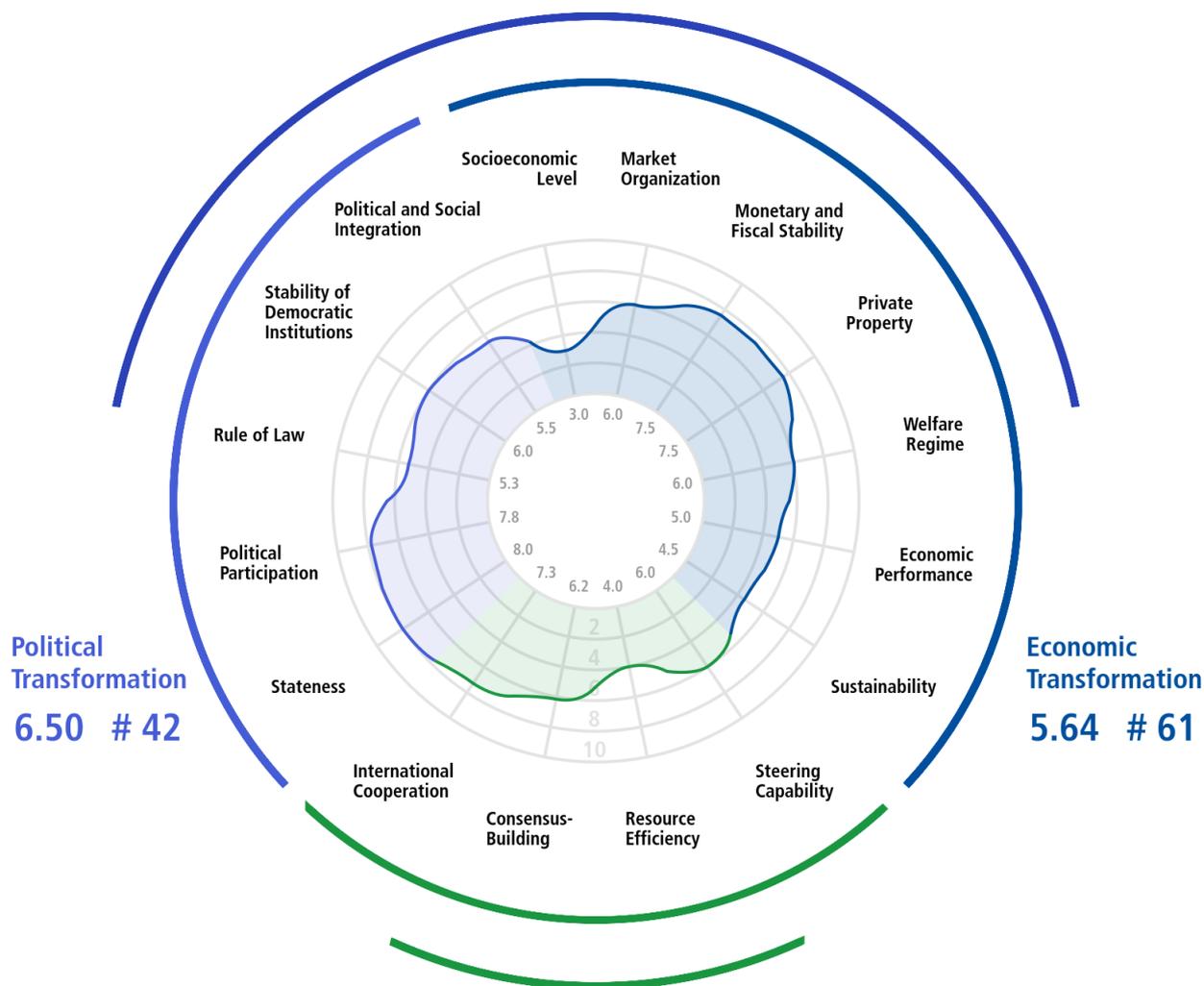


Lesotho

Status Index

6.07 # 44

on 1-10 scale out of 137



Political Transformation
6.50 # 42

Economic Transformation
5.64 # 61

Governance Index

5.30 # 41

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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	2.3	HDI	0.550	GDP p.c., PPP \$	2998
Pop. growth ¹	% p.a.	1.1	HDI rank of 193	167	Gini Index	44.9
Life expectancy	years	57.4	UN Education Index	0.563	Poverty ³	% 54.7
Urban population	%	30.9	Gender inequality ²	0.534	Aid per capita \$	74.5

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Lesotho's transformation during the review period reveals a complex landscape of democratic consolidation and economic challenges. Regarding democracy and governance, the incumbent government emerged from the peaceful, transparent 2022 National Assembly elections, underscoring the country's progress toward democratic consolidation. This was followed by local government elections in September 2023, which saw low voter turnout rates. Civic participation remains robust, with active labor unions and NGOs advocating for marginalized groups, though political patronage in public sector employment persists. Persistent voter dissatisfaction with the political leadership points to a disconnect between democratic ideals and the delivery of governance.

Regarding the rule of law and human rights, the judiciary has sought to pursue a course of meritocracy and to defend its own independence. However, it continued to be undermined by the selective application of justice, especially in high-profile cases. This bias has eroded public trust. Human rights have also been undermined by persistent incidents of police and military misconduct, including torture and extrajudicial killings.

Another issue contributing to the country's instability is the superficially institutionalized party system. Internal party fragmentation and coalition volatility hinder effective governance by creating fragility and instability. In addition, the persistence of political patronage amid constitutional guarantees for political participation and civil rights undermines the principle of equal opportunity in public sector employment and reveals the weaknesses of democracy-protective institutions such as the Office of the Director of Public Prosecutions and the Directorate of Corruption and Economic Offenses.

Concerning the economic transformation, Lesotho's economy expanded modestly, buoyed by infrastructure projects such as the Lesotho Highlands Water Project II (LHWP II). However, structural weaknesses in the manufacturing and agriculture sectors, high unemployment rates, and reliance on foreign aid undermine the sustainability of the country's development path. In addition,

fiscal and monetary stability have been shaped by improvements in fiscal management, which resulted in surpluses in 2023 and 2024, driven by increased Southern African Customs Union (SACU) revenues. However, inflationary pressures and a widening current account deficit highlight vulnerabilities in the country's trade and fiscal policies.

While the general picture looks marginally positive, sluggishness in passing national reforms, coupled with social and structural barriers, undermines the perception. Persistent poverty, inequality and inadequate infrastructure in rural areas undermine the intervention efforts of the Ministry of Social Development and its partners, thus allowing the socioeconomic divides to worsen. Government initiatives, including strengthened youth apprenticeship programs (which contain their own biases), have provided some relief but remain insufficient to address the systemic unemployment.

In sum, Lesotho has demonstrated resilience and progress in its democratic practices and fiscal governance. However, addressing systemic corruption, political instability and socioeconomic inequities will be critical to achieving sustainable democratic and economic transformation, and the country seems ill-equipped to do so.

History and Characteristics of Transformation

Lesotho's political and economic trajectory has been marked by democratic reform, coalition politics and financial challenges. The transition from a dominant-party system to coalition governments, coupled with persistent instability, has significantly shaped the country's governance and development.

In 1997, the Lesotho Congress for Democracy (LCD) emerged after a split in the ruling Basotho Congress Party (BCP), led by Prime Minister Ntsu Mokhehle. The LCD dominated Lesotho's political landscape for more than a decade under prime ministers Mokhehle and, later, Pakalitha Mosisili, who faced opposition protests in 1998 that led to a change in the electoral model to mixed-member proportional (MMP) representation. However, in 2012, the LCD fractured, forming the Democratic Congress (DC) under Mosisili. Because of the electoral reform from the first-past-the-post (FPTP) model to the MMP system, the 2012 elections left no single party with a majority, leading to the creation of Lesotho's first coalition government. The All Basotho Convention (ABC) under Prime Minister Thomas Thabane led a coalition that also included the LCD (now weakened by the DC split) and the Basotho National Party (BNP).

The coalition era introduced unprecedented political instability. Internal conflicts within Thabane's coalition led him to suspend parliament in June 2014 to avoid a no-confidence vote. The move exacerbated tensions and culminated in an alleged coup attempt on August 30, 2014, when Thabane fled to South Africa, citing threats to his life. The military, under Lieutenant General Tlali Kamoli, was accused of orchestrating the coup, although it denied the claims. The

period was marked by mutiny and intramilitary killings, further destabilizing the country. The Southern African Development Community (SADC) intervened, mediating talks that led to early elections in 2015.

Neither Thabane's 2012 term nor Mosisili's term following the 2015 elections lasted five years. Mosisili's DC-led coalition collapsed in 2017, prompting another election. Thabane returned to power in a new alliance but faced scandals and internal strife, which led to his resignation in 2020 amid allegations of involvement in his estranged wife's murder.

Under most of its regimes, Lesotho has pursued national reforms aimed at addressing political instability, governance issues and systemic challenges. However, the country continues to struggle to pass the Omnibus Bill, a comprehensive constitutional reform package aimed at stabilizing governance and addressing long-standing systemic issues. Only in January 2025 did the National Assembly complete the Tenth Amendment to the Constitution Bill, which requires only a simple majority for the amendments to take effect. As of the close of the review period, the bill had yet to be passed by the Senate.

Lesotho's political instability has deterred investment and strained its economy. The country's public finances have suffered from growing deficits exacerbated by structural inefficiencies, corruption and the COVID-19 pandemic.

In response to the prolonged instability and economic hardship, the Revolution for Prosperity (RFP) party, led by businessman Ntsokoane Sam Matekane, was formed in 2022. The RFP's promise of economic revitalization and governance reforms resonated with voters, leading to its victory in the October 2022 elections. Matekane was inaugurated as prime minister on October 28, 2022, forming a coalition with the Movement for Economic Change (MEC) and the Alliance for Democrats (AD), and later joined by the Basotho Action Party (BAP) to counter a motion of no confidence. However, the BAP has since left the coalition.

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 state's monopoly on the use of force in Lesotho is well established, with no significant groups overtly or covertly fighting to overthrow the state by force of arms.

In 2024, Famo gangs were responsible for the fatal shooting of five family members of a rival gang in Leribe, among many others. This incident is one of the few that have highlighted the state's struggle to curb such threats effectively. During the review period, the Lesotho Defense Force (LDF) launched Operation Hard Fist to confiscate illegal firearms from gang members. However, this operation has been criticized for leading to human rights violations. Despite these issues, the state retains control over an estimated 95% of its 30,648-square-kilometer territory and population of approximately 2.3 million.

Most Basotho accept the nation-state as legitimate, and all groups enjoy the right to acquire citizenship without discrimination.

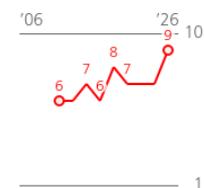
Afrobarometer (2024) revealed that Basotho take immense pride in their national and ethnic identity. In addition, Lesotho recognizes two official languages: Sesotho, the mother tongue of the majority of the population, and English, which serves as the language of government, law and education. Other languages recently proposed for inclusion in the amended constitution as part of the ongoing governance reforms are isiZulu, isiXhosa and sePhuthi, which are spoken by smaller communities within the country.

After revising the citizenship law in 2018 to allow dual citizenship, the country temporarily suspended applications due to what were called perceived threats. Later, applications for citizenship reopened, but as of the time of writing, it was unclear why the incumbent minister had not approved applications for citizenship since he took over in October 2022.

Question
Score

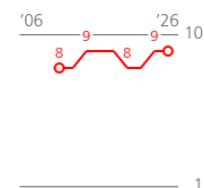
Monopoly on the
use of force

9



State identity

9



Lesotho is recognized as a secular state, with its constitution prohibiting religious discrimination and guaranteeing the freedoms of conscience, thought and religion. Approximately 90% – 95% of the population identifies as Christian, with Protestants making up 56.2% and Roman Catholics accounting for 39% of the country's residents. While the legal framework is grounded in secular norms, Christianity significantly influences the country's cultural and societal values. This influence is evident in traditions such as opening and closing official events with prayers.

During the period under review, concerns arose about the role of religion in the public sphere. For instance, in 2023 the erection of a cross on the Mpilo hilltop became the subject of public debate. Several other crosses have been erected on various hilltops around Maseru.

Furthermore, remarks in 2023 by Lebona Lephema, the minister of local government, chieftainship, home affairs and police, raised concerns. He claimed that Muslims posed a security risk and called for restrictions on their activities, emphasizing Lesotho's Christian identity. These comments were widely criticized by opposition leaders, the Muslim Congress of Lesotho (MUCOL) and other religious groups, who pointed out that the constitution guarantees the freedom of religion and warned against fostering division in a multicultural society.

Although the constitution establishes a secular state, Christianity's pervasive influence on societal norms and official ceremonies, as well as isolated incidents of religiously charged rhetoric, demonstrates that the separation between state and religion is not always fully maintained.

Lesotho's administrative structures are well established and provide most basic public services across the country. However, their functionality is constrained by deficiencies in governance, infrastructure and resource allocation, affecting their differentiation, efficiency and accessibility.

In August 2022, Revenue Services Lesotho (RSL) rebranded to enhance service delivery and modernize tax administration. Lesotho's mountainous terrain poses significant challenges to the development of transportation infrastructure. Communities like Pae-la-Itlhatsoa, Roma, in rural Maseru District, face isolation due to inadequate roads and bridges, often making access to health care and education perilous. Hence, as of 2024, the World Bank estimated that only 47.5% of the population had access to proper sanitation.

Infrastructure projects to improve water connectivity have experienced delays, and governance challenges have impeded consistent progress. As a result, the World Bank indicated that just 28.2% of the population had access to clean water. In December 2024 and January 2025, Mafeteng District experienced a severe drought and an unprecedented water shortage.

No interference of religious dogmas

8



1

Basic administration

6



1

The Lesotho Electric Company and independent power producers have established solar minigrids across the country that have significantly increased energy access, with 50% of the population now having access to electricity (World Bank, 2024). However, irregularities remain, as there is no transparency regarding the government's electrification plan.

Lesotho's free primary education and loans for tertiary education have contributed significantly to improving educational outcomes. The U.N. Education Index (2024) assessed education levels by measuring average years of completed schooling for adults age 25 and expected years of schooling for children of school-going age. The country's score on this index was 0.558.

2 | Political Participation

Lesotho's 11th National Assembly elections were held on October 7, 2022. Local and international observers, such as the Southern African Development Community (SADC), the African Union (AU) and the European Union, declared that the election adhered to international democratic norms and standards.

The elections followed the mandated five-year cycle under Lesotho's mixed-member proportional (MMP) system. The country has a competitive multiparty system, with 56 of the 65 registered political parties contesting the October 2022 elections. The voter turnout rate in the 2022 general election was the lowest ever at 37%.

Lesotho's local government elections, held on September 29, 2023, recorded a 26% turnout rate. While multiparty participation was robust, with notable involvement by young independent candidates, challenges persisted in ensuring accessibility for older adults and people with disabilities.

Democratically elected political representatives in Lesotho possess effective power to govern. However, their authority is occasionally challenged by political dynamics in the country's electoral, party and parliamentary systems. There are about 65 parties registered with the IEC, indicating fragmentation in the party system. For instance, in October 2023, Prime Minister Ntsokoane Samuel Matekane faced a motion of no confidence initiated by opposition parties, including the Democratic Congress (DC) and the Basotho National Party (BNP). Additionally, the government's efforts to pass the Omnibus Bill – a comprehensive set of constitutional amendments aimed at political reforms – have encountered resistance.

There is no evidence of external veto powers or political enclaves exerting control over government decision-making. The existing tensions are part of the democratic process, reflecting the checks and balances inherent in Lesotho's parliamentary system. Therefore, while elected officials govern effectively, their authority remains subject to the dynamics of parliamentary procedures and political opposition.

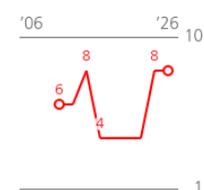
Free and fair elections

8



Effective power to govern

8



The constitution of Lesotho guarantees individuals the right to associate freely, form and join independent political or civic groups. This constitutional right is generally respected, and various civic groups, unions and political organizations operate without outright government prohibitions. However, instances of tension between these groups and the government highlight challenges to the full exercise of these rights.

In August 2024, the United Textiles Employees Union (UNITE) held its Elective Congress in Maseru, Lesotho. The congress brought together several organizations. The event demonstrated solidarity among labor movements and a commitment to advancing workers' rights, with no reported government interference.

Residents and civic groups generally can exercise their rights of association and assembly, contributing to an active civil society. Although civil liberties and political rights are generally accommodated within Lesotho's political system, it fails dismally to provide effectively for sociocultural or economic rights.

The freedom of expression is constitutionally guaranteed in Lesotho, and the media, citizens and various organizations generally express their views freely without fear of government interference.

In May 2023, journalist Ralikonelo Joki, also known as Leqhashasha, was ambushed and fatally shot outside the Tšenolo FM studio in Maseru. While four suspects were arrested and appeared in court in June 2023, the investigation has not established any connection between Joki's killing and attempts to curtail media freedom because the incident appeared unrelated to his work as a journalist. In 2024, two suspects were arrested and appeared in court but were remanded in custody. However, ironically – and bizarrely – a magistrate released the two suspects from prison on January 24, 2025, to the chagrin of the Joki family and the general public. On January 25, 2025, police issued a warrant for the arrest of both suspects, and one was immediately rearrested, while the other remained at large as the review period closed.

Despite constitutional protections, concerns persist about harassment and self-censorship. Journalists sometimes self-censor for fear of retribution by influential groups or security forces. Existing defamation laws have been used against news outlets and journalists and can discourage investigative reporting. For example, in February 2024, a journalist from Public Eye was sued for defamation after exposing financial mismanagement in a state department.

Since September 2023 and throughout 2024, lawsuits against the army for human rights violations have mounted. For example, four men from Leribe filed an LSL 10 million lawsuit, alleging they had been tortured during investigations. While such incidents do not directly suppress the freedom of expression, they highlight broader governance and human rights issues.

Association / assembly rights

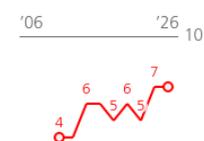
8



1

Freedom of expression

7



1

Lesotho's media system offers a plurality of opinions, with private and state-owned outlets operating freely. The state broadcaster, Lesotho National Broadcasting Service (LNBS), is often criticized for favoring the government, but private radio stations and newspapers offer diverse perspectives. However, freedom of information legislation is underdeveloped, limiting access to public information. Efforts to pass comprehensive freedom of information laws have stalled in parliament, further hampering transparency. Additionally, sensational reporting by some media outlets – especially radio, newspapers and social media – presents a major risk of political instability. It appears that the Lesotho Communications Authority (LCA) lacks the capacity to rein in this irresponsible media reporting.

3 | Rule of Law

The separation of powers in Lesotho is constitutionally well established, with a framework designed to ensure checks and balances among the executive, legislative and judicial branches. However, in practice there are instances in which the executive attempts to encroach on the judiciary's jurisdiction, particularly in politically sensitive cases.

While the judiciary generally acts independently in cases involving ordinary citizens, that independence does not always extend to key political actors. For instance, in February 2023, Lesotho Congress for Democracy (LCD) leader Mothetjoa Metsing – who fled the country in December 2021 – had long-standing corruption, fraud and tax charges against him dropped by the South African Ladybrand Court because evidence remained unavailable and legal documents were missing. The charges stemmed from an attempted coup in 2014, and the Thabane administration filed an extradition request in 2018 to bring Metsing back to stand trial. Despite these serious accusations – including treason charges that pertained to Lesotho courts – the government did not oppose Metsing's bail application in South Africa, raising concerns about unequal treatment under the law.

This trend extends to other prominent cases. Former Prime Minister Thomas Thabane and his wife, who were accused of being involved in the murder of Thabane's estranged wife, Lipolelo Thabane, have similarly seen little progress in their cases. Additionally, Metsing's co-accused, former army commander Tlali Kamoli, remains in prison, but the disparity in handling such cases highlights the uneven application of justice when politically significant figures are involved. In 2024, a dispute arose between the Ministry of Law and Justice and the Office of the Deputy Prime Minister on the one hand and the Office of the Director of Public Prosecutions (DPP) on the other over an alleged arm-twisting tactic by the deputy prime minister and the minister of law and justice to cajole the DPP into dropping treason charges against Metsing (an LCD member of parliament) and Selibe Mochoboroane of the Movement for Economic Change (MEC), the minister of health, simply because they were major partners of RFP in the coalition government. The DPP stood its ground against this political pressure.

Separation of powers

4

'06 '26 10



1

These examples illustrate the judiciary's challenges in maintaining its independence, especially in politically charged cases involving powerful individuals. However, the judiciary is generally seen as functioning independently in non-political matters, promoting accountability and the rule of law for the broader population.

Lesotho's judiciary is institutionally established and, in many respects, operates independently. Under the leadership of Chief Justice Sakoane Sakoane, efforts have been made to bolster judicial independence and efficiency. On May 31, 2024, the chief justice promulgated the Code of Ethics for Judges 2024, aiming to enhance the judiciary's integrity and overall functioning. This code mandates that judges deliver judgments within three months of a hearing, and bars them from presiding over cases in which their impartiality might be questioned due to political affiliations or familial relationships. Such reforms demonstrate the judiciary's commitment to ensuring transparency and fairness.

However, the judiciary faces significant challenges that undermine its efficiency and independence. Outdated laws, resource constraints and inefficiencies in supportive institutions, such as the police and the Office of the Director of Public Prosecutions (DPP), often impair judicial processes. In February 2023, for instance, Chief Justice Sakoane criticized the DPP for delaying high-profile cases, including that of former army commander Tlali Kamoli, suggesting the delays might be politically motivated as a means of securing amnesty or out-of-court settlements under favorable administrations.

In addition, police struggle under conditions of inadequate resources, as Commissioner of Police Borotho Matsoso noted in June 2023. This has led to investigative shortcomings, with officers sometimes resorting to illegal methods to extract confessions from suspects. These deficiencies in investigative and prosecutorial processes directly affect the judiciary's ability to function effectively.

While most judges strive to uphold judicial independence, allegations of partiality persist. In May 2023, for example, lawyers representing soldiers charged with the 2012 Mafeteng murders accused the High Court of discrimination. They pointed out discrepancies in how bail applications were handled, noting that politically connected figures such as Selibe Mochoboroane, Mothejoa Metsing and former first lady 'Maesaiah Thabane, all of whom had been accused in high-profile cases, were granted bail relatively easily, whereas others without political influence faced greater challenges in securing bail.

Independent
judiciary

6

'06 _____ '26 10



1

Officeholders in Lesotho who break the law are often prosecuted, but questions remain about the selectivity and consistency of these prosecutions. On November 9, 2024, The Reporter highlighted findings by the Public Accounts Committee (PAC) revealing significant embezzlement of assets and funds from the Lesotho National Development Corporation (LNDC) and other government entities. Despite these damning findings, many implicated individuals were not prosecuted, underscoring systemic weaknesses in accountability.

In March 2023, three civilians filed lawsuits against the police commissioner, alleging illegal arrests and torture by the Lesotho Mounted Police Service (LMPS). Similarly, on February 2, 2023, businessman Bokang Semoko sued the Directorate of Corruption and Economic Offenses (DCEO), accusing its officials of torturing him to implicate the Disaster Management Authority (DMA) in corruption. These cases illustrate an uneven application of justice, with allegations of misconduct often failing to result in meaningful consequences.

Further highlighting the inconsistencies, the Ladybrand Magistrate Court in South Africa dismissed three cases against the leader of the Lesotho Congress for Democracy (LCD), Mothetjoa Metsing, in 2023. The charges, which included tax evasion, money-laundering and fraud, were initially pursued by the former government of Thomas Thabane. However, the current administration of Prime Minister Sam Matekane showed little interest in pursuing these cases, which led to their dismissal. This pattern mirrors the high-profile murder case against the former first lady, 'Maesaiah Thabane, which was also dropped in 2022.

In July 2024, Advocate Hlalefang Motinyane, the director of public prosecutions (DPP), filed a court application accusing former Chief Justice and current Deputy Prime Minister Nthomeng Majara of unlawfully directing her to withdraw charges against prominent politicians. The politicians included Health Minister Selibe Mochoboroane and LCD leader Mothetjoa Metsing, both co-defendants in a treason case involving former army commander Lieutenant General Tlali Kamoli, who had been in custody since 2014. The lack of progress in these cases highlights systemic delays and potential interference in the prosecution of officeholders.

While some officeholders face legal consequences, frequent political influence and procedural loopholes enable many to evade accountability. This trend erodes public trust in the justice system and undermines efforts to combat corruption.

Prosecution of
office abuse

5

'06 _____ '26 10



1

Civil rights are codified in the constitution of Lesotho and are generally respected. There is freedom of religion and of sexual orientation. In April 2024, parliament passed the Labor Act, which prohibits discrimination based on sexual orientation. In July 2024, members of parliament proposed amendments to the Children's Protection and Welfare Bill that would allow transgender and intersex children to access gender-affirming medical procedures with their consent and update their legal documents accordingly.

However, incidents of excessive force, torture and brutality by the police and the army persist. Despite these challenges, citizens often seek redress through the courts, reflecting a measure of faith that the judiciary will effectively address violations.

On May 17, 2024, the Lesotho Times reported that Lesotho Defense Force (LDF) commander Lieutenant General Mojalefa Letsoela was facing lawsuits totaling more than LSL 2 million from two men who alleged torture by the army in 2022 and 2023. Additionally, a major case emerged over the army's April 25, 2024, raid on the village of Liphakoeng in Leribe. Villagers accused the army of torture during the raid and are demanding LSL 31 million in damages. While such cases highlight the willingness of citizens to challenge rights violations, they also underscore the persistence of systemic issues within the security forces.

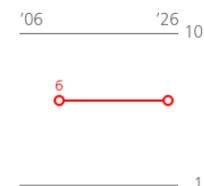
The police face similar allegations of civil rights violations. However, the Police Complaints Authority (PCA), tasked with investigating such complaints, has structural weaknesses. For instance, evidence against accused police officers must be endorsed by the minister before it can be investigated, creating a significant barrier to justice and facilitating impunity.

Media freedoms are generally observed but not without sporadic challenges. The murder of journalist Ralikonelo Joki in May 2023 raised concerns about attempts to undermine media freedoms. Although police investigations into the murder initially failed to establish a direct link to Joki's journalistic work, public perception and statements, such as those by Senator Chief Khoabane Theko, suggest the killing may have been connected to Joki's exposure of corruption, particularly involving land sales. In a related controversy, Basotho National Party leader Machesetsa Mofomobe resisted a government attempt to confiscate his phone during the murder investigation, arguing that the warrant was improperly issued by Liphopho Tau, a minister in the Prime Minister's Office, instead of a court. Mofomobe successfully sued the government, and the court ruled in his favor, highlighting procedural irregularities in handling such investigations.

In June 2023, four of the five suspects in Joki's murder appeared in court, and police investigations found no definitive link between the killing and Joki's work at Tšenolo FM. However, this finding remains provisional until the investigation is closed. On the night of Friday, January 24, 2025, Machesetsa Mofomobe, leader of the Basotho National Party (BNP) and member of parliament, was shot at short range by an unknown assailant at his house in Ha Thetsane, Maseru. He survived the attack and received treatment in both Lesotho and South Africa.

Civil rights

6



Overall, although Lesotho's legal framework guarantees civil rights, the systemic inefficiencies, procedural irregularities and institutional weaknesses in the mechanisms for redress significantly undermine the full realization and protection of these rights.

4 | Stability of Democratic Institutions

Lesotho's democratic institutions – including parliament, the Directorate on Corruption and Economic Offences (DCEO), the Office of the Director of Public Prosecutions (DPP), the Ombudsman, the Auditor-General, security agencies, political parties, and the Independent Electoral Commission (IEC) – have demonstrated both functionality and areas of concern.

Lesotho's parliament has been active in legislative processes; however, it has faced challenges to efficiency and effectiveness. The National Reforms Transition Office (NRTO) conducted institutional gap assessments of the three arms of government, including parliament, from September 2022 to May 2023. There were delays in publishing the findings.

In addition, recent developments led by democracy-protective institutions in Lesotho show progress in institutional accountability and transparency. The IEC improved electoral integrity by archiving the old voters' roll, launching a new register, and introducing electronic tablets and an online portal. It also implemented a Strategic Plan (2024 – 2028) and successfully held clean local government elections in September 2023. Moreover, its administration of the national and local government elections held in September 2023 did not face any significant challenges.

The DCEO has been proactive in investigating allegations of corruption. In August 2024, it cleared Advocate Mphaiphele Maqutu, the IEC director of elections, of corruption charges related to the procurement of election materials for the October 2022 general elections. Despite this, concerns about rising corruption levels persist. The U.S. government urged Lesotho to intensify its anti-corruption efforts after the country's score on corruption control dropped from 85% to 79% on the Millennium Challenge Corporation (MCC) scorecard.

The DPP's office has been instrumental in prosecuting cases of public interest. However, critics have questioned the pace and selectivity of prosecutions, prompting public debate about the office's impartiality and efficiency.

Lesotho's security agencies have faced scrutiny over their involvement in politics. In October 2023, security chiefs, including the army commander, issued statements that were perceived as threats to intervene in parliamentary processes, particularly regarding a no-confidence motion against Prime Minister Sam Matekane. This prompted condemnation from organizations such as the European Union, which emphasized the importance of non-interference by security forces in democratic processes.

Performance of
democratic
institutions

6

'06 '26 10



1

The political landscape in Lesotho is characterized by a large number of registered parties (more than 65), indicating a pluralistic environment. However, internal conflicts and fragmentation within parties have led to instability. For instance, the Basotho Action Party (BAP) joined the ruling coalition in October 2023 during a motion of no confidence against the prime minister but withdrew in November 2024 due to differences between BAP and RFP, which, in turn, exacerbated internal disputes within the former.

Democratic institutions in Lesotho are widely regarded as legitimate by key actors, including government bodies, political parties, associations, interest groups and civil society organizations. In the current reporting period, no significant incidents fundamentally undermined the legitimacy of these institutions. However, questions have been raised about the competence of some officeholders, reflecting challenges in the effective functioning of these institutions rather than their legitimacy.

For example, after the October 2022 elections, the Independent Electoral Commission (IEC) faced public scrutiny because of an error in the allocation of proportional representation seats. This incident led to criticism of the director of elections and IEC commissioners, highlighting concerns about the administration of democratic processes. Additionally, the public expressed doubts about the leadership of security agencies following controversial statements in October 2023 by army, police and intelligence chiefs. These officials implicitly threatened to intervene militarily to prevent Prime Minister Sam Matekane from being removed through a parliamentary no-confidence vote, raising concerns about the independence of these institutions and their adherence to democratic norms.

Lesotho maintains a functional legal and judicial framework, but the public remains suspicious of most judges' impartiality. Challenges persist, particularly in addressing politically significant cases and ensuring equitable access to justice. Judicial processes are often delayed or compromised due to inefficiencies, corruption, nepotism, outdated laws and resource constraints. For example, cases involving high-profile figures, such as former prime ministers and other prominent politicians, have moved slowly, raising concerns about the selective application of justice. The judiciary's independence is further tested by inadequate funding and inefficiencies in supporting institutions, such as the Office of the Director of Public Prosecutions (DPP).

Despite these challenges, political parties remain a cornerstone of Lesotho's democracy in a country of just 2.3 million people, with about 65 parties registered with the Independent Electoral Commission and taking part in the October 2022 elections. Civil society is also vibrant, with more than 5,000 registered associations actively engaging in various aspects of national development and governance.

Commitment to democratic institutions

6

'06 '26 10



5 | Political and Social Integration

Lesotho's party system is characterized by significant fragmentation, weak institutionalization and minimal ideological policy differentiation. Political parties are often driven by opportunism rather than coherent ideologies, policies or programs. Additionally, clientelism, patrimonialism and personality cults loom larger than ideology and policies in the operations of the parties. Intraparty and interparty conflicts are rife. Voter volatility is high, with citizens frequently abandoning established parties for newer ones. For instance, many Basotho left their long-standing parties to join the Revolution for Prosperity (RFP) in 2022, only to migrate to the United African Transformation (UAT) party formed by Mahali Phamotse in December 2023 after internal disputes within the RFP.

As of 2024, Lesotho had more than 100 political parties registered with the Law Office. Since 2012, two coalition governments have collapsed in the space of five years, and during that period Lesotho held three elections (2012, 2015 and 2017).

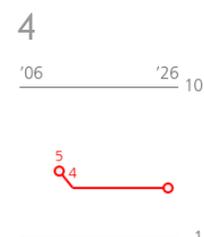
The recurring internal conflicts, clientelism and lack of ideological coherence have hindered the ability of Lesotho's party system to articulate and aggregate societal interests effectively. The system's volatility and fragmentation contribute to government instability and weaken public trust in political institutions.

Lesotho has a diverse array of interest groups that advocate for various social, economic and political rights. These include farmer associations, teachers' unions, business organizations, NGOs, media associations and political groupings, many of which voluntarily align themselves under umbrella bodies that oversee their activities. This diversity allows for a broad representation of societal interests, although the capacity and influence of these groups vary significantly.

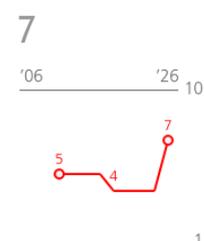
NGOs such as the Seinoli Legal Center and Survivors of Lesotho Dams have been particularly active in mediating between communities affected by large-scale development projects – especially the Lesotho Highlands Water Project – and the government. For instance, in June 2023, these organizations facilitated protests by communities dissatisfied with compensation related to the construction of the Polihali Dam. Their role highlights the importance of civil society in advocating for marginalized voices in Lesotho.

While these groups generally represent a wide range of interests, they face challenges. Some organizations operate with limited capacity or struggle to maintain consistent influence, while others face legal and institutional hurdles that undermine their effectiveness. Moreover, the presence of strong interest groups in certain sectors – such as among teachers and public employees – can sometimes overshadow the representation of other societal interests, posing risks of dominance or polarization.

Party system



Interest groups



While Basotho generally express approval of democratic norms and procedures, their confidence in the performance of political officeholders remains relatively weak. In the 2024 Afrobarometer survey, 60% of Basotho respondents said they strongly supported democratic principles, such as having a parliament that enacts laws; 62% said they believed the parliament should hold the executive accountable; and 83% said they believed parliamentarians should respond to voters' demands. However, these expectations are not met in practice. Many citizens feel that members of parliament prioritize personal and political interests over the public good.

The survey highlighted significant dissatisfaction with lawmakers' performance; nearly half of respondents said they believed that "most" or "all" parliamentarians were corrupt. Additionally, a considerable portion of the population views the legislative framework as outdated and lawmakers as inefficient in fulfilling their duties. These concerns have diminished trust in parliament as an institution and negatively affected citizens' overall perception of democratic governance in Lesotho. The 2024 Afrobarometer survey additionally showed that while Basotho have low public trust in various governance institutions such as political parties, parliament, the IEC and local government authorities, they exhibit high levels of trust in traditional and religious leaders as well as the army. It is no wonder that Basotho would prefer rule by the king compared with the current multiparty system, which has, according to them, not delivered a socioeconomic dividend.

Lesotho has strong social self-organization and social capital, evident in its numerous associations, networks and organizations. The country has more than 5,000 officially registered civil society organizations representing diverse interests, from funeral and farmers' schemes to more structured advocacy groups that influence policy decisions. For instance, in March 2023, the government introduced alcohol and tobacco levies of 15% and 30%, respectively. The levies were repealed after significant pressure and legal action by associations such as the Lesotho Liquor and Restaurants Owners Association, which sued the government in May 2023. Similarly, the Maseru Region Transport Operators (MRTO) filed a lawsuit against Police Commissioner Holomo Molibeli, alleging that taxi drivers had been illegally arrested and their vehicles impounded for refusing to pay bribes disguised as cash fines.

Moreover, civil society organizations actively resist government overreach and protect public interests. In one notable instance, the Transformation Resource Center (TRC) and other NGOs opposed the revival of the Computer Crimes and Cyber Security Bill 2022. This controversial bill sought to empower the state to monitor private communications, impose high fines, and require mandatory registration of SIM cards and mobile devices. After public outcry and civil society opposition, the government withdrew the bill, and additional complaints were submitted to the African Commission on Human and Peoples' Rights (ACHPR). Although 48% of Basotho say they distrust elected officials and certain public institutions, levels of trust in one another and in their traditional leaders (for instance, 69% say they have faith in the king) are relatively high, such that, according to Afrobarometer (2024), 83% of Basotho say they are very proud of their identity.

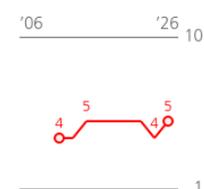
Approval of democracy

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Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

In Lesotho, poverty coupled with social inequality hampers significant participation by rural communities in functional market economies and public affairs.

Lesotho's poverty is manifested in severe internal resource constraints and an embryonic private sector under indigenous Basotho ownership. At the heart of this severe poverty (a poverty rate of 54.7%) are high unemployment rates (16%) and significant gender inequalities (score of 0.552 on the Gender Inequality Index, based on reproductive health, empowerment and labor market issues), which are in turn structurally ingrained. Lesotho's score on the UNDP Human Development Report 2024 was 0.521, which reflects no significant change since 2017.

According to the Lesotho Poverty Assessment: Progress and Challenges in Reducing Poverty (2019) report, Lesotho was regarded as highly economically vulnerable, with more than 75% of the population either poor or at risk of falling into poverty. However, the poverty rate has since been declining, with improvements including the expansion of social protection programs and increases in wage income among the poor. Lesotho remains one of the most unequal countries in the world, ranking in the top 20% with regard to the extent of inequality.

The United Nations Lesotho Annual Report (2023) highlighted a recovering economy in 2023 but noted significant challenges in social sectors, particularly in health, education, gender equality and youth engagement. While economic indicators suggested improvement, the social development landscape has lagged. The United Nations has supported Lesotho by developing and costing several health policies, strategies and guidelines, including the Expanded Program on Immunization Policy; the National HIV and AIDS Strategic Plan (2018/19 – 2022/23); the Health Sector HIV Strategic Plan; and a comprehensive training manual integrating the issues of sexual and reproductive health, HIV and gender-based violence (GBV).

According to the Bureau of Statistics (2019), the number of Basotho living in poverty declined marginally over the period from 2002/03 to 2017/18. The share of the rural population living in poverty decreased slightly from 61.3% to 60.7%, while in urban areas the poverty rate fell significantly from 41.5% to 28.5%. Extreme poverty headcount ratios also declined, with reductions of 6.9 percentage points in rural areas (from 37.7% to 30.8%) and 10.9 percentage points in urban areas (from 22.2% to 11.2%).

Question
Score

Socioeconomic
barriers

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Economic indicators		2021	2022	2023	2024
GDP	\$ M	2412.1	2355.0	2118.0	2271.5
GDP growth	%	2.3	2.4	1.8	2.8
Inflation (CPI)	%	6.0	8.3	6.3	6.1
Unemployment	%	18.2	16.7	16.5	16.1
Foreign direct investment	% of GDP	-0.5	-0.3	-1.2	-0.6
Export growth	%	8.1	-5.5	-15.6	-
Import growth	%	-0.4	-0.7	-0.2	-
Current account balance	\$ M	-196.1	-268.9	-151.6	84.4
Public debt	% of GDP	58.0	64.4	61.5	56.8
External debt	\$ M	1833.1	1809.4	1775.6	-
Total debt service	\$ M	95.6	82.2	130.6	-
Net lending/borrowing	% of GDP	-4.5	-5.3	-	-
Tax revenue	% of GDP	31.9	30.4	-	-
Government consumption	% of GDP	34.7	35.2	35.6	-
Public education spending	% of GDP	-	-	7.3	6.6
Public health spending	% of GDP	4.4	6.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.5	1.5	1.5	-

Sources (as of December 2025): 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

Market competition in Lesotho operates under a weak framework with uneven rules that often disadvantage the informal sector, exposing it to unfair competition. The government has been reluctant to protect infant industries and business sectors reserved for Basotho, so foreign and large companies outcompete them in urban areas and the countryside.

Although the share of informal employment stands at 80.9%, such activities are loosely regulated and protected, lacking a coordinated and structured market and site. According to the Lesotho Times (July 24, 2024), many street vendors have been evicted because they had illegally occupied sidewalks, creating congestion and forcing people to walk on the main roads, thus putting them at risk of accidents. The government relocated those with permits to various open spots across town, while those operating illegally were permanently evicted without provision or plan to accommodate them.

Recent ILO diagnostics describe Lesotho as having an extremely narrow formal labor market. According to the 2022/23 Decent Work Country Programme, formal employment is limited to only about 10% of the population. More recent labor force survey data for 2024 indicate that informal employment accounts for roughly 84% of total employment, meaning that only a small minority of workers hold formal jobs.

While Lesotho is open to foreign investment and imposes no economywide restrictions, the private sector is still in its infancy. Despite this, the economy is significantly export-driven, with international trade comprising a large share of GDP. Key export industries include textiles, diamonds and water. Lesotho benefits from its proximity to South Africa, enjoying ready access to its market and leveraging its competitive textile and apparel industry. However, the mining sector and textile industry have declined significantly since the COVID-19 outbreak.

Lesotho complies with World Trade Organization (WTO) provisions and regulations and is a member of the Southern African Customs Union (SACU). Membership in SACU allows Lesotho to export goods tariff-free to other SACU members, including Botswana, Namibia, South Africa and Swaziland.

In February 2024, the National University of Lesotho's WTO Chair conducted a study that revealed critical insights into market participation. Approximately 48% of surveyed firms were importers, while 19.7% both imported and exported. However, only 5.3% focused exclusively on exports, and 27% operated solely in domestic markets, neither importing nor exporting. These findings underscore limited engagement by local businesses in international trade and point to structural weaknesses in market organization.

Market
organization

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Regulations designed to protect small traders are poorly enforced, enabling foreign investors to dominate even sectors reserved for local businesses. This lack of enforcement exacerbates inequality in the market and hinders the growth of the informal sector, which remains a significant part of the economy.

Lesotho has competition regulations to protect Basotho enterprises from unfair competition, but enforcement is inconsistent and often influenced by political and international considerations. For example, in March 2024, the government banned imports of tomatoes and apples from South Africa for two months to support local businesses. The temporary ban was intended to stabilize the market and prevent local producers from being edged out by cheaper imports.

On May 23, 2024, the parliament of Lesotho urged the minister of trade, industry and business development to implement the Business Licensing and Registration Regulation of 2020 immediately. This regulation prohibits foreigners from operating in 47 business sectors reserved exclusively for Basotho, including retail trade, small-scale construction and other low-capital ventures. The push to enforce the regulation came from parliamentarians facing mounting pressure from their constituencies to protect the interests of local entrepreneurs. However, Trade Minister Mokhethi Shelile hesitated to enforce the law, citing concerns about international backlash and retaliatory actions from foreign investors and trading partners.

Despite the existence of such safeguards, implementation remains weak, and enforcement is often selective. Local small-scale traders frequently report that foreign investors dominate even enterprises meant to be reserved for Basotho, undermining the spirit of protective regulations. The lack of consistent enforcement has fostered frustration among Basotho entrepreneurs, who feel their businesses are unfairly disadvantaged in the face of competition from better-resourced foreign players.

Lesotho has made significant strides in liberalizing foreign trade by adhering to low tariffs (with the most-favored-nation tariff rate at 7.5%) and minimal non-tariff barriers, consistent with its commitments to regional and international trade standards. In October 2023, Lesotho signed the Tripartite Free Trade Agreement (TFTA) with Common Market for Eastern and Southern Africa (COMESA) and SADC, signaling its dedication to reducing trade barriers and enhancing regional economic integration. These agreements provide an essential framework for promoting trade and investment, contributing to economic growth.

The mining sector, a cornerstone of Lesotho's trade, exemplifies the complexities of trade liberalization. The government holds a 30% stake in mining ventures such as the Storm Mountain Diamond mine, which in April 2023 produced the largest pink diamond ever found at the Kao mine. Despite such discoveries showcasing the sector's potential, the industry has faced scrutiny for policies perceived to favor foreign investors at the expense of local economic benefits.

Competition policy

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Liberalization of foreign trade

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One of the most contentious policies is the zero rating of value-added tax (VAT) for diamond-mining companies, which leads Revenue Services Lesotho (RSL) to refund approximately LSL 40 million a month to these companies. In July 2023, parliamentarian Machesetsa Mofomobe criticized this policy, calling it exploitative and questioning its impact on national revenue. Additionally, Mohahlaula Airlines sued the government in April 2023 for LSL 10 million, alleging the unlawful granting of permits to foreign airlines to transport diamonds, despite the availability of capable local operators. The case underscored the challenges of balancing liberalized trade policies with the protection of domestic enterprises.

The 2021 VAT Amendment Bill remains a pivotal issue. The bill proposed transitioning diamond exports from zero-rated to VAT-exempt, which could save the government LSL 2 billion annually in VAT refunds. However, the Lesotho Chamber of Mines opposed this measure, arguing that it could undermine the competitiveness of the diamond sector and lead to job losses, as evidenced by the precarious situation at Liqhobong Mine, which continues to struggle financially post-COVID-19.

In May 2023, Minister of Trade, Industry, Business Development and Tourism Mokhethi Shelile announced plans to differentiate large-scale foreign-owned businesses from smaller local enterprises. The move aims to address public concerns about competitive pressures on local vendors from foreign-owned businesses while maintaining Lesotho's openness to international trade.

Foreign trade in Lesotho is liberalized in principle, with minimal tariffs and non-tariff barriers. However, specific policies, particularly in the mining sector, create distortions and controversies, highlighting inconsistent implementation and the challenge of balancing foreign investment with domestic interests.

Lesotho's banking system is functional but shows weaknesses with regard to regulation and risk management. The sector includes four commercial banks: three are subsidiaries of South African banks, and one is domestically owned by the government. This structure leads to concentration and potential for external influence.

Regarding asset quality, the ratio of non-performing loans (NPLs) to total gross loans has remained relatively stable. The data indicate that NPLs accounted for 4.07% of total gross loans in 2021, a slight decrease from 4.42% in 2017. This level suggests moderate risk in the loan portfolios of banks operating in Lesotho.

Regulatory oversight is primarily the responsibility of the Central Bank of Lesotho (CBL), which seeks to ensure financial stability. However, the CBL has faced challenges in fully aligning with international supervisory standards. The International Monetary Fund (IMF) has recommended enhancements in the implementation of Basel II and selected elements of Basel III standards, particularly concerning capital adequacy and risk management frameworks. These recommendations indicate areas where regulatory practices could be strengthened to align better with global norms.

Banking system

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Capital markets in Lesotho are underdeveloped, with no secondary financial markets, such as stocks, bonds, options or futures, currently in operation. However, the World Bank has recorded a steady increase in the bank capital-to-asset ratio, reaching 12.5% in 2022.

Although Lesotho's banking system functions to a degree, it is constrained by regulatory and structural challenges. The stability of NPL ratios is a positive sign. However, ownership concentration and nascent regulatory frameworks suggest that the system would benefit from reforms to enhance supervision and foster a more diversified financial sector.

8 | Monetary and fiscal stability

Lesotho's monetary policy framework is stable but heavily influenced by external factors, primarily because the loti is pegged on a one-to-one basis to the South African rand under the Common Monetary Area (CMA). While this arrangement ensures price stability and facilitates trade with South Africa, it limits the central bank's autonomy to craft independent monetary policy.

In July 2023, the CBL responded to regional inflationary pressures and interest-rate fluctuations by adjusting its net international reserves target from \$690 million to \$820 million. Despite this strategic move to bolster financial resilience, the CBL retained the peg to the rand and maintained the key policy interest rate at 7.75% a year, highlighting the bank's commitment to monetary stability within its constrained framework.

The economic outlook, as reported by the CBL in September 2023, projected domestic GDP growth of 2.9% for 2024, tapering to 1.8% in 2025. This growth trajectory was supported by large infrastructure projects, notably the second phase of the Lesotho Highlands Water Project (LHWP II), which was expected to benefit the services sector and generate construction-related economic activity. The inflation rate declined to 6.7% in July 2024, down from a peak of 9.8% in July 2022. The central bank maintained the policy rate at 7.75% in July 2024 as a means of curbing inflation and aligning domestic interest rates with regional trends.

Inflation rates are expected to remain elevated, averaging 6.4% in 2024, before moderating to 4.9% by 2026. However, the current account deficit was projected to widen from 6.4% of GDP in 2023 to 7.7% in 2025. This increase is largely due to weaker manufacturing exports and higher imports linked to infrastructure development, particularly the LHWP II project. The widening deficit underscores the challenges posed by a trade imbalance despite ongoing economic growth.

Monetary stability

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Lesotho's monetary policies demonstrate stability and responsiveness to external pressures, particularly through the CBL's management of reserves and interest rates. However, reliance on the rand and the CBL's limited autonomy, coupled with vulnerabilities in trade and inflation management, reflect occasional inconsistencies and external influences.

Lesotho's fiscal policies have shown notable improvements, particularly in recent years, but achieving consistent macroeconomic stability remains challenging.

In May 2024, Auditor-General 'Mathabo Makenete reported to parliament that chief accounting officers frequently disregarded financial regulations, including the Treasury Regulations and the Public Financial Management and Accountability Act.

The fiscal balance has improved significantly, with projections moving from a marginal deficit in 2023 to surpluses in 2024 and 2025. This positive shift was driven primarily by higher Southern African Customs Union (SACU) revenues and modest increases in domestic tax collections, reflecting improved fiscal management. In 2022, Lesotho recorded a fiscal deficit of 5.7% of GDP, which shifted to a surplus of 6.1% of GDP in 2023, driven primarily by SACU revenues that more than doubled. By June 2024, the fiscal surplus stood at 4.5% of GDP, reflecting enhanced revenue collection and expenditure management.

Public debt has also been declining. In 2023, total public debt fell to 58.0% of GDP from 60.5% in 2022 because of the redemption of Treasury bonds. By June 2024, the debt-to-GDP ratio had fallen to 55%, further aided by Treasury bond buybacks. External debt made up about 77% of total public debt in 2023, with domestic debt accounting for the remaining 23%. External debt amounted to 46.2% of GDP and domestic debt to 13.6% of GDP in 2023.

However, challenges remain in ensuring fiscal policy coherence and efficiency. In March 2024, Minister of Natural Resources Mohlomi Moleko criticized Minister of Finance Retšelisitsoe Matlanyane for failing to carry out cabinet directives to allocate LSL 320 million to the Lesotho Highlands Water Project (LHWP) for the 2023/24 fiscal year. Instead, only LSL 204 million was allocated, forcing the Lesotho Highlands Development Authority (LHDA) to borrow funds from South Africa for dam maintenance. This incident underscored ongoing problems with policy inconsistency and inefficiency in financial planning, which have harmed the country's fiscal reputation.

Fiscal stability

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9 | Private Property

Lesotho's legal framework and constitutional provisions provide a robust foundation for protecting property rights. Article 17 of the constitution explicitly guarantees protection from arbitrary seizure of property, mandating that any compulsory acquisition of property must be justified as necessary for public benefit and accompanied by fair and prompt compensation.

Article 107 of the constitution vests all land in the Basotho Nation, with the king acting as trustee, reinforcing communal land ownership principles. Land rights are allocated under statutes such as the Land Act of 2010, which introduced a tenure system that enables leasehold agreements of up to 99 years and primarily modernizes land administration in urban areas. Additionally, the Deeds Registry Act of 1967 enhances transparency in property transactions by requiring public registration, thereby offering legal safeguards to buyers and sellers.

In rural areas, customary law governs land allocation, with chiefs and community councils overseeing the process. However, challenges persist in balancing customary practices with statutory requirements. For example, the Land Act restricts foreign ownership of land. Foreigners cannot own land outright but may lease it through partnerships, provided local stakeholders maintain at least a 20% stake in the venture. This policy ensures land remains under domestic control while promoting foreign investment.

Judicial enforcement mechanisms for property rights are available through the High Court, which provides recourse for disputes over compulsory acquisition and compensation. Despite the legal framework, implementing property rights remains challenging, particularly in the context of large-scale infrastructure projects.

The Lesotho Highlands Water Project II (LHWP II) exemplifies the tensions between development objectives and property rights.

In May 2024, the Mokhehi, Ntaote, Ntsukunyane (MNN) Center for Investigative Journalism reported on long-standing grievances by five households displaced two decades earlier during construction of the Mohale Dam.

The households argue they have not received the compensation funds promised at the time of their relocation.

The Lesotho Highlands Development Authority (LHDA) maintains that compensation for communal assets and infrastructure, totaling LSL 2.5 million should be pooled for community development projects, while residents have demanded individualized compensation.

This case underscores the need for clear policies on resettlement and compensation to prevent prolonged disputes.

Property rights

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Private enterprise activities are generally supported but face occasional state interference. In March 2024, Lesotho's private enterprises received a significant boost through the Competitiveness and Financial Inclusion (CAFI) Project, funded by the World Bank. The initiative focused on enhancing access to business support services and financial products for micro, small and medium-sized enterprises (MSMEs), with special emphasis on women and youth. As part of this effort, the Lesotho Entrepreneurship Hub and Seed Financing Facility awarded seed funding to businesses across sectors such as information and communication technology (ICT), tourism and agriculture. This highlighted the government's commitment to fostering entrepreneurship and economic growth.

In April 2024, the Basotho Enterprise Development Corporation (BEDCO) further supported local enterprises by awarding nearly LSL 1.3 million in funding to businesses that successfully completed incubation programs. This funding aimed to scale up operations, promote innovation and create jobs, reaffirming the government's role in nurturing private businesses.

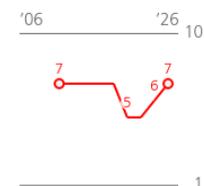
However, challenges persist for private enterprises in Lesotho. In February 2024, the government acknowledged that access to affordable, tailored financing remained a critical issue for small businesses. Through initiatives such as the Lesotho Youth Acceleration Project (LYAP) and the Lesotho Enterprises Assistance Program (LEAP), steps were taken to improve financial accessibility and support Basotho entrepreneurs.

In April 2024, an MSME forum raised concerns about the dominance of foreign businesses in Lesotho, particularly in the retail and service sectors. Participants criticized the marginalization of local entrepreneurs and called for policies that prioritized Basotho-owned enterprises so that economic benefits could remain in the country.

Amid these supportive efforts, the government faced backlash over actions perceived as being harmful to small businesses. In January 2024, small businesses and informal shacks in Maseru were destroyed in the course of road construction and urban development projects. Critics accused the government of prioritizing infrastructure over the livelihoods of vulnerable Basotho entrepreneurs. This incident underscored systemic challenges in balancing development with the protection of small businesses and ensuring inclusive growth.

Private enterprise

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10 | Welfare Regime

Lesotho's social welfare system provides essential support for vulnerable populations through various programs, although significant gaps and challenges persist. Key initiatives include universal non-contributory old-age pensions for citizens age 70 and older and financial aid for war veterans, orphans, people with disabilities and those with chronic illnesses.

In recent years, the Department of Social Development has sought to improve efficiency and address accessibility challenges faced by elderly and disabled recipients by transitioning to digital payment systems such as M-Pesa and EcoCash. However, these efforts have faced hurdles. In June 2024, delays in digital payment processing disrupted pension disbursements, particularly affecting elderly recipients. A planned LSL 50 social grant increase was also postponed because of administrative errors, although the department pledged to resolve these issues promptly and settle arrears in subsequent payments. Additionally, heavy snowfall in July 2023 disrupted pension disbursements in remote areas, further highlighting logistical challenges in ensuring timely and equitable grant distribution.

Lesotho has implemented additional programs to support vulnerable groups. In November 2024, the Ministry of Social Development introduced a Disability Grant program totaling LSL 10.5 million, offering quarterly allowances of up to LSL 400 per recipient. This initiative aligns with the Persons with Disabilities Equity Act 2021 and employs mobile payment platforms to enhance efficiency. The government has also expanded its support for elderly citizens aged 60 to 69, with 31,954 individuals receiving payments during the 2020/21 financial year. Despite these measures, gaps in coverage and service delivery persist, necessitating further policy adjustments to address systemic inefficiencies.

In the health care sector, Lesotho offers free primary health care and has implemented reforms such as the Lesotho Primary Health Care Reform (LPHCR), launched in 2014 in collaboration with Partners In Health. This initiative aimed to decentralize health care management to the district level as a means of improving service quality and accessibility, particularly in rural areas. Despite these efforts, significant challenges remain, including high maternal and under-5 mortality rates, a high prevalence of HIV/AIDS and tuberculosis, and inadequate management of the village health worker program. A July 2024 survey highlighted barriers such as limited decentralization of financial decision-making, staff shortages and poor communication about donor fund use, thereby undermining the effectiveness of the primary health care system.

Social safety nets

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Lesotho's progress toward ensuring equality of opportunity is notable but remains uneven across sectors. The country's constitution explicitly prohibits discrimination based on gender, disability, race and other grounds. Additionally, Lesotho has ratified international treaties such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), which reinforces its commitment to gender equality. During the reporting period, there was no evidence of discrimination based on sex, race or religion. However, politicians commonly influence employment decisions based on political affiliation.

Lesotho shows a distinctive trend in education: literacy rates among women surpass those among men. In 2022, the adult literacy rate was 82.01%, with the rate among women at 88.29% compared to 70.07% for men. This disparity stems from higher dropout rates among boys, who often leave school for employment or migration. Despite constitutional guarantees of equal educational rights, rural areas face challenges such as inadequate resources and a lack of inclusive education for students with disabilities.

Legal frameworks in Lesotho mandate equal pay for equal work and prohibit employment discrimination. However, as of 2023, women's labor force participation rate was 57.6%, significantly lower than the 73% participation rate for men. Women often face barriers such as limited access to certain professions and inadequate workplace support, including childcare facilities. While legal protections exist, enforcement mechanisms remain weak, perpetuating gender disparities in the labor market.

Women's representation in political office has gradually improved. In 2017, women held 22.7% of parliamentary seats. This progress has been bolstered by policies to increase female participation in governance. However, cultural norms and structural barriers continue to limit women's full involvement in political life.

However, hiring based on party affiliation has persisted across administrations, including the Revolution for Prosperity (RFP) government in power during the review period, despite its 2022 general election campaign promise to end nepotism and strive toward meritocracy. Specific complaints have arisen about the Ministry of Home Affairs under Minister Lebona Lephema. In November 2022, Lephema ordered a halt to processes aimed at filling vacant positions in the ministry. He said the decision would allow officials to review employment practices, identify any ghost workers burdening the government's finances and assess whether all employees were fully utilized.

Despite this official stance, there have been reports from various RFP constituencies alleging that Lephema has favored supporters from certain constituencies in employment decisions, leaving others marginalized. These allegations suggest that, contrary to the minister's public statements, political considerations may still influence hiring practices within the Ministry of Home Affairs.

Equal opportunity

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While direct evidence from publicly available sources is limited, the combination of the minister's employment freeze and subsequent complaints within the party indicates that the RFP government, like its predecessors, is not immune to political patronage in public sector employment.

11 | Economic Performance

Lesotho's economic performance in recent years has been characterized by modest and volatile growth rates, high unemployment rates and persistent structural challenges.

Lesotho's unemployment rate is estimated at 16.5%, as foreign direct investment has continued to decline, reaching -1.3% of GDP in 2023. The per capita GDP growth rate also declined from 0.2% in 2022 to -0.2% in 2023.

In 2023, the economy expanded by 0.9%, driven primarily by public sector activities and construction projects, particularly the Lesotho Highlands Water Project Phase II (LHWP II). This major infrastructure initiative had positive spillover effects in the transportation, logistics and financial services sectors. The momentum continued into the first quarter of 2024, with the economy growing by 2%, marking a notable improvement compared with the 1.2% contraction recorded during the same period in 2023.

Despite these gains, the economy faces significant hurdles. The secondary sector contracted by 8.2% in 2023, primarily due to a downturn in the textile and clothing subsector, which suffered from reduced orders in the U.S. market. However, Prime Minister Sam Matekane facilitated the reopening of two factories and successfully negotiated an extension of the African Growth and Opportunity Act (AGOA), which was set to expire in 2025.

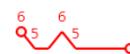
Lesotho continues to grapple with high unemployment rates and a substantial public wage bill. To address fiscal challenges, the Matekane administration implemented measures to reduce the civil service wage bill, including a freeze on hiring for non-essential public servants. The International Monetary Fund (IMF) commended these measures in its 2023 Article IV Consultation report, which highlighted the government's commitment to fiscal prudence.

Although measures to stabilize the economy show some promise, structural challenges in key sectors such as manufacturing and agriculture, coupled with weak financial management practices, continue to constrain sustainable growth.

Output strength

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12 | Sustainability

Lesotho has established a foundational legal and policy framework to promote environmental sustainability. The cornerstone of this framework is the Environment Act of 2008, which provides comprehensive guidelines for environmental protection and the sustainable use of natural resources.

Complementing this, the National Environmental Policy of 1998 outlines the country's commitment to integrating environmental considerations into socioeconomic development plans.

In response to escalating challenges posed by climate change, Lesotho introduced the National Climate Change Policy Implementation Strategy (CCPIS) in 2017. The strategy aims to build a climate-resilient society by mainstreaming climate change considerations across key national sectors.

Additionally, at the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), Lesotho emphasized the need for technology transfer and capacity-building to implement its adaptation strategies effectively.

Despite these policy initiatives, enforcement remains inconsistent. A recent report highlighted a significant reduction in Lesotho's wetlands, with more than 50% lost since 2017, underscoring the challenges in policy implementation and environmental protection.

During a December 2024 visit to Lesotho, United Nations Secretary-General António Guterres urged developed nations to fulfill their climate finance commitments, citing the country's vulnerability to climate-related hazards.

Despite comprehensive environmental policies, the country continues to experience enforcement challenges and tangible environmental degradation, indicating that while Lesotho has made strides in policy formulation, the implementation and consistent enforcement of these policies require significant strengthening.

Lesotho's educational policies are moderately effective but exhibit notable gaps, particularly in the area of quality rather than access. The government extended Lesotho's Second National Strategic Development Plan (NSDP II' 2018/19 – 2022/23) by an additional five years, now running through 2027/28. NSDP II's four priorities aim to foster inclusive and sustainable economic growth, promote private-sector-led job creation and strengthen human capital development.

The introduction of free primary education (FPE) during the period from 2000 to 2006 marked a significant step toward increasing access to education for all Basotho. In 2010, this initiative was strengthened by the enactment of the Education Act, which guarantees free and compulsory primary education as a legal right.

Environmental
policy

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Education policy /
R&D

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At the tertiary level, the National Manpower Development Secretariat (NMDS) offers funding to students split between loans and grants. The NMDS has faced criticism for inefficiencies, including the abrupt cessation of funding for postgraduate students and difficulties in loan recovery. In March 2023, postgraduate students sued the NMDS after it prematurely halted funding, citing breach of contract. In April 2024, the NMDS reaffirmed its policy requiring students to repay 50% of their undergraduate loans in order to qualify for additional sponsorships, a measure criticized for burdening financially vulnerable students.

However, challenges persist. According to a 2023 Bureau of Statistics report, Lesotho's youth unemployment rate is nearly 34%, a figure projected to rise unless the education system undergoes significant reforms. The report highlights a critical mismatch between the skills taught in schools and the demands of the labor market, particularly in sectors such as information technology, engineering and health care.

The Lesotho National Federation of Organizations of the Disabled (LNFOD) emphasized that despite legal reforms aimed at inclusive education – such as the constitution of Lesotho (1993), the Education Act (2010), the Children's Protection and Welfare Act (2011), the Inclusive Education Policy (2018), and the Persons with Disabilities Equity Act (2021) – these measures have not translated into substantial improvements in access to high-quality education for learners with disabilities. Many schools lack the infrastructure and resources necessary to support inclusive education effectively.

To address broader gaps, the government adopted the Education Sector Plan (2016 – 2026), which seeks to facilitate inclusive, high-quality education for all. However, implementation challenges remain, particularly in ensuring alignment between educational outcomes and labor market needs.

Governance

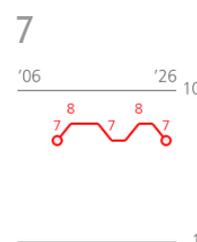
I. Level of Difficulty

Lesotho's structural barriers – including its challenging topography, infrastructural deficiencies, high HIV and AIDS rates, gender inequalities, high poverty rates and social exclusion – persist, preventing people from realizing their right to health and well-being. The poverty rate remains relatively high (54.7% as of 2017). The COVID-19 pandemic exacerbated the vulnerabilities of the poor, but social programs curbed the magnitude of its effects. Lesotho is among the countries that have achieved major reductions (of over 70%) in new HIV infections among adolescent girls and young women aged 15 to 24 years since 2010. The Global AIDS Report 2024 estimated that about 270,000 people in the country were living with HIV in 2023. However, Lesotho is among the countries reaching a viral suppression rate of above 86% among people living with HIV. The World Bank reported that the severe drought caused by El Niño adversely affected countries like Lesotho.

The government has made strides to curb the country's high unemployment rate (16.5%). Lesotho's Bureau of Statistics (2019) labor survey reported that the employment rate was 52.8%, and in July 2023 the government of Prime Minister Matekane introduced an apprenticeship program for young people that has taken in about 3,000 participants and is still ongoing.

Poor roads, especially in rural areas with challenging mountainous terrain and a lack of infrastructure, undermine the incumbent administration's capacity to govern effectively. Many people live in remote areas at the foot of the mountains, where access to roads, schools, hospitals and public services is limited. Since 2009, the government, through the Ministry of Social Development, has provided assistance to the poorest of the poor. Monthly amounts are as follows: LSL 200 a month for up to two children, LSL 250 a month for three to five children, and LSL 300 a month for more than five children. This assistance is barely enough to cover their needs, especially because the cost of food supplies is slightly higher in remote areas.

Structural
constraints



Lesotho's civil society organizations (CSOs) have demonstrated remarkable resilience and proactivity in addressing socioeconomic challenges, advocating for human rights to anchor themselves in society and holding authorities accountable over time. Their efforts span various sectors, reflecting a deep-rooted culture of civic participation and community engagement.

Organizations such as the Seinoli Legal Center, Survivors of Lesotho Dams and the Development for Peace Education (DPE) have led efforts to investigate and address the adverse impacts of large corporations on local communities. For instance, in January 2025, DPE engaged with the Lesotho Highlands Water Authority to discuss the repercussions of its projects for displaced communities. CSOs have actively participated in legislative processes, especially when proposed laws threaten civil liberties. The Media Institute of Southern Africa and the Transformation Resource Center (TRC) engaged with the minister of communications to oppose the Cyber Crime Bill, labeling it draconian and as a potential threat to freedom of expression. In October 2023, the Law Society of Lesotho and the Lesotho Council of Non-Governmental Organizations (LCN) condemned government actions when security forces attempted to interfere with parliamentary procedures concerning a motion of no confidence. This stance underscored CSOs' commitment to upholding democratic principles and the rule of law.

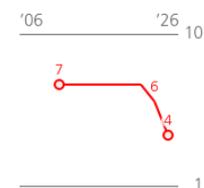
As of 2021, over 5,000 CSOs were officially registered with the Registrar of Societies in Lesotho, a testament to the vibrancy of the country's civic culture. The registration process is quite accessible, requiring a minimum of 10 members, a constitution and a nominal fee of less than LSL 150.

While Lesotho is not significantly affected by religious and ethnic divisions, the nation is not immune to political and social violence, especially social violence. In January 2025, one of the most vocal opposition members, parliamentarian and Basotho National Party leader Machesetsa Mofomobe, was shot three times near his home. However, a significant share of violence in Lesotho is caused by the Famo music groups, which have turned into gangs, engaging in unceasing retaliatory homicides, murders and brutal massacres, with related cases filling the courts. High Court Judge Mafelile Ralebese attempted to instill fear in perpetrators of this kind of violence by sentencing Motlatsi Rantoana, one of the perpetrators, to a 31-year jail term in May 2023. Similarly, on May 10, 2024, the minister of police, empowered by Section 10 of the Internal Security Act, promulgated a declaration of unlawful organizations notice that in effect criminalized the Famo gangs.

On May 16, 2023, the government promulgated a gazette that hindered freedom of movement and assembly for an unspecified period between 10 p.m. and 4 a.m. The Law Society of Lesotho issued a statement against these overly drastic government measures, which were later lifted.

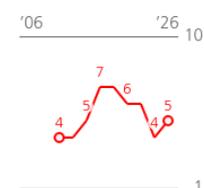
Civil society traditions

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Conflict intensity

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In addition to the groups that sometimes collaborate with politicians, politicians often attempt to polarize the nation, but they fall short of achieving their objectives. In February 2023, when Prime Minister Matekane dismissed civil servants who were said to have been hired unlawfully by the previous government, opposition leader Mathebeli Mokhothu threatened him with possible civil unrest. Nevertheless, citizens were not convinced to mobilize or protest.

II. Governance Performance

14 | Steering Capability

The government frequently sets priorities, but these are often compromised or deferred in favor of short-term or private interests. The government extended Lesotho's Second National Strategic Development Plan (NSPD II; 2018/19 – 2022/23) for another five years, through 2027/28. The NSPD II's four priorities are: enhancing inclusive and sustainable economic growth and private sector-led job creation (this includes boosting agricultural productivity and supporting youth innovations and enterprises); strengthening human capital (this includes nurturing the careers of youth); building enabling infrastructure (including road and airport construction); and strengthening national governance and accountability systems (this includes the oversight role of the parliament and the Directorate of Economic Offenses and Corruption). In 2023, Lesotho issued a National Commitment Statement on Accelerating Implementation of the SDGs. In this statement, Lesotho expressed its commitment to implementing the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

In some cases, government policies are not backed by scientific evidence, which weakens their adoption amid challenges. A project aimed at producing green hydrogen could not be adopted because of public opposition and the government's failure to convince dissenters of its benefits. The government of Lesotho organized the Metsi ke Bophelo Water and Hydrogen in a Digital Future Conference and Expo at the Manthabiseng Convention Center, scheduled for October 12 and 13, 2023. According to Minister of Natural Resources Mohlomi Moleko, its aim was to develop Lesotho's strategy to position it as a sustainable digital hydro nation. The African Development Bank agreed to support the conference with LSL 285,000. However, the public challenged the government's intentions and objectives through protests, given the lack of broad-based consultations on the project. Opposition parties also criticized the government, suggesting a possible corrupt relationship between the government and Metsi Ke Bophelo. This backlash led to the collapse of the project.

Question
Score

Prioritization

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Government policies are often ambitious but in many cases fail. The incumbent government has introduced several policies aimed at addressing unemployment, boosting agricultural productivity and improving infrastructure in line with its priorities. However, while many initiatives are underway, implementation is frequently undermined by inefficiencies, delays and occasional failures.

One of the government's notable achievements is strengthening the 2019 Youth Apprenticeship Program, which allows companies and organizations to request apprentices on two-year contracts with government-funded salaries. In September 2024, the youth apprenticeship and public works program, popularly known as "Lesupa-Tsela," was moved from the Ministry of Finance and Development Planning to the Office of the Prime Minister after being temporarily suspended in March 2024.

Additionally, Prime Minister Samuel Ntsokoane Matekane launched the Sebatso program on October 25, 2023. This annual platform allows youth to showcase their businesses and talents to investors, development partners and the private sector, with the aim of fostering innovation and entrepreneurship among young Basotho.

In the agricultural sector, the government allocated LSL 567.4 million in March 2023 to increase crop and fruit production. Farmers received subsidies for seeds and fertilizers that covered 70% – 80% of costs, with the aim of improving food production and combating hunger.

Infrastructure development has been prioritized, with notable improvements in road repairs. However, the Moshoeshoe I Airport rehabilitation project has been marred by allegations of corruption and delays. Although LSL 7 million was disbursed to the contractor, concerns about inefficiency and political interference have stalled progress. During a January 2025 parliamentary committee inspection, Chair of Chairs Mokhothu Makhwanyane expressed dissatisfaction and called for closer monitoring of the project. This sluggishness compounds a previous challenge, in which allegations that Lesedi Technical Engineering Consultancy (LTE) had secured the tender through political connections led to a temporary halt in the project in order to address those concerns.

Lesotho's government shows some capacity for policy learning, as evidenced by the extension of the Second National Strategic Development Plan (NSDP II) for another five years (2023 – 2028). The NSDP II retains its focus on the following priorities: enhancing inclusive and sustainable economic growth, fostering private-sector-led job creation, strengthening human capital, building infrastructure, and improving governance and accountability systems. This extension aligns with Lesotho's commitment to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). Learning from the limitations of the Millennium Development Goals (MDGs), the government realized that the SDGs provide a more comprehensive framework aimed at eradicating, rather than merely reducing, poverty and inequalities.

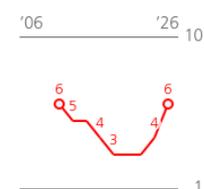
Implementation

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Policy learning

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In terms of innovation, Lesotho is working to modernize its digital infrastructure. The Ministry of Communications is developing a National Digital Transformation Policy, a Digital Transformation Strategy and a Cybersecurity Strategy, a significant step toward further technological advances. These initiatives highlight a commitment to leveraging technology for the purposes of governance and service delivery. However, as of January 2025, these policies had not been approved by the cabinet, limiting their practical impact.

Despite these efforts, Lesotho continues to face recurring governance challenges that reveal limited policy learning. A key example is the Ts'osane dumpsite issue, which has persisted for decades across multiple administrations. The inability to implement the Waste Management Act of 2008 and address the growing toxicity of the dumpsite reflects a lack of innovative problem-solving. In May 2024, the Catholic Commission for Justice and Peace and the Ha Ts'osane community raised complaints with the parliamentary Natural Resource Portfolio Cluster Committee, but no substantial progress has been made on the issue. This case underscores the government's failure to learn from past administrative shortcomings and apply evidence-based solutions to long-standing issues.

15 | Resource Efficiency

For the government, using available human, financial and organizational resources efficiently remains a significant challenge. While some areas demonstrate effective resource use, others are hindered by inefficiencies, clientelism and corruption.

Public debt amounts to 61.5% of GDP.

In November 2024, former Energy Minister Nqosa Mahao was dismissed following accusations of corruption that implicated his principal secretary. The auditor-general has expressed concern about principal secretaries who ignore financial regulations.

Additionally, members of parliament receive substantial allowances, including a monthly fuel allowance of LSL 5,000; a daily sitting allowance of LSL 150; and other benefits, such as housing, utilities and a tax-free expense allowance. Despite these benefits, lawmakers attempted to increase their salaries by 85% in March 2024, from LSL 40,500 to LSL 75,000, which deepened public mistrust, with 48% of Basotho expressing a lack of confidence in parliament in the 2019 Afrobarometer survey.

Recruitment practices in the public sector, particularly within ministries such as the Ministry of Home Affairs, have raised concerns. Many positions are filled based on political party affiliation, bribery or other non-merit-based criteria. In November 2024, Thakane Masupha, director of human resources at the Department of Home Affairs, revealed that Minister of Local Government and Chieftainship, Home Affairs, and Police Lebona Lephema, aided by parliamentarian Moshe Makotoko,

Efficient use of assets

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had intervened in the recruitment of 3,400 temporary staff. It was later discovered that many of these recruits were politically connected or had secured their positions through bribes. This clientelist recruitment undermines the efficiency and integrity of the public sector and perpetuates the mismanagement of resources.

Policy coordination under the current administration has been problematic, with evident misalignments and conflicts. One notable example involved former Energy Minister Nqosa Mahao. In one instance, Mahao clashed with a ruling-party parliamentarian who accused him of failing to engage in consultations before launching an electrification project in the parliamentarian's constituency. In another case, in February 2024, the prime minister instructed Mahao to dissolve the Lesotho Electric Company board just one day after Mahao appointed it. Additionally, the prime minister refused to intervene in a dispute between Mahao and his secretary.

Lesotho's efforts to contain corruption have been partially effective, with notable successes seen in certain cases, but with challenges persisting, particularly involving high-profile and politically connected individuals. The auditor-general continues to expose corruption and a lack of accountability in the country. In May 2024, she reported to parliament that most principal secretaries disregard financial policies.

Moreover, the regulatory framework for political party funding in Lesotho is very weak, and the Independent Electoral Commission does not appear prepared to monitor party funding effectively, especially in the case of donations. The institutional framework for combating corruption is in place, with the Directorate on Corruption and Economic Offences (DCEO) as the central body tasked with addressing this issue. However, the DCEO's effectiveness is constrained by political influence and limited resources.

The current head of the DCEO, appointed by the prime minister, faces challenges in maintaining independence, particularly when investigating cases involving senior government officials. This appointment has raised concerns about potential bias, as investigations rarely target individuals connected to the ruling party. In July 2023, despite these challenges, the DCEO froze the accounts of Platinum Credit, a major microfinance company, after its managing director, Motena Lishea, was accused of attempted theft and fraud involving LSL 280 million.

Progress has also been made in promoting transparency. For the first time, the DCEO disclosed that 15 members of the cabinet, including the deputy prime minister and prime minister, declared their assets by the February 1, 2024, deadline. Additional declarations were made by March 21.

Efforts to strengthen anti-corruption measures have also been supported internationally. The United Nations has worked with the DCEO to develop the National Anti-Corruption Strategic Action Plan (2024 – 2028), a significant step toward creating a cohesive and forward-looking approach to addressing corruption.

Policy coordination

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Anti-corruption policy

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16 | Consensus-Building

Key political actors in Lesotho generally agree on democracy and a market economy as strategic, long-term goals, but significant controversies persist, especially regarding the implementation of reforms and governance policies.

To begin with, the presence of numerous political parties (more than 50) and their fragmentation in the country indicate significant disagreements among political actors. Moreover, previous prime ministers rarely completed their five-year terms, and the incumbent during the review period was also challenged by a motion of no confidence to which he nearly succumbed.

The national reform process is a critical area of contention. These reforms, initially enacted by the 10th parliament in 2022, were nullified by the courts before the parliament dissolved. Prime Minister Samuel Ntsokoane Matekane emphasized the importance of these reforms on August 17, 2023, during the 43rd Southern African Development Community (SADC) Summit in Angola. However, opposition parties accused the prime minister of lacking genuine intent to advance the reforms, citing the absence of budget allocations to support their implementation.

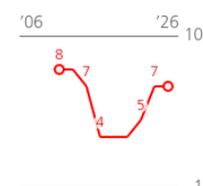
Another area of disagreement emerged in May 2023, when the government, through Police Commissioner Holomo Molibeli, introduced a curfew lasting from 10 p.m. to 4 a.m. The decision followed the high-profile murder of journalist Likonelo Joki.

Divisions within the government further complicate consensus on long-term goals. In January 2025, Finance Minister Retšelisitsoe Matlanyane was accused of signing a deal with a Chinese company without the cabinet's approval, a move reminiscent of the Frazer Solar case, which implicated former Minister Tsolo Temeki. On May 23, 2024, parliament directed the minister of trade, industry and business development to implement the Business Licensing and Registration Regulation of 2020, which reserves 47 business sectors for Basotho. Parliamentarians supported the regulation out of concern for their constituents, while Minister Mokhethi Shelile hesitated, fearing international backlash and potential economic consequences.

During the review period government, tried to exclude the anti-democratic Famo gangs that curtail human rights by banning elements of their identity, such as the use of blankets and music, and it called for their deregistration as associations. In May 2024, following the government's ban on Famo groups that have turned into gangs that contribute to high murder rates in Lesotho, the leader of the Alliance for Basotho Convention (ABC), Nkaku Kabi, berated the prime minister and demanded that he lift the ban. However, the government spokesperson, Thabo Sekonyela, accused Kabi of advocating for the Famo gangs because his party banks on them to finance its

Consensus on goals

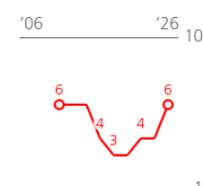
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Anti-democratic actors

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activities, including its election campaigns. While disagreeing with the approach, Kabi acknowledged to his supporters that the homicide rate in the country has skyrocketed, and appealed to the government not to attack Basotho culture by banning music but to instead address the killings. This was not surprising. In June 2022, while addressing an ABC rally in Klerksdorp in South Africa, where one of the groups, known as Terene ea Mokata Lirope, has a stronghold, Kabi vowed to always stand by the Famo group that had turned into a gang.

In Lesotho, the political leadership exhibits a mixed ability to moderate cleavage-based conflicts. While there are instances of collaboration among political actors, significant divisions and rivalries persist, often fueled by power struggles and personal interests rather than ideological differences. The collapse of most coalition governments shows that the political leadership is also ineffective at containing conflicts or cleavages.

Political rivalries are commonplace, but they are often set aside when mutual benefit arises. For example, despite their historical enmity, the Basotho National Party (BNP) and the Democratic Congress (DC) joined forces with other opposition parties to try to topple the government of Prime Minister Matekane in 2023. This coalition underscored a pattern in Lesotho's political landscape: alliances are forged based on convenience rather than shared values or principles.

Despite the Basotho Action Party (BAP) rhetoric censuring the RFP government for corruption, the BAP joined a coalition with the RFP in 2023. However, this coalition was short-lived, as the BAP withdrew in November 2024.

At the same time, the actions of key state institutions, particularly the military, have exacerbated political tensions. In October 2023, army commander Mojalefa Letsoela publicly vowed to prevent a motion of no confidence against Prime Minister Matekane, framing the motion as an act of national instability.

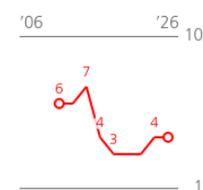
While political actors in Lesotho occasionally collaborate to pursue shared goals or to fend off common threats, these alliances are fragile and often driven by expediency rather than by genuine efforts to depolarize conflicts. The frequent involvement of the military in political affairs, as well as the use of state resources to settle political disputes, further complicates efforts to manage societal cleavages effectively.

The political leadership in Lesotho often consults with civil society, but these engagements are neither consistent nor proactive. However, Prime Minister Matekane made an exception by organizing a consultation with civil society a few months after taking office in November 2022. Consultation typically occurs in response to public pressure or specific policy issues, rather than being embedded as standard practice in agenda-setting and policy formulation.

In July 2023, the Ministry of Finance and Development Planning demonstrated an inclusive approach by inviting public input on the formulation of the 2024/25 budget. The minister published a statement requesting views on improving the budget process

Cleavage /
conflict
management

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Public
consultation

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in order to address challenges related to long-term fiscal sustainability. This effort reflected a broader practice among government agencies of soliciting public opinion. Similarly, the Lesotho Electricity and Water Authority (LEWA) routinely consults civil society organizations (CSOs) before changing electricity and water tariffs, highlighting an institutionalized culture of public engagement in these sectors.

In June 2023, the government withdrew the contentious Computer and Cyber Security Bill from parliament in order to facilitate consultations with civil society. However, the consultation was reactive rather than proactive, coming only after significant public outcry. This contrasts with more proactive approaches, such as the November 2022 initiative by the prime minister to engage civil society, which was driven not by controversy but by a commitment to inclusive governance. LEWA also exemplified consultation with civil society in August 2023 when it opted to grant smaller WASCO tariff increases than requested.

While these examples reflect a culture of consultation in Lesotho, the government's approach is often reactive rather than systemic. Civil society engagement is not consistently integrated into policymaking, but tends to occur when public pressure mounts or when required by institutional mandates. This sporadic approach limits the overall effectiveness and inclusivity of civil society consultation.

Lesotho's political leadership has been increasingly engaged in efforts to reconcile victims and perpetrators of past injustices, though challenges remain with regard to fully implementing a comprehensive transitional justice framework. Since gaining independence in 1966, Lesotho has experienced cycles of political violence, including coups, contested elections and governance instability, all of which have deeply entrenched mistrust in institutions and widened social divisions. Recognizing the need for reconciliation, the government has initiated several measures, often in collaboration with civil society organizations (CSOs) and international partners, to address historical injustices and promote peacebuilding.

The establishment of the National Reforms Authority (NRA) in 2019 marked a significant step toward formalizing reconciliation efforts. The NRA's mandate included initiating governance reforms and facilitating peacebuilding, which led to a proposal to establish a National Peacebuilding and Reconciliation Commission (NPRC). The NPRC was envisioned as an institution that would oversee truth-telling, reparations and institutional reforms to lay the groundwork for reconciliation. However, political commitment to fully operationalize these mechanisms has been inconsistent, with many recommendations from the NRA remaining unimplemented after its transition to become the National Reforms Transitional Office (NRTO).

In July 2024, the Strategic Institute for Research and Dialogue (SIRD) and the Lesotho Council of NGOs (LCN) began implementing a transitional justice project jointly funded by the African Union (AU) and the European Union (EU). The project is administered by the African Transitional Justice Legacy Fund (ATJLF) as part of

Reconciliation



the African Transitional Justice Initiative (ATJI), which is currently being implemented in eight African countries: the Central African Republic, Democratic Republic of Congo, Ethiopia, The Gambia, Niger, Lesotho, South Sudan and Zimbabwe.

The project, launched in September 2024 with the support of the deputy prime minister and the minister of justice, advocates the development of a national transitional justice policy. The government has embraced these efforts by launching the program, and CSOs are facilitating public consultations across Lesotho's 10 districts to ensure citizen involvement in the process. Additionally, the NRTO has engaged an expert to guide the transitional justice process, further demonstrating institutional support.

Workshops organized in December 2024 by the African Union (AU) and the Center for the Study of Violence and Reconciliation (CSV), together with SIRD and LCN, have also been instrumental in building the capacity of security agencies and CSOs. These initiatives have highlighted the importance of integrating the African Union Transitional Justice Policy (AUTJP) into Lesotho's reconciliation efforts. The workshops emphasized lessons from other African countries and encouraged incorporating traditional Basotho justice mechanisms, which are culturally relevant and resonate with local communities. Political leadership has shown a willingness to collaborate with CSOs, whose roles include mobilizing grassroots support, advocating for victims and documenting historical injustices.

17 | International Cooperation

Lesotho relies significantly on international assistance to implement its policies, revealing both strengths and inefficiencies in how it uses this support.

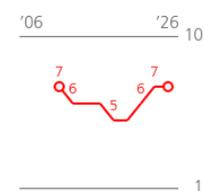
One notable success has been the ReNOKA initiative, a multistakeholder national program supported by the European Union, the Lesotho Highlands Development Authority (LHDA) and the German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The program aims to combat soil erosion, protect water sources and promote sustainable land use.

In September 2023, when Lesotho faced the adverse impacts of El Niño-induced drought, the Disaster Management Authority (DMA) secured LSL 52 million from the United Nations World Food Programme (WFP) to mitigate its effects in the southern districts of Mofale's Hoek, Mafeteng, Thaba-Tseka and Quthing.

However, inefficiencies in using international support persist. In March 2024, for example, Lesotho risked losing a significant \$322.5 million package under the Millennium Challenge Compact (MCC) from the United States because of delays in

Effective use of support

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meeting preconditions. The U.S. government required Lesotho to enact three pieces of legislation: the Labor Code Amendment Act 2024, the Administration of Estates and Inheritance Act 2024, and the Occupational Safety and Health Act 2024. Despite the urgency and economic importance of the MCC package, the government waited until just one month before the deadline to act on these legislative requirements, raising concerns about its capacity to align domestic processes with international expectations in a timely manner.

Lesotho is largely regarded as a credible and reliable partner in its international relations, as demonstrated by its participation in global initiatives, its regional leadership and its cooperation with development partners. However, certain challenges, particularly regarding implementation of laws, have compromised the government's commitment.

King Letsie III's designation as the African Union Nutrition Champion and U.N. Food and Agriculture Champion underscores Lesotho's leadership in addressing key continental and global challenges affecting the African Union's Agenda 2063 – The Africa We Want and the U.N. 2030 Agenda on Sustainable Development.

In July 2023, the World Bank Group launched the Country Partnership Framework (CPF; 2024 – 2028) in collaboration with Lesotho. The framework aims to promote a private-sector-driven, export-oriented economy and support the government in achieving the objectives of its National Strategic Development Plan II (NSDP II).

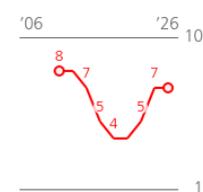
However, domestic challenges occasionally tarnish Lesotho's international reputation. As of January 2025, Basotho have visa-free access to 48 countries and visa-on-arrival privileges in 40 others, reflecting global trust in Lesotho's citizens.

On March 15, 2023, the government of Lesotho ratified the Labor Relations (Public Service) Convention, 1978 (No. 151); the Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187); and the Violence and Harassment Convention, 2019 (No. 190) with the International Labour Organization. These ratifications demonstrate Lesotho's commitment to protecting public employees' freedom of association, promoting sound labor relations, ensuring safe working conditions and fostering violence-free workplaces.

However, Amnesty International has raised concerns about human rights violations in Lesotho, particularly involving security forces. On May 23, the Lesotho Defense Force suppressed peaceful protests by communities affected by construction of the Polihali Dam in Mokhotlong. Additionally, former soldier Ntabejane Kanono died in Maseru Maximum Security Prison on May 20, and Mahloko Mohlori, 60, died in police custody in Thaba-Tseka on July 29 after a traffic-related arrest. In December, correctional officers assaulted at least 10 detainees, including nine soldiers, at Maseru Maximum Security Prison.

Credibility

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On a positive note, in April 2024, parliament passed the Administration of Estates and Inheritance Act, 2024, aimed at preventing discrimination against women in areas such as inheritance, marriage, nationality, land rights and chieftainship. This move drew attention from the United Nations Human Rights Committee and the international community.

Lesotho promotes regional cooperation and maintains strong relationships with its neighboring countries through membership in regional organizations and participation in joint initiatives.

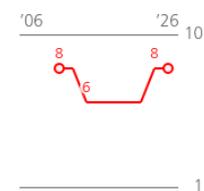
As a member of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU), Lesotho works to foster regional integration and stability. In October 2023, the Lesotho Defense Force (LDF) deployed its third contingent of troops to Mozambique as part of the SADC Mission in Mozambique (SAMIM). Launched in August 2021, the mission supports the Mozambican government's efforts to address the insurgency in Cabo Delgado. Lesotho's sustained commitment to SAMIM underscores its dedication to regional peace and security.

Lesotho also plays an active role in regional trade. According to TrendEconomy (2024), South Africa remains Lesotho's primary trading partner, accounting for 53% (\$444 million) of the country's exports in 2023. This underscores the depth of economic interdependence between the two nations. Lesotho engages in trade with other neighboring and regional countries, including Eswatini (\$7.4 million), Botswana (\$1.74 million) and Mozambique (\$1.11 million). Beyond the region, Lesotho extends its trade networks to countries such as Egypt (\$2.57 million), Belgium (\$195 million) and the United States (\$156 million). This diverse trade portfolio reflects Lesotho's efforts to maintain regional and international economic connections.

However, Lesotho's cooperation is not without challenges. While it actively engages in regional initiatives, its domestic instability, particularly its high crime rates and economic dependence on South Africa, sometimes overshadows its efforts. These issues highlight vulnerabilities that can affect its regional partnerships. Additionally, the country has grappled with convincing South Africa to provide a sustainable arrangement such as long-term residence and work permits. The Lesotho Exemption Permits allowing such activities expired on December 31, 2023, but the then-South African Minister of Home Affairs, Aaron Motsoaledi, agreed to extend the Lesotho Special Exemption Permits (LSEPs) for Basotho migrants working or studying in South Africa for another two years. Thus, they will expire on November 29, 2025. However, a large number of Basotho migrants who applied for the LSEPs since 2015 have not yet been issued permits. An estimated 90,314 Lesotho nationals have sought LSEPs, but the permits were granted to approximately 54,653 Basotho.

Regional cooperation

8



Strategic Outlook

Lesotho's transformation reflects progress in the areas of democracy and governance, but persistent challenges remain with regard to fostering economic growth, political stability and social inclusion. Completing the Omnibus Bill and its constitutional amendments will be essential to stabilizing governance and reducing political fragmentation. Supporting the institutionalization of political parties through capacity-building programs and by enforcing pre-election coalition agreements can foster long-term political stability. To ensure accountability, oversight mechanisms must address human rights violations by security forces and, with support from international actors, professionalize the police and military.

Economic revitalization will require diversifying the economy beyond textiles and mining by investing in agriculture, renewable energy and technology, while expanding support for small and medium-sized enterprises through accessible financing and training. Addressing the high unemployment rates will require scaling up apprenticeship and skills-development programs aligned with labor market needs, particularly in high-demand sectors such as ICT, construction and health care. Fiscal sustainability can be enhanced by reforming tax systems to capture informal sector revenues and reevaluating policies like VAT zero rating for diamond exports.

Promoting social inclusion must involve improving rural infrastructure to enhance access to education, health care and markets, while leveraging public-private partnerships to expedite development. Expanding social safety nets such as disability grants and pensions and addressing logistical challenges in their distribution can alleviate poverty and inequality. Gender disparities in education and labor participation should be tackled through policies that include subsidized childcare, vocational training and inclusive education reforms.

Democratic practices can be strengthened by improving voter education and accessibility, securing adequate funding for the Independent Electoral Commission, and protecting journalists through comprehensive freedom of information laws. Civic engagement should be enhanced by empowering civil society organizations to monitor government actions and advocate effectively for marginalized communities.

Finally, international partnerships should focus on targeted development aid for infrastructure and governance reforms, regional collaboration with SADC on issues including trade and anti-corruption, and climate adaptation programs promoting sustainable agriculture and renewable energy.