, those between regions and those between single affluent countries with a group of other countries. While they are usually lauded for their positive outcomes like liberalising trade and markets, they are sometimes misused by powerful nations to cater for their needs and interests only. In liberalising trade and markets, they give market access to poor countries into the markets of powerful and advanced nations on which they would not be able to access without

preferential conditions. Goods from less developed nations become able to penetrate into the markets of economically advanced nations without facing strong competition from other more privileged nations than themselves.

While PTAs are believed to be to the mutual benefit of all stakeholders involved, powerful nations usually have the upper hand in determining their conditions and requirements. They usually allow products from their partner nations to enter their borders on the basis of opening their markets to the powerful nations' unwanted goods which are dumped to the consumers of those less privileged countries. Poor nations accede to these regulations in order not to compete with more powerful competitors elsewhere and settle for tyrannical conditions which not only expose their products to unfair and destroying competition but have devastating results to their economies. The poor nations also expose their workers to most unbearable working conditions coupled with low salaries in the name of job creation and from the multinational companies which relocate from the partner rich nations where they experience high wage bills to the poor nations in order to settle in the low wage and vulnerable zones. Sometimes product standards set for the terms of trade between PTA partners are detrimental to the producers of the poor countries. The poor countries' producers seldom afford to abide by these standards and end up not being able to export their less quality products to the partner rich countries. This happens whilst the producers of the rich countries continue to export their products to the poor countries thereby leading to unfair trade relations. This leads to unfair market access between the rich and the poor countries which in itself establish unequal power scales tilting in favour of the rich countries.

PTAs are credited with creating a manufacturing economy and industrial base in both partnering countries (Ravenhill and Jiang, 2009). Due to the secured products' markets in both parties to the PTAs, production increases significantly in order to export the agreed upon products. This increases productivity also for the associated industries to the core goods exported abroad. It then results into upward, downward and sideway linkages and value chains associated with increasing production of designated goods. The producers of the raw materials increase their raw material production, jobs are created in the process and local people are employed in the factories of both designated goods and associated industries. Infrastructure associated with the manufacturing sector is rapidly provided and this also has its own

trickle down effects on the economy. People, especially those from not so well resource endowed places of the country migrate and locate closer to where production takes place. Skills are also transferred from the expatriates to the locals associated with the factories. In the end, there is creation of the indigenous capitalist class which then takes manufacturing forward even beyond the expiry of the PTA. In general, the effects of the PTAs to the economy of the countries involved cannot be over emphasised. Due to rapid production, exportation of designated goods and windfall incoming revenues like corporate taxes, the economy grows and expands the governments' capacity to provide more public services while it also increases the role played by the private sector in growing the economy.

PTAs are also instruments which are used by the developed nations to assist in boosting economic growth to the economies of the least developed countries (Matthews, 1985). A typical example here is the Cotonou Agreement, which was formerly known as the Lomé Convention between the European Union (EU) and the African, Caribbean and the Pacific (ACP) countries. Under this agreement, the EU countries buy designated products from the ACP countries at prices which are usually higher than common prices for the same products elsewhere. The EU also substantially invests in the production of these designated goods in their home countries to ensure their continual availability in the EU (Matthews, 1985; Panagariya, 2002). This makes production sustainable and assist in the protection of jobs which are created as the result of the sustained production. While this is positive for economic growth because of continual production and exportation of goods from the ACP to the EU, it creates a dependency syndrome in that the ACP has thus far not been able to be independent of penetrating the global trading economy without substantial assistance from the developed world.

Proliferation of the PTAs by the developed world with the developing world has assisted the latter in increasing and maintaining economic policy stability recently. Developing countries seldom renege on their PTA commitments for fear of being side-lined in the global trading system to the detriment of their citizens and their economies (Büthe and Milner, 2008). They also become able to reform their otherwise controversial economic policies easily in order to protect foreign interests, boost foreign investor confidence and therefore attract foreign direct investment (FDI) (Baccini and Urpelainen, 2015). While this may sometimes be interpreted as foreign interferences in domestic affairs, it is also viewed as good measures to hold

developing countries accountable in order to be conducive environments for the prosperity of their citizens (Hafner-Burton, 2005). When the rulers think of losing lucrative FDI and employment opportunities for their mostly unskilled labour, they quickly toe the line and stick to their PTA commitments. The Kingdoms of Lesotho and Swaziland are best examples in this regard. The Kingdom of Swaziland was an AGOA beneficiary until 2013 when its eligibility was cancelled. It had earlier committed itself to the basic rules of AGOA including good governance, rule of law and allowance of organised labour movements and worker rights in the AGOA related factories. After sometime, the Kingdom reneged on its earlier assurances and commitments and cracked down on labour unions and further stifled freedom of association among the factory workers. That gave rise to the wrath of the US which unilaterally cancelled Swaziland AGOA eligibility and in the process tens of thousands of Swazi factory workers lost their jobs. (Office of the United States Trade Representative, 2015; Sy and Lewis, 2014). The Kingdom of Lesotho has also been under spotlight after what many observers, especially the US, saw as an attempted coup on constitutionally elected government. In late August 2014, the Lesotho military engaged in an offensive that targeted the ruling coalition leaders and some police stations in the capital Maseru (Findlay, 2014). The then Prime Minister fled the country only to return later under heavy South African police guard (Smith, 2014). The US demanded accountability from the subsequent government to no avail. It then threatened not to renew the country's AGOA eligibility if the rule of law was not upheld and observed by Lesotho's new rulers. After much deliberations and public spats from both sides, the government of Lesotho promised that it was looking at amicable ways of relieving the army commander of his duties in the interests of the country (Mosisili, 2016:29-30). These two examples indicate that PTA commitments can be enforced through force which has potential benefits to the economies and citizens of the developing country if acted upon decisively. The Swaziland case shows the arrogance of sovereignty mantra by that country ruler who could not compromise their independence by allowing the country's labour unions to be free from interference by the government thereby contributing to unemployment of the citizens when AGOA factories were closed down. The Lesotho case shows how constructive even if autocratic measures can be used in the protection of the rule of law and livelihoods of the marginalised factory workers of the country.

Examples of some common PTAs are the North American Free Trade Area (NAFTA) between the United States of America and Canada, the Trans-Pacific Partnership

amongst the Pacific Rim countries, the Trans-Atlantic Trade Partnership between the United States and the European Union, the European Union-African, Caribbean and Pacific (ACP) Countries trade pact and the African Growth and Opportunity Act (AGOA). The effects of these PTAs on the ground where production takes place is seldom investigated by academics and policy makers. What is usually of concern is the economic value these agreements generate for the countries involved. Of the examples given above, AGOA will be explored more in the subsequent paragraphs. It is an arrangement between the United States of America (USA) and the Sub Saharan Africa (SSA) spearheaded by the USA and gives preferential market access of the SSA designated products to the affluent USA without tariffs and with no quantity restrictions. While acknowledging that trade has significantly increased between the USA and the SSA because of AGOA (as will be witnessed in the discussions below), it is interesting to observe that the USA holds more power to determine any condition of trade with any nation in the SSA bloc. In 2015, there was a trade tussle between the Republic of South Africa and the USA in relation to certain chicken, beef and pork products from the latter. South African producers of the same products wanted their products to be protected from what they perceived as unfair competition from the USA companies. The USA responded by threatening to cut off South Africa from AGOA eligibility if South Africa could not relent into allowing those USA products into its borders. In the end the USA prevailed against South Africa and dumped its chicken, beef and pork products rejected by its citizens into the South African market while South Africa retained its AGOA eligibility status (Ismail, 2016).

### **2.3 The outcomes or impacts of AGOA in the SSA**

Since the inception of AGOA in 2000, several authors have written about its outcomes. These authors differ in a number of ways as to how the Act has impacted on the SSA. By its nature, AGOA can be classified under the preferential trade agreements and arrangements (PTAs) (Karingi, Páez and Degefa, 2012: 1). Generally these are described as the mechanisms or arrangements to remove certain or all barriers to trade effectively with each other. AGOA is such an arrangement for the US and the SSA. Though it has been generally hailed by the US and SSA government officials as a very effective tool of trade and development, there are mixed feelings about it, Lenaghan (2006) for instance argues that its enactment has been beneficial only to the US and not the SSA. This is attributed to the fact that Africa has no say in determining the eligibility and termination of the membership of a country. The eligibility factors that are considered are determined

exclusively by the US. It has the upper hand in choosing which countries to trade with under AGOA. In doing so, the US chooses such countries as are favourable to its interests (Lenaghan, 2006).

According to Davis (2011), Mushita (2001) and McCormick (2006) AGOA is more unilateral, unidirectional and dictatorial. The superpower status of the US is imposed on the SSA through the president of the US unilateral declarations of the beneficiary status and withdrawal thereof (Davis, 2011, Mushita, 2001 and McCormick, 2006). It is an undemocratic mechanism which gives the US an upper hand in all decisions related to it. The SSA country concerned is never treated as an equal partner but as a subordinate to the US. It poses a form of interference on the SSA internal affairs. It differs substantially from the Chinese development agenda, which usually comes without attached conditions (i.e. a 'no strings attached approach'), say of a country being focused on a good track record of human rights or free market economy (Brooks and Shin, 2006). Hafner-Burton (2005) argues that AGOA is a good mechanism and is more effective in ending the culture of gross violation of human rights in the recipient countries. This forces the prospective eligible countries to set for themselves a good track record of respecting their citizens' human rights before being members of trade agreements and arrangements. While this does not assist a country in not being an inferior partner with the US, it encourages citizens to be active in the production of goods and services for export to the US and other markets thereby play an active role in the economy. The absence of fear and censorship encourages citizens to become responsible for the economic improvement of their economies.

AGOA has led to the massive industrialisation of the SSA and the redeeming and improvement of its manufacturing sector (Rantaoleng, 2014). For a long time, the SSA has depended on the primary sector to create jobs and living opportunities for her citizens. This has rapidly changed under AGOA where the manufacturing sector (especially in the textile factories) has grown and provided jobs for the citizens. Although some SSA countries rely more on oil and minerals for exportation to the US under AGOA (oil and minerals are usually primary sector based because processing is done outside the SSA), the manufacturing sector has grown together with the SSA economy. The textile factories are mostly labour intensive and require unskilled to semi-skilled personnel which are found mostly in the SSA. These labourers are enabled to increase their purchasing power through wages and salaries and thereby contributing to the economic development of their countries. This notion is however

critiqued on the basis that these wages and salaries are usually below living wage status and therefore useless. It can further be argued that they only keep the workers to go to work the next day without helping them to live decent and productive lives. It can also be argued that these workers' contribution to economic development is minimal if not altogether non-existent.

Information on how AGOA contributes to the regional and local economic development of the localities where production takes place through this massive employment is non-existent. It can possibly be expected that a big and ambitious programme like AGOA should be looked at in this regard. Are there the regional value chains in this regards? It is difficult to answer this question on the basis of the available literature on AGOA's contribution to regional and local economic development. The issue of those SSA countries depending on the primary sector production of oil and minerals was lightly touched upon above. This has failed to generate as many as possible job opportunities and accompanying benefits because those raw materials are exported as they are to the US. If they could be processed at home before exportation, that value addition would increase jobs and the contribution to the national economic development would be greater. What is still lacking here also is the contribution to the local and regional economic development. This should be for further research. This brings up one conclusion in this regard; that the contribution of AGOA induced industrialisation to economic development still has several knowledge gaps which need to be filled for a true picture to be produced on its real outcomes.

According to Fosu (2011) many job opportunities were created in the SSA as a result of AGOA. As the time progresses on, these jobs are disappearing. This, s/he argues, is due to the influx of foreign Asian firms whose only interests are to have access to the US markets duty free quota free using the SSA as their pathway (Fosu, 2011). Those firms hardly contribute in imparting skills to the local people (Lall, 2005). The assumption for this is that the Asians would not impart skills to the local people because they would be capable of running those manufacturing plants and the Asians won't find it easier to exploit them and their resources. Due to the lack of skills by the local people, the SSA relies more and more on foreign firms for production for the US markets. This leaves production to the foreigners who have no identity or moral attachment to these countries and thus prevents the SSA from being rapidly integrated into the global economy. Lack of protection by the SSA countries to its production has left it struggling to derive long term benefits from AGOA. The open

and unprotected ways in which these foreign corporations gain access and produces in these countries deprives the citizens of these countries of any meaningful enjoyment of AGOA. The saddest part is that the proceeds from this production are sent back to the corporations' home countries. In simple terms, it might be that AGOA benefits those countries more than the intended beneficiaries which are the SSA countries.

Zappile (2011) argues that AGOA eligibility and membership in fact has no significance to the trade of the SSA countries. He reaches this conclusion from analysing the trade flows from when AGOA was signed into law in 2000. The trade patterns make him to conclude that AGOA or no AGOA, the SSA is still left out of the global economy and had not played a significant part. The share of trade between Africa and other regions of the world remain low. This makes the SSA to be vulnerable to dumping of international aid to its citizens. This limits its capacity to develop itself economically, spatially and socially. According to Bangura (2009), the US and the SSA should work together to see that AGOA lives up to its objectives for basically two reasons. The reasons, he argues, are that the SSA's about 650 million people cannot be left out of the global economic integration and that the US should see the SSA more as an equal trading partner not as an inferior one or even as a puppet. Are the SSA and the US up for this challenge of addressing these two questions? It remains to be seen.

The US has entered into the trade and development tool that is AGOA with the allies in the SSA. Countries that are generally regarded as the US adversaries are left out of AGOA's fold. This tends to confirm Mansfield's (1994) view that trade agreements are more likely to be concluded and signed between allies than between the adversaries. AGOA is prone to be used as a tool for enforcing sanctions against a third country which would be seen more as an adversary to those in the arrangement. This would work more on hampering economic and social development of the targeted country. This would be in the form of goods and services from that country being overlooked and sometimes being boycotted by its neighbours which are in the AGOA arrangement for fear of their products not making it to the US markets because they might have some inputs sourced from the targeted country. How is the strengthening of the allies' (US and SSA) bilateral relations and punishment to the third hostile country beneficial to the spatial development or the economic development of those countries which are AGOA beneficiaries? How do they translate to local and regional development? Do they at all inspire their regions



both for local, regional and international consumption? These questions haven't been answered. They still need to be probed further.

AGOA like other preferential trade agreements can survive, succeed and be more beneficial to the beneficiary countries in the more integrated and economically identical regions (Kono 2007 and White 2004). For example, the free trade area within the European Union makes it more beneficial for all countries involved. Whether this integration and survival is of any good at lower levels of the beneficiary countries is unknown. The sub Saharan Africa is at the moment too unstable and disintegrated. This is due to the civil and ethnic conflicts, natural disasters and differing economic models. The instability and disintegration of the region is therefore not conducive for radical economic growth and prosperity. Investment in property development also shrinks because conflicts destroy properties. Regional integration at supra national scale is important for regional stability which would translate into more economic and spatial development at supra national level. This stability would attract massive foreign direct investment (FDI) which would foster economic growth and socio economic well-being as measured through the gross domestic product (GDP) per capita. This would paint a very good economic picture for the SSA region and even for the beneficiary countries concerned, but it wouldn't show any real impact to the local economies or impact directly to the socio economic status of the people at grass roots. According to Yasin (2005) countries would be better off if they enter into bilateral trade agreements than into multilateral trade agreements. He tends to differ substantially with Kono (2007) and White (2004) who argue that multilateral agreements foster supranational regional integration and cohesion. This controversy doesn't address whether multilateral or bilateral agreements can help the local and regional economic and spatial developments. They are mute and still focus on a very large scale of national and supranational boundaries.

AGOA acts more as a barrier to multilateral trade. Multilateral trade increases diversification of both the markets and products. Limáo (2006) argues that the more countries enter into bilateral agreements; they more than ever end their multilateral relations which negatively affects investment and economic development. This is alluded to the fact that the countries in a preferential trade agreement tend to focus more on improving their ties and trading opportunities and care much less about other relationships in their regions. Declined multilateral relations reflect into reduced trade opportunities with other countries (Moser, 1995). This hampers economic development of the country and makes it dependent on only very limited markets.

This has a tendency of lowering the gross domestic product and thus the standard of living for the citizens. When the citizens' standard of living is reduced, their capacity to spend shrinks and therefore they hardly develop their settlements. The government also becomes affected because revenues like taxes are reduced and this impacts badly on its development programmes. Multilateral trade is also significant for the foreign exchanges in the economy. The availability of foreign currencies in the economy is vital for international trade and development. When the preferential trade agreements act as barriers to multilateral relations and trade, then it means the presence of foreign currency becomes limited therefore hampering economic development.

Ravenhill (2008b) argues that the preferential trade agreements have offered more negative outcomes to the private sector and that their preferential margins are usually narrower. This means that they are tools for the states only without much positive results for the private sector which is often the backbone of sustainable economic growth in the country. It can be argued that if they negatively affect the backbone or engine of economic growth, then they should be phased out in order to protect the economic development of the country. Governments get their revenues from the private sector through corporate and sales taxes. If the private sector is therefore not allowed to thrive and flourish on a well levelled playing ground, i.e. where the markets are under stiff control by the government, then the governments risk losing their development battles. This would not help because the country would fail its citizens on the obligations they expect it to perform. These include welfare programmes for social development. Wesley (2008) contends that the preferential trade agreements tend to rarely have positive impacts on the national welfare of the countries' citizens. This is due to them leading to the waiving of the taxes and other charges which are desperately needed by the revenue services of their countries for social development.

Preferential trade agreements (especially those that are signed with the US) are more comprehensible and implementable. Despite this their economic benefits are relatively little (Ravenhill, 2008a). This observation brings up some questions on why there are relatively little economic benefits accrued from these agreements if they are both comprehensible and implementable. Why is there little economic development? Why little spatial development? These questions remain unanswered and need to be further probed. DeMaria, Drogue and Matthews (2008) are of the opinion that these agreements (more so, those in the developing world) have increased their (third

world countries') competitive margins quite marginally and slightly. This is due to the less influence that these countries can exert onto the bigger powers that they are entering into them with. The third world countries get into these agreements not as equals but as inferior partners because they are relatively poorer and lack the economic muscle to make their point heard. This gives the rich superior powers some decision making leverage over them. They make decisions that benefit them more than their inferior partners.

Several authors (Boafo-Arthur, 2003; Asiedu, 2004; Giovannetti and Sanfilippo, 2009) argue that Africa, mostly the sub Saharan Africa, though it has reformed in the turn of the millennium, still has a long way to go on reaping sustainable benefits from the AGOA. They argue that African goods, though they are favoured under preferential market access in the US and the European Union markets, they are still threatened and vulnerable to the cheaper Chinese products. This leaves Africa in a dilemma of slow and unsustainable growth and integration into the global economy. These cheaper Chinese products even flood the African markets and threaten its products even on the home soil (Giovannetti and Sanfilippo, 2009). This leads to documented economic growth being claimed in Africa whereas the proceeds of trade are going to China, Taiwan and other East Asian countries. This leads to a conclusion that preferential trade agreements like AGOA render the sub Saharan Africa countries more prone to bigger power trade victimisation and further threats from the cheaper East Asian products (Bhagwati and Panagariya, 1996).

The AGOA beneficiary countries which are active in the textile and garment manufacturing industry have over the years invested heavily in building the factory shells which are then leased to the local and foreign owned companies for production purposes. These shells are either leased freely or at very low prices so that it also acts as an investment incentive for firms to come and invest in such countries. This practice reduces the production costs of the firms because they don't have to invest in building the shells for housing their production. It is not clear whether this benefits the beneficiary countries in spilling the economic development benefits downstream. It is also not clear whether this contributes in a meaningful way to spatial development or whether the local youth and business people in the beneficiary countries are motivated and inspired to invest in these factory shells' building for business purposes.

## **2.4 Summary**

In this chapter, a critical review of existing literature or studies on the preferential trading agreements (PTAs) was offered. The specific literature on the outcomes and impacts of AGOA pertaining to the sub-national spatial development, economic development, and inspiration to the local business people and its motivation to local youth was also presented. This review indicated that there were still several knowledge gaps in relation to the contribution of AGOA to the sub-national economic, spatial and social development in the localities with strong textile manufacturing opportunities in the beneficiary countries. No literature was found on the sub-national spatial and economic development outcomes of AGOA in settlements where the factories are located. Key areas that were not adequately covered in the existing literature were (1) the contribution of AGOA to sub-national spatial and economic development of the villages and towns where the firms are located, (2) the creation of industrial and manufacturing economy, (3) the inspiration and motivation to the local business people and the youth, and (4) the impacts AGOA has had or is currently having to the sub-national land use and infrastructural development of the villages and towns where the factories are located. This study, which addressed these information deficiencies, assisted in filling these gaps.

### **3 RESEARCH DESIGN AND METHODS**

#### **3.1 Research design**

The study investigated the impacts of AGOA on the establishment and creation of an industrial economy in Lesotho and what it has done in terms of: (1) establishing and creating a manufacturing economy in the country, (2) putting in place enabling platforms for industrial development in towns and villages in the country, and (3) assisting people, especially the youth and local business people to start up new and expand existing industries. The research design of this exploratory study constituted a qualitative survey of the identified individuals affected by AGOA-induced industrialisation.

According to Jansen (2010) "...the qualitative survey is the study of diversity (not distribution) in a population". It investigates variations and "establishes the meaningful variations (relevant dimensions and values) within that population" (Jansen, 2010). This study investigated the diversity of views and perceptions of different role players about how AGOA-induced industrialisation has affected them in their different spheres of life. Their individual and collective opinions and perspectives into their perceived outcomes of AGOA in the sub-national (local and regional) spaces and economies were explored. These considerations make qualitative survey the most suitable method to use in this kind of study, which brought to open the perspectives of individuals who are affected by AGOA-induced industrialisation in the sub-national spaces and economies where the AGOA related factories are located in Lesotho.

#### **3.2 Research methods**

As such, the study was qualitative in nature. There were two major sources of data in this study: (1) primary and (2) secondary data. Primary sources were my own new semi-structured interviews and secondary sources were the existing materials, such as documents consisting of government policies towards industrialisation, government strategies towards AGOA, research reports and journal articles. Information on the activities of the textile manufacturing firms as provided in local and international newspapers and reports were also used as secondary sources.

Maps of the areas where the textile manufacturing firms are located were sourced from the physical planning department and from Google Earth to determine and analyse the extent of spatial development since AGOA was enacted. The semi-

structured interviews were conducted with the interviewees from the Department of Trade and Industry, development planners (both assistant physical planners and assistant economic planners) working in the local authorities where the manufacturing firms are located, youth, business people, community members and the Head of Investment Promotion of the Lesotho National Development Corporation (LNDC)<sup>1</sup>. These interviews were conducted using semi-structured interview schedules, which were administered on a one-on-one basis. In most cases a voice recorder was used after soliciting written permission from the respondents. In others, field notes were recorded using a pen and notebook, as the voice recorder made respondents uncomfortable in sharing their experiences.

The reports, maps, interviews and field notes complemented each other. The emphasis throughout the data-gathering and analysis stages was **on exploring the sub-national spatial and economic impacts of AGOA on the creation and establishment of industrial and manufacturing economy in Lesotho.**

The table (Table 3) below summarises the sources of data and the kind of data sought from the interviewees and existing materials in this study.

**Table 3: Sources of data and the kind of data sought from them**

Source of data	Kind of data sought
1. Documents (policies, strategies, maps, reports, journal and newspaper articles)	<ul style="list-style-type: none"> <li>• Policies of the national government in relation to industrial development and manufacturing</li> <li>• Research conducted by other researchers pertaining to AGOA outcomes</li> <li>• Spatial organisation and spatial development of the settlements as a result of AGOA</li> <li>• The maps will be used to seek the interviewees views about whether the area have spatially grown or developed since the introduction of AGOA or not, in which direction, how fast and if that development was planned or not</li> <li>• Verdict on AGOA and its impacts, notably so its benefits in relation to what the Act proposed to achieve/ensure.</li> </ul>

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<sup>1</sup> LNDC is a statutory national corporation in Lesotho that is responsible for attracting and supporting industrial investment into the country. Generally it is responsible for industrial development (Kingdom of Lesotho, 1967). It is equivalent to the South African Industrial Development Corporation's (IDC).

<p>2. Officials of the Department of Trade and Industry</p>	<ul style="list-style-type: none"> <li>• Information on the firms' contribution to the economic development as a result of AGOA</li> <li>• The department's support to the AGOA factories</li> <li>• Culture of industrial development induced by AGOA</li> <li>• Local skills development as a result of AGOA</li> <li>• Infrastructure development that resulted from AGOA-induced industrialisation</li> <li>• Views on AGOA and its impacts, notably so its benefits in relation to what the Act proposed to achieve/ensure.</li> </ul>
<p>3. Development planners (assistant physical planners and assistant economic planners)</p>	<ul style="list-style-type: none"> <li>• Spatial organisation and distribution of the firms in the built environment as a result of AGOA</li> <li>• Spatial development as a result of the presence of AGOA firms</li> <li>• Movement of goods and people in the firms' locations as a result of AGOA industrialisation</li> <li>• Land use patterns in the towns and villages affected by AGOA-induced industrialisation</li> <li>• Infrastructural development that resulted from AGOA</li> <li>• Views on AGOA and its impacts, notably so its benefits in relation to what the Act proposed to achieve/ensure.</li> </ul>
<p>4. Youth representatives</p>	<ul style="list-style-type: none"> <li>• Company ownership, enterprise establishment and development as a result of AGOA</li> <li>• Inspiration to be involved in entrepreneurship as a result of AGOA</li> <li>• Views on AGOA and its impacts, notably so its benefits in relation to what the Act proposed to achieve/ensure.</li> </ul>
<p>5. Business people</p>	<ul style="list-style-type: none"> <li>• Motivation to be involved in mass production as a result of AGOA</li> <li>• Company ownership, enterprise establishment and development as a result of AGOA</li> <li>• Production for the local and regional economies, as a result of AGOA</li> <li>• Views on AGOA and its impacts, notably so its benefits in relation to what the Act proposed to achieve/ensure.</li> </ul>

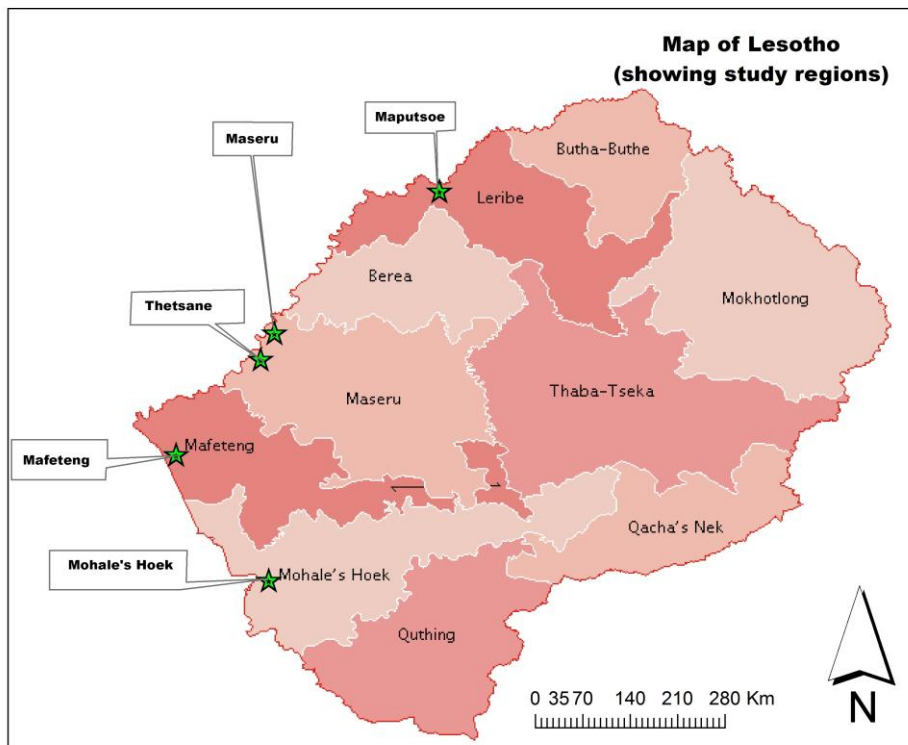
6. Community representatives	<ul style="list-style-type: none"> <li>• Skills development attributable to AGOA-based/driven industrialisation</li> <li>• Contribution of industrialisation to their everyday lives and survival</li> <li>• Spatial development as a result of the location of AGOA firms</li> <li>• Economic development as a result of the location of AGOA firms</li> <li>• Infrastructural development as a result of the location of AGOA firms</li> <li>• Views on AGOA and its impacts, notably so its benefits in relation to what the Act proposed to achieve/ensure.</li> </ul>
7. Head of Investment Promotion of the LNDC	<ul style="list-style-type: none"> <li>• Incentives to investors for AGOA production</li> <li>• Support to investors for AGOA production</li> <li>• Local inspiration and motivation as a result of AGOA</li> <li>• Views on AGOA and its impacts, notably so its benefits in relation to what the Act proposed to achieve/ensure.</li> </ul>

### 3.2.1 Outline of the study area

This study was undertaken in the five industrial estates of Lesotho in which AGOA-induced industrialisation has been active and played a role, namely; Maputsoe, Maseru, Thetsane, Mafeteng and Mohale's Hoek. Textile and manufacturing firms are located in these areas. These areas were purposively selected because of their strong textile and clothing production activities for the purposes of AGOA. With the support of the Head of Investment Promotion of the LNDC and interviewees from the Department of Trade and Industry, enquiries were made whether all the factories were located in all these estates at the same time or not, and in what sequence in case they were not located simultaneously. The reason for this was that places with the longest AGOA-experience might have had more of a positive or negative result than recently located ones. The other reason was to explore the spatial and economic impacts of AGOA in these locations and to analyse whether it created local and regional value chains and if so, what were the nature, spatial location features, strength, length and depth of these chains.



**Figure 1: Map of Lesotho with the study regions**



Source: Google

### 3.2.2 Sample strategy

In undertaking this study purposive sampling was used to select the research informants. Purposive sampling is a non-probability sampling where the researcher selects informants based on the purpose of the study and in his/her view are most appropriate for the study being undertaken (Babbie and Mouton, 2010: 166, Leedy and Ormrod, 2013: 215; Neuman, 2012: 149). Informants who were well placed to know about how AGOA had affected them in their lives and spheres of work were selected. These are the people who have first-hand information about the outcomes of AGOA in their lives and spheres of work. Village/town chiefs, the LNDC and the Department of Trade and Industry were consulted to help identify those individuals who were both active and informed about AGOA. These were those people who have had experiences related to AGOA-induced industrialisation. The Head of Investment Promotion of LNDC was approached for information about the impacts of AGOA on creating and on establishing the manufacturing economy in the country. He was probed about support and incentives that LNDC offered to both foreign and domestic investors for them to contribute to mass industrialisation of the country and to produce AGOA-eligible and other products for domestic and regional markets. The local youth's and business people's views, perceptions and experiences about

whether they had been motivated and inspired by AGOA induced industrial development was important to see whether industrial production had been expanded and if they were encouraged to take part in manufacturing had been induced through or as a result of AGOA.

It was assumed that the benefits and/or costs of this programme have been most strongly felt by the people who live within the towns and villages where these factories are located, mostly within a 2km radius of the location of such firms. It was further assumed that people who reside within this distance experience the impacts of AGOA firms more than those who reside beyond the distance. These assumptions were based on the observation that AGOA-related retail activities and rental housing were located within a radius of not further than 2km from the factories. These people would be able to provide rich insider perspective about what their experiences of AGOA have been. The development planners (economic and physical planners) shed light on much needed information about spatial and economic development as a result of AGOA. They also assisted in determining whether AGOA-induced industrial development is creating, and has created regional value chains through trickle down effects and downstream effects. The officials of Department of Trade and Industry at district level shed light on whether AGOA-induced industrial development has contributed to economic and spatial development and if AGOA has assisted in making the department want to focus more on and expand on industrial development.

The number of the informants in this study was 24 from across all the five study regions. This was the sum of five community members, two officials of the Department of Trade and Industry, four assistant physical planners, one chief physical planner, three assistant economic planners, one director of economic planning, five youths and two business people and the Head of Investment Promotion of LNDC. This means that one informant was selected from each category of interviewees from each estate. A meeting with the Head of Investment Promotion of LNDC was set up personally by the researcher. Contact with the community village chiefs was made with the aim of securing appointments with the community members who were informed about AGOA and willing to be interviewed. Permission to interview the officials of the Department of Trade and Industry and the development planners was sought from their respective heads of departments. Those youths and business people who appeared in the databases of LNDC and the Department of Trade and Industry as involved in business and aware of AGOA were

selected in consultation with the chiefs and through asking them about their willingness to participate in this study. All these informants were selected to offer their views, experiences and perceptions on how AGOA affected them. Data collection exercise was focused on the period of AGOA implementation from 2000 (when several countries first qualified for AGOA) to 2014. This was done in order to have a fixed time period to study. The informants were asked questions that determined the spatial and economic development impacts of AGOA, how it created and established the manufacturing and industrial economy and whether it has created a platform for industrialisation in Lesotho. The individual interview time ranged from one hour to two hours per individual. The researcher also returned to the interviewees to seek more and/or additional information where this was required.

### **3.2.3 Data-analysis**

Data-analysis in qualitative research involves several steps which are outlined below. This study employed a qualitative data coding by organising the data into broad similar categories and themes. These categories and themes were then structured into sub-categories and sub-themes (Leedy and Ormrod, 2013:158-159; Neuman, 2012:354-358). The major themes and categories which data were divided into: (1) perceptions of economic development planners, (2) perceptions of local entrepreneurs, (3) perceptions of spatial development planners, (4) perceptions of the Department of Trade and Industry and LNDC, (5) perceptions of community members, (6) perceptions of the youth and (7) documented evidence. The sub-categories were structured around the views/perceptions of the informants about the impacts of AGOA within the earlier mentioned broad themes. The themes and sub-themes were then put together to form composite views. When sub-categorisation was completed, a narrative method of data analysis was used to build more meaningful insights from the data. A tale or story was narrated or told in an analytical way of how different role players perceive and view the impacts of AGOA in their lives and environments (Neuman, 2012:360-361). In this particular study, it assisted in preserving the “real story” of the informants in reaching conclusions about the sub-national spatial and economic development impacts of AGOA in Lesotho.

The anticipated threats and their mitigation strategies for the sources of data for this study are shown in Table 4 below.

**Table 4: Anticipated threats and their mitigation strategies**

<b>Source of data</b>	<b>Risk</b>	<b>Mitigation</b>
1. Documents	<ul style="list-style-type: none"><li>• Difficulty in locating these documents.</li></ul>	<ul style="list-style-type: none"><li>• Due regard was had in locating reports through databases like Scopus, Google Scholar and also the government documents.</li></ul>
2. Department of Trade and Industry officials, development planners, Head of Investment Promotion of LNDC	<ul style="list-style-type: none"><li>• Unwillingness to collaborate and share personal and sensitive information.</li></ul>	<ul style="list-style-type: none"><li>• Rapport and trust with these civil servants was built so that they had trust in the researcher through the use of the letter of introduction from the Head of Department, the researcher's student ID and signing the informed consent form.</li></ul>
3. Community members, youth and business people	<ul style="list-style-type: none"><li>• Un-willingness to share personal and private information.</li></ul>	<ul style="list-style-type: none"><li>• Confirmed high levels of privacy, confidentiality and strong research ethics on the part of the researcher.</li><li>• Used informed consent form to solicit these groups' participation.</li></ul>

## **4 FINDINGS AND DISCUSSION**

### **4.1 Introduction**

The purpose of this chapter is to present the findings, analyse them and provide a discussion of the findings on what the sub-national spatial and economic development impacts of AGOA had been in Lesotho. It consists of four sections including this introduction. Section two presents the findings and their analysis. Section three provides the discussion of those findings and the last section, section four, offers a concise summary of the chapter.

### **4.2 Findings**

The findings are structured under seven themes; (1) perceptions of the economic development planners; (2) perceptions of the local entrepreneurs; (3) perceptions of the spatial development planners; (4) perceptions of the officials of the department of trade and industry and the LNDC; (5) perceptions of the community members; (6) perceptions of the youth; and (7) documented evidence of the benefits and costs of AGOA in Lesotho.

#### **4.2.1 Perceptions of the economic development planners**

All these respondents who were interviewed in this category were fully aware of the African Growth and Opportunity Act and appreciated its impact to Lesotho's economy. In a number of cases, interviewees indicated that AGOA has had profound impacts to the local settlements where the firms are located and to other settlements surrounding the location of the firms. They raised a number of impacts which they specifically attributed to AGOA namely;

##### **(a) Job creation and poverty reduction**

All interviewees in this category indicated that AGOA has brought some developments in Lesotho in terms of job creation and poverty reduction. They were all of the same view that there was massive employment in the AGOA firms after it was enacted. Non-skilled and semi-skilled individuals saw an opportunity and sought employment in the firms. The government of Lesotho could not have been able to absorb that large number of people in its civil service were it not because of AGOA according to one interviewee. During month-ends, these factory workers flock to the local general dealers for their groceries and other needs. Working in the factories has positively affected the livelihoods of these workers. They are able to care for their

families after being employed in the AGOA firms. There are differences in the lives of the factory workers after being employed, their standard of living improved slightly, they become able to afford things that they could not afford like sending their children to school and buying then clothes. Having regular income is also a motivation to these factory workers to work harder. Some respondents showed that some residents have got employed in the firms while other factory workers are from the surrounding areas. Several respondents also alluded to the fact that some factory workers complain of being mistreated by their foreign employers even though no one pointed out an exact case in which a factory worker was mistreated. Another point of contention is that of the factory workers getting very low salaries.

These salaries while important to the sustenance of their families, it's so minimal that they barely satisfy their daily needs. These low salaries are below national taxable incomes meaning that the factory workers do not pay taxes. Some respondents indicated that this was not effectively contributing to the overall poverty reduction in the country even though it contributes to poverty eradication to the households of the factory workers.

**(b) Local economic spin-offs**

All these interviewees touched on the issue of the local economic spin-offs created by AGOA in Lesotho. They indicated that several Basotho men and women are selling their wares near the factories in the settlements where the firms are located. They sell items like snacks, fruits, vegetables, food (breakfast and lunch) and some airtime. These individuals sell almost the same thing. Their wares are not diversified. They established their small businesses in order for their families to survive. Some of these small scale business people sell clothes during month-ends. Their customers are mostly the factory workers. That is why they have located their small scale businesses very close to the factories. They still attract the villagers and some passers-by as their clients. In these settlements where the factories are located, the respondents showed that there are some several small convenient shops catering for the residents of these villages and the factory workers, these small scale businesses and convenience shops are thriving and making differences in the lives of their workers. They have really changed their lifestyles and they are now able to send their children to school, they can afford to build themselves houses and others have bought both private cars and public transport vehicles.

Some of the street vendors started as very small business people selling from pavements and road reserves and moved up the ladder to become medium-scale vendors having their store rooms where they keep their wares. While the interviewees indicated that these are small scale businesses, they also pointed out that their turnovers are very high because of the frequency at which their products are bought. There are some people who have ventured into public transport sector. They provide transport services to the factory workers using their mini-bus taxis. This according to the economic development planners constitutes aspects of local economic spin-offs because the owners of these mini-buss taxis derive some incomes from these businesses. This sector has growth rapidly since the enactment of AGOA. Very few people have ventured into delivery truck businesses. The big grocery stores, especially in Maseru and Maputsoe industrial areas have benefitted from large numbers of the factory workers especially during pay days as these workers buy from them.

In the settlements where the factories are located, interviewees indicated that there are people who had small scale agricultural projects like producing fresh vegetables and chicken and eggs. The fresh vegetables included tomatoes, green peppers, carrots, cabbages. These products were sold to the factory workers and to the street vendors and to the passers-by. They argued that the location of factories because of AGOA have benefitted the residents of the settlements where the firms are located and those of the surrounding villages. These people also came to these settlements to open their small businesses or to work in those businesses.

### **(c) Local spatial spin-offs**

Three of these interviewees were of the same mind that AGOA has contributed to the physical growth of the settlements where the firms are located. One respondent in this category did not offer a view on the effects of AGOA on the spatial perspective. The ones who offered their views pointed to the fact that the physical growth caused by AGOA is haphazard and it is not planned for. People who own land in the settlements where the factories are located saw land ownership as a way of making money or rather as a business opportunity. They build small houses in their settlements to accommodate the influx of the factory workers at lower rents. There are lots of lines of two-roomed and one-roomed rectangular rental houses in the settlements where the factories are located. These houses are called "*malaene*" in the local language and there are lots of them in these settlements. Their abundance was exacerbated by the large numbers of the factory workers who need where they

can stay. These houses have been built almost everywhere in these settlements and they encroach on prime agricultural land and within the residential areas of their owners. Their emergence has led to the physical spatial growth of the settlements in which the firms are located and this had had both positive and negative effects.

**(d) Infrastructural provision, upgrading and maintenance**

Only two of the four interviewees in this category indicated that since enactment of AGOA, there has not been significant infrastructure provision, upgrading and maintenance in the settlements where the factories are located. They showed that the LNDC has built the factory shells which are connected to utility services like bulk water supply, sewage lines, telecommunications, access roads and electricity supply. While these infrastructure services were meant specifically for the factories for production purposes not for the citizens, the residents were able to connect themselves to these services cheaply as a result of their close proximity to them. Infrastructure services like the access roads are the responsibility of the local authorities though they were usually provided by the LNDC. This is because they are considered public goods and should be used by the community and the AGOA factories. It then becomes the responsibility of the local authorities to upgrade and maintain these services. The respondents' views were quite mixed on the aspects of infrastructure upgrading and maintenance. They pointed out that the local authorities of the settlements where the factories are located are trying against all odds to upgrade and maintain infrastructure.

They said that access roads are tarred and provided with street-lighting for safety and security of the residents. They also said that local authorities even provided protected and secure market stalls for the street vendors who operate from around the location of the factories. They argued that the local authorities were doing very little in terms of providing or extending services like water and electricity supply to all residents in these settlements because not all of these residents afford those services even though they are cheaper. The other group of the economic development planners thinks that there are backlogs in upgrading and maintenance of infrastructure services in these settlements because residents especially the poor, are unable to pay for the property rates which would be ploughed back in terms of services provision. One respondent made an example of a tale of two groups of residents in one settlement. On the one part of the settlements, it features an affluent suburb with good housing, adequate provision of infrastructure and street lighting. On the other part dwell poor residents who do not pay property rates and lack basic



infrastructure services in their poverty stricken township. While these respondents are of mixed feelings, they agree that AGOA has done little in terms of infrastructure provision, upgrading and maintenance.

Meanwhile, the respondents are of one view that there are little but significant services that came to these settlements as a result of AGOA. They gave examples which included filling stations and bigger grocery chain stores in other settlements. The respondents are of the same view that given the long time that AGOA was enacted, there was supposed to be more infrastructure development in these settlements. They even showed that the factories do not plough back their profits to these settlements in terms of providing services like schools, health facilities and water supply. There are no legal requirements for neither these or any other corporate social responsibility programmes.

**(e) Composition of the factory workers**

Two respondents indicated that the factory workers are mostly women in their early 20s to their late 40s. They are both married and unmarried. There are very few male factory workers and most of the time they work as the drivers to the factory management teams. Many women who work in the factories are machine operators, sewing and knitting, ironing and other basic garment factory work. The factories do not, as a legal point, employ children under the age of eighteen. The respondents indicated that they have not observed anyone factory employing under age children. Most of the factory workers are young people who had just completed their high school studies. There is an increasing tendency of the university graduates who opt to work in the factories because there is nothing much for them to do after their tertiary education, given the state of the economy and resulting high levels of unemployment in the country. Even though they may have the necessary tertiary qualifications, they are seldom given any management jobs in such areas as administration, finance and human resources management.

**(f) Migratory impacts**

Two economic development planners were of the view that AGOA had caused labour migration in Lesotho. This they attribute to the large numbers of people who come mostly from rural areas to live in the settlements where the factories are located. These respondents think that there has been an increase in population growth in these settlements due to the inward migration of both the factory workers and the

owners and the workers of the people who have opened their small scale business enterprises near the factories.

The interviewees also indicated that many of the residents of the settlements where the factories are located are in-migrants. This they justify by pointing out that during major holidays like Christmas and Easter, very few residents are left in the settlements while the factory workers are back in their homes in the rural areas. They allege that churches are not full as usual and that shows AGOA has indeed caused massive migration to these settlements. They even went further to indicate that there is lot of traffic congestion in these settlements when the factories are opened due to the large numbers of the in-migrants.

**(g) Foreign company impacts**

Two economic development planners indicated that the factories were mostly foreign owned by the Chinese, Taiwanese and the South Africans. These factories export most of their products to the United States of America under AGOA. As an incentive to woo them, the foreign investors were given tax breaks for a certain period of time. They now have to pay a 10% corporate tax which is relatively low in the region. The respondents indicated that Basotho are unable to zero-in into the ownership of the textile factories due to lack of adequate capital and skills. They pointed out that the skills involved in the textile industry are not easily transferrable to the local entrepreneurs. They said that there is also a language barrier between the foreign investors and Basotho; they find it hard to communicate because foreigners are unable to use English language. The foreign investors bring their own managers from their countries of origin. They even use their own materials in production and cook their own food. They seldom provide management positions to the local university graduates. Respondents pointed out that these foreigners do not transfer skills nor offer trainings to Basotho factory workers to start their own businesses deliberately. They sometimes buy their products collectively and in bulk and deliver them using one company's fleet to reduce their production costs. The respondents further indicated that this kind of business (textile industry) is not suitable for Basotho but for those with a strong work ethic like the Chinese and the Taiwanese.

**(h) Local social and environmental impacts**

Respondents in this category indicated that the presence of AGOA firms have been a problem socially and environmentally. Two of the respondents held this view while another two did not express their views on it. They pointed out that the factory

workers were sometimes drunkards who came to the settlements with strange values. They said that female factory workers were adulterous and were destroying residents' families. They also said that in these settlements the HIV/AIDS prevalence rates were high. They indicated that the factory workers do not mind sharing their tiny rental houses for cheaper rents, which is a hazard to public health. They further indicated that the presence of the firms is a health and safety hazard. They argued that the fumes from the factories contaminate the natural environment. Water sources like the streams and rivers are polluted too. They pointed out that even the factory toilets are generally not clean which affects the workers negatively.

**(i) AGOA-induced economic growth**

Only one economic development planner expressed her opinion on the issue of economic growth in her district. She indicated that there are villages in the district had experienced growth economically because of the remittances of their inhabitants who work in the firms and busy economic activities like selling of fruits and vegetables taking place in these villages as a result of the location of the AGOA firms. She could not quantify that economic growth though because of the lack of reliable data. She pointed out though that that growth is visible.

**4.2.2 Perceptions of the local entrepreneurs**

These respondents were fully aware of AGOA and are involved in the production of clothing which is sold both locally and in the US. They are owners of the factories and they are the only Basotho who own textile factories in Lesotho. They provided their views and opinions on a number of impacts which they regarded as attributable to AGOA in Lesotho.

**(a) Job creation and poverty reduction**

All of the interviewees in this category expressed their appreciation of AGOA in Lesotho. They indicated that Lesotho has focused on producing the textiles to the United States markets. This according to them has made AGOA to be a very wonderful exercise because it has stimulated Lesotho's economy. The textiles sector has created a lot of job and employment opportunities for many Basotho men and woman. Incomes for these beneficiaries have increased dramatically and they are able to provide and support their extended families as a result of being employed by the AGOA factories. In this way these interviewees think that there is a significant positive impact on poverty reduction. This is the case, notwithstanding the fact that

factory workers' wages and salaries are very low in Lesotho. There is little else to do than to work in these factories especially non-skilled to the semi-skilled individuals.

**(b) Local economic spin-offs**

These respondents indicated that AGOA has positively benefitted Lesotho in terms of local economic spin-offs. They pointed out that there are Basotho men and women have started their small scale business enterprises around the locations where the factories are located. Others have opened full scale convenience shops in the settlements where factories are located. These shops and small scale enterprises benefit their owners, workers and the factory workers who find their needs at close proximity to where they stay and work. One interviewee indicated that at a village where one of her factories is located; she had prohibited the street vendors to sell their wares to the factory workers because she does not want her workers to buy things unnecessarily. Ironically, she encourages her workers to buy from the convenience shops nearby. She says that this has had a profound positive impact to both the shop owners, her factory workers and to the economic growth of her village.

These respondents also indicated that there are Basotho who operate the delivery truck business services for their firms. This, they argue, assists the national economy in that money circulates in the economy and improves its economic growth. The delivery trucks bring these respondents' raw materials from abroad into the country and deliver the finished goods to the harbours and to their local clients. They also pointed out that there are many Basotho owned mini-bus taxis which transport the factory workers to work from their rental houses and vice versa. This has increased dramatically since the enactment of AGOA. They also argued that many people have started their public transport services in the form of these mini-bus taxis. The small scale business entrepreneurs who are located near the factory are also transported by these mini-bus taxis from their homes to their places of work everywhere.

**(c) Migratory impacts and local spatial spin offs**

According to the views of one respondent in this category AGOA has led many people to move from their homes in the rural areas to urban areas in search of better living opportunities and to find employment in the factories. He indicates that there is rapid urbanization process in the settlement where the factories are located. People have begun to cluster around the location of the firms leading to haphazard growth of these settlements. This led to both physical expansion of the built environment and the increased burden on the capacity of the local authorities to provide adequate

services to the residents. The haphazard growth of those settlements increased the illegal development of land for housing the immigrants by the resident landlords who only see business prospects. This is exacerbated by the government failure to decentralise production throughout the country.

**(d) Market access and skills development training**

These respondents indicated that AGOA has provided market access for their products to the US markets duty free and quota free. They also argued that AGOA has introduced Basotho to industrial management and strong work ethic. Basotho learn skills of operating the factory machines. On the issue of skills development training, these interviewees held different views. The other indicated that their firm had just started operating and that they had not yet started equipping their factory workers with skills. The other one indicated that their firm was offering development training to their factory workers. Their factory workers were also trained on how to spend their incomes prudently. They showed that the standards of living of their workers have increased as a result of these developments and that they were now able to take care of their families.

**(e) Infrastructure provision**

One respondent indicated that AGOA has influenced the provision of bulk water supply to the Maseru Industrial Area through the Metolong dam water project. This project is aimed at providing bulk water supply to the several places including the Maseru industrial areas and Thetsane. He argued that the textiles factories would be brought to a halt if reliable water supply would stop flowing to them. A small claims court was also established as a result of AGOA for especially poor people like the factory workers. It assists poor people to afford legal recourse without spending too much money on things like legal representation in very small civil legal claims. There were aspects of sanitation provision and electricity supply for the settlements where the factories are located.

**(f) Foreign ownership, local private sector on AGOA and value chains**

These respondents argued that the AGOA firms are mostly owned by foreigners like Chinese, Taiwanese and South Africans. These firms send their profits to their countries of origin and they do not invest them in Lesotho. Lesotho benefits nothing in terms of ploughing those profits back into the economy other than being a labour reserve of these foreign owned companies. The foreign owned firms are assisted by

the Lesotho government to offer skills development programmes to their factory workers but the firms do nothing in return, there are even no corporate social responsibility programmes. Basotho local entrepreneurs are not yet fully exploiting AGOA benefits. According to one respondent “they are waiting for a success story from local textile companies” for them to decide whether to jump on the AGOA bandwagon or not. The raw materials for their production are from China and South Africa. There is no precise value chain in Lesotho from AGOA. Even basic things like broken machines are still repaired by the expatriates or send to their countries of origin for repairs and maintenance. One respondent pointed out that they are encouraging Basotho entrepreneurs to venture into the textile sector and form partnership with the government and big Asian firms.

**(g) Motivation and inspiration to start their businesses and culture of local entrepreneurship**

These respondents offered different versions on how they got into the textile sector industry. What was similar to both of them was that they were both not influenced by the enactment of AGOA to venture into the textile sector. One respondent said that he was influenced by lack of Basotho entrepreneurs in the textile sector. He saw vulnerability of the Lesotho’s economy to the external financial and economic shocks. He said that he had observed during the 2008 global financial and economic crisis that when such crises hit Lesotho, foreign investors closed shops, went to their countries of origin and left Basotho jobless. He tapped into that, he approached one large and experienced Asian firm which allowed him to be their sub-contractor on the cut, make and trim (CMT) side of production. He essentially buys the fabric from this firm, make clothes for them and sell it back to them. He has attended large international trade fairs with them and negotiates for the purchases orders with them. His challenges vary and some are due to the local fashion tastes which vary very unpredictably. The local banks were quite reluctant to offer capital loans to the local industrialists such as these respondents. He had to use his family’s savings to establish his firm. He said that he is still learning how to operate in the textile sector. He currently produces for only one firm which supplied the local and US markets.

The other respondent indicated that there was generally a lack of information to the local entrepreneurs on how AGOA functions. She said that she got into the production business through coincidence. She said that people generally have at least a perception that AGOA was meant for the foreign investors not local ones. She pointed that the foreign investors understand the textiles sector and AGOA and are

more experienced than their local counterparts. They usually come to Lesotho as big conglomerates and help each other out. She said that AGOA had assisted her in expanding her business. She started as a small firm in a rural area. She has now expanded to Maseru. Her business expanded in terms of its customer base, products and factory workers. She was initially sub-contracted to do CMT but now she also does free on board (FOB) for South Africa and United States of America. She argued that AGOA has not yet created a spirit of entrepreneurship for Basotho. Many of them are still sceptical and wait for somebody to succeed first so that they could be interested in it. She said that AGOA production in the textiles sector is too interdependent and thrives on very basic personal connections.

#### **4.2.3 Perceptions of spatial development planners**

These respondents were aware of AGOA and the location of the factories within boundaries of their local authorities. Their day to day duties involve taking decisions and advising their local authorities on the various land development issues in the local authorities.

##### **(a) Job creation and poverty reduction**

Only one respondent in this category expressed his view on job creation and poverty reduction impacts of AGOA. He emphasised that AGOA should not only be looked at the broader level of economic and spatial developments effects. He pointed out that many people, the majority of which were not skilled were employed by the AGOA firms to care for their extended families.

##### **(b) Local spatial spin-offs**

The interviewees' views on the spatial impacts of AGOA to the settlements where the factories are located were most of the time similar. Their responses were mostly uniform. The spatial development planners were of the same mind that AGOA has imparted on the land use patterns on the settlements where the factories are located though differently. In some settlements the impact was great through the massive growth of illegal land developments taking place while in some the impact was moderate. Many people have moved from their homes in the rural areas to the urban areas where the factories are located for better lives and to find employment in the factories. Local people and the in-migrants have opened their small scale business enterprises around the location of the firms which compromises issues of transport and traffic circulation in these settlements. One respondent went as far as pointing

out that the factories have been imposed on where they are located. She pointed out that their location does not always comply with the Lesotho development control code or the national town planning standards. She was not able to say who imposed these firms though, only to say that it was done by the authorities who always would undermine the urban and regional planning function of government. The respondents were in agreement that there has been an increase in the illegal development of land in the settlements where the factories are located. These are in the form of mushrooming private rental housing by the landlords for the large numbers of factory workers who migrate into these settlements. Some residents illegally sub-divide their land and sell it to in-migrants. The increase in the construction of rental houses and the increased illegal development of land has in most cases distorted the existing settlements plans and layouts. There has been an increased demand for social amenities like street lighting, bus stops, public safety and security, pavements provision and sanitation and waste disposal services as a result of locating these AGOA factories in these settlements.

There have also been issues of urban sprawl and decay in some of the settlements where the AGOA factories are located. Urbanisation process increased without the proportionate provision of urban public services. This led in most cases to the burden on the local authorities to provide more services. This does not happen often and then settlements experience dysfunctional services which are in poor state. The street vendors who are attracted to the location of the firms are not provided with market stalls and they operate their enterprises from the pedestrian pavements thus blocking the ways and causing unnecessary congestion. There is provision of these market stalls at only one of the industrial areas, Ha Thetsane, but the respondents indicated that the vendors continue operating from the pedestrian pavements and from the road reserves.

The respondents said that in most settlements where the factories are located, those settlements were predominantly residential which compromised the health of their residents through water and air pollution. They indicated that as spatial development planners their day to day duties were influenced (either perceived or really) by the location of the firms there. In some settlements their departments tried to look for alternative places and areas for developing new settlements or upgrade the existing ones. While upgrading the said settlements, they take into account the already existing industrial areas so as to harmonize the various land uses involved. One respondent highlighted the issue that these industrial areas in Lesotho were meant to accommodate light industry only even though they are presently accommodating



heavy duty industrial purposes and this tendered to compromise their location within the residential areas. This was due to the fact that they produce industrial sludge which is a health hazard to the communities. In most settlements with these factories, commercial land uses are expanding rapidly, while agricultural land uses are rapidly shrinking and are consumed by the residential and commercial land uses.

**(c) Local economic spin-offs**

All five respondents were in agreement that the location of the factories in those settlements where they are located has created some economic activities for those settlements. There are people who were influenced by the location of AGOA firms in their settlements to start-up their small scale businesses. They sell food, fresh vegetables, clothes and some airtime to the factory workers. Their enterprises are located mostly near the factories. These small business enterprises are not sustainable because they depend on the operations of the firms. Some residents have built rental houses for the factory workers to occupy as a means of deriving incomes for their families. Local farmers have produced fruits, vegetables, eggs and other agricultural products for the factory workers and for the street vendors.

**(d) Composition of the factory workers**

Only two of the five respondents in this category expressed their views on the composition of the factory workers. They indicated that most of the factory workers were women because factory work in Lesotho has traditionally been held by the women while Basotho men used to work in South African mines. There are very few men who work in factories. The factory workers are mostly young people between the ages of 18 years old and 35 years old though there are still older people in their late 40s. The majority of these workers according to these respondents are the youth who did not do well in their high school studies to proceed to tertiary levels. There are university graduates who have opted to work in the factories because of rampant high levels of unemployment in Lesotho. These workers are from all over Lesotho not only from the settlements where the factories are located.

#### **4.2.4 Perceptions of the officials of the department of trade and industry and LNDC**

These respondents are the officials of the entities which administer trade and industrial development issues in the country. They were aware of AGOA and its impacts in Lesotho.

##### **(a) Job creation and poverty reduction**

All respondents indicated that AGOA has been a very good initiative in terms of job creation and poverty reduction. Since the enactment of AGOA, they said that there has been an increase in employment of factory workers because of the labour intensive manufacturing firms which produce textiles and export them mostly to the US. The socio-economic impacts of AGOA have been seen in the employment creation for mainly the unemployed semi-skilled to non-skilled youth. There has been an improvement in the livelihoods of these youths employed by the firms. These factory workers take care of their extended families even though their wages and salaries are very low. They also developed a very strong work ethic by being employed in these mostly foreign owned factories.

##### **(b) Infrastructure provision**

All respondents were of the view that AGOA has boasted infrastructure development in the settlements where the factories are located. They indicated that the LNDC has constructed the factory shells which are fully serviced. They are connected to telephone lines, water and electricity supply. The LNDC has also constructed the access roads in the settlements where the factories are located. Though these services were solely meant for the factories to use, the residents of these settlements had connected cheaply to these services. It becomes the responsibility of the local authorities to upgrade and maintain these services once the LNDC has installed them. The government has also invested in bulk water supply in some of these settlements especially those in Maseru district. The LNDC has built some small kiosks for the street vendors to occupy at only one industrial area, Ha Thetsane industrial area. Private developers have invested in the construction of rental houses for the influx of the factory workers into the settlements where the factories are located. There has been a rise in this kind of development in these settlements even though at times these rental houses are of very poor quality.

### **(c) Local economic spin-offs**

All respondents indicated that there has been economic development in the settlements where the factories are located. They attributed this to the fact that Basotho have started small scale business enterprises around the places where the factories are located. These small businesses sell fresh fruits and vegetables. These small businesses are not sustainable though because they depend on the operations of the firms. Land owners in these settlements have built rental houses for the factory workers to occupy. There have also been increases in the provision of public transport services in these settlements. Other local economic activities brought about by AGOA to Lesotho are the provision of security services, road freight transport, courier services, shipping and forwarding agents and sale of food and airtime to the factory workers.

Other people have opened embroidery companies to take an advantage of the textile sector. There are currently only two Basotho owned entrepreneurs taking an advantage of AGOA and only few Basotho have ventured into the delivery truck services to ferry goods to the market.

### **(d) Skills development training**

One respondent in this category indicated that the factory workers were skilled in very basic skills on the factory floor. This skills provision is mostly skewed towards what the factory workers do in the factory. Another respondent showed that it is the government of Lesotho that provides these skills development training to the factory workers at zero cost to the foreign investors. The respondents bemoaned the issue of lack of linking on the skills of the foreign investors to transfer them to the local investors. They even went as far as claiming that the foreign investors were unwilling to train Basotho investors on how to run the textile factories.

### **(e) Benefits to the foreign investors**

One respondent pointed out that the foreign investors who run their textile companies in Lesotho were benefitting greatly. This he attributed to the generally low corporate taxes which are charged at 10%. This is one of the lowest corporate tax rates in the SADC region. The government of Lesotho provides the skills development training to the factory workers at zero costs to the investors. Moreover, the foreign investors are free to repatriate all of their profits to their countries of origin without additional taxes.

All these, it was claimed, was done in order to attract the foreign investors to come and invest in Lesotho

#### **(f) Motivation and inspiration of AGOA to local entrepreneurs**

The respondents held the perception that AGOA has done very little in motivating and inspiring the local entrepreneurs to invest in the textile sector in Lesotho. They indicated that to date only two Basotho investors have been engaged in the textile sector. They attributed this reluctance of local investors to be engaged in AGOA textile production to what they referred to as a very interdependent sector where personal connections work. They said that because of that, AGOA has not fared well in strengthening and expanding the local private sector. It has dismally failed to motivate the local producers to tap into it.

#### **(g) Integration of Lesotho's economy in the global economy**

Two of the three interviewees in this category felt that Lesotho has now been integrated into the global economy because of AGOA. They provided an example of the 2008 global financial and economic crisis that crippled the global economy. They argued that Lesotho too felt its breeze to show that its economy is now integrated. They pointed out that as a result of AGOA there has been an inflow of foreign direct investment (FDI) enterprises from South Africa and some Asian countries like China and Taiwan. There has also been considerable growth in the local textile and clothing sector. These interviewees went on to indicate that AGOA has contributed in promoting free market principles in Lesotho. The government does not meddle in the regulation of the market affairs because it would risk losing AGOA eligibility.

Meanwhile, Lesotho has strengthened its economy through AGOA. Her balance of payments has improved and her exports too have increased significantly. There has been exportation of goods to the regional and the US markets. There is also product diversification and the country has experienced dramatic expansion of large scale industries. While there were some concerns regarding the rule of law, there were some success stories according to these interviewees. Generally people are not comfortable with crime level. The commercial court has been established. Basotho have been exposed to the sophisticated market and a strong work ethic by AGOA.

#### **(h) Social impacts**

Only one respondent in this category was concerned about the social impacts of AGOA. He claimed that some female factory workers have left their families to live

adulterous lives because of the influx of in-migrants in the settlements where the factories are located. He indicated that the social fabric of the communities was being broken and social ties loosening.

#### **4.2.5 Perceptions of the community representatives**

These respondents are residents of the settlements where the factories are located. They appreciated the positive impacts that AGOA has brought to their settlements though they raised concerns about the negative impacts.

##### **(a) Job creation and poverty reduction**

All the respondents in this category expressed their happiness about the location of the factories in their settlements because they provided employment to the residents. They said that people were employed in those AGOA factories. They even alluded that the factories were the backbone of Lesotho's economy. While they said that the factories employed the residents they also said that some people start small scale business enterprises which also employ a significant number of the residents not employed in the textile factories. The respondents indicated that many people were living in abject poverty before AGOA was enacted but that that had changed after its enactment. They said that the majority of the factory workers are high school graduates who did not do well to proceed to tertiary level, nevertheless, they pointed out that there were some university graduates working in the factories because there was a problem of unemployment in Lesotho.

The respondents believe that the level of poverty has declined in the households of those who work in the factories. They said that factory workers were now able to care for their families and that their standards of living were improving although at very slow rates. They said that the factory workers were paid very low salaries even though they considered them to be holding the economy of the country. The lives of the factory workers were also improving and they were able to send their children to school and to build themselves houses.

##### **(b) Local economy spin-offs**

All respondents shared similar views in indicating that some people took an opportunity of the location of the AGOA firms in their settlements by producing some fresh vegetables and fruits and selling them to both street vendors and the factory

workers. Their small scale business enterprises grow. Some villagers or residents are street vendors and they sell near where the factories are located and sell various items like fresh fruits and vegetables, food, airtime and clothes to the factory workers. One respondent declared that she was very proud of the location of the factories in her settlements because she was able to meet her daily needs through running her small scale business near the factories. She said that she was now able to support her family and send her children to school. She said that the factory workers buy from their small businesses frequently and that made their business to move fast. She and her fellow residents were influenced to start their small scale businesses because of the presence of the AGOA factories in their settlements. The respondents indicated that the standards of living of the residents selling their wares near the factories were improving. Some of them were able to build themselves houses while others even afforded cars.

They pointed out that some people were running public transport services businesses to deliver factory workers to and from their work to home. Some small scale entrepreneurs are also using these public transport services in terms of mini-bus taxis to commute to work. Some residents have invested in building private rental houses which they rent out to the factory workers who pay rents monthly.

#### **(c) Local spatial spin-offs**

Three of the five respondents indicated that their settlements were spatially growing as a result of AGOA. They said that people were acquiring residential sites and developing them rapidly leading to physical growth of the settlements and that this growth is usually haphazard and not planned. There are large numbers of the in-migrants who come to settle in these settlements either permanently or temporarily because of the location of the firms.

The number of rental houses being built in these settlements is increasing rapidly according to the respondents, this put a lot of pressure and stress to services provision in these settlements.

#### **(d) Skills development training**

All respondents indicated that the factory workers were provided with some life skills while they work in the factories. They said that life skills are specific to what an individual worker does in there. The skills include; sewing, knitting, cutting, washing fabric, pressing fabric and operating the factory machines. Few factory workers are

employed as staff managers. One respondent who once worked in the factories said that factory workers were trained on issues like HIV/AIDS prevention strategies and how to eat healthily. Only one respondent pointed out that he was not aware if the factory workers were provided with any life skills.

**(e) Health impacts**

Only one respondent indicated that the AGOA factories were polluting their environment. He complained that these factories produced dangerous fumes which affect people from his neighbourhood negatively. He said that these emissions were cutting short other residents life spans.

**(f) Migratory impacts**

One respondent indicated that the location of the factories in their settlements caused large numbers of people to move from other places to be attracted to their settlements. Factory workers come from different parts of Lesotho to seek employment opportunities in these settlements. The street vendors also come from both within these settlements and from outside. At month end, when the factory workers are paid, they usually go back to their places of origin although some people opt to stay permanently in these settlements.

**(g) Infrastructure provision**

One respondent indicated that the location of AGOA firms in their settlements did not contribute in the provision of infrastructure services because when the firms were built there, the settlements already had those services. Other respondents did not offer their views regarding infrastructure provision in their settlements.

**2.2.6 Perceptions of the youth representatives**

These respondents are also residents in the settlements where AGOA factories are located. They also appreciated the presence of the firms in their settlements.

**(a) Job creation and poverty reduction**

All of the respondents in this category indicated that they were proud of AGOA because it has provided the youth with some employment opportunities in the factories. This they said was through being employed as the factory workers, the majority of which are the young people between the ages of 18 and 35 years old. The

respondents said that Lesotho's unemployment rate was too high especially for the youth and that AGOA had made some positive strides in taming it. They also argued that working in the firms has assisted the youth in keeping them busy and not being involved in things that would get them into trouble. The AGOA firms have assisted the youth to take care of themselves and their families. Some people also who are not the youth who work in the factories benefit by the being able to pay for their children study fees and some have built themselves houses. The respondents feel that the lives of the factory workers have been improved by working in the factories than when they were doing nothing. They said that poverty levels in the country have been put on bay by the presence AGOA factories in the settlements in which they are located. Generally, the respondents felt that AGOA was a very good initiative which has assisted Lesotho in curbing poverty through employment of factory workers and through presenting opportunities for thousands of Lesotho citizens from all over the country to start some small scale business enterprises which also employ unskilled and semi-skilled people.

**(b) Local economic spin offs**

In the case of local economy spin offs, all of the youth interviewed said that they did not gain much from AGOA. They said that some small scale business enterprises were started in their settlements by both the older and younger people. These businesses sell fresh fruits and vegetables, food and airtime to the factory workers. They said that most of the time the street vendors allocate themselves land from which to operate because they are not provided with the market stalls. Even though these small scale enterprises are not big like shops, their business is thriving and their owners and workers are able to live and meet the needs of their families. The respondents argued that had the factories not located in those settlements, they would not have started their small businesses. Some respondents pointed out that those settlements where the factories are located are economically growing as a result of the small scale business enterprises located near the factories. This they attribute to the view that when money circulates within an area, its economy is bound to boom. The convenience shops which are opened in these settlements are bustling with economic activities. These shops seem to be sustainable in the views of the respondents because they are usually busy with people buying frequently and in large numbers. One respondent argued that vegetable production by small scale farmers was booming in his settlement because the factory workers were their reliable target market. The respondent said that some people who own land in these



settlements had sub divided their land and built some private rental houses for the factory workers to stay while those owners cash in on the monthly rents.

### **(c) Local spatial spin-offs and migratory impacts**

The youth respondents indicated that there are several people in their settlements who have taken an advantage of AGOA by building some rental houses at increased rates. They claim that these rental houses impact on the spatial distribution and growth of these settlements because they change the land use patterns. The physical growth of these settlements increases rapidly and that puts pressure on the available utility services which are usually very poor in those settlements. They said that private residential development is booming in their settlements. They pointed out that the rental houses become fully booked by the time they are still on their foundation phases of construction. Some respondents in this category thought that their settlements are growing spatially in a planned way. They argued that the private developers usually followed official procedures while acquiring sites and those sites are sometimes properly planned. The respondents were of the view that the physical spatial growth of their settlements was also due to the migratory impacts of AGOA. They said that most of the factory workers were from all over Lesotho and came to settle in the settlements where the factories are located in large numbers. They needed where they stay when they arrive hence the booming rental houses in these settlements. These rental houses are usually of poor quality because of the affordability of their tenants and occupants.

### **(d) Environment and health impacts**

Two of the five respondents in this category held the view that there are some environmental challenges that brought about by emissions from the AGOA factories. They indicated that the factories produce and emit some dangerous fumes which are hazardous to the public health. Some factory workers have contracted some respiratory diseases as result of inhaling these fumes and are sometimes transmitting them to other factory workers. The weather patterns have shifted around the places where the factories are located because of the green house emission from these factories. The respondents said that water is also polluted by the industrial sludge which is just dumped by the factories and gets into the river systems through rain water run-offs.

### **(e) Skills development training**

Two respondents were of the view that people who work in the factories are provided with some basic skills trainings. These skills are highly specialised depending on what specifically the factory worker is doing in the factory. Factory workers tend to know only one job task and that cannot be used to sustain one after being employed by the factories. With this state of affairs, the respondents felt that it becomes difficult for the factory workers to open their own sewing businesses and also due to heavy capital requirements. They said that although there was some knowledge, it tended to be very limited and thus very rarely able to be utilised productively.

### **(f) Influence, inspiration and motivation to the youth**

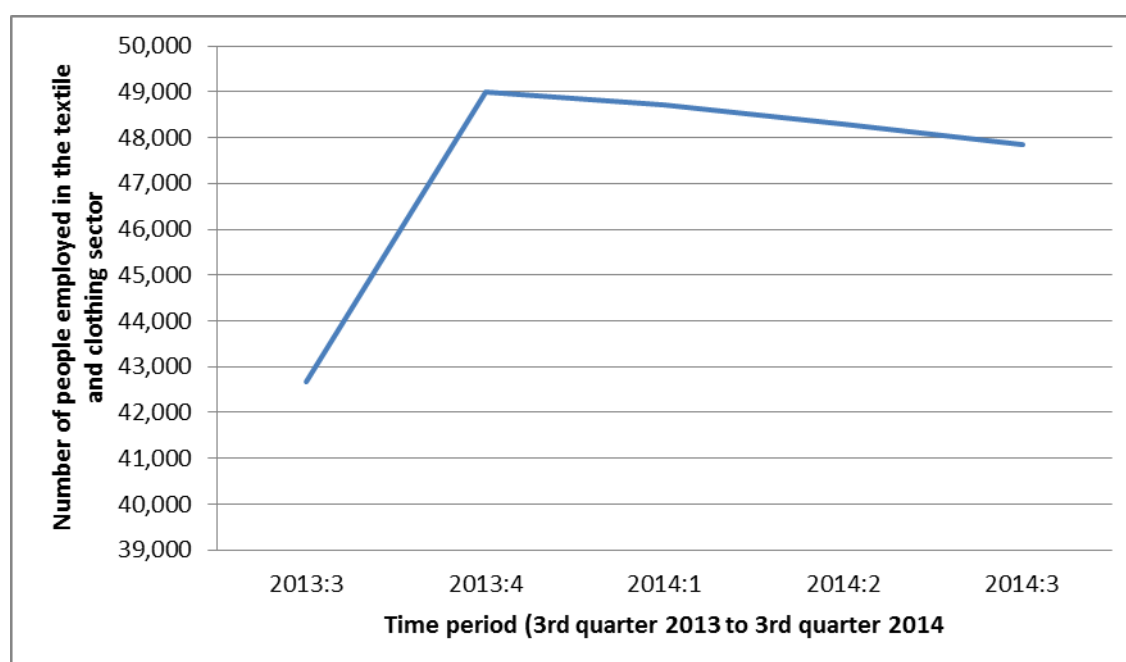
The respondents' views were quite mixed regarding whether AGOA had motivated youths to venture into business opportunities brought about by AGOA. Some felt that youth were not influenced in any way to start businesses while others were of the view that some youth dropped out of their school education in order to start some small business enterprises around the factories. Some youth dropped out of school to work in the factories because they employ mostly semi-skilled to unskilled persons. Getting employed in the factories does not need some specific educational qualification. One respondent expressed the view that he was not aware of any young people who have been influenced by AGOA to start his/her business. He said that he was not influenced in any way by AGOA to start his barber shop near where the factories are located even though many of his clients are factory workers. The respondents were generally of the view that Basotho, whether youth or local entrepreneurs, would not manage to run the textile businesses because of a strong work ethic required of them. They said that they thought that the Chinese and Taiwanese were still capable of running them because they had both money and proper skills and experiences to manage them.

## **4.3 Documented evidence**

This analysis has revealed that AGOA has had major impacts in Lesotho. Lesotho's textile and clothing industry has grown and contributed some 20% to the country's GDP. This sector has brought some job opportunities to the local Basotho which has led to some 40 000 mainly female factory workers to be employed in the factories. This had made the textiles sector the largest private sector employer in the country.

The majority of the Lesotho factories are owned by the foreigners like the Chinese and Taiwanese. These investors come with their supposed entrepreneurial spirit and resourcefulness, the irony of this is that it is people from the Far East who took an advantage of AGOA which is an American initiative. Only two Basotho entrepreneurs have started their own textile companies. As a result of the influx of the foreign investors in Lesotho, FDI has increased quite substantially. There are some spin-offs like road freight transport, security services, passenger transport, traders who sell food to factory workers, rental housing accommodation, and sale of water, electricity and communications. There are also some initiatives like the Apparel Lesotho Alliance to fight AIDS (ALAFA) that worked on the prevention and holistic treatment of workers living with HIV/AIDS on the factory floor (LENA, 2008; CBL, 2011; Kotelo, 2014; LNDC, 2014; Harding, 2015 and Keletso, 2015).

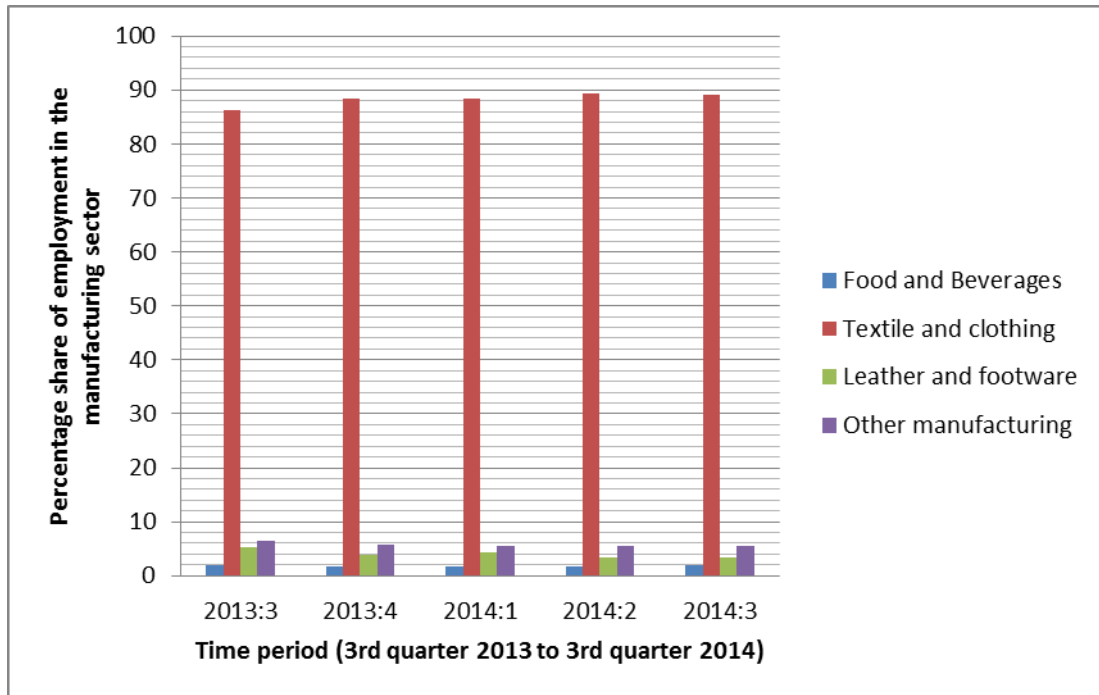
**Figure 2: Employment in the textile and clothing sector in Lesotho from the third quarter 2013 to the third quarter of 2014**



**Source: Bureau of Statistics, 2015: 2**

The above figure shows that employment in the textiles and clothing sector increased in the fourth quarter of 2013 and decreased continually thereafter into the third quarter of 2014. This might be due to the layoffs of factory workers as a result of the uncertainty regarding AGOA's renewal by the US Congress beyond 2015. As a result of that uncertainty, it has been argued that many factories lay off thousands of their workers and closed shop (Fosu, 2011).

**Figure 3: Percentage share of the manufacturing sector industries to total employment in the manufacturing sector (2013:3 to 2014:3)**



Source: Bureau of Statistics, 2015: 3

This figure indicates that the percentage share of the textile and clothing industry to the total employment of the whole manufacturing sector was greater than all other industries combined. This means that the economy is exposed to the AGOA factories being the bigger employers in the manufacturing sector covering more than 80% of the total manufacturing sector employment throughout the third quarter of 2013 to the third quarter of 2014. This exposes the whole economy to the external risks of depending so much on the industry which its survival depends on the political will of another economy, the USA.

**Table 5: Basic minimum wages (in Maloti<sup>2</sup> per month) for the clothing, textile and leather manufacturing sector**

- 1. Employees with less than 12 months' continuous service with the same employer:**
  - a) Textile general worker M1, 071.00
  - b) Textile machine operator M1, 152.00
  - c) Textile machine operator-Trainee M1, 071.00
- 2. Employees with more than 12 months' continuous service with the same employer:**
  - a) Trained machine operator M1, 260.00
  - b) Textile general worker M1, 187.00

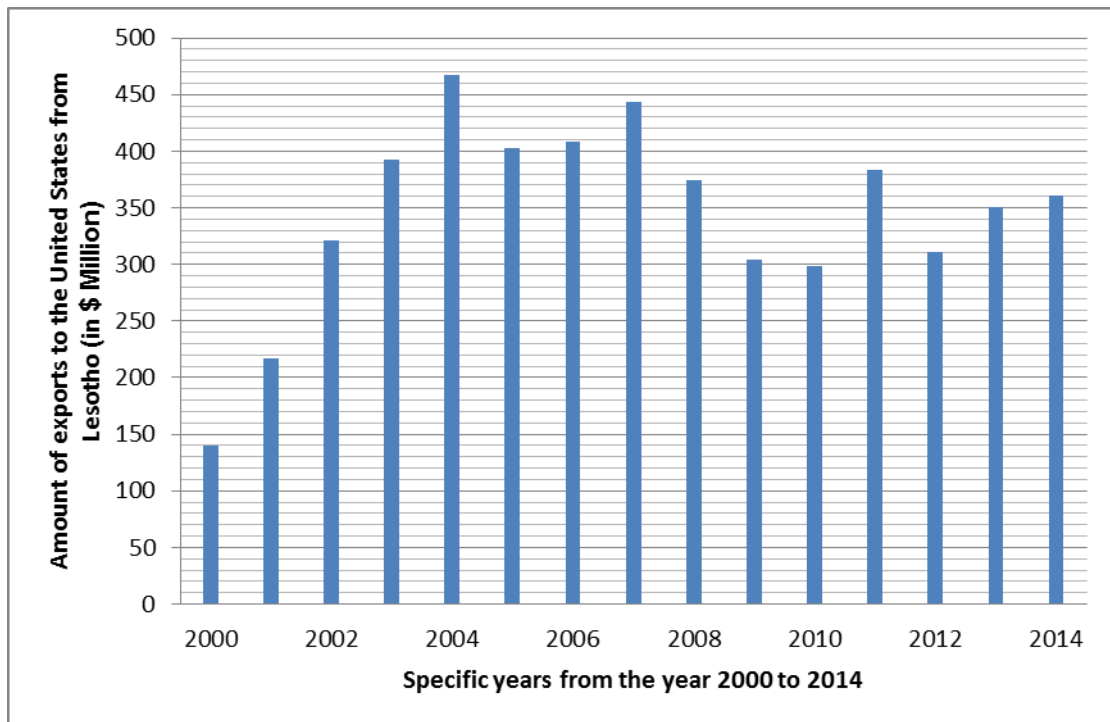
Source: Kingdom of Lesotho, 2015: 118

The above information indicates that the factory workers in Lesotho earn different salaries. These differences relate to the length of time the factory worker has spent with one employer on a continuous basis. Employees with more than twelve months' continuous service with the same employer earn more than their counterparts who have less than twelve months continuous service with the same employer even though they might be in the same category. For example, the basic minimum wage for the textile general worker with more than twelve months continuous service with the same employer is M1, 187.00 while that of the textile general worker with less than twelve months continuous service with the same employer is M1, 071.00. This means that the AGOA textile factory workers earn according to the period of time that they have spent with the same employer on a continuous basis. However, these salaries are relatively low for them as they are usually the sole bread winners of their families and extended families. These low salaries are also below the minimum taxable incomes which means that factory workers do not contribute to the national coffers for development purposes directly. They however, contribute indirectly through the value added taxes which they get charged when they buy their household goods with their low disposable incomes.

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<sup>2</sup> Maloti are the currency of the Kingdom of Lesotho denoted by **M**. It is equivalent to the South African Rand

**Figure 4: Aggregate exports by Lesotho to the US (AGOA and non-AGOA goods) from 2000 to 2014 (in \$ million)**



Source: USITC/Department of Commerce

The above figure shows the aggregate exports (AGOA and non-AGOA) from Lesotho to the US markets for the period 2000 to 2014. It shows that the aggregate exports from Lesotho to the US increased rapidly after AGOA was enacted in 2000 during the said period, though it decreased after 2011. Exports increased during the said period and decreased after 2008 and increased again after 2011. This might have been due to the uncertainties about AGOA's third country provision expiration after 2008 which led the producers to close shops. Generally, this figure indicates that the exports from Lesotho to the US had increased dramatically after AGOA was enacted even though it sometime fluctuated it never reached the low levels which it experienced before the year 2000.

**Table 6: Summary of the findings of the impacts of AGOA in Lesotho**

Findings/impacts of AGOA in Lesotho	Role players/respondents						
	Economic Development Planners (4)	Local Entrepreneurs (2)	Spatial Development Planners (5)	Officials of LNDC and Dept. of Trade and Industry (3)	Community representatives (5)	Youth representatives (5)	TOTALS
Job creation and poverty reduction	4	2	1	3	5	5	20
Local economic spin-offs	4	2	5	3	5	5	24
Local spatial spin-offs	3	1	5	1	3	1	14
AGOA induced economic growth	1						1
Infrastructure provision, upgrading and maintenance	2	1		3	1		7
Composition of the factory workers	2		2				4
Migratory impacts	2	1			1	1	5
Foreign company impacts	2						2
Local social and environmental impacts	2			1		2	5
Market access and skills development training		2		1	5	2	10
Foreign ownership, local private sector on AGOA and value chains		2				1	3
Motivation and inspiration to the local entrepreneurs to start their businesses and culture of entrepreneurship		2		1			3
Benefits to the foreign investors				1			1
Integration of Lesotho's economy in the world economy				2			2
Health impacts					1	2	3
Influence, motivation and inspiration to the youth						3	3
<b>Source: Author</b>							

The above table summarises the findings of the categories of the role players clustered into several themes. These themes are cross-checked against the views of

the different role players to understand their perceptions and their variability amongst themselves. The findings show that the views of the role players were concentrated around a few themes, notably: job creation and poverty reduction; local spatial spin-offs; local economic spin-offs; and market access and skills development training. All of the respondents from across all categories indicated that AGOA has had some positive local economic spin-offs in the villages where the factories are located. This means that four economic development planners, two local entrepreneurs, five spatial development planners, three officials of the department of trade and industry and LNDC, five community members and five youths all agreed that the location of AGOA firms in those settlements brought with it positive economic activities. These economic activities are small scale business enterprises which sell food, fruits, vegetables, airtime and some clothes. Other economic activities which were brought by the location of the firms are the availability of the convenience shops in those settlements. The respondents' views in relation to AGOA creating jobs and reducing poverty in those settlements were also concentrated among all respondents groups except that the spatial development planners were not keen in expressing their opinions on this theme. Only one of them expressed his/her views. The spatial planners' reluctance in offering their views on this aspect of AGOA might possibly be due to them thinking that their experiences and expertise are more inclined to the spatial effects than social effects of development initiatives AGOA. The next more concentrated theme was that of the local spatial spin-offs. Most respondents (14 of the 24) indicated that AGOA encouraged landlords to build rental houses for the factory workers and the people who started their small scale business enterprises. Some respondents pointed out that these spatial spin-offs were related to the booming illegal sub-divisions and sales of plots of land amongst the villagers which led to uncontrolled and haphazard land developments. These developments put more pressure on the already strained public services supplied by the local authorities and residents end up suffering lack of efficient and adequate service delivery.

The remaining themes have less concentration of the views of the respondents mainly because of them are role player specific. For example; on the theme called "motivation and inspiration of the local entrepreneurs to start their businesses and culture of entrepreneurship", the local entrepreneurs responded that AGOA neither motivate nor inspire them to start their businesses. The officials from the department of trade and industry and the LNDC, in fact, only one of them offered a view that it



was very difficult for local investors and entrepreneurs to venture into the manufacturing sector because it was a more personalised business which depended more on the individual connections of those interested. Other respondents did not bother to talk about AGOA motivation and inspiration to local business people because they were not interested in it. What was quite concerning from the above table was the issue of the theme “AGOA induced economic growth”. Even though it is more economic oriented, only one respondent, an economic planner, brought it up by showing that in her district, some villages were experiencing economic growth because of the location of AGOA firms due to the remittances of the factory workers and people who has started their small scale businesses around the firms.

The youth were the only respondents who talked about the “influence, motivation and inspiration of AGOA to the youth”. They pointed out that even though AGOA motivated them to start their small scale business enterprises like selling fruits, it did not inspire them to produce clothing or start companies because they were unskilled. Their small scale businesses were not sustainable and depended entirely on the proper functioning of the factories because their customers were the factory workers. Some of these youths indicated that the AGOA firms even motivated their counterparts to drop out of schools in order to work in the factories. This view was confirmed by the views of other respondents on the composition of the factory workers who consist mostly of the youth of high school ages. The respondents also indicated that the location of the factories caused migration from the rural areas to the urban areas where the factories are located. The reasons for migration among the different groups of in-migrants ranged from seeking work in the factories to starting their small scale business enterprises and the ‘better’ life in the urban settlements. Those who talked about migration were two economic planners, one local entrepreneur, one community member and one youth. Slightly less than half of the respondents indicated that the factory workers were offered some life skills development training while working in the factories. They said that these skills were only oriented towards what the workers were specifically doing in the factory. The skills were not broad and were not able to be translated into meaningful skills outside the shop floor. The majority of the respondents who expressed their views on this theme were the community members who were themselves once factory workers and were trained but were unable to usefully use those skills outside the factories.

**Table 7: Strength of various aspects relating to AGOA in Lesotho**

Aspects of AGOA in Lesotho	-5	-4	-3	-2	-1	0	1	2	3	4	5
Job creation and poverty reduction											•
Local economic spin offs											•
Local spatial spin offs									•		
Induced economic growth							•				
Infrastructure provision, upgrading and maintenance									•		
Composition of the factory workers								•			
Migratory impacts								•			
Foreign company impacts		•									
Local social and environmental impacts	•										
Markets access and skills development			•								
Foreign ownership, local private sector on AGOA and value chains	•										
Motivation and inspiration to the local entrepreneurs to start their businesses and culture of entrepreneurship	•										
Benefits to the foreign investors	•										
Integration of Lesotho's economy in the world economy						•					
Health impacts	•										
Influence, motivation and inspiration to the youth	•										

Source: Author

The above table summarises the strengths and weaknesses of the views of various informants regarding their perceptions of the aspects of AGOA in Lesotho. Their views range from strongly positive views to strongly negative views with -5 showing strongly negative while +5 shows strongly positive views. From the table it can be seen that most informants feel strongly negative about most of the impacts of AGOA in Lesotho with some feeling strongly positive about the specific aspects like local economic spin offs and job creation and poverty reduction.

#### 4.4 Rejoinder: Discussion of Findings

The study sought to explore the impacts of AGOA on the establishment and creation of an industrial economy in Lesotho and what it has done in terms of: (1) establishing and creating a manufacturing economy in the country' (2) putting in place enabling platforms for industrial development in settlements in the country, and (3) assisting people, especially the youth and local entrepreneurs to start up new or expand existing industries. It sought to achieve these by (1) exploring how the factories had contributed to the economic development in settlements of Lesotho through local and regional value chains; (2) finding out the impacts of AGOA on the spatial development and state of infrastructure provision, maintenance and upgrading of the areas where the factories are located; (3) determining if AGOA had inspired and led

Basotho entrepreneurs to invest in the production of AGOA-eligible products and other associated economic opportunities; and (4) establishing whether AGOA had motivated and led Basotho youth to start up new and expanded their own companies to produce for the US market, the local economy and/or the wider regional economy.

#### **4.4.1 Impacts of AGOA on economic development**

The study found out quite less of what was anticipated in the area of sustainable economic development of the areas where the factories are located. It was anticipated that AGOA caused and led to expansion of domestic companies to feed into the supply chains of the textiles producing factories and building of a resilient value chain. What the findings suggest is that there was not much done to trickle down benefits of AGOA into the local economy. Big Asian conglomerates have come to Lesotho to open factories. These conglomerates buy their raw materials mainly from China and they do not buy from the local suppliers which are non-existent. It was also found out in this study that the equipment that is being used in the factories is from China, when that equipment is broken, experts are brought into the country for repairs or equipment is sent abroad to be fixed. This is not contributing positively to the building of a resilient value chain. The textile and garment manufacturing sector leans solely on AGOA in Lesotho. It is not sustainable and can hardly stand on its own should AGOA be withdrawn.

Growth of the textiles and garment factories was recorded in the period under study. This growth was a result of more Asian investors coming into Lesotho to open their factories to take advantage of AGOA. This is consistent with the views of Asafu-Adjaye (2011) that AGOA led to the growth of the manufacturing sector in the SSA even though the local people have not benefitted from that growth. There has only been two Basotho owned textiles factories during the study. Senior positions in these foreign owned companies are primarily occupied by the foreigners with very few occupied by Basotho. Even though the export market is American, the beneficiaries had been Chinese and Taiwanese which is an irony to Lesotho which was supposed to benefit from AGOA. AGOA was targeted at benefitting the SSA countries even though in the case of Lesotho, it has been benefitting Chinese and Taiwanese investors.

Basotho had benefitted primarily from low paying jobs through working in the Chinese and Taiwanese factories as factory workers or as security guards. This has confirmed what Fosu (2011), Mokoatsi (2011) and Rantaoleng (2014) had argued

about that AGOA has contributed in the creation of job opportunities for the local people. Despite this creation of massive job opportunities for the local people, the foreign investors are reluctant to impart their skills to these local factory workers confirming what Lall (2005) and Asafu-Adjaye (2011) had observed top management in the factories are occupied by the expatriates and that skills transfers are unlikely in these firms. The textiles sector is the largest private sector employer in the country employing some 40 000 odd workers (Bureau of Statistics, 2015; Keletso, 2015). The factory workers are mainly the female youth between the ages of 20-35 years old. Most of these workers are high school graduates even though some university graduates have joined the factories in large numbers lately because of rampant lack of employment opportunities in Lesotho. These factory workers are usually the sole breadwinners of their families and being employed in the factories has been really a lifeline for them. They usually support their extended families to meet their day to day household needs like sending children to school, buying clothing and having shelter. Although these jobs are a lifeline for many people and households, they are low paying. This means that factory workers are not paying taxes for the sustainable development of the country at large. This is an impediment to the services provision when about 40 000 odd people are not paying income taxes because of their low salaries.

The study found out that some local people have started some small scale business enterprises near the places where the factories are located in order to tap into the opportunities that are offered by AGOA. These small scale Basotho street vendors are able to care for their extended families by selling fresh fruits, vegetables, clothes, airtime and food to the factory workers. Few local people were found to be growing vegetables to sell to the street vendors and to the factory workers. These are improving the local economy of the settlements where the factories are located though at a micro scale. The local convenience shops in these settlements were found to be sustainable for as long as the factories in those settlements were in operation. The failure was found to be the reliance of these small economic activities to the continued operation of the factories which rely on AGOA for their products to find markets in the US. Street vendors who sell food buy meat and mealie meal from the Chinese shops in the settlements and some vegetables from the very small local producers and this in a way created a very small value chain which is negligible.

There has been an increase in the number of security services employed by the factories in the last fourteen years since Lesotho became AGOA eligible. There has

also been very few Basotho owned delivery truck services which deliver goods for the factories. Most of these delivery trucks are South African and bring nothing into the economy of Lesotho. Basotho have benefitted from delivering factory workers to their places of work using mini-bus taxis owned by Basotho. Many Basotho taxi operators embarked on buying mini-bus taxis as a means of improving public transport services in the settlements where the factories are located. This was found to be a positive impact to the local economy. The last group of direct beneficiaries from close proximity of the factories to their homes have been the land owners in those settlements. They built small rental houses for the factory workers who are mainly the in-migrants. These landlords charge monthly rentals and are getting income. This is despite the fact that this kind of housing is not good for human health. Usually the factory workers are crammed in small houses in their large numbers in order to afford monthly rents. Even though this benefits the landlords, it poses health risks to the factory workers.

All of these local economic activities were found to be contributing to the local economic development of the people in the settlements where the factories are located. This was despite the view that there was nothing or a very small contribution to the building of a resilient value chain system in these settlements. They have contributed to the reduction of poverty and in improving the living standards of the local people and wellbeing of the factory workers, their families and those that own small business enterprises and their workers.

**Figure 5: A security guard at the gate of a polluting textile factory at Ha Thetsane Maseru**



Source: Author

**Figure 6: Commuter mini-bus taxis are a common sight at the factory settlements**



Source: Author

**Figure 7: Some people sell vegetables on the pavements near the factories**



**Source: Author**

#### **4.4.2 Impacts of AGOA on spatial development**

The findings in this category suggest that there were some effects of AGOA on the spatial perspective. These effects are however largely skewed towards the negative impacts. The location of the factories in the settlements where they are located had attracted lots of in-migrants to come to these settlements in search of better paying jobs in the factories. Some of the in-migrants came to these settlements to start their small scale business enterprises or to work in them. There is usually a shortage of housing when they arrive and this had driven the land owners to build some lines of small rectangular blocks of one or two-roomed houses to accommodate them. It was found from this study that the increased demand for housing for the factory workers in these settlements had led to their physical and spatial growth. This growth was found to be mostly unplanned and happened in a haphazard fashion. It was also found that the location of these factories here had impacted on the spatial distribution and the land use patterns of the settlements. Most of the settlements are predominantly residential with a very little portion that is industrial and commercial. The land use patterns are changing to an extent whereby residential land uses are eating up on prime agricultural land which puts pressure on urban food security. Though some in-migrants are building their homes around these settlements,

residential land use is also prone to encroachment by the mushrooming of the low quality rental houses which are affecting the aesthetics of the settlements and threatening public health. The factory workers are living in very hard conditions. While housing has been built specifically for them by local people with very limited services, the quality of life for these workers is very low.

Infrastructure provision in these settlements was found to be wanting. During construction of the factory shells by the LNDC, provision was made for the factories to be connected to bulk water supply, electricity, sewerage lines, telecommunications and access roads. These services were meant specifically for the factories. Over the years, people who acquired land in these settlements were able to get connected cheaply to these services because of their close proximity to their homes. Some of the residents were unable to be connected to the services due to lack of funds on their part. The physical expansion of these settlements have made it difficult for the utility services providers to provide these services to all the people because of fixed supply of the services themselves. During the years after LNDC had provided these basic infrastructure services to the settlements, it had become the responsibility of their local authorities to upgrade and maintain these services. These have not happened adequately with some people blaming this on the lack of funds on the part of the local authorities. It was also found that these factories were meant to be for light industry. The contrary had been the case and now they pollute the environment through disposing of industrial sludge carelessly and the discharge of dirty water into the rivers systems. The air is also polluted through the emissions of dangerous and green-house gases into the atmosphere.

While the physical and spatial growth of the settlements was happening in a haphazard manner, the spatial development planners had looked at innovative ways of curbing the challenges brought by the firms. They had looked at alternative sites where they could plan for new settlements and how they could upgrade existing ones. The latter had been the most likely option due to the lack of adequate funds and lack of political will towards planning activities by the government. It was found that most of the time these planners are limited in expanding their horizons in designing these settlements due to the awkwardness of the siting of the factories within these residential areas in the first place. They usually have to limit their ability to think proactively and illegal land transactions do not stop. The illegal development of land therefore continues unabated. The settlements continue to grow unplanned and this affected the provision of services. Some illegal houses are found built on the



road reserves usually without due process of obtaining planning and building permits respectively for development control and building control purposes.

The study found that commercial activities are also attracted to the settlements where the factories are located due to the increasing numbers of people who settle in them. These commercial activities are in the form of small scale business enterprises and some small convenience shops. There are some big grocery retail enterprises in the case of Ha Thetsane which moved to near where the factories are located. While these were found to be putting pressure on the already limited services provision, they were also found to be contributing to be assisting in adding or mixing the land uses to make vibrant human settlements. What is needed is the investment in revitalisation of these settlements for them to be suitable for sustainable human habitation and other uses. What had been concerning though in these settlements is the complete absence of the contribution to infrastructure provision by the factories themselves. While it was anticipated that the foreign investors and their suppliers would live within the communities where the factories are located, it was found that they live within the factory compounds. They do not stay in the settlements with the residents and they do not feel the pressure put upon the services. They were found to live behind high security walls with gun holding security guards at their gates. They do not assist the communities by providing infrastructure maintenance or upgrading. They also do not assist with building schools, clinics or social development facilities even though they derive their profits from these communities. There has been only one firm which assisted the community with building the classrooms of a local school. There are no corporate social responsibility programmes provided by the factories whatsoever in these settlements.

**Figure 8: Residential rental houses in the settlement where the firms are located**



Source: Author

**Figure 9: Gravel access road in the settlement where the factories are located**



Source: Author

**Figure 10: Tarred access road, street lights, and telephone and electricity lines on the pavement**



Source: Author

**Figure 11: Earth access road**



Source: Author

**Figure 12: Residential rental units**



Source: Author

**Figure 13: Delivery trucks with South African registration numbers with the street vendors in the background**



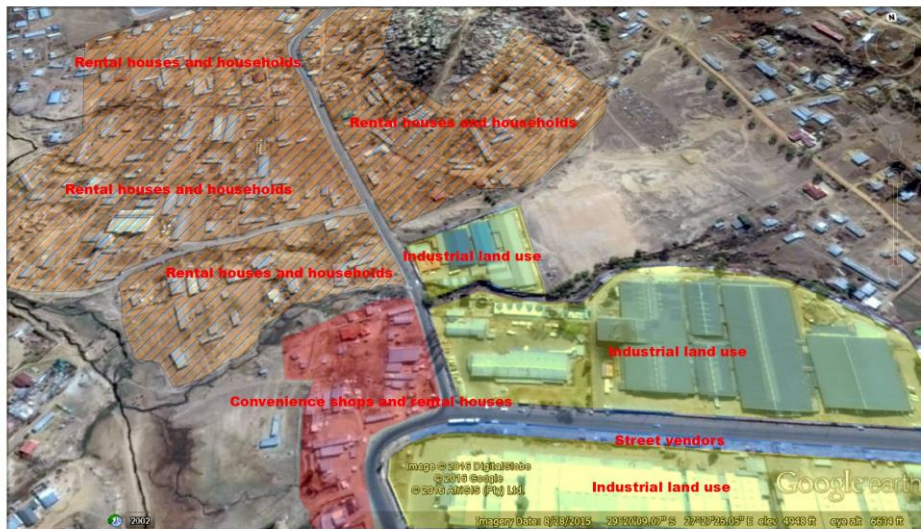
Source: Author

**Figure 14: South African delivery trucks parking near the factories**



Source: Author

**Figure 15: The location of the factories and the rental houses in the settlement**



Source: Google Earth

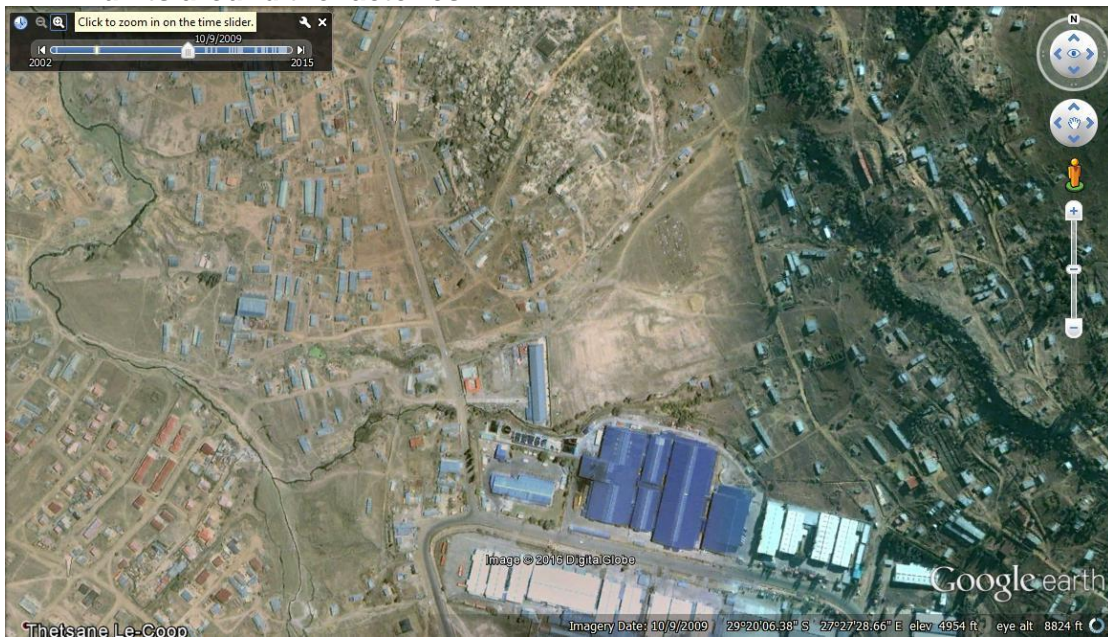
**Figure 16: Spatial changes within Ha Thetsane Industrial Area 2002 to 2015**

a) Ha Thetsane Industrial Area in 2002 showing few residential rental units around the factories



Source: Google Earth

**b) Ha Thetsane Industrial Area in 2009 showing increased number of rental units around the factories**



Source: Google Earth

**c) Ha Thetsane Industrial Area in 2015 showing the factories surrounded by many residential rental units**



Source: Google Earth

Figure 16 above shows how the spatial changes took place at the Ha Thetsane Industrial Area in Maseru from 2002 to 2015. It can be seen that in figure 16(a), which depicts a satellite image is taken in 2002; there are few residential rental units around the location of the AGOA factories. This changes as time goes on and in 2009 (as depicted by figure 16(b) the rental units have increased in number and the spatial form of the settlement is different from 2002. There seems to be a denser

habitation of the settlement. Figure 16(c) was taken in 2015 and the settlement's density is heavier and the rental units are surrounding the whole industrial area from almost all the sides. This is most likely due to the fact that landlords have both subdivided their land while others have built more rental houses for the incoming factory workers.

#### **4.4.3 Inspiration of AGOA to local entrepreneurs**

It was anticipated that AGOA would inspire and lead Basotho entrepreneurs to invest in the production of AGOA-eligible products and other associated economic opportunities. What the findings suggest is quite the opposite of this. It was found that there was minimal inspiration to local investors to start companies which would invest in producing AGOA-eligible products. This was attributed to lack of information on the part of local investor who thought that AGOA was only meant for the foreign investors especially Chinese and Taiwanese. During this study, it was established that there were only two local investors who took advantage of AGOA (LNDC, 2014). They were both however not inspired by AGOA to venture into the textile manufacturing sector. They were producing garments for both domestic and international markets. What was found was that it was very difficult for the local investors to venture into AGOA production because of the strong level of personal connections and bureaucracy involved.

There were some local entrepreneurs who were found to be operating some public transport mini-bus taxi businesses. These had tapped into that sector specifically to cater for the factory workers' transport needs. They transport factory workers to and from their workplaces to their areas of residence. Their operations are highly dependent on the operations of the factories. When the factories are closed for long holidays, their businesses suffer because of lack of their clients. The public transport sector supports the operations of the factories by delivering the workers to their places of work on time for adequate production while it reaps profits. This is a win-win situation for both public transport operators and the factories. Other entrepreneurs who were found to be benefitting from AGOA were the delivery truck operators. These were found to be very few in number as most of the delivery trucks were South African. They deliver raw materials to the factories and deliver finished goods to the harbours in South Africa. This had been a direct link to AGOA-induced manufacturing business. Their operations depend on their whole on the survival of AGOA because the Lesotho manufacturing sector itself depends on AGOA.



The other groups of the local entrepreneurs who have not let AGOA to slip between their fingers are the small scale business enterprises street vendors and the landlords who have built their rental houses for the factory workers. The street vendors were primarily attracted to open their businesses at close proximity to the factories for the factory workers to buy from them. They are mostly the local people from the settlements where the factories are located even though some are from other villages all over Lesotho. Their businesses are small scale and they exist because of the opening of the factories. When the factories are closed they do not go to work. Their products are most of the time from the local shops. They seldom buy from local producers. This feeds a little into the local economy even though they are able to live and care for their families. Landlords have built rental houses for the factory workers for business purposes. Their operations are tied heavily on the survival of AGOA. When there are no factory workers, their houses are not occupied and that affects their businesses negatively. Generally, there had been found reluctance on the part of big local investors to venture into AGOA-eligible goods production for both local and international markets while on the part of small scale business operators it was found that they took advantage of AGOA by selling to AGOA factory workers even though their enterprises are not sustainable. Were AGOA to be either withdrawn or terminated, their enterprises would fall or they and their families would suffer. The inspiration that was sought to be determined was found to be minimal and not significant to the national economy because local investors were very few while the small scale business operators were many but did not contribute much to the national economy.

#### **4.4.4 Motivation of AGOA to youth**

The findings in this category suggest a lack of any contribution of AGOA to the youth to start up new or expand their own companies to produce for the US market, the local economy and the wider regional economy. It was anticipated that youth would take advantage of AGOA in Lesotho and be motivated to start new companies to produce for the US market, local economy and the wider regional economy. What was established though through this study was that the youth were not motivated by AGOA to start their companies, to produce for the US market or be engaged into economic activities which would feed into the value chain. What the youth were found to be engaged in was to be employed as factory workers in the AGOA factories in their large numbers. Youth constituted a large share of the population of factory workers in the AGOA firms. Most of them are female high school graduates even though a small proportion of them are university graduates. They opt to work in the

factories because there is little else to do. The government of Lesotho, the LNDC and local commercial banks introduced a partial credit guarantee scheme in 2011 to fund the local business men and women (especially the youth) to start up new businesses. The youth had failed to tap into this. It was found that youth who work as factory workers were not equipped that much to venture into their own businesses. They are provided with some basic skills development courses at zero cost to the foreign firms. These courses are offered by the government. The courses provide very basic factory skills like sewing, knitting, putting in buttons, pressing and sorting fabric in the factories. There are no linking mechanisms available for the foreign investors to transfer useful skills to the local investors and factory workers so that they could run those factories in the future. This limits the creation of local industrialists from the local business people and the youth. It was found that the skills the factory workers acquired on the factory floor are useless once they leave the firms.

It was also found out that the youth were motivated to leave school and drop out in order for them to go and work in the factories. This is negative for the development of Lesotho which could not compete with her counterparts if her youth are not skilled through education. This happened because there were no formal school qualifications needed for one to get employed in the factories. Some youth were found to leave school and start new small scale business enterprises to sell food, airtime, fresh fruits and vegetables to the factory workers. Youth education is very important for sustainable economic development and the dropping out of school of youth should be highly discouraged by all stakeholders. Measures should be put in place to curb this challenge. Rather, the partial credit guarantee scheme should be expanded to include those youth who would like to start new companies for producing AGOA-eligible goods and produce for local, regional and international markets. The country should invest in its youth for its brighter future.

**Figure 17: Youth have taken advantage of the AGOA factory workers and sell roasted chicken heads and feet**



**Source: Author**

#### **4.5 Summary**

This study was motivated by the lack of information on the sub-national economic and spatial development impacts of AGOA. It was observed in the reviewed literature that the impacts of the factories, established in response to AGOA, on the sub-national (local and regional) spatial and economic development in a beneficiary country are not identified. This study has successfully filled these information and/or knowledge gaps in the existing literature by generating a better understanding of the contributions that tools like AGOA can make to the development of sub-national spaces and economies in a beneficiary country. These contributions can be summarised as follows:

- (1) Settlements where AGOA-factories are located have shown little improvements spatial and economically;
- (2) Small numbers of 'local residents' in the settlements where the factories are located have started small scale businesses;
- (3) No indigenous capitalist class was established in the beneficiary country as a result of AGOA;

- (4) No regional or local value chains of note were established;
- (5) Raw materials for the factories are largely sourced from outside the beneficiary country;
- (6) AGOA-induced industrialisation has resulted in haphazard settlement development whereby landlords sub-divide their plots for informal land sales and for building residential rental units for the factory workers; and
- (7) Factories and/or their owners do not plough back their incomes into the areas where they are located for funding infrastructure provision, maintenance or upgrading.

## **5 CONCLUSION**

### **5.1 Introduction**

The purpose of this study was to explore the impacts of AGOA on the establishment and creation of an industrial economy in Lesotho and what it has done in terms of: (1) establishing and creating a manufacturing economy in the country, (2) putting in place enabling platforms for industrial development in settlements in the country, and (3) assisting people, especially the youth and local entrepreneurs to start up new or expand existing industries. It sought to achieve these by (1) exploring how the factories had contributed to the economic development in settlements of Lesotho through local and regional value chains; (2) finding out the impacts of AGOA on the spatial development and state of infrastructure provision, maintenance and upgrading of the areas where the factories are located; (3) determining if AGOA had inspired and led Basotho entrepreneurs to invest in the production of AGOA-eligible products and other associated economic opportunities; and (4) establishing whether AGOA had motivated and led Basotho youth to start up new and expanded their own companies to produce for the US market, the local economy and/or the wider regional economy. This chapter is structured under five sections including this introduction. Section two presents the main findings and conclusions reached. Section three offers the contributions of this study to the field of development planning and section four provides areas for further research.

### **5.2 Main findings and conclusions**

The main empirical findings of this study were structured around the four specific objectives. This section synthesises and summarises them to answer the study's research questions.

#### **5.2.1 Impacts of AGOA on economic development**

The study found that AGOA contributed to the establishment and creation of the industrial and manufacturing in Lesotho although it was not in an anticipated way. It has also contributed to economic development of the settlements where the factories are located. It was found that local people and in-migrants were employed by the factories, others started small scale business enterprises around the firms, few people own delivery trucks and there are local security services which provide

services to the firms. These activities provide economic opportunities to the people of Lesotho although at small scale. They contribute to poverty reduction through employment creation. The volume of the manufacturing firms has increased in Lesotho since AGOA was enacted even though the investors are mostly foreign. The raw materials are also not from Lesotho but mostly from China and South Africa. AGOA has stimulated industrial activities in the form of manufacturing textiles and garments which are exported mainly to the US and South Africa. There are no local and regional value chains created by the presence of AGOA-firms in Lesotho. The factories rely solely on AGOA for survival. The many jobs that had been created also depend entirely on this piece of legislation. Interviewees expressed their concerns regarding the failure of local investors to feed into the AGOA production through subsidiary activities like factory machine repairs, zip production businesses and packaging materials production. It was concluded that AGOA had created an industrial economy which rely entirely on the American political will and it is not sustainable. It renders the Lesotho economy vulnerable to external economic shocks without shielding it from potential dangers.

### **5.2.2 Impacts of AGOA on spatial development**

AGOA was found to have contributed negatively on the spatial development of the locations of the factories. The location of the factories in towns and villages where they are located attracted huge volumes of the people from other places in Lesotho to reside there, others permanently while others resided temporarily. These people were attracted due to their perceived better living conditions and better job opportunities in these areas. When they arrived in those areas, they needed where to stay, where to play, energy services, water supply and sanitation services. Their arrival put more pressure on the provision of services in those areas. The owners of land in the areas under study saw a business opportunity and built rental houses. The settlements expanded and development of land increased rapidly. LNDC had already provided development to these settlements in the form of factory shells, water supply, electricity and access roads. Residential land use, which dominates in most settlements where the factories are located, has increased due to the rapid building of the rental houses. This led to haphazard and uncoordinated development in these settlements. This development has led to spatial and physical growth. Haphazard physical growth is a negative effect in terms of development planning. It affects services provision and leads to lack of vital services to the residents. AGOA has not put in place enabling platforms for industrial development in Lesotho even though the LNDC had already provided some infrastructure for industrial

development. What it had done in these settlements is the promotion of illegal development of land and unplanned spatial development which has led to inadequate services provision in those areas. Migration of people from rural areas to the places where factories are located has put pressure on the capacity of the local authorities to provide services to the residents with inadequate budgets. It has led to rapid urbanisation and urban sprawl which are bad for sustainable development planning. The filling of these settlements with many poor in-migrants is bad for development. The capacity of these settlements to attract investors is minimised.

### **5.2.3 Inspiration of AGOA to local entrepreneurs**

AGOA has not inspired the local entrepreneurs to venture into investing in the production of AGOA-eligible products. AGOA production has been dominated by the foreign investors from China, Taiwan and South Africa. The few Basotho entrepreneurs who had started companies to produce garments were inspired by some things other than AGOA. The very few who are involved in associated economic activities are to be found running their small scale business enterprises around where the factories are located. These local entrepreneurs are small scale business enterprise street vendors, public transport mini-bus taxis operators, rental houses landlords and very few people who own delivery trucks. These entrepreneurs were inspired by AGOA to start their businesses in order to feed into the economic system supported by AGOA.

### **5.2.4 Motivation of AGOA to the youth**

On the question of whether AGOA had contributed the youth to start and expand their companies to produce for the US market, local and wider regional economies, the study revealed that it had done nothing in this regard. The youth were found to be very inactive in the AGOA manufacturing except to be employed by the manufacturing firms. The very few who are involved in associated economic activities are to be found running their small scale business enterprises around where the factories are located.

Generally, this study revealed that AGOA had done little in building a resilient economy in Lesotho either through value chains or assisting the local investors to venture into it or through the provision of infrastructure services. It thus concludes that AGOA has not assisted Lesotho in building a resilient manufacturing sector and associated industries which would propel the country's economy even beyond AGOA's existence. Based on the findings from and the conclusions reached in this

study, it is recommended that development initiatives such as AGOA should be envisaged to create other sustainable development activities that would outlive them. when they are planned, especially for the third world or least developed countries (LDCs) such as Lesotho, such initiatives should be foreseen to have the capacity and potential to spill over positively to their locations and their surrounds in the form of activities associated with them but not entirely dependent upon them to be able to generate linkages and spin-offs beyond the initiatives' life span. In the case of AGOA, such have not been seen in the last fifteen years of its existence but still to be seen in the next ten years of its extension beyond 2015. It would be interesting to see AGOA generating development activities in the next ten years that it has been extended beyond 2015 that would improve the livelihoods of the people where the firms and other development activities would be located sustainably. The findings suggest that 'trade and development boosting tools' such as AGOA, may be useful in providing term-based job opportunities for an unskilled workforce. However, such tools would most likely not have as significant a positive impact on (1) the local economy, (2) the creation of indigenous industrial class, or (3) the building of sustainable human settlements. Other supporting instruments, in addition to tools like AGOA, will need to be developed locally, to achieve these goals.

### **5.3 Contributions**

This study contributed to our understanding of the state of using external unilateral development tools in the development planning field. AGOA is the trade and development tool of the US towards the SSA. What the policy makers seem to have focused on is the volume of trade between the US and the SSA not on what impacts AGOA would have caused locally in the settlements where the factories are located. It has been established that AGOA has been extended for the next ten years beyond 2015. This study provides the lessons learned from the implementation of AGOA since 2000 and how it can be used positively to improve the local economies while also increasing the volumes of trade between the US and SSA. The study reveals that major economic activities associated with AGOA production depend so much on the political will of the US. Should the US decide anytime to scrap AGOA, many economic activities would cease to exist at the detriment of the many people who depend on them in the SSA. What the study did not look at is how the interests of both the US and SSA should be safeguarded while AGOA continues to be of benefit to both entities. It just shows how local development planning is badly affected when major development decisions are undertaken without regard to the very local places



where those decisions are to be implemented at. What the study teaches us is not to relegate the spatial development decisions in favour of economic development decisions. The two should be integrated for the betterment of the communities where the projects are to be implemented at.

#### **5.4 Areas for future research**

As already indicated that AGOA has been extended for ten years beyond 2015 and that there were suggestions of deploying similar Acts in other parts of the world, it is vital to understand that AGOA stands on both theoretical and empirical grounds. As such, it would be important to explore further the theoretical and practical implications of AGOA in the long run. Further research is needed to fill some further gaps about AGOA. These are listed below:

- Allowing fashion design students to get internships at the manufacturing factories so that they may think of opening theirs;
- Possible diversification of AGOA-eligible products and markets;
- Creation of local and regional value chains;
- Provision of social infrastructure services to the immediate communities by the investors;
- Corporate social responsibility by the investors;
- Encouraging the investors to stay within the communities where their firms are located and to buy local products;
- Skills transfer programmes by foreign investors to the local entrepreneurs;
- Integration of spatial and economic development planning for coherent location of major industrial projects and to cater for the consequences of those projects;
- Improve the partial credit guaranteed schemes for local entrepreneurs to partake in the manufacturing sector;
- Run a national industrialist programme to woo the local investors into industrial production;
- Align skills offered to the factory workers to the national priorities and train them to be able to start new businesses after factory life; and

- Partnerships between the government, local commercial banks, Asian investors and Basotho investors to mentor local investors into the manufacturing sector.

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## APPENDICES

### APPENDIX 1: INTERVIEW SCHEDULES

#### 1. Development planners (assistant physical planners and assistant economic planners)

- a) What is the policy position of the local authority regarding industrial development?
- b) What is the local authority policy position regarding AGOA?
- c) Has AGOA had an impact on the spatial organisation and distribution of firms in the built environment?
- d) Has the village/town where the firms are located spatially grown as a result of AGOA?
- e) Explain if this growth has taken place in a planned way or not. Why (and why not)?
- f) Have the firms attracted people from other towns/villages to settle here either temporarily or permanently? Please explain.
- g) How has the planned/unplanned growth affected the provision of: (1) land/sites, (2) social services (health, education and safety) and (3) roads, sewerage, water, telecommunications and electricity?
- h) Has AGOA-induced industrial development had an impact on land use patterns?
- i) Are these AGOA-towns/villages predominately commercial, residential or a mixture of these land uses? Why do you think this is the case?
- j) How is the movement/flow of goods and people in these AGOA-towns/villages as a result of the location of these firms?
- k) Do you think AGOA has created/is creating economic opportunities/activities for the residents of these towns/villages where firms are located? If so, in which way? If not, why not? Who works in these firms? Where are they from?
- l) Are there any linkages/spill-over costs/benefits of these firms to other villages surrounding their locations? If so, what are they?
- m) Please provide any views you have on AGOA and its impacts based on its objectives.

#### 2. Officials of the Department of Trade and Industry

- a) What is the policy position of the department regarding industrial development in Lesotho?
- b) What is the department's policy position specifically towards AGOA?
- c) Do you think the AGOA-firms/industries have contributed to the economic development of their locations?
- d) How had the department supported the AGOA-firms/industries?
- e) Do you think AGOA has cultivated a culture of entrepreneurship and industrial development among Basotho groups notably: (1) youth and (2) business people?
- f) How has AGOA contributed to local skills development in the manufacturing firms?
- g) What impact has AGOA had on the location of firms/industries?
- h) Do you think AGOA-induced industrial development has led to infrastructural development in the towns/villages where the firms are located? Please explain your answer.
- i) AGOA was enacted amongst others, to strengthen and expand the private sector enterprises especially small businesses. Do you think this has been achieved (so far)? In which way(s)?

j) Generally, what are your views on AGOA and its impacts thus far?

**3. Youth representatives**

- a) What are your views on the introduction of AGOA in Lesotho?
- b) Did AGOA have an influence on you starting and developing your business enterprise?
- c) Has it cultivated your entrepreneurial culture or was it only 'a short-term thing'?
- d) Do you produce for the local, domestic or international markets? Please explain why this is the case.
- e) Are Lesotho youth taking advantage of this programme (AGOA) or not? Please explain why (or why not).
- f) What have been the impacts of AGOA, if any, on the performance of your town/village's economy?
- g) What have the spatial impacts been?
- h) Generally, do you think AGOA has built the entrepreneurial youth corps in your town/village? Please explain your answer.
- i) What have the impacts of AGOA been, if any, in the strengthening and expanding of small enterprises in your town/village?

**4. Business people**

- a) What are your views on the introduction of AGOA in Lesotho?
- b) How did AGOA influence you in starting and expanding your business/enterprise?
- c) Which markets do you mostly produce for: local, domestic, regional or international? Why did you concentrate on this particular market?
- d) How has AGOA contributed in raising the Basotho business corps/body?
- e) Is AGOA cultivating the entrepreneurial culture among and within your colleagues? In which way?
- f) What have the impacts of AGOA been, if any, in strengthening and expanding the private sector in your town/village?

**5. Community representatives**

- a) What are your views on the introduction of AGOA-induced industrial development in your town/village?
- b) Are there any life skills or training which has been imparted on you (or other villagers) by those manufacturing firms located in your town/village?
- c) What economic activities (if any), are you (or other villagers) involved in as a result of the location of these firms?
- d) What are the advantages of having these firms in your town/village?
- e) What about the disadvantages?
- f) How has the location of these firms here affected the way your town/village is growing spatially?
- g) Are people from other towns/villages settling in this town/village as a result of these firms?
- h) What impacts, if any, has this had on the provision of services here?
- i) Has the location of the firms here led to the provision of roads, water supply, electricity and telecommunication services and their maintenance? Please explain your answer.
- j) Are people from this town/village taking part in AGOA by working in these firms?
- k) Is that having any impact on the improvement of the lives of the people of this settlement?

- l) Do you think the location of the firms in this settlement is having any sustainable long term benefits? Please explain your answer.

**6. Lesotho National Development Corporation (LNDC) Head: Investment Promotion**

- a) What is the policy position of the LNDC regarding industrial development?  
b) What is the LNDC's policy position regarding AGOA?  
c) Do you think the AGOA-firms have created local economic opportunities/activities for the people who live in the towns/villages where these firms are located?  
d) What support/incentives, if any, is the LNDC offering for AGOA-firms?  
e) Do you think AGOA has inspired and motivated the local business people and youth to start up new and expand existing businesses? Please explain your answer.  
f) Has AGOA contributed to infrastructural development in the towns/villages where the manufacturing firms are located?  
g) Has AGOA created linkages for other economic activities that are not directly linked to the manufacturing firms but important to the people?  
h) What are the advantages generally of having AGOA in Lesotho?  
i) What about the disadvantages?  
j) In your opinion, has AGOA achieved its objectives, notably:  
- Strengthening and expanding the private sector especially small sustainable businesses?  
- Alleviating and eradicating poverty?  
- Integrating the Lesotho economy into the global economy?  
- Cultivating the Rule of Law?  
- Promoting the free market?  
k) Please explain your answer.

**7. Chief Physical Planner**

- a) What is the policy position of your department regarding industrial development?  
b) What is your policy position regarding AGOA?  
c) Has AGOA-induced industrial development had an impact on land use patterns of the settlements where the firms are located?  
d) Has AGOA contributed to infrastructural development in the towns/villages where the manufacturing firms are located?  
e) Has AGOA created linkages for other local economic activities that are not directly linked to the manufacturing firms but important to the people, which activities have an impact on the land use and/or planning of the settlements on which the firms are located?  
f) Has AGOA, in anyway, influenced your or your officers (assistant physical planners in the councils) in deciding how to arrange the spatial patterns of sites in those settlements?

**8. Director of Economic Planning: Ministry of Local Government**

- a) What is the policy position of your department regarding industrial development?  
b) What is your department's policy position regarding AGOA?  
c) Has AGOA, in anyway, impacted on the economic development and state of infrastructure provision, maintenance and upgrading of the areas where the firms/factories are located? Please explain your answer.

- d) Has AGOA created linkages for other local economic activities that are not directly linked to the manufacturing firms but important to the people, which activities have an impact on the income generation by communities and/or economic development of the settlements on which the firms are located?
- e) Do you think AGOA has created/is creating economic opportunities/activities for the residents of these towns/villages where firms are located? If so, in which way? If not, why not? Who works in these firms? Where are they from?
- f) Are there any linkages/spill-over costs/benefits of these firms to other villages surrounding their locations? If so, what are they?

**APPENDIX 2: INFORMED CONSENT FORM**  
**Informed consent form**  
**(Form for research informant's permission)**

You are being asked to participate in a study investigating the impacts of the African Growth and Opportunity Act (AGOA) pertaining to spatial, economical, and infrastructural and land use development in the towns and villages where the factories are located in Lesotho. It also seeks to explore if AGOA has cultivated a sustainable entrepreneurial spirit among the Basotho youth and business people. This study is part of my research for a Master of Town and Regional Planning degree at the University of Pretoria.

- Your participation will be in the form of answering the questions about how AGOA induced industrialization affected (and affects) you and will take about 60 minutes of your time.
- Your participation is voluntary. You may choose to withdraw even after you start participating if you feel so.
- Your information will be treated confidentially and anonymously. Your privacy is highly regarded.
- The results of this study will be published as a master's dissertation, in at least one accredited academic journal and presented at a professional conference.
- If you have any query pertaining to this study, please contact: Mr. Kelebone Lekunya (+266 6320 6940) or Prof. Mark Oranje (+27 12 420 3535).

**(Must be signed by each research subject, and must be kept on record by the researcher)**

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1 Title of research project: **Exploring the spatial and economic development impacts of the African Growth and Opportunity Act (AGOA) in Lesotho.**

2 I ..... hereby voluntarily grant my permission for participation in the project as explained to me by **Mr. Kelebone Lekunya**.

3 The nature and objective of the study have been explained to me and I understand them.

4 I understand my right to choose whether to participate in the project and that the information furnished will be handled confidentially. I am aware that the results of the investigation may be used for the purposes of publication.

5 I grant my permission to be voice-recorded. **YES [ ] or NO [ ]** (*tick the appropriate*)

6 Please sign two copies of these forms. Upon signature of these forms, you will be provided with one of them.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Witness: \_\_\_\_\_ Date: \_\_\_\_\_

Researcher: \_\_\_\_\_ Date: \_\_\_\_\_

**APPENDIX 3:  
Letter of Ethical Clearance from the Faculty Committee of Ethics and Integrity**



UNIVERSITEIT VAN PRETORIA  
UNIVERSITY OF PRETORIA  
YUNIBESITHI YA PRETORIA

Reference number: EBIT/81/2014

03 December 2014

Mr K Lekunya  
P O Box 193  
Mokhotlong 0500  
Lesotho

Dear Mr Lekunya,

**FACULTY COMMITTEE FOR RESEARCH ETHICS AND INTEGRITY**


Your recent application to the EBIT Ethics Committee refers.

- 1 I hereby wish to inform you that the research project titled "Exploring the spatial and economic development impacts of the African Growth and Opportunity Act (AGO) in Lesotho" has been approved by the Committee.

This approval does not imply that the researcher, student or lecturer is relieved of any accountability in terms of the Codes of Research Ethics of the University of Pretoria, if action is taken beyond the approved proposal.

- 2 According to the regulations, any relevant problem arising from the study or research methodology as well as any amendments or changes, must be brought to the attention of any member of the Faculty Committee who will deal with the matter.
- 3 The Committee must be notified on completion of the project.

The Committee wishes you every success with the research project.

  
**Prof JJ Hanekom**  
Chair: Faculty Committee for Research Ethics and Integrity  
FACULTY OF ENGINEERING, BUILT ENVIRONMENT AND INFORMATION  
TECHNOLOGY