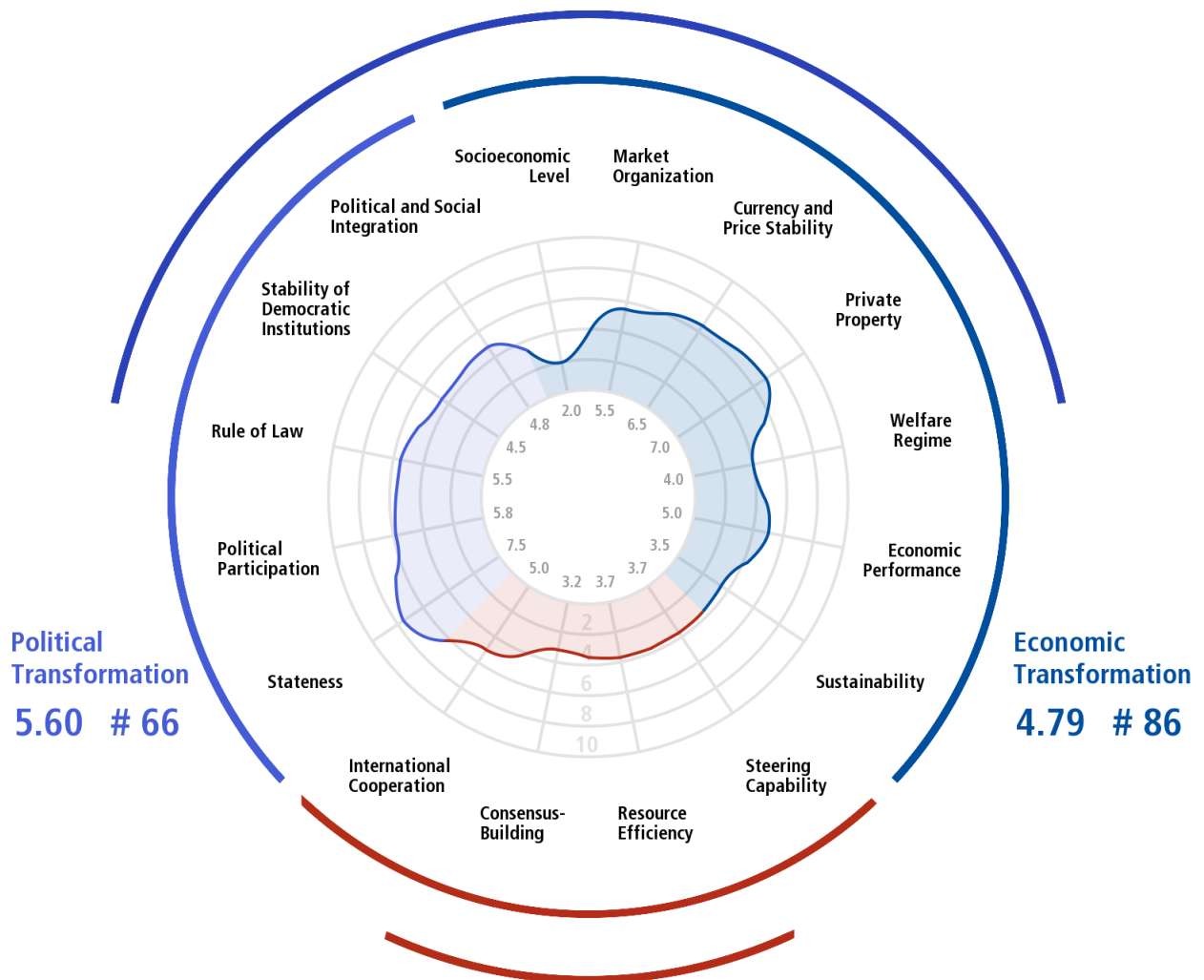


Lesotho

Status Index

5.19 # 73

on 1-10 scale out of 129



Political Transformation
5.60 # 66

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Governance Index

3.59 # 103

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	2.2	HDI	0.497	GDP p.c., PPP \$	3029
Pop. growth ¹	% p.a.	1.3	HDI rank of 188	160	Gini Index	54.2
Life expectancy	years	53.6	UN Education Index	0.528	Poverty ³	% 78.0
Urban population	%	27.8	Gender inequality ²	0.549	Aid per capita \$	38.2

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Lesotho has been shaken by a series of destabilizing events during the period under review (2015-2017). The country held snap elections after the first coalition government led by Thomas Thabane collapsed prematurely. Pakalitha Mosisili who had been the country's prime minister between 1998 and 2012 returned to power to lead the second coalition government. Mosisili's regime also only lasted for two years when he lost a confidence vote, tabled by the deputy leader of his party Monyane Moleleki. Moleleki led an exodus of members of parliament and ministers from Mosisili's Democratic Congress just before the motion of no confidence against the prime minister was tabled. However, instead of handing power to Moleleki, Mosisili called for snap elections.

The country's image was tarnished by the brutal killing of Maaparankoe Mahao, who had been appointed by Thabane's regime as the commander of the Lesotho Defense Force (LDF). Mosisili fired Mahao immediately upon ascending to power and reappointed Tlali Kamoli as the army commander. Upon his return, Kamoli accused all soldiers who had accepted Mahao as army commander as having mutinied against him, and they were reportedly detained, arrested, tortured and were to be charged before the court martial. During this time, soldiers killed Maaparankoe Mahao and refused to cooperate with investigations into his death, claiming that it was a military operation and LDF was responsible not individual soldiers.

The government of Lesotho then invited the Southern African Development Community (SADC) to come to investigate the circumstances leading to Mahao's death. However, the investigation conducted through a commission of inquiry did not yield any progress in establishing motives or the individuals responsible for his death. The commission made recommendations that were binding on the government. But the government refuted that recommendations should be binding, claiming it was its preference to decide which recommendations to implement. Mahao's death and other human rights violations angered many local and international players. Lesotho was told by the U.S. government, among others, that if it did not implement the SADC commission report it risked losing aid and preferential market access. This eventually led the firing of Tlali Kamoli and

the government declaring intentions to introduce constitutional and institutional reforms. However, this was all halted by the motion of no confidence against Prime Minister Mosisili and the calling of snap elections.

Lesotho's economic performance was very bleak. The period under review was marked by low economic growth, zero job growth and declining reserves. The country remains heavily depended on customs revenue to finance its recurrent expenditure. The private sector remains very weak with most companies competing for government tenders, which tend to increase corruption and nepotism. The period under review saw some of the biggest public procurement scandals in Lesotho since the turn of the century.

History and Characteristics of Transformation

The country's endowment of mineral resources is yet to be properly utilized. There have been very few geological surveys on the mineral deposits in Lesotho. This may be due to the terrain, which makes it less attractive compared to its neighboring South Africa. However, in recent years the country has attracted massive investment in its natural resources. This resulted in initiatives like the Lesotho Highlands Water Project (LHWP), which channels Lesotho's vast clean water supply to neighboring South Africa. The country has unexploited diamond deposits in spite of recently producing some of the world's largest gems. The country's biggest private employer is the textile industry, which has realized massive growth under the Africa Growth and Opportunity Act (AGOA) of the U.S. government. The single biggest contributor by far to its GDP has been the revenue generated by the Southern African Customs Union (SACU) tariffs, which consists of Botswana, Lesotho, Namibia, South Africa and Swaziland. SACU revenue accounted for 44.41% of the national budget, or LSL 6,398,200 million, in financial year 2015-2016.

Lesotho, at present is a relatively stable democratic constitutional monarchy. After a protracted period of about 25 years of undemocratic rule which included seven years of military rule, the country held democratic elections in 1993. The transition was largely facilitated by external donor pressure, which coincided with a breakdown of the military-monarchy oligarchy in 1990. As the military's grip on the levers of power weakened, the prohibition of political activity was lifted and preparations began for general elections. The Basutoland Congress Party (BCP) won control of parliament with a landslide victory in 1993. The country therefore became a one-party dominant state immediately after a return to democracy.

In the years that followed, the legitimacy of Lesotho's democracy experienced several internal challenges. In 1994, King Letsie III staged a military-backed coup and appointed an interim government, after he unsuccessfully tried to persuade the ruling BCP to reinstate his father, Moshoeshoe II, who was deposed and went into exile after having a fallout with the military government. Civil society groups mobilized stakeholders in and outside Lesotho to pressure the king to revert to the constitution and reinstate a democratically-elected government. A negotiated settlement resulted in the reinstatement of the BCP and Letsie III abdicated in favor of his father.

He, however, returned to the throne soon thereafter following the death of Moshoeshe II's in a car accident. The second democratic elections since the return to democracy were held in 1998 and won by Lesotho Congress for Democracy (LCD). Although international election observers described the poll as free and fair, opposition parties and their followers contested the outcome, and as a result, widespread violence and looting occurred in the country. That led to a Southern African Development Community (SADC) military intervention led by South Africa and later joined by Botswana and Zimbabwe. The countries were welcomed by the government as the state apparatus was completely paralyzed by the protesters.

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

Since independence, Lesotho has engaged in comprehensive planning exercises, such as the National Development Plans (NDPs), Poverty Reduction Strategy (PRS) and the National Vision 2020. The country has tried many strategies in an attempt to address structural challenges and implemented public sector reform programs to improve efficiency. The success of such programs however, remains hampered by significant financial constraints and a skill deficit. The National Strategic Development Plan (NSDP), a five-year plan, failed to take off and the period under review marked the last two years. There is no evidence of what has been achieved since April 2012. Scores of Basotho are in dire need of jobs to make ends meet. There is an increasing threat to the country's eligibility to preferential treatment in the U.S. market under AGOA as the government is not fully implementing the recommendations of the SADC Commission of Inquiry on the death of former army commander Maaparankoe Mahao.

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

During the period under review, the government had a monopoly on the use of force throughout the geographical boundaries of Lesotho. However, there was unrest within the armed forces that resulted in the killing of the army commander Maaparankoe Mahao. There were other senior military personnel that were arrested and accused of mutiny by those loyal to Tlali Kamoli. Kamoli eventually left the army command on December 1, 2016. This was part of implementing the Justice Phumaphi Commission of Inquiry report on Maapankoe Mahao's death. Among other recommendations, the report recommended dismissing Kamoli for having overseen the death of such a senior soldier.

Major General Khoantle Motsomotso became the commander of the Lesotho Defense Force. The government of Mosisili promoted a number of soldiers implicated in the killing, arrest and reported torture of soldiers. Soldiers who were deemed to have accepted Mahao as the commander of the army during Thomas Thabane's regime were all arrested and accused of mutinying against the command of Tlali Kamoli. Thabane had announced the removal of Tlali Kamoli from LDF command on August 29, 2014, which was then followed by an alleged attempted coup led by Kamoli and his men. Various soldiers were then arrested, tortured and held in the maximum prison while awaiting their cases to be tried before the martial court. Mosisili's regime also fired the Commissioner of Police Khothatso Tsooana and appointed Molahlehi Letsoepa as the new commissioner.

The presence of the army in the streets was very prominent during the period under review. The three opposition leaders Thomas Thabane of the All Basotho Convention, Thesele Maseribane of the Basotho National Party and Keketso Rantso of the Reformed Congress of Lesotho fled to South Africa alleging that the army wanted to kill them. They were then followed by other opposition parliamentarians, activists and soldiers who were running away from arrest and torture. The government did not contest territory with any armed person during the period under review.

Question
Score

Monopoly on the
use of force

8

'06 '18 10



1

Lesotho remains economically dependent on the Republic of South Africa, but the identity of its state, a constitutional monarchy, remains distinct from that of its bigger neighbor. There is a general appreciation and positive feeling among Basotho of the official concept of the nation-state.

The major challenge for Lesotho during the period under review remained the fact that an estimated quarter of its population hold dual citizenship, the majority of which have South African citizenship. Lesotho does not allow dual citizenship yet most of its workforce migrate to South Africa. It is often very easy for Basotho to acquire South African citizenship. In an attempt to address issues related to the role of migrants in the development of Lesotho, the government developed a migration and development policy during the period under review. The governments of Lesotho and South Africa worked together to urge Basotho who had illegally acquired South African citizenship and all other irregular Basotho migrants in South Africa to go through the process of obtaining legally recognized residency in South Africa. During the period under review, the government of South Africa introduced the Lesotho Special Permit (LSP) which is a five-year permit issued to Basotho citizens working and staying in South Africa. All those who had used irregular means to acquire South African citizenship were granted amnesty by South Africa.

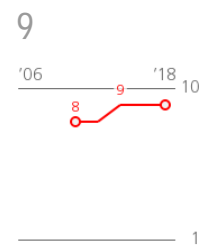
The period under review did not have any recorded incidences where citizens were denied full citizenship rights in Lesotho. The program of issuing national identity documents and new biometric passports to Basotho continued smoothly, and there were people who were naturalized as citizens of Lesotho during the period under review. Most of the people naturalized were of Asian descent.

Religion plays a cardinal role in Lesotho with Christians estimated to be around 90% of the population. The state however remains secular in line with the provision of the constitution on religious freedom. Other religious minorities are free to practice their religious practices without interference or intimidation from the Christian majority. There is an increasing emergence of other religious practices, which were not predominant in the country and the integration of these practices has been smooth as the country truly embraces secularism.

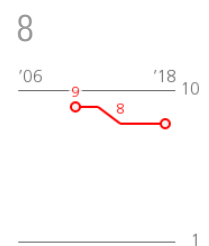
There were minor challenges for religious minorities during the registration of citizens when populating the national identity registry. Baptism certificates were some of the required documents, and groups such as Muslims encountered challenges as they do not have these documents for children. Ultimately the requirement was made an option after citizens complained of its inappropriateness.

However, Christianity continues to play a pivotal role in Lesotho. For instance, a prayer is said before and/or after government events. The influence of Christianity influenced the government's refusal to accept same-sex marriage during the period under review. The state does not even have a formal office to handle atrocities against lesbians, gays and transgender people. These people are often left to rely on the

State identity



No interference of religious dogmas



support of their peers in the event that they are persecuted based on their sexual orientation.

According to the World Development Indicators 2016, 82% of Basotho had access to water sources. The country was hit by an enormous drought in 2016 as a result of the El Nino phenomenon that had engulfed the southern hemisphere. On the other hand, only 30% of the population has access to improved sanitation facilities.

During the period under review, the Lesotho Revenue Authority (LRA) struggled to fill the position of the commissioner general. They eventually filled the position by employing Thabo Khasipe in December 2016. However, many businesses and individuals continue to evade paying taxes. The most common issue is that even those who pay taxes do not submit tax return forms to the LRA. The most high-profile case during the period under review was that of the President of the Court of Appeal Justice Kananelo Mosito. He ultimately resigned after going through an impeachment hearing. The other case was of the newly appointed Commissioner General of LRA Khasipe who was suspended just months after appointment with suspicion that he did not fully comply with tax laws and failed to file his tax returns with LRA before joining the organization.

The government has been unable to cope with the impact of the ill-advised procurement of fleet management services. The government had to reallocate resources that were meant for other initiatives during the financial year 2016 to 2017 to finance fleet management; and the cabinet did not follow the appropriate procurement process in order to award the tender to Bidvest Fleet Company.

2 | Political Participation

In the last general elections held in February 2015, no political party won a simple majority to form government on its own. This led to the formation of the second coalition government in Lesotho. Pakalitha Mosisili returned to power after Thomas Thabane's government lasted just over two years. Media access to government was limited to those in control of the Ministry of Communication at the time of elections. The only other time rival political parties were given access to the government-run radio and television was during programs facilitated by the Independent Electoral Commission. The 2015 general elections were declared free and fair by both local and international observers. However, the Basotho Democratic National Party lodged a case with the High Court of Lesotho alleging that the Independent Electoral Commission committed an error in the allocation of parliamentary seats. It lost the case in the High Court and in the Court of Appeal.

There were 23 political parties that ran in the 2015 elections, an increase from 18 parties in 2012. The Democratic Congress of Pakalitha Mosisili emerged from the elections with 47 seats out of 120 in the National Assembly. It was closely followed by All Basotho Convention of Thomas Thabane with 46 seats. The Lesotho Congress

Basic
administration

5

'06 '18 10

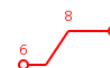


1

Free and fair
elections

8

'06 '18 10



1

for Democracy and Basotho National Party followed with 12 and seven seats respectively. The Democratic Congress led a coalition with LCD and five smaller parties to form government while Thabane led a very strong opposition.

The government of Pakalitha Mosisili was paralyzed by resignations of ministers and deputy ministers from government. The ministers, led by then deputy president of Mosisili's Democratic Congress (DC) Monyane Moleleki, stated that they were doing so in protest of rampant corruption under the stewardship of Mosisili.

The coalition government lost its simple majority in the National Assembly as soon as Moleleki and his cohort moved across the aisle. Overall, 22 members of parliament from Mosisili's Democratic Congress stated that they were withdrawing from the coalition government. Mosisili then called a special conference of DC members which was scheduled to serve as a disciplinary hearing against members of the executive committee led by Moleleki. The conference was held and a resolution passed throwing Moleleki and his cohort out of the executive committee. Moleleki went on to form the Alliance of Democrats (AD) together with those members of parliament that defected from the Democratic Congress. The motion of no confidence was scheduled to be tabled in parliament before the speaker of the National Assembly unceremoniously closed the house sine dire – thereby postponing a vote of no confidence against Mosisili. In the process, the speaker wrote a show-cause letter to nine opposition parliamentarians requesting them to explain why they cannot be expelled from the National Assembly.

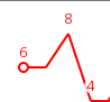
Lesotho Defense Force remains central to functioning of the state. The former army commander Lieutenant General Tlali Kamoli openly rebuked opposition members of parliament after they criticized the amount of money allocated to the army versus that for the country's development needs. The response of the Chairperson on Prime Minister Affairs, Refiloe Litjubo, toed the army line and suggested the security budget may need to be discussed in secret. The government was also held ransom by the power wielded by the army regarding whether Lesotho should implement the recommendations of the SADC commission of enquiry on the death of Maaparankoe Mahao.

The freedom of association and assembly are guaranteed against any government interference and restrictions in Lesotho. However, during the period under review, the government was at loggerheads with many human rights organizations about the arrest and torture of the soldiers accused of mutiny. The human rights organizations were denied access to the maximum security prison where the soldiers were detained while awaiting their trials. There were no restrictions on the ability of these organizations to organize campaigns and to mobilize financial resources locally and from outside the country. At the same time, the government through the Minister of Human Rights, threatened to introduce new laws that will restrict the ability of non-governmental organizations to criticize government policies. While no such law was

Effective power to govern

4

'06 '18 10



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Association / assembly rights

6

'06 '18 10



1

introduced, government and non-governmental organization relations remained very cold.

There were a number of protests organized by opposition political parties as well as a coalition of labor unions, business associations and civil society organizations. The most pressing issue was the threatened loss of market access to the United States under the Africa Growth and Opportunity Act (AGOA), as access was conditional on implementing recommendations of the SADC Commission of Enquiry on the death of Maaparankoe Mahao. The Lesotho Mounted Police Services constantly attempted to deny protest permits to organizers. At some stage, the Minister of Police Monyane Moleleki was forced to overrule a decision not to grant the National University of Lesotho students a permit to march against rampant corruption.

Citizens were free to organize themselves and form associations. The administrative cost of registering a non-governmental organization is less than \$15. However, there is an annual fee of around \$3.50 which is paid by all registered non-governmental organizations. The biggest impediment for registration of NGOs comes to those in rural areas as they have to travel to the capital Maseru to register their associations.

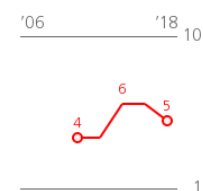
The government of Lesotho attempted to interfere with freedom of expression during the period under review when the Minister of Communications Science and Technology instructed the Lesotho Communications Authority (LCA) to find ways of closing social media in Lesotho. The move prompted LCA to request the two telecommunications operators to write whether that move would be feasible or not. However, the Media Institute of Southern Africa – Lesotho and Consumers Protections Association (CPA) opposed the move and quickly LCA backtracked from the initiative. The minister does not have legal powers to instruct the regulator to close social media or any other media.

There is no freedom or access to information legislation in place. Potential public information remains secret and most of the time, its publication depends on the willingness of the stewards to make it public. In the event that public information is leaked, journalists and whistle blowers are threatened by the police to reveal their sources. The lowest point was when journalist Keiso Mohloboli and Lloyd Mutungamiri, the editor of Lesotho Times and Sunday Express newspapers, were questioned by police and ordered to reveal their sources. This happened after Keiso Mohloboli had written a newspaper article about ongoing negotiations between government and army commander. The article had stated that Tlali Kamoli was set to be given a golden handshake of around \$3 million to retire from Lesotho Defence Force. Mutungamiri was shot by unknown gunmen on July 10, 2016, causing Mohloboli to quit her job and flee the country in fear for her life.

When hot political debates were held on different radio station, they would go off-air only to later regain their broadcast. Almost all private radio stations are using state infrastructure to reach their audiences and it is very easy for government officials to interfere with the operations of private radio stations.

Freedom of
expression

5



3 | Rule of Law

Lesotho has three pillars of government, partially separated. The major challenge facing the country is the fact that members of the executive are also members of parliament. In order for the person to qualify to be a minister or deputy minister they should first and foremost be members of parliament or senators.

The parliament is not fully independent in that it relies on budget allocation made by the executive. Another issue is that the workers of parliament are civil servants answerable to the Ministry of Public Services. This translates into under-resourced and under-funded parliament, in turn compromising its oversight role.

The country's legislature consists of two houses: a lower house or National Assembly with 120 members (80 elected through the first-past-the-post and 40 on the basis of proportional representation) and the upper house or the Senate, consisting of 22 principal chiefs and 11 members who are appointed by the king.

The prime minister, as head of the executive, recommends judicial appointments and impeachments to the king. During the period under review, the President of the Court of Appeal Justice Kananelo Mosito was taken through an impeachment proceeding. Justice Mosito resigned before the report of his impeachment was published. The Labor Court was paralyzed as the prime minister did not initiate the process of recommending the appointment to the king as per the law. This meant that for the duration of the period under review no cases were heard at the Labor Court since there was no judge. This happened after the former judge resigned and joined the central bank of Lesotho.

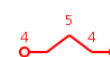
The President of the Court of Appeal Justice Kananelo Mosito resigned in December 2016. Justice Mosito was accused of not filling out a tax return form, and impeachment proceedings against him were initiated. Justice Mosito was appointed by the former Prime Minister Thomas Thabane amid protests by then-opposition leader and current Prime Minister Pakalitha Mosisili. Justice Mosito argued that many well-known legal practitioners were not filing tax returns with the Lesotho Revenue Authority (LRA) and his impeachment was a witch-hunt, but the courts stated that he should be subjected to impeachment proceedings.

By not appointing a judge, the government of Lesotho interfered with the operations of the Labor Court. This has meant that labor disputes were not heard. The Minister of Labor Adv. Thulo Mahlakeng was found to have interfered with the recruitment of an officer of the Directorate of Dispute Prevention and Resolution (DDPR). This finding occurred after a candidate for the position approached the court of law to intervene after it surfaced that Minister Mahlakeng had interfered.

Separation of powers

4

'06 '18 10



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Independent judiciary

6

'06 '18 10



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The soldiers accused of bombing the residence of the former prime minister's partner are yet to appear before court. This happened after requests by the Commissioner of Police to interview suspects were refused by army command.

The prime minister is not legally barred from appointing members of his family to senior government positions. Prime Minister Mosisili has made good use of this and appointed his biological and marital children to serve at the highest level of government administration. His son is the deputy principal secretary ministry of water affairs and the son's spouse appointed the principal secretary of the Ministry of Trade and Industry, only to be transferred to the Ministry of Justice in December 2015.

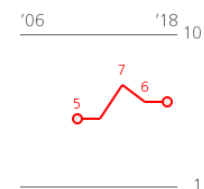
The period under review was marked by a series of reported cases of corruption or conflict of interest at the higher echelons of power. The executive was involved in making a decision to outsource government fleet management services – against the recommendations of a procurement committee. The services were awarded to Bidvest Fleet Company, which had not even submitted a bid to provide the services. Bidvest was awarded to provide fleet management services to the government in October 2015 after the current service provider Avis Fleet Services had a misunderstanding with government. The Minister of Finance made a public statement where she promised that Bidvest was only engaged for six months as a stopgap measure and would not be involved in any further engagement. A joint venture between Fleet Service Lesotho (Pty) Ltd and Lebelonyane Fleet Solutions (Pty) Ltd was recommended for the award of the tender where it came up against Avis Fleet Services (Pty) Ltd and Fleetmatics (Pty) Ltd.

The Senator Lebohang Thotanyana, a known businessman and current Minister of Mining, continued to operate his mining supplier company which was contracted by mining companies doing business under his watch as minister. Media reports published a damning conversation between Thotanyana and some youth activists from one of the seven coalition parties where they discussed awarding tenders within extractive industry to benefit political cadres. However, there have been no charges against the minister or anyone in the aftermath of the publication.

The constitution of Lesotho guarantees basic civil liberties and their enforcement by all arms of the state. Yet in some instances, practice diverges from the intentions of the founding documents of Lesotho. Intimidation and brutality by the police and army continue to be a remnant of the country's long autocratic history, which has not been exorcized entirely from Lesotho. Whether in the cases of suspected criminals, informal traders or street vendors, public protests or individual criticizing government policies, several instances of alleged brutality and/or torture have been documented in recent years. The death penalty remains in the country's statutes, despite not having been used since the return to democracy in the early 1990s. The

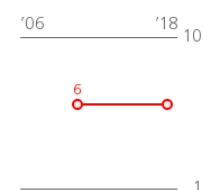
Prosecution of
office abuse

6



Civil rights

6



period under review has seen increased freedom of expression by the populace and the government has been forced to respond to most issues.

The prison conditions remain harsh and are often characterized by overcrowding as a result of inadequate facilities. The government of Lesotho is paying hundreds of thousands of U.S. dollars annually in compensation to people who have been tortured by police. The courts have been very firm on this particular matter; hence the Police Directorate keeps making settlements with torture victims. The number of victims of police brutality has increased significantly during the period under review. Joint operations between the army and police have not improved respect for civil rights. One constable of the Lesotho Mounted Police Services, Mokalekale Khetheng, mysteriously disappeared and is feared killed while in the custody of his colleagues. Very senior police officers are implicated in his disappearance. Opposition activists also faced arbitrary arrest from the police while activists that support the ruling coalition were free to say what they wanted without fear of arbitrary arrests.

In November 2015, the Human Rights Commission bill was tabled before parliament. However, civic groups claim the bill did not give a requisite level of independence to the commission and advised that the bill incorporate amendments giving the commission sufficient autonomy and independence. One of the major points of contention was the fact that the appointment of commissioners would be made by the king on the recommendation of the prime minister. Human rights groups felt that the government could not be trusted to appoint independent people to oversee human rights, especially when the biggest violator of human rights is the state.

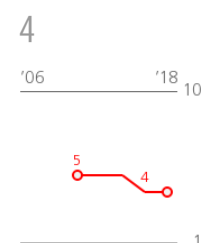
The government of Lesotho also tabled an amnesty bill aimed at granting members of the security sector a blanket amnesty for offenses committed between January 2007 and December 2015. It was opposed by civil society organizations saying it promotes impunity and fails to hold perpetrators of heinous crimes accountable for their actions.

4 | Stability of Democratic Institutions

The period under review was marked by enormous challenges for democratic institutions in Lesotho. The political parties agreed to defer holding local government elections. This deferred local elections and an expansion of local government councilors. The Independent Electoral Commission (IEC) accused the Minister of Finance of channeling money allocated for elections to finance government fleet management services. This demonstrated how a lack of autonomy affected the IEC's work program.

Parliament had serious challenges during the period under review, with the major obstacle for executing its duties being a lack of resources. Both financial and human resources are not able to support the National Assembly and the Senate to effectively

Performance of democratic institutions



1

play their oversight and law-making roles. The parliament depends on the Public Service Commission to recruit and determine remuneration. This means that the personnel in parliament are civil servants who do not necessarily have the requisite skills to carry out the mandate of parliament.

The judiciary is essentially paralyzed by a lack of human and financial resources. There are serious challenges in the placement of judges of the high court. The case backlog is so serious that cases filed in September 2015 were being scheduled for March 2017. There are not enough judges to hear cases and current judges are overloaded. The Labor Court did not have a judge to hear labor cases during the period under review, because the judge who acted in that capacity was not paid by government until he resigned to join the central bank of Lesotho (CBL).

The judiciary has come under a lot of criticism for lack of independence and inability to hear cases within reasonable time. The fact that the Labor Court did not have a sitting judge for the review period was interpreted by many trade unions as a deliberate act by government to suppress workers' rights in Lesotho. In any case, one judge would still not be enough given the number of labor disputes in Lesotho.

The former army commander, Lieutenant General Tlali Kamoli openly criticized opposition members of parliament who questioned the amount of money allocated to the army during the 2016 to 2017 financial year. The opposition parliamentarians regarded this as a direct attack and intimidation by the army on the independence of parliament. This was exacerbated by the proposal of Refiloe Litjobo who is the Chairman of the Prime Minister Affairs Portfolio Committee when he said on security grounds the security budget should be discussed in a closed session.

Opposition political parties rejected the decision to withdraw money allocated to IEC to finance government fleet management services. The major challenge of the fleet management services was the awarding of the tender as it did not follow the public procurement regulations.

5 | Political and Social Integration

The political parties in Lesotho depend on one another to form government. The split of the Lesotho Congress for Democracy in February 2012 marked an end of one-party rule in the country. The newly formed Democratic Congress was able to form a minority government of a mere 45 seats out of 120. The May 2012 general elections gave birth to the first coalition government in Lesotho. The February 2015 snap elections led to the second coalition government, as the elections did not have a clear winner.

The struggle for control of state resources has triggered massive politicization of state institutions. Ruling political parties ensure that tenders are awarded to those

Commitment to democratic institutions

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Party system

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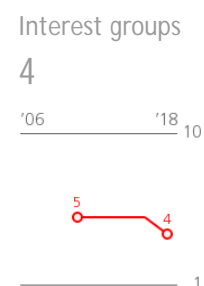
businesses affiliated to those in power. Civil servant appointments follow the same trend and only politically connected individuals are employed. The process was exacerbated during the period under review where lists of unemployed youth were drawn at constituency level and given to senior government officials to consider during recruitment processes.

Political party structures are also very weak. They are unable to protect national resources or hold their leaders accountable when they misuse state resources to benefit the inner circles of party leaders. Some young people with the Democratic Congress complain about the appointments of Mosisili's close relatives as principal secretaries, ambassadors and other senior positions within civil service immediately after the 2015 general elections.

The Lesotho Congress for Democracy saw a massive decline in votes from 121,076 in 2012 to 56,467 in 2015. The party's leadership failed to disassociate itself from reported corrupt elements who sought refuge in the party and were alleged to bankroll its campaigns. As well, party leaders were accused of involvement in corrupt transactions and the party leadership claimed any attempts to prosecute him for alleged crimes were politically motivated. LCD activists accused NGOs, the U.S. ambassador and academics for being pro-opposition parties when engaging in political matters. Democratic Congress obtained 47 seats in the National Assembly after the February 2015 elections, while All Basotho Convention (ABC) had 46 seats. The Lesotho Congress for the Democracy was the biggest loser with one seat in the National Assembly, whereas in 1998 the party commanded a sound majority. On the other hand, ABC returned as the biggest winner having seen its popular vote increase from 138,917 in 2012 to 215,022 in 2015.

The period under review was marked by increased polarization as the government of Lesotho was pushed by different players to implement reforms and restore the rule of law and respect for human rights. However, many independent organizations were denied space to participate as they were deemed too hostile to the position of the government. Government's pushing through new laws without affording different groups space to participate in the process highlighted the wrangling between civil society and government.

The other issue which remained contested for the duration on the period under review was whether the government was doing enough to ensure that Lesotho continued to be eligible for market access under the U.S. government's Africa Growth and Opportunity Act (AGOA). Many social movements, trade unions, women groups and others felt that the government was not willing to address issues of rule of law and respect for human rights which were critical for Lesotho to continue to enjoy duty-free, quota-free market access in the United States.



According to Afrobarometer, Basotho categorically reject non-democratic systems of government. In the 2012 Afrobarometer survey, 70% of respondents said they did not approve of a one-party state, 83% disapproved of military governments, and 86% said they would disapprove of the abolition of elections and parliament.

The 2014 Afrobarometer survey showed that, Basotho believe that the ruling coalition is better able than opposition parties to fight corruption in government (67%), improve basic health services (66%), create jobs (64%), and control prices (62%).

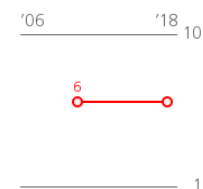
However, democratic institutions have received very low scores largely due to the collapse of the coalition government during the period under review. Just 44% of the 1,200 respondents stated that they have trust in parliament. A mere 43% of the respondents trusted the ruling coalition in May 2014. This was the time that the coalition government was crippled by a possible vote of no confidence in parliament. On the other hand, the police enjoyed a healthy level of trust (58%) and a significantly higher 65% of the 1,200 respondents had trust in the military. The survey was conducted before the military was involved in an attempted coup on 30 August 2014 and the 2015 general elections. Traditional leaders enjoyed a high 73% trust from respondents and religious leaders got the highest trust level of 82%.

The period under review was marked by massive distrust of democratic institutions. There were no survey reports published. However, the police were reported to have been arresting citizens without properly identifying themselves. Opposition political activists were regularly arrested for no reason.

The constitution guarantees the freedom of association. The generally fragmented nature of party politics superimposed upon a weak and under-resourced parliament, however, makes the prospect of meaningful public participation in policy processes at the national level remote. As such, its weak oversight capacity and the consequent shortcomings related to the transparency and accountability of the executive makes it difficult for interest groups to engage the state with relevant information and facts. The right to participate in lawmaking processes was challenged by Development for Peace Education and Transformation Resource Centre when they filed a Constitutional Court case against National Assembly Speaker Ntlhoi Motsamai, Senate President Prince Seeiso Bereng Seeiso, National Assembly Clerk King's Counsel (KC) Fine Maema, Law, Human Rights and Constitutional Affairs Minister Motlalentoa Letšosa, Senate, National Assembly, National Assembly Portfolio Committee on Law and Public Safety, King Letsie III and Attorney-General Tšokolo Makhetha KC as first to ninth respondents, respectively. This was after the National Assembly refused to listen to public submissions on the Human Rights Commission Act No. 2 of 2016. The judgment was reversed after the three judges, Chief Justice Nthomeng Majara, Justices Tšeliso Monaphathi and Semapo Peete presided over the case.

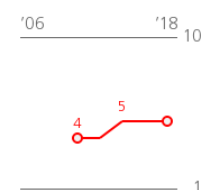
Approval of democracy

6



Social capital

5



Watchdog bodies, such as the auditor-general and the ombudsman, equally suffer from lack of skill, underfunding and capacity constraints. However, even if opportunities for public participation and activism were to improve instantly, only a limited number of the country's existing interest groups would be able to capitalize on the opportunity. The majority of those extra-parliamentary structures that would normally be expected to provide critical links between a state and citizenry in a democracy are ill equipped to do so. Limited funding and low levels of skill and capacity have been significant obstacles to broadening the impact of the civil society sector. Although the past decade has seen growth in the number of governance and human rights NGOs, the majority of civil society organizations are informal, community-based and active in grassroots activities addressing poverty and health, particularly HIV and AIDS.

There are at least two business associations, namely Lesotho Chamber of Commerce and Industry (LCCI) and Private Sector Foundation of Lesotho (PSFL). These two associations are effectively competing for dominance in a very small business community. As a result, they are all too weak to have any meaningful impact in representing the interests of the already weak private sector.

Professional associations are very few, and where they exist are very weak. For instance, the Law Society of Lesotho, which is a bar association in Lesotho remained withdrawn from national issues during the period under review except on occasions such as the death of Maaparankoe Mahao where they vehemently rebuked Mosisili's government. The same applies to Economic Society of Lesotho, Lesotho Institute of Accountants and others.

There is a very limited interaction between NGOs, trade unions, business associations and professional associations. This weakened the role of special interest groups in Lesotho during the period under review. The most common feature in all these associations is that they are aligned with political parties. In that way, it becomes extremely challenging for them to be objective in addressing national issues with professionalism.

II. Economic Transformation

6 | Level of Socioeconomic Development

Lesotho continues to struggle to address the issue of inequality between the rich and poor. The only recent Gini Index of 54% in 2010 puts Lesotho in the league of the most unequal countries in the world. It is rated above only Zambia (55.6%), Central African Republic (56.2%), Botswana (60.5%), Haiti (60.8%), Namibia (61%) and South Africa (63.4%).

According to Human Development Report 2015, Lesotho has a very low human development index (HDI) of 0.497 for 2014, which is a slight improvement from 0.486 in 2013. The country is also ranked 161 out of 188 countries in 2014. This was a slight improvement from 2013 where it was ranked 162 out of 187 countries. On the gender inequality index, the report puts Lesotho at midway point with a score of 0.541 for the year 2014. This was again a slight improvement from 0.557 in 2013.

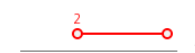
According to the World Development Indicators (2016), Lesotho's female labor force was 45.6% in 2014. This was a slight decline from 45.8% in 2013. The other challenge that faced Lesotho during the period under review was the fact that an estimated 77.3% of its population lived below \$3.10 per day in 2010. Majority of those who leave in poverty are women and children.

Question
Score

Socioeconomic
barriers

2

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Economic indicators		2013	2014	2015	2016
GDP	\$ M	2532.4	2521.0	2335.2	2199.7
GDP growth	%	2.2	2.3	5.6	2.5
Inflation (CPI)	%	4.9	5.3	3.2	6.6
Unemployment	%	24.4	24.6	26.5	27.4
Foreign direct investment	% of GDP	2.0	3.7	4.8	3.7
Export growth	%	-8.3	-7.0	22.4	-
Import growth	%	-7.6	-1.0	8.6	-
Current account balance	\$ M	-167.7	-134.6	-84.0	-200.6

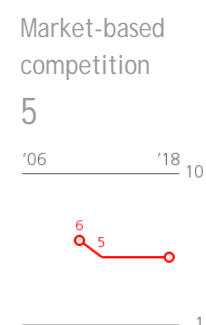
Economic indicators		2013	2014	2015	2016
Public debt	% of GDP	37.8	42.1	49.7	47.8
External debt	\$ M	900.8	894.5	888.4	883.3
Total debt service	\$ M	39.8	40.4	55.9	57.2
Net lending/borrowing	% of GDP	3.5	-	-	-
Tax revenue	% of GDP	48.5	-	-	-
Government consumption	% of GDP	34.7	36.6	35.3	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	8.4	8.1	-	-
R&D expenditure	% of GDP	-	-	0.1	-
Military expenditure	% of GDP	1.9	1.9	1.9	1.8

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Lesotho is yet to fully implement the 2007 competition policy to ensure that competition is guaranteed for private companies. During the period under review, the country reviewed its public procurement regulations in order to ensure that there are comprehensive guidelines on how the procurement of goods and services is conducted. However, government procurement defied the 2007 Competition Policy and Public Procurement Regulation. There were no open tenders for procurement of catering services at government hospitals during the period under review. That was flanked by other disregard of the Public Procurement Regulations such as the procurement of government fleet management services. In this case, the cabinet which is not the body that should be awarding tenders to bidders decided to award the contract to a company that had not bid for the services. Bidvest Fleet Company was awarded the contract instead of a joint venture between Fleet Service Lesotho (Pty) Ltd and Lebelonyane Fleet Solutions (Pty) Ltd which was recommended for the tender against Avis Fleet Services (Pty) Ltd and Fleetmatics (Pty) Ltd.

The informal sector, which includes public transportation, continues to comprise a significant share of the economy. The transformation of the economy was hampered by failure to implement the five-year National Strategic Development Plan (NSDP) from 2012 to 2017. Many local players remained sidelined from benefiting from participation in mining sectors. The government issued licenses to big multinational corporations, while no artisanal or small-scale mining licenses were allowed.



Lesotho does not control or limit investment or disinvestment in the country. Investors were free to move their resources in and out of the economy. During the period under review, major multinational corporations such as Gem Diamonds, Firestone Diamonds, Johnson Controls, Standard Bank and others had significant investments in the country. The country complied with its schedules of commitment under the World Trade Organization (WTO) when it comes to trade in services, in goods and other products during the period under review. Lesotho went on to be the first African country to ascend into the Trade Facilitation Agreement under the World Trade Organization (WTO) in January 2016.

Lesotho has a very weak or nonexistent anti-trust regime. The country attempted to move toward promotion of competition when it introduced the Competition Policy in 2007. That was the last major initiative toward protection of other players and consumers from abuse of power by dominant forces. The government had committed to establishing a competition authority however, that did not materialize as, like all previous governments, it was not a top priority. There was no change in the approach during the period under review until Mosisili's government was paralyzed by losing seats in the National Assembly to be able to effect any change of law.

Lesotho is one of the most liberalized least developed countries. The country's trade in services schedule of commitment under the World Trade Organization (WTO) is one of the most liberal. However, there are no benefits on the ground associated with that level of liberalization. In December 2015, many African governments were shocked when they learned of Lesotho's intention to ascend into the Trade Facilitation Agreement in January 2016.

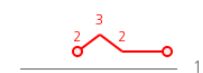
The country continued to enjoy trade benefits during the period under review. The Africa Growth and Opportunity Act (AGOA) of the U.S. government remained the biggest driver of trade in Lesotho. An estimated 32,000 workers were employed by companies exporting to the U.S. market under AGOA in November 2016. However, the future of Lesotho's eligibility was tested for the first time since gaining AGOA eligibility in 2000. The U.S. government demanded the government of Lesotho fully implement the SADC Commission Report on the death of the former army commander Maaparankoe Mahao.

Lesotho demonstrated its commitment to trade liberalization when it signed the Economic Partnership Agreement (EPA) with the European Union under the SADC EPA configuration in 2016. Lesotho's ascension to the World Trade Organization's Trade Facilitation Agreement in January 2016 was one of the highlights during the period under review. Lesotho is one of the African countries committed to economic integration. It is an active member of the Southern African Development Community (SADC). It is also fully behind an effort of establishing a Continental Free Trade Area (CFTA) across the African continent by the end of 2017. However, the process of establishing CFTA is well behind schedule given that the negotiations are yet to

Anti-monopoly
policy

2

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Liberalization of
foreign trade

8

'06 '18 10



commence and there is also a general acceptance that the timelines cannot be met within the remaining months.

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

According to the World Development Indicators, Lesotho's bank capital to asset ratio stood at 11.7% in 2016, which is a slight improvement from 11.1% in 2014 and 10.5% in 2015. The share of non-performing loans remained unchanged at 3.9% in 2016.

8 | Currency and Price Stability

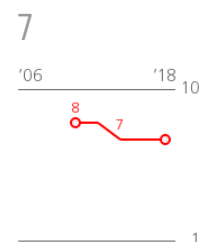
According to the World Development Indicators, inflation has declined from 5.3% in 2014 to 3.2% in 2015. Lesotho has enjoyed stability in the general price level during the period under review. The major reason for such stability is largely due to the fact that Lesotho's economy is insulated by that of South Africa.

The real effective exchange rate index was 73.7 in 2015 from 79.1 in 2014 (WDI, 2016). Lesotho's performance is not different from that of South Africa which had 73.2 in 2015 coming down from 77.6 in 2014.

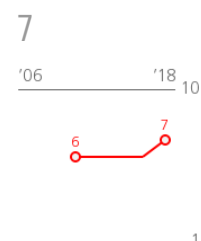
The central bank of Lesotho (CBL) enjoyed independence from government interference during the period under review. The major facilitator is the fact that Lesotho is a member of the Common Monetary Area (CMA). Other CMA members are Namibia, South Africa and Swaziland. This ascertains that monetary policy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

The CMA pursues inflation targeting policy with a benchmark at 6%. Over the period under review, the target kept as average inflation was below the target. The ability of monetary policy to swiftly respond to the South African Reserve Bank rests on the fact that the economy of Lesotho is dominated by foreign banks which are subsidiaries of the South African banks.

Banking system



Anti-inflation / forex policy



Debt to GDP ratio has experienced a slight increase during the period under review. According to the World Development Indicators 2016, Lesotho's public debt as a percentage of GDP increased from 49.5% in 2014 to 58.3% in 2015. The external debt slightly decreased from \$885.2 million in 2014 to \$876.3 million in 2015. The major challenge for Lesotho is that about 86% of government debt is in foreign currency which is likely to increase significantly in the event that the South African rand, which is pegged on a ratio of 1:1 to Lesotho loti, depreciates.

According to the central bank of Lesotho (CBL), the net international reserves (NIR) target has been increased to a minimum of \$635 million in February 2017. That cushions the Lesotho loti (LSL) to maintain an exchange rate parity with the South African rand (ZAR). During the review period the government had the reserves worth 6.1 months of imports covered. These reserves were slightly higher than the targeted five months cover.

The 2016 to 2017 budget translated to 9% deficit to GDP which exceeded the targeted 3% by 200%. The deficit was to finance the recurrent budget and not the capital budget, as should be the case. The Minister of Finance indicated that part of the deficit would be financed by the reserves. This policy in essence was not geared toward the fiscal stability of the country.

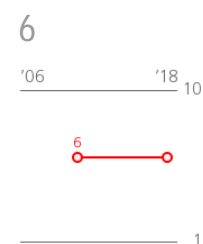
According to the World Development Indicators 2016, Lesotho's inflation rate for 2015 was 3.2%, which is a slight decline of 5.3% in 2014. The real exchange rate stood at 73.7 in 2015, which is a slight tilt from 79.1 in 2014. Finally, the current account balance stood at -\$197.3 million in 2015 against -\$230 million in 2014.

9 | Private Property

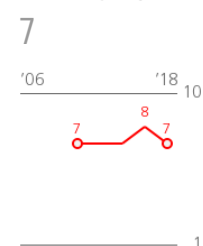
Lesotho continues to benefit from the land reform process that resulted in the enactment of the 2010 land act, which had repealed the 1979 land act. The establishment of the Land Administration Authority (LAA) in 2010 also ensured that the process of registering property is both efficient and secure. According to the World Bank's Ease of Doing Business Report 2017 Lesotho has four different procedures in order to register property. These procedures take an average of 43 days to complete.

The sale of land remains a gray area in land administration in Lesotho. Legally, land is not sold in Lesotho. However, there is a very vibrant market where people sell and buy land. The only challenge is that the monetary value will not be written in any legal document as that would be illegal. Most buyers end up duped, while sellers and fraudsters take advantage in the lapse of law. On the other hand, the land court was fully functional during the period under review. There were two High Court judges that were working on land issues during period under review.

Macrostability



Property rights



Privatization of state owned enterprises was overseen by the Privatization Unit between mid-1990s and early 2000s. The process was not properly conducted and many state assets were undervalued. The government is still struggling to save costs or realize the promised cost savings. The privatization of government fleet management services continues to stretch the government budget as the executive ignored the public procurement regulation by using the services of Bidvest Fleet Company.

According to the World Bank's Ease of Doing Business Report 2017, registering a private company in Lesotho takes an average of 29 days and seven different procedures. Private companies play a pivotal role in the economy of Lesotho. However, government remains the biggest player in the economy including being the largest employer. Many private companies are in business with government and depend heavily on government tenders.

Government has a stake in a number of other companies operating in Lesotho. It is a legal requirement that every diamond mining company gives the government a minimum of 20% non-contributory stake before it is issued a mining license. Government has a stake in other companies such as insurance companies, banks and telecommunication companies. Government wholly owns the electricity distribution company and water utility company.

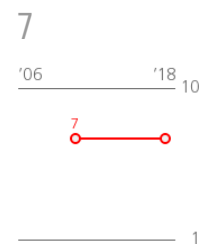
There is no support rendered to domestic investors, although much is said with regard to foreign direct investment. This view is in contradiction with the importance given to the private sector as the engine of growth. Only foreign investors can seek ministerial intervention when the business is dwindling – the same support is not available to domestic investors.

10 | Welfare Regime

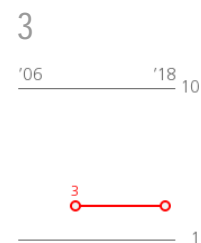
According to the World Development Indicators 2016, Life Expectancy in Lesotho was 49.7 in 2014. This was a slight improvement from 39.3 in 2013. The report also shows Lesotho as one of the countries with the highest health-to-GDP ratio. Health sector accounted for 8.1% of the country's GDP in 2014. A better part of the health budget goes into financing Queen Mamohato Memorial Hospital, which is a referral hospital operated by Tsepong Consortium under Public Private Partnership (PPP) arrangement. Basotho enjoy subsidized health care in all government health centers. This subsidy extends to the health centers operated by the Christian Health Association of Lesotho (CHAL). The subsidy ensures that every patient can consult a health practitioner after paying a nominal fee of \$1 (LSL 15).

During the period under review, development partners were greatly involved with assisting government with social welfare programs. About 9% of GDP was spent in social protection programs. This came in the form of old age pensions, tertiary

Private enterprise



Social safety nets



education bursary scheme and primary school feeding schemes, among others. The European Commission mission in Lesotho worked with the United Nations Children Fund (UNICEF) in the implementation of the Child Grant Programme (CGP). CGP is an unconditional program that serves over 26,000 households across the country and it has been able to reach over 80,000 children under the age of 18. This is a huge contribution given that Lesotho has an estimated 350,000 orphans and vulnerable children, equivalent to 20% of the population. The European Union has invested 22 million euros between 2008 and 2015 toward social protection in Lesotho.

However, there is currently no unified social safety net scheme (SSN) in Lesotho. Over 600,000 people were in dire need of food supplies in 2016 as a result of the el Nino-related drought.

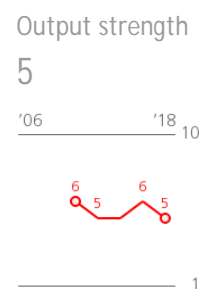
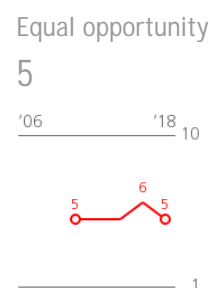
According to the World Development Indicators (WDI) 2016, the literacy rate in Lesotho stood at 79.4%. The report goes further to show that females enjoy a relatively higher literacy rate of 88% compared to 70.1% for males in Lesotho. On the female-to-male enrollment ratio there is parity at primary school level where the gender parity index (GPI) is 1. However, the ratio is 1.4 and 1.5 in favor of females at both secondary and tertiary school levels. Most boys drop out of school at an early age to become herd boys, and in the process are denied their right to education. In Lesotho girls or women have more than equal access to education due to the gender roles observed by society. This information is not acted upon due to the fact that most well-off people, politicians in particular, tend to benefit from exploiting less fortunate children from other families as herd boys.

The report gives a very bleak picture on the gross enrollment ratio for the period under review. The ratios of gross enrollment were 107.1, 52.2 and 9.8 at primary school, secondary school and tertiary schools respectively.

On the other hand, the female labor force has been steadily declining in Lesotho. The WDI 2016 shows that in 2014 the female labor force stood at 45.6%, which is a slight decline from 45.8% in 2013.

11 | Economic Performance

Lesotho's tax revenue has been dwindling in recent years due to the continued decline of Southern African Customs Union (SACU) revenues that have been the backbone of government revenue for many years. Unfortunately, Lesotho failed to reinvest customs windfalls that saw the country realize a surplus prior to the global financial meltdown of 2007. The total government revenue for 2015 to 2016 financial year was LSL 14,405,700 million. The major components of this revenue was SACU revenue, tax revenue and non-tax revenue amounting to LSL 6,398.2 million, LSL 5,793.2 million and LSL 2,210.8 million respectively.



According to the World Economic Indicators 2016, Lesotho has seen foreign direct investment (FDI) increase as a percentage of GDP during the year 2014. It stood at 4.3% of the GDP from 3.2% of GDP in 2013. Mining and construction are the sectors that saw growth, and their share of the national output have been steadily growing.

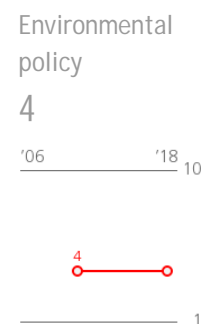
Furthermore, Lesotho is a net importing country with a persistent trade deficit that is financed through remittances. The production capacity of the economy is not enough to support consumption and imports. The health of the economy of Lesotho is ailing and this is evident from high unemployment of graduates.

12 | Sustainability

Since more than half of Basotho practice some form of subsistence farming, the economic prospects of the country and the lives of many ordinary citizens are inextricably linked to the state of the environment. Lesotho is not under any direct threat from increasing levels of oceans. This is largely due to the fact that the country's lowest minimum elevation is 1,000 meters above the sea level. The country is not an important player in global climate change debate. The sophistication of its policies in this regard are reflected in its focus on coping with its effects, particularly insofar as soil erosion and agricultural produce are concerned. Because the country is mountainous, agriculture is commonly practiced on slopes with fragile soil formation. A lack of investment in agriculture makes agriculture dependent on rain fall despite the country's water endowments.

The country is estimated to be losing about 40 million tons of arable soil per year as a result of a combination of factors, including perennial droughts, overgrazing, population movement and the resultant soil erosion and destruction of biodiversity. This in turn has an impact on food security and levels of poverty. Lesotho has ratified a number of U.N. environmental conventions, but has had limited success with implementation. In 2001 the country enacted the Environment Act ahead of the Sustainable Development Summit in Johannesburg, 2002. However, the law never came into effect and had to be revised in 2008. The major challenge here is lack of political will to create an autonomous body in a form of Environmental Authority with politicians opting for the National Environment Secretariat with limited ability to regulate environmental issues. The country has been in international news due to an animated engagement between environmental activists and government regarding pollution from industrial areas.

In June 2016, the government of Lesotho approved the national mining and minerals policy. The policy emphasizes the need to strengthen environmental protection in the mining sector. However, this coincided with the period when the Department of Environment lost its experts for environmental impact assessment. This reduced the ability of an already under-resourced National Environment Secretariat to be able to oversee environmental protection policy. The government depends on reports

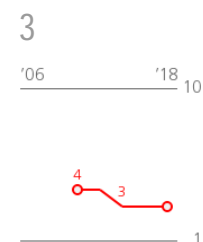


produced by mining companies on whether they comply with environmental regulations. There were no companies that were forced to pay environmental damages during the period under review.

During the period under review, the government of Lesotho continued to prioritize education as one of the priority sectors in allocating public expenditure. Education and training accounted for 18.15% of total recurrent expenditure during the financial year 2016-2017. This is the largest sector allocation of the government and has been so since the decision to introduce free primary education in 2000. However, the country is investing virtually nothing on research and development, which in turn hampers its ability to use education to propel economic development. The National University of Lesotho has attempted to introduce programs aimed at attracting university lecturers and students to research and develop new bankable business projects. This noble initiative has not been met with any funding from government to strengthen Lesotho's research and development.

Continued investment in education has made Lesotho one of the highest countries with the highest literacy rate in Africa. According to the World Development Indicators 2016, Lesotho's literacy rate stood at 79.4%. The literacy is 88.3% for women which is higher than men with 70.1%. This has been influenced largely by the fact that most boys work with animals as herd boys while girls have an opportunity to attend school. The gender parity ratio is also skewed toward females as a result of this practice. The female to male ratio is 1, 1.4 and 1.5 in primary schools, secondary schools and tertiary schools respectively.

Education policy /
R&D



Governance

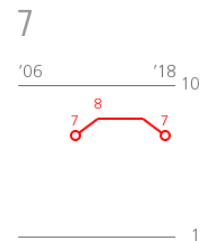
I. Level of Difficulty

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

Lesotho is the second highest country in the world regarding HIV prevalence rate, with 23% according to the 2014 Lesotho demographic health survey (LDHS). 23% is a slight decrease from the 25% recorded one decade ago by the LDHS in 2004. The virus is more prevalent among women where the rate is 30% against 19% among men. However, the government is struggling to implement HIV and AIDS programs. The resuscitation of the National AIDS Commission was initiated during the period under review after years of dormancy. Most HIV and AIDS programs are donor funded, and the country is relying on development partners for continued supply of anti-retrovirus (ARVs).

These realities have placed a tremendous burden upon a state with neither the financial means nor the human capacity to properly address the needs of the most marginalized in society. To address these challenges in a meaningful way, the country needs protracted growth that is robust and equitable. Such growth is, however, very dependent upon SACU revenues. The country's dependency upon the South African economy is a structural weakness that makes it particularly vulnerable to the rand's exchange rate fluctuations.

Structural
constraints

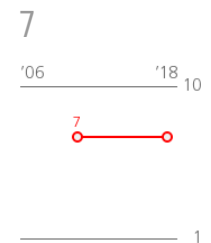


The size and character of civil society in Lesotho is largely reflective of the country's historical and socioeconomic realities since independence. The biggest component of civil society in Lesotho remains informal by nature and assists ordinary people in coping with the effects of poverty and HIV/AIDS.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

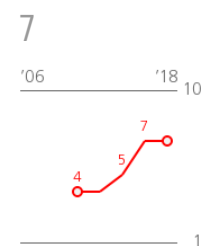
During the period under review, civil society organizations tested the constitution's ability to ensure space for civil society participation. The Development for Peace Education and Transformation Resource Center filed a court case where they requested the high court to declare the human rights act of 2016 null and void. The two organizations working on human rights were left frustrated by the refusal of the Parliamentary Portfolio Committee to consider their submission on the establishment of Human Rights Commission. Civil society organizations felt that the law did not meet the basic requirements of a human rights commission and that it granted the prime minister far too much power and control over the commission. The Constitutional Court dismissed the case on March 13, 2017, claiming CSOs were given different avenues to participate in the process.

The period under review was marked by increased polarization. The instability within the armed forces was not addressed by holding snap elections in February 2015. The new government fired almost all security officers that were appointed by the previous regime and reinstated those that were dismissed under the outgoing regime of Thomas Thabane. The most popular case was the reinstatement of Tlali Kamoli as the commander of the Lesotho Defense Force. Immediately, after his reinstatement, Kamoli persecuted those whom he deemed were sympathetic to the Maapankoe Mahao, who was appointed by the outgoing regime of Thomas Thabane. Soldiers were accused of mutinying against Tlali Kamoli. Instead of challenging his dismissal in court, Kamoli refused to leave his army command post. Mahao was brutally killed by soldiers on June 25, 2015. His killers were never charged for his murder and police investigations were hampered by the army. The operation to kill Mahao was a military operation and no individual soldier would be held accountable for that. Civil society organizations, the spouses of the detained soldiers and the widow of Maaparankoe Mahao protested against the impunity of those who have committed the atrocities during the period under review. Furthermore, no one was held accountable for the killing, torture and threats to both civilians and members of the armed forces.

Civil society traditions



Conflict intensity



On the other hand, the only three opposition leaders in the National Assembly, Thomas Thabane, Keketso Rantso and Thesele Maseribane, fled to neighboring South Africa. The trio alleged some elements within the army were planning to assassinate them. The group stayed in South Africa between May 2015 and January 2017. Opposition activists accused the ruling coalition of recruiting members of the armed forces who were card-carrying members of the political parties in the coalition. In addition to the alleged threats by the army, on 10 April 2017 the Special Operations Unit (SOU) of the Lesotho Mounted Police Service fired upon unnamed demonstrating students from the National University of Lesotho and injured five students and one staff member in his office at the time of the incident.

II. Governance Performance

14 | Steering Capability

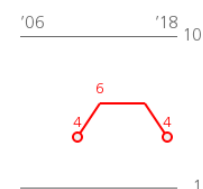
Government programs were overshadowed by the impunity within the armed forces. This has led to most public officials being intimidated by the situation, but ministers and principal secretaries defended the situation and spent most of their time consumed with this rather than looking at long-term strategic goals for the country. One glaring example was when the prime minister was quoted as saying that Lesotho can afford to survive without development aid from the U.S. government. He later returned to the media to deny that he ever said that via his political adviser. The U.S. government appeared determined to urge the government to restore rule of law and respect for human rights in the kingdom. In the middle of this, soldiers brutally killed former army commander Maaparankoe Mahao and the country was destined to lose market access provided under the Africa Growth and Opportunity Act (AGOA).

The government has failed to investigate the circumstances that led to the death of Mahao as soldiers refused to cooperate with investigations. Mahao's son and niece, who directly witnessed his death, have also never been interviewed by government investigators. The challenge with the attitude of government is that Lesotho is heavily depended on aid and international cooperation to implement most of its programs. The U.S. government is also one of the largest contributors to a government scheme of providing ARVs to people living with HIV. The deterioration in human rights and rule of law in Lesotho also coincided with pending U.S. government approval of a multi-billion-dollar development grant through the Millennium Challenge Corporation (MCC). The decision on whether to approve funding for Lesotho has been deferred a number of times in order to assess the government's commitment to restoring rule of law and respect for human rights.

Question
Score

Prioritization

4



The second coalition government of Lesotho started with huge promise of being a reformist government addressing fundamental issues of development in the kingdom. The coalition agreement between the seven ruling parties had set very ambitious targets of changing fortunes for Lesotho and promised to make the country an investment destination as well as creating employment opportunities for the unemployed. It had pledged to restore national peace and political stability, deepen democracy and respect for human rights, make transparency and good governance a hallmark of the government, place a greater focus on consultation and citizen participation, eliminate corruption at all levels of society and government, as well as other very promising objectives. However, all these proved to be illusive and all government programs were in direct contradiction of these noble objectives of the second coalition government.

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

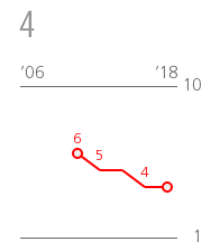
The period under review marked the failure of government to implement the National Strategic Development Plan (NSDP). The plan was clearly set to increase funding in priority sectors which included tourism, agriculture, manufacturing and mining in order to create 50,000 employment opportunities between April 2012 and March 2017. The government was busy trying to rescue the 32,000 jobs of people employed in the textile industry exporting to the U.S. market under the AGOA framework.

The government of Lesotho failed to implement the National Development Strategic Plan as it channeled its resources toward defending the actions of people who appeared to hold veto power over the direction to take. The government increased military expenditure budget from 4.6% of the total recurrent expenditure in 2015 to 2016 to 4.9% in 2016 to 2017.

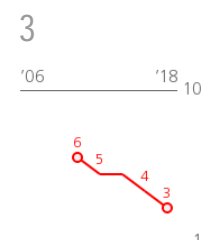
The country does not seem to be learning anything from its failure to achieve policy objectives. It heavily relies on the support of intergovernmental organization and international financial institutions to dictate its policy direction. Policy formulation is not based on scientific research, which makes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

The rampant corruption that overshadowed the tenure of the second coalition government eroded all the dividends that accrued to Lesotho when it fought corruption during the phase one of the Lesotho Highlands Water Project (LHWP).

Implementation



Policy learning



Instead the second phase of the project was delayed by senior government officials in South Africa and Lesotho. Lesotho became the first African country to implement the Africa Mining Vision, however, there was no progress during the period under review on resource governance except for adopting the national mining and minerals policy. The inability of government to regulate mining industry was demonstrated by a Panel of Experts report commissioned by the Lesotho Highlands Development Authority, which showed the water quality monitoring in the Malibamatšo catchment detected high-suspended solids, nitrates and phosphates. Lihobong Mining Development Corporation (Pty) Ltd and Storm Mountain Diamonds (Pty) Ltd are some of the mining companies operating upstream of the famous Katse Dam.

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

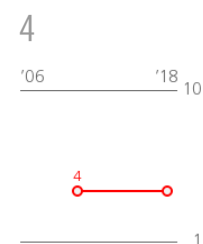
15 | Resource Efficiency

Appointments and dismissals in the civil service are influenced by political affiliations. During the period under review nine Principal Secretaries were fired as they were deemed members of the opposition parties as they were appointed during the regime of the former prime minister Thomas Thabane. To make matters worse the government did not even pay them all their terminal benefits upon dismissal. On the other hand, Tlali Kamoli was given all his terminal benefits when he was forced to retire as the commander of Lesotho Defence Force after soldiers killed Maapankoe Mahao.

The government of Lesotho struggled to properly use state resources during the period under review. Public procurement regulations were often not followed and the executive over stepped its mandate and made decisions on where bureaucrats did their work following the procurement regulations.

The Office of the Auditor General audits government ministries, state agencies and state-owned enterprises almost on a consistent basis. In November 2015, the Office of the Auditor General tabled in the National Assembly a report on the Consolidated Financial Statements of the Government of Lesotho for the year ending March 31, 2014. The only challenge of the audit reports is that there is no action taken against those who have failed to account for public resources under their stewardship.

Efficient use of assets

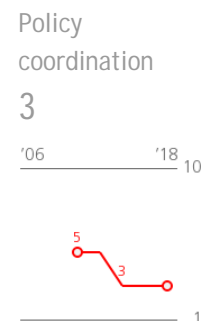


The Directorate on Corruption and Economic Offenses (DCEO) and the Office of the Ombudsman are established to implement the country's anti-corruption policy. During the period under review the government of Lesotho published Legal Notice Number 8 of 2016 in an attempt to bolster anti-corruption policy. The legal notice serves to implement the requirement for public officials to declare their assets. However, the legal notice was not fully operationalized during this review.

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

The government of Lesotho failed to properly coordinate the implementation of conflicting policies. The Ministry of Finance remained the custodian of all funds established to collect revenue and finance specific projects. However, the major challenge is that the project's implementation rests with the line ministries. Since the funds are not disbursed through the parliament of Lesotho these funds tend to be used sparingly.

The period under review was marked by complete failure by the government to finance implementation of the National Strategic Development Plan (NSDP) which should have created employment opportunities for an estimated 50,000 people starting in 2012. The NSDP was supposed to be the cornerstone on which all the policies derive their legitimacy. However, failure to channel resources to priority sectors, such as tourism, agriculture, manufacturing and mining, resulted in government spending its scarce resources in financing fleet management which cost three times less before 2015. The other challenge was that government failed to properly coordinate implementation of major projects and ensure that they comply with environmental policies. For instance, there was not a proper decision-making process on whether to mine diamonds. Many mining operations did not follow the environmental governance requirement to conduct an environmental impact assessment prior to commencing mining operations. The implementation of the second phase of the Lesotho Highlands Water Project was delayed, causing a loss of economic opportunities.



The Office of the Auditor General audits government ministries, state agencies and state-owned enterprises almost on a consistent basis. The Office of the Auditor General tabled in the National Assembly on November 4, 2015, a report on the Consolidated Financial Statements of the Government of Lesotho for the year ending March 31, 2014. The only challenge of the audit reports is that there is no action taken against those who have failed to account for public resources under their stewardship.

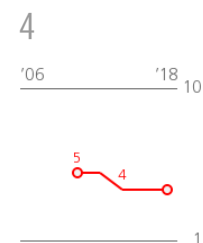
The Directorate on Corruption and Economic Offenses (DCEO) and the Office of the Ombudsman are established to implement the country's anti-corruption policy. During the period under review the government of Lesotho published Legal Notice Number 8 of 2016 in an attempt to bolster anti-corruption policy. The legal notice serves to implement the requirement that public officers declare their assets. It is now a requirement that public officials are expected to declare: a) cash and deposits in a bank or other financial institution, b) treasury bills and other similar investments in securities of fixed value issues or guaranteed by the government, government agencies or any private institution, c) interest of money deposited in a bank, building society or financial institution, d) dividend or other profit from stocks or shares held by a public official in any company or other corporate body, e) interests in businesses that do not contract with government and do not own or control publicly traded securities, other than incidentally and whose stocks and shares are not traded publicly, f) farms for private use or for commercial operation and g) real estate such as buildings and other properties.

The public procurement regulations were not followed on a regular basis during the period under review. The most popular incident was the procurement of government fleet services where a company that had not participated in the bidding was awarded the tender by the cabinet. The cabinet's involvement in this procurement of services was outside its role. On the other hand, the government commissioned a review of procurement regulations to make them more comprehensive. This was a very open and consultative process where most stakeholders participated.

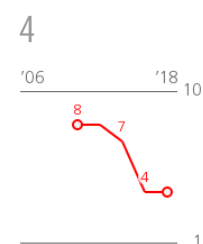
16 | Consensus-Building

The period under review was marked by diverse views on whether the country is making any progress democratically or as a market economy. The three opposition leaders were in exile for the better part of the period under review. They feared the return of Tlali Kamoli as commander of the Lesotho Defense Force was a major threat to their lives. They then fled to neighboring South Africa, followed shortly by soldiers who were accused of mutiny against Kamoli's command. On the other hand, the government and opposition parties failed to agree on how to handle the death of Maaparankoe Mahao. The government of Lesotho felt it was the only entity entitled to decide which recommendations to implement in the investigation report. However, pressure exerted by opposition and the insistence from SADC that Lesotho must

Anti-corruption policy



Consensus on goals



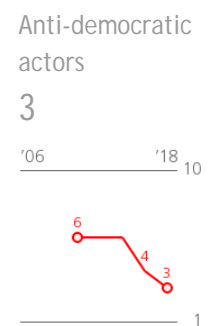
implement the SADC decisions without picking and choosing created a huge wall between opposition and government.

Similarly, opposition accused government of mismanaging the economy and threatening to erode all dividends gained in transforming Lesotho into a market economy. The government was accused of bypassing public procurement regulations in order to influence the awarding of government tenders. Government tenders are very crucial as the government is the biggest economic player in Lesotho. The government felt there was far too much interest from other countries in its affairs. Most senior government officials claimed that Lesotho was a sovereign country and needed policy space to determine its direction. This was directed at the United States after several diplomatic messages were communicated with Maseru expressing a reservation on how Lesotho has moved away from principles of a free market economy. There remains a huge vacuum and lack of appreciation of market economy within those who occupy the corridors of power in Lesotho.

During the period under review, there have been diverse views on how Lesotho should ensure that it deepens its democratic governance. The government of Pakalitha Mosisili ascended to power promising to introduce constitutional and institutional reforms in order to enhance good governance in the Kingdom of Lesotho. However, immediately upon taking control, it became evident that the military held veto power over the civilian government. The government failed to hold soldiers who committed atrocities accountable, instead defending them and promoting them to higher ranks.

The reform program soon became lip service by the government. However, since there was international pressure and funding, government quickly organized workshops for security sector reforms. The opposition parties accused the government of dishonesty as the people at the helm of armed forces are accused perpetrators of violence and rights violations. The U.S. Embassy in Maseru, opposition parties, civil society organizations, business associations and the Southern African Development Community (SADC) insisted that Tlali Kamoli be dismissed as army commander in order to give security reforms a chance. Initially the government of Lesotho resisted any suggesting that Kamoli should go given the power he wielded in the political administration. The pressure to remove Kamoli from the U.S. government and SADC after soldiers killed former army commander Maapankoe Mahao in cold blood was too much to be ignored, such that Kamoli was dismissed in December 2016. Otherwise, the government of Lesotho was in no position to ensure that it exerts civilian control over the army.

Constitutional reforms were dealt a huge blow when the Deputy Prime Minister stated that parliament as an institution will not participate in the reform process except for when it passes the relevant laws. The other major challenge was when the deputy leader of the Democratic Congress (Mosisili's party) Monyane Moleleki and 21 other parliamentarians defected from the second coalition government led by Pakalitha Mosisili. This left Mosisili's government without enough votes to pass any law.



Mosisili's government collapsed after the opposition parties won a vote of no confidence against him in the National Assembly. Moleleki stated that Mosisili has failed to lead the reform program and accused his government of graft and sowing divisions among the nation.

The period under review was one of the most polarizing period in the history of modern Lesotho. The fact that since 2012 there has been no single political party able to form government made matters worse. The 2015 general elections resulted in both the Democratic Congress of Pakalitha Mosisili and All Basotho Convention of Thomas Thabane having 47 seats and 46 seats respectively in the National Assembly of a total of 120 seats. The uncertainty of the second coalition government lasting for a full term of five years appeared to bring enormous pressure on the governing parties to attempt to attract a greater following. This triggered a massive increase in nepotism as people were employed in public service and awarded government tenders based on their political affiliation not their suitability to undertake the task. However, this led to a premature collapse of the second coalition government as coalition parties started arguing among themselves that their supporters were discriminated against in the award of tenders. The ministries of Mining, Policy and Finance led wrangling between parties and award of government tenders.

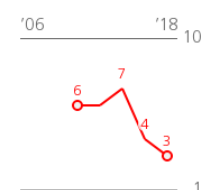
The leader of the Alliance of Democrats Monyane Moleleki who was the Minister of Police and the deputy leader of the Democratic Congress at the formation of government confessed in early 2017 that soldiers, police officers and correctional officers were employed based on their party affiliation. He further claimed that the Lesotho Congress for Democracy's leadership ensured that all new armed forces recruits were its members as opposed to an agreement made by coalition partners to ensure that they share employment opportunities in the armed forces.

There is limited space for civil society to participate in the political process. The situation was worsened by the killing of the former army commander Maaparankoe Mahao by known soldiers, which many civil society players called for accountability of those responsible. The government appeared to prefer to turn against those who wanted a restoration of rule of law. These wranglings coincided with a period where the government was drafting a human rights commission act of 2016. Civil society organizations (CSO) ended up suing the Speaker of National Assembly among others in a Constitutional Court of Lesotho. The case was eventually won by the defendants but demonstrated the desperation among CSOs to fight for space in the policy-making process. On the other hand, the government appeared determined to limit space for civil society to an extent that the Minister of Law and Constitutional Affairs Motlalentoa Letšosa stated that there is a plan to limit the role of civil society from providing alternative policies to supporting government policies and working on humanitarian aid.

Civil society space has been very limited in setting up structures for the proposed constitutional and institutional reforms. The government showed some leniency after

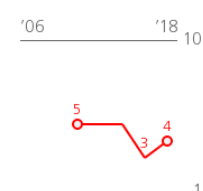
Cleavage /
conflict
management

3



Civil society
participation

4



intensive lobbying led by the Lesotho Council of NGOs. However, the process was stalled by the snap elections after Prime Minister Pakalitha Mosisili lost a vote of no confidence in the National Assembly.

The government acknowledges the role of civil society in performance monitoring, however since the black cloud of financial mismanagement, nepotism and failed adherence to procurement policies, the government is determined to limit CSO monitoring legitimacy.

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

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

The political divide that exists in Lesotho today is influenced mostly by the history that drew a line between two groups: the then ruling elites of the Basotho National Party (loosely referred to as Manasi) and Basotho Congress Party (loosely referred to as Macongress). Macongress are the current ruling group who continuously manipulate peoples' memories for political gains and they are not willing to initiate reconciliation process as the presence of the divide gives them a political mileage. The government of Pakalitha Mosisili attempted to enact an amnesty bill where all perpetrators of human rights violations committed between 2007 and 2016 were to be granted a blanket amnesty. However, the government collapsed before such a law could be passed. There was huge opposition from opposition parties, civil society and

Reconciliation

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other key players in that the law was promoting impunity rather than bringing lasting peace to Lesotho.

17 | International Cooperation

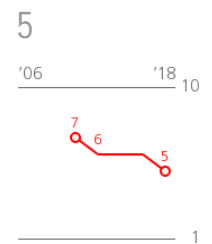
The political leadership in Lesotho has failed to utilize international support at its disposal to ensure that long-term national development goals are achieved. The country embarked on the implementation of the National Strategic Development Plan in 2012, expected to run until March 2017. The plan had very strong international support, with multiple development partners pledging their support. However, the government of Lesotho failed to lead and failed dismally to play its part. This was flanked by development partners such as the European Commission pulling their support as the government had failed to exhibit the necessary level of commitment. The plan could simply not be implemented with no political will. The priority sectors identified in the plan such as agriculture, mining and tourism were not given resources to create employment opportunities as envisaged in the plan.

The period under review was marked by very strong messaging from development partners, led by the U.S. government, that there is a need for rule of law and respect for human rights to be restored in Lesotho. The U.S. government deferred implementation of the second compact under the Millennium Challenge Corporation which was planned to further assist Lesotho to strengthen the private sector and initiate necessary reforms. The major challenge was that the government was reluctant to deal with impunity in the armed forces, where soldiers suspected of committing atrocities were promoted to higher ranks as opposed to being prosecuted.

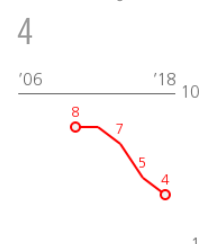
Political leadership mainly uses the support of development partners to finance a ballooning recurrent budget rather than on capital expenditure. This is evident from the utilization of the resources from the Southern African Customs Union (SACU) and the budget support from the EU. The funds from the cited development partners would be aggregated in the consolidated fund to form part of the resource envelope, which then is diverted to recurrent expenditure.

The government of Lesotho lost credibility as an international player. Most development partners expressed reservations on how the government dealt with the killing of Maapankoe Mahao and the torture and eventual arrest of soldiers accused of having mutinied against Tlali Kamoli. International NGOs were denied access to the detained soldiers and a lot of pressure was exerted by development partners before such access was granted. The U.S. government had to threaten that Lesotho will lose the eligibility to export goods to the U.S. market under the Africa Growth and Opportunity Act (AGOA). This appeared to knock some sense into political leadership as over 32,000 jobs were on the line if the country lost the eligibility. However, the credibility of Lesotho as a country that respects human rights and promotes rule of law has suffered immensely during the period under review. The

Effective use of support



Credibility



Millennium Challenge Corporation (MCC) of the U.S. government continuously deferred the decision to award the second compact of aid to Lesotho. This has been a huge blow given the credit that Lesotho was given during the implementation of the first compact.

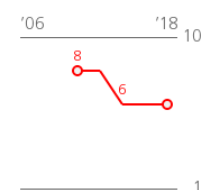
Lesotho continued to subscribe to regional and international bodies. The country remained one of the few African states that demonstrated an unwavering support to the International Criminal Court at the time when most African states were threatening to withdraw from the Rome Statutes.

Lesotho came into the international spotlight when the former commander Maaparankoe Mahao was shot and killed by soldiers. The government moved swiftly and invited the Southern African Development Community (SADC) to investigate the circumstances that led to the death. However, once the process began the government was at loggerheads with SADC on the scope of the investigation. The government was also accused of not providing enough support to the commission of inquiry since the army refused to comply with the investigation, including handing over equipment used in Mahao's death. The U.S. government, having been told that it should wait for SADC investigations, was very quick to call for full implementation of the recommendations.

However, the government of Lesotho had reservations on some of the recommendations. The major recommendation was that Tlali Kamoli should be removed as the army commander as he oversaw the killing of Mahao and others. Kamoli was eventually fired in December 2016 as part of implementing the recommendations. This was after it had become very clear that Lesotho was going to lose international support if the government was seen as promoting impunity by not holding those who committed such atrocities accountable. However, there is a lot to be done to ensure that all recommendations are implemented and all those behind human rights violations face the law.

Regional
cooperation

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Strategic Outlook

Lesotho is at crossroads, and the path chosen to address the current predicaments will determine whether the country collapses or reinvents itself.

The country cannot afford to take shortcuts when it comes to the long overdue reform program. The constitution of Lesotho is no longer relevant to the challenges of the twenty first century. Partial amendments to the constitution will not provide the necessary changes in how the state operates. However, reform cannot be done by only implementing a select few if they are to achieve the desired results of being universally accepted and implemented. The government should open the process such that it gathers wide and diverse views on how the country should move forward. The size and composition of parliament, the role of the armed forces, the independence of judiciary, depoliticization of civil service, fighting corruption and respect of human rights are some of the greatest issues to be addressed by reforms. Without reforms in these areas, the country will be at risk of losing budgetary support and other preferential benefits from its longtime partners. That will be a huge blow and could have devastating effects on the lives of regular citizens whose lives depend on health services supported by donors as well as employment by companies exporting to industrialized economies.

The country fails to implement development plans, and the National Strategic Development Plan (NSDP) in particular requires funding in order to help the country lift itself from the list of least developed countries. The government must develop line ministry plans that will support the NSDP. The plan to generate employment opportunities needs to be more detailed, and a clear strategy on how private sector will be involved in implementation needs to be developed. The government cannot afford to postpone establishing the National Planning Board as prescribed in the constitution.

Lesotho cannot afford to overlook development of tourism and agriculture. These are the two sectors that could help employ the thousands of unemployed in the labor force. Failure to invest in these sectors would mean that there will be no fallback plan for the country if SACU revenue runs dry and minerals are depleted. However, the future of these two sectors depends on whether state institutions will be able to protect the environment from mining operations. The government should also reinvest mining revenue in order to create industries that will help run the economy once minerals have been depleted.