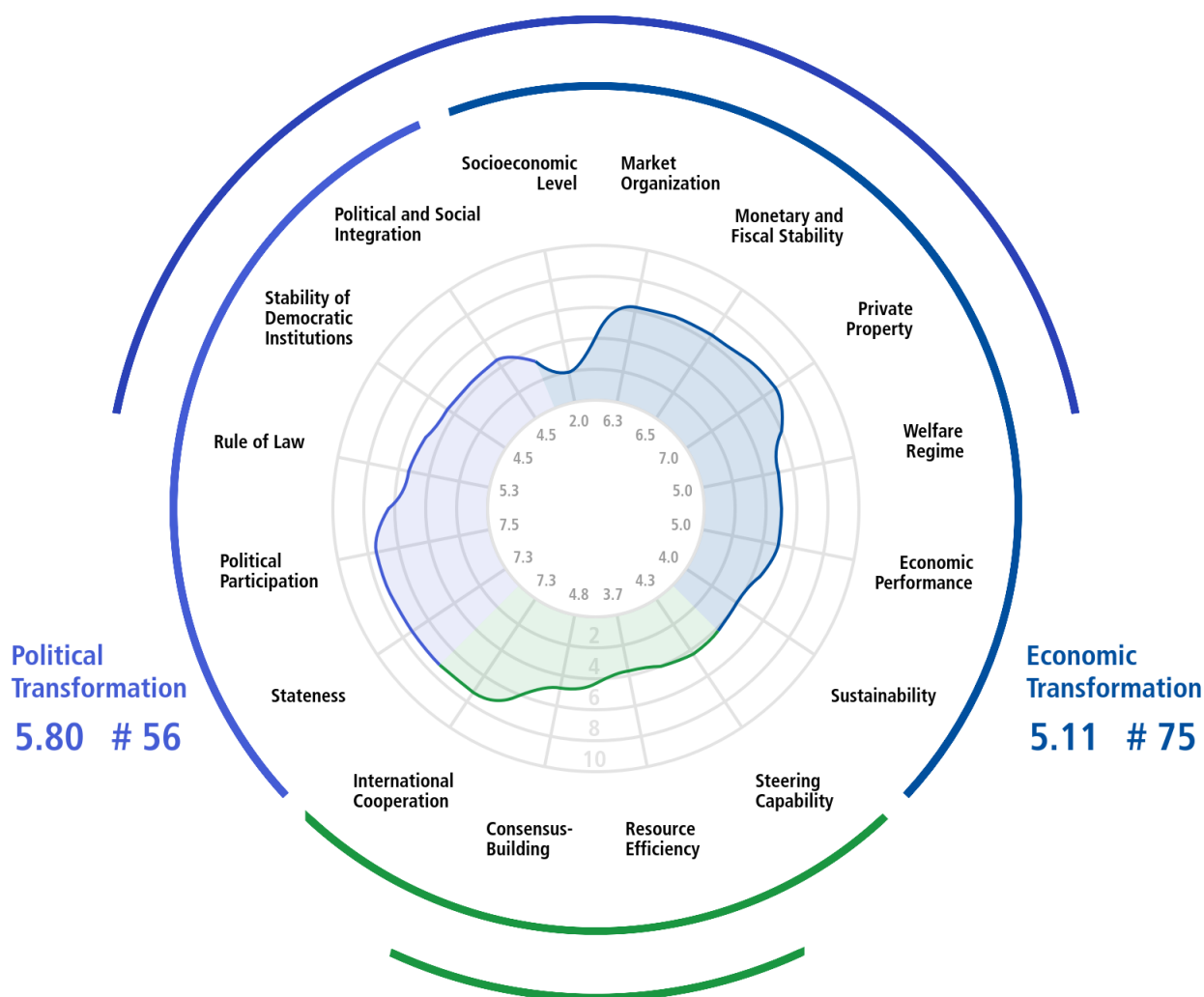


# Lesotho

## Status Index

**5.45 # 63**

on 1-10 scale out of 137



**Political Transformation**  
**5.80 # 56**

**Economic Transformation**  
**5.11 # 75**

## Governance Index

**4.60 # 73**

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2024. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>2.3</b>	HDI	<b>0.514</b>	GDP p.c., PPP \$	<b>2695</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.1</b>	HDI rank of 189	<b>168</b>	Gini Index	<b>44.9</b>
Life expectancy	years	<b>53.1</b>	UN Education Index	<b>0.535</b>	Poverty <sup>3</sup>	% <b>54.7</b>
Urban population	%	<b>29.9</b>	Gender inequality <sup>2</sup>	<b>0.557</b>	Aid per capita \$	<b>77.7</b>

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

Lesotho has pursued a growth model that emphasizes the importance of expediting the ongoing national reforms from 2021 to 2023.

The country held its general elections on October 7, 2022. They were largely free, fair and peaceful. The new prime minister, Sam Ntsokoane Matekane, took over from Prime Minister Moeketsi Majoro, who had assumed power in May 2020. This political transition brought considerable uncertainty, as government finances were in deficit. This was largely due to the devastating effects of the COVID-19 pandemic, which weakened the economy. The National Coronavirus Economic Council (NACOSECC) was formed to prepare and respond to the negative effects caused by COVID-19. Its role was to prevent, detect and respond to the threat posed by COVID-19 to Lesotho. However, shortly after its formation, NACOSECC was characterized by mismanagement of funds, perpetuating more corruption by government officials who wanted to benefit as individuals by stealing money and misusing government resources. This period showed that Lesotho's health system does not have the capacity to provide good health care that can cater to everyone in the country. COVID-19 and its prolonged lockdowns weakened the economy and led to an increase in debt and unemployment. Another devastating factor caused by COVID-19 is the loss of jobs, which has affected the livelihoods of many people.

Matekane plans to transition the country from a development model that relies solely on the public sector to an export-oriented economy driven by a highly competitive private sector. The reforms aim to enhance institutions and foster transparency and accountability within the public sector. As part of these efforts, the country has been engaged in a five-year process to formulate and execute the second National Strategic Development Plan.

## History and Characteristics of Transformation

Lesotho is a mountainous country surrounded by the Republic of South Africa. It is a highly homogeneous country, with Sesotho being the dominant language. In the past, Sesotho and English were the two official languages, but recently, the Sephuthi and Xhosa languages were added to accommodate minority groups.

Lesotho became a British protectorate in 1886 and gained its independence from the colonial power in 1966. The country has experienced enormous challenges since then as different groups fought for control. The 1965 general elections were won by the Basotho National Party (BNP), which formed the first democratic government that ruled from 1966 to 1970. The 1970 election results were disputed, and the BNP refused to relinquish power to the Basutoland Congress Party (BCP). Then followed a 16-year period of rule by the BNP, which was marred by conflict between armed forces and the Lesotho Liberation Army (LLA), a military wing of the BCP. The BNP government was toppled by a military coup in 1986. The Military Council ruled the country from 1986 until 1993, when a third general election was held. The BCP won all 65 constituencies and formed the second democratic government. Lesotho has held six other general elections since 1993. The BCP split in 1997, and a new parliamentary party, called Lesotho Congress for Democracy (LCD), was formed by Prime Minister Ntsu Mokhehle, which formed the new government.

In the years that followed, Lesotho experienced several internal challenges to the legitimacy of the democratic state. In 1994, King Letsie III staged a military-backed coup and appointed an interim government after he unsuccessfully tried to persuade the ruling BCP to reinstate his father, Moshoeshoe II, who had been deposed and exiled after a fallout with the military government. Civil society groups mobilized stakeholders inside and outside Lesotho in order to put pressure on the king to revert to the constitution and reinstate a democratically elected government. A negotiated settlement resulted in the reinstatement of the BCP, and Letsie III abdicated in favor of his father. However, he returned to the throne soon after Moshoeshoe I's subsequent death in an automobile accident. The second democratic elections since the return to democracy were held in 1998 and were won by LCD. Although international election observers described the poll as free and fair, opposition parties and their followers contested the outcome, with widespread violence and looting experienced across the country. This led to a Southern African Developed Community (SADC) military intervention, which was led by South Africa and later joined by Botswana and Zimbabwe. The government of Lesotho invited its southern African counterparts to intervene, as the state apparatus was paralyzed by the protests.

Lesotho's democratic status has always been characterized by drama and double standards. On February 28, 2012, Basotho woke up to the news that the then-prime minister had formed a new political party. It was highly expected that the prime minister would cross the floor with those that followed him to the new party. The country went for the general elections in May 2012, in which no single party won a simple majority. The three former opposition parties, namely the All Basotho

Convention (ABC), BNP and LCD formed a coalition government. This was the first time in the history of Lesotho that parties had been required to join forces in order to form a government. However, the coalition government collapsed due to corruption and a lack of trust among coalition partners. Eventually, the military attempted to overthrow the government in a failed coup on August 30, 2014. Lesotho headed for early elections on February 28, after the intervention of the Southern African Development Community (SADC). The collapse of Lesotho's first coalition government led the country to snap elections in February 2015. The most recent national elections were held in October 2022, in which a new party formed in just six months (RFP) won the elections, gaining 56 out of 120 parliamentary seats. It was followed by the Democratic Congress (DC), with 29 seats, and the other party which formed the outgoing coalition, the All Basotho Convention (ABC), with eight seats. The RFP was thus forced to form a coalition, combining with the Alliance for Democrats (AD), the Movement for Economic Change (MEC) and the Socialist Revolutionaries (SR).

Lesotho has been classified as a least developed country since the classification was introduced by the United Nations in 1971. Remittances have been the largest revenue earner for Lesotho. This followed the introduction of a household tax by the colonial regime, which forced Basotho men to go to work in the mines of the neighboring Republic of South Africa around 1900. An estimated two-thirds of the population live in rural areas, with agriculture being their main source of livelihood. Lesotho is one of the largest producers of wool and mohair in the world, but this industry has been in the media spotlight for the wrong reasons recently. A full 67% of the population is considered poor, with 43% of the population living below the poverty line. One factor that contributes to this is a high unemployment rate of about 24.6%.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

There is no competition with the state's monopoly on the use of force throughout the entire territory. This is mainly because the government of Lesotho controls the entire geographical territory, with its total surface area of 30,648 km<sup>2</sup> and a population of 2.31 million people. Currently, there is no armed rebellion in Lesotho, and the state enjoys a full monopoly on the use of force. The armed forces include the Lesotho Defense Force (LDF), Lesotho Mounted Police Services (LMPS), the Lesotho Correctional Services (LCS), and the National Security Services (NSS), with Prime Minister Sam Ntsokoane Matekane also serving as the minister of defense, national security and environment. In addition, the government regulates the operations of private security companies that are allowed to provide services to individuals, the government and companies.

To maintain peace following periods of instability, the government of Lesotho has adopted Southern African Development Community (SADC) recommendations and has begun a process of reforming the country's laws. The aim is to ensure peace and stability. The current prime minister has expressed his government's readiness to expedite the implementation of ongoing national reforms in order to restore peace in the country.

Individuals interested in owning guns must apply for renewable gun licenses from the government, which includes restrictions on the caliber of guns eligible for ownership. Presently, Lesotho is considered the most dangerous country in Africa, as indicated by its murder statistics and prevalence of other violent crimes. Notably, the misuse of firearms is a prominent issue, as the country lacks the capacity to effectively combat the illegal possession and use of firearms. Consequently, this has led to incidents of daylight shootings and assassinations.

There is also rivalry among musicians (Famo music) in the Mafeteng district. The artists boast and resort to gun violence to settle their disputes, which has led to a rise in the incidence of gun violence in Lesotho. This has escalated to "gangsterism" tendencies with territorial markings using different blanket colors, where a certain color symbolizes loyalty to a specific Famo music group.

Question  
Score

Monopoly on the  
use of force

7

'06 '24 10



1

The “Wise Voter” research platform shows that low crime rates in a country are usually associated with strict gun control laws, effective law enforcement and a high standard of health care; however, Lesotho lacks in all these areas.

Sesotho and English are official languages in Lesotho, but there are smaller groups that speak their own languages, including Sephuthi, Xhosa and Zulu. With Sesotho being the primary language, Basotho are expected to be fluent in English in order to access services such as education and health care. Lesotho has foreign doctors and nurses, even in remote areas where the illiteracy rate is high and the communication barriers are pronounced. Students from these remote areas have no access to media, which means their exposure to English is limited to when they attend school. However, not all of them are able to attend school, resulting in a population of adults who do not have a background in English.

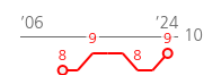
Lesotho is considered a peaceful country, as it is accommodating to foreigners and people seeking refuge. The country has a variety of ethnic groups, including Indian nationals, Chinese, Nigerians, Zimbabweans, Pakistanis and others who invest in the country’s economy. The majority of them are business owners. These foreign nationals have the right to apply for citizenship, following the legal processes provided by the Ministry of Foreign Affairs.

Lesotho is a predominantly secular state, although religious beliefs hold significant sway over its legal framework and political institutions. While individuals have the freedom to practice any religion of their choosing, Christianity reigns as the dominant faith. The introduction of Christianity to Lesotho dates back to the 1830s, when the first missionaries arrived. King Moshoeshoe I embraced these missionaries and their mission to convert the Basotho nation to Christianity. Even the king’s wives were baptized alongside his followers. Since then, Christianity has played a role in governance, with missionaries advising the king on matters pertaining to the country. Presently, Christianity remains a fundamental aspect of Basotho culture, influencing daily life. Prayers are recited at the outset of official gatherings, for instance, in parliament and local community meetings. Moreover, Christian values have shaped policymaking in Lesotho, resulting in a denial of certain human rights that do not align with those values. Notably, abortion remains illegal, regardless of circumstances and the prevalence of unsafe abortion attempts, which often lead to imprisonment or even death. Health facilities adhering to Christian principles withhold birth control services from women and girls, leaving those in rural areas without access to vital reproductive health care. As a consequence, there is a growing advocacy movement pushing for the legalization of abortion in an effort to prevent unintended pregnancies, address poverty and reduce reliance on unsafe, clandestine procedures that strain the health care system.

There is also an increase in the demand for LGBTQ+ rights, which are currently not recognized by the state. The government has not taken any action to address this issue. In Lesotho, there are also other religions, including Muslim, Baha’i and various African religions.

#### State identity

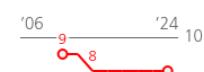
9



1

#### No interference of religious dogmas

8



1

The administrative structures of the state provide the most basic public services throughout the country, but their operation is, to some extent, deficient due to a lack of resources.

A total of 72.2% of the population has access to water, 50.3% has access to basic sanitation, and 47.4% has access to electricity. However, there is a significant disparity between rural and urban areas.

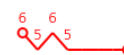
The government of Lesotho maintains the Department of Rural Water Supply, which is responsible for ensuring the development, protection and regular maintenance of water sources for people in rural areas. The Water and Sewage Company (WASCO) is a government parastatal that is responsible for providing water and sanitation services in Lesotho, covering both urban and semi-urban areas. The government is currently initiating efforts to ensure that every district has access to clean water and a reliable electricity supply.

Despite numerous challenges, including those exacerbated by COVID-19, the country has made positive progress in numerous sectors. The country successfully introduced tax reforms aimed at improving domestic resource mobilization by bringing about collaboration between all institutions to enable effective compliance. The government of Lesotho adopted several initiatives, such as the Public-Private Partnership (PPP) Policy, the Investment Policy and the Diaspora Strategy Engagement for Trade and Investment. It also strengthened the One-Stop Business Facilitation Center (OBFC) to enable investors to easily register companies and obtain tax registrations; industrial and trading licenses; immigration, residence and labor permits; and export and import permits and rebates. Additionally, the government embarked on the development of industrial infrastructure as a means of attracting foreign direct investment. It also developed a medium-term debt management strategy and produced development corporation reports to promote transparency and accountability in official development assistance management. Furthermore, it improved human rights conditions and addressed governance issues, enabling the country to receive further assistance from developmental partners. Moreover, the country implemented measures to improve access to technology and quality data for sustainable development. Although the prevalence of fixed broadband connections remains low in Lesotho, the government has managed to develop its telecommunications infrastructure and extend access to mobile communication services in remote areas.

Basic  
administration

5

'06 \_\_\_\_\_ '24 10



1



## 2 | Political Participation

Lesotho held general elections on October 7, 2022. 65 political parties registered with the Independent Electoral Commission (IEC) were represented in the elections, with each party having the freedom to campaign before election day. All media outlets were used without prejudice or favor toward any specific party. The voting process took place nationwide from 8:00 a.m. to 5:00 p.m. nationwide. Every citizen who was 18 years old or older was eligible to vote, regardless of physical disabilities. A total of 1,387,861 voters voted at 1,649 voting stations across the country.

The elections were deemed free and fair. King Letsie III stated, “The elections were peaceful, free, transparent.” Eighty-seven international observers visited the voting sites in all 10 districts. The chief observer of the European Union Election Observation Mission did point out some errors in the voters’ data and on the voter roll. These errors were reported by the media prior to election day, but the IEC denied them and threatened civil action against entities spreading misinformation. The Southern African Development Community (SADC) and Lesotho Council of NGOs (LCN) election observers also brought attention to these errors. The executive director of LCN further added, “Names of voters were missing, and party agents had lists that were different from those held by the IEC staff. In some cases, voters’ names did not appear on the IEC-held voter roll and that of the party agents, yet their names appeared on the IEC website.”

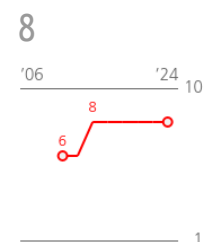
In conclusion, the EU election mission stated that despite these errors, the election day was generally peaceful and well-managed.

The Afrobarometer survey conducted in July 2022, ahead of the elections, indicated that 49% of Basotho expressed interest in voting, while 42% stated they would not participate in the 2022 national elections.

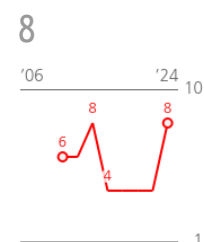
According to the voting station reports made by the LCN, the IEC ensured secrecy of the ballot through the security features on the ballot, as well as through the positioning of voting booths, which prevented anyone in the room from seeing an individual’s choice. All political parties had equal access to state media for their campaigns. As a result of the election outcome, political positions were filled based on the results. For example, the 11 additional Senate seats reflected the political outcome.

Democratically elected political representatives have the effective power to govern. No individual or group holds any de facto veto power. Post-elections, the winning party Revolution for Prosperity (RFP) announced a coalition government with the Alliance of Democrats (AD) and the Movement for Economic Change (MEC). The leader of the RFP said he chose these two parties because they share the same vision of limiting government spending and improving service delivery to Basotho.

Free and fair elections



Effective power to govern



Section 15 of the constitution of Lesotho guarantees the right to peaceful assembly. Section 16 provides for the freedom of association. Every person is entitled to, and (except with their consent) shall not be hindered in, their enjoyment of freedom to associate freely with other individuals for ideological, religious, political, economic, labor, social, cultural, recreational and similar purposes. These rights are to be enjoyed by everyone, but incidents in the past have highlighted violations of these rights. The Bacha Shutdown protests, NUL student protests and teachers' protests have all been met with violence and aggression by the police, leading to physical injuries and fatalities. Intimidation was used against the organizers of the Bacha Shutdown protests, as they were held in police custody overnight without any charges being filed. There is a lack of transparency in the process of issuing permits for protests, which allows authorities to delay or deny applications without consequences.

However, during the period under review, there have been no incidents to report.

The constitution of Lesotho guarantees freedom of expression. Law enforcement officials in Lesotho are not allowed to use firearms to stop peaceful protest action, and the authorities are supposed to conduct comprehensive training with police officials on nonlethal and proportionate methods of crowd control.

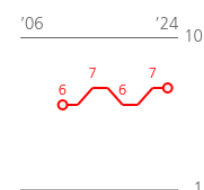
Lesotho has witnessed numerous violations of human rights and freedom of expression. On June 16, 2022, a student from the National University of Lesotho (NUL) was fatally shot by the police during a protest on campus, while six other students were physically assaulted and sustained severe injuries at the hands of law enforcement officers.

The Transformation Resource Center (TRC), the International Commission of Jurists (ICJ) and the Southern Africa Litigation Center (SALC) have condemned this killing of a student and the physical assault on other students. The three organizations reminded the government of its legal obligations to respect and ensure the rights to life and freedom from ill-treatment, including during police operations at demonstrations. They emphasized that the government must protect, rather than violate, the exercise of the rights to freedom of expression, assembly and association. These rights are guaranteed under the constitution of Lesotho and the international human rights treaties to which Lesotho is a party.

Freedom of the press is only indirectly protected under constitutional guarantees of freedom of expression. Journalists face threats and intimidation from both the authorities and private citizens. Journalists utilize available media outlets to ensure information is accessible to citizens, but unfortunately, this has led to past incidents of assaults, threats and kidnappings, instilling fear in some journalists and hindering their ability to report the news freely. Perpetrators of these acts are punished, regardless of their status or prominence in society.

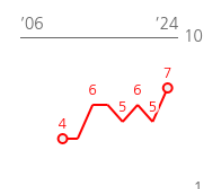
Association /  
assembly rights

7



Freedom of  
expression

7



### 3 | Rule of Law

The separation of powers is formally established. In practice, however, the previous government did not always respect this. There was a lack of transparency and sometimes abuses of power. The current government has promised to fight corruption and improve transparency. The prime minister has since dismissed a high-ranking government official over her connection with the missing COVID-19 funds. Additionally, he has probed low-performing government parastatals – particularly WASCO and LEC – and foreign missions as a way to curb government spending and ensure good governance.

The principal functioning of the separation of powers, however, was demonstrated in April 2020 when the Constitutional Court of Lesotho declared the move by Prime Minister Thabane to prorogue parliament irrational and unlawful. This was deemed an abuse of his powers and a move by Thabane to avert a motion of no confidence, which was looming at the time of the declaration of a state of emergency. The court's decision opened the door for parliament to amend the constitution, preventing the prime minister from calling snap elections in the event of losing a motion of no confidence. Thabane was eventually ousted in May 2020, a situation that would not have occurred if the judiciary had not demonstrated its independence from the executive.

In general, the judiciary enjoys independence but also suffers from several weaknesses. Although a separation of powers exists formally, judges are often perceived as corrupt and politicized. Moreover, the system is underfinanced.

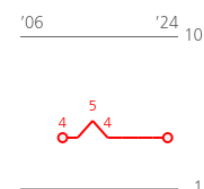
The Court of Appeal and the High Court are the highest judicial institutions. The High Court can hear civil and criminal cases and review decisions taken by other subordinate courts. It also serves as the constitutional court.

Judges are selected by the Judicial Service Commission (JSC) and then appointed by the king. Over the years, there have been cases of frustration over politicians' interference in their roles and the lack of financial backing from various governments. Judges have been appointed based on favoritism, while some were dismissed or put on probation based on their decisions. Former Prime Minister Thomas Thabane was criticized for his interference in the judiciary, as he manipulated the appointments of judges (Kananelo Mosito) and sought to dismiss Chief Justice Nthomeng Majara without any legal basis.

In April 2020, the Constitutional Court of Lesotho declared that Prime Minister Thabane's decision to prorogue parliament had been irrational and unlawful. It ruled that the action constituted an abuse of power and had been an attempt to avert a motion of no confidence, which was looming at the time of the declaration of a state of emergency. The court's decision opened the door for parliament to amend the constitution, preventing the prime minister from calling snap elections in the event of losing a motion of no confidence.

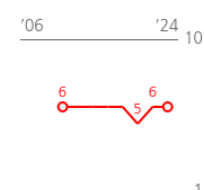
Separation of powers

4



Independent judiciary

6



Thabane was eventually ousted in May 2020, an event that would not have happened if the judiciary had not demonstrated its independence from the executive. The current government has promised to restore good governance by reinstating the dignity of democratic institutions.

The appointment of former Chief Justice Nthomeng Majara as the minister of justice, law and parliamentary affairs will help rebuild the judiciary and ensure its independence, particularly from politicians. The courts prosecute officials who break the law, although the backlog of cases has resulted in several cases going cold. Fraud charges have been brought against suspended Local Government and Chieftainship Principal Secretary Lefu Manyokole. Allegedly, Manyokole colluded with officials from Lesotho's Land Administration Authority (LAA) to unlawfully obtain a piece of land in Qoaling, Maseru, between 2016 and 2018. He stands accused of violating Section 83 of the Land Act of 2010 by falsely claiming ownership of the land. Despite his government position, current Health Minister Selibe Mochoboroane, along with Kamoli and Metsing, has been charged with the murder of Sub-Inspector Ramahloko on August 30, 2014. While the court proceedings are slow and frustrating for the families of the deceased, the minister now faces judgment by the courts of law.

Civil liberties are codified by law in Lesotho. According to the constitution, all citizens enjoy the same rights, irrespective of their social status, gender, religion or ethnic group. Privacy rights are also constitutionally guaranteed.

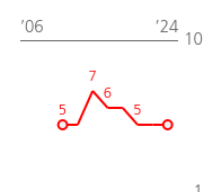
Discrimination on the basis of sexual orientation is prohibited, yet individuals from the LGBTQ+ community still face societal discrimination and disrespect. People with disabilities are also legally considered equal, but they encounter practical obstacles to their participation in education and employment. Sexual harassment and rape are classified as criminal offenses. When incidents are reported, the police typically enforce the law, although the prosecution against the perpetrators often proceeds at a sluggish pace.

A new law against human trafficking was enacted in 2021 as part of an awareness and enforcement initiative by the Ministry of Labor and the LMPS Anti-Trafficking and Migrant Control Unit. However, no access to information act is in place.

Although equality before the law is generally respected in Lesotho, there are reports of abusive conditions and national detention centers. Access to justice is open to everyone without limitation, but in some instances, some judges seem to align closely with political elites.

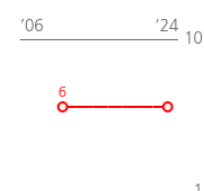
#### Prosecution of office abuse

5



#### Civil rights

6



#### 4 | Stability of Democratic Institutions

The country is a constitutional monarchy. Political institutions exist, and elections take place regularly. However, Lesotho has witnessed significant instability during the past years. The 2022 elections were seen as free and fair and gave rise to a new government. Whether this will produce a generally stronger government with less infighting needs to be seen.

Much depends on the successful reform of the institutional framework. The National Reforms Authority (NRA) was formed under NRA Act No. 4 of 2019, and it began working on seven thematic areas to make democratic institutions functional again. These thematic areas are the security sector, constitution, public service, media, economy, parliament and judiciary. Due to delays in the process, the government of Lesotho had to extend the term of the National Reforms Transitional Office (NRTO) from November 1, 2022, to January 31, 2023, to give the new government enough time to plan a way forward. The NRTO is still reporting to the Ministry of Justice and Law, but the NRA last published updates in November 2022. The 2022 elections were held under the old institutional framework.

Over the past two years, stakeholders in Lesotho have demonstrated a greater commitment to democratic institutions. The process of implementing national reforms was reported to be open and participatory. Basotho across all 10 districts and in the diaspora were consulted during the consultation stage. All political parties, representatives of traditional leaders, civil society organizations, faith-based organizations, media organizations, professional bodies and labor movements were included in the National Reforms Authority.

However, the majority still say that a commitment to democratic institutions is lacking in Lesotho, a country that has experienced years of politically motivated personnel appointments in democratic institutions. The executive used the state of emergency required to combat the coronavirus to undermine democratic institutions.

After the successful election, the new government has embarked on fighting corruption within the ministries. In doing so, the Office of the Prime Minister dismissed the principal secretary of the Ministry of Trade, Industry, Business Development and Tourism for her alleged involvement in fraudulent activities that drained LSL 37 million from an emergency budget meant to fight COVID-19. The Directorate of Corruption and Economic Offences (DCEO) obtained a search warrant against the then-principal secretary of local government and chieftainship on December 13, 2022, and raided her home on December 16, 2022, where documents were seized.

Performance of democratic institutions

4



Year	Score
'06	5
'24	4

Commitment to democratic institutions

5



Year	Score
'06	6
'24	5

## 5 | Political and Social Integration

Lesotho utilizes a multiparty system in which several political parties are able to secure representation in the legislature. This often leads to the establishment of a coalition government, in which power is shared among the various political parties holding government positions. The proportional representation system, also known as proportional voting, underpins this structure. However, this system often leads to unstable governments.

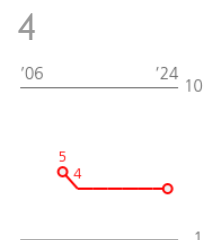
Lesotho had its first multiparty government in 2012 and has continued to use this system despite its challenges. On October 7, 2022, Lesotho held National Assembly elections, resulting in a coalition government between the Revolution for Prosperity (RFP), Alliance of Democrats (AD) and Movement for Economic Change (MEC) parties. RFP, a new entrant, garnered significant support from voters, similar to the outcome when the All Basotho Convention (ABC) was formed. Political parties in Lesotho are highly personalized and clientelistic, lacking deep social roots and clear policy positions or programmatic appeals.

Civil society organizations (CSOs), including faith-based organizations and non-governmental organizations (NGOs), operate freely in Lesotho and participate in the electoral process through voter education, electoral observation and advocacy on governance issues. Prior to the 2022 National Assembly elections, the Transformation Resource Center (TRC), in collaboration with the American Corner Maseru, hosted a process of youth-initiated manifestos. This event aimed to bring together youth from various political parties to discuss the challenges they face in their political lives and how to overcome them during and after the elections.

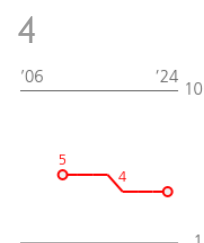
Lesotho has a variety of interest groups, with the most prominent being civil society organizations (CSOs) that have become vital to the country's development. CSOs in Lesotho provide services in sectors such as health, economics, social welfare, and politics. Some notable CSOs include the National Aids Commission (NAC), PHELA Health and Development Communications (PHDC), Christian Health Association of Lesotho (CHAL), Help Lesotho, Catholic Relief Services (CRS), Right to Care (RTC), World Vision, Jhpiego, Care Lesotho, Elizabeth Glaser Pediatric Aids Foundation (EGPAF), Rural Self-Help Development Association, Lesotho National Council of Women (LNCW), Sentebale, and the Millennium Challenge Corporation (MCC).

During the elections, the Lesotho Council of NGO's (LCN) mandate was to assess the level of compliance with national legal frameworks as well as regional, continental and international instruments on credible, democratic and peaceful elections. The CSO reported that voters faced challenges that resulted in a low turnout rate.

### Party system



### Interest groups



Political parties form alliances with a variety of groups, including local and international business tycoons whose interests lie in investments (natural resources, factories, etc.). In the recent elections, political parties such as ABC, DC and MEC received support and financing from Famo music groups (FMGs). There are two major FMGs, namely the Terene Famo Music Group (TFMG) and the Seakhi Famo Music Group (SFMG). These groups are allegedly involved in illegal activities such as robberies, murders and illegal mining in South Africa to help finance their interests. Moreover, there is fear that these parties might misuse relations with these groups to intimidate and threaten opposition parties.

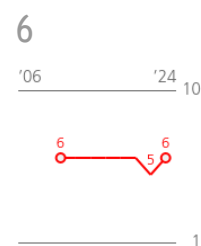
The democratic status of Lesotho has been in question because of political instabilities that have crippled the country over the years.

According to the Afrobarometer Survey in 2022, approximately half of the population (49.1%) believes that democracy is always preferable to any other system. Meanwhile, 20.8% assert that a nondemocratic government might be preferable under certain circumstances. This is one of the lowest rates of support for democracy in Africa. Additionally, the survey reveals that over two-thirds of respondents would support the abolition of political parties, allowing the king to govern the country.

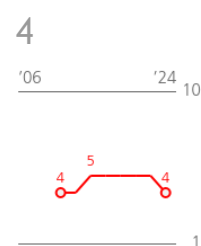
According to the survey, 26.6% of respondents believe that the country is a full democracy or a democracy with minor problems. This finding suggests there is only moderate approval of democracy and little overall satisfaction.

There is a relatively low level of interpersonal trust within the population. The few autonomous or self-organized groups, associations and organizations are unevenly distributed or occur spontaneously and temporarily. This is the response to the nature of politics and access to opportunities in Lesotho, particularly for the youth. Political parties gather support by offering promises of employment, contracts for entrepreneurs, embassy positions, parliamentary seats and so forth. As a result, a culture of uninformed voting has emerged, with votes being influenced by the promised rewards. Young people organized the Bacha shutdown protest to draw the government’s attention to the high rate of youth unemployment. Later, allegations were made that one of the organizers was offered a job opportunity if he abandoned the march preparations. There is a general lack of trust between the citizens and the politicians.

Approval of democracy



Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Lesotho is one of the poorest countries in the world. However, the country's economy expanded by 3.0% in 2021, following a 3.1% contraction in 2017. This growth was driven by an increase in services (1.9%) and the secondary sector (7.2%).

Due to the impact of COVID-19, per capita income in Lesotho initially declined by 3.9%. However, there was a slight rebound of 0.2% in 2021. The services sector experienced a boost in aggregate demand, particularly in the area of consumer spending. On the other hand, the secondary sector saw a strong recovery, particularly in the construction industry.

In response to the COVID-19 pandemic, the central bank of Lesotho established a facility that offered loans at 0% interest against corporate debt used as collateral. This initiative aimed to mitigate the economic effects of the crisis.

The inflation rate in Lesotho increased from 5.3% in 2017 to 5.8% in 2021, mainly due to disruptions in the supply chain.

Given the country's Human Development Index (HDI) score of 0.514 in 2021 and the Global Gender Gap Index score of 0.7 in 2022, Lesotho still has a long way to go in terms of human development. The current government has made strides in ensuring gender equality and representation in parliament. Former Chief Justice Nthomeng Majara has been appointed as deputy prime minister and minister of justice, law and parliamentary affairs. She is the first woman to have been appointed as deputy prime minister and was also the first woman to be appointed chief justice in Lesotho. This has given more Basotho women hope that their hard work will be noticed as much as that of their male counterparts.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	2436.0	2117.7	2373.4	<b>2553.5</b>
GDP growth	%	-0.8	-5.6	1.6	<b>0.6</b>
Inflation (CPI)	%	5.2	5.0	6.0	<b>8.3</b>
Unemployment	%	16.9	18.5	18.3	<b>18.0</b>

Question  
Score

Socioeconomic  
barriers

2

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Economic indicators		2019	2020	2021	2022
Foreign direct investment	% of GDP	1.5	1.3	-0.5	<b>-0.3</b>
Export growth	%	-13.3	-17.5	-	-
Import growth	%	-1.4	-0.5	-	-
Current account balance	\$ M	-72.3	-18.2	-90.9	<b>-149.9</b>
Public debt	% of GDP	57.0	53.6	55.7	<b>59.9</b>
External debt	\$ M	1583.5	1737.6	1817.6	-
Total debt service	\$ M	75.5	73.1	341.4	-
Net lending/borrowing	% of GDP	-4.9	0.3	-4.6	-
Tax revenue	% of GDP	31.9	34.9	32.4	-
Government consumption	% of GDP	37.1	36.4	-	-
Public education spending	% of GDP	7.2	7.0	7.5	<b>6.4</b>
Public health spending	% of GDP	5.0	6.1	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.8	1.8	1.6	<b>1.5</b>

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Lesotho does not limit investment or disinvestment in the country. Investors are welcome to invest in the country, as there are foreign investors in the mining, textile, banking, retail and other sectors. This approach helps create jobs for Basotho by attracting foreign investments.

According to the Lesotho National Development Corporation (LNDC), company registration is conducted at the One-Stop Business Facilitation Center (OBFC) under the Ministry of Trade and Industry, Cooperatives and Marketing. The process takes between three and five working days, in accordance with the Companies Act (2011) and the Companies Regulations (2012). There are five steps to follow, including the payment of the incorporation fee. The fee is LSL 530.00 for an internal company and LSL 1,030.00 for an external company, both of which include the LSL 30.00 fee for name reservation.

Market organization

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The types of companies that can be registered in Lesotho are private companies, public companies and non-profit organizations. Registration can be done either at administration offices or remotely, but since the arrival of COVID-19, more people have used the latter option. There is also an option for agents who assist their clients with the registration process at a fee charged according to their rates.

For the purpose of tax registration, the registrar shares the information provided for the incorporation of a company with the Lesotho Revenue Authority (LRA) in order to register the company automatically as a taxpayer. The incorporation certificate also serves as confirmation of the tax registration. When the company hires employees, whether domestic or cross-border, they must be registered separately for tax purposes.

Prices adopted by companies are generally market-determined. The major exceptions are petroleum products, electricity and water, whose prices are regulated by the government.

Lesotho's informal economy is estimated to account for 30.9% of economic activity, representing approximately \$2 billion at GDP PPP levels. However, it also serves as the largest employer, employing 80% of the population, according to informal employment statistics from the ILO.

In 2018, the then-minister of trade and industry, Tefo Mapesela, announced the development of a law to enable the formation of a competition commission to address unfair marketplace practices. He indicated that such practices had harmed numerous businesses, fostered monopolies in various sectors and had a detrimental impact on consumer services as they reduced freedom of choice.

He said the bill had already been presented to parliament, incorporating input from stakeholders after consultations in 2017. The chief executive of the Private Sector Foundation of Lesotho (PSFL), Thabo Qhesi, also indicated that the absence of competition regulations in the country was leading to possible collusion and price fixing.

However, to this day, Lesotho still lacks a competition law or an overall competition regulator. The Industrial Licensing Act of 1969, which permitted businesses to seek protection from competition for a maximum of 10 years, was repealed in 2014.

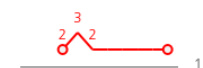
The government subsidizes certain sectors, including the agricultural sector (seeds and fertilizers), in order to address the issue of food insecurity, as well as fuel (petrol, paraffin and electricity) and water. This practice has consistently been employed by the government to provide relief for the people.

During the review period, Lesotho was not a member of the International Competition Network.

Competition policy

2

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Trade liberalization is the removal or reduction of restrictions or barriers to the free exchange of goods between nations. These barriers include tariffs, such as duties and surcharges, and non-tariff barriers, such as licensing rules and quotas. Lesotho has been a beneficiary of liberalized foreign trade, especially due to its commitment to the World Trade Organization (WTO). However, Lesotho has not derived any benefits from this, as it has failed to take advantage of the liberalization due to a lack of investment and its small population size.

Lesotho is a member of several organizations. One of these is the Southern African Customs Union (SACU), a customs union consisting of five states: Botswana, Lesotho, Namibia, South Africa and Eswatini. SACU allows its members to engage in duty-free trade among themselves, while jointly applying a common external tariff on imports from other parts of the world. Being a member of SACU, Lesotho gains advantages from the free trade agreements that SACU has established with other countries and trade blocs.

The country's other major agreements include the following:

**Southern African Development Community (SADC)** – Lesotho is a member of the SADC. SADC aims to deepen regional integration and promote sustainable development through a series of four phases: a SADC Free Trade Area (FTA), a customs union, a common market and monetary union. The SADC FTA was fully implemented in 2012 across 12 SADC Member States, achieving maximum tariff liberalization. Angola, the Democratic Republic of the Congo and the Seychelles are not part of the FTA.

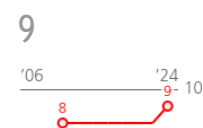
**The African Growth and Opportunity Act (AGOA)** – Lesotho benefits from AGOA, a unilateral and nonreciprocal program that provides African countries with duty-free access to the U.S. market for over 6,400 products.

**The Cotonou Agreement** – Lesotho is part of the African, Caribbean and Pacific (ACP) – EU Partnership Agreement, which grants nonreciprocal preferential access to the EU market for some ACP products.

Under the European Union's "Everything But Arms" (EBA) initiative, Lesotho enjoys quota- and duty-free access to the EU market for everything except arms. Additionally, Lesotho has recently entered into an interim economic partnership agreement, which will provide it with considerably enhanced access to the European Union.

Lesotho has ratified the declaration of the African Continental Free Trade Area (AfCFTA).

Liberalization of  
foreign trade



1

Lesotho's banking system consists of the central bank of Lesotho (CBL) and four commercial banks. The central bank enjoys a considerable amount of independence in formulating and implementing monetary policies. The entity's governor, who also serves as the chairman of the Board of Directors, along with the two deputy governors, is appointed by the king based on the prime minister's advice. The minister of finance appoints the remaining board members.

The CBL is responsible for managing the country's foreign exchange reserves, administering exchange controls and regulating financial institutions. The CBL also serves as an adviser to the government on financial and macroeconomic issues. The three commercial banks in Lesotho are Standard Lesotho Bank, Ned Bank Lesotho and First National Bank Lesotho, all of which are South African banks.

According to the central bank, the bank capital adequacy ratio in Lesotho reached 22.2% in 2021, which is 3.20% lower than the previous year. Historically, the bank capital adequacy ratio in Lesotho reached an all-time high of 23.0% in 2020 and an all-time low of 12.0% in 2008. Lesotho is ranked 22nd among the group of 80 countries in terms of interest on capital reserves.

In 2021, the share of bank non-performing loans in total gross loans was 4.1%, compared to 4.2% in 2020. In February 2022, this rate rose to 4.3%, and in March 2022, it reached 4.4%.

According to the CBL, the banking system in Lesotho is sound. Commercial banks in Lesotho are well capitalized, liquid and compliant with international banking standards. However, the regulatory framework is still based on the Basel I set of regulations, even though three of the four banks in the country are subsidiaries of South African banks, which are already regulated under Basel III.

## 8 | Monetary and fiscal stability

Monetary stability has in principle been a component of the economic policy mix, but it is in practice subordinated to other objectives. The monetary authority has not been capable of pursuing monetary stabilization independently of the government. The national currency of Lesotho is the maloti, known as the loti in its singular form. Currently, it is valued at 0.054 against the U.S. dollar (LSL 1 = \$0.054). The real exchange rate at the end of the review period was \$1 to LSL 18.41. The loti is pegged to the South African rand at a 1-1 ratio by the Common Monetary Area, and both currencies are accepted as legal tender in Lesotho.

The minister of finance in January 2023 provided a summary of the financial status of Lesotho. She highlighted corruption and mismanagement of state resources as the primary factors hindering Lesotho's economy. It was anticipated that the economy would experience growth of 2.5% in 2022 and 2.8% in 2023, primarily driven by the

### Banking system

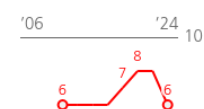
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### Monetary stability

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services and construction sectors. The inflation rate was forecasted to reach 7.6% in 2022, decreasing to 5.9% in 2023, mainly due to a rise in the rate of food price inflation (which fell to 8% in December from 8.10% in November 2022). Based on an expected recovery in Southern African Customs Union (SACU) revenues (revenue from imports shared among SACU member states), the fiscal deficit was projected to shrink to 4.6% and 3.7% of GDP in 2022 and 2023, respectively. The current account deficit was expected to improve from 6.8% of GDP in 2022 to 5.4% in 2023 as a result of reduced imports. According to the International Monetary Fund (IMF), the current annual real GDP growth rate stands at 1.6%.

Currently, Lesotho’s total debt amounts to LSL 22.8 billion (external debt is LSL 17.7 billion and domestic debt of LSL 5.1 billion). The debt stock is rising rapidly compared to the growth of the economy. Within the past five years, the debt stock has grown by 64%. It was projected to reach 50.2% of GDP in 2022 and 50.8% in 2023. At the close of the review period, the country’s current account balance showed a deficit of \$0.225 billion.

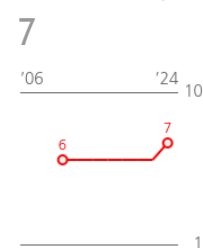
### 9 | Private Property

Rights and regulations on the acquisition, benefits, use and sale of property are well defined; however, occasional issues arise with their implementation and enforcement under the rule of law. The constitution safeguards the rights of citizens to own property. Specifically, in Chapter IX, Sections 107, 108 and 109, it states that land in Lesotho belongs to the Basotho nation. The authority to allocate land is entrusted to the king, who holds it in trust for the Basotho nation.

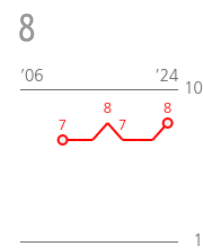
Parliament may make provisions prescribing the allocations that may be made and the interests or rights that may be granted in the exercise of the power conferred by Section 108 of the constitution. Additionally, parliament may dictate the grounds and circumstances under which such allocations or grants may be made, revoked or derogated from, as well as the interests or rights that may otherwise be terminated or restricted. This includes appeals pertaining to the allocation or refusal to allocate land, the revocation of interests in land, and the general regulation of principles guiding the exercise of this power.

The right to private property is protected under the law. Lesotho’s National Strategic Development Plan (NSDP II) addresses job creation through the private sector. It has been determined that the manufacturing and agricultural sectors are the only two sectors that contribute to the economy. The largest sectors aside from these are mining and quarrying, textiles (especially before COVID-19), and financial and insurance activities.

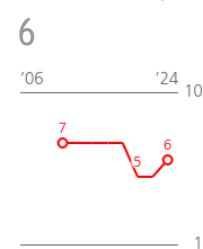
Fiscal stability



Property rights



Private enterprise



The pandemic devastated the textile industry in Lesotho. More than 11,000 out of 50,000 workers lost their jobs due to the cancellation of billions of dollars' worth of orders, as the global fashion industry faced hardships.

Privatization in Lesotho is guided by the Privatization Act of 1995. Privatization is viewed as a means for Lesotho to achieve economic stability, given the increasing levels of unemployment, and to address the poor management that has led to the failure of government parastatals. Presently, the education and health sectors have been privatized through public-private partnership (PPP) agreements. In Lesotho, schools are owned and operated by various entities, including the government of Lesotho, church organizations, the community and private sector companies. Church-owned schools make up 67% of the total 341 secondary schools. Government schools, community schools and private for-profit schools account for 27%, 4%, and 2% of the sector, respectively. Consequently, 27% of the schools are government/public, while 73% are privately owned, comprising both for-profit and not-for-profit institutions.

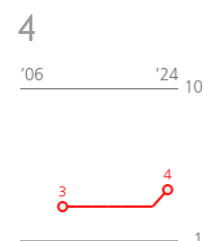
The health-sector privatization agreement between Netcare and the national government has faced challenges. Netcare had been operating the Queen 'Mamohato Memorial Hospital (QMMH) since 2011 under a 2008 public-private partnership (PPP) agreement, but the two parties have let the agreement lapse. The partnership was in its 13th year of an 18-year contract. Netcare blamed the government for defaulting on payments, while the government accused Netcare of non-compliance.

## 10 | Welfare Regime

HIV/AIDS and unemployment have been the primary threats associated with an enhanced need for social protection in Lesotho, with government intervention necessary to address these issues. The fact that the elderly in Lesotho typically care for their grandchildren, who are often HIV/AIDS orphans, results in additional expenses and burdens that further contribute to their vulnerability. The end-of-2022 statistics indicate that Lesotho has the lowest life expectancy level worldwide, at 55.22 years, due to the high prevalence rate of HIV/AIDS. The Department of Social Welfare provides cash transfers to vulnerable groups, including older people who receive noncontributory universal old-age pensions. This assistance also extends to war veterans, orphans, individuals with disabilities and those who suffer from chronic illnesses. However, not everyone has equal access to these grants, as some individuals encounter difficulties in obtaining them due to conflicts with their local chief or councilors.

Education at the primary level is free, although some parents send their children to private schools because they fear that government schools offer a lower quality of education. Tertiary education is financed through the National Manpower Development Secretariat (NMDS) under the Ministry of Development and Planning. The NMDS provides part loan/part grant financing, a certain portion of which must be paid back.

Social safety nets



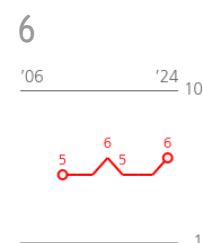
The government administers the Public Assistance in Cash and Public Assistance programs for disabled individuals, orphans and vulnerable children. The government has been implementing the National Information System for Social Assistance (NISSA), which was initiated in 2010 and has now reached more than 138,000 households. NISSA provides data on vulnerable households in Lesotho as a means of supporting other social safety net programs. In Lesotho, every individual with an income receives a tax credit for earnings below LSL 4,200 per month. This means that the first LSL 50,400 per year is exempt from taxation.

Lesotho does not have an unemployment benefit scheme, and as a result, those without jobs tend to fall into poverty.

The pension scheme is an extension of social protection programs aimed at relieving people from poverty and providing assistance to older individuals who can no longer support themselves. As of 2022, elderly individuals receive a sum of M850, which represents a slight increase compared to when this grant was initially implemented. Additionally, in 2021, following the lockdown, the government expressed gratitude to citizens over 60 years old for a three-month period.

In Lesotho, males still dominate the political sphere. Female participation has been encouraged, and there has been an improvement from 23% to 25% in the share of women in the 11th parliament. The 2022 national elections also brought significant change, as Nthomeng Majara was sworn in as the first woman deputy prime minister and minister of law, justice and parliamentary affairs. Twelve out of 80 constituencies were won by women, representing a 3% increase compared to the 2017 elections. While this increase may seem minimal, it is worth celebrating, as it is unprecedented compared to previous elections. The education system in Lesotho is highly regarded, boasting a high literacy rate of 77%. Women have higher participation in education, with an 88.29% enrollment ratio, while the comparable figure for men is 70.07%. This disparity can be attributed to the fact that boys in Lesotho often take on the role of herd boys.

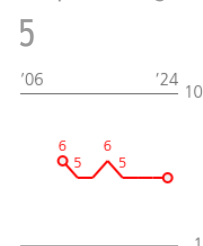
Equal opportunity



### 11 | Economic Performance

In recent years, Lesotho’s economic performance has remained very weak, worsened by the COVID-19 pandemic. Furthermore, political instability has also contributed to the weak economy, resulting in a 9.4% decline in gross domestic product (GDP) in 2021, which was calculated at \$1,094.10 million. Economic activity picked up in 2022 by 2.6%; however, it is expected to slow down in 2023 before accelerating by 2.9% in 2024, as the Lesotho Highlights Water Project Phase-II reaches its highest point. The inflation rate is projected to be 7.6% in 2022 and 5.9% in 2023, driven by an increase in food price inflation (it decreased to 8% in December from 8.10% in November 2022).

Output strength



In 2022, economic performance showed some recovery, with sectors including mining, manufacturing, business services and public services showing the highest growth rates.

The Lesotho budget remained in deficit for the period under review, with a shortfall equivalent to 6.2% of GDP in 2022. Imports remain expensive, and exports have fallen due to declining global prices of diamonds. Another sector expected to initiate development is agriculture, boosted by subsidies for key resources such as seeds and fertilizers for farmers. These subsidies help farmers maximize their commercial sales, improving business and consumer confidence – especially after the challenging times of the pandemic.

Some improvement is also expected from the strong development in the mining sector, coupled with an enhanced market outlook for diamonds and the present increase in commodity prices. Production has returned to full scale after the lockdowns, and it is expected that most mines that were under care and maintenance in 2021 will contribute to advancing the sector's performance. The recovery in 2021 was very limited; therefore, poverty levels are estimated to have continued at 36% in 2022. Other factors, including increasing food prices, a high unemployment rate, a high job loss rate and high death rates, have hindered poverty reduction efforts in the country.



## 12 | Sustainability

The government enacted the National Environment Act in 2001 and introduced the National Adaptation Program of Action in 2007. This aims to reduce greenhouse gas (GHG) emissions by 10% through 2030. The Institute of Natural Resources has undertaken a USAID-funded project to enhance the capacities of local communities to adapt to climate change impacts.

There is a significant problem of severe land degradation caused by overgrazing and soil erosion, which leads to limited access to arable land and undermines food production. These factors have huge negative effects on the food supply.

The environmental sector is said to be one of the indicators of growth in Lesotho, as huge projects are supposed to undergo impact assessments for both the private and public sectors. However, there has been a lack of coordination between the ministries of mining and the environment. According to the Environmental Act of 2008, all projects should be assessed before they begin; however, the state and private companies have not followed this protocol over the years. The ministers from the mining and environmental sectors do not work together to enhance development and collaboration between the sectors.

In 2022, Minister of Mining Serialong Qoo announced the Mines and Mineral Amendment Act of 2022, which states that small-scale mining should be legalized. He pointed out that this type of mining contributes a substantial amount of government revenue, and said he expects to collect LSL 500 billion from the mining sector annually. However, the mining sector performed well from 2021 to 2022 after becoming very strict about issuing licenses for individuals or private companies interested in mineral exploration in Lesotho. The sector requires the application to be sent to the mining council through the mining commissioner. Overall, this licensing for exploration has advanced the production of minerals in Lesotho and will sustain the economy in the long run. There are no other new regulations that exist outside the environmental and mining sector acts that regulate the environment.

Lesotho's research and development (R&D) spending was only 0.1% of GDP in 2015, increasing slightly to 0.7% in 2021. This indicates a lack of systematic effort to advance knowledge, culture, and applied and experimental research in order to drive creative work. Lesotho offers both formal and informal education, with a literacy rate of 84.8%, one of the highest such figures in Africa. However, funding limitations are a challenge, as the National Manpower Development Secretariat (NMDS) is the sole provider of funding for tertiary education. In early 2023, the government announced a new policy that requires learners sponsored by the NMDS to repay 100% of their credit before becoming eligible for sponsorship again. This poses a barrier to progress for those seeking to further their studies.

Environmental  
policy

3

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Education policy /  
R&D

5

'06 '24 10



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Free primary education is the main education system and is successfully funded by the government in the country. This allows parents to provide secondary and high school education for their children. Learners receive meals and assistance from UNICEF in the form of food, allowing them to concentrate better in class.

Lesotho's expenditure on education totals 7.7% of GDP, according to the World Bank, which is among the best such figures in Africa.

## Governance

### I. Level of Difficulty

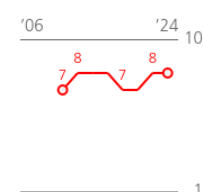
Lesotho is a landlocked country in South Africa, with 10 districts. Factors such as the high inflation rate in South Africa have spillover effects on Lesotho's economy. This is evidenced by economic fluctuations, such as inflation rates, that follow similar trends. One of the most significant challenges currently facing Lesotho is human trafficking and forced labor, which disproportionately affects women and children, making them the most vulnerable groups. Human trafficking is largely driven by the high unemployment rate, as many people leave Lesotho in search of better opportunities but end up becoming victims instead. Poverty also contributes significantly to this vulnerability, as around 80.52% of the population lived in rural areas in 2022. These individuals primarily rely on crop production for both subsistence and commercial farming. However, changing climatic conditions have severely reduced agricultural production in recent years. Consequently, this has become a driving force for many rural residents to migrate, often resulting in their victimization due to this form of cruelty.

Some individuals find themselves without employment opportunities, leading them to become sex workers. This situation has contributed to the high prevalence of HIV/AIDS and tuberculosis. According to UNAIDS (2022), Lesotho has an HIV prevalence rate of 24.6%. UNAIDS reported that there was an incidence of 1.9 new infections per 100-person-year exposure; however, this rate has decreased due to increased understanding and utilization of antiretroviral therapy (ART), which resulted in a 92% suppression of viral loads. The country actively promotes HIV/AIDS education and programs, with a particular focus on younger age groups. Additionally, an unequal distribution of resources poses a significant obstacle to Lesotho's development. Those in power exercise control over the country's resources and often utilize them for personal gain.

The social and economic fabric of Lesotho has been negatively affected by the effects of COVID-19. The strict lockdown measures and numerous restrictions have had a significant impact on the livelihoods of many people. Numerous small businesses were forced to close, while a large number of individuals working in the informal sector lost their jobs. The coronavirus pandemic has had far-reaching effects that have destroyed households. Many children lost their parents, resulting in more orphans and many child-headed households.

Structural  
constraints

8



Lesotho gained its independence in 1966, and the country's civil society has since remained informal by nature. Lesotho's short democratic history, coupled with its lack of resources and funding, makes it very difficult for the country to enhance its capabilities to engage public interests and facilitate any form of consultation for those in power. However, there have been instances in which leaders have successfully engaged formal civil society organizations. These organizations have taken on a functional role of training people before national and local government elections, which has yielded positive results. This approach not only enhances human rights training but also helps people understand and exercise their freedom in various aspects of life.

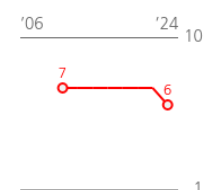
There are many civil society organizations in Lesotho under the stewardship of the Lesotho Council of Non-Governmental Organizations (LCN), which is the umbrella body for civil society. Traditionally, CSOs are consulted through the LCN, which in turn notifies the most relevant group of CSOs. The practice has worked well, though there are some challenges where claims of partiality have prevailed.

This period under review marked a new era of change and hope for the nation. This is because there were no conflicts among political parties, as a new coalition was formed after the October 2022 elections. The opposition parties are also involved in the national reforms, making it easier for everyone to feel included. National elections always prompt many people to return home, such as former Prime Minister Thomas Thabane and his wife, Maesaaih Thabane, who had been staying in South Africa after Maesaaih had been charged with the murder of the former prime minister's first wife, Lipolelo Thabane. There were no religious, ethnic or social conflicts during the period under review.

Police brutality is one of the factors that intensifies conflict in Lesotho. Instead of following proper channels when questioning and taking suspects into custody, police forces take matters into their own hands. This is evident in the recent case of siblings who were tortured because they were suspected of murdering their mother and throwing her into the river. While the two girls never confessed to the murder, people sometimes end up going to jail for crimes they did not even commit because of police brutality.

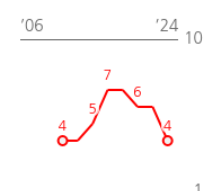
#### Civil society traditions

6



#### Conflict intensity

4



## II. Governance Performance

### 14 | Steering Capability

Lesotho is implementing its second five-year National Strategic Development Plan (NSDP II) for the period from 2018 to 2023. The main challenge to implementing development plans in Lesotho is the lack of coordination and financial support required to ensure that targets are met. NSDP II identified manufacturing, tourism, technology and innovation, and the creative industries as key development sectors. The goal is to generate at least 10,000 new jobs annually in order to address the issue of high unemployment. The government has established the Prime Minister's Delivery Unit to coordinate the implementation of the plan.

Lesotho has also been working on a proposal to develop a second Millennium Compact for submission to the Millennium Challenge Corporation of the U.S. government. The compact is expected to provide one of the biggest injections of funds into the economy over the next five years, provided Lesotho maintains eligibility and passes very tough criteria when its proposal is assessed. However, the country was on the verge of being classified as ineligible for the project due to its failure to bolster laws on the trafficking of persons. The necessary amendments were duly passed in November 2020.

Donors played a critical role in the development of Lesotho as the European Union, the People's Republic of China, Japan and others continue to provide significant amounts of development aid to fund government programs. Furthermore, the country has begun implementing the second phase of the Lesotho Highlands Water Project, with plans to construct a mega dam that will significantly boost the amount of water being sold to South Africa. This \$2 billion project is also expected to augment the country's electricity generation capacity.

Amidst all these challenges, the government of Lesotho has a dedicated Department of Development Planning, which is mostly responsible for developmental policies and project appraisal.

The previous government had significant difficulties implementing policies, and many promises were left unfulfilled.

The new government is involving the community in all of its developmental plans. The country has begun development on the next phase of the largest project, the Lesotho Highlands Water Project (LHWP).

This project is expected to change the livelihoods of the people and enhance revenues – therefore, it will curb the effects of the pandemic and help the economy recover.

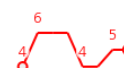
The new coalition began on a positive note, promising to improve all sectors of Lesotho's economy. One important area of focus for the government is the agricultural sector, specifically the regulation of key exports such as wool and hair.

Question  
Score

Prioritization

5

'06 \_\_\_\_\_ '24 10



1

Implementation

4

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1

These products are crucial to the country’s economy. Additionally, the government aims to provide support to livestock farmers and manufacturing, mining and textile workers in order to ensure the success of their businesses. Ensuring national peace and stability is another important goal for the new coalition government. Furthermore, it has indicated it plans to combat corruption, a problem that was prevalent under previous coalitions, by instituting fair employment opportunities. This will involve the thorough advertising of job openings and a comprehensive selection process that ensures deserving individuals are hired for the appropriate positions.

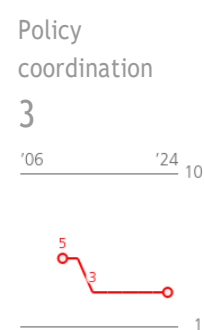
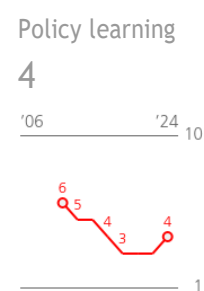
The government often fails to implement or even change existing policies in order to adopt new or effective policies. Policymaking appears to be one of the biggest challenges in Lesotho. The country is weak in agenda-setting, formulation, implementation and evaluation due to a lack of experts to complete this process.

There is no platform for local experts to learn from international experts, hindering their ability to advance the economy. The country primarily relies on international consultants to carry out work in Lesotho, without enabling the transfer of skills. Consequently, the government is overcharged, and significant contracts are awarded to these international consultants.

### 15 | Resource Efficiency

The government failed to make efficient use of state assets from 2021 to 2022, when the new government took over. Regarding procurement, the government has not followed the necessary structures to procure resources. It has bypassed established processes because the governing political party always wants to use national funds as it desires. This was evident during the pandemic, when NACOSEC was formed and given too much authority to use the funds as it saw fit. The past two coalition governments have ensured their candidates were placed in the financial ministry without assessing the minister’s merits, creating numerous problems for the country. The state often fails to use government resources evenly to benefit all citizens or at least the majority, as public procurement policies are not followed.

Policy coordination remained poor during the period under review. There was hope when the new government took over in November 2022, but not much has been done to improve policy coordination. It was expected that the new ministers would begin implementing policy programs to facilitate the establishment and implementation of a coherent policy program. However, the new government continues to blame the former government for its failures in policy coordination while doing little or nothing to demonstrate improvement since taking office. The lack of coordination between bureaucrats and politicians is primarily attributed to high levels of corruption, and the new government has not yet made a positive impact in changing the current state of policy coordination.



The main body that has been addressing anti-corruption issues is the office of the Directorate on Corruption and Economic Offenses (DCEO), which faces numerous challenges in handling corruption cases. The current director, Mahlomola Manyokole, promised the nation to address corruption and violations of goods and services procurement processes made during the fight against the coronavirus (COVID-19) pandemic, which has been ongoing since 2020. However, no steps have been taken so far to ensure that culpable officials are held accountable for the alleged violations, and there are no new policies in place to help resolve these corruption cases, which have resulted in a significant financial loss for the nation. Consequently, people are still concerned about the government's ability to strengthen and implement robust anti-corruption policies and take effective action, rather than leaving cases unresolved and seemingly forgotten.

One driver of change in Lesotho is local government. One of its roles is to ensure the provision of services to communities in a sustainable manner. Local councilors are elected to office, and these individuals work hand in hand with the chieftain offices (Marena) to ensure that all people have equal access to resources in the community and that all citizens report any form of corruption related to the buying and selling of land.

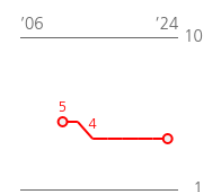
## 16 | Consensus-Building

All political parties have agreed to work with the National Reforms Authority (NRA) on reforms that will transform the parliament, judiciary, security forces, constitution, media and all public services. Key characteristics of the consensus-building approach include democratic participation; creating a safe and enabling environment for state and nonstate role players to engage on a regular basis; establishing common views; facilitating cooperation with regional and international governments (internationalization) and between national stakeholders; and building an archive and database of knowledge and consensus development processes. Knowledge exchange is key to consensus-building. This will assist in generating sustainable engagement that enhances dialogue and obtains the primary evidence necessary for consensus-building. Against this backdrop, the government should have a robust set of consensus-building and mediation methodologies at its disposal should a crisis or socioeconomic and political instability emerge.

The aim of the National Reforms Authority (NRA) is to make government more accountable to the people. The most recent conference was held in Maseru in November 2022. The conference focused on building coordination, leadership and management in the reforms process in order to facilitate the implementation of the resolutions and decisions. The conference was successful, resulting in an agreement on transitional arrangements for the new structure to ensure the continuity of the reforms process until all transitional arrangements are completed.

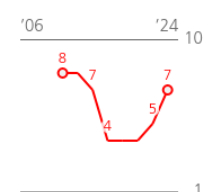
### Anti-corruption policy

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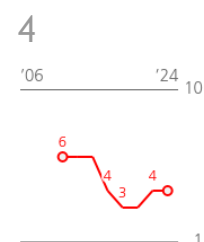
### Consensus on goals

7



While there is political polarization, the most noteworthy anti-democratic actors in Lesotho are the police and the army. They remain obstacles to democratic consolidation because they violate civil and political rights by brutally disrespecting, insulting, beating and sometimes killing members of society. Instead of facing justice, perpetrators are removed and placed in different districts. This is also observed during protests in higher education institutions, where students have gone on strike to receive their stipends but have been killed even if they are not carrying any harmful weapons. These actions have escalated to an unprecedented scale, rendering democratic consolidation sluggish.

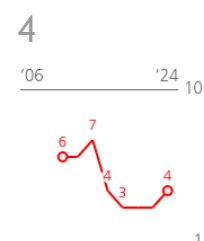
Anti-democratic actors



However, other political actors – mainly political partners and civil society organizations – see the need for reforming the security sector to ensure that it follows the principle of civilian control, which is the cornerstone of democracy.

It was expected that after the formation of a new coalition government, the body of the National Reforms Authority (NRA) would be strengthened, and action would be taken to solve cleavage-based conflicts and prevent their escalation. However, the newly elected political leaders have not yet shown a keen interest in building strong institutions to address issues like nepotism and paternalism. These factors not only diminish and weaken democratic institutions, but there has been no progress in these areas to date. The nation anticipates change and action in these matters and hopes for a positive change to occur in the shortest possible time.

Cleavage / conflict management

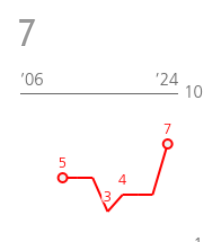


Currently, the government is not addressing matters that require effective management to foster peace and stability; instead, leaders are merely making promises regarding plans to work toward resolving past cases, with little evident concrete action.

Civil society has been very active in ensuring peaceful dialogue where differences emerge, although groups have at times acted with partiality. Within political parties, there seems to be no democracy, as they often resort to the courts to settle disputes when party leaders are unable to quench conflicts within their ranks.

The National Reforms Authority (NRA), which is the body responsible for implementing national reforms, is designed to follow the Basotho culture of consultation and consensus-building and includes involvement from NGOs.

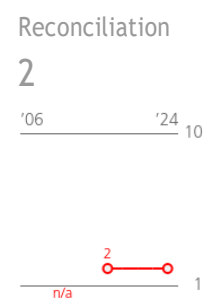
Public consultation



More than previously, the government has actively involved the public through various channels, including society and labor organizations, in order to govern state institutions. It has even employed participatory impact assessments and involved communities in large development projects, seeking to identify their needs and offer them opportunities within these projects. An illustration of this is the construction of the Puli-Hali Dam, in which citizens were invited to participate during the initial stages, ultimately leading to job creation and improvement in their quality of life. As a result, civil society participation is enhanced. This has also played a role in the establishment of the Human Rights Commission.



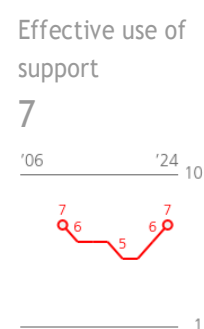
Seventy-two percent of citizens support the establishment of the Truth and Reconciliation Commission in Lesotho, which will investigate and come up with recommendations on past political crimes and violations of human rights. While the people want reconciliation, they also would like people who committed crimes because of political motives to be held accountable. The end of the year 2022 also brought a successful 42nd summit of the SADC heads of state. The group urged the government of Lesotho to encourage its citizens to live peacefully and transition to a good nation. There was civil war after 1993, when the country started being a democratic nation, but there are key bodies that bring order to society. The soldiers always intervene where there are fights, and SADC always intervenes where the government can no longer handle the affairs on its own. In general, the leaders have failed to establish courts of law that enable victims of injustices to be at the center of reconciliation. The main goal for the government of Lesotho is always to punish perpetrators accordingly, but little or nothing at all has been done to address the victims. Many parties advocate for reconciliation when government officials and high-profile people are involved in cases that remain difficult to solve. It has become a norm for cases not to be solved or even to be withdrawn when a new leader takes office. Sometimes they just use emotions and revenge to charge people who are not their party followers.



Political leaders seldom concentrate on reconciliation; rather, they take advantage of the divide in the community instead of building an environment that stimulates reconciliation. For example, historical injustices are used to divide the population along political lines rather than unite the people. However, the new strain of political parties is more inclined to reconcile divergent ideologies, arguing that “we were not there when the atrocities happened, and we cannot change the past; rather, we can make the future be what we want.” This is why the new political parties actually mobilize large numbers.

### 17 | International Cooperation

The government of Lesotho has been able to attract enormous support from international partners through a consultative national reform process. The Southern African Development Community (SADC) has worked with all stakeholders in Lesotho to address recurring conflicts caused by weak institutions, inadequate laws and political interference within the security forces, among other things.



The international community demonstrated a willingness to support Lesotho during the period under review. Development partners have committed to supporting the implementation of the second National Strategic Development Plan. Furthermore, the U.S. government’s Millennium Challenge Corporation has also considered Lesotho to be eligible to receive funding under the second compact of the Millennium Challenge Account. The international community has demonstrated unwavering

support for the government of Lesotho in addressing the security challenges by offering training to the armed forces and providing financial support for the implementation of the constitutional and institutional reform programs. The government also enjoys massive support from the Japanese government for its education programs, the European Union and United Nations for its social safety nets, and the U.S. government for HIV/AIDS programs.

Lesotho maintains strong diplomatic ties with several nations, including the Republic of Ireland, the United States of America, the United Kingdom, Germany and other Western states. The Republic of Ireland serves as a major bilateral donor to Lesotho, while the United States provides aid and assists in the establishment of non-governmental organizations that create numerous employment opportunities and generate significant revenue for the country. Additionally, South Africa and Lesotho have collaborated on the Lesotho Highlands Water Project (LHWP), a large-scale endeavor focused on water supply and hydropower. This project has been instrumental in generating substantial royalties for Lesotho, estimated at \$15 million annually, and has also created employment opportunities for many individuals within the country.

Lesotho is a full member of a number of international organizations, including the World Trade Organization (WTO), the International Labor Organization (ILO) and the World Health Organization (WHO), among many others. This makes the country a well-trusted member of the international community. During the period under review, Lesotho ratified the Treaty on the Prohibition of Nuclear Weapons on June 6, 2020, and the Kigali Amendment to the Montreal Protocol on October 7, 2019. However, compliance is undermined by a lack of domestic instruments (ratification).

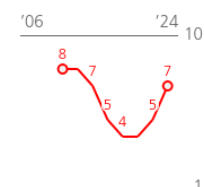
The government successfully maintained peacekeeping efforts in international cooperation. Lesotho's path to peace, political stability and tolerance improved after the resolution of the Southern African Development Community (SADC) Double Troika summit held in Angola. This summit endorsed Lesotho's road map for reforms and national dialogue and urged the government of Lesotho to prioritize constitutional and security sector reforms. SADC also intervened in the 1999 political riots in Lesotho, effectively bringing peace, order and stability to the country.

Lesotho is surrounded by South Africa, which is also its major partner in economic and political cooperation. The two countries have implemented agreements on the free movement of business persons. The good relations between the two countries continued during the period under review.

Lesotho is a member of the Southern African Development Community (SADC), which intervened during the political crisis of 2014. Moreover, Lesotho's membership in the Southern African Customs Union (SACU) has been its greatest achievement, as it allows for the free movement of goods between member states, facilitating trade. The union has also played a crucial role in promoting conditions of

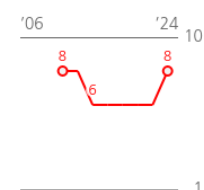
#### Credibility

7



#### Regional cooperation

8



fair competition within the common customs area. In addition, South Africa and Lesotho have collaborated on a significant endeavor: the Lesotho Highlands Water Project (LHWP), focused on water supply and hydropower. Through this initiative, Lesotho earns an estimated \$15 million per year in royalties. Furthermore, the project has created numerous employment opportunities for the people of Lesotho.

Lesotho is also a member of many regional and international cooperations, including the World Health Organization (WHO), the International Labor Organization (ILO), the World Trade Organization and the Southern African Customs Union (SACU).

## Strategic Outlook

Lesotho has economic plans that can help it recover in the post-COVID-19 era, improving the livelihoods of many. One such plan is the Lesotho Highlands Water Project Phase (II), scheduled to begin in 2022. This project will have numerous benefits, including reducing the high unemployment rate by providing jobs for both skilled and unskilled laborers across various sectors. Additionally, the project will increase the country's revenue and improve its gross domestic product. If sustained, this could also lead to a reduction in poverty, as it will enhance many households' incomes and bring about significant economic transformation.

The tourism industry holds considerable promise in helping Lesotho develop its economy. The neighboring country, South Africa, agreed in January 2022 to ease the movement of people between the two countries. According to the agreement, Lesotho citizens will be allowed to stay in South Africa for up to 90 days without any penalties. This will facilitate movement and also assist travelers from South Africa who wish to tour Lesotho. This introduction aims to assist individuals who are unable to afford the Lesotho Special Permit (LSP), which was introduced to support Basotho working in the informal sectors of South Africa, such as domestic workers. Domestic tourism also plays a significant role in driving the economy, and Lesotho is currently experiencing substantial growth in this industry. The government is diligently working to advance and promote it.

The National Strategic Development Plan (NSDP) also identifies the agricultural sector as a key driver of economic development in Lesotho. The goal is to assist and support small farmers in accessing a market that is free from competition from neighboring countries. The government has implemented tariffs that restrict the importation of certain products that can be domestically produced in Lesotho. This policy aims to bolster local farmers, enabling them to export their products and generate profits.

One element hindering growth is the high corruption rate in the country. For a long time, those in power have been misusing resources by channeling them in the wrong direction and using them for personal gain. This involves high levels of nepotism, where skilled and qualified candidates do not even make it to the shortlisting stage in hiring processes. The national reforms are expected to drive the economy in a positive direction.