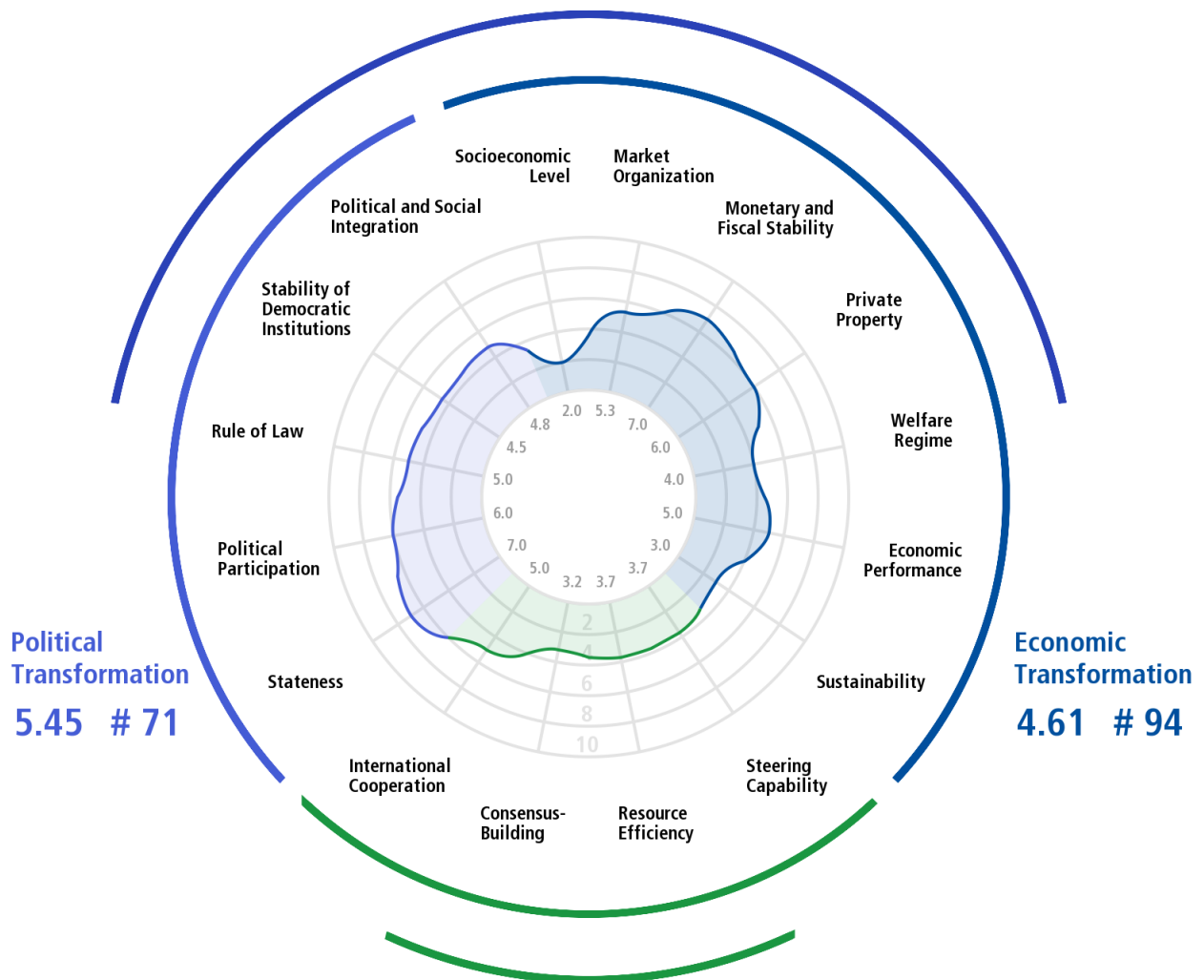


Lesotho

Status Index

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on 1-10 scale out of 137



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3.58 # 108

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. 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	2.1	HDI	0.518	GDP p.c., PPP \$	3223
Pop. growth ¹	% p.a.	0.8	HDI rank of 189	164	Gini Index	54.2
Life expectancy	years	52.9	UN Education Index	0.510	Poverty ³	% 78.1
Urban population	%	28.2	Gender inequality ²	0.546	Aid per capita \$	70.2

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

During the period under review, Lesotho held yet another general election, which was the third in five years. The election resulted in yet another change of government, as the regime of Pakalitha Mosisili lost its majority in parliament. Mosisili's political party, the Democratic Congress, was adversely affected by the split that resulted from his then-deputy Monyane Moleleki forming the Alliance of Democrats, which joined forces with other opposition parties to raise a motion of no confidence against Mosisili. Mosisili then opted to call snap elections in the hope of salvaging more seats, as the opposition had more seats in parliament as at February 2017.

The government of Lesotho continued to meddle in the running of private businesses. There were two controversial pieces of legislations that left many wondering whether the government had been captured or not. Following a successful election campaign, Tom Thabane immediately appointed one of his campaign financiers Xie Yan as Special Projects Head and Trade Adviser. Yan is a naturalized Chinese and has a number of firms doing business with government of Lesotho. One of Xie Yan's businesses was given the monopoly as sole importer of red meat into the country, as soon as he assumed the position of trade adviser to Thabane. The government also awarded a number of projects to Chinese-owned companies without following procurement regulations under the pretext that local companies did not have the capacity to implement those projects. The biggest shock was when government introduced regulations to ban exports of unprocessed wool and mohair. The regulations were meant to help another Chinese national, Stone Shi, who is Managing Director of Maseru Dawning. Wool and mohair producers, who are mostly small-scale farmers, were left addled when the government introduced the Agricultural Marketing (Wool and Mohair Licensing) Regulations 2018. The government claimed to be enforcing a contract between Lesotho National Wool and Mohair Growers Association (LNWMGA) and Maseru Dawning, according to which farmers were said to benefit more than they used to when their produce was auctioned on the auction floors in the neighboring South Africa.

The period under review was also marked by a spike in the number of murders and cases going cold. One of the most shocking cases was that of Lipolelo Thabane, the wife of Prime Minister Tom Thabane. Thabane was shot at her home just outside the capital city of Maseru. The suspects in the case have yet to be arrested and brought to justice. The change of government resulted in the discovery of missing people, who had been abducted and killed during the latter days of the Mosisili regime. One police officer died in the custody of his colleagues and was buried secretly in a mass grave. Others were civilians, who were dumped in the depth of Mphahlele Dam by soldiers. The suspects in these two cases are being charged in the high court of Lesotho. Thabane's regime introduced a policy whereby police were encouraged to torture suspects. Many people have been permanently paralyzed and more than 30 have died in police custody in the period of 18 months.

History and Characteristics of Transformation

Lesotho is a beautiful mountainous country surrounded by the Republic of South Africa. The country owes its existence to the wisdom of Moshoeshe I, who gathered small nations running away from King Shaka in the early 1800s. It became a British protectorate in 1868 before gaining independence from the colonial power in 1966. The country has experienced enormous challenges since then, as different groups have fought for control. The 1965 general elections were won by the Basotho National Party (BNP), which formed the first democratic government that ruled between 1966 and 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 rule by BNP that was marred by conflict between armed forces and the Lesotho Liberation Army (LLA), a military wing of BCP. The BNP government was toppled by military coup in 1986. The Military Council ruled the country between 1986 and 1993 when the third general elections were held. BCP won all 65 constituencies and formed the second democratic government. Lesotho has held six other general elections since 1993. The BCP spilled in 1997 and a new party called the Lesotho Congress for Democracy (LCD) was formed by Prime Minister Ntsu Mokhehle and parliament to become the government.

In the years that followed, Lesotho experienced several internal challenges to its 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, Moshoeshe II, who was deposed and exiled after a fallout with the military government. Civil society groups mobilized all stakeholders in 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. He, however returned to the throne soon thereafter as the result of Moshoeshe II's death in an automobile accident. The second democratic elections since the return to democracy were held in 1998 and won by LCD. Although international election observers described the poll as free and fair, opposition parties and their followers contested the outcome and, as a result, widespread violence and looting were experienced in the country. That led to a Southern African Developed

Community (SADC) military intervention that 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 completely paralyzed by the protesters.

Lesotho's democracy has always been characterized by drama and double standards. On February 28, 2012, Basotho woke up to the news that then-prime minister had formed a new political party. It was highly expected that the prime minister would unite with those that followed him. The country held general elections in May 2012, which resulted in no single party winning a simple majority. The three former opposition parties, namely the All Basotho Convention (ABC), the BNP and the LCD formed a coalition government. This was the first time in the history of Lesotho that parties had to join forces to form government. However, the coalition government collapsed due to corruption and lack of trust among the coalition partners. Eventually, the military attempted to overthrow the government in a foiled coup on August 30, 2014. Lesotho held early elections on February 28, 2015, after the intervention of the Southern African Development Community (SADC), instead of waiting for 2017 as was initially set by law.

Since independence, Lesotho has engaged in comprehensive planning exercises, such as the National Development Plans (NDPs), Poverty Reduction Strategy (PRS) and the National Vision 2020. The country has tried many strategies in an attempt to address with structural challenges and implemented public sector reform programs to improve efficiency. The success of such programs, however, remains hampered by significant financial constraints and skill deficit. The National Strategic Development Plan (NSDP), which was a five-year plan, failed to take off and the period under review marked the last two years. There is no evidence of what has been achieved in the implementation of NSDP. Lesotho is now implementing NSDP II, which is not very different from the previous plan, as most developmental targets remain the same in both documents.

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 that forced Basotho men to trade their labor in the mines of the neighboring Republic of South Africa around the turn of the twentieth century. An estimated two-thirds of the population lives 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.

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

The government of Lesotho controls the entire geographical territory of the country. There was no armed rebellion in Lesotho and the state enjoyed full monopoly on the use of force. The armed forces include the Lesotho Defense Force (LDF), Lesotho Mounted Police Services (LMPS), Lesotho Correctional Services (LCS) and the National Security Services (NSS). Additionally, the government regulates the operations of private security companies that are allowed to provide services to individuals, the government and companies. Individuals wanting to own guns have to apply for gun license from the government and restrictions are imposed on the calibers of guns that may be owned by individuals.

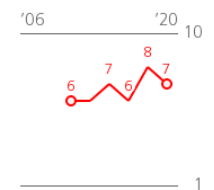
The period under review was marred by serious instability as a result of protracted political interference in the security forces. The commander of the Lesotho Defense Force (LDF), Lieutenant General Khoantle Motsotso, was killed allegedly by senior army officers in August 2017. The two suspects, Brigadier Bulane Sechele and Colonel Tefo Hashatsi, were shot by the bodyguards of Motsotso. The death of a second commander in the space of less than two and half years triggered the Southern African Development Community (SADC) to send a stabilization force to neutralize and retrain members of the LDF. Beyond this, former LDF commander, Lieutenant General Tlali Kamoli, is incarcerated while awaiting trial for a number of charges related to crimes allegedly committed between 2014 and 2016.

The only challenge to the use of force comes from armed groups of musicians that operate mainly in deserted mining sites in South Africa. These groups are armed with assault rifles that are not licensed to civilians in Lesotho. Scores of people have been killed in conflicts with these groups. Seakhi and Terene are two opposing groups associated with the local music genre, Famo, and often distinguished by the color of the Basotho blankets they wear. These groups have caused havoc in villages such as Qeme and Rothe in the capital district of Maseru, while Mafeteng has long been tormented by the friction between these groups. Security forces have not intervened nor protected these villages, largely because they are infiltrated and most of the perpetrators flee to neighboring South Africa after shooting their victims.

Question
Score

Monopoly on the
use of force

7



1

During the period under review, the government of Lesotho amended its constitution to allow dual citizenship. Lesotho did not previously allow dual citizenship and many citizens denounced their citizenship in order to take the citizenship of other countries. The biggest challenge has been enforcement of the citizenship act, as many politicians and senior government officials held citizenship in other countries, despite this being illegal in Lesotho. Former Prime Minister Pakalitha Mosisili was one of the famous politicians who held Lesotho and South Africa citizenships concurrently. Basotho who had lost their citizenship after becoming citizens of other countries will automatically have their Lesotho citizenship reinstated. The amendment to the constitution paved way for the government to formulate a citizenship act that will give clear definition of who is Mosotho. It also means that Basotho will be able to take advantage of opportunities in host countries, as opposed to the long suffering that they endured when the country did not allow dual citizenship.

Lesotho allows citizenship by naturalization and people who wanting to become citizens of Lesotho have to live five years in Lesotho before being eligible for citizenship. The advent of dual citizenship means that they will also have to wait another five years after being granted Lesotho citizenship before they can enjoy social benefits. Many citizens of Lesotho acquired South African citizenship through illegal means, as there are scarce employment opportunities in Lesotho. It is yet to be seen how the two countries will deal with this issue, as it has the potential of leaving many high-ranking officials in the government of South Africa and private sector without no option but to return to Lesotho.

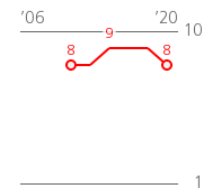
Although, Lesotho uses Sesotho and English as official languages, there are smaller groups that have their own languages, such as Sephuthi, Xhosa and Zulu. The biggest challenge to these groups comes when accessing services such as health care and education. Nurses and doctors expect patients to speak the majority languages. In some extreme cases, doctors do not even speak the official languages, as they are expatriates. Insofar as education is concerned, some students encounter the official languages for the first time when they enroll in school. However, they have to learn those languages, as well as other subjects, in the official languages.

Lesotho is largely a secular state. People are free to practice the religion of their choice. However, Christianity is the most dominant religion and its influences are so strong that a prayer is said at the beginning of official governmental events and meetings. Christianity is so entrenched in Lesotho that other rights are not protected, as they are deemed to be against Christianity. Abortion is illegal in order to ensure that the state operates in a manner that is deemed in line with Christian values. However, this does not prevent women from attempting abortions, which tend to result in many being treated in government hospitals. There are often no legal actions instigated against the victims or survivors of illegal abortions in Lesotho.

The other challenge of religion to running the government is that the rights of LGBT people are neither recognized nor protected by the state, with the explanation that

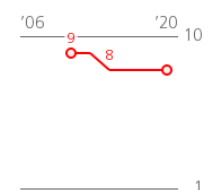
State identity

8



No interference of religious dogmas

8



homosexuality is against Christian values. Other religious groups exist in Lesotho and are free to practice their religion without interference from government. There are Muslims, Baha'i, and indigenous religions.

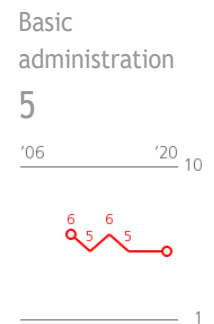
According to the World Development Indicators, only 30% of Lesotho population has access to sanitation. The biggest impediment to increasing access to sanitation is poor implementation of government policies. The Water and Sewage Company (WASCO), which is the state-owned enterprise responsible for ensuring access to water and sanitation, was sullied by poor corporate governance during the period under review. This even led to its CEO, Lehlohonolo Manamolela, being fired.

WDI indicate that 82% of Lesotho's population have access to a water source. The Rural Water Supply Department is responsible for ensuring development, protection and regular maintenance of water sources for people in rural areas, while WASCO is responsible for people in urban and semi-urban areas.

Lesotho's health care remains paralyzed by the government's inability to manage a health PPP agreement with the Tšepong Consortium. Many non-emergency patients have been turned away from the biggest referral hospital, due to a contractual dispute between the two parties. In addition, there seems to be a slow pace of decentralization, as the community councils do not plan their finances and development activities. Education is one of the most poorly managed sectors, irrespective of being the largest recipient of government budget allocations. The government has been threatened by teachers with a nationwide strike, because they demand that they be provided with teaching material, among other things. The strike started in early 2019.

There are also many cases of corruption and mismanagement of government funds, as evidenced through the televised Public Accounts Committee deliberations about the Auditor General reports. The government is paralyzed by inefficiency and rampant corruption to an extent that citizens have accepted that to access services they have to pay bribes. Those that pay bribes are certain to be given preferential treatment and the corruption watchdog is often very slow to act.

The government introduced a voluntary tax amnesty program in order to encourage people who have not been complied with taxation laws to voluntarily declare their transgressions. Critics of this program accused the government of tailor making it for senior public officials who have not paid taxes for a very long time. The Lesotho Revenue Authority was also dominated by governance challenges, including accusations of non-compliance by the head of the organization. Some of the authority's senior management resigned, while others were dismissed on grounds of mismanagement.



2 | Political Participation

Lesotho is a multiparty democracy and the general elections organized by an independent electoral commission in June 2017 were declared free, fair and credible by both local and international observers. These were the third general elections within five years, each of which resulted in change of government.

The biggest challenge to the elections was unequal access to state-owned media by different political parties. Opposition parties had to rely on private media for coverage. At the same time, the Independent Electoral Commission broadcast political party programs on state radio and TV stations, during which all political parties were given equal airtime.

The polling stations were protected by members of the Lesotho Mounted Police Services (LMPS); however, on election day, there was an unexplained presence of soldiers from the Lesotho Defense Force. The voting occurred without any security incidents and the presence of soldiers did not appear to intimidate voters.

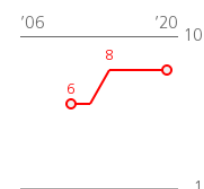
A third successive coalition was formed by four political parties, the ABC, the BNP, the RCL and the newly formed Alliance of Democrats (AD) of Monyane Moleleki. This was after no single party won enough votes to form a government. The ABC won 235,729 votes and 51 seats, followed by the DC, with 150,172 votes and 30 seats, the LCD with 52,052 votes and 11 seats; the AD won 9 seats, the Movement for Economic Change (MEC) and BNP won 6 seats each, the Popular Front for Democracy won 3 seats, RCL, BCP, MFP and Democratic Party of Lesotho (DPL) obtained one seat each. Thomas Thabane became prime minister after losing power for the previous two and half years.

During the period under review, there were groups and individuals that had veto power over political leadership. First, during the Mosisili regime, the military had veto power over the civilian government. After losing the general election, the then-Deputy Prime Minister Mothejoa Metsing informed his supporters that they could not afford not to try their best to retain power, as there were some soldiers who had put their lives on the line to protect the country.

Similarly, during the regime of Thabane, Chinese business owners had veto power. The situation was so corrupt that one Chinese businessman, who alleged that all Lesotho's political parties had benefited from his financial support, became an economic adviser to Prime Minister Thabane. In return, Chinese companies were given preference in government procurements such that, in some instances, procurement regulations were contravened just to benefit Chinese business owners. This practice even extended to state-owned enterprises (SOEs).

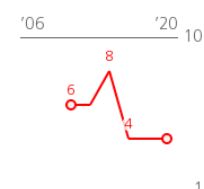
Free and fair elections

8



Effective power to govern

4



The freedom of association and assembly are guaranteed against any government interference and restrictions in Lesotho. However, during the period under review, the government was involved in intimidation and the eventual arrest of Khotsang Moshoeshoe of the Lesotho National Wool and Mohair Growers Association (LNWMGA). Moshoeshoe led the opposition to the Agricultural Marketing (Wool and Mohair Licensing) Regulations 2018, which were introduced by the government without consulting wool and mohair growers.

At the same time, human rights organizations continued to speak out against torture and, in some cases, the killing of suspects by members of the Lesotho Mounted Police Services (LMPS). The command of the LMPS tried to ban the Lesotho Police and Staff Association (LEPOSA) in an attempt to prevent unsatisfied police officers from challenging police promotions that were said to have been made without following LMPS promotions policy. The suspension of the LEPOSA operations by the LMPS is a violation of Police Act No. 7 of 1998 Section 66 (3), which permits the establishment of a police association. It also violates Section 24 of the LMPS (Administration) Regulations of 2003, which states that the Lesotho Mounted Police Staff Association shall continue to exist and that it shall be an independent corporate body, with the right to sue and be sued, and have the right to issue summons and be summoned in its own name.

Civil society continued to play a critical role in bringing different political leaders together in an attempt to kickstart a constitutional and institutional reform program. Civil society organizations were also involved in the multi-stakeholder committee that prepared the national dialog. The Lesotho Council of NGOs was given the specific role of soliciting the input of citizens in over 72 electoral division across the country.

According to the Afrobarometer publication titled, “Rights in Lesotho: Citizen Views on Police Abuse, Media and Personal Freedom, Gender Equality” from 2018, three-fourths (74%) of Basotho say they are “somewhat” or “completely” free to say what they want, a decrease from 82% in 2014.

The period under review marked huge progress in as far as the promotion and protection of freedom of expression is concerned in Lesotho. The former army commander Tlali Kamoli lost a Constitutional Court case that sought to have the publisher of “Lesotho Times,” Basildon Peta, jailed over a satirical article. The judgment did not follow the provisions of the penal code act of 2010, as those were deemed to contravene the constitution of Lesotho.

The structure of the media in Lesotho provides for a plurality of ideas. The period under review saw the Lesotho Communications Authority issue new licenses to community radio stations, which will only increase diversity of ideas. However, there was a shortcoming in that the government reduced the reach of opposition-aligned Moafrika FM under the pretext of refurbishing the transmission infrastructure of the government-owned Radio Lesotho.

Association / assembly rights

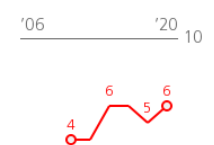
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1

Freedom of expression

6



1

3 | Rule of Law

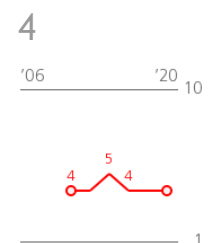
Lesotho has three pillars of government, partially separated. The major challenge facing the country is the fact that members of the executive are also members of parliament. There is a very thin line that separates the three branches of the state in Lesotho. The king of Lesotho is a constitutional monarch and head of state. The executive consists of the king and his appointed officers and authorities. The Council of the State assists the king in the discharge of his duties and carrying out his functions. Furthermore, the king appoints the members of the council (i.e., the prime minister and other ministers). As members of the executive are also members of the legislature, strengthening democratic institutions still remains a major challenge. The executive and the legislature have the power to recommend the appointment or initiate the impeachment of judges.

During the period under review, president of the Court of Appeals, Justice Kananelo Mosito, was impeached for failure to file his tax returns on time. The only anomaly about this impeachment process was that Mosito was accused of filing late for a time period before he was appointed the president of the court. The process of recruiting judges is so fallible that it did not make apparent that Justice Mosito had not been filing his tax returns in a timely manner. The impeachment was initiated by the Pakalitha Mosisili-led government, which consisted of parties that objected to Mosito's appointment because the then-prime minister did not have powers to appoint him on the eve of the general elections.

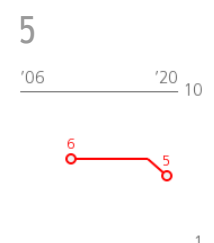
At the same time, Chief Justice Nthomeng Majara was suspended by the king, following a recommendation by the prime minister, while she awaited investigations into alleged corruption of which she was a beneficiary. Justice Majara moved from a government house to a house she rented from another High Court judge, Justice Teboho Moiloa. In so doing, she exceeded her housing benefit by more than 700%. Justice Maseforo Mahase has since been acting as Chief Justice in Majara's absence.

Judicial independence was tested during the period under review. The change in government in June 2017 led to threats being made by Minister of Law Lebohang Hlaele during a political rally, when he said that Chief Justice Nthomeng Majara had to resign as she was accused of corruption. The government secretary was reported by local media to have said that the government was negotiating with Majara to resign immediately after Hlaele's utterances. However, Chief Justice Majara stated that she was forced to enter exit talks with the government, after she expressed opposition to what she saw as the unconstitutional imposition of foreign judges presiding over cases in Lesotho. Ultimately, the government suspended Majara and she was accused of having benefited from a corrupt transaction by renting the house of Justice Teboho Moiloa. The rent exceeded the limits of her approved monthly allowance. The prime minister then appointed Justice Maseforo Mahase as Acting Chief Justice for the duration of the suspension of the chief justice.

Separation of powers



Independent judiciary



The wrangling between the government of Lesotho and President of the Court of Appeals, Justice Kananelo Mosito, paralyzed the hearing of appeal cases during the period under review. The judges of High Court seldom make judgments that are not in favor of the position of government. There are scores of cases that are still awaiting verdicts because the judges are too intimidated to make judgments against government. Almost all the judges in Lesotho's justice system are aligned with particular political parties. Thus, if a certain judge presides over a case, it is very easy to predict which side will come out victorious.

The stability of the judiciary has been under a spotlight because within a period of five years when the government leadership changed hands three times, the offices of the Chief Justice and the President of the Court of Appeal have also changed hands as often.

During the period under review, public officials enjoyed continued impunity from prosecution. The Director of Public Prosecution (DPP) Adv Leaba Thetsane retired in 2017 and there has been no successor to that office. This has resulted in wrangling between the anti-corruption body and the acting director tasked with prosecuting some senior public officials. For instance, the anti-corruption body argued that there is a prima facie corruption case against the principal secretary of the Ministry of Public Works. However, the acting DPP stated that she does not see a case there.

The greatest challenge is that the anti-corruption body has to be given the go ahead by the DPP, before taking any public official to court. Prime Minister Thabane threatened to dismiss corrupt ministers and chief accounting officers (CAOs) during a political rally. He went on to state that CAOs were leading lavish lifestyles and he wondered aloud at the source of their income. However, these public officials were not held accountable for suspected abuse of power. It is very common for public officials who are suspected of being involved in corruption to be transferred to another ministry or fired without following the due process.

Some of the CEOs of state-owned enterprises (SOEs) were suspended for alleged corruption. For instance, the chief accounting officers of the Lesotho Electricity Company (LEC) and the Water and Sewage Company (WASCO) were suspended pending investigation. Furthermore, the former CEO of LEC, Mbele Hoohlo, appeared before the Magistrate Court, accused of approving a raise in his own salary by a staggering 33.72% from his previous salary, from LSL70,000 to LSL93,607, effective April 1, 2013. Fraud charges were instigated against him as he is said to have overstepped boundaries: the board should have approved any changes to his salary.

Prosecution of
office abuse

5

'06 '20 10



1

During the period under review, a large number of people died in police custody and many more were tortured. There are over 30 cases of people who died directly as a result of police or army action between June 2017 and December 2018. No officer has been held accountable for these deaths. Some of the deaths had nothing to do with the official work of police or army officers, but when conflicts ensue, officers mobilize their colleagues and weapons to commit murders. One of the communities that has suffered most is the mining community of Kao where Storm Mountain Diamonds operates a mining project. Minister of Police Mamokhele Motsie even acknowledged that the Lesotho Mounted Police Service uses torture to extract information from suspected criminals.

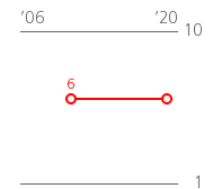
Soldiers from the Lesotho Defense Force camp at Ha Pete in the southern district of Quthing killed one villager and beat up several others, after one of their colleagues had a misunderstanding with a community member at a bar. Unlike the police, the army acted swiftly to announce that they are instigating disciplinary actions against those soldiers.

According to the Afrobarometer publication titled, “Rights in Lesotho: Citizen Views on Police Abuse, Media and Personal Freedom, Gender Equality” of 2018, two-thirds (66%) of Basotho say the police “often” or “always” abuse or torture people in their custody.

Lesotho continues to struggle to protect the rights of LGBT people. There were reports of incidents where LGBT people were mocked by health professionals when they sought medical attention. The minister of health even addressed the matter. However, there is a huge resistance against promoting and protecting the rights of LGBT people in Lesotho. The country is in the process of establishing a human rights commission. However, the proposed structure of the commission falls far short of international best practices.

Civil rights

6



4 | Stability of Democratic Institutions

Democratic institutions in are very ineffective due to a lack of clear separation of powers. Political instability has also contributed significantly to weak institutions. In the period under review, Lesotho launched an institutional and constitutional reform program that is aimed at restoring democratic institutions. Polarization in Lesotho has paralyzed almost all democratic institutions. Appointments to these institutions are often made on the basis of political affiliation as opposed to merit.

Local government structures are largely under-resourced and most critical decisions are still made at the national government level. The judiciary is utterly paralyzed and judges take an exceedingly long time to hear cases and write judgments. In 2018, some cases were given hearing dates of as far into the future as 2020. There is also a huge backlog of cases from as far back as 2007 and there is no one ensuring that those cases are closed and justice is served.

There is consensus in Lesotho that there is lack of commitment to democratic institutions. This comes as a result of years of politically motivated appointments of personnel in democratic institutions. Many senior military officers and police officers are known to be affiliated with certain political parties. This has caused serious instability in the armed forces, as whenever there is a change of government, there is change in command influenced by the fact that the ruling party or coalition of parties wants to appoint leaders known to be supportive.

Political parties in Lesotho are not exempt from the lack of commitment to democracy. Important as they are to democracy, there is lack of transparency regarding how political parties are governed. Most of political parties do not hold annual general meetings, do not publish their audited financial statements, and the Registrar General, which ought to be regulating them, is stripped of power even to inquire about their sources of funding. This has encouraged political party leaders to use their personal bank accounts to receive funding meant for political parties. During the period under review, the leader of the Basotho National Party was accused of having received money meant for the party election campaign from Arron Bank in his personal bank account instead of that of the party.

Performance of democratic institutions

4

'06 '20 10



Commitment to democratic institutions

5

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5 | Political and Social Integration

During the period under review, Lesotho saw an increase in polarization and use of political party affiliations in appointing public officials. In some instances, members of political parties were appointed to serve as board members of state-owned entities. Lesotho Electricity Company is one such company, where all the board members are members of the Alliance of Democrats.

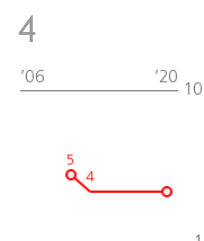
Political parties are often seen as the personal property of their leaders. In some instances, the constitutions of political parties stipulate that any member who takes legal action against the party will cease to be a member of that party. For instance, in December 2018, a constituency from Korokoro nominated a Professor Nqosa Mahao for the position of deputy leader of the party. A conflict ensued between the committee and the national executive committee about the eligibility of Mahao, which resulted in the constituency committee being dissolved without being subjected to a hearing, as required by both the constitution of the party and the law of natural justice. The decision was challenged in court, which was also requested to declare unconstitutional the clause that bars members from suing the party. Furthermore, the constitution of the ABC stipulates that Tom Thabane will be leader for life. There has been no one who challenged him to party leadership since its inception in 2006.

By contrast, the Democratic Congress (DC) led by Pakalitha Mosisili held its electoral conference in January 2019, at which Mathibeli Mokhothu was elected as the new party leader. Mokhothu beat Tlohang Sekhamane for the position of leader of the DC with 1681 to 84 votes. This marks the end to Mosisili's long political career. He has been a member of parliament since 1993 and will retire after the next general elections, scheduled for 2022.

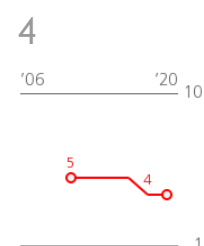
Party funding is a gray area in political party administration. Parties do not make public the funding they receive from private donors and very often companies that fund political parties benefit from government tenders once those parties are in power.

During the period under review, there was an increased presence of special interest groups. Community-based organizations, social movements and NGOs played a pivotal role in shaping public policy. Almost all special interest groups were represented at the National Dialogue on Constitutional and Institutional Reforms. That said, professional bodies are very weak and most professions do not even have an association. The Law Society and the Lesotho Institute of Accountants are the most recognized professional bodies and their roles in national matters are clearly stipulated, as they were both established through acts of parliament to regulate their

Party system



Interest groups



respective professions. As for other professional bodies, they normally have to register under the Societies Act of 1966.

There was some level of cooperation between special interest groups. During the period under review, professional bodies, business associations, regulators and NGOs came together to develop a corporate governance code. Lesotho did not have a code prior to this initiative led by the Institute of Directors of Lesotho. The expectation is that the code will play a huge role in shaping how organizations are run. There is a likelihood that the code would be used as one of the requirements for listing by the Maseru Securities Market (MSM).

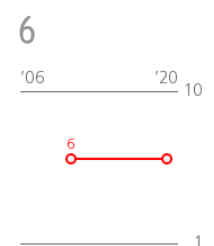
The biggest challenge to special interest groups has been divisions along political lines. For instance, teachers' unions did not work together to fight for improvements in working conditions. The government ended up targeting the most militant leaders of some unions, such as Letsatsi Ntsibulane, who was dismissed from Lithabaneng High School on January 31, 2019. He was accused of being involved in an illegal strike and absenteeism from work on the day he led a teachers' procession to the Ministry of Education.

According to the Afrobarometer, Basotho support limits on executive power and transparency in use of public information. Six out of 10 Basotho (62%) also favor limiting the prime minister's terms in office to a maximum of two. This demonstrates that Basotho would like to have change in the current system of government, according to which a person can be prime minister for as long as he or she are voted into office. Pakalitha Mosisili was the longest serving democratically elected prime minister of Lesotho. He first served as prime minister from 1998 to 2012 and again from 2015 to 2017.

Basotho are disgruntled by the perpetual failure of the democratic government to improve living conditions in the country. Unemployment, corruption, nepotism, pollution, insecurity, crime, indebtedness and hunger continue to worsen, irrespective of having had democratic governments continuously since 1993.

Access to public information is also a big challenge. This is because access to public information is not enforceable in Lesotho. According to Afrobarometer (2018), a majority (57%) of Basotho say that information held by public officials should be accessible to the public. But about four out of 10 believe they would have trouble obtaining information about development plans and school budgets. The 2019 publication of Afrobarometer indicates that a growing majority of Basotho say that at least "some" elected and government officials, police officials, and judges are corrupt.

Approval of
democracy



The constitution guarantees the freedom of association. The generally fragmented nature of party politics superimposed upon a weak and under-resourced parliament, however, makes the prospect of meaningful public participation in policy processes at the national level remote. As such, its weak oversight capacity and the consequent shortcomings related to the transparency and accountability of the executive makes it difficult for interest groups to engage the state with relevant information and facts.

Voluntary and autonomous organizations play a very important role in protecting and promoting the rights of citizens. The Lesotho Council of NGOs, which is an umbrella body of these associations, is recognized as the voice of NGOs in Lesotho. There are other organizations, like the Transformation Resource Center, the Development for Peace Education, the Federation of Women Lawyers and many others, that have been working tirelessly to help the population engage with the state in order to ensure that it is fully engaged in the national development agenda.

Still, there is very limited interaction among NGOs, trade unions, business associations and professional associations and distrust among voluntary organizations. This weakened the role of special interest groups in Lesotho during the period under review. The most common feature of all these associations is that they are aligned with political parties.

The role of special interest groups in Lesotho remains weak as well. The biggest challenge for voluntary and autonomous organizations is that some tend to align their positions and programs with those of political parties. Many of these bodies were very vocal in opposing the legitimacy of the Mosisili regime. However, there is no similar opposition to the policies of the Thabane regime, which took power in June 2017. This has led to some people questioning the motives of these groups, as Thabane's regime promoted torture and extrajudicial killings, inter alia.

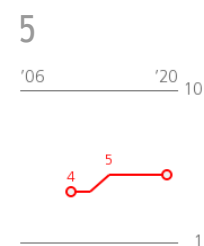
II. Economic Transformation

6 | Level of Socioeconomic Development

Lesotho's Human Development Index (HDI) improved from 0.511 in 2015 to 0.516 in 2016 and then moved to 0.520 in 2017. However, Lesotho's overall ranking remained 159 out of 189 countries over those three years. In the Gender Inequality Index, Lesotho saw a slight decrease from 0.548 in 2015 to 0.540 in 2016. It improved slightly in 2017 to 0.5444.

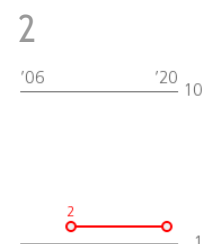
Lesotho is one of the most unequal countries in the world with a Gini Index of 54.2% according to data from 2010. Of its population, 78.1% live on less than \$3.20 a day at 2011 international prices adjusted for purchasing power parity (PPP). The overall

Social capital



Question Score

Socioeconomic barriers



loss of HDI due to inequality went down from 35.6% in 2015 to 31% in both 2016 and 2017.

According to Afrobarometer 2018, an overwhelming majority of Basotho say women and men have equal opportunities when it comes to getting an education (92%), earning an income (91%), and the right to own or inherit land (86%).

Economic indicators		2015	2016	2017	2018
GDP	\$ M	2510.3	2323.4	2578.3	2791.8
GDP growth	%	2.8	3.2	-2.3	1.5
Inflation (CPI)	%	3.2	6.6	5.3	4.0
Unemployment	%	24.3	24.2	23.6	23.6
Foreign direct investment	% of GDP	4.5	3.4	1.7	1.4
Export growth	%	13.0	7.8	-	-
Import growth	%	7.8	0.8	-	-
Current account balance	\$ M	-77.6	-198.2	-182.0	-114.4
Public debt	% of GDP	43.2	37.0	37.1	44.5
External debt	\$ M	888.4	883.2	935.6	914.8
Total debt service	\$ M	52.7	57.3	55.9	60.4
Net lending/borrowing	% of GDP	-1.2	-8.0	-1.8	-
Tax revenue	% of GDP	31.7	26.7	29.1	-
Government consumption	% of GDP	34.9	34.4	-	-
Public education spending	% of GDP	-	-	-	6.5
Public health spending	% of GDP	5.4	5.2	-	-
R&D expenditure	% of GDP	0.0	-	-	-
Military expenditure	% of GDP	1.8	1.8	2.0	1.8

Sources (as of December 2019): 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's regulatory framework and enforcement is generally weak. According to the World Bank's Ease of Doing Business Report of 2019, Lesotho required seven procedures to start a business in the period under review. The report indicates that it takes an average of 29 days to start a business at a cost of 7.1% of the Gross National Income (GNI) per capita, placing the country at 119 out of 190 in the Starting a Business subindex. Business registration is done remotely, as applications can be filed online. However, foreign-based companies are required to have an agent based in Lesotho to submit an application on their behalf. According to Doing Business 2019, the overall ease of doing business in the country is ranked at 106 out of 190 countries.

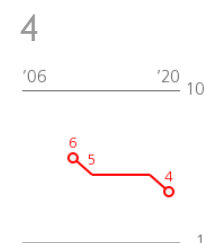
Lesotho does not control or limit investment in or disinvestment from the country. Investors are free to move their resources in and out of the nation's economy. The government of Lesotho remains the biggest player in the economy, as the private sector is relatively small. There are, however, big multinational corporations that have invested in the extractive industry, financial industry, textile industry and retail, to but name a few. These companies face no restrictions when they repatriate profits to their home countries.

During the period under review, the government of Lesotho demonstrated that it cannot be fully trusted on its stance as promoting a free enterprise market system. The government implemented policies that resulted in unnecessary loss of welfare for wool and mohair farmers when it banned the use of brokers based outside of Lesotho in favor of a Chinese-owned company. It also suffocated many small and medium enterprises trading in red meat, when it gave Meraka (another Chinese-owned company) the monopoly on importing red meat to Lesotho. This became very costly to red meat retailers as they were now forced to buy meat from their competitor.

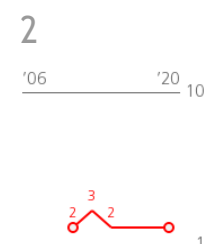
Lesotho formulated a competition policy in 2007 in order to minimize abuse of monopolies. However, the government has not established a competition body in order to ensure that antitrust behavior is regulated. During the period under review, there were signs of progress as stakeholders were invited to validate a competition authority draft law before tabling before parliament.

At the same time, business as usual continues with competition ignored by both state and non-state actors. In some instances, this amounts to a violation of procurement regulations. For instance, the government of Lesotho awarded a road construction project to one Chinese company called China Geo Engineering without following the normal government procurement process. It was only when there was a complaint from local contractors that the government attempted to justify its actions by stating that local companies did not have the capacity to implement a project of that magnitude. The process was canceled and put up for open tender, only to be awarded to the same company. The local contractors again threatened litigation as they suspected foul play. The other challenge to competition in Lesotho is fronting, as it is not outlawed.

Market organization



Competition policy



Lesotho is one of the most liberalized least developed countries. The country's trade in services schedule of commitment under the World Trade Organization (WTO) is one of the most liberal. However, there are no benefits on the ground associated with that level of liberalization. The country has failed to take full advantage of this, due to a lack of investment and small population size. Most companies prefer locating in neighboring South Africa that has 28 times the population of Lesotho. Lesotho's schedule of commitment on trade in services is a negative list, whereby anything not listed is open to international trade. However, Lesotho's services industry remains in infancy. Lesotho also ratified the Trade Facilitation Agreement with the expectation that other African countries would not support it, in December 2015.

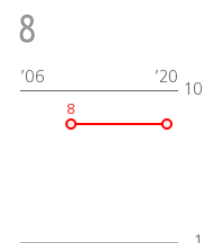
During the period under review, Lesotho signed the African Continental Free Trade Agreement (AfCFTA). Lesotho continued to work with the SADC EPA configuration and the European Union on the implementation of the Economic Partnership Agreement (EPA). Lesotho is also a member of the world's oldest customs union, the Southern African Customs Union (SACU) and the Southern African Development Community. The country is known for being one of the biggest beneficiaries of the U.S.'s Africa Growth and Opportunity Act whereby it has been able to attract investment into its textile industry and created over 30,000 employment opportunities.

The Lesotho Coordinating Committee on Trade (LCCT) was established as a mechanism for enhancing consultations and coordination among key public, private, and civil society stakeholders, in order to ensure effective participation in the negotiation and implementation of trade agreements.

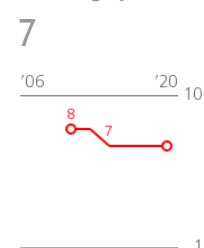
The Lesotho banking system, which is dominated by well-regulated South African banks, is under the supervision of the autonomous Central Bank of Lesotho (CBL). Three out of four commercial banks are South African with only a fully government-owned Post Bank being a local bank. The three other banks operating in Lesotho, namely, First National Bank Lesotho, Standard Lesotho Bank and Nedbank Lesotho are all subsidiaries of South African banks. The country belongs to a Common Monetary Union (CMA), which includes South Africa, Namibia and Swaziland. CMA provides for parallel circulation of the South African rand in Lesotho and pegging of the loti at par to the rand. Although this means that the central bank does not have influence over the determination of interest rates or exchange rate margins, the country does benefit from the policy credibility of the South African Reserve Bank.

According to the World Development Indicators, Lesotho's bank capital to asset ratio, which is the ratio of bank capital and reserves to total assets, was 13.2% in 2016 and 2017. This was an increase from 10.5% in 2015. Bank nonperforming loans, which are the value of nonperforming loans divided by the total value of the loan

Liberalization of foreign trade



Banking system



portfolio (including nonperforming loans before the deduction of specific loan-loss provisions) increased from 3.6% in 2016 to 3.9% in 2017.

Lesotho has by law established a securities exchange market or stock market; however, there are no companies listed so far. The capital market has not reached the maturity that is desired.

8 | Monetary and fiscal stability

According to the World Development Indicators, inflation was 5.3% in 2017, while in 2016 it was 6.6%. Lesotho has enjoyed stability in the general price level during the period under review. The major reason for such stability is largely due to the fact that Lesotho's economy is insulated by that of South Africa. However, the real effective exchange rate, which is the nominal effective exchange rate divided by the implicit price deflator (where 2010 is 100) was 76.6 in 2017 compared to 68.8 in 2016 relative to the rate that prevailed in the year 2010.

The Central Bank of Lesotho (CBL) enjoyed independence from government interference during the period under review. The major facilitator is the fact that Lesotho is a member of the Common Monetary Area (CMA). Other CMA members are Namibia, South Africa and Swaziland. This makes certain that monetary policy is governed in accordance with the agreement with the Reserve Bank of South Africa rather than for political scores.

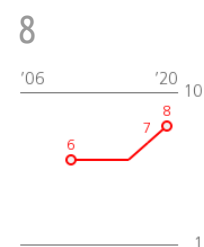
According to the World Development Indicators, in 2017, Lesotho's current account balance was -165.7, which is a slight improvement from -198.2 in 2016. The government of Lesotho is facing an enormous foreign exchange supply due to poor fiscal policy management. The biggest threat to foreign exchange controls is the fact that Lesotho is a net importer of goods and services.

There was a slight improvement in the public debt as a percentage of GDP in 2017. It was 46.3% compared to 47.8% in 2016. External debt amounted to \$883.3 million in 2016. The government is the biggest economic player in Lesotho and government expenditure as a percentage of GDP was 34.9% in 2016.

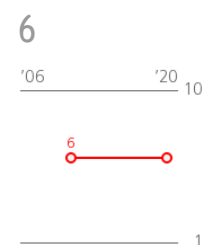
Lesotho continues to struggle to manage its foreign reserves. During the period under review, there was a massive decline in foreign reserves, from \$925.2 million in 2016 to \$657.7 million in 2017. This is important not only to ensure that the country is able to meet its debt payments when they are due, but also to maintain parity between the loti and South African rand.

The government of Lesotho was able to service its debt when it was due during the period under review. A total of \$57.2 million was paid to service debt in 2016. Lesotho has been struggling to contain net borrowing in recent years. In a period of ten years, net lending at 10.7% in 2006 turned to net borrowing at 6.6% in 2016.

Monetary stability



Fiscal stability



9 | Private Property

During the period under review, Lesotho did not impose any restrictions on people's ability to acquire, use or sell property. The Industrial Property Act of 1989 and the Copyrights Act of 1989 ensure well-defined rights of private property and regulate the acquisition, benefits, use and sale of property. These were further strengthened through the Land Act of 2010, which was introduced to improve the land tenure system in Lesotho. The act allowed ownership of land by foreign citizens, which did not exist prior to 2010.

However, enforcement of property rights remains one of Lesotho's biggest challenges despite those laws. Both the Industrial Property Act of 1989 and the Copyrights Act of 1989 are outdated and do not respond to the latest infringements introduced by the advent of information technology. The government of Lesotho has also not invested in deepening its understanding of property rights in order to ensure that it is able to respond to the challenges of the twenty-first century.

According to the World Bank's Ease of Doing Business Report of 2018, Lesotho required seven procedures to start a business and it takes an average of 29 days at an average cost of 7.7% of the Gross National Income (GNI).

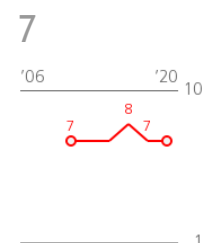
Privatization of state companies is not performed in accordance with the Privatization Act of 1995, which was meant to safeguard free market principles. The government abandoned the Privatization Unit, which was established by an act of parliament, and the process of privatizing state companies is now performed by the executive.

The government of Lesotho pays lip service to private companies as the engines of economic growth. The government remains the biggest player in the economy and tends to take an exceedingly long time to pay private companies for goods and services rendered. This has paralyzed many private companies and the Minister of Finance declared government to be unable to meet its obligations to private companies for over LSL 1 billion in 2018.

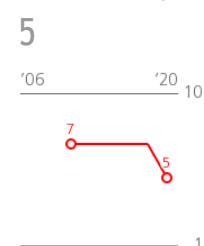
10 | Welfare Regime

Lesotho has one of the world's lowest life expectancies at 54.2 years. The largest contributing factor to this is high prevalence of HIV. According to the Lesotho Population-Based HIV Impact Assessment (LePHIA), during the period under review, 77.7% of people living with HIV (PLHIV) aged between 15 to 59 in Lesotho report knowing their status, 90.2% of those individuals self-report being on ART and 88.3% of them are virally suppressed. While HIV incidence was 1.47% and HIV prevalence was 25.6% for the same age group, meaning Lesotho has the second highest HIV prevalence in the world. Since Lesotho offers free health care services

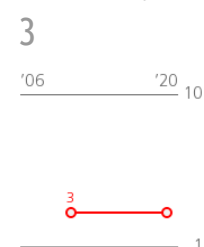
Property rights



Private enterprise



Social safety nets



to citizens, the high HIV rate and its test and treat policy requires significant expenditure on health as the government has to procure the requisite drugs for the population.

Lesotho has the second highest health expenditure as a percentage of GDP in the world at a staggering 8.1% in 2014. The largest part of this expenditure goes to the referral hospital in Maseru operated under a public-private partnership. There is also a lot of waste making referrals to hospitals outside of the country. The government of Lesotho ordered the referral hospital to stop referring patients to neighboring South Africa in an attempt to reduce costs.

Furthermore, Lesotho offers pensions to citizens who reach 70 years of age. Non-citizens over the age of 70 do not qualify for this benefit. Education at the primary level is free, although parents send their children to private schools due to fear of low-quality education at government schools. Tertiary education is financed through the National Manpower Development Secretariat (NMDS) under the Ministry of Development Planning. Financing is in the form of a fellowship, of which a certain portion has to be paid back. Given that it is very challenging to distinguish between Basotho in South Africa and Basotho in Lesotho, many South African citizens enjoy this benefit, provided they have a Lesotho heritage.

Unemployment is one of the biggest challenges in Lesotho but there is not a social safety net to help those among the 27% officially unemployed. The unemployment rate is informally estimated to be around 40%. The government runs public assistance in Cash and Public Assistance programs for the disabled, orphans and vulnerable children. The government continued to roll out the National Information System for Social Assistance (NISSA) that started in 2010 and has now covered over 138,000 households. The NISSA assists other social programs with data on vulnerable households in Lesotho. Every income-earning person in Lesotho enjoys tax credit of about \$2000 per annum.

According to the WDI 2018, during the period under review, the female to male enrollment ratio was 1 for primary school, 1.4 for secondary school and 1.5 for tertiary education. Lesotho also has a huge problem of gross enrollment ratio with 103.9%, 52.3% and 9.1% for primary, secondary and tertiary education, respectively. Lesotho has an impressive literacy rate, with an overall rate of 76.6%: 67.7% for males and 84.9% for females. Females have enjoyed access to education, while males struggle because boys become herders instead of going to school. Education is accessible to both citizens and non-citizens. Females comprised 46.7% of the total labor force in 2017. Over a period of ten years, this declined 1.1% from 47.8% in 2007 to 46.7% in 2017.

According to Afrobarometer 2018, an overwhelming majority of Basotho say women and men have equal opportunities when it comes to getting an education (92%), earning an income (91%), and the right to own or inherit land (86%). However, the



reports states that Basotho are divided almost evenly on the question of whether the law should be changed to allow daughters to succeed to chieftaincy. This is important given that Senate Masupha lost the battle to be Principal Chief of Mamathe and succeed her father. It is also critical, as the firstborn in the royal family is a girl, which means if the status quo prevails the first daughter of King Letsie III will not succeed her father as head of state. The royal succession sets a precedent, according to which female children may face discrimination in future, in particular when it comes to inheritance. It means that, Senate Seeiso, the first born of King Letsie III, will not be the next head of state simply because she is a girl. Rather, Lerotholi Seeiso, the third born, who happens to be a boy child, is the next in line for the throne.

11 | Economic Performance

According to the World Development Indicators, Lesotho's GDP per capita PPP was \$3,130 in 2017. GDP was \$2.639 billion in 2017 compared to \$2.219 billion in 2016. Inflation was 5.3% in 2017.

Lesotho's unemployment rate of 27.2% is one of the highest in the world. This is a huge challenge to the economy as more and more young people join the labor force. The government of Lesotho has even passed a moratorium on hiring new civil servants in an attempt to stop the ever-increasing share of civil servants' wages in the budget.

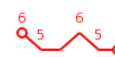
FDI as a percentage of GDP declined from 3.4% in 2016 to 1.6% in 2017. Lesotho's biggest challenge was political instability that came with the advent of unstable coalition governments in 2012. This has made it extremely challenging for the country to attract FDI as most investors deferred their investment decisions or even decided on alternative destinations.

Tax revenue as a percentage of GDP continues to decline in Lesotho. From 58.4% in 2009 to a mere 34.2% in 2016. The current account balance was \$-165.7 million in 2017 as opposed to \$-198.2 million in 2016, which reflects an insignificant improvement.

Output strength

5

'06 _____ '20 10



1

12 | Sustainability

The period under review was marked by disregard for environmental laws. Mining companies operating in the Malibamatso River catchment were accused by the Lesotho Highlands Development Authority (LHDA) of dumping pollutants into the river, which threatened the quality of water being exported to neighboring South Africa.

The Department of Environment is one the most under-resourced regulators in Lesotho. Environmental impact assessments (EIA) for big projects are not conducted as the law prescribes. This happens for both private and government projects.

The government of Lesotho introduced plans to exploit coal and shale gas reserves. The major challenge to this was that there were no environmental impact assessments conducted, as per the Environmental Act of 2008 prior to signing agreements between the government and the private companies involved. The biggest challenge for the government of Lesotho is the lack of coordination between the Ministry of Mining and the Ministry of the Environment. Mining companies mining sandstone continue to operate throughout the country without having conducted EIAs.

There is utter disregard for the laws of Lesotho in that the commissioner of mines has violated Section 7 (1) (c) of the Mines and Minerals Act of 2005, which states that his responsibility is to assess breaches in environmental obligations in mining areas. Mining companies are not properly regulated and, even in instances where they have found to have violated environmental laws, nothing is done by the government of Lesotho.

According to World Development Indicators, R&D as a percentage of GDP was a mere 0.1% in 2015. The implication is that R&D is deficient in Lesotho. The U.N. Education Index measures average years of schooling for adults aged 25 years and expected years of schooling for children of school age was 0.502 in 2017, implying that Basotho are averagely educated. According to the U.N. Education Index of 2018, only 83% of primary school teachers are trained to teach. Only 67% of children complete the last grade of lower secondary general education. Only 10% of schools have access to the internet. The mean number of years of schooling is seven for females and 5.5 years for males and the primary school dropout rate is a staggering 30.7%.

The most recent recorded data on public expenditure on education is from 2008, when it was 11.4% of GDP. The literacy rate in 2014 was 76.6%, females 84.9% literate and males 67.7%. Gross enrollment statistics were 103.9% for primary school, 52.3% for secondary schooling and 9.1% for tertiary education level. Free primary education ensures that the all children attain primary education, while the numbers drop for

Environmental
policy

3

'06 '20 10



Education policy /
R&D

3

'06 '20 10



secondary education due to financial and other reasons, as even public secondary schools are not free.

During this period, teachers have been at loggerheads with the government, citing non-availability of educational materials to support the newly introduced syllabus, in addition to other issues. The strike has lasted since 2018, resulting in expulsion of some of the leaders of the teachers' unions. The strike and the absence of teaching materials contribute adversely to the quality of education.

Governance

I. Level of Difficulty

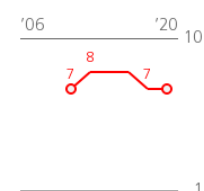
Lesotho is mountainous landlocked and least developed country, where resource deficits both human and physical have a debilitating effect on the country's governance record. The majority of the labor force is unemployed with a relatively small formal economy dominated by civil service and therefore has led to an estimated 58% of the population living under the poverty line of \$1 per day. Such poverty is particularly acute in the mountainous areas and other hard-to-reach areas. Given the condition of the country's rudimentary road network, the state's reach in these areas remains limited. Inhabitants of these areas have traditionally sustained their livelihoods through subsistence farming, but as a result of increasing regularity of protracted droughts and soil erosion, the scope for such farming continues to diminish. In addition to the country's unacceptably high poverty levels, HIV and AIDS have had a devastating effect on family units and the greater social cohesion.

According to the Lesotho Population-Based HIV Impact Assessment (LePHIA), in 2017, 77.7% of people living with HIV (PLHIV) aged between 15 to 59 in Lesotho report knowing their status, 90.2% of those individuals self-report being on ART and 88.3% of them are virally suppressed. HIV incidence was 1.47% and HIV prevalence was 25.6% for the same age group. Lesotho has the second highest HIV rate in the world. This has a huge effect on issues such as absenteeism, productivity and the allocation of economic resources, as more resources are committed to HIV-related programs. The country is heavily depended on donor funding to meet its HIV obligations.

These realities have placed a tremendous burden upon the state, which has neither the financial means nor the human capacity to properly address the needs of the most marginalized in society. To address these challenges in a meaningful way, the country needs protracted growth that is robust and equitable. Such growth is, however, very dependent upon Southern African Customs Union (SACU) revenues. The country's dependency upon the South African economy is a structural weakness that makes it particularly vulnerable to the rand's exchange rate fluctuations, although, this can also be a strength, as Lesotho is insulated from such fluctuations by the stronger economy of South Africa.

Structural
constraints

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The size and character of civil society in Lesotho is largely reflective of the country's historical and socioeconomic realities since independence. The biggest component of civil society in Lesotho remains informal by nature and assists ordinary people in coping with the effects of poverty and HIV and AIDS. Given the country's relatively short democratic history, formal civil society, particularly within governance sphere, is small and often lacks the necessary resources and capacity to fully occupy a space in Lesotho's democracy. Its relationship with government also continues to be constrained by a governance legacy characterized by limited interest in public participation and consultation by those in power. In instances where formal civil society organizations adopt a supportive function, such as voter education and human rights training it has proved to be very efficient.

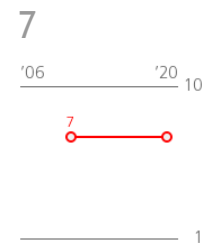
During the period under review, civil society organizations challenged the government to be more accountable. The Development for Peace Education organized a community parliament aimed at including voices from rural communities in fiscal budget priorities. Civil society organizations working in the extractive sector demanded that the government abandon plans to extract shale gas, with the claim that there is not enough regulatory framework and the move could easily put Lesotho's water resources at risk. There were also calls for the government to deal with extrajudicial killings and torture by the police, which the Thabane regime uses to scare criminals.

The period under review saw further deterioration of political stability. The then-three opposition leaders namely, Tom Thabane, Thesele Maseribane and Keketso Rantso, were in exile in neighboring South Africa, having fled Lesotho in fear of their lives. They only returned to Lesotho on the eve of the 2017 general elections and their election campaigns were marked by intimidation and targeted roadblocks. Thabane became prime minister, leading a coalition of four political parties, in June 2017.

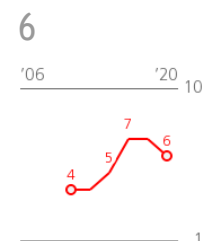
After losing the general elections in June 2017, Mothejoa Metsing of the LCD indicated that there were members of the armed forces that had sacrificed so much for his political cause and he was willing to negotiate with his enemies to retain power. Having failed to secure enough seats to form a government, he fled the country, allegedly fearing for his life.

The government of Thabane spread fear among civilians under the pretext of fighting crime. Many suspects were tortured with more than 30 having died in police custody in the first 18 months. Prime Minister Thabane said in public gatherings that police officers should beat suspects when there is no evidence or no one to see them doing it and he will support them.

Civil society traditions



Conflict intensity



II. Governance Performance

14 | Steering Capability

The government of Lesotho failed to implement its five-year National Strategic Development Plan 2012 to 2017. The biggest challenge to the implementation of development plans in Lesotho is poor coordination and a lack of financial support to ensure that targets are met. During the period under review, the government worked on National Strategic Development Plan II, which is not very different from its predecessor, given that most targets such as creating 10,000 new jobs per annum are the same in both documents.

Lesotho also worked 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 constitute one of the biggest injections of financing into the economy in the next five years, provided Lesotho maintains eligibility and passes very tough criteria when its proposal is assessed. Donors play a critical role in the development of Lesotho, as the European Union, the People's Republic of China, Japan and others continue to donate enormous sums of development aid to finance government programs.

Furthermore, plans are under way to implement phase two of the Lesotho Highlands Water Project to build mega dams as water reservoirs for sale to South Africa.

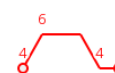
The third coalition government of Lesotho started with huge promise of being a reformist government addressing fundamental issues of development in the Kingdom of Lesotho. The coalition agreement between the four ruling parties had set very ambitious targets of changing fortunes for Lesotho and promised to make the country an investment destination as well as creating employment opportunities for the unemployed. It had pledged to restore national peace and political stability, deepen democracy and respect for human rights, make transparency and good governance a hallmark of the government, place a greater focus on consultation and citizen participation, eliminate corruption at all levels of society and government as well as other very promising objectives. However, all these proved to be illusive and all government programs were in direct contradiction of these noble objectives of forming the third coalition government. To begin with, the government appeared not to be interested to involving other stakeholders in its institutional and constitutional reform program. The government tabled the reform bill in parliament, which was meant to bypass normal parliamentary processes where stakeholders have a say.

Question
Score

Prioritization

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Implementation

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One of the largest challenges to the coalition government was that ministers wanted to appoint their political supporters in every available opportunity in the public sector. The process of awarding tenders was also littered with nepotism and lack of transparency. The military had more say in government than civilians, hence the increase in military expenditure, as opposed to increasing funding in areas that could propel Lesotho out of the list of least developed countries.

The country does not seem to be learning anything from its failure to achieve policy objectives. It heavily relies on the support of intergovernmental organizations and international financial institutions to dictate its policy direction. Policy formulation is not based on scientific research, which makes it a mere subjective exercise. However, the period under review demonstrated further regression insofar as policy learning is concerned. The government failed to maintain implementation of policies that earned Lesotho a lot of respect from international players and resulted in development aid being pledged to support government programs.

The government also failed to ensure that it creates a platform for local experts and public servants to learn from international consultants. Again, the country is known by many international consultants for the lack of a pay structure for international consultancies. This makes it easy for these consultants to be paid whatever they charge without benchmarking on regional rates. The government has failed to include skills transfer provisions in major government contracts so that public servants can learn from contracted companies and consultants. This leaves the country dependent on consultancies for continuity of the projects implemented through them.

15 | Resource Efficiency

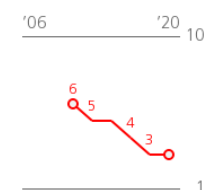
Appointments and dismissals in the civil service are influenced by political affiliations. Principal Secretaries appointed during Mosisili's regime had to vacate their offices with the change of government. Many contested the general elections while retaining their positions in order to use government resources to finance their election campaigns.

The government of Lesotho struggled to properly use state resources during the period under review. Public procurement regulations were often not followed and the executive overstepped its mandate and made decisions on where bureaucrats did their work following the procurement regulations. Two successive coalition governments used virements to bypass normal procurement procedures in order to misappropriate public funds. The biggest issue during the period under review was the award of the government fleet services tender.

Ministers and senior government officials rechanneled money budgeted for programs to finance international travel. This was motivated by a very lax government policy

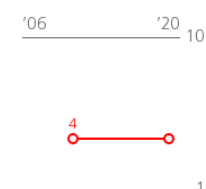
Policy learning

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Efficient use of assets

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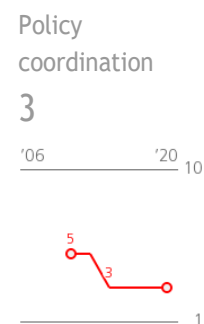
on international travel, such that officials are given thousands of dollars in subsistence allowance while abroad.

Lesotho regularly holds local government elections, which establish community councils that would ideally manage the development agenda of said communities. However, power remains with the central government and resources and project implementation are used to score political goals for the central government political elites. The community council projects, therefore, cannot be independent of the central government. The government failed to implement the decentralization policy that was developed with the aim of devolving power to local government structures.

The process of institutional reforms that started during the period under review was meant to address inefficiencies in governance. There is, however, enormous resistance from those who benefit from the status quo.

There has been very poor policy coordination for the period under review. There is a need to deepen the role of policy in the development of Lesotho. It is very challenging for any government to have a coordinated approach to policy formulation, as the most important feature of politics in Lesotho is personalities not policies. Government ministries are often competing for resources and implementation of policies. The inability of the office of the prime minister to coordinate policies is the major weakness of the government machinery. Lack of coordination could be attributed to corruption and lack of leadership on the side of both bureaucrats and politicians. The office of the prime minister is not equipped with experts to provide enough guidance to other government ministries. Where ministries are competing, a decision will be based on other factors such as the influence of the minister within the ruling party. The major challenge for the coalition government has been that ministries have become fiefdoms for the coalition partners.

The government of Lesotho failed to properly coordinate the implementation of conflicting policies. The Ministry of Finance remained the custodian of all funds established to collect revenue and finance specific projects. However, the major challenge is that the implementation of projects lies with the line ministries. Since funds are not disbursed through the parliament of Lesotho, these funds tend to be used sparingly. There has been serious public disagreement between government officials about whether the Ministry of Finance did the right thing by implementing austerity measures, while line ministries were looking for to increase spending in order finance their programs.



The Public Procurement Regulations were not fully followed on a regular basis during the period under review. The Ministry of Public Works awarded big construction projects to China Geo, under the pretext that the company had the capacity to build roads that were beyond the capacity of local construction companies.

The Office of the Ombudsman heard evidence against the appointment of a new commissioner of Lesotho correctional services (LCS), while the former commissioner was placed on forced leave. The new commissioner promoted officers as if he were substantive and the ombudsman recommended that those promotions be reversed. The government normalize the situation in the command of LCS.

The Directorate on Corruption and Economic Offenses (DCEO) continues to struggle to prosecute senior government officials, as it has to seek approval to do so from the director of public prosecution.

In some instances, political patronage is cited as the reason as to why the government is often defrauded. On access to information, office holders often hide behind law and only provide critical information when it is required by the Office of the Auditor General. The documents that are protected include contracts and evaluations of projects, as well as they performance audit reports. There is freedom to access public information in Lesotho.

Sometimes, even when information about corrupt officials is known to the office of the prime minister, he spoke about the officials during political rallies and but not disclose information to the relevant authorities for action to be taken. The process of declaration of assets by public officials is often undermined by politicians and senior government officials. Most government ministries collect declarations of assets forms from civil servants and file them with the DCEO.

16 | Consensus-Building

The period under review was marked by diverse views regarding whether the country is making any progress democratically or as a market economy. The Thabane government began its tenure by promoting torture and extrajudicial killings of suspects through statements Thabane made in public to the effect that police officers should beat up thieves when there was no one to see them. Opposition parties cried foul, enlisted the names of victims of police brutality and called for intervention by the international community.

The government of Lesotho faced a big test of whether it is truly committed to market economy. Major economic players were at loggerheads over the government policy of awarding tenders to Chinese-owned companies without adhering to a competitive process. Government meddling in forcing contracts between wool and mohair farmers and a Chinese-owned company also created discomfort among major

Anti-corruption policy

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Consensus on goals

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political players. The government created a monopoly for Meraka, another Chinese-owned company to import red meat to Lesotho. Its competitors were forced to buy meat from it, instead of farmers from neighboring South Africa.

The period under review was one of the most polarizing periods in the history of modern Lesotho. The fact that, since 2012 there has been no single political party that has been able to form a government, made matters worse. Lesotho has held three general elections within a period of 5 years. This makes coalition governments less stable and politicians tend to be ruthless in persecuting their opponents.

The period under review saw three senior army officers killed on one morning at the military headquarters in Maseru. The reports are that Brigadier Bulane Sechele and Colonel Tefo Hashatsi were said to be unhappy with the cooperation between the army and police and confronted the army commander, accusing him for having sold them off to the police. Both Hashatsi and Sechele were polarizing figures during Mosisili regime and did not want to see any cooperation that could result in soldiers being arrested by police for atrocities committed prior to the change in government. Sechele was said to have shot and killed the army commander at home. The suspected assassin has been arrested.

With the emergence of the coalition government, there has been a need to reform the constitution to consolidate the nature of decision-making and management of the state administration. During the period under review, Lesotho took initial steps toward constitutional, public sector, judiciary and security reforms to ensure that civilian control over security institutions is enforced and independence is secured for the judiciary, while civil service is depoliticized.

The country's attempts to reform security institutions have been frustrated by politicians who want to retain some control over the armed forces. There are other forces in the civil service that resist the ongoing democratization reforms, as they will limit their ability to undermine state institutions. The process of implementing reforms is therefore very slow and partners, such as the regional body SADC, have expressed their disapproval of the pace at which it is proceeding and even given Lesotho ultimatums, in some cases, to try to force all parties to the reform table.

Political leaders in Lesotho thrive in a polarized society. The uncertainty surrounding the coalition governments since 2012 has increased the urge to ensure that they deploy their followers in strategic positions within the shortest span of time. This has increased conflict among supporters of ruling political parties and non-supporters, as state resources are used to benefit members of ruling political parties. The situation worsened further during the period under review. State resources are even used to advance the interests of certain slates within political parties.

Anti-democratic actors

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Cleavage / conflict management

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The period under review saw increased polarization by the political leadership. The biggest driver seems to be the short lifespan of coalition governments that has overshadowed Lesotho since 2012. The average life of a coalition government is two and half years and politicians do all they can to deploy their supporters in strategic positions within a short span of time. Deployment even includes discriminating against members of the same political party, depending upon whether or not they support the slate of the decision-maker.

The government of Lesotho did not want to include stakeholders other than political leaders in making key decisions about the implementation of the constitutional and institutional reform program. Civil society has been very limited in terms of creating structures for the proposed constitutional and institutional reforms. The government finally showed some leniency, after a long and hard lobbying effort by the Lesotho Council of NGOs.

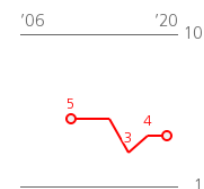
Lesotho has not been in active civil war since the country returned to democratic governance in 1993. However, the conflict led to the first state of emergency in 1970 through to 1986 when the first prime minister of Lesotho Leabua Jonathan was overthrown in a military coup. There were many atrocities committed by the military regime between 1986 and 1993 when it handed over power back to civilian rule. There had been no formal closure of that dark chapter in the history of Lesotho when power was transferred back to civilian. Soldiers maintain a sense of entitlement to intervene during misunderstandings and conflict among civilians. There were attempts to overthrow civilian governments that were successfully challenged by local and international players.

The most recent involvement of the army in civilian rule was in 2014 when the soldiers interpreted that prime minister Thomas Thabane had lost parliamentary seats as him having no authority. This was after Thabane's regime appeared to have lost a key partner in the form of the Lesotho Congress for Democracy led by his deputy Mothejoa Metsing. The commander of the army refused to step down when he was fired by Thabane on August 29, 2014. Thabane then fled to neighboring South Africa on August 30, 2014 and called it an attempt to overthrow his government. The Southern African Development Community (SADC) then appointed then-South African Deputy President Cyril Ramaphosa to be a facilitator in finding a solution to Lesotho's problems. Instead of solving problems, Ramaphosa believed that the problems were not with the army, but rather political. He then oversaw the process of holding snap elections in 2015, in which Thabane lost power to Pakalitha Mosisili.

However, elections did not bring any solution as the armed forces were now divided between those who were supporting Thabane and those supporting Mosisili. Four senior army commanders were killed by their colleagues within a period of two years between 2015 and 2017. Mosisili lost a vote of confidence and called snap elections in 2017, which resulted in the formation of yet another coalition government, led by Tom Thabane. During this recent period, there have been a mounting number of

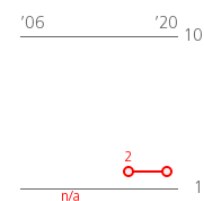
Civil society participation

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Reconciliation

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victims of both military and police brutality, where the victims await changes in government to receive justice. A former army commander is awaiting trial on counts, among others, of slaying his predecessor Mahao. There has been a call for reconciliation, but the current government prioritizes justice over reconciliation.

17 | International Cooperation

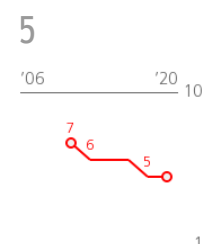
The political leadership in Lesotho has failed to utilize international support at its disposal to ensure that long-term national development goals are achieved. The country embarked on the implementation of the National Strategic Development Plan in 2012 that was expected to run through to March 2017. The plan had a very strong international support with multiple development partners pledging their support. However, the government of Lesotho failed to lead the way and did not play its part. There were also plans to hold a national job summit, which did not materialize because government priority was to retain political power, rather than use international support to address pressing national challenges.

The international community demonstrated willingness to support Lesotho during the period under review. Development partners committed to support the implementation of the second National Strategic Development Plan. Furthermore, the Millennium Challenge Corporation of the U.S. government invited the government of Lesotho to develop and submit a proposal for the second compact of the Millennium Challenge Account. The international community demonstrated unwavering support for the government of Lesotho in addressing its security challenges through offering training to the armed forces, as well as providing financial support for the implementation of a constitutional and institutional reform program. The government also enjoyed massive support from the Japanese government for education programs, the EU and the UN for its social safety net, and the U.S. government for HIV and AIDS programs.

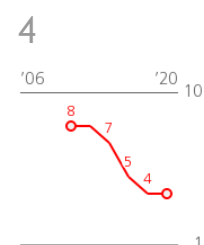
During the period under review, Lesotho has been under immense pressure, mostly from the Southern African Development Community (SADC) to ensure that the security challenges that have overshadowed the country since 2014 are addressed. The SADC has given Lesotho deadlines by which reforms should be introduced and this proved challenging, as the government deemed that complying with those deadlines meant that it has to disregard the role of national stakeholders. The government is largely unwilling to address the major concerns that have troubled the country since 2012.

There have been incidents of human rights violations. The police or armed forces attacked villagers in the mining community of Kao. People have also died in police detention. Civil society organizations have demanded that the government investigate and the perpetrators be put on trial. The coalition government's shortsightedness in

Effective use of support



Credibility



seeking quick gains to appease even the perpetrators of atrocities has eroded its credibility and undermined the stability of the government.

Lesotho is a signatory to the Paris Climate Change Agreement. The country has developed an implementation strategy in an attempt to ensure that it complies with the agreement. Lesotho has had challenges in recognizing the rights of LGBT people and has often been criticized by human rights activists. Civil servants are not allowed to form or join trade unions. Attempts to reverse this have stalled, as the government is not willing to yield to pressure to recognize the labor rights of civil servants.

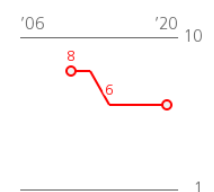
During the period under review, Lesotho won a case in the Supreme Court of Singapore against Swissbourgh Diamond Mines (Pty). Lesotho's commitment to abide by international disputes settlement mechanisms against national interests was tested during this case. Lesotho is also a member of the Rome Statute and fully supports the International Criminal Court. Lesotho did not join most African countries that wanted to pull out of the Rome Statute during the period under review.

Lesotho has been cooperating with its only neighbor in order to address immigration challenges that are caused mainly by the fact that Basotho cross to South Africa to look for employment. These irregular movements have been a cause for concern for the government of South Africa for a very long time. Lesotho decided to increase the issuance of e-passports during the period under review. This requires all passport holders to have their biometric data collected and in turn prevents individuals from being issued with passports under multiple names. This is aimed at ensuring that only deserving people are issued with Lesotho national identity and travel documents. The government could not guarantee this in the past and the system could have been easily used by criminals.

Lesotho is also active in regional cooperation and continues to work with other southern African countries. Lesotho is a member of the Southern African Customs Union, which enables the country to have access to over 60 million consumers. It is also a member of the Southern African Development Community (SADC), which is a market of over 240 million people. The country has benefited from a SADC intervention to stabilize the situation in Lesotho after the killing of an army commander. During the period under review, Lesotho has seen some enormous strides in cooperation with neighboring South Africa. The two countries signed an agreement on the movement of business travelers to facilitate faster border operations. Furthermore, the SADC has been actively engaged in the implementation of the democratization reforms process that started after the 2017 elections. Lesotho has also been engaged in negotiations with the African Continental Free Trade Agreement and joined the Free Trade Area in 2018.

Regional cooperation

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Strategic Outlook

Lesotho is at a crossroads and the manner in which it will implement the reform agenda will determine whether the country will prosper or perish. Dwindling government revenue has far-reaching consequences and could result in the country becoming a failed state.

SACU revenue continues to fall and Lesotho remains ever-dependent on this stream of income. The government budget is likely to decline by close to half in real terms in the next two years if there is no immediate upturn.

Lesotho's security sector remains very vulnerable and there are clear signs of resistance to change. The Lesotho Mounted Police Services continue to fail to bring an end to use of torture and extrajudicial killings committed by its officers. The Lesotho Defense Force will also have to prove that it has recovered from the two years in which four high-ranking officers, including two commanders, were assassinated by their colleagues.

The private sector is expected to struggle, especially with regard to doing business with the government. However, implementation of the second phase of the Lesotho Highlands Water Project will bring some positive news, especially in employment during the construction of the dam wall and water tunnel connecting Polihali Dam and Katse Reservoir and road construction. The possibility of implementing the second compact of the Millennium Challenge Account could have a transformative impact on the economy. This depends on whether the Millennium Challenge Corporation of the U.S. government approves Lesotho's proposal.

Maseru Securities Exchange (MSM) play a pivotal role in facilitating investment mobilization for locally listed companies. Lesotho will for the first time have a corporate governance code, which is also expected to be adopted as one of the listing requirements by the MSM.

Lesotho's poor environmental management is expected to worsen as coal mining, crude oil and shale gas exploration licenses are expected to be issued to prospecting companies. These are going to have a negative effect on tourism, agriculture and water industries.

Given that the country has had three general elections within the five years between 2012 and 2017, there is a very slim possibility that the current coalition government will run a full five-year term. There is an expectation of a change of affiliations by members of parliament, either from the governing coalition or opposition parties. There is a high likelihood that there will be yet another splinter party formed during the next two years.

Lesotho will continue to struggle in the fight against corruption, as the director of public prosecution will block any attempts by the Directorate on Corruption and Economic Offenses to hold politicians and senior civil servants accountable on corruption-related charges.

Lesotho's biggest test will be whether the country will be able to maintain parity between its currency and the South African rand. Lesotho should maintain an agreed level of foreign reserves; otherwise, the parity will dissolve. This would have devastating effects to Lesotho, as the country would have to face increases in the price of imports, when it imports most goods and services from neighboring South Africa.