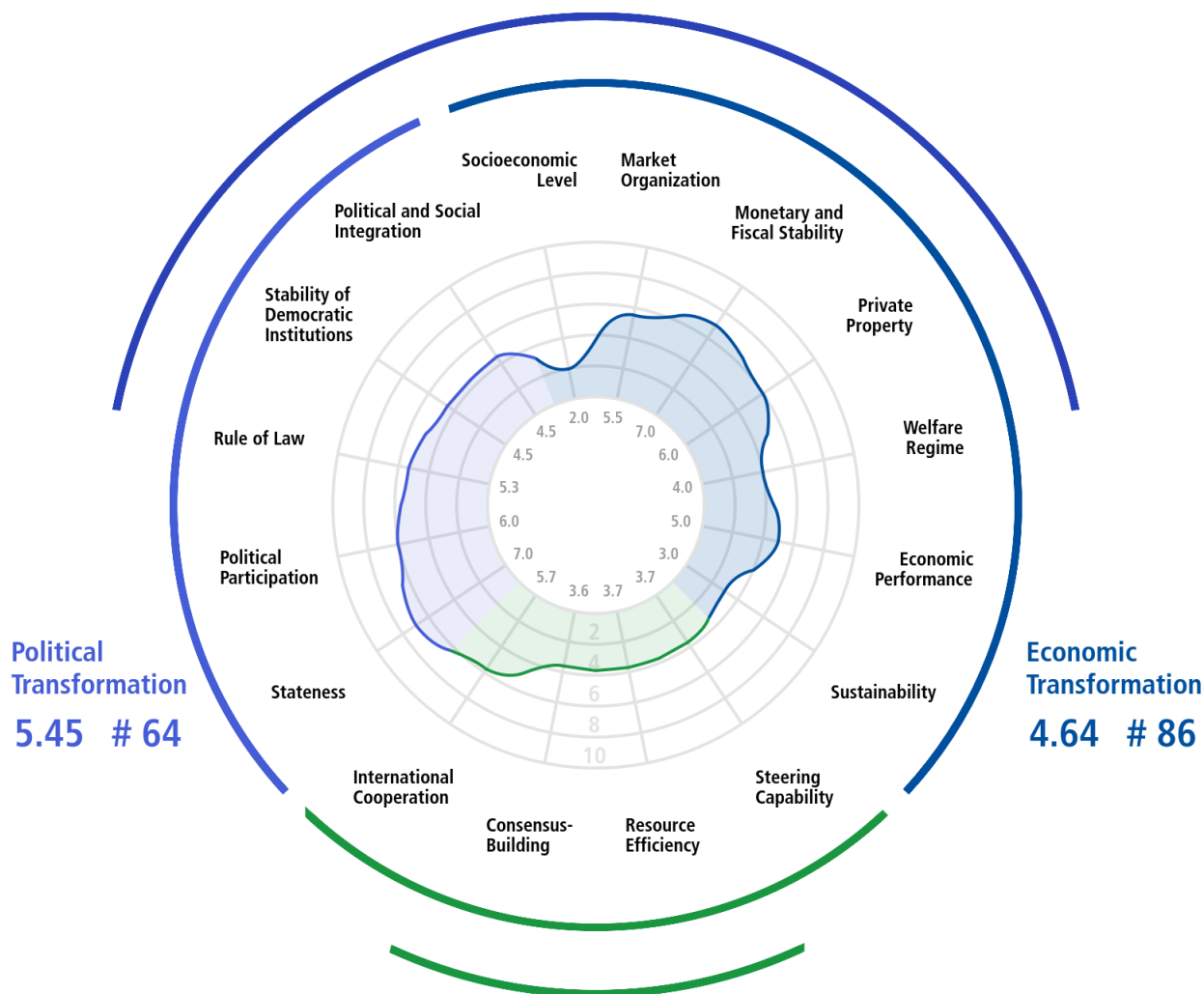


Lesotho

Status Index

5.05 # 72

on 1-10 scale out of 137



Political Transformation
5.45 # 64

Economic Transformation
4.64 # 86

Governance Index

3.84 # 103

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Claudia Härterich

Phone +49 5241 81 81263
claudia.haerterich@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	2.1	HDI	0.527	GDP p.c., PPP \$	2405
Pop. growth ¹	% p.a.	0.8	HDI rank of 189	165	Gini Index	44.9
Life expectancy	years	54.3	UN Education Index	0.532	Poverty ³	% 49.9
Urban population	%	29.0	Gender inequality ²	0.553	Aid per capita \$	68.7

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. 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

The period between 2019 and 2021 was dominated by national reforms. The government established the multi-stakeholder National Reforms Authority (NRA) to implement reforms of the security services, parliament, judiciary, media, civil service, constitution and economy. The reforms are meant to strengthen institutions, ensure the separation of powers, promote meritocracy in the appointment of public officials, and promote transparency and accountability within public service. On top of this, the country is in the process of implementing the second National Strategic Development Plan, which is a five-year development plan.

Prime Minister Thomas Thabane and his wife ‘Maesaiah Thabane were listed as suspects in the murder of his former wife, Lipolelo Thabane, who was shot dead on the eve of Thabane’s inauguration in 2017. ‘Maesaiah was married to Thomas Thabane immediately after the inauguration. She skipped Lesotho for neighboring South Africa in January 2020 in an attempt to avoid being arrested by the police. She ultimately returned home and was granted bail. The matter created serious instability within the All Basotho Convention, which is the largest party in the ruling coalition. Thabane was ultimately forced to announce his resignation as prime minister, which was scheduled for the end of July 2020.

The parliament gained some independence from the executive when it passed the ninth amendment to the constitution, which eliminated the possibility of a prime minister who has lost a motion of no confidence calling a snap election. This almost guarantees that parliaments will sit for five years rather than the country holding elections roughly every two and a half years, as has been the pattern since 2012. This led to the collapse of Thomas Thabane’s coalition government, with Moeketsi Majoro ascending to power in May 2020.

The COVID-19 pandemic has had a devastating effect in Lesotho given the country’s weak health care system and weak economy. GDP decreased slightly and stood at \$2,376.3 billion in 2019, while debt to GDP increased to 46.5%. The fiscal account balance experienced a devastating decline from -\$59.9 million in 2018 to -\$146.2 million in 2019. Many livelihoods have been

destroyed by the prolonged lockdowns, which were introduced to tackle the COVID-19 pandemic. The country was already struggling to feed roughly 30% of its most vulnerable citizens prior to COVID-19. The government introduced temporary relief measures to help businesses and vulnerable members of society. The coronavirus crisis revealed that the government is struggling to provide adequate health care for its citizens. In January 2021, Lesotho experienced a peak in new COVID-19 cases.

History and Characteristics of Transformation

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

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

Lesotho's democratic status has always been characterized by drama and double standards. On February 28, 2012, Basotho woke up to the news that the then prime minister had formed a new political party. It was highly expected that the prime minister would cross the floor with those that follow him to the new party. The country went for the general elections in May 2012 which

resulted in no single party winning a simple majority. The three former opposition parties, namely the All Basotho Convention (ABC), BNP and LCD formed a coalition government. This was the first time in the history of Lesotho that parties had to join forces to form a government. However, the coalition government collapsed due to corruption and a lack of trust among coalition partners. Eventually, the military attempted to overthrow the government in a 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 collapse of Lesotho's first coalition government led the country 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 align itself with structural challenges and implemented public sector reform programs in order to improve efficiency. The success of such programs, however, remains hampered by significant financial constraints and skills deficits. The National Strategic Development Plan (NSDP), which was a five-year plan, failed to take off. There is no evidence of what has been achieved in the implementation of NSDP. Lesotho is now implementing NSDP II, which is not very different from the previous plan, as most developmental targets for both documents remain the same.

Lesotho has been classified as a least developed country since the classification was introduced by the United Nations in 1971. Remittances have been the largest revenue earner for Lesotho. This followed the introduction of a household tax by the colonial regime, which forced Basotho men to trade their labor in the mines of the neighboring Republic of South Africa around 1900. An estimated two-thirds of the population live in rural areas with agriculture being their main source of livelihood. Lesotho is one of the largest producers of wool and mohair in the world, but this industry has been in the media spotlight for the wrong reasons recently.

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

Transformation Status

I. Political Transformation

1 | Stateness

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

The period under review saw some stability within the armed forces after three turbulent years between 2015 and 2017 during which two army commanders as well as other senior soldiers were killed by their colleagues. Security forces have been able to maintain order, except for one day in April 2020 when soldiers were deployed by Prime Minister Thomas Thabane on the streets of Maseru in armored vehicles. They later assembled outside the police headquarters, but eventually returned to their barracks without incidence.

It is alleged that the then prime minister had ordered the army to arrest the commissioner of police, because his attempts to fire the commissioner of police had failed. The standoff followed the claim by investigators that the then prime minister had been involved in the murder of his late wife. Following this standoff, the army chief engaged in talks with the police commissioner under guard.

Regarding the killing of an army chief (Khoantle Motsomotso) by his subordinates, the army chief had agreed with the authorities to hand over several soldiers – who were alleged to have been involved in criminal activities – to the police for further investigation. It is alleged that those who killed him felt betrayed by him and believed that the army would not protect them against arrest as they were also alleged to have been involved in the killing of Mahao.

Question
Score

Monopoly on the
use of force

7

'06 '22 10



1

The process of handing over the soldiers against whom criminal allegations have been brought was completed. However, the cases are not progressing through the courts. Furthermore, tensions between the commissioner of police and the government remain, as efforts to fire him continue.

State legitimacy has been under constant attack by various players in society due to the state's failure to provide for its citizens during the coronavirus induced state of emergency. Lesotho has a huge diaspora community mainly based in neighboring South Africa. When the government of South Africa declared its own state of emergency and restricted movement it left many Basotho stranded on farms and industrial estates. They were in dire need of food and personal protective equipment, which were not provided by South Africa to non-South African citizens. Some even died of hunger and the government was forced to act, providing a one-off food hamper worth LSL 350 per person in South Africa.

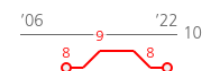
Lesotho allows citizenship by naturalization. People who are willing to apply for citizenship in Lesotho through this route have to wait five years while living in Lesotho before being eligible. The state has been under constant pressure to clean up corruption in its naturalization process in order to ensure that only deserving people are naturalized. Deserving people are defined as those who are willing to wait five years before the process of naturalization can commence. Some applicants try to bribe officials and it is this form of corruption that needs to be cleaned from the system. There are no known discrimination tendencies.

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

Lesotho is largely a secular state, but there are very strong practices entrenched in the manner in which the state operates. People are free to practice any religion of their choice. However, Christianity is the most dominant religion and its influence is so strong that prayers are said at the beginning of official government events and meetings. Christianity is so entrenched in Lesotho that other rights, which are deemed to be against Christianity, are not protected. Abortion is one of the things that is illegal, as its illegality ensures that the state operates in a manner that is deemed to be in line with Christian values. Any person who causes or induces the termination of a pregnancy may face up to three years imprisonment if found guilty by a court of law. However, this does not prevent women from attempting an abortion, which tends to result in many being treated in government hospitals. There are often no legal actions instigated against the victims or survivors of illegal abortions in Lesotho. There is an increasing number of people advocating for the legalization of abortion in order to save lives and reduce the costs of illegal abortions.

State identity

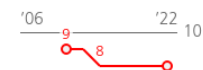
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1

No interference of religious dogmas

8



1

The other challenge religion presents to the running of government is that LGBT rights are not recognized or protected by the state, because these rights are also seen to contradict Christian values. Other religious groups exist in Lesotho and are free to practice their religion without interference from the government. There are Muslims, Baha'i and various indigenous religions.

The government of Lesotho includes the Department of Rural Water Supply whose responsibility is to ensure the development, protection and regular maintenance of water sources for people in rural areas. A wholly government-owned company called Water and Sewage Company (WASCO) is responsible for the provision of water and sanitation services in urban and semi-urban areas.

According to the World Development Indicators (WDI), in 2017, only 42.75% of Lesotho's population used at least basic sanitation services. This represented a two-percentage point improvement from 40.77% in 2016. On the other hand, a staggering 28.3% and 27.27% of the population practiced open defecation in 2016 and 2017 respectively. The problem of open defecation is far worse in rural areas where 35.4% of the population practiced it in 2017 compared to only 6.13% in urban areas in the same year. The indicators further show that, in 2017, 68.65% of the population used at least basic drinking water services, which is a slight improvement from 68.63% in 2016.

The government struggled immensely to provide health care to citizens during their hour of need. The coronavirus pandemic exposed the inability of the government to tackle the health crisis. The government took months testing coronavirus samples in neighboring South Africa. The 2019 public school teachers' strike and the coronavirus-induced lockdowns meant that students lost the better part of two academic years. There was no immediate solution at the beginning of 2021 given the increasing rate of coronavirus infections and the continued application of the national lockdown.

The judiciary is independent, although there is a vast backlog of cases that remain unresolved. On the issue of tax, the tax authority enjoys the support and compliance of the general public. For those who were not compliant in the past, there is a voluntary disclosure program that has seen the tax net increase. Transportation is largely in private hands, although there is some form of regulation on pricing. Communication services are also in private hands, with the government's only role to regulate services.

Basic
administration

5

'06 '22 10



1

2 | Political Participation

There were no elections in Lesotho during the period under review. The Independent Electoral Commission has faced serious challenges, including the expiry of the tenures of the three commissioners. The process of replacing them was also marked by accusations from civil society organizations of a lack of transparency. The process was finally given the green light by the Court of Appeal and new commissioners have been installed. The three new commissioners include the chairperson of the commission, Mphasa Mokhochane, and two commissioners, Karabo Mohlakoana-Mokobocho and Tšoeu Petlane.

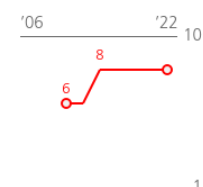
The last elections were held in 2017, with no party winning enough parliamentary seats to form a government. ABC won 235,729 votes and 51 seats, followed by DC with 150,172 votes and 30 seats, then LCD with 52,052 votes and 11 seats. Meanwhile, AD won nine seats; Movement for Economic Change (MEC) and BNP each won six seats; Popular Front for Democracy won three seats; and RCL, BCP, MFP and Democratic Party of Lesotho (DPL) won one seat each. Thomas Thabane of ABC joined forces with Monyane Moleleki of AD, Thesele Maseribane of BNP and Keketso Rantšo of RCL to form a coalition government.

However, there was a change of government when the two biggest political parties in parliament joined forces to form a new coalition. This resulted in Thomas Thabane being ousted through a motion of no confidence, which brought an end to his regime in May 2020. Moeketsi Majoro, a member of ABC, took over the reign and was deputized by Mathibeli Mokhothu of DC. All political parties in parliament, excluding AD and LCD, declared their support for the new coalition.

Lesotho is not scheduled to hold another general election until 2022 and no elections were postponed as a result of COVID-19. General elections are normally held every five years, but the period from 2012 was punctuated by snap elections. The first snap election was held in 2015 following the collapse of the three-party coalition. The other snap election was held in 2017 following the motion of no confidence in the government of the then prime minister Pakalitha Mosisili. The secret ballot is ensured, as there is always a provision of cubicles for voters and ballots are normally counted at the end of the voting process. During the count, all the parties are represented, and complaints and disputes are handled there and then. All parties should have equal access to media. However, the ruling parties normally dominate state media, although other parties are also allotted space to use state media. The registration for voters, candidates and parties is done in a transparent and fair manner.

Free and fair elections

8



There were individuals that wielded veto power over the political leadership during the period under review. In the period between the 2017 general elections and May 2020, Prime Minister Thabane employed a powerful Chinese businessman, Yan Xie, as his economic adviser. In return, Xie's businesses benefited from government procurement, including lucrative contracts to tackle the coronavirus pandemic in Lesotho. Xie's businesses continued to benefit from government contracts even after Thabane's regime collapsed in May 2020.

Public transport operators are another group that have exercised excessive power over the country's political leadership during the period under review. COVID-19 induced lockdowns adversely affected almost all businesses. However, transport operators refused to operate at less than full capacity irrespective of the potential of becoming a platform for spreading the virus. The government of Lesotho compromised and ended up changing regulations to accommodate this group.

The freedom of association and assembly is guaranteed against government interference and restrictions in Lesotho. However, during the period under review, the government banned peaceful protests due to the coronavirus pandemic. This caused many people who were adversely impacted by the lockdown to organize unauthorized protests. One of the protests, which was organized by young people on November 6, 2020, demanded that the government declare youth unemployment a national emergency. The protestors were met with teargas and rubber bullets from the police. In total, 11 young people were arrested and appeared before the Magistrate Court in Maseru.

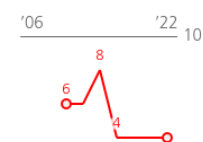
Lesotho's public-school teachers were on intermittent strike for most of the 2019 academic year, working just one week per month. The teachers embarked on a protracted protest to demand better salaries and working conditions, payment of salary arrears, and a restructuring of the teaching service. The 2019 and 2020 academic years were lost to teacher strikes and the coronavirus pandemic. The government threatened that it would implement a no-work-no-pay policy if teachers did not cease their strike. The principals of schools were forced to keep registers of who was reporting for work, which were used to withhold the salaries of teachers that were on strike. However, after the collapse of Thabane's regime, the new government announced that it would pay all the money that had been withheld from teachers that had gone on strike.

COVID-19-related restrictions were necessary and proportional, as gatherings are alleged to be super-spreader events for the virus. However, on the non-discrimination test, the restrictions failed, as government officials attended the state funeral of a former army chief, Major General Metsing Lekhanya, in numbers that were higher than the 50-person limit prescribed by the regulations. This indicated selective application of the regulations, with the population but not officials expected to abide by the restrictions.

On the issuance of permits, civil society has enjoyed the freedom to operate without unwarranted intrusion or interference.

Effective power to govern

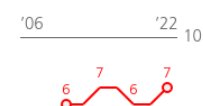
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Association / assembly rights

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The constitution of Lesotho guarantees freedom of expression to individuals. However, during the period under review, there were several instances where individuals were harassed and arrested for exercising their freedom of expression.

Relebohile Moyeye, a radio presenter, and Thuso Litjobo, an opposition member of parliament, were arrested by the police for allegedly failing to wear a face mask. However, the police were not arresting scores of people who were not wearing masks in Lesotho at the time. Moyeye was covering a youth protest against high unemployment, which had not been issued a police clearance due to COVID-19 restrictions. Litjobo met with some young protestors at the entrance of the National Assembly. During the same protest, Newsday newspaper journalist Ntsoaki Motaung was shot with rubber bullets by the police while covering the protest.

There is no freedom of information law in Lesotho. Majoro's regime even threatened to take individuals to task for leaking government documents after a series of leaks of internal memos. On September 14, 2020, the prime minister announced that the government was working on classifying some of its documents/information and that any media organization which publishes confidential government information would be liable to prosecution. The government was responding to leaks regarding the employment of the head of a coronavirus response team. Thabo Khasipe who is head of the Lesotho Revenue Authority, was seconded to head the National COVID-19 Secretariat (NACOSEC) on full pay. However, the government offered to pay him a full salary of LSL 428,016 per year, as the CEO of Disaster Management Authority (DMA), which hosts NACOSEC. This offer ended up being leaked to the public.

During the period under review, journalists practiced self-censorship in response to government threats regarding the publication of certain information that was deemed confidential.

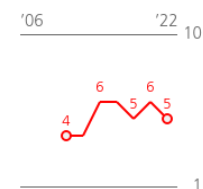
3 | Rule of Law

The control of the executive over the judiciary was feasible during the period under review. The judiciary continues to operate under extremely challenging conditions due to limited resources. The government paid LSL 9 million to former Chief Justice Nthomeng Majara to step down after she was suspended pending an impeachment proceeding. The settlement called into question why the government would prefer to pay the head of the judiciary rather than impeach her if she had a case to answer.

The government of Lesotho published regulations declaring a state of emergency due to the coronavirus pandemic. While the legal instruments are normally valid for only 14 days as provided by the constitution, they have been continuously extended since first being published in March 2020. However, Prime Minister Thabane attempted to paralyze parliament's oversight powers when he published a legal notice to prorogue parliament. Thabane's reasoning that members of parliament needed to follow

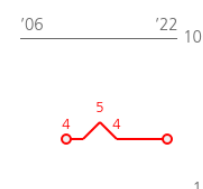
Freedom of
expression

5



Separation of
powers

4



lockdown restrictions like the rest of the population was simply influenced by a fear of losing votes in a proposed amendment to the constitution and an ensuing motion of no confidence. Thabane lost both the votes in parliament and a court case challenging the prorogation of parliament. The constitution was amended and in the process, parliament gained the ability to change regimes without the prime minister calling a snap election.

The executive is chosen from among the members of parliament, which introduces a dualism, namely that selected members of parliament are ministers in waiting. The executive proposes bills, which are then argued on in parliament and enacted or not. Due to the shortened life of parliament and the executive due to the recent motions of no confidence and successive snap elections, responsibilities have been mixed up. There are, however, active checks and balances, which are exercised by the portfolio committees of the parliament, that strengthen accountability.

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

During the period under review, the king rejected a recommendation to appoint five new High Court judges. The then acting chief justice, Maseforo Mahase, and the attorney general met on August 20, 2020, to appoint five new judges: Deputy Attorney General Tšebang Putsoane, and lawyers Tšabo Matooane, Mokhele Matsau, Moneuo Kopo and Maliepollo Makhetha. The chief justice, the attorney general, a High Court judge and a public service commissioner are members of the Judicial Service Commission. However, in this case, only two members of the commission met and made a staggering number of new appointments without the involvement of the other half of the members of the commission. The minister of law and justice accused Justice Mahase and Adv Phoofolo of not following an open and transparent process in the appointment of judges.

Apart from the mishaps alluded to above, the judiciary is able to pursue its own reasoning in decisions even in cases that involve the state. They are able to review and interpret existing laws. There was only one limitation whereby the then acting chief justice would pass judgments in favor of the then prime minister, while the Court of Appeal would pass judgments in favor of the ABC faction that ousted Thabane.

Independent
judiciary

6

'06 '22 10



1

During the period under review, the minister of law and justice, Professor Nqosa Mahao, accused Mahlomola Manyokole, director general of the Directorate on Corruption and Economic Offenses (DCEO), of shielding corruption suspects. This triggered the appointment of an impeachment tribunal consisting of Justice Polo Banyane and two retired judges, Justice Teboho Moilola and Justice Semapo Peete. Adv Manyokole filed an urgent application in the High Court of Lesotho in an attempt to prevent the government from instigating an impeachment. He accused Minister Mahao and Prime Minister Majoro of initiating impeachment proceedings to prevent him from investigating the prime minister. Manyokole's problems with his supervisors began in July 2020, when he defied the DCEO's board of directors after he was instructed to reinstate suspended Chief Investigations Officer Thabiso Thibeli.

The former Lesotho Communication Authority CEO, Tšeliso Mokela, was charged with corruption after he was accused of failing to disclose a conflict of interest related to a meeting in which his bonus was discussed by the board. The then board members were also accused, as they were said to have erred in approving the bonus without conducting a performance assessment. They were further accused of approving an 8% salary increment for the CEO without consulting the minister of communications during the 2017/18 financial year. However, the accused were acquitted after the prosecution failed to produce the docket for the trial to proceed.

Deputy Commissioner of Police (DCP) Tumelo Moseme was acquitted in 2020 by the High Court of Lesotho after he was charged with corruption, fraud and bribery relating to the procurement of police uniforms. Moseme spent close to 10 years suspended from service while waiting for a court resolution on the matter. He was co-accused with Assistant Commissioner Dlamini Mphatšoane, Thakane Theko, Rebecca Makhalemele and her company, New Vision Suppliers.

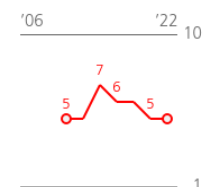
Two government officials, Nthatisi Thabane and 'Mathabo Matsoso, together with Ensenjor Akinagun were charged with corruption in 2020. It is alleged that the three connived and defrauded government money while processing naturalization applications. The three are accused of scamming four applicants of a total of LSL 280,000 or LSL 70,000 per person. The applicants ended up not receiving the naturalization certificates as promised, which led them to notify the DCEO.

The DCEO obtained a court order to freeze the Lesotho Stone Enterprise's bank accounts and seize its assets while investigating it for money-laundering, corruption, fraud and tax evasion. Stone Enterprise is a company of Xie Yan who served as trade adviser to former Prime Minister Thabane. Yan has skipped the country for Australia since the collapse of Thabane's regime.

The High Court granted an order allowing the DCEO to seize Sobita International's property and freeze its accounts. The DCEO allege that procurement regulations were twisted or avoided in order to grant the lease to Sobita. It further accuses Sobita of having operated the government-owned Victoria Hotel for two decades without

Prosecution of
office abuse

5



paying rent. Sobita is said to have then transferred nearly \$40 million to several companies in South Africa in an alleged money-laundering scheme. The DCEO claim that the company was also operating the hotel without a license and continued to mislead the government by stating that it had renovated and upgraded the hotel. However, it is still very common for public officials who are suspected of being involved in corruption to be transferred to another ministry or fired without due process.

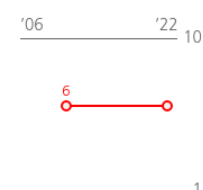
Civil liberties are codified by law in Lesotho. However, during the period under review, scores of suspects died in the hands of the police. The government has not taken action against even one police officer. The situation was exacerbated by the declaration of a state of emergency due to the coronavirus pandemic. The pandemic gave soldiers and police a license to assault people who were believed to have violated movement restrictions. The worst affected were people who were found walking, while those in cars were spared from these assaults by armed forces.

The principle of equality before the law was challenged when then Prime Minister Thomas Thabane and his wife were charged with the murder of Thabane's former wife. The crown counsel did not oppose a bail application in the murder case, while the investigators felt that Thabane's wife's bail application ought to have been challenged. To add salt to the wound, she was released from detention prior to paying the bail amount, as the matter was concluded after the accounts office had closed. She was released and payment was only made the following day. There is no way that regular citizens would have been given such treatment. Thabane's wife's bail was canceled after a successful appeal by the family of the deceased. The Court of Appeal instructed the High Court to give the family of the deceased an opportunity to oppose a new bail application.

As far as equality before the law is concerned, all are equal save in an environment where prominent politicians (particularly those in power) are involved. Access to justice is open to everyone without limitation, but in some instances some judges seem to align closely to political elites.

Civil rights

6



4 | Stability of Democratic Institutions

Democratic institutions exist in Lesotho, but they are unstable and ineffective. Stakeholders were working on national reforms during the period under review in order to strengthen democratic institutions. The National Reforms Authority was established and began working on seven thematic areas in order to make democratic institutions functional again. The thematic areas are the security sector, constitution, public service, media, economy, parliament and judiciary.

COVID-19 has had a devastating effect on the effectiveness of democratic institutions. Courts had to suspend hearings due to the coronavirus outbreak. The Commercial Court lost both Justice Lisebo Chaka-Makhooane and Justice Lebohang Molete to COVID-19. This effectively paralyzed the court, as they were the only two justices on its bench.

The Independent Electoral Commission has been paralyzed by court cases due to the process of appointing new commissioners. The commission has not been functional during the period under review, which presents a huge challenge with elections expected in less than 18 months.

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

However, the majority still say that a commitment to democratic institutions is lacking in Lesotho has experienced years of politically motivated personnel appointments in democratic institutions. The executive used the state of emergency induced by the coronavirus to undermine democratic institutions. Under the pretext of fighting the coronavirus, Prime Minister Thomas Thabane prorogued parliament in order to avoid being toppled. The armed forces embarked on a mission to assault individuals believed to have violated the state of emergency rather than present them to courts of law. Minister of Police Lehlohonolo Moramotse was arrested and appeared in court after CCTV footage showing him buying alcohol, which was prohibited during the state of emergency, was leaked on social media.

Performance of democratic institutions

4

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Commitment to democratic institutions

5

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5 | Political and Social Integration

Political parties in Lesotho serve the interests of their leaders and those who make financial donations. Political parties are often seen as the personal property of their leaders. There is very little effort to solve societal challenges without politicizing the solutions. Political parties are some of the most unaccountable institutions in Lesotho and this tends to result in a series of splits.

The period under review saw the largest political party in Lesotho hold elections for its National Executive Committee. Thomas Thabane, who was elected unopposed, declared that he would not work with his new deputy, Professor Nqosa Mahao. Thabane and Mahao contested the elections from different slates, but Thabane's slate just decided that it would not accept the will of the party members. Prior to the elections, they had refused to confirm Mahao as a candidate. Mahao was only allowed to contest the elections following a court order on the eve of the elections. Thabane's slate refused to work with five members of Mahao's slate, which resulted in a protracted dispute that was only resolved by courts of law. The courts appeared to have been split between the two slates. All cases between Thabane and Mahao were certain to be won by Thabane's slate in the High Court and Mahao's slate on appeal. In some instances, Acting Chief Justice Maseforo Mahase was ordered to recuse herself by the Court of Appeal.

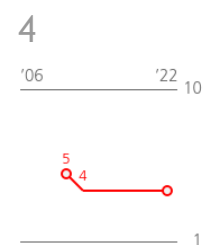
There is a degree of polarization in government. Principal secretaries who are chief accounting officers of government ministries are appointed on the basis of their political affiliations. This also applies to other government appointments, such as the heads of SOEs, ambassadors and members of the armed forces. This is the major cause of instability in Lesotho, as security forces tend to pursue a political agenda rather than protecting people or property.

There are strong political lines rooted in the politics of Lesotho's independence. Parties are not differentiated by their policies but rather by their strong allegiances. It is only in recent times that volatility has emerged, with no one party able to win an election out right.

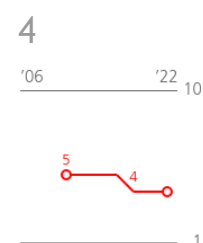
Special interest groups continue to play a crucial role in Lesotho. However, during the period under review, some organizations have felt that government institutions were side-lining them. For instance, the Transformation Resource Center (TRC) unsuccessfully sued the government, demanding that it be allowed to participate in the appointment of commissioners to the Independent Electoral Commission (IEC).

The national reforms program has brought many special interest groups together. The professional bodies, human rights organizations, business associations, faith-based organizations, media organizations, farmers' organizations and many others had to work together for purposes of electing representatives to the National Reforms Authority. This created an environment of greater cooperation between special interest groups.

Party system



Interest groups



Lesotho Council of NGOs remains the largest coordination platform for special interest groups. It is also trusted by many, including political parties, to conduct internal structural elections.

Civil society organizations are usually the ones playing an important role in ensuring the interests of citizens are put first, as they are the most dominant special interest group.

According to an Afrobarometer publication, citizens endorse traditional leaders. Almost two-thirds (64%) of Basotho approve of the job their traditional leaders are doing, a far better performance rating than they give their community councilors, members of parliament or then Prime Minister Thomas Thabane. The survey further found that traditional leaders are considerably more trusted (57%) and less likely to be seen as corrupt (16%) than elected officials.

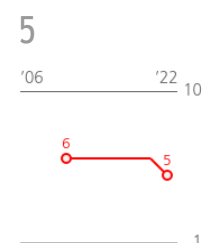
The attitude of the populace toward democratic rule is at a low point following the government's failure to coordinate a national response to the coronavirus pandemic. Basotho are disgruntled due to the perpetual failure of democratic governments to lift the country up. Unemployment, corruption, nepotism, pollution, insecurity, crime, indebtedness and hunger continue to worsen irrespective of continuous democratic governments since 1993. Young people organized an unauthorized protest on November 6, 2020, in which they demanded that the government declare a state of emergency due to youth unemployment.

Voluntary and autonomous organizations play a very important role in protecting and promoting the rights of citizens. The Lesotho Council of NGOs, which is an umbrella body for these associations, is recognized as the voice of NGOs in Lesotho. In response to the coronavirus pandemic, organizations like the Red Cross Society of Lesotho played a critical role in providing essential personal protective equipment to the most crowded places like bus terminals and hard to reach rural areas. The Lesotho Chamber of Commerce and Industry also led efforts to mobilize donations from private businesses, which were then distributed to the National Coronavirus Secretariat and others.

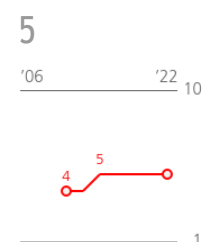
The level of solidarity is growing rapidly. For example, Basotho now deliberate procuring inputs from fellow Basotho to grow their businesses. Recognition that social fabric is the key factor that can change lives is growing as the political system fails to lift the country up and out of poverty.

Overall, the level of trust is low among the population. 96% of people stated that one should be very careful when dealing with other people (Afrobarometer 2019).

Approval of
democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Lesotho's Human Development Index (HDI) improved from 0.522 in 2018 to 0.527 in 2019. However, the overall rank of Lesotho remained constant at 165 for the years 2018 and 2019. In the Gender Inequality Index, Lesotho obtained a constant score of 0.553 in 2018 and 2019.

Lesotho is one of the most unequal countries in the world with a Gini index of 44.9% according to data for 2017. The data also show that 50.3% of the population of Lesotho live on less than \$3.20 a day at 2011 international prices adjusted for purchasing power parity (PPP). The overall loss to HDI due to inequality stood at 27.5% in 2018.

According to the Afrobarometer Survey of 2020, about three-quarters (74%) of Basotho rated the country's economic condition as "fairly bad" or "very bad," up from 60% in 2014. Almost as many (70%) described their personal living conditions as bad. The survey also found that nearly nine out of 10 respondents said the government is doing a "fairly bad" or "very bad" job of managing the economy (87%) and improving the living standards of the poor (86%). Even more (95%) disapproved of the government's performance in creating jobs.

The inequality index depiction of Lesotho as an unequal society is true because women in positions of power are in the minority. Most leadership positions are held by men. This also translates to both income and wealth. Women are disproportionately represented in care work and factories, which is less well rewarded and reduces their incomes.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	2306.8	2514.1	2366.2	1844.5
GDP growth	%	-3.1	-1.2	-0.4	-11.1
Inflation (CPI)	%	4.4	4.8	5.2	5.0
Unemployment	%	24.1	24.0	23.9	24.7

Question
Score

Socioeconomic
barriers

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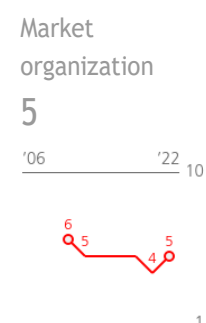
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Economic indicators		2017	2018	2019	2020
Foreign direct investment	% of GDP	1.8	1.6	1.5	-
Export growth	%	2.0	5.9	-16.2	-
Import growth	%	0.2	0.7	-1.5	-
Current account balance	\$ M	-144.9	-59.9	-99.9	-51.9
Public debt	% of GDP	39.9	49.6	50.6	50.4
External debt	\$ M	936.0	903.6	935.9	1052.2
Total debt service	\$ M	55.9	70.9	75.5	73.1
Net lending/borrowing	% of GDP	-1.9	-4.3	-5.1	-
Tax revenue	% of GDP	33.0	32.3	32.9	-
Government consumption	% of GDP	39.7	38.7	38.8	-
Public education spending	% of GDP	8.2	7.3	7.8	7.4
Public health spending	% of GDP	5.6	5.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.0	1.8	1.6	1.6

Sources (as of December 2021): 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

According to the World Bank's Ease of Doing Business Report of 2020, Lesotho had six procedures for starting a business during the period under review. The report indicates that it takes an average of 15 days to start a business in Lesotho at the cost of 6.1% of gross national income (GNI). Business registration is done remotely as applications can be filed online. However, foreign-based companies are required to have an agent based in Lesotho to lodge an application on their behalf. The country's overall ranking in 2020 was 122 out of 190 countries. Some of the biggest hurdles highlighted in the report include construction permits, protection of minority investors and sourcing electricity.



Lesotho does not control or limit investment or disinvestment into the country. Investors were free to move their resources in and out of the economy. The government of Lesotho remains the biggest player in the economy as the private sector is relatively small. There are, however, big multinational corporations that have invested in the extractives industry, financial industry, textile industry and retail, among other sectors. These companies face no restrictions when they have to repatriate profits to their home countries.

Due to high levels of unemployment, the informal sector is quite large and requires no licensing except for rents, which are paid to city councils for allotted spaces to operate from. This is also the group that was heavily affected by the lockdown, as their products are often perishable.

Lesotho formulated a competition policy back in 2007 with the aim of regulating competition in the economy in order to minimize market failures. However, the government has not established a competition body in order to ensure that antitrust behavior is challenged. The government failed to table a competition bill before parliament, which led stakeholders to prioritize the establishment of a competition regulator as one of the key deliverables of the ongoing national reforms. The National Reforms Authority (NRA) was expected to facilitate the drafting of a law and submit the draft to parliament within 18 months of its inception in February 2020.

On the other hand, business continues as usual, and competition continues to be ignored by both state and non-state actors. In some instances, this amounts to a violation of Lesotho's procurement regulations. The Lesotho Electricity Company canceled a controversial contract worth LSL 2 billion with China Railway International Group for the construction of a 132kV power line from Maseru in the Maseru district to Qacha's Nek district. The contract was signed without the project being appraised by the Public Sector Investment Committee (PSIC). In another case, Professional Logistics International (PTY) LTD, which is a South Africa company, has monopolized the transportation of textile cargo from industrial estates in Lesotho to a Durban port for shipment to U.S. markets. This led the Ministry of Trade and Industry to restrict logistics operations to locally owned companies only.

Lesotho is one of the most liberalized least developed countries. The country's trade in services schedule of commitment under the World Trade Organization (WTO) is one of the most liberal. However, there are no benefits on the ground associated with that level of liberalization. The country has failed to take full advantage of this due to a lack of investment and its small population size. Most companies prefer to be located in neighboring South Africa, which has 30 times the population of Lesotho. Lesotho's schedule of commitment on trade in services is a negative list, whereby anything that is not listed happened to be open to international trade. However, Lesotho's services industry remains in a nascent stage of development.

Competition policy

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Liberalization of foreign trade

8

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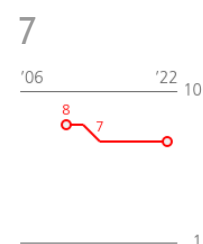
During the period under review, Lesotho ratified the African Continental Free Trade Agreement (AfCFTA), which entered into force in January 2021. Lesotho continued to work with the SADC EPA configuration and the European Union on the implementation of the Economic Partnership Agreement (EPA). These configurations also agreed on a trade agreement with the United Kingdom following Brexit. The agreement is a carbon copy of the EPA agreement and took effect in January 2021. Lesotho is also a member of the world's oldest customs union, the Southern African Customs Union (SACU), and the Southern African Development Community. The country is known to be one of the largest beneficiaries of the U.S. Africa Growth and Opportunity Act through which it has been able to attract investment into its textile industry and create over 30,000 employment opportunities. Lesotho's average MFN rate was 7.7 in 2019.

The COVID-19 pandemic exposed the country's vulnerability to turbulence in international trade. The hoarding of personal protective equipment (PPE) and other necessities left Lesotho struggling to buy these goods in its darkest hour. Lesotho has provisions in domestic regulations and international trade agreements to impose import quotas when necessary.

The Lesotho banking system, which is dominated by well-regulated South African banks, is under the supervision of the autonomous Central Bank of Lesotho (CBL). Three out of four commercial banks are South African with only the 100% government-owned Lesotho PostBank being a local bank. The three other banks operating in Lesotho – namely the First National Bank Lesotho, Standard Lesotho Bank and Nedbank Lesotho – are all subsidiaries of South African banks. The country belongs to the Common Monetary Area (CMA), which includes South Africa, Namibia and Eswatini. The 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 benefits from the policy credibility of the South African Reserve Bank.

According to the World Development Indicators, Lesotho's bank capital to asset ratio, which is the ratio of bank capital and reserves to total assets, stood at 12.6% in 2019. On the other hand, non-performing bank loans, which are the value of non-performing loans divided by the total value of the loan portfolio (including non-performing loans before the deduction of specific loan-loss provisions), stood at 3.3% in 2019. The country has a very weak capital market and there are still no companies listed in the Maseru Securities Market, five years after its inception in 2016.

Banking system



8 | Monetary and fiscal stability

According to the World Development Indicators, inflation in Lesotho stood at 5.2% in 2019. Lesotho enjoyed stability in the general price level during the period under review. This stability is largely due to the fact that Lesotho's economy is insulated by South Africa's economy. On the other hand, the real effective exchange rate, which is the nominal effective exchange rate divided by the price deflator was 78.2 in 2019 relative to the exchange rate in 2010 (where 2010 is 100).

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). The other CMA members are Eswatini, Namibia and South Africa. This means that monetary policy is governed in accordance with the agreement of the Reserve Bank of South Africa rather than domestic partisan political agendas.

COVID-19 has had an adverse effect on the ability of consumers to service their loans. The government of Lesotho then asked banks and insurance companies to suspend loan repayments for three months, and insurance companies were asked to suspend installment payments between April and July 2020. To encourage the use of non-cash payments, the Central Bank of Lesotho negotiated with mobile network operators to remove fees for transactions below LSL 50 and temporarily raise mobile money transaction limits. This was necessary as the lockdown compelled people to use non-cash payments.

According to the World Development Indicators, in 2019, Lesotho's current account balance was -\$146.2 million in 2019, which is worse than -\$59.9 million in 2018. The government of Lesotho is facing enormous foreign exchange supply challenges due to poor fiscal policy management. The biggest threat to foreign exchange controls is the fact that Lesotho is a net importer of goods and services.

Lesotho continues to struggle to manage its foreign reserves. The period under review saw a slight increase in foreign reserves from \$728.5 million in 2018 to \$774.1 million in 2019. This is a very important matter not only in ensuring that the country is able to meet its obligations when they are due but also in maintaining parity between the loti and South African rand.

The government of Lesotho has been able to service its debts during the period under review. A total of \$79.8 million was paid to service debt in 2019. Lesotho has struggled to contain net borrowing in recent years. Within a 10-year period, net lending of 4% in 2008 turned into a net borrowing of -4.2% in 2018. On the other hand, public debt as a percentage of GDP in 2019 stood at 46.5%, while the external debt for the same year was \$938.8 million. On July 29, 2020, Lesotho received \$32.6 million from the IMF's Rapid Financing Instrument (RFI) to deal with the impact of

Monetary stability

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Fiscal stability

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the COVID-19 pandemic. According to the World Bank's Debt Suspension Service Initiative (DSSI), the country potentially saved \$9.8 million between May and December 2020. The government of Lesotho is the largest economic player in Lesotho and government expenditure as a percentage of GDP stood at 38.3% in 2019.

9 | Private Property

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

However, enforcement of property rights remains one of the biggest challenges facing Lesotho even in the presence of these laws. Both the Industrial Property Act of 1989 and the Copyrights Act of 1989 are outdated, and do not respond to contemporary infringements facilitated by the advent of information technology. The government of Lesotho has also not invested in developing a deeper understanding of property rights in order to ensure that it is able to respond to the challenges of the 21st century.

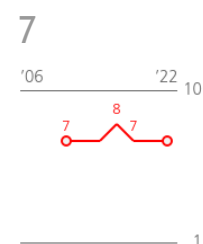
Lesotho has rolled out a land registration system under the Lesotho Administration Authority (LAA) to help individuals to use their land as security in accessing financing for development. The institution codifies and consolidates private land and land use rights.

According to the World Bank's Ease of Doing Business Report of 2020, starting a business in Lesotho requires six procedures, takes an average of 15 days, and costs an average of 6.1% of gross national income (GNI) for both men and women.

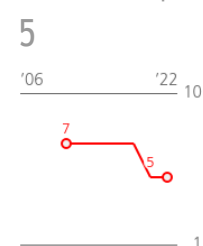
Privatization of state companies is not done in accordance with the Privatization Act of 1995, which was meant to safeguard free market principles. The government abandoned the Privatization Unit, which was established by an act of parliament and the process of privatizing state companies is now done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

The government of Lesotho pays lip service to the idea that private companies are the engines of economic growth. However, the government remains the largest player in the economy, and tends to take forever to pay private companies for goods and services rendered. This has paralyzed many private companies and the minister of finance has declared that the government will be unable to meet its obligation to private companies for amounts over LSL 1.6 billion in September 2020. Some of these companies provided services to the government during the COVID-19-induced lockdown. However, the government attempted to mitigate the impact of COVID-19 pandemic through delays in tax payments, and a LSL 50 million rent relief initiative for commercial property companies between April 2020 and January 2021.

Property rights



Private enterprise



10 | Welfare Regime

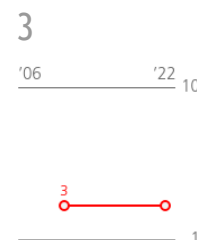
Lesotho has one of the lowest levels of life expectancy at birth at 53.7 years. The largest contributing factor to this is the high prevalence rate of HIV/AIDS. The country has one of the highest rates of health expenditure as a percentage of GDP in the world at a staggering 9.3% in 2018. The largest part of this expenditure goes to the referral hospital in Maseru, which operates under a public-private partnership. There is also a lot of wastage in making referrals to hospitals outside of the country. The government of Lesotho ordered the referral hospital to cease referring patients to neighboring South Africa in an attempt to reduce the high cost of these referrals.

Furthermore, Lesotho operates an old-age pension, which is offered to citizens on reaching 70 years of age. Non-citizens above the age of 70 do not qualify for this benefit. However, the government extended the benefit to all citizens above the age of 60 for three months during the COVID-19-induced lockdown. The government committed LSL 28 million a month for 34,500 beneficiaries aged between 60 and 69, with each receiving LSL 831 per month. Education at the primary level is free, although some parents take their children to private schools due to fears that government schools offer a lower quality of education. Tertiary education is financed through the National Manpower Development Secretariat (NMDS) under the Ministry of Development and Planning, which provides part loan/part grant financing of which a certain portion is required to be paid back.

The government runs the Public Assistance in Cash and Public Assistance programs for disabled people, orphans and vulnerable children. The government continued to rollout the National Information System for Social Assistance (NISSA), which started in 2010 and has now covered over 138,000 households. NISSA assists other social safety net programs with data on vulnerable households in Lesotho. Every income earning person in Lesotho enjoys a tax credit for income below LSL 4,200 per month. This means that the first LSL 50,400 per annum is not subjected to tax.

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

Social safety nets



According to the WDI 2020, the female to male enrollment ratio is 0.9, 1.3 and 1.4 for primary school, secondary school and tertiary schools respectively. Lesotho also has a huge problem of gross enrollment ratio with 120.9%, 62.0% and 10.2% for primary, secondary and tertiary education respectively. Lesotho has one of the most impressive literacy rates with an overall rate of 76.6%, with 67.7% for men and a high 84.9% for women. More women than men tend to enroll in education, as boys often become herders rather than going to school. Education is accessible to both citizens and non-citizens. The report also indicates that women made 45.1% of the total labor force in 2020. Over a period of 10 years, there has been a decline of 1.2 percentage points from 46.3% in 2010 to 45.1% in 2020.

Access to public office and parliamentary positions has over time been male dominated. The introduction of a mixed member proportional model increased female participation to 45% of the 40 seats that were redistributed. However, men still dominate the political landscape, with key offices held by men. For example, when the acting chief justice (a woman) was removed, she was replaced by a man.

11 | Economic Performance

According to the World Development Indicators, Lesotho's GDP per capita PPP was \$2,882 in current international dollars in 2019. GDP was \$2376.3 billion in 2019 compared to \$2,575.9 billion in 2018. Meanwhile, the inflation rate was 5.2% in 2019.

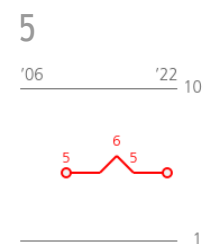
Lesotho's unemployment rate was 22.8% in 2020 down from 23.4% in 2019. This is the biggest challenge to the economy as more and more young people join the labor force. The government of Lesotho has even passed a moratorium on the employment of new civil servants in an attempt to arrest the ever-increasing share of civil servant wages on the budget.

FDI as a percentage of GDP declined from 5.0% in 2018 to 4.8% in 2019. Lesotho's biggest challenge has been political instability, with the country ruled by a series of unstable coalition governments since 2012. This has made it extremely challenging for the country to attract FDI as most investors deferred their investment decisions or even decided on alternative destinations. However, the ongoing national reforms are meant to address this weakness and create a stable democracy.

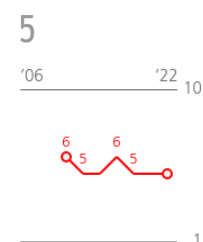
Tax revenue as a percentage of GDP continues to decline in Lesotho. It declined from 38.4% in 2008 to a mere 31.6% in 2018. The current account balance was -\$146.2 million in 2019 compared to -\$59.9 million in 2018.

Over the last 10 years, the debt-to-GDP ratio has increased from 36% to 46.5%, which indicates a worsening situation. The coronavirus crisis has added salt to the wound,

Equal opportunity



Output strength



with the ailing economy contracting as government revenue declined, while debt increased due to increased public spending to cope with the COVID-19 restrictions.

Although GDP per capita showed some signs of improvement in 2019 with a 0.7% growth, the coronavirus crisis reversed those gains and led to a contraction.

12 | Sustainability

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

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

There is utter disregard for the law. The commissioner of mines' lack of action is in violation of section 7 (1) (c) of the Mines and Minerals Act of 2005, which states that the commissioner's responsibility is to investigate breaches of environmental obligations in mining areas. Mining companies are not properly regulated and – even in instances where they have been found to have violated environmental laws – nothing is done by the government of Lesotho.

A photovoltaic solar power plant was installed at Ha-Ramarothole in Mafeteng District, which covers an area of 220 hectares. Upon completion, the project is expected to generate 70 megawatts, which will reduce the country's reliance on coal-generated electricity imported from neighboring South Africa. Lesotho receives an average of 13 hours a day and 300 days a year of sunshine, which means that it is in a good position to harness solar power.

Regulations seem to be ineffective where government ministries and departments are involved. For example, the Department of Environment does little or nothing to enforce the law for electricity-generation mega projects that are externally financed. Civil society is the one player that is actively involved in demanding that environmental concerns are heard.

Environmental
policy

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'06 '22 10



According to the World Development Indicators, R&D expenditure as a percentage of GDP comprised a mere 0.05% in 2015. The implication is that R&D is deficient in Lesotho. The UN Education Index on the other hand, which captures the level of education by measuring average years of schooling for adults 25 years old and expected years of schooling for children of school age, stood at 0.532 in 2019. This implies that Basotho are averagely educated as they are neither close to zero nor close to one.

The latest available data indicates that public expenditure on education was 7% of GDP in 2018. The literacy rate in 2014 was 76.6%. During the period under review, teachers have been at loggerheads with the government. Teachers have complained about the lack of available educational materials necessary to support the newly introduced syllabus as well as teachers' salary, the teaching structure and the appointment of school principals on a contract basis. The teachers' strike, which has dragged on from 2018, resulted in the expulsion of some of the leadership of the teachers' unions. The strike and the absence of teaching materials has adversely affected the quality of education.

Primary education is solely funded by the government, as the country has introduced free primary education. Parents are to assume the costs for secondary education. Primary education has a school meals program that received assistance from UNICEF. However, UNICEF has indicated that it will withdraw its funding and that the government must assume responsibility for the program.

Education policy /
R&D

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Governance

I. Level of Difficulty

Lesotho is a 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 75% of the population either being poor or vulnerable. Such poverty is particularly acute in the mountainous areas, and other hard to reach areas. Given the condition of the country's rudimentary road network, the state's reach in these areas remains limited. Inhabitants of these areas have traditionally sustained their livelihoods through subsistence farming, but as a result of increasing regularity of protracted droughts and soil erosion, the scope for such farming continues to diminish. In addition to the country's unacceptably high poverty levels, HIV/AIDS has had a devastating effect on family units and the social cohesion of the society.

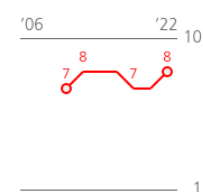
The government of Lesotho was not prepared to deal with a national emergency of the magnitude of the coronavirus pandemic. The country declared a state of emergency in an attempt to tackle the pandemic. However, the government was unable to mobilize sufficient resources to fight either the pandemic or the subsequent hunger and economic crises, which resulted from the prolonged restrictions on people's movement.

According to a 2020 survey by the Lesotho Population-based HIV Impact Assessment (LePHIA), HIV prevalence stood at 23%, which corresponds to approximately 324,000 adults living with HIV in the country. The report states that, among adults (aged 15+) who tested HIV-positive in 2020, 90% reported that they were already aware of their HIV status. Regarding, treatment the report found that, among the adults (aged 15+) who tested HIV-positive in the survey, 97% self-reported current use of antiretroviral treatment (ART). On viral load suppression it indicates that, among HIV+ adults who self-reported current use of ART, 92% had viral load suppression. High HIV prevalence in Lesotho has a huge bearing on other issues, such as absenteeism, productivity and allocation of economic resources, as more resources have to be committed to HIV-related programs. The country is heavily dependent on donor funding to meet its HIV obligations.

These realities have placed a tremendous burden upon the state, which has neither the financial means nor the human capacity to properly address the needs of the most marginalized in society. To address these challenges in a meaningful way, the country

Structural
constraints

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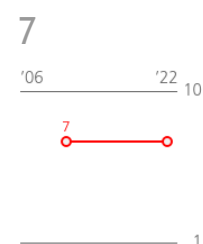
needs economic growth that is robust and equitable. Such economic growth is, however, very dependent upon Southern African Customs Union (SACU) revenues. The country's dependency upon the South African economy is a structural weakness that makes it particularly vulnerable to the exchange rate fluctuations of the rand, although this can also be a strength as Lesotho is insulated from such fluctuations by South Africa's stronger economy.

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 the governance sphere, is small and often lacks the necessary resources and capacity to fully occupy its space in the democratic dispensation in Lesotho. Its relationship with the government also continues to be constrained by a governance legacy characterized by limited interest in public participation and consultation by those in power. In instances where formal civil society organizations adopt a supportive function, such as voter education and human rights training, it has proved to be very efficient.

The biggest challenge remains the issue of security forces torturing and killing people with impunity. An opposition member of parliament for the Movement for Economic Change (MEC), legislator Thabo Ramatla, is suing for LSL 2 million in damages for torture that he was allegedly subjected to by the police in May 2019. A man from the Quthing district, Seabata Mohlabula, was left bedridden in hospital after he was tortured by police officers in order to force him to confess to stealing money. The Democratic Congress campaigned against police brutality while in opposition during Thabane's regime. However, there has been no change even after it joined the government, except that the government established an interministerial committee to investigate the causes of instability within the police in August 2020. The committee produced a report, which was criticized by many actors (including the Lesotho Police Staff Association) who argued that it simply sugar-coated existing challenges within the police force. They called for a fully fleshed commission of inquiry to investigate the torture and deaths of suspects in police custody.

Lesotho's social fabric and capital has been adversely affected by the COVID-19 pandemic. Due to COVID-19-induced restrictions, most of the things that were available in society have been curtailed, which has resulted in families being left on their own without support from their neighbors or wider communities.

Civil society traditions



The period under review was marked by a reduction in conflict intensity between political parties. The largest contributing factor to this was that all stakeholders were engaged in the implementation of the national reforms. This even saw members of opposition parties, including Mothetjoa Metsing of the LCD, returning home from South Africa. Metsing had fled Lesotho with others, accusing the security forces of plotting to assassinate them. However, after the intervention of the SADC, Metsing and others returned home to work on the reforms process.

There were no social, ethnic or religious conflicts during the period under review. However, there were violent protests by street vendors and textile workers after the government failed to pay them the promised COVID-19 relief package. The government only fulfilled its promise of providing a one-off relief package after vendors and workers engaged in the protests that included blocking streets, throwing rocks and causing minor damage to properties in the capital Maseru.

II. Governance Performance

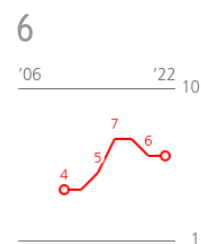
14 | Steering Capability

Lesotho is implementing a second five-year National Strategic Development Plan (NSDP II) 2018–2023. The biggest challenge to the implementation of development plans in Lesotho is poor coordination and a lack of financial support to ensure that the targets are met. NSDP II identified manufacturing, tourism, technology and innovation, and the creative industries as key development sectors. The target is to generate at least 10,000 new jobs per annum in order to tackle high unemployment. The government has established the Prime Minister's Delivery Unit in order to coordinate the implementation of the plan.

Lesotho has also been working on a proposal to develop a second Millennium Compact for onward submission to the Millennium Challenge Corporation of the U.S. government. The compact is expected to provide one of the biggest injections into the economy over the next five years, provided Lesotho maintains eligibility and passes very tough criteria when its proposal is assessed. However, the country was on the verge of being classified as ineligible for the project due to its failure to bolster its laws on the trafficking of persons. The necessary amendments were duly passed in November 2020. Donors play a critical role in the development of Lesotho as the European Union, the People's Republic of China, Japan and others continue to provide enormous amounts of development aid to finance government programs.

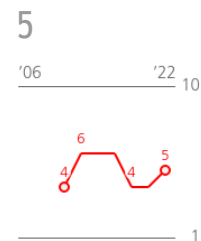
Furthermore, the country began implementing the second phase of the Lesotho Highlands Water Project to build a mega dam that will increase the volume of water being sold to South Africa. This \$2 billion project is also expected to augment the country's electricity generation capacity.

Conflict intensity



Question Score

Prioritization



Of all the priorities alluded to here, health was top of the list as regards to the pandemic. All the political parties sang from the same hymnbook when it came to addressing the effects of the pandemic.

Prime Minister Thomas Thabane's regime started with the huge promise of being a reformist government addressing fundamental issues of development in the Kingdom of Lesotho. The coalition agreement between the four ruling parties had set very ambitious targets of changing fortunes for Lesotho and promised to make the country an investment destination as well as creating employment opportunities for the unemployed. It had pledged to restore national peace and political stability, deepen democracy and respect for human rights, make transparency and good governance a hallmark of the government, place a greater focus on consultation and citizen participation, eliminate corruption at all levels of society and government as well as other very promising objectives. However, all these proved to be illusive and all government programs were in direct contradiction of these noble objectives of formation of only the third coalition government. The greatest achievement of the government was the commencement of the national reform process. A new regime led by Moeketsi Majoro took over in May 2020 and it is yet to achieve anything tangible.

The two regimes had to deal with the coronavirus pandemic, which adversely affected the economy and livelihoods. Lesotho was one of the last countries in the world to record a positive case of coronavirus. However, given the close linkages between the economy of Lesotho and those of the United States and South Africa, which are some of the worst affected countries in the world, the lockdowns both at home and in those two trading partners brought the economy to its knees. The U.S. textile market is the largest buyer of textiles cut and trimmed in Lesotho.

The country does not seem to be learning anything from its failure to achieve policy objectives. It heavily relies on the support of intergovernmental organizations and international financial institutions to dictate its policy direction. Policy formulation is not based on scientific research which makes it a mere subjective exercise. However, the period under review demonstrated further regression as far as policy learning is concerned. 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 government has also failed to ensure that it creates 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 on international consultancies. This makes it easy for these consultants to be paid whatever they charge without benchmarking 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 the continuity of the projects implemented through consultancies.

Implementation



Policy learning



The period under review huge progress in policy learning was made when the government commissioned the development of policy formulation guidelines. The handbook has not yet been approved but will provide logical guidance for developing government policies going forward.

The handbook will ensure that policies are standardized and implementable as the action points will be easily recognizable to the implementing officers. It will also reduce over-reliance on consultants and ensures that civil servants can follow a scientific approach to developing policies.

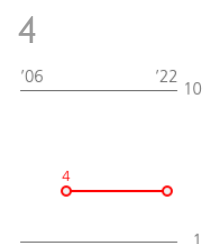
15 | Resource Efficiency

Appointments and dismissals in the civil service are influenced by political affiliations. Some principal secretaries appointed during Thabane's regime had to vacate their offices following the change in government. The only difference with previous changes in government was that this one coincided with the end of the contract for those who left. However, the fact that new partners joined the ABC in a coalition government meant that their supporters were appointed as principal secretaries, especially to government portfolios held by those partners. There was a case in which Thabane appointed Ms. Nonkululeko Zaly as the principal secretary to the Ministry of Home Affairs just before the collapse of his regime. However, following the change in regime, the home affairs portfolio was given to the Democratic Congress, which wanted to appoint Tumelo Rabolets. Consequently, Majoro revoked Ms. Zaly's appointment, which led her to petition the court for reinstatement. An out-of-court settlement paved her way to be reassigned to yet another position, principal secretary to the Ministry of Local Government and Chieftainship, which is a portfolio currently held by the ABC. Recruitment to senior government positions is guided by political inclination rather than merit. Where the recruitment process is followed, those in power ensure that (irrespective of the skills and experience of candidates) candidates with the appropriate political ties are appointed.

The government of Lesotho struggled to use state resources properly during the period under review. Public procurement regulations were often not followed and the executive over-stepped its mandate on several occasions, making decisions that contradicted the work of bureaucrats who had followed the procurement regulations.

Regarding procurement, sometimes assets are procured without a proper management team to utilize the assets. The Roads Directorate rushed to procure the asset without a proper implementation plan in place. Furthermore, two successive coalition governments have used virement to bypass normal procurement procedures in order to misappropriate public finances. The COVID-19 pandemic presented yet another challenge, with the issue of allocating resources and deciding who should spend the

Efficient use of assets



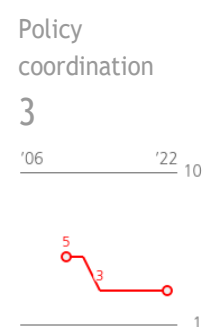
resources becoming a serious issue. The anti-corruption agency had to intervene. The agency advised the government not to use a temporary structure, which had not been established through an act of parliament, to spend COVID-19 funds.

Lesotho regularly holds local government elections, which establish community councils that ideally manage the development agenda of the respective communities. However, power remains with the central government, and project resources and implementation authority are used to score political goals for central government political elites. Community council projects, therefore, cannot be divorced from the central government's agenda. The government has failed to implement the decentralization policy which was developed with the aim of devolving power to local government structures. The process of devolving power is one of the deliverables of the National Reforms Authority.

The government of Lesotho is implementing a series of national reforms, which aim to improve the efficiency of public services, make public servants more accountable and strengthen meritocracy in the recruitment of civil servants. The National Reforms Authority (NRA) began this process in February 2020, with the process estimated to take a maximum of 18 months. However, the COVID-19 pandemic and other administrative challenges introduced significant obstacles. The process began in earnest in January 2021 after the government relaxed movement restrictions and NRA members were given special permits allowing them to operate like essential service providers. This was critical as the process is predominantly funded by development partners and facilitated by the SADC.

Policy coordination has remained poor during the period under review. In order to advance development in Lesotho, policy should be given higher priority. Government ministries' competing interests for resources to implement policy programs get in the way of establishing a coherent overall policy coordination program. In particular, the office of the prime minister seems to be incompetent in terms of coordinating policies. The mentioned lack of coordination could be attributed to corruption and a lack of leadership on the side of both bureaucrats and politicians.

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



Public procurement regulations, and the Public Financial Management and Accountability Act were not fully followed on a regular basis during the period under review. During the period under review, the Office of the Auditor General published an audit of the financial year ending on March 31, 2018. The report highlighted that there was no certainty in the actual number of government bank accounts and the funds held, and an estimated LSL 101 million could not be accounted for. The report further indicated that the Integrated Financial Management Information System (IFMIS) produced information whose quality, validity, accuracy and completeness remained doubtful for the 2017/18 financial year. The government even promised to upgrade IFMIS in order to address this problem.

The Directorate on Corruption and Economic Offenses (DCEO) faces enormous challenges in dealing with corruption. The director general of DCEO, Adv Borotho Matsoso, was unceremoniously dismissed from the position, despite having months to run on his contract. He was succeeded by Mahlomola Manyokole, whose appointment was not open or competitive, nor was the vacancy advertised.

Lesotho Sandstone Enterprise, which is the largest sandstone mining company in southern Africa, faced charges of fraud, money-laundering, tax evasion and the illegal acquisition of an operating license. The DCEO accused the company of defrauding the government of LSL 40 million and alleged that the South African Reserve Bank had frozen about LSL 3 million following suspicious transfers to China.

Thabane's regime established the National Emergency Command Center (NECC) in response to the COVID-19 emergency. The NECC awarded supply contracts on inflated prices, which included the purchase of a non-contact thermometer budgeted at a staggering LSL 500,000, and four 9kg gas cylinders and four heaters for a combined LSL 184,550. These prices are far in excess of what is charged on the market, yet the government spends scarce resources to pay for inflated prices at a time when people are starving.

The declaration of assets and party funding remained one of the biggest challenges during the period under review. Majoro's regime made a public gesture in July 2020 when ministers signed asset declaration forms. However, this information is not available to the public and the DCEO stated that there is stiff resistance among public officials to declaring assets. Access to information remains a mirage in Lesotho. The country does not even have access to information law. Political parties are not required to disclose their funding and most political parties do not even hold annual general meetings or publish audited financial statements.

The NECC was disbanded in June 2020 after the change in regime and replaced by the National COVID-19 Secretariat (NACOSEC). This was followed by an influx of invoices from service providers who claimed to be owed money by the government for services rendered to the NECC. The anti-corruption body (DCEO) intervened and advised the government that the NACOSEC (just like the NECC) did not have the

Anti-corruption
policy

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power to handle public finances, as they were established through regulations not an act of parliament. The legal opinion of the DCEO made a minor difference in that the CEO of NACOSEC was designated to serve as CEO of the Disaster Management Authority (DMA).

16 | Consensus-Building

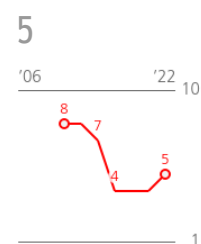
The period under review saw major political actors agreeing to reform democratic institutions for the long-term development of Lesotho. The establishment of the National Reforms Authority (NRA) to oversee the largest national reform program since independence marks the dawn of a new beginning in Lesotho. The NRA is mandated to implement reforms, as agreed during the second National Dialogue Plenary, which was held in November 2019. Reforms to the parliament, judiciary, security forces, constitution, media and public service are some of the deliverables of the NRA.

The government of Lesotho faced the biggest test of its commitment to the market economy during the period under review. Thabane's regime, which began in June 2017 and collapsed in May 2020, oversaw one of the darkest periods for the dismantling market economy in Lesotho. Major economic players were at loggerheads over whether to award government tenders to Chinese owned companies without following competitive processes. The government meddled in the enforcement of contracts between wool and mohair farmers, and a Chinese-owned company also created discomfort between major political players. The major political actors agreed during the national reform process that there is a need to reform the economy of Lesotho. Key deliverables of the economic reforms include the establishment of a Competition Authority, Planning Commission and State-Owned Enterprises Authority as well as the enactment of a comprehensive public procurement law.

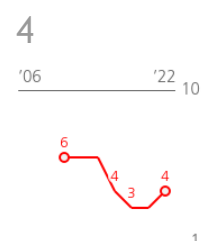
The establishment of the National Reforms Authority (NRA), which consists of various stakeholders and is directly accountable to parliament, has provided an opportunity for the country to implement reforms with little influence for anti-democratic actors. The NRA is an autonomous body established through an act of parliament to oversee the national reforms program. The body is mandated to develop reforms to improve the judiciary, security forces, economy, media, public service, parliament and constitution.

The biggest success of the reform process was that an autonomous body was established to implement the reforms. The alternative would have involved leaving bureaucrats and the ruling coalition responsible for implementing the reforms, which would have compromised the reforms given the influence of anti-democratic actors if the status quo had been maintained. The national dialogue, which approved the establishment of NRA, was a multi-stakeholder platform with representatives from

Consensus on goals



Anti-democratic actors



all spheres of public life. It is, however, too early to say if the NRA has the necessary capacity to reduce the influence of anti-democratic actors or whether the establishment of the NRA will prove a rather cosmetic change.

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

The political leadership has no interest in preventing cleavage-based conflicts from escalating. The only hope for Lesotho is for the ongoing national reforms to deliver strong institutions that are able to withstand populism, nepotism, and other tendencies intended to divide the nation and weaken democratic institutions.

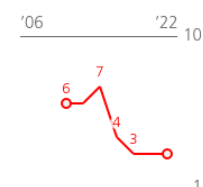
The government of Lesotho increased civil society participation after years of being accused of side-lining them on national matters. The government ended up including civil society organizations in the leaders' forum, which was the body that oversaw preparations for the national reforms. Civil society representatives were even included in the National Reforms Authority (NRA), which is the body tasked with the implementation of the reforms. Nearly a third of representatives are from civil society organizations.

The government reversed some of its hard stances on civil society participation including on issues concerning the establishment of a human rights commission. Civil society organizations had accused the government of establishing a toothless body with the prime minister given unlimited power over the commission. The initial position of the government was that it was for the government to decide on how to structure state institutions. However, the period under review saw the government and civil society work together to promote the establishment of an autonomous human rights body.

The constitution guarantees 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 policymaking at the national level remote. As such, weak parliamentary oversight, and shortcomings related to the transparency and accountability of the executive makes it difficult for interest groups to engage with the state on relevant information and facts.

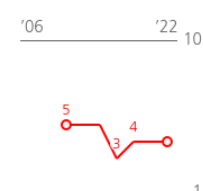
Cleavage /
conflict
management

3



Civil society
participation

4



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

The most recent involvement of soldiers in civilian rule was in 2014 when the soldiers interpreted that Prime Minister Thomas Thabane had lost parliamentary seats and therefore had no authority. This was after Thabane's regime appeared to have lost a key partner in the form of the Lesotho Congress for Democracy, which was led by his deputy, Mothetjoa Metsing. The commander of the army refused to step down when he was fired by Thabane on August 29, 2014. Thabane then fled for the neighboring Republic of South Africa on August 30, 2014, in what he called an attempt to overthrow his government.

Thomas Thabane lost a vote of no confidence in May 2020. However, unlike Mosisili, Thabane could not call a snap election as the parliament had amended the constitution to remove the option for calling elections upon losing a motion of no confidence in parliament. He was succeeded by Moeketsi Majoro who formed Lesotho's fourth successive coalition government since 2012.

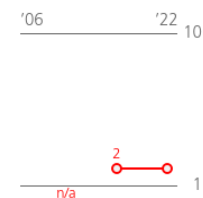
Lesotho's political leadership has failed to place court processes and the victims of injustices at the center of the reconciliation process. The aim has been to punish the perpetrators, but little or nothing has been done to address the victims. This is demonstrated by the case of a former commander of the army, who is still awaiting trial. Other political parties are advocating for a truth and reconciliation process, but the government does not buy the idea.

17 | International Cooperation

The government of Lesotho through a consultative national reform process has been able to attract enormous support from international partners. The Southern African Development Community (SADC) worked with all stakeholders in Lesotho to address recurring conflicts caused by weak institutions, inadequate laws and political interference within security forces, among other things. The period under review saw all development partners in Lesotho commit resources to the implementation of the national reforms. The National Dialogue Report outlines clear deliverables for the reform process and enables both Lesotho and its development partners to identify areas of intervention. There is a three-year plan coordinated by UNDP, which is meant to facilitate the support of development partners through to 2023.

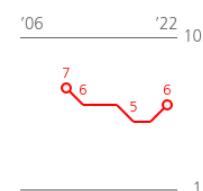
Reconciliation

2



Effective use of support

6



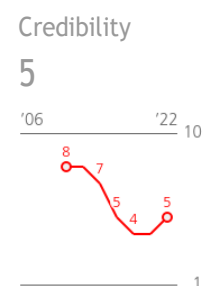
The international community has demonstrated willingness to support Lesotho during the period under review. Development partners committed to supporting the implementation of the second National Strategic Development Plan. Furthermore, the Millennium Challenge Corporation of the U.S. government has also considered Lesotho eligible for funding of the second compact of the Millennium Challenge Account. The international community has demonstrated unwavering support to the government of Lesotho in addressing the security challenges through offering training to the armed forces and providing financial support for the implementation of the constitutional and institutional reform program. The government also enjoys massive support from the Japanese government for its education programs, the European Union and United Nations for its social safety nets, and the U.S. government for HIV/AIDS programs.

Programs have been implemented in an environment in which governments have not lasted longer than two years. Changes in leadership restricted development efforts, curtailed momentum and created an unpredictable environment.

Lesotho is a full member of a number of international organizations, including the World Trade Organization (WTO), the International Labor Organization (ILO), the World Health Organization (WHO), among many others. This makes the country a well-trusted member of the international community. During the period under review, Lesotho ratified the Treaty on the Prohibition of Nuclear Weapons on June 6, 2020, and the Kigali Amendment to the Montreal Protocol on October 7, 2019. However, compliance is undermined by a lack of domestic instruments (ratification). In some instances, local laws do not talk to the provisions of the agreements.

The government of Lesotho shocked the international community when it made a public statement on October 4, 2019, in which it changed its position on the question of Western Sahara (Sahrawi Arab Democratic Republic). The most shocking thing about the pronouncement was that it was issued on the commemoration day of Lesotho's independence from British colonial rule. This was followed by a press conference on December 11, 2020, involving the then minister of foreign affairs and international relations, Lesego Makgothi, and his Moroccan counterpart. In the press conference, Makgothi stated that Lesotho was withdrawing its support for Western Sahara and would maintain a neutral stance. However, the change of government in May 2020 was followed by clarification on where Lesotho stood on the matter. The new minister of foreign affairs and international relations, 'Matšepo Ramakoae, stated that there was no cabinet decision to change Lesotho's foreign policy position on Western Sahara. The government stated that the police were investigating allegations of bribery involving Makgothi, which had led to the purported change of position.

COVID-19 exposed the country's preparedness to deal with a pandemic. The country did not have accredited laboratories to conduct coronavirus tests and had to send samples to a World Health Organization accredited laboratory in neighboring South



Africa. Initially, this raised concern from many players, as it coincided with the country reporting zero infections. However, the country had to invest in establishing a WHO-accredited lab, after samples took longer than 72 hours to process in South Africa. This meant that potential carriers of the virus were moving around freely while waiting for their results, which was a huge risk.

However, on the handling of cases, the government complied with WHO guidelines, which assisted in bringing down the number of cases compared to other countries. As a result, Lesotho is seen as a trusted player in the international space.

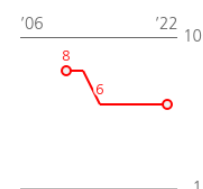
Lesotho has been cooperating with its only neighbor in order to address immigration challenges that are caused mainly by the fact that Basotho cross to South Africa to look for employment. These irregular movements of Basotho have been a cause for concern for the government of South Africa for a very long time. The COVID-19 pandemic created serious challenges for the citizens of both Lesotho and South Africa. The two governments had to make special arrangements to enable the flow of goods and services between their borders even during hard lockdowns.

Lesotho is also active in regional cooperation and continues to work with other southern African countries. Lesotho is a member of the Southern African Customs Union which enables the country to have access to over 60 million consumers. It is also a member of the Southern African Development Community (SADC) which is a market of over 240 million people. The country has also benefited from an SADC intervention, with the SADC sending soldiers to stabilize the situation in Lesotho after the killing of an army commander. During the period under review, Lesotho has made some enormous strides in cooperation with neighboring South Africa, with the two countries signing an agreement on the movement of businesspersons to facilitate faster border operation. Furthermore, the SADC has actively engaged in the implementation of the national reforms process, which started after the 2017 general elections.

Lesotho is a founding member state of the oldest customs union in the world. The Southern African Customs Union (SACU) plays a crucial role in Lesotho and the neighboring countries of Botswana, Eswatini, Namibia and South Africa. The SACU revenue sharing formula plays a huge role in funding government expenditure in countries like Lesotho. SACU member states have a common external tariff regime, which requires them to negotiate trade agreements as a bloc. Lesotho ratified the African Continental Free Trade Agreement (AfCTFA) in 2020. However, the agreement will only come into force when Botswana has ratified its agreement to join the SACU member states.

Regional
cooperation

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Strategic Outlook

Lesotho's economic plans depend on the country's ability to secure funding for the second compact from the United States' Millennium Compact and the implementation of the second phase of the Lesotho Highlands Water Project. Lesotho has to focus on economic transformation in order to address the post-COVID-19 world. Free movement of citizens and tourists between Lesotho and South Africa will be critical in making tourism a recovery strategy.

The government has identified tourism, agriculture, manufacturing, technology and the creative industries as key drivers of economic development in the second National Strategic Development Plan. It is important that investment in climate and economic reforms is prioritized in order for the sectors to deliver the desired outcomes. This requires investment in infrastructure in order for private and public investments to contribute toward creating at least 10,000 new jobs per annum. The country must prioritize job creation in its post-COVID-19 recovery plan. The high rate of youth unemployment is the biggest threat to the stability of Lesotho. The COVID-19 pandemic is a golden opportunity for the government to press the reset button and put the interests of the populace at the forefront of policymaking.

The need to reduce corruption is an urgent task to ensure that resources are channeled to where they are needed most or at least to where they are allocated. The economy of Lesotho could recover quickly depending on how the country manages the COVID-19 pandemic. The loss of critical skills to COVID-19 will be a huge blow to efforts to rebuild the economy. It is, therefore, critical that all resources allocated to fighting COVID-19 are protected from corrupt public officials. Investment in research and development will help companies in Lesotho to remain competitive. This should be flanked by financing state-owned tertiary institutions, which have suffered from years of underfunding and mismanagement. These institutions will have to compete for highly skilled labor with high-paying industries and foreign universities.

The national reforms program will also set the tone for whether the country will be ready to overcome long-standing challenges such as political instability and weak institutions. The successful implementation of the reforms will afford the country an opportunity to start afresh from 2022 onward. The country is scheduled to hold general elections in 2022. There is an urgent need to control coronavirus infections and secure vaccines for the majority of citizens. Otherwise, the next general election will either exacerbate the spread of the virus or the country will be left with no alternative but to postpone the elections. This could create a constitutional crisis. There is a need for national reforms to deliver a constitution and institution that can steer the country and the economy in the event of future pandemics and emergencies.