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Executive Summary

The Kingdom of Lesotho is a small, mountainous, and landlocked country in the southern part of Africa, surrounded by South Africa. It has a size of about 30,000 square meters and has varied climates that include rainy summers, dry winters that are cool and very cold, and gets temperate seasons. Sesotho (southern Sotho) and English are the official languages – and Xhosa and Zulu are also spoken in some parts of the country. The Basotho largely follow Christianity as a religion, while sections of the population also follow Islamic and indigenous beliefs.

Lesotho gained its independence in 1966 and now has an estimated population of about 2.2 million, predominantly young, with a median age of 24 years. This youthful population is Lesotho's most productive asset and needs to be fully utilized. The country's nominal gross domestic product (GDP) per capita was \$1,091 in 2021. It is classified as a lower-middle-income country.¹

The aspirations of the people of Lesotho are articulated in the National Strategic Development Plan (NSDP II) and *The Lesotho We Want*.² These are aligned with the United Nations Sustainable Development Goals, the African Union Agenda 2063, and other regional and international standards that ensure no one is left behind. However, these commitments have yet to translate into commensurate progress against the Sustainable Development Goals (SDGs). Lesotho is on track to meet only two of the 17 SDGs (Responsible consumption & production, SDG 12 and Climate Action, SDG 13), while progress is stagnating for ten (No poverty- SDG 1, zero hunger – SDG 2, good health and wellbeing- SDG 3, quality education- SDG 4, clean water and sanitation- SDG 6, affordable and clean energy- SDG 7, decent work and economic growth – SDG 8, industry, innovation and infrastructure- SDG9, reduced inequalities- SDG 10 and sustainable cities and communities – SDG 11). For peace, justice and strong institutions, SDG 16, Lesotho is moving backward. Overall, across 10 goals Lesotho's average performance by SDG is in the 50th percentile or less.³

The slowed progress is due to weak and compromised governance over decades and inefficiencies in public service delivery and accountability. Lately, COVID-19, the effects of climate change, and continued political instability have undermined the country's development progress. The analysis has shown that while progress has been made in some areas, too many indicators demonstrate a deterioration over the two decades that predate the COVID-19 pandemic. As a result, far too many Basotho have been left behind. Those left behind include (i) people with disabilities, (ii) women and girls (iii) herders (iv) youth (v) migrants / displaced persons; (vi) LGBTIQ+ community and female sex workers, (vii) Older Persons, (viii) people living in poverty in rural areas and (ix) refugees and asylum seekers. Reconfiguring socio-economic development efforts to reach these groups is essential if Lesotho is to leave no one behind.

Lesotho's opportunities in the future are built upon the land and its people. Shortcomings to generating sufficient wealth and equitably distributing it, weak state capacity and public resources and a small private sector, along with the consequences of climate change has affected the lives of Basotho. Over 66 per cent of Basotho live on degraded land, caused by poor agricultural and land management practices and Lesotho's wetlands are particularly stressed. The country is experiencing more frequent droughts and floods since 2015 with a

¹ World Bank (2023), <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>.

² The Lesotho We Want: Dialogue and Reforms for National Transformation. Vision, Overview and Roadmap.

³ Sachs et al. (2022), *From Crisis to Sustainable Development: the SDGs as Roadmap to 2030 and Beyond*. Sustainable Development Report 2022. Cambridge University Press.

greater share of the population reliant on livelihood activities strongly linked to the climatic situation and the country's biodiversity; climate shocks and biodiversity loss negatively impact their livelihoods. The country's sensitivity, and capacity to adapt to the harmful effects of climate change and environmental degradation call for emergency action across the dimensions of food, water, health, ecosystem services, human habitat, and infrastructure. In all these areas the role of the state and societal relations and the ability of the state to deliver, and for society to make the state politically and socially accountable remain important as all the various failures primarily emanate from weak and compromised governance in and outside of the state.

The country's average annual growth rate of GDP per capita slowed from 4 per cent a year between 2000 and 2010 to 2% a year between 2015 and 2019 due to stagnant productivity across industries, services, and agriculture. The dominant economic activity in Lesotho is small-scale subsistence agriculture, mostly low input, low output, rain-fed cereal production; and livestock rearing. The country's social, economic, and political model, which relied on government expenditure, was not enough to affect the rural poverty rate between 2000 and 2017, which stood at 60.7 per cent in 2017.

The rents from water exports and diamond mining mainly fund government consumption rather than productivity-enhancing investment in the sub-sectors. The growth in export-oriented textile and apparel manufacturing increased dramatically in the 2000s because of the African Growth and Opportunities Act and not innovations in the private sector. There are important gender dimensions to Lesotho's economy. Women in rural communities are expected to produce, process, and prepare food for the household as part of their unpaid care and domestic work responsibilities. This results in gender-based differences in production processes and has implications for productivity. Women working in the textile and apparel manufacturing sub-sector are both low-paid and less productive because of the high import content of the sub-sector. In addition, women perform unpaid care and domestic work, reinforced by most being victims of gender-based violence, and this, too has implications for labour supply decisions and productivity.

Lesotho has historically relied on its income from remittances and the South African Customs Union (SACU) transfers, but both are now declining (SACU revenues dropped by 11% between 2014 and 2021).⁴ The government has offset this decline by running increasingly debt-financed budget deficits. While moderate, this debt exposes the country to external shocks such as the COVID-19 pandemic and the war in Ukraine. The optimal way to reduce this exposure is to reduce debt servicing as a share of GDP and replace it with enhanced domestic resource mobilization.

Lesotho is comparatively generous in its social protection expenditure, but an inability to adequately reach those in need reduces the effectiveness of the country's programming. Little progress has been made in enhancing domestic food security, which is largely related to low productivity in the agricultural sector. In this light, the drop in the under-five infant mortality rate is undoubtedly the most favourable social development indicator between 2000 and 2019. While female and male life expectancy has increased, and at approximately the same growth rate, it remains low, at 52 years for males and 58 years for females. One in five adults in Lesotho lives with HIV, with more infections per 100,000 people than in most other countries. While investments in public healthcare infrastructure have taken place, these are subject to regional inequalities and inadequate delivery of healthcare services.

Although Lesotho has one of the region's highest literacy rates, female and male literacy deteriorated between 2000 and 2015. The uptake of early childhood education is limited

⁴ Ministry of Finance (2021), Budget Strategy Paper 2018/19-2020/21.

because of its cost. While primary education enrolments are near-universal, there are significant gender gaps in enrolment and completion of secondary education. Inequalities of location, gender, ability, and HIV status in primary education are magnified in secondary education.

There has been a dramatic deterioration in the quality of governance as demonstrated by the World Bank's Governance effectiveness index, which declined tenfold between 2000 and 2020, from -0.1 to -1. The main reasons for the deterioration include highly unstable coalition governments, political entrepreneurship, the politicization of the civil service and the security forces, fiscal laxity, and an unfavourable enabling environment for the private sector. It has also fostered a descent into political violence and human rights violations. As a result, the – state-society relationship between Basotho and the country's political institutions and politicians has been broken. In this light, the engagement on the National Reforms agenda since 2017 and the election of a new government with strong parliamentary representation in 2022 may be opportune.

Key challenges, opportunities, and risks must be considered if the possibility of achieving NSDP II, The Lesotho We Want, and 2030 Agenda are to be met. The 2022 election produced a government that has created expectations for improved economic policy and basic and social service delivery. The economic model of Lesotho did not largely materialise and help address climate change and biodiversity loss, create enough jobs, or reduce poverty commensurately. Self-sustaining growth in agricultural productivity is central and enabling the private sector to grow and diversify is very important. With Lesotho's Loti pegged to the South African Rand, debt servicing as a proportion of exports of goods and services must enter a sustained period of decline and the rate of growth of the economy be greater than the rate of growth of government borrowing to avoid increasing debt accumulation to unsustainable levels. Accomplishing this in turn requires that the government significantly improve its domestic resource mobilization so that the relative size of the government in Lesotho's economy can be reduced without introducing the austerity measures that would restrict economic growth. Lesotho's government investment is relatively high and needs to be maintained. Rebalancing government spending to grow an economy is necessary for increasing investment in basic infrastructural services, the educational capabilities that underpin human capital formation, and in health service delivery systems that meet the needs of Basotho.

Chapter 1: Introduction and Background

1.1 The 2023 Lesotho CCA

The Kingdom of Lesotho is a small, mountainous landlocked country, surrounded by its much larger neighbour, South Africa. A constitutional monarchy ruled by a king who is the Head of State, and a Prime Minister as Head of Government, Lesotho is governed by a 33-member Senate and 120-member National Assembly. The country is administratively divided into ten districts and four ecological zones. It has a population of about 2.2 million, predominantly young, with a median age of 24 years and life expectancy of 58 years for females and 52 years for males. Lesotho had a nominal gross domestic product (GDP) per capita of US \$1,091 in 2021 and has been classified by the World Bank as a lower-middle-income country.⁵ Lesotho is a predominantly rural country with a total land area of 30,355 square kilometres, of which only about 10 per cent is arable land.⁶

The Government of the Kingdom of Lesotho has articulated the aspirations of the people in its National Strategic Development Plan (NSDP II) and *The Lesotho We Want*. These are aligned with the Sustainable Development Goals (SDGs), the Southern African Development Community's (SADC) Regional Indicative Strategic Development Plan 2020-2030, the African Union Agenda 2063, and other regional and international standards that aim to ensure no one is left behind. In response, the UN developed the United Nations Development Assistance Framework (UNDAF) to cover 2019-2023, which now coming to an end. The process of designing a new framework has begun with the Common Country Analysis (CCA) as one of the critical first milestones.

The CCA is an integrated, forward-looking, and evidence-based assessment of the challenges and opportunities confronting the pursuit of sustainable development in Lesotho. It is an impartial analysis of progress made and continuing bottlenecks to meeting the country's Sustainable Development Goals (SDGs). The CCA connects analysis of issues for the achievements and challenges of each SDG, and across all the Goals, in line with UN Charter values and international norms and standards. It spans national borders, factoring in the regional and transboundary issues that impact Lesotho's SDG trajectory. As a joint analysis of the development context, the CCA aims to identify the underlying structures and root causes of inequalities, vulnerability, human rights violations, development challenges and political crisis, and the need to support peace and security in Lesotho. It informs the development of the new UN Sustainable Development Cooperation Framework (2024-2028).

In September 2021, the UN Secretary-General published *Our Common Agenda*.⁷ Partly, the report was produced to commemorate the 75th anniversary of the United Nations in 2020, in the wake of the COVID-19 pandemic, and the ongoing climate emergency, to accelerate the implementation of existing agreements and provide the framework by which new agreements can be reached. 2030 Agenda. At the heart of the policy processes identified in the report was the need to build a new political settlement by renewing and strengthening the state-society

⁵ World Bank (2023), <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>

⁶ https://www.sanitationandwaterforall.org/sites/default/files/2022-07/2022percent20Country%20Overview_Lesotho.pdf

⁷ United Nations (2021), *Our Common Agenda – Report of the Secretary-General* (accessed: 23 October 2022).

relationship, adopting a climate-responsive long-term perspective, delivering more for young people in the present, and better preparing future generations for the challenges that lie ahead.

1.2 The Process

The CCA uses the 2020 UNSDCF guidelines, published by the United Nations Sustainable Development Group, which requires the United Nations in Lesotho to conduct a substantive diagnostic analysis of the situation in the country by: (i) undertaking a multidimensional analysis of the national development context that highlights trends in socio-economic progress; and (ii) providing an understanding of critical developments concerning the NSDP II, 2030 Agenda, African Union Agenda 2063.

The UN Country Team (UNCT) in Lesotho helped develop the CCA. An interagency team of representatives from the UN agencies⁸ was established to lead the CCA process and act as penholders of analytical products and reports. The CCA Task Team facilitated consensus and led the formulation of a CCA methodology and work plan, which outlined the scope, analytical methods, and tools, and allowed for systematic and targeted evidence-building, data collection as well as understanding of data gaps and enhanced analytical efficiencies.

The process included a review of the most recent thematic analyses conducted by the UN, from which 10 thematic areas were selected. Diagnostic papers were drafted by the CCA Task team on the ten key thematic areas⁹. These were used as the building blocks of the CCA first draft, then further developed through a series of stakeholder consultations that brought together UN agencies, government, academia, women and youth groups, the private sector, and civil society partners. Following a rigorous review process, the CCA was approved by the UNCT.

1.3 The Structure of the CCA

This CCA captures challenges and opportunities for Lesotho, land, and people. Chapter 2 summarizes the development outcomes delivered for the Basotho people. Chapter 3 explores the country's natural endowments, the environment, and its impact on socio-economic transformation. Chapter 4 evaluates the economy of Lesotho over the last two decades. Chapter 5 delves into social development in Lesotho and what is needed to leave no one behind. Chapter 6 reflects the state-society relationship between the Basotho people and the country's political institutions and politicians. Chapter 7 explores the financing landscape for the SDGs, and Chapter 8 identifies the key challenges, opportunities, and risks affecting Lesotho's achievement of the Goals.

1.4 Data Limitations in the CCA

At the national level, data is available for about 43 per cent of the SDG indicators partially available for 45 per cent and not available for 12 per cent of the indicators. Non-availability of disaggregated and quality data hampers evidence-based policymaking and monitoring of the SDGs. The data gaps are a result of several factors, which include: (i) inadequate statistical products/statistical methods, (ii) institutional/individual capacity challenges concerning performing statistical work, and (iii) the requirement for disaggregation by sex, age, location

⁸ Both resident and non-resident agencies were part of the CCA Task Force, the Programme Coherence Team and the UN country team.

⁹ Unemployment/livelihood; political stability; sustainable food systems/food security; gender and gender-based violence; education; social protection; climate action; health; migration; and volunteerism.

and levels of vulnerability. The National Statistical system remains uncoordinated, with weak internal human and technical capacities.¹⁰

The UN contributed to the Mid-Term Review of the National Strategic Development Plan (NSDP II), which identified gaps in data that is critical for monitoring progress in national development. In addition, the UN strengthened national capacity of government officials for monitoring and evaluation through technical and financial assistance, including the development of the national monitoring and evaluation policy, which was approved by cabinet.¹¹ Despite these efforts, Lesotho lacks data for most SDGs. In addressing data gaps and challenges, with support from the United Nations,¹² the national Bureau of Statistics developed the second National Strategy for Development of Statistics (NSDS II), which has a focus on gender mainstreaming and well-coordinated national statistical systems. The strategy also aims to propel modernization of the national statistical ecosystem, build integrated data management systems, improve data literacy and raise the statistics profile for monitoring the 2030 Agenda for Sustainable Development.¹³

¹⁰ UNDP (2017), Data Gap Analysis Report. National Needs and Capacity for Monitoring SDGs and NSDP.

¹¹ United Nations (2022), UNDAF Evaluation Report.

¹² The Lesotho Data for Sustainable Development Project aimed at assisting the Government of Lesotho through the Ministry of Development Planning in the collection, analysis and dissemination of development data and building institutional and technical capacities for monitoring and evaluation of development programmes and effective public management system. The project further aimed at strengthening national and sectoral capacities to generate and utilize data, facilitate accountability for resources and advocacy for evidence-based planning and results.

¹³ Kingdom of Lesotho (2022), Voluntary National Review of the Implementation of 2030 Agenda.

Chapter 2: Progress Towards the Sustainable Development Goals

The journey towards *The Lesotho We Want* faced a definitive setback with the onset of the COVID-19 pandemic. This also laid bare the state of distressed development that Lesotho had been experiencing for a long time.

2.1 The National Vision for Sustainable Development

The Government of Lesotho's commitment to implementing the SDGs was embedded within the National Strategic Development Plan 2018/19-2022/23 (NSDP II), which had as its overarching theme the "pursuit of economic and institutional transformation for private sector-led job creation and inclusive growth." The new government, elected in October 2022, decided to extend the NSDP II for five years (2023/24-2027/28) to ensure the effective implementation of policies and actions stipulated therein. NSDP II is aligned with the 2030 Agenda and the African Union Agenda 2063. The key priority areas of sustainable development outlined in NSDP II are (1) growth progression; (2) social transformation; (3) infrastructure development; and (4) good governance and accountability. The strategy also integrates cross-cutting themes, such as environment and climate change, which are integral components, as the population relies heavily on climate-vulnerable sectors, including agriculture, water resources and biodiversity.

Figure: 1.1 Key priorities of the National Strategic Development Plan II



Source: National Strategic Development Plan 2018/19-2022/23

In addition to the National Strategic Development Plan, *The Lesotho We Want* seeks to establish the necessary parameters of an SDG-consistent socio-economic transformation of the kingdom. After nearly a decade of political turmoil, *The Lesotho We Want* produced a national reform agenda underpinned by six guiding principles and a two-dimensional national dialogue. The agenda charted how a new political settlement could be built by re-establishing and strengthening the state-society relationships needed to foster future political stability, peace and development. A vital outcome of *The Lesotho We Want* was the comprehensive National Reforms Agenda, which ensures that government institutions and economic sectors are fully accountable under democratic norms and that the three arms of government work collaboratively and synergistically. This Agenda seeks "the transformation of the Kingdom of

Lesotho into a just, prosperous and stable country marked by effective and people-focused institutions; national unity of purpose; the rule of law, good governance and human rights.”

While these objectives may appear ambitious, they demonstrate that the national reform agenda contained within *The Lesotho We Want* is consistent with 2030 Agenda and *Our Common Agenda*. In this sense, the CCA is especially fortuitous, even if the development context is much more complex.

2.2 Reviewing the Progress: Sustainable Development Goals

The National Voluntary Review (VNR) is one of the ways a country can monitor and report on its implementation of the SDGs. Lesotho prepared its first VNR in 2019 and another in 2022. The latter reviewed five goals: no poverty (SDG 1); quality education (SDG 4); gender equality (SDG 5); life on land (SDG 15); and partnerships for the goals (SDG 17).

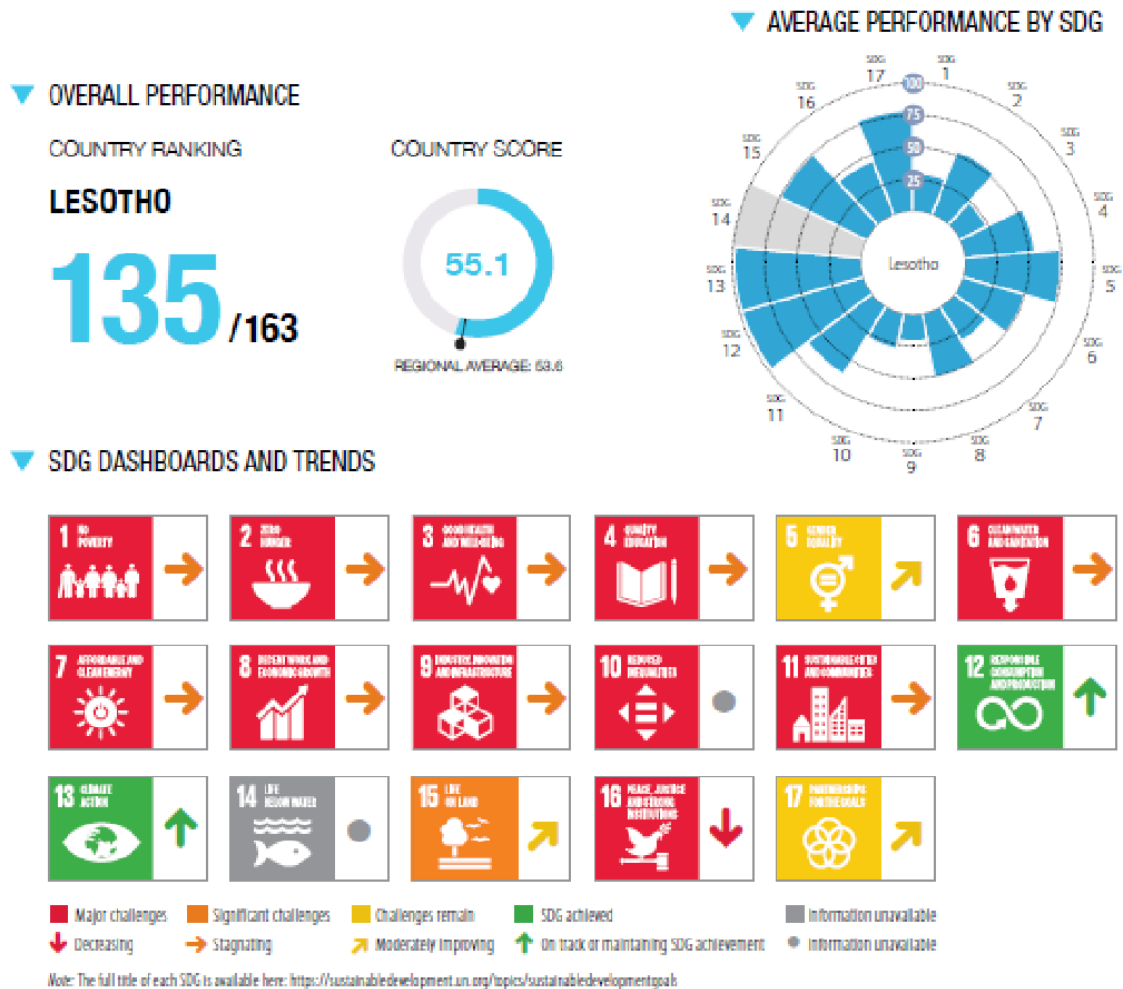
As of 2022, Lesotho was on track to meet only two of the 17 SDGs. Progress needed to be improved for 10 of the Goals, while for one SDG, Lesotho was regressing (Figure 1.2). The reasons for the deceleration in progress include the impact of COVID-19, effects of climate change, political instability, governance issues and inefficiencies in public service delivery and accountability.

The Bureau of Statistics undertook two surveys in 2020¹⁴ to examine the impact of COVID-19 across the Basotho population. Survey results indicate that households across Lesotho experienced reductions in employment and income, food security and physical engagement in education and learning activities. The surveys show that 61.8 per cent¹⁵ of the surveyed households with wage employment experienced either a reduced income or did not receive any wage income during lockdown.

Figure 1.2 Lesotho's performance against the SDGs

¹⁴ Bureau of Statistics (2020), Covid-19 Socio Economic Impact on Households Survey Report, Phases 1 and 2.

¹⁵ <https://hlpf.un.org/sites/default/files/vnrs/2022/VNR%202022%20Lesotho%20Report.pdf>



In addition to the impact of COVID-19, the war in Ukraine has intensified inflationary pressure. In April 2022, inflation reached 7.3 per cent,¹⁶ the highest in recent times. As a result of price increases, the projection is that households whose food expenditures constitute a significant part of the household budget, will suffer more.¹⁷ The ability, particularly of the rural poor, to produce, purchase and sell food is declining and threatening food security and development gains already compromised by COVID-19, climate change, and other recent developments. In the face of these prevailing economic and political challenges, the election of the new government in October 2022 presents opportunities – and places the country and its new leadership at a potentially important turning point in favour of stability and peacebuilding.

2.4 Reviewing the progress: Leaving no one behind

Over the past 20 years, Lesotho has had a mixed record regarding economic growth, poverty reduction and social development. Political instability, violent conflicts, insecurity, weak governance, lacking rule of law, corruption and mismanagement of economic resources have slowed consistent growth. Table 2.1 shows that the gross domestic product (GDP) per capita increased by 57.6 per cent between 2000 and 2019, before the COVID-19 pandemic hit. However, during this period, there was persistent poverty and inequality, due to a shift in the

¹⁶ Central Bank of Lesotho.

¹⁷ Bureau of Statistics (2020), Covid-19 Socio Economic Impact on Households Survey, Phase 2.

drivers of growth, from an economy dependent on net exports to one driven primarily by government spending. While the urban poverty rate decreased between 2000 and 2017, the rural poverty rate, where most Basotho people live, remained unchanged.¹⁸

2.4.1 What development indices tell us about progress in Lesotho.

In terms of development indices, both the Human Development Index and the Gender Inequality Index have improved. This is primarily attributed to life expectancy gains emanating from success in tackling major health challenges, such as HIV, in the last 20 years. In addition, targeted investment in health infrastructure, education and awareness-raising have contributed to the improvement.¹⁹

Despite these gains, gender inequality remains an important driver of poverty in Lesotho. With relatively high adolescent birth and maternal mortality rates, significant gender gaps in secondary education, labour force participation, wages and parliamentary representation, gender inequality continues to be a significant constraint upon improved social and economic performance. Furthermore, gender-based violence is rife both within and outside the home. Over 86 per cent of women in Lesotho have experienced gender-based violence in their lifetime.²⁰

As for health outcomes, one in five adults lives with HIV; the country has more infections per 100,000 people than most other countries, including neighbouring countries.²¹ Women and youth, particularly adolescent girls and young women, the poor, female sex workers, men who have sex with men, and those living in rural areas are especially vulnerable and disproportionately affected by the health challenges associated with HIV and AIDS.²²

The institutional environment for gender equality in Lesotho has improved, as demonstrated in the Women, Business, and the Law index. The overall score for Lesotho is higher than the regional average observed across Sub-Saharan Africa (71.5). Lesotho has made progress in removing constraints on freedom of movement, gender differences in property and inheritance, and laws affecting the size of a woman's pension.²³ However, female-headed households are a higher share of poor households than male-headed households, and the share of the poor accounted for by female-headed households increased between 2002 and 2017.²⁴

Despite the level of inequality in Lesotho falling moderately, the country still experiences high levels of inequality. In 2021, the wealthiest 10 per cent of the population in Lesotho received 39.2 per cent of total income, while the poorest 40 per cent received only 13.5 per cent of total income.²⁵ The Inequality-adjusted Human Development Index for 2021 indicates that inequality reduced human development by 27.6 per cent. Both female and male literacy deteriorated between 2000 and 2015, and while women live significantly longer than men on average, both female and male life expectancy has increased.

¹⁸ World Bank (2021), Lesotho Systematic Country Diagnostic Update.

¹⁹ Mid-Term Review of the National Strategic Development Plan II (NSDP II), 2018/19-2022/23.

²⁰ <https://www.heforshe.org/en/addressing-sexual-and-gender-based-violence-sgbv-hiv-vulnerability-through-mobilising-men-lesotho>

²¹ <https://www.beintheknow.org/understanding-hiv-epidemic/data/glance-hiv-lesotho>

²² Lesotho Ministry of Health (2022), Lesotho Population-based HIV Impact Assessment 2020 (LePHIA 2020): Final Report.

²³ Women, Business, and the Law (2022).

²⁴ World Bank (2019) Lesotho Poverty Assessment: Progress and Challenges in Reducing Poverty. Available: <https://openknowledge.worldbank.org/handle/10986/33030>

²⁵ <https://hdr.undp.org/data-center/documentation-and-downloads>

Table 2.1. Growth, poverty and social development in Lesotho, 2000-2020

Indicator	2000	2005	2010	2015	2019	2020
Constant GDP per capita, US\$	715.01	835.61	995.58	1146.06	1126.84	1033.43
Average annual rate of growth of constant GDP per capita	3.21	3.98	4.98	2.35	1.59	-8.29
Urban poverty rate*	41.5		39.6	28.5		
Rural poverty rate*	60.5		61.2	60.7		
Gini coefficient**	0.52			0.45		
Female literacy rate***	92.05		84.86	84.93		
Male literacy rate***	80		65.25	67.75		
Under-five infant mortality rate	106.9	116.1	96.4	94.6	83.2	89.5
Fertility Rate		3.5	3.3	3.3		
Unmet Need for Family Planning		31%	23%	18%		
Female life expectancy	50.8	45.1	48.07	54.27	57.58	58.09
Male life expectancy	44.92	40.57	42.41	47.98	51.2	51.7
Human development index	0.45	0.45	0.47	0.5	0.52	0.52
Gender inequality index	0.59	0.58	0.56	0.56	0.56	0.56
Women, Business, and the Law index	43.13	52.5	76.63	78.13	78.13	78.13
Global gender gap index		0.68****	0.77	0.71		0.7
ND-Gain index	41.6	40.5	39.9	41.6	41.3	41.4
Governance effectiveness index	-0.1	-0.2	-0.4	-0.7	-0.9	-1

Notes: (*) 2000, 2009 and 2014, respectively; (**) 2002 and 2017, respectively; (***) 2002, 2010 and 2017, respectively; (****) 2006.

Sources: World Bank (n.d. (a)); Our World in Data (n.d.); UNDP (n.d.); World Bank (2019a); World Economic Forum (n.d.); ND-Gain (n.d.).

Other indices include the Notre Dame Global Adaptation Initiative (ND-Gain) index, which measures Lesotho's exposure, sensitivity, and capacity to adapt to the adverse effects of climate change on food, water, health, ecosystem services, human habitat, and infrastructure. It also measures the country's ability to leverage investments and convert them to adaptation measures across the components of economic, governance and social readiness. As can be seen in Table 2.1, Lesotho's ND-Gain index deteriorated between 2000 and 2010.

The Governance effectiveness index of the World Bank can range from -2.5 to 2.5. Since 2000 Lesotho's governance effectiveness index has deteriorated markedly. When governance is deteriorating, it is difficult to mount an effective climate-responsive socio-economic

development effort. The distressed economic and social development performance of Lesotho demonstrates the significant challenges the country faces to meet the SDGs by 2030 or achieve socio-economic transformation.

2.4.2 What human rights, international and regional standards tell us about progress in Lesotho.

The Government of Lesotho has ratified all nine-core international human rights treaties of the United Nations, and four optional protocols.²⁶ The government has ratified six key African Union regional human rights treaties.²⁷ However, although Lesotho's treaty ratification record is impressive, its implementation record as a duty-bearer is not –too many Basotho have experienced human rights violations.

Significant human rights issues included credible reports of: unlawful or arbitrary killings; torture and cases of cruel, inhuman, or degrading treatment or punishment; harsh and life-threatening prison conditions; arbitrary arrest or detention; serious government corruption; lack of investigation of and accountability for gender-based violence, including but not limited to domestic or intimate partner violence, sexual violence, child, early and forced marriage, and other harmful practices; trafficking in persons; and the existence of laws criminalizing consensual same-sex sexual conduct between adults, although not enforced.²⁸

The country is recovering from a period characterized by the politicization of the security sector, weak security sector oversight, an absence of a national human rights institution, impunity for human rights violations, the securitization of politics, and constraints on state institutions to respect, promote and protect human rights. Lesotho falls short of its reporting obligations.

In 2020, Lesotho's human rights record was reviewed during the third cycle of the Universal Periodic Review (UPR)²⁹ and received 211 recommendations. It supported 168 recommendations at the adoption of its UPR outcome at the Human Rights Council 45 (an increase of 23 per cent over the 2nd cycle). The recommendations called on Lesotho to address human rights violations, including arbitrary deprivation of life, torture, restrictions on media freedoms, sexual and gender-based violence, trafficking in persons, and discrimination based on sexual orientation. Impunity for human rights violations, in particular violations by security forces, perpetuates a lack of trust in the rule of law and security sector institutions in Lesotho and stands as an obstacle to building and sustaining peace.

²⁶ The International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the International Covenant on Economic, Social and Cultural Rights, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child, the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, the International Convention for the Protection of all Persons from Enforced Disappearance and the Convention on the Rights of Persons with Disabilities.

²⁷ The African Charter on Human and Peoples' Rights, the Protocol to the African Charter on Human and Peoples' Rights on the Establishment of an African Court on Human and Peoples' Rights, the Protocol of the Court of Justice of the African Union, the Protocol to the African Charter on the Rights of Women in Africa, the Protocol to the African Charter on the Rights of Older Persons in Africa and the African Charter on the Rights and Welfare of the Child.

²⁸ https://www.state.gov/wp-content/uploads/2022/02/313615_LESOTHO-2021-HUMAN-RIGHTS-REPORT.pdf

²⁹ <https://www.ohchr.org/en/hr-bodies/upr/ls-index>

Lesotho has a backlog of human rights reports that have yet to be submitted to the relevant treaty bodies, some of which were due in 1994. Non-reporting denies the Basotho people the necessary protections enshrined in the treaties to which Lesotho is party to. Consequently, the country misses the opportunity for technical cooperation and support to address human rights gaps. Indeed the 35th Session of the UPR Working Group in 2020 recommended that Lesotho take measures to submit outstanding reports under the international human rights instruments to which it is party.

Lesotho is yet to establish a national human rights institution. The 2020 UPR recommendations for Lesotho called on the country to fast track the establishment a National Human Rights Commission and to allocate necessary resources for the functioning of the Commission in line with principles governing national human rights institutions (“Paris Principles”). The absence of a Human Rights Commission means the country has no national institution to receive complaints of allegations of human rights violations, monitor, investigate and document public reporting on such violations. Establishing a Human Rights Commission would strengthen the promotion and protection of human rights. The failure to pass the Eleventh Constitutional Amendment Bill 2022 (the Omnibus Bill) was also a missed opportunity to strengthen national human rights protection mechanisms.

Although human rights violations attributed to the Lesotho security forces declined between 2000 and 2022, partly due to joint interventions by security sector institutions and the UN, allegations of torture, ill-treatment and arbitrary arrests persist. A perception survey conducted in 2021 by the United Nations on how the public perceives the security sector in Lesotho indicated that 60 per cent of the people interviewed had serious concerns about the services provided by security institutions in general, with the Lesotho Mounted Police Service being the most implicated.

According to a 2019 study by the Transformation Resource Centre (TRC),³⁰ 79.4 per cent of respondents had experienced either verbal or physical abuse by the police at least once in their lifetime; and according to the June 2022 Afrobarometer survey, 70 per cent of the Basotho people do not trust the police. The 35th Session of the UPR Working Group in 2020 recommended that Lesotho ratify the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman, and Degrading Treatment or Punishment, and the Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the abolition of the death penalty. In addition, there is need for the government to strengthen the ongoing security sector reforms to address human rights violations attributed to security institutions.

Trafficking in Persons remains a major issue, with Lesotho still on Tier 2 (2021).³¹ While there has been progress since 2020, there is a need to strengthen victim protection and prosecution for trafficking. There is also a need to fully utilize the Protocol on Mutual Assistance between Lesotho and the Republic of South Africa and the Southern Africa Development Community

³⁰ <https://www.trc.org.ls/documents/?cp=2#>

³¹ The TIP Report ranks countries according to three tiers: Tier 1: Countries and territories whose governments fully comply with the minimum standards. Tier 2: Countries and territories whose governments do not fully comply with the minimum standards but are making significant efforts to bring themselves into compliance with those standards. Tier 2 Watch List: Countries and territories whose governments do not fully comply with the minimum standards but are making significant efforts to bring themselves into compliance with those standards, and: a) The estimated number of victims of severe forms of trafficking is very significant or is significantly increasing and the country is not taking proportional concrete actions; or b) There is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year. Tier 3: Countries and territories whose governments do not fully comply with the minimum standards and are not making significant efforts to do so.

(SADC) to exchange data, information and intelligence leading to the prosecution of potential trafficking offenders.

To strengthen Lesotho’s reporting and follow-up to its human rights commitments, an inter-ministerial National Mechanism on Reporting and Follow-up (NMRF) was established in 2021 to coordinate state-party human rights reporting. Table 2.2 summarizes the characteristics of the key groups identified, based on secondary data sets, human rights reports, and personal interviews with key stakeholders.

Internal displacement exists, and hotspots include Maseru, Mafeteng, Thaba-Tseka and Mokhotlong. Mafeteng has two causes of forced internal displacement: conflict between Famo music groups and Litotoma (illegal mines) gangs. Famo groups recruit youth in illegal mining activities, which are used to fund the music. Mafeteng is the national hotspot for these tensions and wars. Since 1990, internal displacement occurred mainly from chains of “Tit-for-Tat” killings among the groups and their families both in Lesotho and South Africa.³²

Table 2.2 identifies people living in rural areas, the elderly, young people, women, people with disabilities, migrants/displaced persons, sex workers, refugees, and asylum seekers all as having been “left behind”. Moreover, in many instances, the characteristics of marginalization intersect, for example, rural women sex workers face self-reinforcing marginalization for occupying more than one group characteristic. However, Table 2.2 lends itself to one very important fact: most of the Basotho people have been left behind, a situation that has deteriorated since the COVID-19 pandemic and reinforces the urgency of the socio-economic transformation sought by the government.

Rising to the challenge of leaving no one behind requires identifying the key drivers of Lesotho's inclusive economy and the key sources of livelihoods for the Basotho people. Table 2.1 suggests that those being left behind lack the ability to address the climate emergency, economic stagnation, inadequate social development, and deteriorating governance. Understanding these drivers of distressed development can help explain how Basotho lost decades of development and determine what is required to build the foundations for a democratic, participatory, prosperous, climate-responsive, and socially equitable and inclusive Lesotho. Only in these circumstances will it be possible to introduce inclusive and transformative social and economic policies that provide opportunities for the Basotho people and put Lesotho on track to meet the SDGs.

Figure 2.2 Groups left behind in Lesotho

Population group	Population estimates	Geography	Socio-economic Status	Why and how they are left behind
Persons with disabilities	30,000	Approximate district estimates: Botha Bothe: 5.5%; Leribe 16.7%; Berea 14.1%; Maseru 24.9%;	Households or individuals with disabilities are more dependent than those without. School attendance is lower among persons with disabilities. School	Persons with disabilities (PWD) constitute 2.5 per cent of the total population and face inequalities. They have several challenges accessing services owing to infrastructure not accommodating individuals with disabilities. They are mostly assigned meagre responsibilities. Some find it exceedingly difficult to secure jobs,

³² Joint Study on Internal Displacement in Lesotho (2022), UNHCR-IOM-Ministry of Home Affairs.

		Mafeteng 10.4%; Mohale's Hoek 8.6%; Quthing 4.8%; Qacha's Nek 3.5%; Mokhotlong 4.7%; Thaba Tseka 6.8%	attendance is 72% of persons with disabilities compared to 90% among those without disabilities.	particularly in specialized industries. PWD living in rural and remote areas face even greater risks than others as they travel long distances by foot to reach centres of service provision. Children with disabilities are often less likely to attend school, access medical services, or have their voices heard in society. They risk physical and emotional abuse, neglect, violence, and exploitation. This is due to social norms, including a lack of awareness and social pressures to make such children invisible. It is also due to inaccessible infrastructure, or, in education, a lack of teacher skills and assistive devices. Women with disabilities suffer double jeopardy in Lesotho, as they face specific challenges in accessing services, especially in cases of gender-based violence, sexual and reproductive health services, and information including family planning and HIV prevention services
Women and girls	50.7 % of the total population (608,400) ³³ Marital status of women: Never married: 218,920; Monogamously married: 344,483; Polygamously married: 11,423; Separated: 22,764; Divorced: 7,010; Widowed: 97,230 ³⁴	No data Available	58.6% per cent of HIV-positive people are women; HIV prevalence among girls aged 15–24 is more than double that of young men. In education, enrolment and completion rates are generally higher for girls. Early child marriages or intergenerational relationships are often at the cost of finishing school.	Women and girls are discriminated against because of social norms and patriarchal practices. Historically, the Basotho people expected men to act on behalf of women. Women were not allowed to make decisions without the consent of their husbands, even when absent. Where women were widowed, the brother-in-law made or endorsed decisions. These practices remain prevalent. Women and girls often face multiple and intersecting deprivations, harm and exclusion. For example, there are often gender differences in access to economic opportunities, because of the time constraints of household

³³ <https://data.worldbank.org/indicator/SP.POP.TOTL.FE.ZS?locations=LS>

³⁴ Lesotho Population and Household Listing Census (2016).

			<p>Women in Lesotho have better education and health outcomes compared to men, but this does not translate directly to better economic opportunities.</p>	<p>responsibilities for unpaid care and domestic work. Moreover, women workers are mostly in the informal sector, where they are more vulnerable to economic shocks.</p> <p>Women and girls are the second most prominent group left behind in Lesotho. As of November 2022, only 25% of seats in parliament were held by women. In 2018, 16.5% of women aged 15-49 reported having been subjected to physical and/or sexual violence at the hands of a current or former intimate partner in the previous 12 months. Also, women and girls aged 15+ spent 15.6% of their time on unpaid care and domestic work, compared to 6.2% spent by men.³⁵</p>
Herders	No data Available	Rural areas		<p>Young boys are expected to manage household livestock herds. Hailing from the country's poorest rural communities, herd boys have the lowest primary school completion rates in Lesotho. They have limited understanding of significant social concerns or their fundamental human rights and can be socialized to view violence as an expression of masculinity. Hence, they contribute a significant number of perpetrators of GBV and child marriages in the country.</p> <p>Herd boys and young people are equally left behind in Lesotho. Herd boys have limited access to sexual and reproductive health services and information thereon.</p>
Young people	794,940 individuals (403,000 males and 391,940 females) ³⁶	No data Available	Lesotho youth (15-24) who are without employment, but available and	Youth face high unemployment rates, lack of access to quality education, and lack of opportunities for political participation. Most sex workers and LGBTIQ+ are young people

³⁵ Data.unwomen.org

³⁶ Lesotho Population and Household Listing Census (2016).

			seeking stands at 37.4 (2020) ³⁷	who are drivers of HIV and do not have adequate access to HIV and SRH services.
Migrants	Internal migrants - over 90 per cent of the population had moved from their districts of birth and are living elsewhere in Lesotho (BOS, 2016) 179,579 Basotho (8.9% of population) living abroad (BOS, 2016) 9,700 foreigners living in Lesotho (BOS, 2016)	Over 100,000 Basotho migrant (unskilled, semi-skilled and irregular migrants) holding Lesotho Special Permit (LSP / LEP) which expires in December 2023	Net migration rate -7.10 migrants / 1,000 pop. (2016 est.) Among 124,734 persons working abroad, 124,386 persons (99.7%) are working in South Africa.	Many Basotho are pushed out of the country by poverty. The migration process is often through irregular channels, thus entailing risks that endanger migrants. Migrants may end up employed under exploitative conditions, while others may be ill-treated, in the form of coercion for bribes, labour or sexual acts. Some of these risks are compounded when the migrants are children. Returning migrants face unemployment and lack access to education and health services. Irregular migrants in Lesotho have no legal status and face limited employment opportunities, less access to basic services, such as education and health care, and receive no social protection. Women face gender inequality and severe dangers from HIV/AIDS. The drivers of internal displacement in Lesotho are (a) Lesotho Highlands Water Project; (b) Famo Music gang rivalries; (c) South African illegal mining conflicts; (d) livestock theft; (e) rangeland conflicts; (f) drought and poor agricultural production; and (g) gender-based violence.
LGBTIQ+ community and female sex workers	The estimated number of female sex workers in 4 districts (Maseru, Botha Bothe, Leribe and Mafeteng) is 7,587. No estimates are available for other districts.	No clear district-specific population estimates	Most female sex workers are currently unemployed and looking for work (Butha-Buthe (45.0%), Leribe (71.9%), Mafeteng (27.1%) and Maseru (42.6%)).	Female sex workers have had disproportionately higher HIV prevalence rates. They face difficulties accessing HIV-related services, and are subjected to systemic human rights violations, including stigma and discrimination, gender-based violence, and low legal protection, which increase their risk of contracting HIV. HIV prevalence among female sex workers is 71.9% (2014) and

37

<https://www.macrotrends.net/countries/LSO/lesotho/youth-unemployment-rate#:~:text=Youth%20unemployment%20refers%20to%20the,a%200.37%25%20decline%20from%202020.>

	The estimated population of men who have sex with men in 4 districts is 6,081.		The main source of income for female sex workers is sex work (72.1% in Butha-Buthe, 85.5% in Leribe, 89.9% in Mafeteng and, 94.5% in Maseru). The main source of income among men who have sex with men was artisan, agriculture, domestic, construction and factory work (Butha-Buthe (61.7%); Leribe (48.4%); Mafeteng (40.1%); Maseru (36.2%))	condom use is at 62.3% (2018). HIV prevalence among men who have sex with men is 32.9% and condom use is at 46.4% (2014). ³⁸ Sexual orientation and gender identity are not recognized as grounds for non-discrimination in the Constitution. The country still criminalizes sodomy. The absence of a legislative framework for protecting the LGBTIQ+ community has resulted in discrimination, including targeted assaults by the police, non-recognition of LGBTIQ+ unions like lawful marriages. Lesotho should consider eliminating all sodomy laws and give LGBTIQ+ people equitable rights and benefits.
Older persons	4.2 % (50,400)	No data Available	There is a higher proportion of males aged 60-74 years than that of females in the same age group. There is also a higher proportion of elderly females than males. More elderly females head households than males. Most elderly females (72.3%) were on chronic medication. ³⁹	Older persons are financially challenged because they cannot generate money through labour. When they receive social protection payments, other family and community members may expect to be supported, even though such payments are meagre. They can be physically challenged due to chronic illnesses associated with ageing, while some illnesses can result in mental incapacity. Changing family structures, notably the weakening of the extended family, have left many older Basotho vulnerable to abuse in the form of rape, property theft and neglect.
People facing food crisis	About 25% of the Basotho population, estimated at 521,000 (320,000 in	320,000 in rural and 201,000 in urban areas ⁴⁰	Between 2002 and 2017, the national poverty rate declined only modestly, from 56.6% to	People living in rural areas have less access to basic services such as health, education, energy and income-generating opportunities. Poverty in rural areas tends to be

³⁸ <https://kpatlas.unaids.org/dashboard>

³⁹ Lesotho Population and Household Listing Census (2016).

⁴⁰ Lesotho Vulnerability Assessment Committee report (March 2022).

	rural and 201,000 in urban areas)	Rural poverty is at 61%	49.7%. Urban areas recorded strong poverty reduction (from 41.5% to 28.5%), while rural poverty stagnated at 61%. Food poverty declined from 34.1% to 24.1%, while the poverty gap declined from 29% to 21.9%. ⁴¹	multidimensional. People living in poverty due to pre-existing social classification tend to be excluded from key decisions and may not have access to opportunities that may break the cycle of poverty, like health, education and technology access.
Refugees and asylum-seekers	As of February 2019, there were 106 refugees and asylum-seekers in Lesotho ⁴²	No Data Available	Unemployed refugees receive a grant from the government amounting to M400 per month (approximately US \$28). Regarding integration opportunities, the Government has waived the naturalization fee in favour of refugees. Nonetheless, access to education for refugee children and the provision of travel documentation to enable refugees to travel to neighbouring countries, such as South Africa, remain problematic.	Refugees face limited employment opportunities, less access to basic services, such as education and health care, and receive no social protection. They live on the margins of Basotho society and cannot claim their fundamental human rights. Asylum-seekers can receive formal protection, but where basic social services are limited and access to justice is costly, asylum-seekers face poverty and are deprived of fundamental human rights.

⁴¹ Lesotho Vulnerability Assessment Committee report (July 2022), Leave no one behind in food security.

⁴² UNHCR Submission for the Universal Periodic Review – Lesotho – UPR 35th Session (2019): Kingdom of Lesotho Report. <https://www.refworld.org/country,COI,UNHCR,,LSO,,5e1732e00,0.html>

Chapter 3: Environment and Climate Change Action

Lesotho remains vulnerable to the socio-economic impacts of climate change and the degradation of biodiversity and ecosystems. To understand the potential for transformation in the country, it is important to look at the development outcomes delivered for the Basotho people over the last 20 years. If Lesotho is to uphold the promise to leave no one behind and build on its opportunities, an understanding of the country's social, economic, and political environments is needed.

Governance and management of the environment, particularly natural resources have suffered from lack of coordination between stakeholders and implementation gaps in the government departments responsible.⁴³ The impact of climate on the Basotho people is also intrinsically linked to gender inequity and disproportionately affects women and girls. For example, droughts force girls and women to travel further each day in search of water and firewood, increasing their workload and limiting their ability to attend school, earn an income and invest in their careers. It also exposes them to the risk of violence and abuse. Second, poor households have less control over resources, making them more vulnerable to food insecurity. Third, in times of food and water shortages, girls and women are more likely to sacrifice their own health to provide for their spouses, children and other family members. Fourth, the stress of natural disasters and food insecurity can destabilize patriarchal relationships, often leading to increased gender-based violence at the hands of men, with families sometimes forcing their daughters into early marriages as a means of survival. And finally, cases of human trafficking and extreme labour exploitation often increase during natural disasters, like floods and drought.⁴⁴

3.1 Biodiversity,⁴⁵ lands and forests

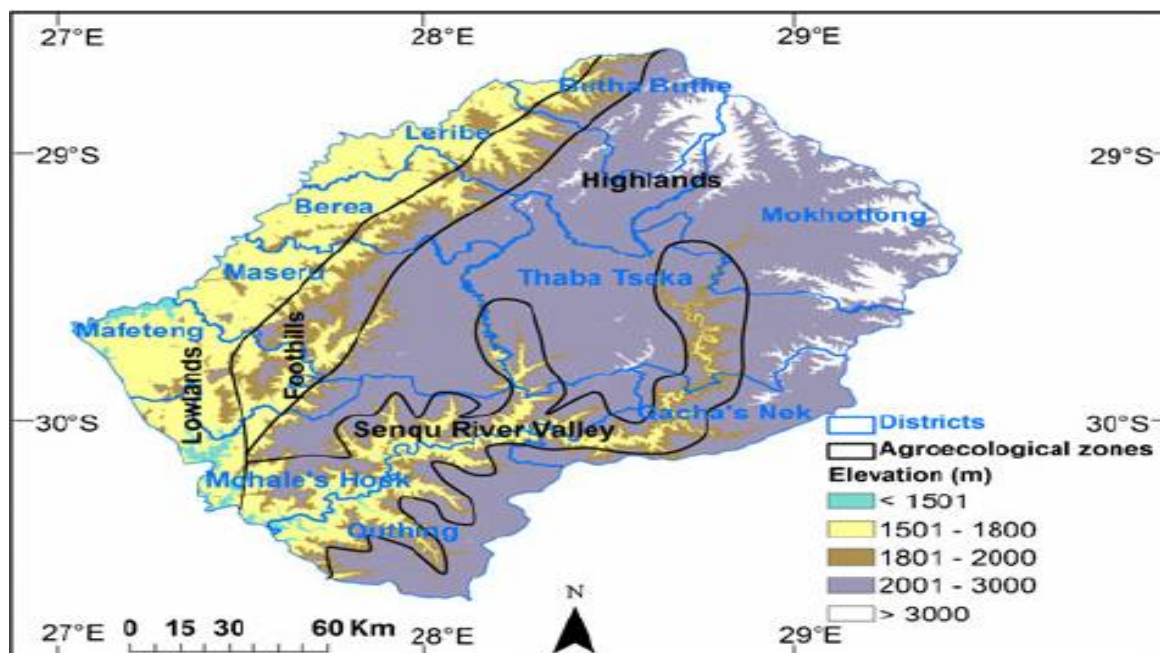
At a mean elevation of 2,161 metres above sea level, Lesotho is divided into four major agroecological zones, as demonstrated in Figure 3.1. The western part of Lesotho forms a high-elevation plateau, called the Lowlands, which comprise 17 per cent of the country's land area. Foothills comprise 15 per cent of the country's land area, bridging the Lowlands and Highlands, a high mountain region that makes up most of the land area.

Figure 3.1 Lesotho's agroecological zones

⁴³ Auditor General's Report 2020

⁴⁴ <https://helplesotho.org/climate-change-in-lesotho/>

⁴⁵ Biological diversity is the variability among living organisms from all sources and the ecological complexes of which they are part, it also refers to the interrelatedness of genes, species and ecosystems and their interactions with the environment.



Source: Moeletsi, M. E., and Walker, S. 2013⁴⁶

The Highlands supply a significant proportion of southern Africa’s water resources, which play a crucial role in the goals related to poverty, public health, education and gender equality, among other facets of sustainable development. Recurrent episodes of drought in the country have continued to fuel the loss of the unique plant communities and habitats, which support a variety of endemic species. Lesotho’s Land Degradation Neutrality Target Setting report⁴⁷ showed that between 1999 and 2019, the country lost more than 100,000ha of arable land to environmental degradation, leading to a 25 per cent decrease in usable land to produce food and fodder.

Arable land makes up only 10 per cent of the total land area in Lesotho.⁴⁸ The country loses two per cent of its topsoil annually due to soil erosion, and an estimated 66 per cent of households live on degraded land.⁴⁹ The main causes of land degradation in Lesotho include poor agricultural and land management practices, such as animal overstocking, burning of rangelands, exploitation of biomass, deforestation for domestic fuel, rising population pressures, and encroachment of land for settlement, infrastructure development and mining. It has been suggested that the predominantly communal land tenure system⁵⁰ has resulted in the poor maintenance of vegetation cover and thus promoted the degradation of rangelands and arable land. Cumulatively, land degradation combined with climate-induced shocks has led to

⁴⁶ Moeletsi, M. E., & Walker, S. (2013). Agroclimatological suitability mapping for dryland maize production in Lesotho. *Theoretical and applied climatology*, 114(1), 227-236. <https://link.springer.com/article/10.1007/s00704-012-0829-1>

⁴⁷ Land Degradation Neutrality (LDN) Target Setting report (2019) for the Kingdom of Lesotho. United Nations Convention to Combat Desertification. https://www.unccd.int/sites/default/files/ldn_targets/2019-03/Lesotho%20LDN%20TSP%20Country%20Report.pdf

⁴⁸ <http://www.fao.org/family-farming/countries/lso/en>

⁴⁹ United Nations Development Assistance Framework for Lesotho 2019-2023

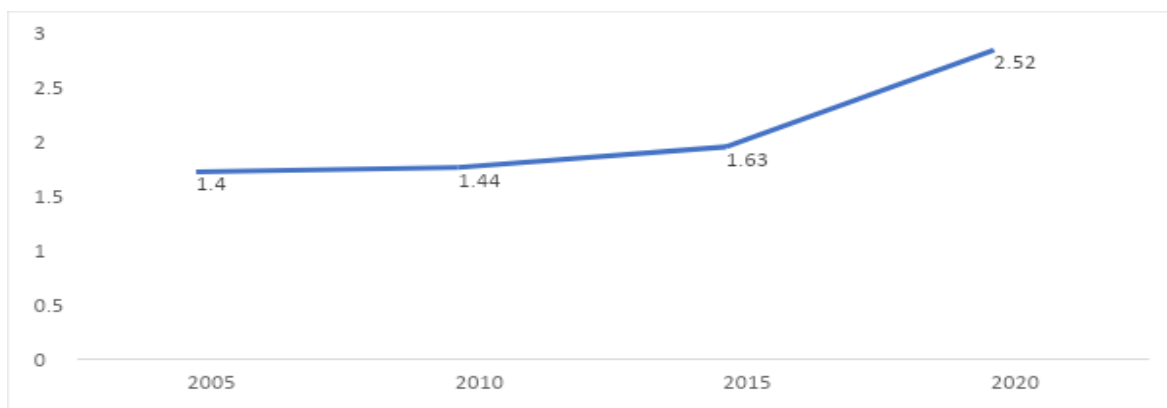
⁵⁰ The Basotho way of life is underpinned by the principle and an understanding that all land and natural resources are strictly communal, i.e. Land belongs to the nation (mobu ke oa Sechaba). It was the inalienable right of every Mosotho to have access to land, water, pasture, woodland and wildlife. This notion, characteristic of the tragedy of the commons, has serious implications in respect of land and land resources use and management.

crop losses and increased animal mortality, contributing to food insecurity. In this way, land degradation is a push factor driving migration to urban and peri-urban areas.⁵¹ This means that all pillars of food security, including availability, access, utilization and stability, are compromised. For example, in early 2022, an estimated 338,000 Basotho (approximately 15 per cent of the population) faced severe hunger because food production and access was severely impacted by heavy rains that clogged the soil and washed away seeds.

Lesotho recorded a gradual improvement in the proportion of forest area to the total land area between 2015 and 2020, as demonstrated in Figure 3.2. yet, forested areas remain a tiny per centage of the total land area. Lesotho’s planted forest area increased because of community education initiatives to create awareness of the importance of tree growing and discourage the cutting down of trees. However, climate change and the search for local biomass for energy means that the survival expectancy for the newly planted forest is low.

As a way of fighting the problem of land degradation, Lesotho has continued to shape its local policy frameworks while integrating measures proposed and/or agreed at regional and global level. The country demonstrated strong commitment to combating desertification, land degradation and drought (DLDD), for instance, when it ratified the United Nations Convention to Combat Desertification (UNCCD) in 1995. At the same time, and as a way of further protecting biodiversity and ecosystems, the country joined the Land Degradation Neutrality Target Setting Programme, which seeks to stabilize and increase the amount and quality of land resources necessary to support the functioning of ecosystems and enhance food security within specified boundaries. Lesotho has pledged to attain land degradation neutrality by 2030, recognizing the centrality of sustainable land management in supporting human health and wellbeing outcomes. Targeted actions include identifying and reviewing relevant documentation including national policies, laws and regulations related to land use, land tenure and economic development. Key among the policies set for review to strengthen response actions include its Forestry Policy (1997); the Range Resources Management Policy (2014); and the Soil and Water Conservation Policy (draft, 2013).

Figure 3.2 Forest areas as a proportion of total land area



Source: Ministry of Forestry, Range and Soil Conservation (Field Data, 2022); FAO, Global Forest Resource Assessment, 2020.

Table 3.3 provides data on key sites of terrestrial biodiversity in Lesotho that are under protection. The total area under formal protection is only 0.48 per cent of the country’s surface area and has not changed since 2016. The number and area of key sites for freshwater

⁵¹ Government of Lesotho (2018a).

biodiversity under protection have also not changed. However, in both instances, the government has identified and informally designated new areas to become protected areas. For example, rangelands which are community or association managed contribute immensely to rangeland rehabilitation, the restoration of vegetative cover and associated biodiversity resources.

In Lesotho, biodiversity impacts pastoralists, farmers, traditional healers (medicine men and herbalists), fuelwood gatherers, ecologists and conservationists. Nonetheless, too little is being done to prevent biodiversity loss.

Table 3.3 Size and share of important terrestrial biodiversity sites that are protected

	<i>Liphofu ng National Monument and Reserve</i>	<i>Boko ng Nature Reserve</i>	<i>'Mue la Nature Reserve</i>	<i>Nation al Univer sity of Lesotho (botani cal garden)</i>	<i>Tšehlany ane National Park</i>	<i>Sehlabath ebe National Park</i>	<i>Masit ise natur e reserv e</i>	<i>Total Area of Terrestri al Biodiver sity</i>
Area (Ha)	4	1972	45	1.5	5,300	6,475	20	13,817.5
Proportion of total protected area (per cent)	0.03%	14.27%	0.33%	0.01%	38.36%	46.86%	0.14%	100%

Source: Lesotho Bureau of Statistics (2018)

Wetlands in Lesotho continue to be under threat and there is a need to strengthen protection, given that wetlands supply ecosystem services, including biodiversity conservation, water resources, livestock grazing, harvestable plant products and environmental regulation.⁵² High Mountain wetlands continue to degrade, due to uncontrolled livestock grazing, infrastructure development, siltation and erosion, encroachment by cultivation and construction, and the overexploitation of resources. In wetland ecosystems, there has also been an influx of invasive plant species that jeopardize native species and the stability of other forms of biodiversity. Protection of wetlands is challenging due to inadequate planning systems and instruments, unequal distribution of the costs and benefits of wetland conservation, policy conflicts, the land tenure system (communal) and institutional weaknesses.

In 2016, Lesotho had only one animal species listed on the Red List Index,⁵³ the Lesotho Meadow Katydid. Since then, the number has increased to include: a bird species, the bearded

⁵² Chatanga, P., Sieben, E.J.J. (2019), Ecology of palustrine wetlands in Lesotho: Vegetation classification, description and environmental factors, Koedoe 61(1), a1574.

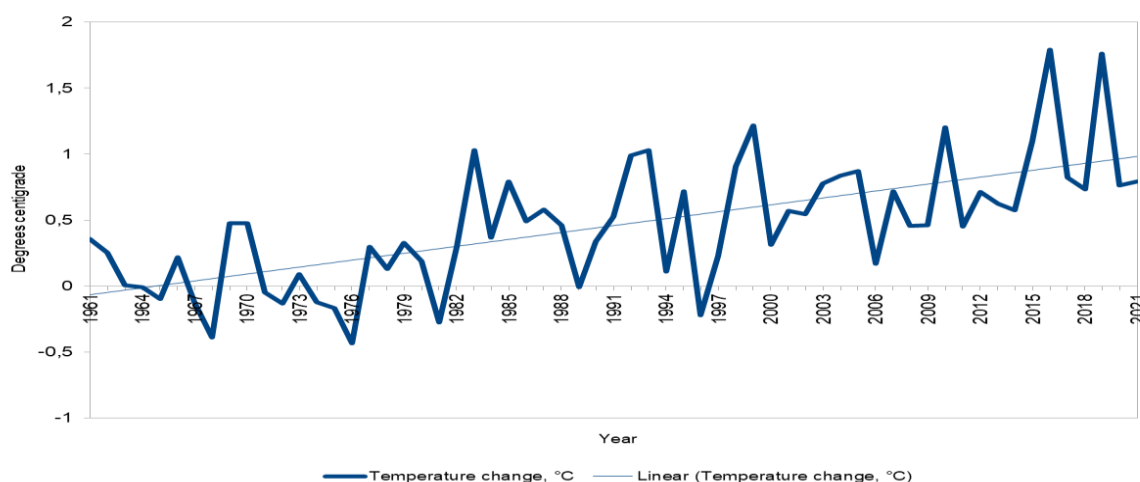
⁵³ The Red List Index is the IUCN Red List of Threatened Species and shows trends in the overall extinction risk.

vulture (*Gypaetus barbatus*); an aquatic species, the Maloti minnow (*Pseudobarbus quathlambae*); and a plant species, the Spiral Aloe (*Aloe polyphylla*). Responsibility for protecting these endangered species lies with the Department of Environment, however there is no routine monitoring of endangered species, and the department remains under-resourced for this task. Nonetheless, there are indications that the population sizes of some species (for example, the Spiral Aloe) have increased following conservation and protection interventions by the government.⁵⁴

3.3 Climate change and climate vulnerability

The geography and location of Lesotho expose it to climatological patterns from both the Indian and Atlantic Oceans, resulting in significant temperature variability and making the country vulnerable to the adverse and multifaceted impacts of climate change. Figure 3.4 shows trends in mean temperature increases for Lesotho between 1961 and 2021, demonstrating Lesotho has experienced a trend increase in the mean temperature.

Figure 3.4 Temperature change, Lesotho, 1961-2021



Source: World Bank (n.d. (a))

According to the Lesotho Climate Action Report,⁵⁵ the country is likely to experience a continued increase in temperatures with the average annual temperature projected to increase between 1.78 and 2.2°C by 2060. Alongside this, temperature variability is also expected to increase, and does not bode well for the future of sustainable development in the country.

Lesotho has experienced successive climate shocks in the past ten years, including recurrent droughts, dry spells, and floods. Since 2015, these shocks have become more frequent, occurring every two to three years, compared to the period before 2015.⁵⁶ This will continue, and will result in increased and more variable temperatures, increased variability in rainfall patterns, increases in the rate of evaporation, and increases in the intensity and frequency of extreme weather events.⁵⁷

⁵⁴ Lesotho National Report to the United Nations Convention on Biological Diversity (2020).

⁵⁵ Lesotho Climate Action Report.

⁵⁶ Kingdom of Lesotho (2019), Voluntary National Review of the Implementation of 2030 Agenda.

⁵⁷ Lesotho Climate Action Report.

Lesotho's vulnerability to climate change is not helped by poor land management practices and low levels of economic growth and socio-economic development. Significant parts of the population rely on nature-based activities for their livelihoods. For example, even slight shifts in temperature and precipitation can impact rainfall-dependent farming activities; climate shocks can disrupt the fledgling tourism industry; unsustainable management of land, coupled with large-scale infrastructure projects can result in habitat loss, deforestation and land degradation. Together, these effects weaken Lesotho's ability to mitigate the impact of climate change and biodiversity loss.

It is also clear that climate change has negatively affected food security⁵⁸ and adversely affects access to water, food, fuel, health, education, and other social services. Consequently, climate change and climate variability disproportionately affect the poor, and have results in increased migration to urban and peri-urban areas⁵⁹ which may contribute to new conflicts.⁶⁰

The Lesotho *Disaster Risk Reduction Policy of 2011*⁶¹ focuses on engaging trained community volunteers for disaster preparedness and emergency response, supported by local government line ministry staff. However, volunteering lacks visibility and is too often not valued for its contribution to combating the worst effects of climate change. Moreover, that a key response to the climate emergency utilizes volunteerism demonstrates a lack of adequate resources to address its impacts. In the absence of a comprehensive and well-resourced government response, climate change will continue to stress the health and productivity ecosystems that support well-being and diminish capacity to achieve the aspirations of 2030 Agenda.

As a country vulnerable to climate change, Lesotho has committed to global efforts towards mitigation of the impacts mentioned above. This includes, among other things, ratification of international agreements such as the *UN Framework Convention on Climate Change* (UNFCCC), established to combat climate change by stabilizing greenhouse gases in the atmosphere. To fulfil its obligations under UNFCCC, the Government of Lesotho provides regular updates on its efforts to mitigate greenhouse gas emissions, its vulnerabilities and the impacts of climate change, through the submission of National Communication reports⁶² and NDC reports.⁶³ Following ratification of the Paris Agreement, aimed at limiting global warming increase in temperature to less than 1.5 °C, the Government is currently revising its NDC to raise its ambition toward global commitments to reduce greenhouse gas emissions.

3.4 Water

Lesotho is a water-rich mountainous country, as it occupies about 3.4 percent of Orange-Senqu River basin yet generates more than 40 per cent of the total basin runoff. However, just 28.9 per cent of the population have access to clean and safe water for domestic use.⁶⁴ The problem is more profound in Lesotho's rural areas, which account for more than 70 per cent of the population. Lack of clean water and inadequate sanitation can lead to deadly diarrhoea diseases, including cholera, typhoid fever, and other water-borne illnesses. Clean water is vital for reducing the country's disease burden and improving health, welfare, and productivity.

⁵⁸ Johane, M, *et. al.* 2021. Lesotho-Food-System-Report: Context. Challenges. Opportunities

⁵⁹ Government of Lesotho, 2018 a

⁶⁰ Mainstreaming Migration, Environment and Climate Change into (re)integration initiative in Lesotho, 2022

⁶¹ <https://hlpf.un.org/sites/default/files/vnrs/2022/VNR%202022%20Lesotho%20Report.pdf>

⁶² Lesotho Third National Communication to the UNFCCC 2021

⁶³⁶³ <https://unfccc.int/sites/default/files/NDC/2022-06/Lesotho%20First%20NDC.pdf>

⁶⁴ <https://www.macrotrends.net/countries/LSO/lesotho/clean-water-access-statistics>

While low percentage of the populations with access to clean water is often attributed to unequal seasonal rainfall distribution and the lack of proximity to clean water resources, it remains the case that the Lesotho Highland Water Programme (LHWP), which exports water supplies to South Africa, is being expanded in ways that do not meet the water needs of Basotho.

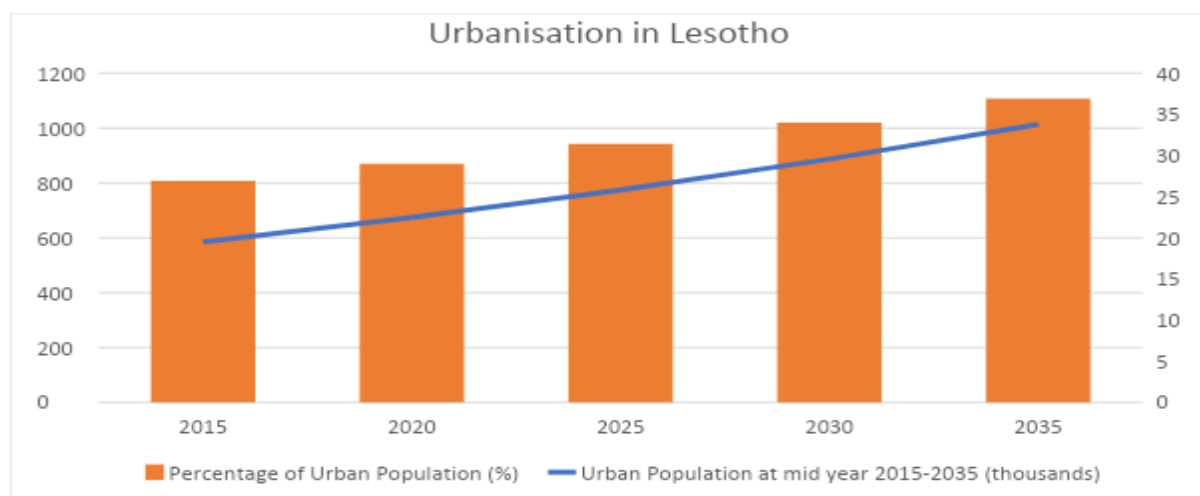
At the same time, climate change and the degradation of water-related ecosystems mean that Lesotho’s water resources face multiple pressures. The destruction of wetlands, sedimentation of water reservoirs, and lowering of the water table due to land degradation all contribute to diminishing water resources. Poor management of rangelands, including wetlands, has reduced capacity to regulate run-off and recharge groundwater storage during heavy rains. Soil erosion from unsustainable livestock grazing practices and crop farming, coupled with the adverse effects of climate change, including droughts and flooding, also threaten freshwater resources and water security. As a result, agricultural production has declined, which has particularly negative consequences for poor households reliant on rainfed agriculture for livelihoods. Heavy snowfalls, strong winds and floods have affected the country periodically, damaging property and crops and causing losses to livestock and human life.

The Ministry responsible for water has a mandate to develop, update and monitor the implementation of water policy, legislation and strategy and coordinate water sector management activities. However, the Ministry faces recurrent bottlenecks in resourcing capacity and its ability to manage the policy environment, and thus policy implementation and regulatory enforcement are weak. If these bottlenecks are not addressed, the country’s vulnerability will continue to impose an enormous cost in terms of loss of livelihoods for communities in affected areas.

3.5 Sustainable cities and communities

Lesotho is experiencing rapid urbanization due to large-scale internal migration to urban centres and higher urban population growth. At independence in 1966, just over seven per cent of Lesotho’s population lived in cities, Figure 3.5 demonstrates this increased to 29 per cent in 2020. The UN projects that the share of urbanization in Lesotho will continue to rise.

Figure 3.5 Urbanization in Lesotho



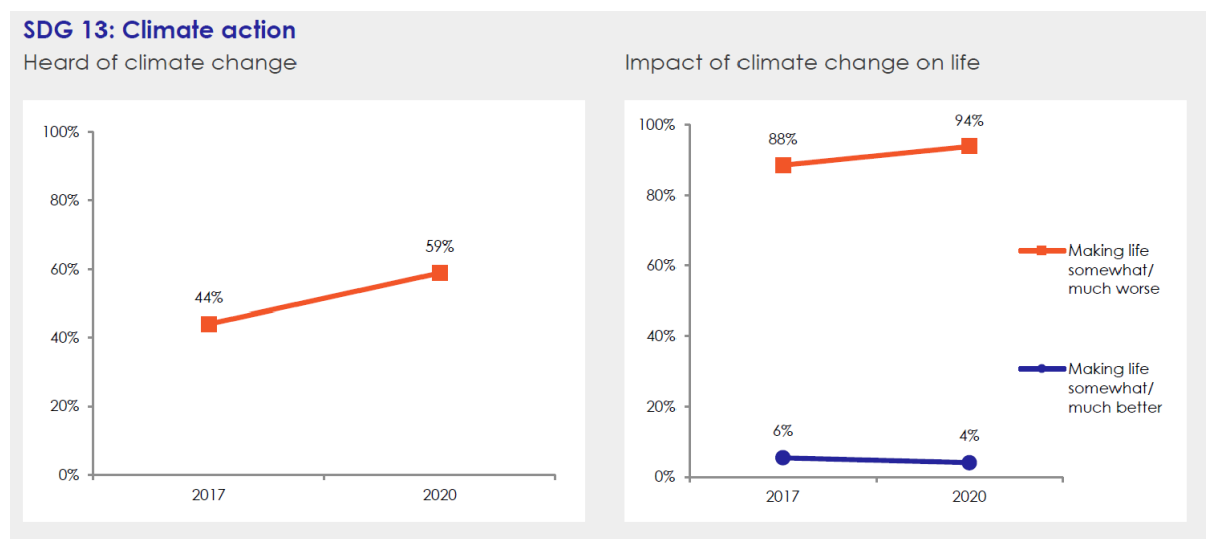
Source: African Development Bank (2020)

Rapid urbanization in Lesotho is driven by a combination of demographic shifts and rural-to-urban migration. Moreover, spatial differences in the location of opportunities and the provision of services favour urban areas, however urban population growth has outpaced the ability of municipal authorities to provide adequate social services.⁶⁵ For example, municipal councils have limited capacity to manage the rapid growth of Maseru and secondary towns, especially when important functions, including physical planning and land allocation, are divided between several government ministries and departments and other government services providers. This has resulted in environmental issues such as poor waste management and disposal, pollution of water bodies, poor housing, and inadequate social and economic infrastructure. In addition, urbanization is taking up arable farming land and pushing herders out of traditional grazing lands, increasing the potential for societal conflict.

3.6 Climate action

Clearly, Lesotho faces environmental, climate change and biodiversity challenges. It is also clear the Basotho people are acutely aware of the direct impact climate change has on their livelihoods. This is demonstrated in Figure 3.6, which shows increasing numbers of Basotho believe climate change has made life worse since 2017 and is illustrative of the extent to which broad public support exists for action to improve Lesotho’s environmental outcomes.

Figure 3.6 Climate action



Source: Afrobarometer (2021)

This vulnerability to climate change is compounded by poverty, land degradation, soil erosion, deteriorating wetlands and rangelands, biodiversity loss and water insecurity, all of which have implications for food security. The negative consequences of these ongoing processes were reinforced by COVID-19, and require the government to make an urgent, fresh and firm commitment to action.

⁶⁵ Mots’oen, K.A (2016), Urban Governance and Urban Poverty: The Critical Analysis of Basic Services Provision in Maseru, Lesotho.

Climate action is necessary for any socio-economic transformation envisaged by the government on the path to 2030. For the Basotho people to prosper, the land must be restored; for the land to be restored, the economy must transition to a more sustainable economic model.

Any commitment must ensure inclusive and equitable participation of vulnerable groups such as women, girls, and people with disabilities in formulating climate change mitigation policies and interventions, as guided by the UNFCCC and the National Climate Change Policy. The policy and institutional frameworks for incorporating gender mainstreaming in climate action face several challenges, including lack of sufficient guidance on implementation; insufficient research on the impacts of climate change on local communities; limited availability of dedicated gender experts; limited awareness and expertise on gender inclusion; lack of gender-inclusive budgeting; and time constraints in project planning and implementation. These challenges can be overcome by addressing the regulatory hurdles between customary and statutory law; developing detailed guidelines and an easy-to-use checklist for gender mainstreaming; creating a gender working group for climate action with decision-making powers; enhancing awareness and skills through training and integration into all courses, adoption of minimum standards for gender mainstreaming in climate action and encouraging partnerships with local community groups.

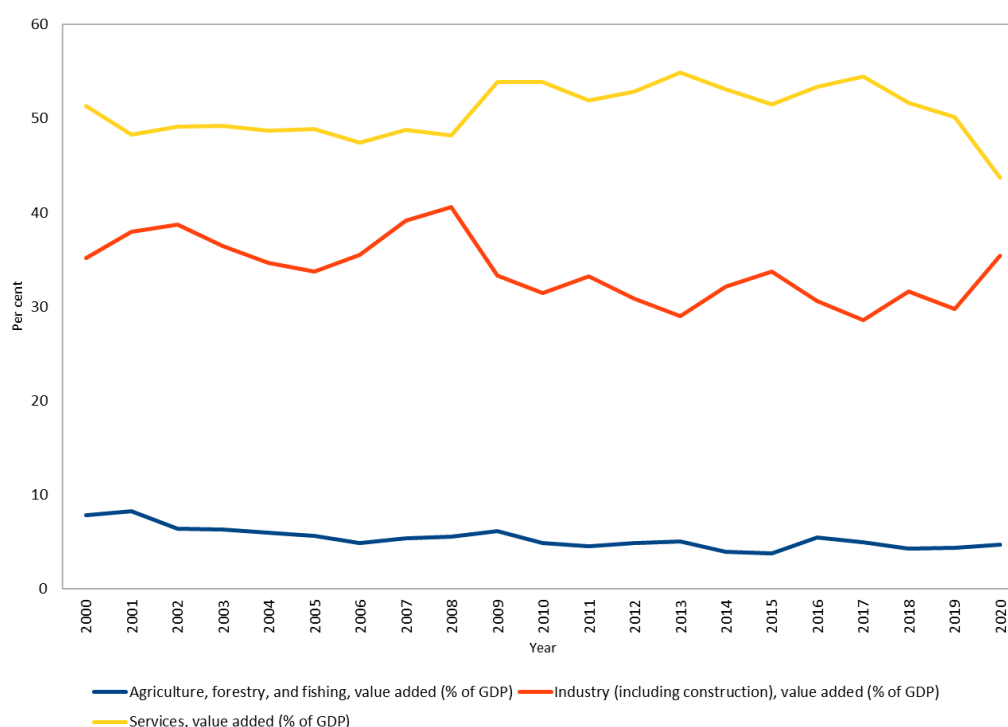
Chapter 4: Economic Transformation Analysis

Lesotho is a small landlocked market economy open to trade, particularly from surrounding South Africa. It is classified as a lower middle-income country by the World Bank. While the economy has grown since the turn of the century, growth has been relatively weak (Table 2) and has not served to reduce rural poverty or foster inclusive social development. This chapter examines how the Lesotho economy leaves too many behind and has done so for far too long.⁶⁶

4.1 Economic structure

Services are the dominant income source in Lesotho, followed by industry. Less than 5 per cent of total GDP is derived from agriculture, which is significantly less than that seen in comparable sub-Saharan and lower-middle income countries. Despite being a small contributor to the economy, agriculture is the most important source of employment, suggesting the sector suffers from low productivity - a key challenge which Lesotho must tackle. Productivity across industry and agriculture has been stagnant for two decades, while services have shown a slight decline.

Figure 4.1 Structure of Lesotho GDP, 2000-2020



Source: World Bank (n.d. (a))

4.2 Lesotho's economic sectors

4.2.1 Agriculture

Agriculture is the main economic activity and source of livelihood for most Basotho men and women, especially in rural areas, and is dominated by small-scale subsistence agriculture -

⁶⁶ The analysis covers the span of the last 40 years.

mostly low input, low output, rain-fed cereal production and livestock rearing. Small livestock, provides meat, wool and mohair, which are essentially the mainstay of the economy of rural communities and make up a larger share of the agricultural contribution to GDP. In the early 2000s when agriculture was more than six per cent of GDP, livestock production accounted for about 4.8 per cent of GDP and crops for about 1.9 per cent.⁶⁷ However, stagnant agricultural productivity is explained by poor performance in the livestock sector and staple crops like maize. The importance of maize cannot be overstated: in 2019/20, the farming household consumed 49.1 per cent of maize production, and only 14.7 per cent was sold for cash.⁶⁸

Productivity per hectare of land has declined.⁶⁹ The sector is constrained by access to arable land, which remains very limited, with the average landholding per rural farm family less than one hectare.⁷⁰ It is constrained regarding farm inputs and machinery, with self-provided seeds being most common;⁷¹ fertilizer usage is low,⁷² and pesticides are used in very limited quantities. Only a small proportion of agricultural land is irrigated.

Over the past 20 years, Lesotho's weak agricultural performance has had a range of macroeconomic impacts. The trade balance is shaped by the prevalence of staple food imports – since 2000 food imports as a share of merchandise imports have been rising and now stand at 28 per cent of all merchandise imports.⁷³ Lesotho is a net food importer, which puts pressure on the exchange rate, even if it is pegged to the South African rand. Food prices are the largest single component of the inflation rate⁷⁴ and households spend about 50 per cent of their total food expenditure on average on cereal, including maize purchases.⁷⁵

4.2.2 Industry

Lesotho has three focal industrial sub-sectors: water extraction, diamond mining and textile and apparel manufacturing. Over 80 per cent of Lesotho's exports consist of textiles and diamonds, and around 85 per cent go to three countries.

Water extraction

Water is Lesotho's most abundant natural resource. The Lesotho Highland Water Project uses dams, weirs and tunnels to transfer water from the mountains of Lesotho to the Gauteng region in South Africa, while simultaneously providing Lesotho with dam-generated hydroelectric power.⁷⁶ Royalties from water exports comprised an average of five per cent of total government revenues between 2007/08 and 2021/22. However, in the last five years, between 2017/18 and 2021/22, water royalties declined to less than three per cent of total government

⁶⁷ FAO (2014), Lesotho Country Programming Framework, 2013-2017.

⁶⁸ Bureau of Statistics (2019), Lesotho Agricultural Census: Key Findings Report.

⁶⁹ Food and Agriculture Organization (n.d. (a)), FAOStat.<https://www.fao.org/faostat/en/#data>

⁷⁰ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

⁷¹ Bureau of Statistics (2021b), Lesotho 2017/2018 Continuous Multi-Purpose and Household Budget Survey (CMS/HBS) Statistical Survey Report.

⁷² Bureau of Statistics (2019/20), Lesotho Agricultural Census: Key Findings Report.

⁷³ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

⁷⁴ Khamale (2020), Explain inflation differentials between Lesotho and South Africa. Central Bank of Lesotho. Occasional Analytical Note.

⁷⁵ Prifti, Daidone and Miguez (2021), Impact of Increases in Food Prices on Consumer Welfare in Lesotho. African Journal of Agricultural and Resource Economics 12 (1): 52-61.

⁷⁶ Ryan (2015), White Gold and Troubled Waters in Southern Africa: Hydropolitical Policy's Effect on Peace in Lesotho and South Africa." Politics & Policy (43) 2: 239-255.

revenues.⁷⁷

Many households, especially rural households, have a poor supply of water. Climate change is impacting evapotranspiration and water availability. While there is an integrated catchment management plan that involves the capture and storage of water in reservoirs, it remains the case that for a water-rich country there is a surprising lack of attention to improving the management and distribution of water resources in ways that enhance the resilience of the Basotho people, especially in rural areas.

Diamond mining

Large-scale diamond mining in Lesotho expanded rapidly in the early 2000s and has made an important contribution to Lesotho's economy. The mining and quarrying sub-sectors share of real GDP has increased rapidly, from 0.9 per cent in 2004 to 4.5 per cent in 2017.⁷⁸ However, as a capital-intensive sub-sector, the diamond mining industry's contribution to employment is small and estimated at just 1,500 employees.⁷⁹

Diamond exports constituted 26 per cent of all exports in 2010, and just under 40 per cent by 2019.⁸⁰ Royalties and dividends from diamond mining were equivalent to 29.6 per cent of mining value added in 2016/17, generating government revenues around 1.3 per cent of GDP in 2017/18,⁸¹ or approximately 21 per cent of the government's total non-tax revenues.⁸² However, the statutory royalty rate paid by industry is 10 per cent, which in comparative terms is low, and can be negotiated on a case-by-case basis. Finally, the equity stake held by the government in Lesotho's foreign-invested mining enterprises is less than that deployed in comparable countries.⁸³

Textiles and apparel

Textile and apparel manufacturing is the third industrial sub-sector that Lesotho needs to consider. Following the African Growth and Opportunities Act of 2000, textile and apparel manufacturing was a strong driver of economic growth in the 2000s⁸⁴ and between 2015 and 2019.⁸⁵ It generated 12 per cent of GDP in 2018⁸⁶ and 54 per cent of all merchandise exports in 2021.⁸⁷ Nonetheless, it is widely perceived that the sub-sector has been stagnating.⁸⁸ Employment dropped from its 2003 peak by 35 per cent⁸⁹ and workers in the sub-sector are poorly paid, with mean monthly earnings only 14 per cent more than those received in agriculture, forestry and fishing.⁹⁰ Moreover, the primary activity undertaken in the sub-sector

⁷⁷ International Monetary Fund (2022), Kingdom of Lesotho: Selected Issues.

⁷⁸ Central Bank of Lesotho (2020), Economic Outlook, 2020-2022: Appendix III.

⁷⁹ Khoabane (2020), The 2019 Labour Force Survey (Bureau of Statistics 2021a) states that the numbers employed in mining and quarrying is far larger: 24227 of whom 83 per cent are in formal employment. The reason for the discrepancy is not clear.

⁸⁰ International Monetary Fund (2022), Kingdom of Lesotho: Selected Issues.

⁸¹ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

⁸² International Monetary Fund (2022), Kingdom of Lesotho: Selected Issues.: Figure 3.

⁸³ Khoabane (2020), Diamonds are not forever: implications for Lesotho. Central Bank of Lesotho. Occasional Analytical Note.

⁸⁴ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

⁸⁵ International Monetary Fund (2022), Kingdom of Lesotho: Selected Issues.

⁸⁶ Central Bank of Lesotho (2021), Economic Outlook, 2021-2023.

⁸⁷ Central Bank of Lesotho (2022), Quarterly Economic Review, March.

⁸⁸ International Monetary Fund (2022), Kingdom of Lesotho: 2022 Article IV Consultation.

⁸⁹ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

⁹⁰ Bureau of Statistics (2019), Lesotho Agricultural Census: Key Findings Report.

is that of assembly, and most inputs have to be imported, resulting in only limited value add to the overall economic picture.⁹¹

4.2.3 Services

Stagnation in the productivity of the services sector is a major constraint on economic growth and social development in Lesotho. Two sub-sectors are important: government employment and the public sector; and travel and tourism.

Government employment

The International Monetary Fund describes Lesotho as having a government-driven growth model, evidenced by government spending as a share of GDP exceeding 50 per cent in 2021.⁹² Much of this spending is government consumption, particularly the compensation of employees (18 per cent of GDP in 2020).⁹³ Thus, a wage premium for working in the public sector was over 60 per cent. At the same time, public sector capital expenditure was a very favourable 13 per cent of GDP in 2020 and acted to crowd in private sector activity. However, public sector employment as a share of all employment is only nine per cent, which is comparatively low.⁹⁴ Moreover, at 22 per cent of GDP, tax revenue was very stable between 2011 and 2021.⁹⁵

Travel and tourism

The other significant service sub-sector in Lesotho, travel and tourism, accounts for over seven per cent of GDP in 2019 and seven per cent of all jobs.⁹⁶ However, tourism receipts per capita are only US \$18 a year,⁹⁷ largely because travel and tourism is primarily generated by domestic business travel. While Lesotho has significant travel and tourism assets, the sub-sector is extremely underdeveloped, with a lack of suitable infrastructure to facilitate tourism services, while travel and tourism operators are hampered by a lack of accessible capital and insecure land rights.

4.2.4 The role of the private sector

The private sector in Lesotho accounts for only 20 per cent of GDP and is mostly focused on the domestic market, with 71 per cent of firms involved in wholesale and retail commerce. Micro-, small- and medium-sized enterprises account for 97 per cent of all local firms; yet, over half of the private sector employment is generated by a few, relatively large, and mostly foreign-owned, firms.

The private sector has been further hamstrung by weak capacity, low productivity, poorly skilled workers, and inadequate infrastructure and resources. At the same time, governance of the business environment is weak, with significant gaps in legal standards around property

⁹¹ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

⁹² International Monetary Fund (2022), Kingdom of Lesotho: 2022 Article IV Consultation.: Figure 1.

⁹³ World Bank, Worldwide Bureaucracy Indicators Dashboard. <https://www.worldbank.org/en/data/interactive/2019/05/21/worldwide-bureaucracy-indicators-dashboard>

⁹⁴ Ibid

⁹⁵ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

⁹⁶ World Economic Forum (2021), Travel and Tourism Development Index 2021: Rebuilding for a Sustainable and Resilient Future.

⁹⁷ Ministry of Tourism, Environment and Culture (2019), National Tourism Master Plan.

rights, dispute resolution and insolvency resolution, and government support to crowd in⁹⁸ private sector activity remains weaker than it could or should be. Private sector development has also been hampered by access to finance.

4.2.5 Gender in Lesotho's economic sectors

Gender relations are an important element in the dynamics of Lesotho's economy. Gender-based differences exist in access to land⁹⁹ and non-land assets, with men owning large animals, while women own poultry.¹⁰⁰ Rural women are expected to produce, process, and prepare food for the household, and are both household managers and food providers.¹⁰¹ In industry, the limited employment opportunities in water and the formal diamond mining sector are male-dominated. By way of contrast, 80 per cent of employees in the textile and apparel manufacturing sub-sector are women.¹⁰² In government employment, 30 per cent more women are employed than men.¹⁰³

The composition of employment fails to account for the ways in which household structure and intrahousehold gender relations shape and are shaped by the terms and conditions of employment. Understanding work, poverty and growth requires incorporating the interactions between work that is formally defined as productive, in terms of value add on the farm, in the factory or in the government office, and reproductive, such as unpaid care and domestic work within the household and the community. This is because these two dimensions of work depend on each other - reproductive unpaid care and domestic work depends upon generating income from "productive" work, which in turn shapes (and is shaped by) the performance of unpaid care and domestic work. For women, the need to perform unpaid care and domestic work represents a significant constraint upon their time; indeed, women spend more time doing cooking and domestic work than men do in farming and managing livestock.¹⁰⁴

Women's disproportionate responsibility for reproductive work reflects normative ideals around gender-based social norms. These ideals affect women's labour supply decisions; the need to be flexible and undertake unpaid care and domestic work can impact occupation and remuneration. Thus, gender gaps in labour force participation and earnings and access to incomes impact expenditure and savings decisions, as well as household consumption. In this way, household structure and intrahousehold gender divisions of labour between productive and reproductive work have direct consequences for Lesotho's macroeconomic performance. So too does gender-based violence: the combined direct and indirect cost of violence against women and girls was estimated to be 5.5 per cent of GDP in 2017.¹⁰⁵

⁹⁸ Crowding-in is a phenomenon that occurs when higher government spending leads to an increase in economic growth and therefore encourages firms to invest due to the presence of more profitable investment opportunities.

⁹⁹ Fogelman, C. 2016. Measuring Gender, Development, and Land: Data-Driven Analysis and Land Reform in Lesotho. *World Development* March pp. 36 – 42

¹⁰⁰ Mokati, J. T. W., Ncube, A., and Bahta, Y. T. 2022. Is it really feminization of agriculture? The issue of household food security in Lesotho's Southern Lowland District. *Journal of Asian and African Studies*,

¹⁰¹ Ibid

¹⁰² World Bank 2021 Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

¹⁰³ Bureau of Statistics 2021. 2019 Labour Force Survey (LFS) Report

¹⁰⁴ International Household Survey Network, n.d. The Lesotho 2017/2018 Continuous Multi-Purpose and Household Budget Survey did not ask questions about time-use.

¹⁰⁵ Commonwealth Secretariat (2020), *The Economic Cost of Violence against Women and Girls: A Study of Lesotho*.

4.3 Regional and international dimensions of Lesotho's economy: Trade, foreign direct investment, and remittances

Lesotho's sustainable development is affected by regional dynamics and cross-border issues. The country is landlocked by and economically dependent on South Africa. Gold mines in South Africa have been a major source of employment for Lesotho's labour force, and thus a source of remittance to the economy.

Lesotho is a trade-dependent country; total exports and imports divided by GDP equalled 150 per cent of GDP in 2020. Lesotho runs a significant balance of trade deficit and the deficit in the trade balance before 2019 remained just under 30 per cent of GDP. Foreign investment in Lesotho's diamond mining, textiles and apparel dominate the export sector. The banking sector is also largely foreign owned.¹⁰⁶ Nonetheless, foreign investment remains low, in part because the legal framework for investors is underdeveloped. Figure 4.11 provides data on foreign direct investment (FDI) as a share of GDP for Lesotho between 2000 and 2020 and shows that FDI has comprised less than two per cent of GDP since 2016. Given the lack of diversification in exports, minimal foreign investment inflows can be partly explained by limited export-oriented investment opportunities.

Lesotho is a member of the Southern African Customs Union (SACU) which pools the customs receipts collected by its members¹⁰⁷ and distributes them on a revenue-sharing formula. Lesotho's currency (the loti; plural, maloti) is linked to South Africa's rand at a one-to-one rate, limiting Lesotho's monetary policy and raising the importance of healthy fiscal policy. Lesotho is, therefore, exposed to whatever happens in the sub-region.

Lesotho should take the opportunities offered by the SADC commercial protocol, the African Continental Free Trade Area (AfCFTA) which it ratified in 2020. Lesotho needs to implement strategies to tap into Africa's growing regional demand and maximize the benefits of the AfCFTA. However, to access regional and international markets, the country needs to make significant investments to establish and strengthen institutional infrastructure related to standards, metrology, testing and quality to take better advantage of the global trade regime. This will also be important when the current African Growth and Opportunities Act arrangement ends.

While a significant number of Basotho work outside of the country, the porous borders between South Africa and Lesotho mean that Basotho have been particularly susceptible to people trafficking for various purposes including trafficking in drugs and firearms. Lesotho's membership of the *Migration Dialogue for Southern Africa* and the *Global Compact on Migration* provides opportunities to strengthen cross-border collaboration and migration governance.

4.4 Fiscal policy, monetary policy, and macroeconomic stability

Lesotho's fiscal policy approach includes transfers from the SACU, government debt financing and taxation. Personal income tax contributes 45 per cent of tax revenues and some 42 per cent of tax revenues come from Value-Added Tax (VAT).¹⁰⁸

Domestic debt primarily takes the form of treasury bills and bonds.¹⁰⁹ External debt was at 45

¹⁰⁶ Ibid

¹⁰⁷ Botswana, Lesotho, Namibia, South Africa, and Swaziland

¹⁰⁸ Organization for Economic Cooperation and Development (2021), Revenue Statistics in Africa 2021: Lesotho.

¹⁰⁹ World Bank (2021), Lesotho: Systemic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.

per cent of GDP and 70 per cent of all debt,¹¹⁰ a key constraint facing the government, because it is denominated in foreign currency – primarily US dollars – and because international interest rate variations impact debt servicing. While external debt to multilateral institutions tends to have concessional interest rates, 80 per cent of the country's external debt is owed to multilateral lenders on concessional terms.¹¹¹ However, because it is denominated in foreign currency, exchange rate variations impact the debt-to-GDP ratio. Lesotho's exchange rate is pegged to the South African rand, which means that interventions in the foreign exchange market are automatic, because inflation in Lesotho must be the same as that in South Africa. Domestic and foreign assets must yield the same return to investors. To maintain the peg, the Central Bank of Lesotho maintains a large and, in recent years growing, pool of reserve monetary instruments.

With a lesser reliance on debt, the government must enhance domestic resource mobilization if it wants to finance its spending adequately. Moreover, attracting more foreign direct investment remains vital, as it will enhance the level of investment, increase production capacity and boost exports. Fiscal consolidation is also important if the country is to maintain its macroeconomic stability.

4.6 Labour migration

With inadequate economic growth, rural poverty, a lack of formal job opportunities, and poor pay for too many jobs created, many Basotho cannot find remunerative work in Lesotho. Therefore, many migrate in search of work, primarily to South Africa where they work in mining and in the informal artisanal and small-scale mining sector.

In addition to outbound migrants, Lesotho hosts migrants who receive access to health care and education. The country also hosts asylum seekers and refugees fleeing conflict and persecution from neighbouring countries. Internal displacement has also increased due to climate change-induced disasters and development projects such as the Lesotho Highlands Water Project.

The decline in formal employment opportunities in South Africa has resulted in an increasingly common pattern of Basotho migrants returning, or wanting to return, home. Similarly, migrant workers in Lesotho invariably return home. Given the realities of circular migration, there is a need for mechanisms that support the reintegration of migrants returning to Lesotho, including social protection measures.¹¹² However, the government response has been weak, which is unsurprising given the government has been unable to leverage development opportunities afforded by having a skilled labour pool in a neighbouring country. Although Lesotho has been a party to the *International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (CMW)* since 2005, it last reported under the convention in 2016. The subsequent periodic report was due in 2021.

With regards to women, there is significant opportunity lost because of their unequal participation in economic life, which is driven by strong social and cultural norms. This represents a significant loss to GDP and human development. Sustainable economic transformation requires investing in assets and human capital to increase productivity and build resilience to economic shocks.

¹¹⁰ International Monetary Fund (2022), Kingdom of Lesotho: 2022 Article IV Consultation.

¹¹¹ Ibid.

¹¹² Government of Lesotho, National Migration and Development Policy, June 2022

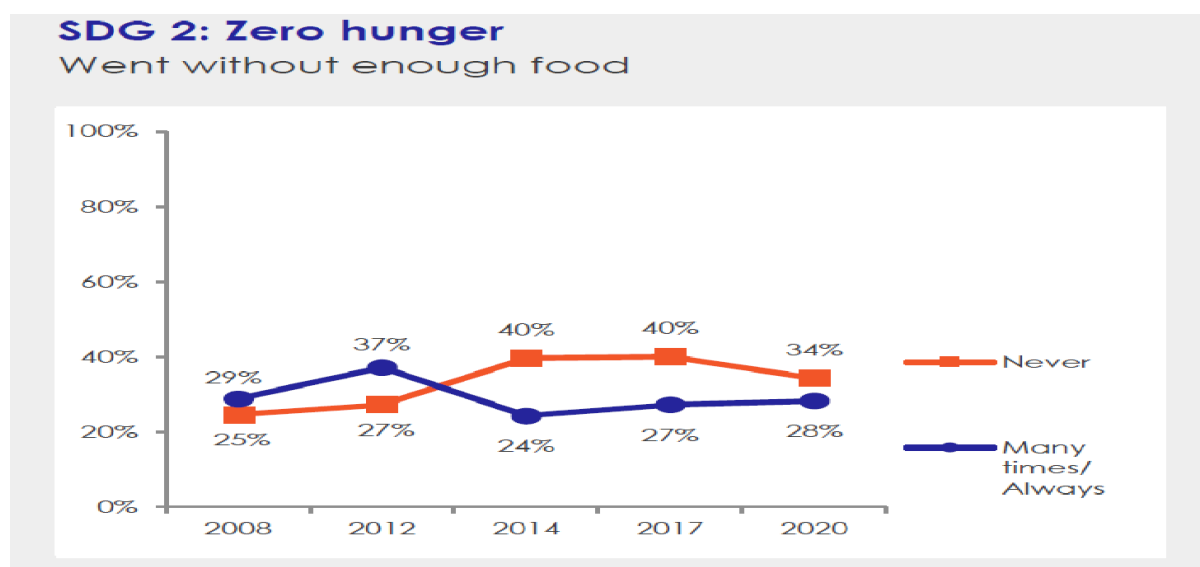
Chapter 5: Social Development Analysis

Governments are responsible for ensuring the well-being of their citizens, particularly the most vulnerable. As human capital is one of Lesotho's most significant resources, the vision for social development in Lesotho is *"a nation where everyone enjoys an acceptable minimum standard of living and in which there are equal opportunities for people to realise their full potential."*¹¹³ The government has committed itself to improve the quality of life for all Basotho through interventions that address poverty, deprivation, vulnerability, and inequality.

5.1 Food security and nutrition

Lesotho's poverty rate, measured at the national poverty line, fell from 56.6 per cent in 2002 to 49.7 per cent in 2017, meaning that in this period around 47,000 Basotho escaped poverty. The largest reduction occurred in urban areas, where the rate fell from 41.5 per cent to 28.5 per cent. While the country made remarkable progress in reducing urban poverty (Table 2.1) the inability to address rural poverty through growing the agricultural sector lies at the heart of the distressed social development witnessed over the last two decades. Moreover, the food security situation in Lesotho has not improved, and a large part of the population remains exposed to chronic food insecurity, especially in the countryside. This is demonstrated in Figure 5.1 which shows that in 2020, 28 per cent of the population went without food "many times" or "always" indicating poor health outcomes.

Figure 5.1 Hunger in Lesotho



Source: Afrobarometer (2021)

The food insecure rely on market purchases to obtain the food they need, including those who work primarily as small-scale subsistence-oriented farmers. Food and nutrition insecurity in Lesotho is related mainly to low agricultural productivity, which exposes Basotho to rising food prices because of the country's food import dependence. Moreover, diets lack diversity hence adequate nutrition remains a significant challenge for most households.¹¹⁴ Malnutrition

¹¹³ <http://www.socialdevelopment.gov.ls/>

¹¹⁴ Lesotho Food and Nutrition Strategy and Costed Action Plan (2019-2023).

and poverty are interconnected - poverty reinforces malnutrition by increasing the risk of food insecurity, and malnutrition produces poverty conditions by reducing the population's economic potential¹¹⁵.

To build agricultural productivity, the public sector needs to develop irrigation infrastructure and provide an enabling environment for the private sector to invest in market-driven irrigated crop production. Such investment would increase the land under irrigation from a paltry two per cent to a sizeable proportion of the arable land with requisite increases in productivity. Lesotho has already developed an irrigation master plan, yet what remains is for the public sector to eliminate externalities that prevent the private sector from confidently investing in irrigated crop production.

Another area that requires attention is the development of agro-industries with proper storage, packaging, processing, distribution and marketing infrastructure. The absence of well-developed agro-industries stymies growth and makes it difficult for smallholder farmers to access markets. For instance, as part of their consumer protection processes, major food retailers demand products have undergone proper certification processes with unquestionable storage, packaging, transportation and processing infrastructure. These facilities are seriously lacking in Lesotho, rendering domestic agri-food value chains weak and less competitive compared to imports from neighbouring South Africa.

Commercializing agriculture to realize job-generating growth is at the heart of the National Strategic Development Plan. However, the level of agricultural mechanization makes this noble goal near impossible. Very few farmers own the required machinery to mount any meaningful commercialization programme. A vast majority of rural farmers still use draught power for major farming operations, hampering their production scale. Worse still, women are still using backbreaking hoes as the main instrument for tillage and weeding. There is, therefore, a need to embrace technological advances and innovations to make farming less burdensome.

The nutrition situation in Lesotho is characterized by high stunting rates of 35 per cent,¹¹⁶ above the World Health Organization (WHO) public health threshold of 29 per cent for moderate prevalence in children under the age of five years. Furthermore, malnutrition is characterized by wide-spread micronutrient deficiencies (52 per cent iron deficiency anaemia) in children under five years of age, while for adolescents and adults, overweight and obesity occurs per cent in some segments of the population, with a prevalence of around 6.6 per cent. Nutritional variety is lacking as well, with only 16.7 per cent of children receiving food from five or more food crops, indicating minimum dietary diversity.

In Lesotho, nutrition remains one of the biggest contributors to child mortality. Almost two-thirds of children who die in paediatric wards are underweight and half of these have severe acute malnutrition.¹¹⁷ While the country has made significant gains in reducing stunting and wasting over the last two decades, the burden of malnutrition remains high, with stalled progress in recent years and inequities persisting across wealth quintiles and regions. About a third of children under five are stunted in Lesotho. Child undernutrition is estimated to cause 20 per cent of child deaths, resulting in a loss to the economy of seven per cent of GDP annually.¹¹⁸ The national average hides striking inequalities, as undernourishment and stunting varies across geographic regions and place of residence, with remote rural areas being

¹¹⁵ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7485412/#:~:text=Malnutritionpercent20producespercent20conditionspercent20ofpercent20poverty,thepercent20riskpercent20ofpercent20foodpercent20insecurity>

¹¹⁶ UNICEF Multiple Indicator Cluster Survey (2018).

¹¹⁷ 2021 Global Nutrition Report: The state of global nutrition. Bristol, UK: Development Initiatives.

¹¹⁸ Kingdom of Lesotho (2016), The Cost of Hunger in Africa. Social and Economic Impact of Child Undernutrition in Lesotho. Maseru: UNICEF, UNDP, WFP, African Development Bank.

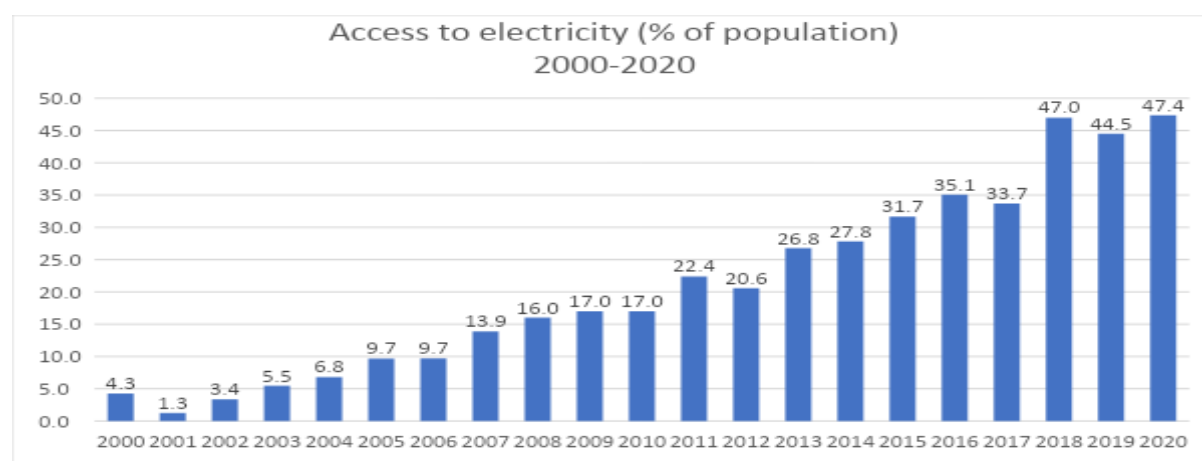
especially hard hit.¹¹⁹ It is worth mentioning that 30 per cent of adult women and six per cent of adult men are obese. For women, this is significantly higher than the regional average. This is a stark reminder of how food and nutrition insecurity reflect social inequality.¹²⁰

Finally, about 22.8 per cent of rural people do not have access to improved water sources, and many do not treat their drinking water. Nationally, 11.8 per cent of households do not use improved sources of drinking water, and only 17 per cent of households have a handwashing facility with soap and water, which compromises optimal nutrition practices.

5.2 Basic infrastructure services: energy

The basic infrastructure services needed to support social development in Lesotho include water, energy, and transport. Lesotho’s energy provision and mix leave much to be desired. Lesotho’s energy sector is characterized by a high reliance on fossil fuels and traditional biomass sources, including wood fuel, particularly in rural areas, which has implications for vegetation loss, land degradation and human health. The acquisition of these energy sources is also strongly gendered. As a result of the Lesotho Highlands Water Project, domestic hydropower is provided by the Muela plant, meeting half the country’s electricity needs and is supplemented by imports from South Africa.¹²¹ Finally, fuels mainly made up of petroleum products and gas are imported from South Africa. Nonetheless, the result is wholly inadequate; as of 2020, electricity is only four per cent of Lesotho’s energy balance and only 40 per cent of the population have access to clean cooking energy.¹²² However, as Figure 5.4 demonstrates, electricity access has rapidly expanded in the 21st century, serving 47.4 per cent of Basotho however, this has come at a cost, as electricity tariffs do not reflect provision costs.

Figure 5.4 Access to electricity



Source: World Bank n.d.

Lesotho has the capacity to eradicate energy poverty given its abundant potential to generate clean renewable energy from solar, hydro and wind. However, the upfront cost of such

¹¹⁹ Ministry of Health, GoL (2016), Demographic and Health Survey Lesotho 2014. <https://dhsprogram.com/pubs/pdf/FR309/FR309.pdf>

¹²⁰ Global Nutrition Report: Country Nutrition Profiles. Bristol, UK: Development Initiatives.

¹²¹ ID <https://www.usaid.gov/powerafrica/lesotho#:~:text=Lesotho'spercent20mainpercent20sourcepercent20ofpercent20electricity,thatpercent20generatespercent20aboutpercent2072percent20MW.>

¹²² Energy progress report, <https://trackingsdg7.esmap.org/country/lesotho>

technologies, when set within the context of the country's terrain and sparse settlements, put the provision of such energy services currently beyond the reach of the government. This challenge remains even though an energy transition is essential to reducing biodiversity loss and combating greenhouse gas emissions.

5.3 Basic infrastructure services: health

Lesotho has a life expectancy of 52 years for males and 58 years for females. The factors associated with low life expectancy are generally low socio-economic status and a weak health system, compounded by the twin burden of the HIV and Tuberculosis epidemics. Despite largely preventable causes, the neonatal mortality rate in 2020 was 44.8 per 1,000 live births, the highest in eastern and southern Africa.¹²³ Neonatal deaths currently represent 50 per cent of all under-five deaths, estimated at 89.5 per 1,000 live births in 2021, as demonstrated in Table 2.1. Neonatal deaths may be partly caused by the high adolescent birth rate for females aged 15 to 19. However, these mortality rates are trending down.

Similarly, Lesotho has one of the highest maternal mortality ratios in Sub-Saharan Africa, despite almost 78 per cent of births being attended by skilled health personnel. This highlights significant challenges in the quality of sexual and reproductive health services. The high maternal mortality ratio can be attributed to an unmet need for family planning (which is also high, at 18 per cent), especially among adolescents who have limited access to sex education. In Lesotho, 20-30 mothers die every year due to preventable complications of pregnancy and childbirth. At the current average annual reduction rate of 0.7 per cent, Lesotho is not adequately reducing maternal mortality to meet the SDG target. To achieve this, Lesotho must reduce its maternal mortality ratio by an annual average rate of 10 per cent.

Volunteers are involved in antenatal and neonatal education and home visits for pregnant women. In order to train 1,000 volunteers by 2018, to work under the supervision of nurses, Integrated Early Childhood Care and Development (IECCD) employed strategies to create a capacity needs assessment map for volunteers and professionals and improve and expand pre-service training of volunteers and professionals.

Lesotho has made good progress towards the global goal of ending AIDS by 2030.¹²⁴ It is one of the few countries globally to have achieved the UNAIDS 90-90-90 treatment cascade targets: 90 per cent of people living with HIV in Lesotho know their HIV status; 97 per cent of those who know their HIV status are on lifelong antiretroviral therapy (ART); and, 92 per cent of those on ART are virologically suppressed. The country has recorded a notable decline in HIV incidence (Figure 5.2), due to concerted efforts led by the government, an enabling policy environment, a gradual increase in budgetary allocations, with the government procuring 70 per cent of antiretroviral treatment, as well as commitments from donors, development partners and an engaged civil society.

The scale-up of antiretroviral treatment has reduced morbidity and mortality among people living with HIV, and the country has embraced treatment as prevention. However, HIV remains a leading cause of death, with 4,300 deaths annually, and 80 per cent of new HIV infections are among young people aged 15-34 years, especially young women.

Closely associated with HIV, Lesotho has one of the highest Tuberculosis incidence rates in the region. Tuberculosis, including multi-drug resistant Tuberculosis is a major cause of death among people living with HIV and is costly to treat. Inequalities, including gender, geographic

¹²³ United Nations Inter-Agency Group for Child Mortality Estimates (2021).

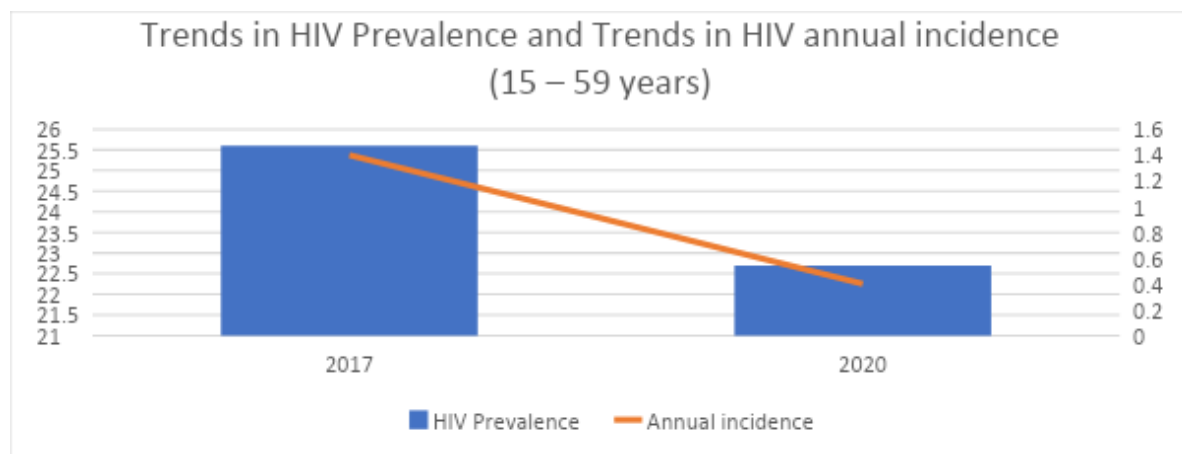
¹²⁴ Political Declaration on HIV and AIDS: Ending Inequalities and Getting on Track to End AIDS by 2030.

location, age and sexual orientation continue to drive new HIV infections and hamper access to HIV care and treatment in Lesotho.

The national progress in 90-90-90 treatment targets, however, masks inequalities, particularly among children, men, female sex workers and men who have sex with men. Access to HIV prevention services is still sub-optimal for reaching the goal of ending AIDS by 2030, with comprehensive knowledge of HIV prevention among young people as low as 37.6 per cent.¹²⁵ These gaps are occasioned by interconnected behavioural, social, political and structural factors, including long distances to health facilities, cultural norms, poverty and gender inequality, frequent changes in political leadership affecting programme momentum, a relatively weak health system and uncoordinated implementation that hampers access to HIV services.

Figure 5.2 presents recent trends in HIV prevalence. The HIV prevalence rate was 22.7 per cent in 2020, with annual adult incidence declining rapidly in recent years, and a slower decline in adolescent girls and young women.¹²⁶ HIV has slowed down Lesotho’s maternal and child health progress and also stretched the country’s social protection resources. HIV affects people in the economically productive years, with a peak prevalence of 46.5 per cent among women aged 40-44 years and 40.6 per cent among men aged 45-49 years, with associated co-morbidities due to ageing, living with HIV and being on anti-retroviral therapies for several years. Strengthening and accelerating the HIV response, addressing the inequalities that drive HIV and sustaining the gains made in the national programme is paramount for the country’s development. To establish support systems for individuals and communities affected by HIV and AIDS, and hence significantly reduce the rate of HIV infection among education personnel and learners, the Lesotho Education Sector Plan 2016-26 calls for mobilizing communities to expand and increase voluntary support groups.¹²⁷

Figure 5.2 Trends in HIV Prevalence and in HIV annual incidence (among those aged 15-59 years)



Source: Lesotho Population-based HIV Impact Assessment (LePHIA) 2016-2017

Noncommunicable disease prevalence and risk factors associated with such diseases are high in Lesotho. Stroke, diabetes, and cancer are the most important non-communicable diseases,

¹²⁵ Demographic and Health Survey (2014).

¹²⁶ Lesotho Ministry of Health, Lesotho Population-based HIV Impact Assessment 2020 (LePHIA 2020): Final Report. Maseru: MOH; June 2022.

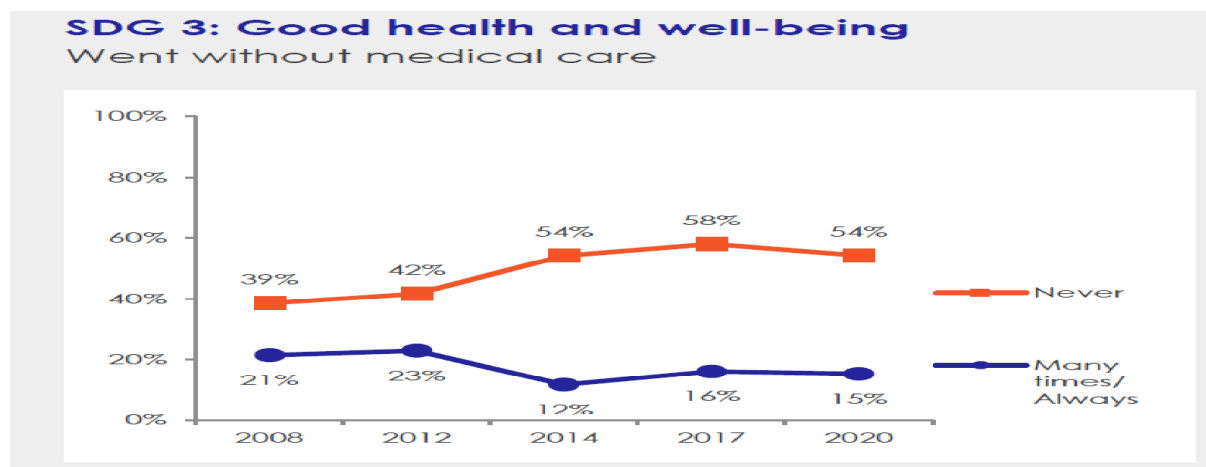
¹²⁷ https://www.globalpartnership.org/sites/default/files/education_sector_plan_2016-2026_lesotho_0.pdf

with people living with HIV at higher risk. Lesotho has one of the highest estimated cervical cancer incidences among women worldwide.¹²⁸

During the COVID-19 pandemic, Lesotho had a cumulative case fatality rate of 2.04 per cent and a cumulative recovery rate of 75.4 per cent. The cumulative healthcare worker infection rate was 4.4 per cent. The relatively low recovery rate is attributed to poor record keeping, especially at the beginning of the response, when disease outcomes were not properly captured.

The COVID-19 pandemic starkly illustrated the challenges facing public health in Lesotho, demonstrating that public health system and service delivery mechanisms were weak and could not cope with the increasing burden of communicable and non-communicable diseases. Figure 5.3 describes public perceptions of access to medical care and demonstrates that in 2020, only 54 per cent of the Basotho people had access to medical care.

Figure 5.3 Access to medical care



Source: Afrobarometer (2021)

Figure 5.3 also illustrates that Lesotho has a huge gap in terms of capacity to move towards universal health coverage, which measures how well a country's population receives effective, basic health services. The effective coverage index for universal health coverage increased from 31.9 per cent in 2010 to 38.7 per cent in 2019 yet remains very low.¹²⁹

The inability to provide even a minimum level of essential health services demonstrates how Lesotho's health system and services are challenged by the narrow scope of insufficient investment in public health. Health service delivery structures, the integration of health service processes, and governance and coordination of these structures and processes remains weak. Financing is insufficient, ineffective, and inefficient. There is clearly a need to reconsider the configuration of Lesotho's economy, so that a means can be found to provide universal health coverage and meet this basic human right.

According to the Lesotho National Health Strategic Plan 2017-22, primary health care is supported by a network of more than 6,000 village health workers who work at health posts, are volunteers and receive an incentive from the Government. A village health worker serves about 40 households, mainly providing promotive, preventive and rehabilitative care and organizing health education gatherings and immunization efforts within their communities.

¹²⁸ (National HIV/AIDS strategic Plan 2018/19- 2022/23)

¹²⁹ [http://doi.org/10.1016/S1040-6736\(20\)30750-9](http://doi.org/10.1016/S1040-6736(20)30750-9)

However, the link between community and health centres serviced by village health workers has remained informal despite their huge contribution.¹³⁰

A key priority for achieving universal health coverage will be a renewed focus on integrated service delivery, consolidating gains from the HIV response, and with an emphasis on safety and quality primary health care services. Health systems must be reorganized around people, with strong linkages to communities and health institutions. The scale-up of innovations, such as digital health, is also critical for improving health outcomes and reaching underserved populations to ensure no one is left behind.

5.3 Basic infrastructure services: Education

Lesotho has one of the highest literacy rates in the region, with 85 per cent of men and 97 per cent of women being literate. However, education in Lesotho faces significant challenges regarding access to and outcomes from learning. Only three of 10 children are in early childhood education or pre-primary education.¹³¹ Only 17 per cent are in reception classes, and stagnation in providing reception classes is a key reason for low enrolments. Minimal financial support by the government explains this; the private sector provides early childhood education, and the costs associated with it are borne by families, making it out of reach of most of the Basotho people.

There is, at 97.2 per cent,¹³² near-universal primary school enrolment, and existing capacity in primary schools is adequate to accommodate the entire eligible population. Nonetheless, there are significant urban and rural discrepancies in enrolment. The net attendance ratio for children from the poorest income quintile is less than that of those from the highest income quintile. Children with disabilities or living with HIV are also less likely to enrol.

In 2019, enrolment rates in secondary education were 59 per cent for girls and 41 per cent for boys.¹³³ However, completion rates stood at only 44 per cent for lower secondary education and 32 per cent for upper secondary education.¹³⁴ The poor transition rates to post-primary education and its completion is only partly explained by capacity constraints; schools can only accommodate slightly more than half of the potential demand for post-primary educational places.¹³⁵ More important is the cost of education; households contributed four times the resources contributed by the government to lower secondary teaching during the 2017/18 school year, because families are responsible for learning materials, school uniforms, meals and transportation.¹³⁶

Many girls leave school because of early marriage and early pregnancy. The Lesotho Demographic and Health Survey data also indicates significant gaps in unmet family planning needs among this group at 18 per cent, and the highest in remote areas at 21 per cent. Education reports reveal that marriage is the third highest reason girls drop out of secondary school,

¹³⁰ [https://www.childrenandaids.org/sites/default/files/2018-05/Lesotho_Nat%20Health %20Strat%20Plan_2017-2022.pdf](https://www.childrenandaids.org/sites/default/files/2018-05/Lesotho_Nat%20Health%20Strat%20Plan_2017-2022.pdf)

¹³¹ Ministry of Education and Training (2019), Lesotho Education Sector Analysis.

¹³² Education Sector Analysis (2020).

¹³³ Government of Lesotho (2022), Lesotho Second Voluntary National Review on the implementation of the Sustainable Development Goals.

¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ Ministry of Education and Training (2019), Lesotho Education Sector Analysis.

followed by pregnancy as the fourth.¹³⁷ Many boys leave school because they begin working as child labourers or begin to manage livestock herds.¹³⁸

The inequalities witnessed in primary education are reinforced in post-primary education. Learners from rural areas are far less likely to enter and complete lower secondary education, let alone upper secondary education. The proportion of out-of-school children at the secondary education level for rural households is more than double that of urban households. Likewise, the proportion of out-of-school children at the secondary education level among households in the poorest income quintile is five times greater than among the richest income quintiles. Young people with disabilities or living with HIV are further marginalized.

Another concern is the quality of learning and skills development. Only 17 per cent of learners reach the minimum proficiency level in reading in Sesotho and English at Grade 3, and less than 10 per cent in numeracy in Grades 2, 3 and 4.¹³⁹ Among children aged 7 to 14 less than half acquire foundational reading skills and less than 15 per cent have basic numeracy skills.¹⁴⁰ The situation is worse in rural areas.¹⁴¹

Curricular reforms in 2013 highlighted the challenges facing teachers in implementing the curriculum, in terms of content organization, lesson plan formats and pedagogy.¹⁴² As a result, learning skills development suffered. In the country, this is reinforced by the absence of adequate skills training facilities for those youth who drop out of school before completing secondary and primary education. This situation was exacerbated by school closures resulting from the COVID-19 pandemic, which hit poor households especially hard, particularly in rural areas.

In some areas of Lesotho, males are more deprived of education than girls, because they are often recruited as herders whilst still young to earn an income for the family. This practice usually disrupts or renders their education non-existent. Because of their herding lifestyles, some males remain herders as adults and are excluded from adult education opportunities. The non-formal education open and distance learning policies were implemented to respond to this challenge. However, these policies were not fully implemented due to both a lack of political will and adequate resources to implement them.¹⁴³ In addition, the semi-nomadic nature of the herding practice is largely uncoordinated, so the programmes that are designed for herders result in high dropout rates. The 35th session of the UPR Working Group in 2020 recommended that Lesotho undertake legislative measures to ensure quality and inclusive education. In its 2018 concluding observations, the Committee on the Rights of the Child¹⁴⁴ recommended that Lesotho sets up a comprehensive strategy for the inclusion of children with disabilities.

¹³⁷ Lesotho Education Management Information System (2015).

¹³⁸ Ibid.

¹³⁹ Government of Lesotho (2022), Lesotho Second Voluntary National Review on the implementation of the Sustainable Development Goals. P.32.

¹⁴⁰ MICS (2018).

¹⁴¹ Government of Lesotho (2022). Lesotho Second Voluntary National Review on the implementation of the Sustainable Development Goals.

¹⁴² Ralebese, L. (2018), Integrated Curriculum in Lesotho: Exploring Primary School Teachers' Instructional and Assessment Practices. A thesis submitted in fulfilment of the requirements of the Doctoral Qualifications in the Faculty of Education at the University of the Free State. Accessed on 28/06/2022 on the UFS website: <https://scholar.ufs.ac.za/bitstream/handle/11660/10137/RalebeseLM.pdf?sequence=1&isAllowed=y>

¹⁴³ Selloane Pitikoe and Julia Preece (2017), The public image of the herders in Lesotho and implication for the non-formal education curriculum, *African Identities*, 15:4, 457-471

¹⁴⁴

https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/TBSearch.aspx?Lang=en&TreatyID=5&CountryID=97

Quality education in Lesotho is challenged by the government's narrow scope of and insufficient investment in public education and excessive reliance on households and the private sector. Post-primary school facilities need to be enhanced. The delivery of learning is hampered by curricular issues facing teachers, and the governance and coordination of education remain weak. The national commitment made at the Transforming Education Summit convened by the UN Secretary-General in September 2022 offers the country an opportunity to address the education challenges outlined above and transform education to make it relevant to the 21st century. The commitments include: transforming a classroom-centric approach to encourage multiple ways of learning by harnessing low and high tech solutions and ensure continuity, inclusion and quality; expanding early childhood education and secondary schools; establishing a continuing professional development programme for teachers in-line with 21st century knowledge and skills; improving cost efficiency and expenditure in the sector, along with resource mobilization and innovative financing, and, expanding strategic partnerships especially with the private sector.

Given that investment in human capital is widely agreed to be central to economic growth, new pathways must be found to provide quality education for all in Lesotho. Achieving education outcomes will enhance Lesotho's economy and society and provide a firm foundation on which socio-economic transformation can take place in a way that leaves no one behind.

5.4 Gender Equality

Significant progress has been in fostering gender equality in the eyes of the law in Lesotho. De jure equality or equality in the eyes of the law has been ensured by the removal of various discriminatory laws and the enactment of laws that foster an enabling environment for the advancement of women and the achievement of gender equality (Inheritance Act of 2022). In addition, the Constitution formally recognizes gender equality, and Lesotho is a signatory to, and has ratified, various international and regional conventions and protocols that advance the rights of women and girls. However, as is clear from the state of gender equality in Lesotho, the implementation of gender-responsive policies and the enforcement of non-discriminatory laws remain weak.

Gender-based violence reflects deep-seated inequalities between men and women regarding land ownership and inheritance, which result in most women becoming structurally reliant upon men for an economic livelihood. Hunger and the inability to access basic needs aggravate tensions on how household resources, especially food and cash, are managed. When combined with the lack of an adequate social protection system, the groundwork for domestic violence is set. The COVID-19 pandemic worsened this situation and lockdowns resulted in many women losing their economic livelihoods.

As noted previously, climate change can impact genders differently. Droughts can force girls and women to travel further each day in search of water and firewood, increasing their unpaid care and domestic work, limiting their ability to attend school and earn an income, and exposing them to risks of gender-based violence. Girls and women are more likely to live in poverty and have less control over resources due to climate change, making them more vulnerable to food insecurity. The stress of natural disasters and food insecurity destabilizes patriarchal relationships, often leading to an increase in gender-based violence at the hands of stressed men. Desperate families caught up in the consequences of climate change and unable to feed their daughters often resort to early marriage.

A culture of silence and stigmatization is associated with victims of gender-based violence. As a result, most survivors do not report violence against them or seek support from health or legal services. The culture of silence is reinforced by a lack of awareness of women's rights and the legal instruments which protect women and children. It is also reinforced by a lack of quality care service provision for survivors of gender-based violence. There are currently only two shelters for women and child survivors of gender-based violence.

Despite the advances and commitments made by the Government of Lesotho to prevent and respond to gender-based violence, several challenges affect the implementation of policies and interventions. The 2020 UPR recommendations reinforce the recommendations made in 2010 by the Committee on the Elimination of All Forms of Discrimination against Women and urged the government to prioritize the rollout of the Counter Domestic Violence Act and establish comprehensive measures to prevent and address gender-based violence and interventions.

5.6 Youth

Youth and adolescents in Lesotho face numerous challenges, including high poverty rates, lack of access to quality education and healthcare, and limited job opportunities. HIV/AIDS is also a significant problem, with a high prevalence rate among this age group. Substance abuse and gang violence also pose a threat to their well-being.

A recent survey on youth aspirations completed by the World Bank in partnership with the Ministry of Gender, Youth, Sports, Arts, Culture and Social Development, gave voice to more than 1,000 youth from rural and urban areas. In particular, the survey collected new data on youth education and career aspirations, outcomes, perceived barriers and practiced behaviours.

Preliminary results reveal less-discussed trends, in addition to the well-known challenges of high school dropouts and unemployment. First, the youth crisis has a clear gender dimension: young women have less access to training opportunities and are significantly more likely to be unemployed or under-employed. Second, while many youth drop out of the education system because of a lack of family support, some argue that better time management skills could help them cope with competing household responsibilities. Third, as many as two out of three youths experience moderate to severe anxiety and would benefit from psychosocial support.

Most importantly, the survey highlighted many strengths. Young people have high educational aspirations despite the difficulties, and contrary to what was observed in other countries in the region, there is no sign of fatalism or youth under aspiring, even among the most disadvantaged. More than one-third of young people are proactive in seeking training beyond formal education. There is no evidence confirming the rhetoric of youth just waiting for a public sector job. Instead, three out of four are willing to take on the risk of self-employment and be main actors in the transformation of the economy. Finally, results from a dedicated psychometric test included in the survey indicate that Basotho youth score high on personality traits associated with positive entrepreneurial performance, including proactivity, self-efficacy and resilience.

5.7 Social protection

In the Lesotho National Social Protection Strategy (NSPS II), social protection is described as "the combination of policies and programmes aimed at avoiding, decreasing and eliminating economic and social vulnerabilities to poverty and deprivation". The Strategy, approved in 2022, builds on the successes and lessons from the NSPS I, released in 2015 and focuses on a specific collection of social protection programmes, classified as protective, preventive, promotive and transformative. Despite its primary focus on social assistance, the strategy

includes references to existing social security and other programmes and regulations pertaining, among others, to the sphere of labour market interventions. It divides social assistance programmes into core and supplemental social assistance.

The government made significant investments in social protection under NSPS I and has committed to improving them further in NSPS II. The government spent 8.4 per cent of GDP on social protection in 21/2020, of which 3.2 per cent was spent on core social assistance programmes. However, the government has not been able to meet the NSPS I target of spending 3.9 per cent of GDP on core social assistance programmes, casting doubt on its financial feasibility. In Lesotho, spending on social security programs significantly improved poverty and inequality and it is anticipated that social assistance transfers lowered the poverty headcount rate by 6.5 per cent (a 3.1 per centage point drop) and the poverty gap by 21.9 per cent (a 5.3 percentage point reduction).

Nevertheless, comprehensive social protection requires strong coordination between involved ministries. Under the NSPS I, operational systems were improved due to enhanced integration and harmonization between social assistance programmes and the National Information System for Social Assistance (NISSA) expansion as a poverty-targeting tool. However, integration and harmonization are still marked by significant gaps. The NISSA registry is used solely by the Ministry of Social Development, social assistance programmes are over-reliant on cash in transit, not all implementation mechanisms are fully automated and digitized, and poor case management and grievance response mechanisms are in place.

Despite good progress in strengthening normative frameworks for social development, efficiency challenges still plague the sector. Lesotho's population has doubled over the last 50 years to 2.3 million and is projected to rise to 2.8 million by 2030;¹⁴⁵ therefore improving living standards for the total population is a challenge. If not managed properly, it will place further strain on the state-society relationship.

¹⁴⁵ https://esaro.unfpa.org/sites/default/files/pub-pdf/MIC_Country_Policy_Brief_LESOTHO.pdf

Chapter 6: State-Society Relationship

Lesotho has a long history of political instability and security concerns. This contrasts with the aspirations of the NSDP II and the expectations of the Basotho people, as set out in the Constitution. The promise of good democratic governance has remained largely unfulfilled. State capacity, public resource management and social accountability have been very weak.

In other words, the state-society relationship - between those entrusted with leadership and citizens - has not supported wealth creation and equitable distribution. This has continued to affect the political stability and peace of the country and requires continued focus by all stakeholders to prevent and manage conflicts and support peacebuilding processes.

In addition to the economy, climate change, patriarchal norms, the COVID-19 pandemic and the political environment continue to play an important role in shaping the country's development trajectory since independence. More recently, it is widely acknowledged by the Basotho people that Lesotho's stagnant economic performance between 2012 and 2019 reflects a fragile political environment that has contributed to a deterioration in domestic governance. The expectations of the Basotho people have not been met.

6.1 Government Structure

The Kingdom of Lesotho largely follows the Westminster political system of the former colonial power, with the King as a constitutional monarch and Head of State and with no executive or legislative powers. A Prime Minister is appointed the Head of Government, whose powers are enshrined in the Constitution. The Prime Minister appoints a Cabinet, which is accountable to the two houses of Lesotho's bicameral Parliament. This executive arm is responsible for policy making, policy implementation and fiscal management. The co-existence between the modern state structure under the Prime Minister and the traditional chieftainship from national to local levels (including the Senate) and the interaction between local government and local traditional leaders remains a characteristic of development politics in Lesotho. Collaboration and competition between the two sources of authority continues to determine the direction of social, economic and political developments in the country.

The Judiciary of Lesotho is led by the Chief Justice of the High Court. However, resource constraints and weak internal institutional safeguards have compromised the separation of powers between the judiciary and the executive, with executive support from the office of the Prime Minister becoming increasingly dependent upon the High Court's compliance.

Lesotho's Senate, the upper chamber of Parliament, consists of 22 hereditary chiefs and 11 members appointed by the King on the advice of the Council of State, which is led by the Prime Minister. The National Assembly with 120 seats, uses a mixed-member proportional representation electoral system, with eighty members elected under a first-past-the-post system to represent constituencies, while the remaining forty members are elected based on proportional representation. However, the lack of a minimum share of the vote needed to be granted seats in Parliament under proportional representation, coupled with the low threshold of support needed to establish a political party, means that one-third of Members of the National Assembly are not beholden to party discipline, which is a key accountability measure in the Westminster system.

6.2 Political entrepreneurship

The Westminster system of government implies a relationship between the government and the people and provides an assumed basis on which the legitimacy of the authority of the

government over the people is conceived. In Lesotho, the state-society relationship was assumed to be predicated upon the impartial application of the rule of law, fairness, transparency, predictability, and the protection of fundamental human rights. This is in the context of a state-societal relationship that attempts to accommodate both the modern state structure adopted from pre-independence times and the historical role of the chieftainship system in the country. The interplay between the two systems continues to have a significant role in determining socio-economic and political developments.

While Lesotho has been governed by a dominant political party since independence, it should be noted that coalition governments and coalition opposition have become a feature of Lesotho's political landscape since 2012. The result is that political entrepreneurship¹⁴⁶ is rife, with Lesotho having among the highest number of political parties relative to the population of any country in the world - currently standing at more than 65 political parties for a population of 2.2 million. Political entrepreneurs seek to maximize private gains at the expense of others. To do this effectively in Lesotho requires control of the government, which is very important as the state and the governments that run it are resource bases and the means to dispense patronage to supporters. The results have been non-accountable governments and weak governance systems, which together are not focused on responding to the needs of Basotho, but, instead, on responding to the needs of the patrons of political entrepreneurs.

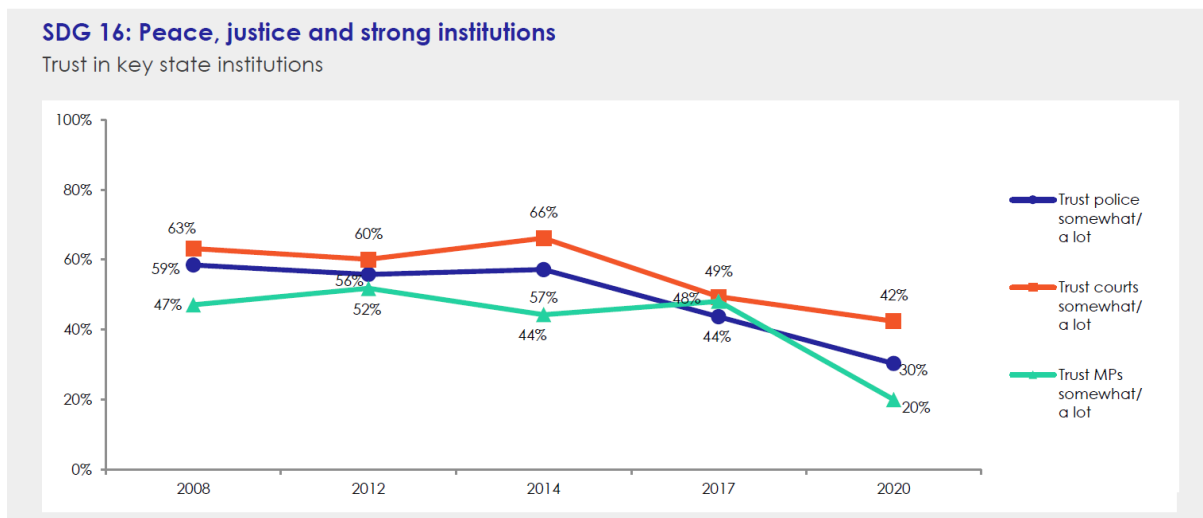
Members of Parliament (MP) in government coalitions, acting as political entrepreneurs are often driven by the incentive to maximize their personal gain from the operation of their coalitions. This renders consensus on difficult issues more challenging because consensus must provide personal benefits to individual MPs acting as political entrepreneurs – and not on improving state-society relationships in favour of citizens. Moreover, leaders of government and opposition coalitions appear to undermine the performance of the executive in terms of public service delivery and efficient management of public resources. Political entrepreneurs leading opposition factions within government coalitions can use a vote of no confidence to their benefit, which led to the collapse of governments between 2012 and 2020. Political entrepreneurs leading opposition coalitions can incentivize MPs to cross the floor and join the coalition, allowing a vote of no confidence in the Prime Minister to be won. In either case, politically entrepreneurial MPs have used votes of no confidence to dissolve governments when it is in their personal interest to do so. The result is an unstable government and deficient governance.

Political entrepreneurship has also resulted in the politicization of parts of the civil service, judiciary, security forces, fiscal laxity, and an inability to construct an enabling environment for the private sector. In this case, it does not help that the government is the main employer of skilled and educated Basotho and limited job opportunities exist in the small private sector.

Despite this challenging political environment, it should not put into question the significant role of the state in peace and development.

¹⁴⁶ McCaffrey, Matthew and Salerno, Joseph T., A Theory of Political Entrepreneurship (2011). *Modern Economy*, Vol. 2, No. 4, pp. 552-560. SSRN: <https://ssrn.com/abstract=2487134>

Figure 6.1 Trust in key state institutions in Lesotho



Source: Afrobarometer (2021)

In cases where political entrepreneurship leads to intense competition for government control, violence often emerges. Lesotho's history is replete with instances of the military's involvement in politics in ways that have led to the ouster of constitutionally elected governments through coup d'état. The long history of the militarization of politics in Lesotho has led to political entrepreneurs being willing to: (i) conduct politics by violent means; (ii) establish and fund armed vigilante groups, involving mainly youth; (iii) promote partisan interventions by the security forces, and especially the military; and (iv) accept gang funding from within Lesotho or from South Africa. It does not help, in this regard, that there is a notable lack of trust among Basotho in the security services and the judiciary.

6.3 Corruption

Political entrepreneurship breeds corruption, which is coupled with the mismanagement of public resources. Such corruption and mismanagement constitute critical factors in explaining Lesotho's distressed development, lack of political stability and challenges to peace. Figure 6.1 captures the views of Basotho on corruption in Lesotho and demonstrates that in 2020, both MPs and the police were viewed as being equally corrupt. The extent of corruption is also demonstrated in Transparency International's Corruption Perceptions Index, where the country's score deteriorated from 45 in 2012 to 38 in 2021 and its ranking slipped from 64th of 176 countries in 2012 to 96th of 180 countries in 2021.¹⁴⁷ This is not to say that the government has not set out an anti-corruption framework. Indeed, the legal framework is extensive, dating back to 1999. However, anti-corruption institutions have been inadequately resourced and have been operationally dependent on other arms of government. They have thus been ineffective. For example, in 2020 a majority (58 per cent of the Basotho people) said that the level of corruption in Lesotho had increased over the previous year.¹⁴⁸

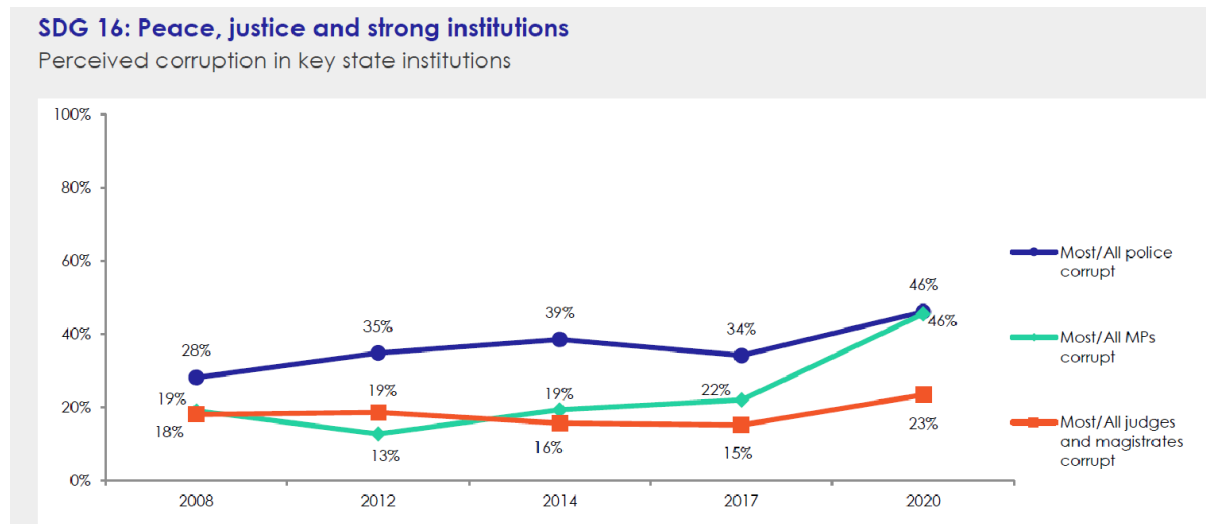
A milestone in the fight against corruption in Lesotho is the Prevention of Corruption and Economic Offences Act No.5 of 1999, which provides for an anti-corruption regime. The Act defines and sets penalties for various corrupt activities including bribery and conflict of interest. In addition, it sets out procedures and norms for protecting informants. It also

¹⁴⁷ Transparency International n.d.

¹⁴⁸ Afrobarometer (2021).

establishes an anti-corruption agency, *the Directorate on Corruption and Economic Offences* (DCEO). An amendment to the Act was adopted by parliament in 2006 to improve the effectiveness of the DCEO. It broadens the scope of the investigative powers of the DCEO by including private bodies and not limiting such powers to public bodies. The amendment also introduced the requirement for public officials to disclose assets and adhere to a code of conduct regarding the acceptance of gifts. Moreover, Lesotho ratified the United Nations Convention against Corruption in September 2005.

Figure 6.2: Perceived corruption in key government institutions



Source: Afrobarometer (2021)

6.4 Governance reforms

Lesotho stands at 17 out of 54 countries in the Mo Ibrahim Governance Index, with 54.9 out of 100 points, a deterioration of 0.5 points since 2012. This is reflective of 2022 Lesotho Afrobarometer findings, where almost nine in 10 Basotho (86 per cent) say the country is going in the wrong direction. Eight in 10 Basotho (81 per cent) say the level of corruption in the country increased during the past year. More concerningly, only half of Basotho say democracy is preferable to any other form of government and only a quarter of Basotho say they are satisfied with their democracy¹⁴⁹.

In 2018, an inclusive national dialogue process on reform and national reconciliation was undertaken. From this, a broad, if not universally accepted, consensus emerged among governing coalition partners, opposition parties in and outside parliament, religious groups, civil society organizations, professional associations, academia, the media, women’s organizations, youth groups, people living with disabilities, farmers’ and herders’ unions, trade unions and the monarchy. In effect, Lesotho’s elites demonstrated that they wanted change. This provided the impetus for establishing the National Reforms Authority (NRA).

The NRA was given responsibilities to manage, lead, and coordinate a reform process to increase the efficiency of government, professionalize the civil service, increase and strengthen

¹⁴⁹ Afrobarometer, Round 9 survey in Lesotho.

the position of independent institutions such as the Central Bank of Lesotho and the Lesotho Revenue Authority, and lay the foundation for improved economic governance and performance. These reforms challenged the privileges of political entrepreneurs. Nonetheless, the NRA developed extensive reforms embedded with a raft of constitutional amendments contained within the 10th Amendment to the Constitution Act of 2022. These reforms demonstrate that national reconciliation, sustainable peace and democratic governance in Lesotho require a well-resourced institutional and legal framework that insulates and implements agreed constitutional and other legislative reforms.

It is important that reform is gender responsive and inclusive, creating space for structural participation of women, young people, people with disabilities, children and the elderly, as these groups have been left behind in communal settings in Lesotho. In this regard, it should be noted that the dialogue process on the national reforms and the formulation of the Omnibus Bill under the NRA was largely inclusive and participatory of these groups. One outcome of the reforms is to increase representation of women within the National Assembly, where they are currently significantly underrepresented at only 30 per cent.

Lesotho is a case of a country with a constitution without a culture of constitutionalism. The Constitution is based upon the separation of powers between the executive, the judiciary and the legislature, and a set of checks and balances to maintain equilibrium among the three arms of government. Political entrepreneurship has resulted in efforts by an increasingly centralized executive to establish hegemony over the judiciary and legislature.

Yet the government has a responsibility to the Basotho people. Institutionalizing a culture of constitutionalism, the rule of law and the promotion of human rights will require a new political settlement among Basotho from all walks of life and a new state-society relationship between the people and the government. In this light, there is a remarkable opportunity.

The election of the Revolution for Prosperity party in 2022, and its strong parliamentary representation may have the ability to re-energize the governance reform agenda and foster macroeconomic stability, improvement in the business environment, and productivity-led economic growth, laying the foundations for the socio-economic transformation of Lesotho. Certainly, the 20-point programme for the first 100 days of the new government, outlined by the new Prime Minister at his inauguration in October 2022, focused on proceeding with strong governance reforms.¹⁵⁰

6.5 Institutional gaps

Preliminary findings from an ongoing UNDP-commissioned institutional gap assessment of core-governance institutions reveal significant gaps that impede core governance institutions from operating effectively to deliver public services.

Sound policy making and collaboration, weak cohesion and uncoordinated strategic policy and implementation planning across core institutions to ensure compatibility and priority-based resource allocation were identified in planning and budgeting for SDG-aligned development plans.

The legislative, oversight, and representative roles of Parliament - as regards capacity for in-depth scrutiny of legislation, instruments of government policies, the establishment of a legislative agenda, harmonization of amendments by the National Assembly and Senate, and

¹⁵⁰ Matekane S. 2022. Speech by the Right Honourable the Prime Minister, Hon Samuel Ntsokoane Matekane at his Inauguration.

the process for public consultation - is compounded by weak technical and organizational capacity for effective oversight, legislation, and representation. Noting that an enabling legal environment is needed for SDG attainment, the capacity of the parliament is important.

Mechanisms to upscale integrity, transparency and ethics in public institutions, including parliament, the judiciary and the public service through codes of conduct and ethics remain a challenge. In all institutions, organizational charts do not reflect the status of staff, their roles and responsibilities. There is no comprehensive evidence-based governance and performance management framework across core institutions at the functional and individual levels, or a comprehensive policy for capacity and knowledge building across governance institutions. Schemes of service that could define career paths, remuneration and human resource development programmes beyond academic qualifications to upskill senior and professional position holders are lacking and compromise public sector performance. The Ministries of Public Service and Labour, and Ministry of Justice (through the Department of Corruption and Economic Crimes) are important players to ensure strong and integrated governance institutions.

A key gap in independent oversight is a National Human Rights Commission and civilian oversight for security sector institutions. The UPR of 2022 gives an indication of rights not being adequately protected due to such gaps, as well as high incidences of violence, due, in part, to ineffective oversight of security agencies. The Human Rights Commission is also important in ensuring non-discrimination, along with the Ministry of Gender, Youth, Sport and Social Protection.

The Justice sector is severely hampered by the lack of coordination structures, institutional strategies and sector-wide or institution-level action plans, overarching policy or strategic frameworks and structures or mechanisms for joint planning and regular monitoring of progress. The Judiciary's structures and budget are not devoid of the involvement of the executive branch, ultimately impacting the Judiciary's independence. The Judiciary is not leveraging digital transformation to improve the quality of service, transparency and accountability. The structure of the justice sector does not adequately address issues of gender equality in accessing fair and affordable justice, especially in the aftermath of the economic crisis deepened by the Covid-19 pandemic, continued poverty and the unequal distribution of resources and opportunities that disproportionately affect women. The Ministry of Justice and Law plays a critical role, along with the Department of Public Prosecution, Lesotho Mounted Police Service, Judiciary and Lesotho Correction Service, all of which are important to ensure access to justice, security and the protection of human rights.

Ensuring public delivery, participation and accountability requires the Ministry of Local Government, Chieftaincy, Home Affairs and Police and local government to have the capacity to carry out their roles efficiently. Furthermore, the work of the Ministry of Gender, Youth, Sport and Social Protection is vital, and currently cannot adequately localize its approach to ensure that it touches the most vulnerable in society and not merely those easiest to reach.

Intergenerational equity as a concept and methodology is not part of the development framework of Lesotho and is a significant gap. This too requires collaboration involving the Ministries of Natural Resources, Environment, Finance and Development Planning and Ministry of Gender, Youth, Sport and Social Protection to integrate a future proof approach to

ensure that youth and the elderly are core beneficiaries of and participants in the development strategy.

Finally, E-governance can be a key enabler of improved public service delivery and governance in Lesotho. The aim would be to enhance accessibility to government services by i) establishing government to citizen interactive platforms through functional one-stop e-government centres for public services; ii) strengthening government capacity to coordinate and standardize e-government initiatives; iii) digitization of key public records and datasets to digitally enable the delivery of government services; iv) prioritization and updating of legal frameworks and infrastructure for data privacy and cyber security; and v) improving policy coordination, cooperation and implementation.

Chapter 7 Financing Landscape and Partnerships for Sustainable Development

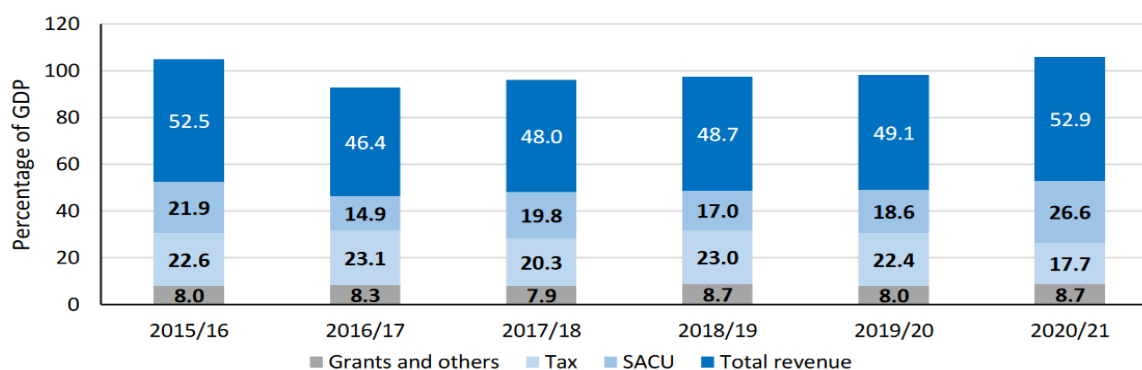
Addressing the challenges identified in preceding chapters will require financial resources and effective partnerships. Lesotho’s development financing comes through many sources, including domestic and international, public, and private sources, yet Lesotho’s public revenues typically fall short of the expenditure needed for inclusive development. Most public revenues are volatile and are difficult to forecast. For example, in the last fifteen years, projections and budgeted revenues have remained mostly unrealized year after year.¹⁵¹ This requires strategies to increase the reliability of domestic revenues, which will, in turn, provide more certainty around consistent funding levels for the country’s development agenda.

7.1 Domestic Financial Resources

7.1.1 Public revenues

Lesotho’s revenue performance depends on Southern Africa Customs Union (SACU) revenue. SACU revenue is the largest contributor to Lesotho’s fiscal revenue in the short to medium term, contributing approximately 43.7 per cent in the period 2005-2020.¹⁵² The second largest revenue base are taxes, followed by grants and loans, as showed in Figure 7.1.¹⁵³ The reliance on SACU is risky due to its volatility and makes development planning difficult.

Figure 7.1: Composition of total revenue



Source: Author’s calculations based on macroeconomic and fiscal data series from the Ministry of Finance.

Lesotho’s taxation system is developed and governed by the Income Tax Act 1993 and its subsequent amendments. The taxation framework in Lesotho includes: (i) taxes on income, profits and capital gains; (ii) tax on property; (iii) taxes on goods and services; (iv) taxes on specific services; (v) taxes on the use of goods and on permissions to use or perform activities; and (vi) taxes on international trade and transactions.¹⁵⁴

¹⁵¹ Parliament of the Kingdom of Lesotho, Budget Speeches, 2004-2020.

¹⁵² Government of Lesotho and United Nations Development Programme (2021), Development Finance Assessment (DFA) Report.

¹⁵³ UNICEF Lesotho (2021), National Budget Brief Financial Year 2020/21.

¹⁵⁴ Government of Lesotho and United Nations Development Programme 2021. Development Finance Assessment (DFA) Report.

The country should identify sectors in which it holds a competitive advantage and build its internal productive capacity to become an export-led economy, while simultaneously diversifying and strengthening the tax base.

7.1.2 Domestic private financing

Domestic investment plays a prominent role in securing sustainable development and growth in the country. In Lesotho, where there is a lack of capital, the private sector can play a more prominent role in allocating capital to the best and most productive uses. Lesotho's financial system is dominated by banks, insurance companies and pension funds.¹⁵⁵ Banks hold over 50 per cent of assets, insurance companies hold 20 per cent of assets, and the remaining 30 per cent are shared by other financial intermediaries.¹⁵⁶ The main banking clients are households, and up to 40 per cent of credit activities are oriented towards the business sector.¹⁵⁷ The fact that Lesotho's banks have very high foreign asset holdings may suggest that there are not enough bankable products.¹⁵⁸ As reported by the Central Bank, total loans and advances to the private sector rose by 0.6 per cent in August 2022, compared to a fall of 0.7 per cent in the preceding month. This was due to an increase of 4.8 per cent in loans. This attests to the potential of domestic private finance to bolster the economy.

7.2 Foreign financial resources

Aid flows to Lesotho are in the form of loans and grants, with the former accounting for the largest proportion of the disbursement in 2021/22 compared to the preceding year. The total official development assistance disbursement was US \$419.53 million in 2020/21, an increase on the prior year, yet reached a low of US \$318.28 million in 2021/22 – a 25 per cent decline.

The NSDP II Financing Strategy lists 16 major development partners¹⁵⁹ and states that Lesotho will need to source about LSL 11.3 billion (40.8 per cent) of total projects costs from development partners in the form of loans of LSL 6.3 billion (22.7 per cent) and grants LSL 4.99 billion (18.1 per cent) over the next five years.¹⁶⁰

While foreign assistance plays an important part in supporting development priorities, it is worrying to note that most resources come in the form of loans. Loans to an underperforming economy creates a conundrum that eventually leads the country in a recession and debt crisis that compromises critical services such as health, education, social protection and infrastructure development.

¹⁵⁵ IMF (2019), Kingdom of Lesotho 2019 Article IV Consultation – Press Release, Staff Report and the Statement by the Executive Director for Kingdom of Lesotho, IMF Country Report 19/113, Washington, DC: International Monetary Fund.

¹⁵⁶ Central Bank of Lesotho online database. <https://www.centralbank.org.ls/index.php/statistics/macroeconomic-statistics>

¹⁵⁷ IMF (2019), Kingdom of Lesotho 2019 Article IV Consultation – Press Release, Staff Report and the Statement by the Executive Director for Kingdom of Lesotho, IMF Country Report 19/113, Washington, DC: International Monetary Fund.

¹⁵⁸ World Bank Open Data, <https://data.worldbank.org/indicator/FB.BNK.CAPA.ZS?locations=LS>

¹⁵⁹ The European Union (EU), World Bank Group (WBG), China, the African Development Bank (AfDB), International Monetary Fund (IMF), the United Nations (UN), Global Fund, OPEC Fund International Development (OFID), International Fund for Agricultural Development (IFAD), Japan, South Africa, German Agency for International Cooperation (GIZ), European Investment Bank (EIB), Food and Agricultural Organization of the United Nations (FAO), the United States Agency for International Development (USAID) and the United States.

¹⁶⁰ NSDP II Financing Strategy provides the full listing of the commitments, showing that World Bank will support 11 areas, whilst the EU will support five areas. There are also commitments by USAID, China and other traditional Internally Displaced Persons.

The World Bank and China are major development partners in Lesotho’s infrastructure projects, whilst European Union member states are more active – either bilaterally or multilaterally – are more active in the social (soft) sectors, where democracy, rule of law and governance feature at the very top. USAID projects are more focussed on enhancing economic capacity, although it is also active in democratic governance and related areas.

Figure 7.2 Total disbursements

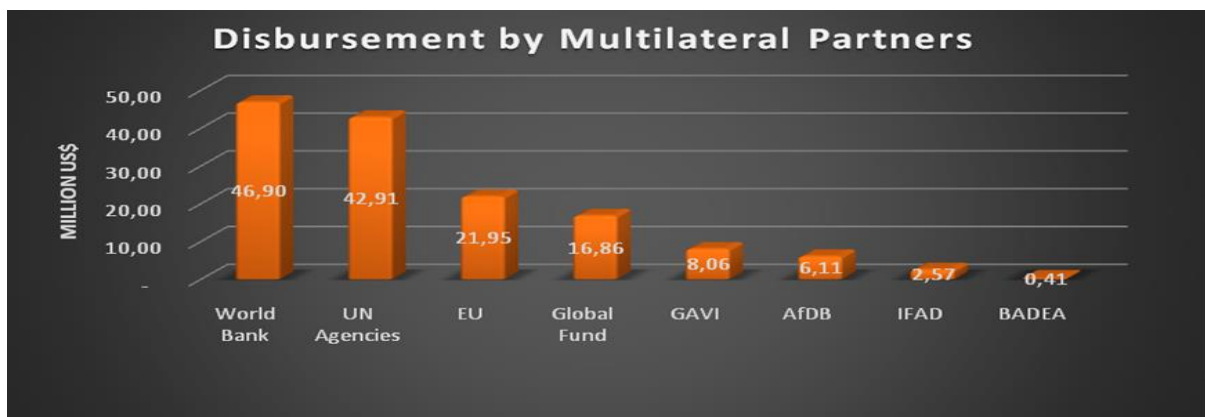


Source: : International Aid Transparency Initiative & Common-Wealth. Secretariat Debt Recording Management System

7.2.1 Multilateral development partners

The World Bank Group disbursed the highest amount among multilateral development partners in 2021/22, at US \$46.9 million. It was followed by UN entities (US \$42.9 million), European Union (US \$21.95 million) and Global Fund (US \$16.86 million).

Figure 7.3: Disbursements by multilateral partners



Source: Lesotho Development Cooperation Report 2021/2022

7.2.3 Bilateral development partners

The United States remains the largest bilateral development partner to Lesotho, with annual disbursements of US \$108.4 million, mainly in support of the health sector. The People’s Republic of China continued to be the second largest development partner, with US \$40.6

million mainly tailored towards infrastructure development. Germany is the third largest development partner, with a total annual disbursement of US \$17.30 million.

Table 7.1: Bilateral assistance in 2021/22 fiscal year

Bilateral	FY 2019/20	FY 2020/21	FY 2021/22
United States of America	44.21	111.10	108.35
China	29.18	69.20	40.57
Germany	-	0.64	17.30
COWI	3.93		4.02
United Kingdom	-	0.18	0.35
Sweden	14.56	0.17	0.33
Japan	3.07	7.30	-
Total	123.82	189.43	166.91

Source: : International Aid Transparency Initiative & Common-Wealth. Secretariat Debt Recording Management System

7.2.4 Development assistance

Table 7.2 illustrates a change in the sectoral distribution of development assistance between 2020/21 and 2021/22. Notable declines in disbursements have been observed in most key sectors. The health and nutrition sector remained the largest recipient of aid in 2021/22 due to large allocations from the United States, World Bank and UN entities, accounting for 47.1 per cent of total disbursements, even though the 2021/22 record is portrayed a 23.4 percent decline, due to reduced disbursements towards the response to COVID-19. The governance sector¹⁶¹ remained the second largest recipient of external aid in 2021/2022, however disbursements declined drastically, by 74.7 per cent, driven by very low disbursements from UN agencies towards national reforms. The transport sector surpassed the humanitarian sector and became the third largest beneficiary of external assistance, constituting nine percent of total disbursements in 2021/22. Disbursements to this sector increased significantly from US \$0.43 to US \$28.45 million in the current reporting period. The disbursement in the humanitarian sector also increased to US \$27.31 million. This was due to the continued response to emergency assistance for humanitarian relief caused by the COVID-19 pandemic and heavy rains.¹⁶²

The NSDP II priority sectors that have potential to boost development in Lesotho have received little development assistance, exacerbated by restrictions to curb the pandemic. These include agriculture, tourism, manufacturing, technology and innovation, and are the main engines of economic growth. Due to food insecurity and drought, the agriculture sector attracted more attention from development partners. However, there were delays in the implementation of development partner country assistance strategies that were meant to support the agriculture sector during the COVID-19 pandemic.

Despite receiving largest proportions of development assistance challenges in nutrition, governance and agriculture persist as outlined in prior chapters. The Lesotho democracy continues to experience instability, leading to regimes not completing their five-year terms.

¹⁶¹ This sector constitutes 10.5 percent of overall DA to Lesotho.

¹⁶² Ministry of Development Planning, Lesotho Development Cooperation report 2021/22

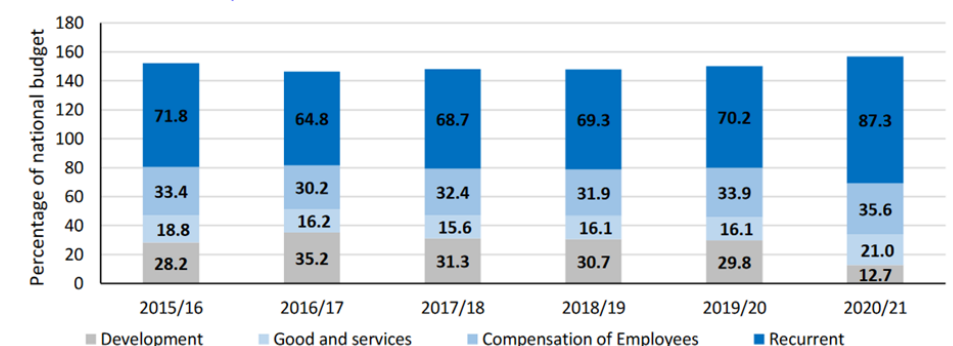
Table 7.2: Sectoral distribution of development cooperation, 2020/21 vs. 2021/22

Sector	Disbursed Amount (US\$)		
	FY 2019/20	FY 2020/21	FY 2021/22
Health and nutrition	97.60	192.76	147.63
Governance	86.65	130.48	33.05
Transport	2.82	0.43	28.45
Humanitarian	57.41	26.54	27.31
Energy	8.71	13.52	21.83
Social welfare	13.70	10.64	14.61
Water and sanitation	28.93	3.31	12.32
Agriculture	55.72	8.96	11.89
Education	5.16	5.04	8.75
Tourism	-	0.31	2.30
Communication	0.84	2.10	2.10
Trade	10.67	2.78	1.59
Multisector	2.23	70.27	1.46
Unspecified	0.00	0.00	0.00
Total	369.61	419.53	313.28

Source: International Aid Transparency Initiative & Common-Wealth. Secretariat Debt Recording Management System

There is a huge divergence in fund allocation between the recurrent and development budget. The development budget has steadily declined from 35.2 per cent of the total national budget in 2016/17 to 29.8 per cent in 2019/20, collapsing to 12.7 per cent in 2020/21. In parallel, the recurrent budget steadily increased from 64.8 per cent in 2016/17 to 87.3 per cent in 2020/21. The biggest proportion (40.8 per cent) of the recurrent budget goes to paying salaries and wages of public service employees, and giving Lesotho one of the highest wage bills in Sub-Saharan Africa.

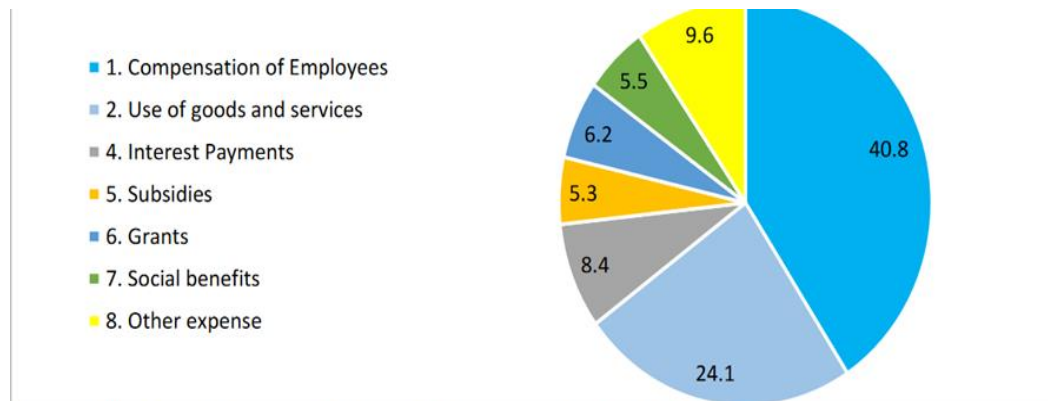
Figure 7.4: Trends in recurrent and capital expenditures



Consistent with the government's fiscal management approach, budget execution rates remain low, although they have significantly increased from 75.8 per cent in 2018/19 to 82.3 per cent in 2019/20. At this level, they are still below the level of execution required to come close to the 95.7 per cent targeted in 2020/21. The increase is due to significant improvement in the performance of both development expenditure (48.0 per cent) and recurrent expenditure (96.9

per cent). Development expenditure has been faring poorly since the highs of 2015/16. Ironically, the development budget gets the lowest allocation, and its absorption is lowest. This signals a failure to deliver services and spells the loss of opportunity for industrial development and employment creation for the Basotho people. Bottlenecks to the delivery of the development budget should be studied and dealt with decisively to improve absorption rates.

Figure 7.5: Distribution of recurrent budget



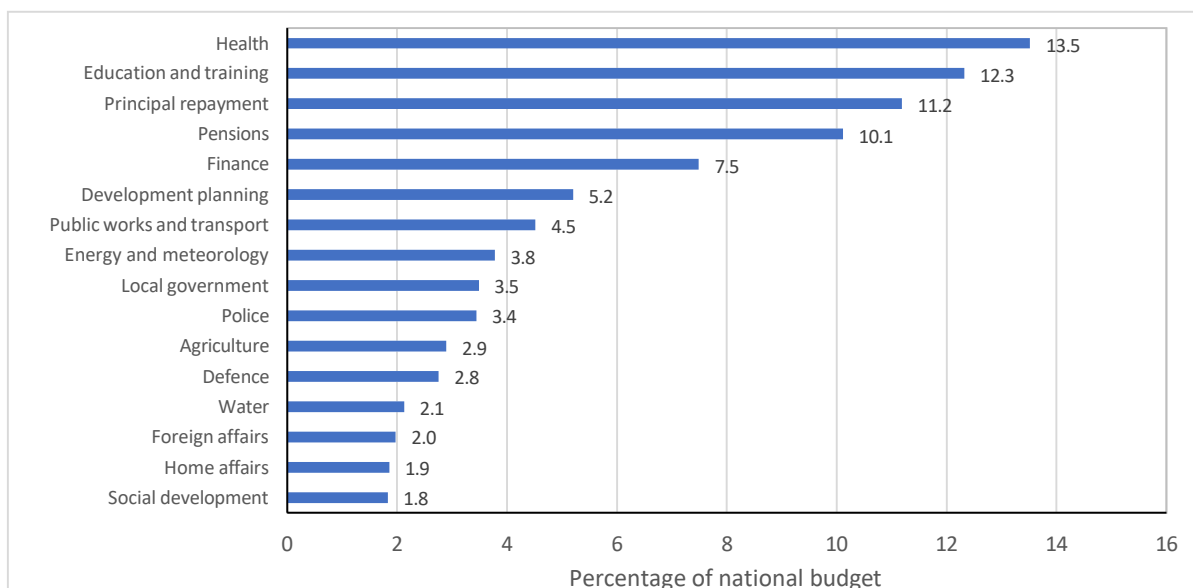
Source: Author's calculations based on BOOST budget data from the Ministry of Finance.

As shown in figure 7.6 below and table 7.2 above, since 2019/20, health and nutrition have received the highest concentration of development assistance and the national budget allocation. This is consistent with development strategic priority 2 of both NSDP II on *strengthening human capital through investment in health, nutrition, skills development, social protection and migration*. Despite the resourcing available, the country's human development indicators remain low. Maternal mortality, stunting, malnutrition, non-communicable diseases and learning outcomes remain big challenges, hampered also by factors such as absorptive capacity, misappropriation of resources and inefficiency of procurement processes.

In comparison, there is a disconnect in resource allocation and strategic development priorities 1 and 3 of the NSDP II on *enhancing inclusive and sustainable economic growth and private sector-led job creation* and *building enabling infrastructure*. It is clear that development partners and the Government of Lesotho (through the national budget) do not prioritize interventions that could create employment and generate sustainable economic growth. Public works and transportation are not high on the budget radar. This stalls the country's progress on infrastructure development, which is a priority in its own right, but is also an enabler of business and economic development.

Furthermore, 75 per cent of the population live in rural areas, however, budget allocations do not necessarily reflect that. This partly explains why Lesotho is one of the most unequal societies in the world. It is the rural population who have the lowest educational achievements, limited access to health, education and employment opportunities, clean water and sanitation. Efficient and equitable allocation and execution of resources should reflect the population and should be emphasized if national development priorities are to be realized.

Figure 7.6: Composition of the national budget by sector, FY 2019/20



7.2.4 International remittances

Remittances are an increasingly important source of foreign inflows, amounting to US \$495 million in 2019 and in 2021, while personal remittances accounted for 20 per cent of GDP.¹⁶³ At the household level, remittances are crucial for realizing the SDGs, as over 17 per cent of households are almost entirely dependent on remittance income.¹⁶⁴ Lesotho is the top country in Africa in terms of remittances as a percentage of GDP,¹⁶⁵ however, as a share of GDP, remittances have fallen from 53.8 per cent in 2000.¹⁶⁶ Net personal remittances from the diaspora have helped alleviate the impact of multiple concurrent shocks on Basotho households, and records show a significant increase in the difference between remittances paid and received in 2020. Remittances are playing an increasing role in providing a safety net, particularly in the past few years, as GDP per capita has contracted.

7.3 Stakeholder/Partnership analysis

Achieving sustainable development depends to a large extent on the ability to engage in a meaningful way with partners from all sectors of society. The 2030 Agenda for Sustainable Development calls for a revitalized global partnership. Under SDG 17, multi-stakeholder partnerships are encouraged to mobilize and share knowledge, expertise, technology and financial resources. Furthermore, the Addis Ababa Action Agenda 2 recognizes that effective and durable multi-stakeholder partnerships can play an important role in advancing sustainable development. It also encourages the use of partnerships as effective instruments for mobilizing human and financial resources, expertise, technology and knowledge. Forging partnerships ensures people's meaningful participation, particularly those organizations and representatives of groups most left behind.

¹⁶³ World Bank (2023), <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=LS>

¹⁶⁴ United Nations Development Programme (2020), Assessment of the Socio-Economic Impact of COVID-19 on the Kingdom of Lesotho.

¹⁶⁵ African Development Bank (2020, African Economic Outlook 2020: Developing Africa's Workforce for the Future.

¹⁶⁶ Ibid.

Local authorities play an important role in ensuring that the UN understands the situation of local and rural communities, where most development challenges are concentrated. Although they do not have autonomy from the central government, district, urban and community councils have day-to-day reach with local communities. It is therefore important to have strong linkages with structures of local governance and to help ensure interventions are relevant and owned by local people, hence increasing opportunities for success and sustainability.

7.3.1 Government ministries

The Government of Lesotho is a natural stakeholder and partner of the United Nations. The UN's basic mandate is to support the government and people of Lesotho to realize their aspirations and development priorities. However, the Ministry of Finance and Development Planning is the entry point and the first interlocuter when the UN approaches the government on programmatic issues.

The Ministry of Foreign Affairs and International Relations is the entry point on diplomatic issues. All 15 ministries of His Majesty's Government engage with the UN, depending on the issue at hand.

The Ministries of Agriculture, Food Agriculture and Nutrition; Social Development; Gender; Education; and Health have had and will continue to have deeper collaboration with UN agencies. The National Partnership Policy provides good guidelines on how the government and the UN should engage in the advancement of the Basotho people. Line ministries work with different UN agencies as implementing partners, however, there have been reports of low absorptive capacity and delayed service delivery. Government counterparts should be involved in the programming cycle, from planning, implementation, monitoring and reporting of the UN system to ease service delivery on the part of line ministries. Bottlenecks that impede smooth service delivery should be identified and addressed.

One of the ways to accelerate the efficiency of government ministries could be the implementation of Lesotho's National Digital Transformation Strategy. The strategy identifies four¹⁶⁷ key areas which are to be driven by government, yet require engaging a wide base of stakeholders, including civil society, private sector, non-governmental and multi-national organizations, development and other funding partners.

7.3.2 Private sector

Private sector entities vary in size from small and medium to large corporates, but all present necessary opportunities for partnerships to attain sustainable development. Large corporates are found in the banking; insurance, textile and manufacturing; communication and technology; mining; tourism and hospitality sectors, further organized into networks that bring them together in their common interest. Small businesses, otherwise known as street vendors, have organized themselves under a network called *Khathang Tema Baitasukuli*. It is the biggest network of street vendors, with membership in all urban centres, and provides a crucial entry point for strategic partnerships with the private sector.

The partnership between the UN and the private sector in Lesotho has been extremely limited over the years, yet there is potential to strengthen collaboration and partnership. There are opportunities to explore engagement in support of national development priorities anchored in transformation for private sector-led job creation and inclusive economic growth. The agility of the private sector in service delivery and innovation can be leveraged by the UN to create an engagement space for stronger private and public sector collaboration on addressing

¹⁶⁷ The four focus areas are Digital Government, Digital Infrastructure, Digital Population, and Digital Business.

emerging development challenges. The foundation of engagement with the private sector will not be an attempt to solicit funding for UN programmes, but to explore ways the private sector could invest resources, expertise and facilities to drive living standards for Basotho through value-share arrangements. Businesses cannot thrive in societies that fail, and long-term success hinges on realizing the SDGs. Companies are beginning to think beyond just shareholder value to become drivers of development, social progress, inclusion and sustainability.

The Government is still the biggest employer and the driver of economic growth in Lesotho, and the private sector is not well sensitized to contribute to national development priorities. Lack of decisive economic models, and proximity to South Africa and its highly developed industrial production, have been major factors for weak private sector development.

It is important to identify that large private sector organizations that could meaningfully contribute to sustainable development are mostly foreign owned, promoting repatriation of profits. To illustrate, of the five private banks in Lesotho, only one is 100 per cent owned by Basotho. The textile factories which are benefiting from the African Growth and Opportunity Act (AGOA) are predominantly owned by foreign companies. While large companies have the potential to contribute to sustainable development, using their innovation and a culture of efficiency, they are still stuck on the corporate social investment model which is directed to one activity, rather than to sustainable development principles that can have broad-based impact.

7.3.3 Development partners

Resident and non-resident development partners have programmes in Lesotho. Development partners based in Lesotho are the South African High Commission; the British High Commission; European Delegation to the Kingdom of Lesotho; the American Embassy; Chinese Embassy; GIZ; World Bank; and UN entities. The UN has collaborated with development partners as individual agencies or interagency engagements. Development partners are already grouped into a consultative group called the Development Partners Coordination Forum, chaired by the UN Resident Coordinator. The group is strategic as an aid coordination and resource mobilization platform for the UN.

As discussed, the concentration of resources is on human development, with less focus on interventions to promote economic growth. Only China and the United States of America have a strong focus on infrastructure development, which is responsible for job creation and sustainable economic growth. Discussions with development partners should revolve around the alignment of resources allocation to national development priorities. The most effective way is to encourage all development partners in Lesotho to base their country strategic programmes on the national development programme.

7.3.4 Civil society and non-governmental organizations

Civil society is an important partner in development processes. Lesotho is fortunate to have an uncontested umbrella body for all types of civil society organizations in the Lesotho Council of Non-government Organizations. Membership comprises individual organizations and sectoral networks of varying sizes, geographic coverage and degree of institutional capacity.¹⁶⁸

¹⁶⁸ The membership includes community-based, faith-based, international non-governmental and women's organizations; youth, disability, labour and trade unions; farmers' associations; media etc.

To accommodate all sectors and types of civil society organizations, the council has strategically organized its membership into thematic groups and commissions.¹⁶⁹

The UN continues to enjoy partnerships and collaborations with different civil society organizations as implementing partners, particularly on outreach and advocacy; capacity-building programmes on the implementation of the UN Cooperation Framework and the agency programmes. Civil society organizations are on the ground even in the most remote places that are sometimes hard to reach for the United Nations. This comparative advantage makes partnering with civil society a necessity if SDGs are to be met.

The quality of partnerships with civil society organizations depends largely on the capacity of partners, including their requisite skills, expertise and experience to make meaningful contributions to the area of partnership. Some such organizations are characterised by weak institutional capacities, no clear governance structures, or accountability practices. Some have weak financial management systems and procedures, with no external audit practice. Therefore, there is a tendency to partner with the same few organizations. The UN has not invested much in building capacities, rather focuses on working with those that have the requisite capacities.

7.3.5 Academia

There are four universities and several colleges in Lesotho, all regulated by the Council for Higher Education. The research capacity of higher education institutions makes them important partners for generating the data necessary for evidence-based programming and policy development. The UN has had engagements with some universities, including the innovation hub of the National University of Lesotho. Academic institutions were instrumental in compiling the voluntary national review in 2019 and 2021, and have produced several issue papers in support of Lesotho's reporting on the SDGs.

7.3.6 Farmers associations

With the country facing food insecurity and hunger, farmers are strategic partners for planning and implementing interventions to ensure sustainable food production. The UN organizations that specialize in supporting food production and nutrition, such as FAO, IFAD and WFP, have over time partnered with farmer associations and individuals. UN organizations have provided farmers in both animal husbandry and horticulture with skills and capacity in soil conservation, land and range management, breeding, irrigation schemes and more.

7.3.7 Disability, youth, women, and children's organizations

The United Nations reform agenda has encapsulated the principle of leaving no one behind. Even the most vulnerable members of society should be involved in all parts of the development process and enjoy benefits on an equal basis with others. Some vulnerable groups include persons with disabilities, youth and adolescents, women, and children, as well as the LGBTIQI+ community. Forging partnerships with their organizations has ensured that their needs and aspirations are included in the design, planning, implementation, monitoring and reporting of development interventions. For example, consultation and collaboration with

¹⁶⁹ The Democracy and Human Rights Commission; the Women and Children Commission; Health and Social Development Commission; Economic Justice Commission; Agriculture, Environment and Natural Resources Commission; Disaster Management and Humanitarian Relief Commission.

organizations of persons with disabilities have led to great achievement in promoting disability inclusion within the UN system and disability policy influence at the national level.

Chapter 8: Multi-Dimensional Risks and Conclusions

8.1 Multidimensional Risks

Several multidimensional risks could derail the efforts to leave no Mosotho behind. These risks – which are inter-linked and overlap - were identified using the UN-established 12-factor multidimensional risk analysis. The high-risk factors identified in Lesotho are:

- **Political instability and ineffective governance (High):** The country has been ruled under unstable coalitions since 2012, resulting in deep-rooted and antagonistic political polarization and chronic loss of legitimacy of government. The October 2022 elections did not result in an outright majority, resulting in yet another coalition government. The instability of coalitions in Lesotho has resulted in a high turnover of governments in the last decade (three elections in five years (2012-2017), and four governments in 10 years (2012-2022)). Development cannot occur in an unstable environment. In addition, resources that could have been channelled to development will be diverted to dealing with instability. However, this risk is recognized by the government and stakeholders and can be mitigated.
- **Violence (Medium):** The lack of peace in the home, schools, communities and business spaces will continue to threaten and block economic productivity in the nation. Two key areas require a whole-of-society approach: tackling gender-based violence and violence against children. The murder rate (per capita) in Lesotho is the sixth highest globally and highest in Africa in 2021. Over 45 per cent of prison inmates are convicted of rape or sexual assault, and yet it is estimated that less than one-third of sexual offenses are convicted. This violence is fuelled by: (i) illegal mining and associated crime, violence and revenge killings, especially along ‘Famo Gang’ lines and music genres; (ii) human trafficking; and (iii) the proliferation of small arms and light weapons in communities and cross border areas. This can be mitigated by improved policing, accountability for those involved in crime and violence and strengthening community protection mechanisms. In addition, since violence is strongly linked to unemployment, creating job opportunities could reduce the level of violence.
- **Denial of justice and rule of law (Low):** Lesotho has limited capacity to respect, promote and protect human rights, given its lack of a national human rights institution and weak oversight institutions. The administration of justice in Lesotho has several issues that will derail the attainment of a just society if not addressed. These include inequalities in access to justice; a backlog of court cases; the politicization of the judiciary and security service, and inadequate prosecutorial skills and insufficient capacity of law enforcement officials. Delays in enacting and harmonizing legislation that could improve the lives of women and children is a great risk for attaining a just nation for all. This is in addition to putting in place more robust institutional frameworks and commitments to hold local and multi-national companies and other key business sector players accountable for their environmental footprints, especially in the mining and agricultural sectors, where reports on air, water and land pollution are common. The establishment of the Human Rights Commission, the strengthening the independence of the judiciary and adoption of a sector wide approach for the justice, law and order sector will go a long way to mitigate this risk.
- **Poor economic growth and increased inequality (High):** The debt burden and downcast foreign investment prospects in the context of high levels of corruption is a great risk for inclusive economic growth. The effects of climate change and environmental degradation could worsen food insecurity and limit the creation of jobs for the youth in micro-, small- and medium-scale enterprises and agro-value chains.

However, opportunities exist to incorporate targeted ecosystem-based adaptation strategies and nature-based solutions to curb land degradation and the local impacts of climate change. The heavy reliance on imports from South Africa, where the economy was in lockdown for the major part of 2020 and 2021, means that the Southern Africa Customs Union (SACU) revenue and miners' remittances have been negatively affected. Efforts to transform the country from a consumer-based economy to a producer and export-driven economy will mitigate these risks. The key sectors that could offer significant benefits if transformed are agriculture, manufacturing, mining and tourism. In addition, the creation of jobs as a social safety net against poverty and social exclusion and the introduction of a social security fund should assist in mitigating this risk.

Health Sector risks (Low): In Lesotho, high new incidences of HIV and teenage pregnancies negatively impact the country's development and social sector, especially among young people, distorting public resource allocation from other preventative health services and overstressing the health system nationwide. Access to electricity and clean energy by less than half of the population in Lesotho means a huge proportion of the population must rely on traditional biomass fuels for cooking and lighting. This portends a considerable public health risk, due to the associated exposure to indoor air pollution, especially to women, girls and children in the country's rural areas. Enhancement of the overall healthcare capacity and ability to effectively respond to pandemics and the improved quality of health infrastructure, care and personnel has the potential to lessen the impact of this risk.

- **Environmental degradation and climate change risks (High):** Due to its topographical nature and ongoing environmental degradation, the country will continue to face significant negative impacts of climate change affecting communities and household livelihoods and income streams, with serious consequences for people's food security, nutrition and anti-poverty actions. Lesotho's current trends in environmental degradation, especially land degradation, de-vegetation and soil loss, also threaten the country's progress on improving access to clean water and sanitation services and those geared towards affordable, reliable, sustainable and modern energy. The impact of this state of affairs, combined with factors that include environmental disasters, can last for many years, with the country's rural women and children often bearing a disproportionate burden. This also slows down Lesotho's multiple aspects of economic growth. Strengthening climate risk management, addressing soil erosion and poor land management practices and the general management of wetland are key mitigation opportunities for the country. In addition, Lesotho should implement its commitments under the United Nations Framework Convention on Climate Change.
- **Dwindling resource allocation to basic social and protection sectors (Low):** These reductions could negatively impact on human development. Public expenditures on health, education and social protection are below the required investment threshold for a least developed¹⁷⁰ country like Lesotho. Lesotho should choose to accelerate demographic transition through investment in youth, education and health.
- **Declining donor support (Low):** Due to various economic factors globally, donor support is steadily declining, with a shift witnessed from donor support to financing. While it may take time for Lesotho to appreciate the new funding ways fully, delays may erode the gains that have been made. It would thus be imperative for Lesotho's authorities, jointly with their development partners and stakeholders, to explore

¹⁷⁰ UN Department of Economic and Social Affairs (2023), Economic Analysis <https://www.un.org/development/desa/dpad/least-developed-country-category/lcds-at-a-glance.html>

opportunities for innovative finance continually. Plausible options include mobilizing private finance, through avenues of public-private partnerships, towards key areas of national development, such as greening the infrastructure for water development, health care, energy supply, disaster risk reduction and urban mobility systems. Diversifying the sources of development finance by enhancing domestic resources to leverage other types of development of finance is an option for the country to mitigate this risk. This will require sustainable growth and development, strengthening the planning, implementation and expenditure systems within and across all the spheres of government, and the collaboration of the private sector, civil society and development partners.

- **Loss of jobs for migrants and loss of remittances (Low):** Those working in South Africa who lost their jobs due to the pandemic were Lesotho's major source of remittances. The loss of remittance risk is more prominent to women working in the informal sector in South Africa including factories, domestic workers and street vendors, and increases the risk of human trafficking. Addressing the inconsistency between policy and legislation for migration and reliable data for migration will help to address this issue.

8.2 Conclusions

Progress toward *The Lesotho We Want* and Agenda 2030 requires meeting individual and collective civil, political, economic, social and cultural human rights at the centre of the new political settlement that will reconfigure the relationship between rights holders and duty bearers. With the support of a new government, the National Reforms Agenda is the means to re-establish a more functional relationship between the executive, judiciary and legislature, one that respects the human rights of the Basotho people and that does not fall under the sway of corrupt political entrepreneurs. This is also the key to tackling violence in the country, particularly gender-based violence. The instability of the last decade has had devastating consequences, as it has increased the numbers of people left behind.

8.2.1 Distressed development in Lesotho

This CCA has diagnosed the factors affecting the livelihoods of Basotho women and girls and men and boys. The import dependence of the economy, coupled with the narrow economic base, makes it vulnerable to external shocks. In the last decade, growth has been weak and COVID-19 pandemic eroded some of the gains made. The limited availability of development finance and reliance on highly variable and unpredictable SACU revenues has shrunk the fiscal space and, as a compensatory measure, the government has increased its domestic and external debt stock. The debt burden threatens to leave a much-reduced government footprint, reducing the SDG resource base. Investment in human capital may be affected while the government reprioritizes spending to social sectors.

8.2.2 Climate vulnerability and food systems

Lesotho remains highly vulnerable to climate change processes, while simultaneously not being as ready as it needs to be to cope with those changes. Lesotho's climate and biodiversity crisis has not been adequately addressed and moves to mitigate the impact of and adapt to the challenge of a world experiencing global warming have not been implemented. Climate change has exacerbated soil erosion and land degradation, resulting in lower yields and less agricultural productivity. The underperforming agricultural sector, and related food insecurity, contribute towards high levels of emigration from Lesotho. Cumulatively, land degradation, combined

with climate-induced shocks, have led to crop losses and increased animal mortality, contributing to food insecurity and a source of biodiversity loss. However, efforts by the government to curb the impact of climate change have resulted in a gradual improvement in the proportion of forest area to total land area between 2015 and 2020. The effects of food insecurity and nutrition are the biggest contributors to child deaths, as almost two-thirds of children who die in paediatric wards are underweight and half of these suffer from severe acute malnutrition.

8.2.3 Gender equality and gender-based violence

Gender-based violence, sexual abuse and discriminatory sexual behaviour and practices affect one in seven girls by the age of 18 years, and almost half of all women have experienced some form of sexual violence in their lifetimes. One of the consequences of gender-based violence is the high HIV prevalence among women 15-59 years who reported ever having experienced forced sex – which is at 39.3 per cent compared to those who did not report a history of forced sex, with a prevalence rate of 31.0 per cent. Gender-based violence against women is high, with over 86 per cent experiencing some form of violence in their lifetime and increased reports during emergencies due to increased household vulnerabilities and socio-economic deprivations. Rape and sexual violence against women contribute to HIV transmission and the HIV gender gap crisis in Lesotho. Eighteen per cent of girls' first experience of sexual intercourse was physically forced and coerced, and 11 per cent of girls are married before age 18.

Gender relations strongly intersect with these parameters of Lesotho's distressed development. Women face different and more severe climate risks than men; women's work tends to be unpaid or poorly remunerated; the burden of inadequate social infrastructure is compensated for by increased volumes of women's unpaid care and domestic work; women face specific risks in terms of reproductive health and HIV prevalence; girls are more likely to receive lesser quantities and a poorer quality of education; and women are politically underrepresented. Women form the core component of the large numbers of Basotho, with a range of socio-economic characteristics, that have been left behind.

8.2.4 Investment in human capital has not been enough.

There are gaps in Lesotho's health, education, and social protection systems, resulting in weak social development. Education, health and other social services are unevenly available between men and women, rural and urban communities, and the rich and the poor. In fact, almost all human development indicators for poor, rural and female-headed households are lower. The high rates of early marriages, adolescent pregnancy and dropout rate from school among adolescent girls from rural and poor communities; poor health outcomes among women and girls; poor learning outcomes; and lack of access for the poor cannot contribute to a healthy, educated citizenry capable of realizing their own human potential. The social protection system does not optimally serve people with disabilities, vulnerable women and children, older persons, displaced persons, and households in extreme poverty, among others.

8.2.5 Failure of governance

Behind these aspects of distressed development lies a failure of governance. Political entrepreneurs have broken the state-society relationship. Therefore, there is an urgent need for a new political settlement between rights holders and duty bearers that restores the state-society relationship and, indeed, strengthens the institutional and social conditions for a democratic, participatory, prosperous, climate-responsive and socially equitable and inclusive Lesotho.

However, this CCA has highlighted that none of this will come to pass if governance failure is not addressed. The efforts of the *Lesotho We Want* to reach a new political settlement by re-establishing the state-society relationship between the Basotho people and the government is a welcome first step. Still, it is only a first step in making socially accountable governance a reality in Lesotho.

One of the institutions with a potential for strengthening good governance and with a mandate to check the excesses of duty bearers against rights holders is a National Human Rights Commission, that Lesotho is yet to establish. Although Lesotho's UPR reporting is up to date, its treaty body reporting remains dismal. There is need for the country to strengthen its human rights reporting obligations, as well as implementation of recommendations emanating from UN human rights mechanisms.

8.3 Challenges and Opportunities

8.3.1 Fiscal deficit and the balance between financing socio-economic transformation fiscal consolidation.

The economic model for Lesotho did not create enough jobs or reduce poverty commensurately. With the maloti pegged to the South African rand, debt servicing as a proportion of exports of goods and services must enter a sustained period of decline and the rate of growth of the economy must be greater than the rate of growth of government borrowing. Although Lesotho's risk of external and public debt distress remains moderate, there is limited capacity to absorb shocks. Accordingly, the Government will have to avoid increasing debt accumulation to unsustainable levels. With official development assistance declining over time, it must be used better. Nonetheless, financing socio-economic transformation will primarily have to come from the government, which must improve its domestic resource mobilization.

Reducing the relative size of the government in Lesotho's economy, while precluding the introduction of austerity measures that would reduce government employment and restrict a significant driver of the domestic demand that drives short-run economic growth, would create the preconditions by which a reconfiguration of government spending could be engineered.

8.3.2 Underdeveloped and undiversified private sector

The private sector in Lesotho is small and underdeveloped, with most firms focused on the domestic market and wholesale and retail commerce. The opportunities in Lesotho are in the micro-, small- and medium-sized enterprises, which account for 97 per cent of all local firms. The small private sector is concentrated in agro-processing, mining, textiles and apparel, construction, and commerce. However, some opportunities exist in the growth of the private sector. The country has demonstrated a comparative advantage in the textile and apparel sector, which can be used to revitalize its manufacturing sector and take advantage of the African Continental Free Trade Area (AfCFTA). In the non-textile industries, opportunities are in the agro-based value chain creation. Agribusiness is an effective pathway to crowd in investment and youth participation.

8.3.3 Lesotho We Want requires investment in human capital

While the health and education outcomes are poor and therefore affect the capacity of the population to contribute to economic development, the country has an opportunity to build on achievements made in the health, education and social protection sectors. For example, the HIV prevalence rate has drastically dropped and access to maternal health services for women,

including the number of births attended by a health professional, has improved, but at a very low rate. The poor capacity and quality of sexual and reproductive health services for young people, family planning and maternal health services have adversely affected other SDG indicators, such as school enrolment, reduction of maternal mortality and increased new HIV infections.

Education builds human capital and is a key driver of economic growth in the long run. The disruption of learning during the pandemic highlighted the abject lack of alternative service delivery mechanisms in the education sector. It also highlighted the crucial need for the country to harness technology to expand access to formal schooling in the classroom, while also defining access to formal and informal schooling in a much broader way.

It is also important to ensure that girls stay in education far longer, as this is the most strongly correlated form of provision that impacts upon economic growth in the long run. Doing this requires directly tackling the gender inequalities that result in early marriage and pregnancy, excessive burdens of unpaid care and domestic work, and gender-based violence. The Comprehensive Sexuality Education curriculum and Early Unintended Pregnancy Policy need to be effectively rolled out to address the high dropout rates among adolescent girls. Enhancing girls' education highlights the importance of improving access to reproductive health services, and more general health care provision across the country.

8.3.4 High youth unemployment potential to derail development.

Over 40 per cent of the population of Lesotho are aged between 15 and 35. The unemployment rate among youth is high for those in the age range between 20 and 39 years, for both males and females. This unemployment rate amongst youth is very high, threatening Lesotho's development trajectory and posing risks of emigration of the most productive age group. The economic loss of youth unemployment is huge in both human and economic potential. On the other hand, this is a distinct opportunity for the country to reap a demographic dividend. This would, however, require strategic policy making, with a significant investment in quality education, starting with early childhood, health, and skills, as well as labour market interventions, particularly focusing on women and girls.

To address the need for employability skills, the Government of Lesotho, through the Ministry of Gender and Youth, Sports and Recreation, and with assistance from development partners, has developed several programmes to empower youth over the past five years. These include the Social Compact Programme to assist youth with entrepreneurial skills, other livelihood skills and seed capital; National Volunteer Corps Programme¹⁷¹ to introduce youth graduates to institutions to gain on-the-job experience and instil patriotism; and the Youth Employment Promotion Programme to equip young people with entrepreneurial skills. Since the establishment of the National Volunteer Corps in 2009, the volunteer database reached 12,191 registered applicants in 2019. Some 1,799 volunteers were placed within various ministries, while 9,824 awaited placements in 2019.¹⁷²

Institutional structures were also established, including a National Youth Council aimed at involving youth and facilitating participation in national decision-making processes and Vocational Youth Training Centres aimed at equipping youth with vocational skills and promoting self-employment. The National Youth Council, Ministry of Youth and youth-focused volunteer-involving organizations in Lesotho, in partnership with development

¹⁷¹ National Strategic Development Plan II, <https://www.gov.ls/wp-content/uploads/2021/06/National-Strategic-Development-Plan-II-2018-19-2022-23.pdf>

¹⁷² https://sdgs.un.org/sites/default/files/documents/23777Lesotho_VNR_Report_2019_Final.pdf

partners, established youth centres run mostly by youth volunteers. Ten youth centres were established to serve local youth, and more than 400 community youth volunteers and youth leaders were trained in the fields of community engagement, civic awareness, the SDGs and sexual engagement.¹⁷³

8.3.5 *Declining agricultural productivity.*

The agricultural sector has been constrained by lacking access to arable land, lack of farm inputs, weak extension services, inadequate rural infrastructure, limited access to credit, and lack of appropriate mechanization. The weak agricultural performance has several macroeconomic impacts. The trade balance is shaped by the prevalence of rising staple food imports as a share of merchandise imports. Agribusiness offers an opportunity to unleash the potential of the agrifood sector to boost exports and job creation. Increasing value-added agricultural industries, especially in the horticultural sector, offers many of the rural farmers opportunities for socio-economic development. Ensuring that transformative socio-economic development is sustainable is essential, especially as Lesotho is vulnerable to climate change and biodiversity loss, because of the continued dependence of a large part of its population on unpredictable weather and the health of its natural ecosystems. Building resilience to shocks, supporting adaptation and mitigation measures, and supporting Lesotho to navigate through global efforts to tackle climate change, is key in rural Lesotho.

8.3.6 *Public sector implementation gaps*

The slow progress towards the realization of the SDGs has been partly attributed to public sector implementation gaps. This particularly relates to weak state capacity and shortcomings in public resources management and social accountability. The fragile political environment and deteriorating governance quality have reduced the efficiency and effectiveness of public policies and capacities for implementation. While government investment levels have been high, they have not resulted in better developmental outcomes. The rise in the number of ministers and deputy ministers was not based on technical analysis, but mostly pandered to political entrepreneurs for political settlement reasons. This has, however, changed under the new government, with the reduction of ministries in the country in an attempt to reduce government expenditure. Constant changes in the cabinet's composition due to political instability and the politicization of the civil service have been significant challenges for the sub-optimal implementation of the NSDP II. There is, however, an opportunity since the 2022 election which has produced a government that has shown intent to improve service delivery by building on the progress made in the past. This has been demonstrated in the recent commitment to improving service delivery through procuring an Integrated Human Resource Management Information system, adopting a virtual mode of interviews, and the proposed review of the existing Public Service Commission rules of 1970.¹⁷⁴

¹⁷³ <https://www.unv.org/Success-stories/building-job-skills-young-people-across-lesotho-through-volunteer-led-youth-centres>

¹⁷⁴ Parliament of the Kingdom of Lesotho (2022), 2022/2023 Mid Term Budget Review: *Building a Resilient, Sustainable and Innovative Economy: Fiscal Consolidation amid COVID-19*.