

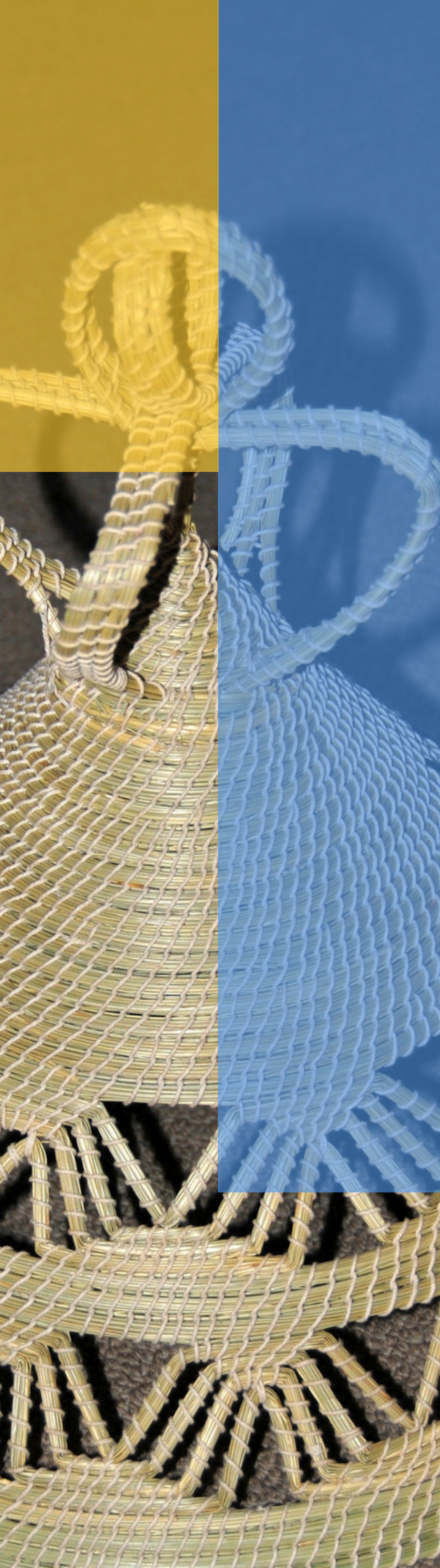


UNITED NATIONS
LESOTHO



COMMON COUNTRY ANALYSIS

2024



COMMON COUNTRY ANALYSIS UPDATE 2024

November 2024

Contents

Executive Summary	4
1.0 Introduction.....	6
2.0 PROGRESS TOWARDS THE 2030 AGENDA (SDGS)	6
2.1 Lesotho’s SDG Progress and Investment Priorities	6
2.1.1 The SDG Push - Futures Scenarios.....	11
2.1.2 Key Targets and Commitments.....	11
2.1.3 Benchmarks for SDG Investment.....	12
2.1.4 Integrated National Financing Framework (INFF) implementation.....	12
2.1.5 National Institutional Arrangements for Delivering the Goals	12
2.2 Leave No One Behind.....	13
2.2.1 Who is Left Behind?	13
2.2.2 Root Causes of Marginalization.....	15
2.2.3 Dimensions of Exclusion	15
2.2.4 Intersecting Inequalities	16
2.2.5 Recommendations for Inclusive Development	16
3.0 Environment and Climate Change Action	18
3.1 Climate.....	19
3.2 Water Resources.....	22
3.3 Forest and Mineral Resources.....	24
4.0 Economic Transformation Analysis	25
4.1 Trends in GDP and Economic Growth	25
4.2 Economic Recovery and Annual GDP Growth Rate	25
4.3 Indicators of Economic Health	26
4.4 Sectoral Contributions to the Economy	27
4.5 Inflation and Price Stability Challenges	29
4.6 External Sector Vulnerabilities	30
4.7 Monetary Policy and Private Sector Credit Growth	31
4.8 Public Debt and Fiscal Sustainability	32
4.9 Key Drivers and Challenges of Economic Transformation	33
5.0 Social Development Analysis	34
5.1 Child Health.....	34
5.1.1 Pregnancy and young children in early childhood – A good start to life.....	34
5.1.2 Under-5, infant and neonatal mortality rates	35
5.1.3 Routine Immunization Performance	36
5.1.4 Maternal and Child Nutrition.....	37
5.2 Situation Analysis of Youth and Adolescents in Lesotho	38
5.2.1 Education and Skills Development.....	38
5.2.2 Health and Well-being	39
5.2.3 Menstrual Health.....	40
5.3 Economic Participation and Employment	40
5.4 Social Protection and Support Systems	41
5.5 Food Insecurity in Lesotho	42
5.6 HIV/AIDS AND TUBERCLOSIS.....	43
5.6.1 HIV/AIDS	43
5.6.2 Tuberculosis.....	44
5.7 Education	45
5.7.1 Pre-primary-Early Childhood Care and Development (ECCD)	45
5.7.2 Primary Education	46
5.7.3 Secondary Education	47

5.7.4	Technical and Vocational Education (TVET) and Tertiary Education.....	47
5.8	Access to basic services	50
5.8.1	Electricity access.....	50
5.8.2	Sanitation access	50
6.0	State and Society Relations in Lesotho: An Analysis	52
6.1	Security and Rule of Law	52
6.2	Participation, Rights and Inclusion	53
6.3	Foundations for Economic Opportunity	54
6.4	Demand for Democracy	54
6.5	Supply of Democracy	55
6.6	Trust and Accountability in Government Institutions.....	56
6.7	Political Freedoms and Civil Liberties	56
6.8	Perceptions of Corruption.....	57
7.0	PARTNERSHIP AND FINANCING LANDSCAPE	59
7.1	Internal Financing	59
7.1.1	Domestic Resource Mobilisation.....	59
7.1.2	Overall Trends in Domestic Revenue	59
7.1.3	Tax Revenue.....	59
7.1.4	Other Revenue	60
7.1.5	SACU Receipts	61
7.2	External Financing	62
7.2.1	Foreign Direct Investment (FDI) and Remittances.....	63
7.2.2	Official development assistance (ODA) and Grants.....	63
7.3	Strengthen the means of implementation and revitalize the global partnership for sustainable development (SDG 17)	65
7.3.1	Indicator 17.1.1: Total government revenue as a proportion of GDP, by source 65	
7.3.2	Indicator 17.1.2: Proportion of domestic budget financed by domestic taxes.65	
7.3.3	Indicator 17.3.1: Foreign direct investments (FDI), official development assistance and South-South Cooperation as a proportion of total domestic budget	65
7.3.4	Indicator 17.3.2: Volume of remittances (in United States dollars) as a proportion of total GDP	67
7.3.5	Indicator 17.4.1: External Debt service as a proportion of exports of goods and services.....	68
8.0	Summary.....	70
8.1	Socio-Economic Context and Challenges.....	70
8.2	Inclusive Development and Social Protection	70
8.3	Environmental Sustainability and Climate Resilience.....	70
8.4	Economic Transformation and Opportunities	71
8.5	Human Development and Education	71
8.6	Governance and Institutional Reform.....	72
8.7	Conclusion and Recommendations.....	72

EXECUTIVE SUMMARY

The 2024 Common Country Analysis (CCA) Update for Lesotho provides a comprehensive examination of the nation's socio-economic and environmental landscape, focusing on its progress toward achieving the Sustainable Development Goals (SDGs). The analysis captures the challenges, opportunities, and strategies required to advance sustainable development, particularly in the context of global, regional, and local disruptions that have shaped the Lesotho's development trajectory since the last CCA update in 2023. This analysis highlights the need for collaboration among the Government, the United Nations system, development partners, and civil society to overcome systemic barriers and foster equitable growth and resilience.

Lesotho's economy has demonstrated resilience, gradually recovering from the disruptions caused by the COVID-19 pandemic in 2019 and subsequent global economic shocks including the disruptions caused by geopolitical events. GDP growth is projected to reach 2.79% in 2024, driven by government spending, private sector investment, and contributions from key sectors such as agriculture and finance. However, significant structural challenges remain, including high unemployment rates (particularly youth unemployment at 38%), a heavy reliance on external financing, and limited diversification of the economy activities. Addressing these challenges requires investments in infrastructure, targeted support for micro, small, and medium enterprises (MSMEs), and fostering a robust private sector capable of creating sustainable job opportunities.

The principle of "Leaving No One Behind" remains central to Lesotho's development agenda. This analysis identifies women, youth, persons with disabilities, rural communities, and LGBTIQI+ individuals as the most marginalized groups, facing systemic barriers to inclusion. Geographic isolation, socio-economic disparities, and cultural norms perpetuate exclusion, particularly in rural areas. To address these challenges, the analysis calls for expanded social protection programs, improved access to education and healthcare, and strengthened governance structures to ensure equitable participation and inclusivity. Social investments targeting these groups will be pivotal in closing gaps and fostering a more inclusive society.

Lesotho's vulnerability to climate change is a critical concern, with the nation experiencing rising temperatures, erratic rainfall, and extreme weather events such as the El Niño-induced drought of 2023/24. These climate impacts have exacerbated food insecurity, water shortages, and rural-to-urban migration, further straining already fragile systems. The analysis emphasizes the urgent need for climate adaptation measures, including sustainable water management, climate-resilient agriculture, and investments in renewable energy. Strengthening Lesotho's capacity to mitigate and adapt to climate risks is essential for safeguarding livelihoods and achieving long-term development goals.

Despite notable efforts to align its development framework with the SDGs, Lesotho continues to face challenges in meeting many of the targets. The localization of SDGs within the National Strategic Development Plan extended (NSDP II 2023/24 to 2027/28) has enabled Lesotho to focus on key areas such as poverty reduction, health and well-being, gender equality, decent work, reduced inequalities, and peace and justice. However, progress remains slow in areas such as reducing inequalities, enhancing gender equality, and fostering sustainable economic growth. The analysis underscores the need for innovative approaches, such as the Integrated

National Financing Framework (INFF) and the SDG Push diagnostic tool, to mobilize resources, identify synergies, and accelerate progress across multiple goals.

Social protection remains a cornerstone of Lesotho's efforts to ensure equity and reduce vulnerabilities among its population. Programs such as the Child Grant Programme (CGP) and Public Assistance Programme (PAP) have provided support to vulnerable groups, but gaps in coverage and targeting persist. Expanding these programs and ensuring their alignment with the needs of marginalized populations will be critical. Moreover, investments in healthcare, education, and nutrition are highlighted as essential for improving human development outcomes across all stages of life, from maternal and child health to youth empowerment and elderly care.

Good governance and institutional reform are highlighted as key enablers of sustainable development. Lesotho's history of political instability and weak governance structures has hindered progress, but ongoing reforms offer a pathway to enhanced transparency, accountability, and citizen participation. Strengthening institutional capacity at both national and local levels, particularly in budgeting and public service delivery, is essential for fostering trust and ensuring effective governance.

The 2024 CCA Update also identifies several opportunities for accelerating progress. Infrastructure development, particularly in transport, energy, and digital technologies, is critical for driving industrialization and economic diversification. Enhancing gender equality through legal reforms, community engagement, and targeted programs to address gender-based violence is another priority. Youth empowerment is identified as a key area, with calls for expanding vocational training and employment opportunities to tackle high youth unemployment and enhance economic productivity. Additionally, strengthening the Bureau of Statistics to improve data collection and analysis is crucial for informed decision-making and effective monitoring of SDG progress.

In conclusion, the 2024 CCA Update provides a roadmap for Lesotho to address systemic challenges, capitalize on emerging opportunities, and strengthen partnerships for sustainable development. By investing in inclusive growth, fostering resilience to climate change, and promoting good governance, Lesotho can overcome its barriers and achieve a more equitable, prosperous, and sustainable future. This analysis calls for collective action to ensure no one is left behind in the country's journey toward the 2030 Agenda for Sustainable Development.

1.0 INTRODUCTION

The *2024 CCA update* for Lesotho serves as the UN system's independent review of the country's changing social and economic landscape since the 2022. The analysis highlights the challenges and opportunities Lesotho faces in achieving sustainable development, emphasizing the principles of leaving no one behind, human rights, gender equality, peace, security, and humanitarian perspectives, all in alignment with the 2030 Agenda.

This *2024 CCA update* takes into account the global and regional developments from 2022/23 to 2023/24, which have influenced Lesotho's development. Key factors include disruptions in global supply chains, the Russia-Ukraine conflict, and climate-related disasters such as the El Niño induced drought. The Government estimates that around one-third of the population, or 700,000 people, will face hunger and over 400,000 rural residents are expected to experience crisis levels of hunger through March 2025. Vulnerability assessments indicate an additional 296,049 people in urban areas will become food insecure. The drought has also caused severe water shortages, with wells drying up.

The socioeconomic impact of these events has been profound, affecting society at all levels. The UN and its partners must adopt new, innovative approaches to better understand these evolving problems and provide sustainable, inclusive solutions. In recent years, global UN summits have addressed these changes, but additional analysis is necessary at the country level to implement resolutions effectively. This *2024 CCA update* has been adapted to reflect the contextual nuances of Lesotho, offering insights and alternative development pathways for the UN system, the government, development partners, and other stakeholders.

2.0 PROGRESS TOWARDS THE 2030 AGENDA (SDGS)

2.1 Lesotho's SDG Progress and Investment Priorities

As the global community reaches the midpoint of the Sustainable Development Goals (SDGs) implementation timeline, it becomes increasingly important to evaluate current progress and refine strategies to accelerate advancement. For Lesotho, despite efforts to align SDG implementation with the National Strategic Development Plan (NSDP II), there has been a recognition that progress has been slow and that the pace and scale of progress were inadequate to meet the 2030 targets. In the remaining years, Lesotho needs to refocus its efforts and prioritize investments in areas that have the greatest potential to drive meaningful progress toward SDG attainment.

According to the 2024 Sustainable Development Report¹, Lesotho has an index score of 55.5, ranking 144th out of 167 countries. This marks a slight improvement from the 2023 score of 54.9 (rank 143/166) and is above the 2024 regional average of 53.7. By individual SDGs, 11 remain with major challenges and a declining trend, unchanged from 2023. Progress has been moderately improving for three SDGs (5, 15, and 17), while SDG 13 (climate action) is the only goal achieved, as in 2023.

Lesotho has made notable progress in localizing and integrating the SDGs into its national development framework, particularly through its National Strategic Development Plan II and

¹ <https://dashboards.sdgindex.org/profiles/lesotho>

its extension. With support from UNDP, SDG localization began with sensitization and prioritization sessions across all 10 districts, aimed at raising awareness among national stakeholders and aligning the goals with Lesotho's development context.

The localization process included a technical prioritization exercise involving government planners and monitoring and evaluation officials. This exercise used a structured criterion to categorize the SDGs into urgent, medium-term, and long-term priorities. The criteria considered factors such as emphasis in the NSDP and sectoral policies, links to off-track SDGs, Agenda 2063, and other global and regional agendas, urgency, impact potential, resource availability, and systemic contributions to development

Lesotho has participated in two Voluntary National Reviews (VNRs) in 2019 and 2022 to assess its progress toward specific SDGs. These reviews identified areas for improvement, which include strengthening the country's capacity for data collection, monitoring, and evaluation, as well as enhancing the performance management systems. Additionally, there is a need to improve national capacity in research, technology, and innovation to support SDG implementation. Strengthening the legal, policy, and institutional frameworks for governance, while mobilizing investments and forging technical and financial partnerships, will also be key in accelerating progress.

Guided by both national priorities and insights from the United Nations, Lesotho has undertaken an in-depth analysis of its internal development context and future realities. This analysis has shaped a clearer understanding of the country's development pathways toward the SDGs. Lesotho has identified five priority SDGs that are closely aligned with its broader development agenda: Goal 16 (Peace, Justice, and Strong Institutions), Goal 1 (No Poverty), Goal 3 (Good Health and Well-being), Goal 8 (Decent Work and Economic Growth), Goal 5 (Gender Equality), and Goal 10 (Reduced Inequalities). These SDGs are also linked to the core priorities outlined in NSDP II, underscoring their significance for the country's socio-economic growth and development.

In rethinking its approach to SDG implementation, Lesotho has employed a comprehensive analytical process that assesses the interlinkages between various SDG targets, focusing on both synergies and trade-offs. This approach enables a more informed prioritization of investments and helps to identify emerging policy trade-offs that will influence the country's development strategy in the years ahead. Through this lens, Lesotho has identified several key areas where targeted policy investments could have the greatest impact in accelerating SDG achievement.

One of the foremost priorities for Lesotho is Target 5.5, which focuses on ensuring women's full participation in leadership and decision-making across political, economic, and public spheres. Gender inequality remains a persistent challenge in the country, often driven by deep-rooted cultural norms, customs, and discriminatory practices. As a result, women are often marginalized in socio-economic and political contexts. To address this imbalance, it is essential to implement policies that close gender gaps in human development and promote women's agency and representation. Efforts to advance gender equality must include expanding inclusive, adaptive, and gender-responsive social protection programs, as well as leveraging digital technologies to increase women's civic and political engagement. Addressing gender-based violence (GBV) must remain a top priority, as it is a critical barrier to achieving gender equality in Lesotho.

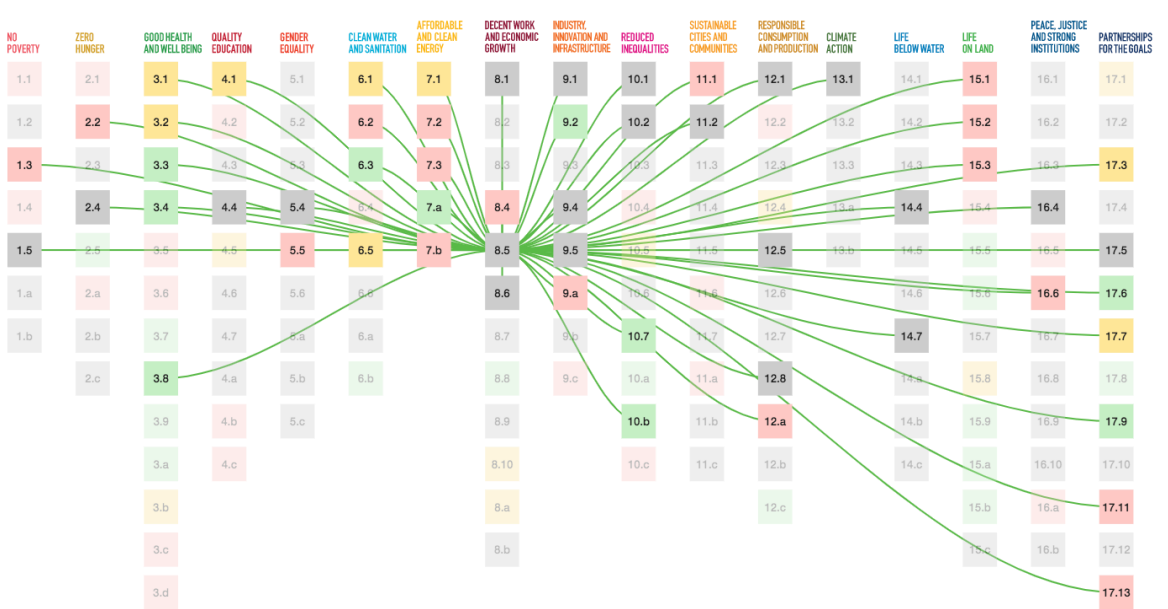
Figure 2.1 Synergies for SDG Target 5.5



Authors calculation using the SDG push diagnostic tool at <https://data.undp.org/sdg-push-diagnostic/LSO/synergies-and-tradeoffs>

Target 8.5 is another priority, focusing on achieving full and productive employment and decent work for all, including young people and persons with disabilities. Lesotho’s unemployment rate, particularly for youth, is among the highest globally, with youth unemployment estimated at 38%. This high unemployment rate contributes significantly to the country’s stark inequality. Supporting the growth of micro, small, and medium enterprises (MSMEs), particularly in key sectors, will be pivotal in creating job opportunities, driving trade, and fostering economic diversification. Encouraging private sector participation and investment will have a ripple effect on broader development objectives, including poverty reduction and addressing income inequality. By focusing on job creation, Lesotho can make significant strides in improving the livelihoods of its people and fostering sustainable economic growth.

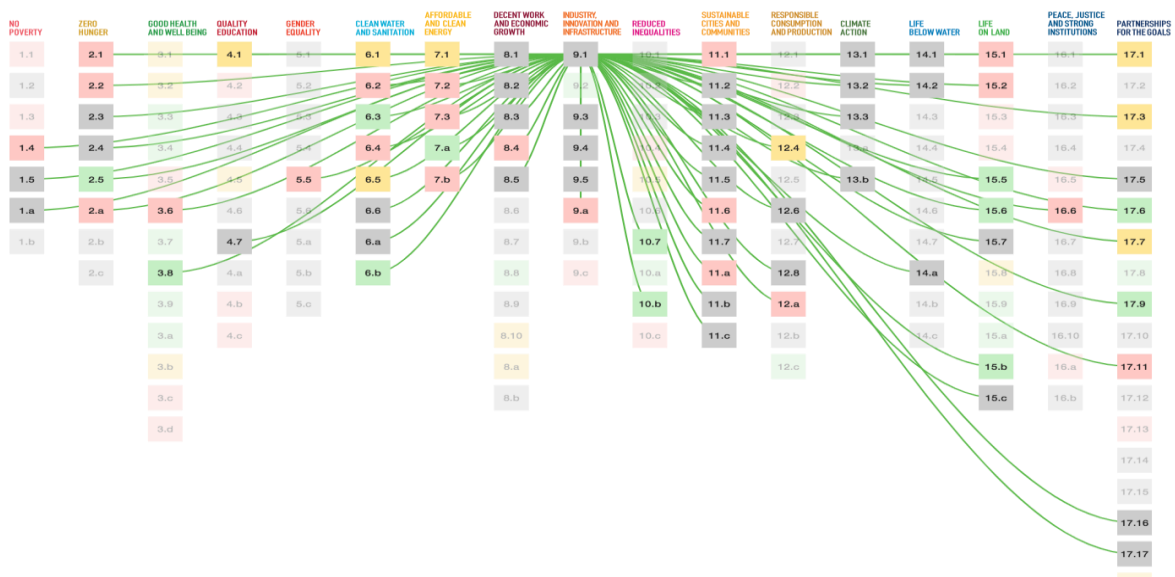
Figure 2.2 Synergies for SDG Target 8.5



Authors calculation using the SDG push diagnostic tool at <https://data.undp.org/sdg-push-diagnostic/LSO/synergies-and-tradeoffs>

The development of infrastructure is also essential for driving economic progress and advancing industrialization. Target 9.1 emphasizes the importance of developing quality, reliable, and sustainable infrastructure to support economic development and human well-being. Lesotho’s industrial base is primarily concentrated in textiles and apparel manufacturing, with limited value addition in other sectors. The lack of sufficient infrastructure, such as transportation, energy, and technology, has constrained the country’s ability to diversify its economy. Investing in infrastructure development, particularly in regional and cross-border projects, will strengthen Lesotho’s industrial competitiveness, create employment opportunities, and enhance regional integration. Such efforts will also enable the country to capitalize on emerging development opportunities, including those presented by the African Continental Free Trade Agreement (AfCFTA).

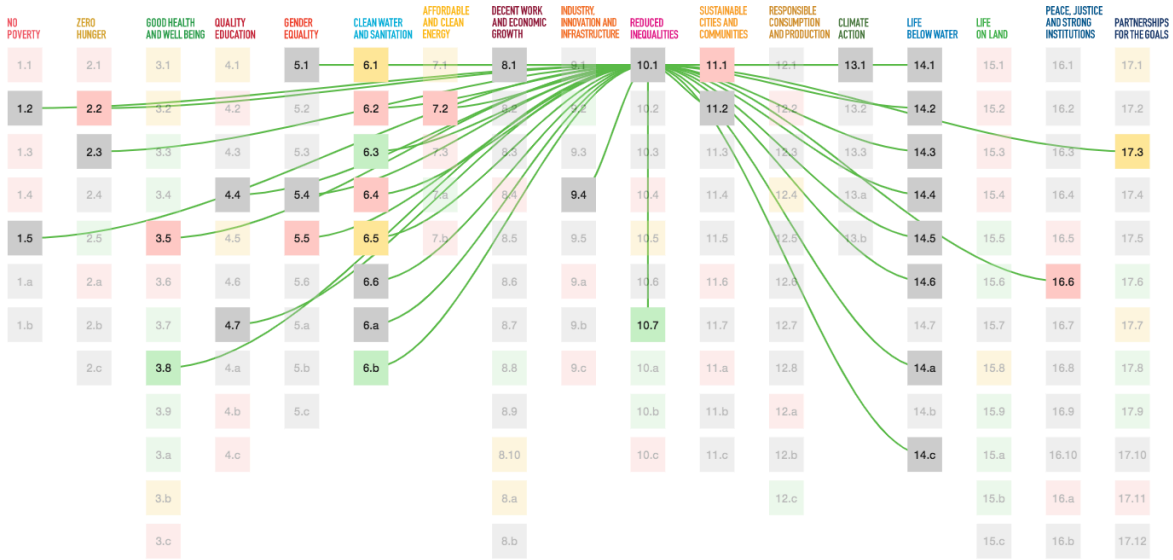
Figure 2.3 Synergies for SDG Target 9.1



Authors calculation using the SDG push diagnostic tool at <https://data.undp.org/sdg-push-diagnostic/LSO/synergies-and-tradeoffs>

Addressing income inequality is another critical priority for Lesotho. Target 10.1 aims to ensure that the bottom 40% of the population experiences income growth at a rate higher than the national average by 2030. Lesotho continues to grapple with entrenched inequalities, which are exacerbated by gender disparities, the rural-urban divide, generational poverty, and vulnerability to environmental shocks. To reduce these inequalities, the country must prioritize investments in inclusive education and skills development, improve access to healthcare, and ensure the equitable distribution of resources. Strengthening public service delivery and expanding social protection programs are also vital for enabling vulnerable populations to overcome poverty, improve their quality of life, and achieve sustained income growth.

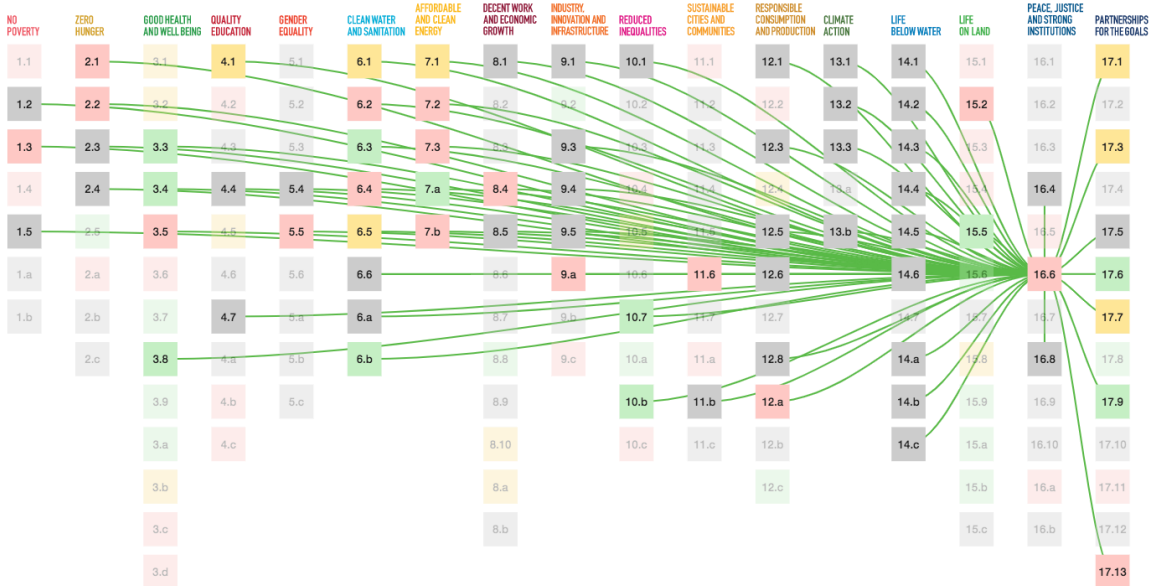
Figure 2.4 Synergies for SDG Target 10.1



Authors calculation using the SDG push diagnostic tool at <https://data.undp.org/sdg-push-diagnostic/LSO/synergies-and-tradeoffs>

Finally, Target 16.6 underscores the importance of developing accountable, transparent, and effective institutions. Lesotho has a history of political instability, which has undermined governance and stifled development progress. The country is currently undergoing significant economic, public sector, and political reforms aimed at reversing these trends and improving governance. Strengthening institutional capacity and promoting greater citizen participation in governance processes, particularly in budgeting, will be essential for fostering political stability and ensuring that government institutions operate transparently and accountably. By creating an environment conducive to public participation and private sector investment, Lesotho can catalyse economic growth, reduce poverty, and build stronger, more resilient institutions.

Figure 2.5 Synergies for SDG Target 16.6

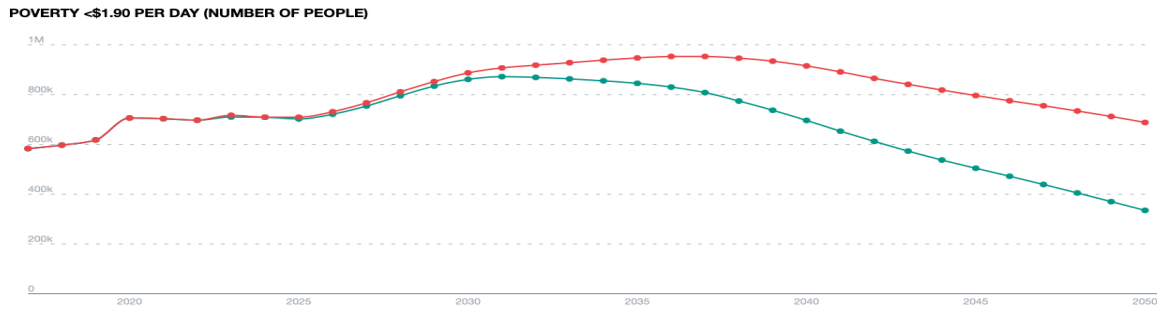


Authors calculation using the SDG push diagnostic tool at <https://data.undp.org/sdg-push-diagnostic/LSO/synergies-and-tradeoffs>

2.1.1 The SDG Push - Futures Scenarios

Achieving the Sustainable Development Goals (SDGs) in Lesotho is possible through focused interventions. The "SDG Push" presents a future scenario based on 48 integrated accelerators across governance, social protection, green economy, and digital disruption. This model utilizes national data to explore the impact of these accelerators on human development, particularly looking at projections for 2030 and 2050, while considering key SDG indicators.

Figure 2.6 The SDG Push – Futures Scenarios



Authors calculation using the SDG push diagnostic tool at <https://data.undp.org/sdg-push-diagnostic/LSO/future-scenarios>

By incorporating these SDG Push accelerators into national development strategies, Lesotho can significantly reduce poverty over time. For example, without the SDG Push, an estimated 890,000 people in Lesotho will be living in poverty by 2030, with that number decreasing to 690,000 by 2050. However, with the SDG Push interventions in place, the number of people in poverty could drop to 860,000 by 2030 and dramatically reduce to 340,000 by 2050.

People living in poverty	By 2030	By 2050
Without the SDG Push	890,000	690,000
With the SDG Push	860,000	340,000

Authors calculation using the SDG push diagnostic tool at <https://data.undp.org/sdg-push-diagnostic/LSO/future-scenarios>

These scenarios underline the potential impact of SDG-focused investment on reducing poverty and fostering sustainable development, provided the right policies and investments are implemented

2.1.2 Key Targets and Commitments

Lesotho’s sustainable development strategy targets several SDGs with a focus on gender equality, economic inclusion, infrastructure development, income equality, and institutional reform. Under Target 5.5, the country aims to enhance women’s leadership through gender-equality programs and digital tools in education, healthcare, and civic engagement. Target 8.5 addresses gender gaps in digital start-ups, while supporting agriculture, MSMEs, and textiles to create jobs for vulnerable groups and expand digital financial inclusion.

Infrastructure improvements under Target 9.1 aim to drive industrialization and economic diversification, leveraging Lesotho’s proximity to South Africa for better regional connectivity. For Target 10.1, Lesotho plans to reduce income disparities by promoting agricultural commercialization and ensuring equal access to education, healthcare, and social protection.

Target 16.6 focuses on building public trust through institutional automation and the National Reforms Agenda.

A cross-cutting commitment to strengthening the Bureau of Statistics highlights Lesotho's emphasis on data-driven policymaking, enabling accurate SDG monitoring and informed investments. This integrated approach positions Lesotho to make tangible progress across key development goals.

2.1.3 Benchmarks for SDG Investment

The Government of Lesotho is committed to reducing poverty and inequality, focusing on vulnerable groups such as women, children, the elderly, and people with disabilities, while addressing rural-urban disparities. Through an inclusive social protection program and private sector-driven growth, poverty has decreased from 56.7% in 2002 to 49.7% in 2019. However, vulnerability remains high, particularly due to the impacts of COVID-19, with economic growth projected to plateau at 3%.

Lesotho aims to reduce the poverty rate to 43.8% and the GINI Coefficient to 0.40 by 2026/27.² This will be achieved through strengthened social protection, job creation, and investments in agriculture, digital infrastructure, and governance reforms.

2.1.4 Integrated National Financing Framework (INFF) implementation

Through the UN's flagship initiative on financing for development, the Integrated National Financing Framework (INFF), the Government of Lesotho has established a mechanism to mobilize, align, and manage development finance resources. This initiative aims to expand the financing envelope while enhancing accountability and transparency in the utilization of development funds.

To highlight private sector opportunities, the government has developed an SDG Investor Map, which identifies key sectors and opportunities for mobilizing public-private partnerships with high development impact. The Lesotho SDG Investor Map highlights private investment opportunities in five priority sectors: agriculture, manufacturing, renewable energy, health, and financial services.

To operationalize the INFF, the Government, with UN support, is planning to host a national conference on development financing. This conference will focus on exploring innovative financing instruments and mechanisms tailored to Lesotho's needs, initiating the implementation of the integrated financing strategy, and promoting the SDG Investor Map initiative. It will bring together a diverse group of stakeholders, including local and international investors, and serve as a platform to showcase concrete investment opportunities aimed at mobilizing private investment for sustainable development.

2.1.5 National Institutional Arrangements for Delivering the Goals

Lesotho has established a national coordination structure to implement the SDGs, led by a High-Level Oversight Committee and a Steering Committee chaired by the Minister of Finance and Development Planning. The framework oversees SDG implementation, aligns national and sectoral plans, prepares annual progress reports, and coordinates multi-stakeholder engagement

² Lesotho's National Commitments to SDG Transformation submitted as part of the SDG Summit 2023

and financing strategies. This approach ensures accountability and collaboration across all sectors to achieve the SDGs.

2.2 Leave No One Behind

The "Leave No One Behind" (LNOB) principle is a fundamental aspect of the 2030 Agenda for Sustainable Development. It aims to ensure that development is inclusive, and that progress reaches all sectors of society, especially the most marginalized. In Lesotho, the challenges of marginalization are profound, affecting multiple groups due to intersecting factors such as poverty, geographic isolation, gender, and disability. This chapter delves into the factors that contribute to exclusion in Lesotho, identifies the groups who are left behind, and proposes interventions to address the disparities and promote an inclusive development framework. Drawing on extensive qualitative and quantitative data, as well as interviews and focus group discussions, the analysis provides an in-depth understanding of the root causes of exclusion and potential solutions.

2.2.1 Who is Left Behind?

In Lesotho, marginalization is influenced by a variety of intersecting factors, including geographic isolation, socio-economic conditions, gender disparities, and disabilities. Several groups consistently experience exclusion, with women and girls among the most affected. Despite higher literacy and enrolment rates for women compared to men, many women, particularly those in rural areas, face significant challenges. These include limited access to healthcare, especially reproductive services, and a high prevalence of gender-based violence. Additionally, women's participation in the labour market is restricted, with most confined to low-paying jobs in sectors like agriculture and textiles.

Youth in Lesotho, especially those between 15 and 34 years old, face high unemployment rates, which are particularly acute in rural areas. Many young people lack access to education and vocational training, leaving them with limited job prospects. This disconnect from both the education system and the labour market perpetuates poverty and contributes to social instability. Persons with disabilities (PWDs) are another group that faces significant exclusion. Physical, social, and attitudinal barriers prevent PWDs from accessing education, healthcare, and employment. These barriers are even more pronounced in rural areas, where the lack of infrastructure and transportation options further isolates PWDs.

Geographic isolation plays a critical role in exclusion, especially for communities in Lesotho's mountainous regions such as Mokhotlong and Thaba Tseka. Residents in these areas face severe challenges in accessing basic services like healthcare, education, and economic opportunities. Limited road networks and inadequate infrastructure exacerbate their isolation, trapping them in cycles of poverty. LGBTQI+ individuals in Lesotho also face social stigma and exclusion. Although discrimination against this group is not formally institutionalized, they face significant barriers in accessing healthcare and employment and often suffer from social ostracism within their communities. The intersection of multiple factors, such as gender and disability or economic status and geographic location, compounds the marginalization experienced by these groups, making them the furthest left behind.

Table 2.2 Tracking Leaving No One Behind in Lesotho 2024				
Who is Left Behind?	Furthest Behind/Most at Risk	Why? (Drivers)	What and How to Respond? (Recommendations)	Supporting Institutions
Women and Girls	Rural women, single mothers, widows	Patriarchal structures, limited economic resources, gender-based violence	Promote gender equality through legal reforms, enhance economic opportunities for women, provide accessible GBV support services	Ministry of Gender, CSOs, UN Women, UNICEF
Persons with Disabilities (PWDs)	Rural PWDs, children with disabilities	Limited accessibility, stigma, insufficient support services	Improve infrastructure for accessibility, raise public awareness on disability rights, strengthen support systems for PWDs	Ministry of Health, Ministry of Social Development, CSOs, Development Partners
Youth	Rural and peri-urban unemployed youth	High unemployment, limited volunteerism opportunities, inadequate education access, vulnerability to criminal activities and exploitation	Increase youth employment and volunteerism opportunities, improve access to quality education, support vocational training	Ministry of Education, Ministry of Youth, National Volunteer Corps (NVC), CSOs, Volunteer Involving Organizations (VIOs), UNDP
LGBTQI+ Community	Rural and young LGBTQI+ individuals	Social stigma, legal discrimination, lack of healthcare services	Legal reforms for protection, awareness campaigns, inclusive healthcare services	Ministry of Justice, CSOs, Development Partners
Children	Children in rural, impoverished households	Child labour due to economic pressures, limited access to education, nutritional deficiencies	Provide financial support to poor households, improve school access and child protection measures	Ministry of Education, UNICEF, World Bank, CSOs
Migrants	Informal sector workers, undocumented migrants	Exploitation, lack of legal protections, limited access to healthcare and social services	Develop social protection frameworks, improve access to legal documentation and healthcare	Ministry of Home Affairs, IOM, CSOs, Development Partners
Elderly	Poor elderly in rural areas	Limited income support, inadequate social protection systems, vulnerability to shocks	Strengthen social protection systems for elderly, provide accessible healthcare services	Ministry of Social Development, HelpAge, Development Partners

United Nations Lesotho Resident Coordinator's Office. Leave No One Behind (LNOB) Analysis for Lesotho, 2024

2.2.2 Root Causes of Marginalization

The root causes of marginalization in Lesotho are complex and deeply rooted in the country's social, economic, and political systems. Historically, the migrant labour system, which saw Basotho men working in South Africa's mines, had far-reaching consequences on family structures and gender roles. While men were away, women were left to manage households, often taking on additional responsibilities without gaining social or economic power. This historical gender imbalance continues to affect women in rural areas today, where traditional roles still limit their participation in decision-making processes and economic activities.

Cultural norms in Lesotho further exacerbate gender inequality. Women and girls are often confined to caregiving roles and face restrictions on their education and participation in the workforce. Early marriage remains a common practice, particularly in rural areas, limiting educational and economic opportunities for young girls. Additionally, gender stereotypes reinforce traditional roles that exclude women from leadership positions in both the household and the public sphere. Geography also plays a significant role in exclusion, as Lesotho's mountainous terrain creates physical barriers that hinder access to essential services. Rural communities are often isolated, with inadequate healthcare, poor educational facilities, and limited access to markets, further entrenching socio-economic disparities.

Economic exclusion is another significant factor driving marginalization in Lesotho. The country's economy relies heavily on agriculture, textiles, and remittances from migrant workers. However, these sectors offer limited opportunities for sustainable income generation. Agriculture, which employs a large portion of the rural population, is predominantly rain-fed, making it highly vulnerable to climate change. Droughts and other climate-related shocks have devastated food security and household incomes in recent years, deepening poverty in rural areas. Health crises, particularly the high prevalence of HIV/AIDS, have also exacerbated exclusion. The pandemic has disproportionately affected women and rural communities, weakening labour forces and disrupting family structures, further isolating already vulnerable populations.

2.2.3 Dimensions of Exclusion

The LNOB analysis categorizes the exclusion faced by marginalized groups in Lesotho across five key dimensions: discrimination, socio-economic status, geographic isolation, vulnerability to shocks, and governance. Discrimination remains a pervasive issue, with women, LGBTQI+ individuals, and PWDs facing systemic barriers to education, healthcare, and employment. Gender-based violence, limited reproductive healthcare, and discrimination based on disability are significant issues that further isolate these groups. Socio-economic status is another critical dimension of exclusion, with rural households experiencing higher levels of poverty and deprivation. Children from poor households are more likely to suffer from malnutrition, have lower educational attainment, and face reduced access to healthcare services, perpetuating intergenerational poverty.

Geographic isolation is closely linked to socio-economic exclusion, with rural communities, particularly in mountainous regions, facing the most severe challenges. These areas lack basic infrastructure, such as roads and healthcare facilities, making it difficult for residents to access

essential services. Vulnerability to shocks, especially climate-related events, exacerbates the exclusion of rural populations. Lesotho's reliance on rain-fed agriculture leaves rural communities highly vulnerable to droughts, floods, and other environmental shocks, which disproportionately affect their livelihoods. Health crises, such as the HIV/AIDS epidemic, have also had a significant impact on women and youth, further compounding their vulnerability.

Governance is the final dimension of exclusion. Weak governance structures, particularly at the local level, limit the ability of marginalized groups to participate in decision-making processes. Government programs aimed at addressing poverty and inequality are often poorly coordinated and lack the necessary resources to be effective. This governance gap is particularly evident in rural areas, where services such as healthcare and education are underfunded and poorly managed, further marginalizing those already at risk of exclusion.

2.2.4 Intersecting Inequalities

The analysis also highlights the ways in which different forms of inequality intersect to create compounded exclusion for certain groups. For example, rural women with disabilities face multiple layers of exclusion due to their gender, geographic isolation, and disability. This intersection of inequalities makes it more difficult for them to access essential services, such as healthcare and education, and further limits their economic opportunities. Similarly, children in rural areas experience higher levels of deprivation in terms of education and healthcare, often leaving them trapped in cycles of poverty. Youth in these areas face significant challenges in accessing vocational training, employment and volunteering opportunities, limiting their ability to break free from the poverty cycle.

Intersecting inequalities also increase the vulnerability of certain groups to violence and exploitation. Women with disabilities, for example, are more likely to experience gender-based violence and face greater barriers in accessing legal and social support services. Children from poor households, particularly girls, are more likely to be forced into early marriages or transactional relationships, increasing their vulnerability to health risks such as maternal mortality and HIV/AIDS. Addressing these intersecting inequalities requires targeted interventions that recognize the multiple and overlapping factors contributing to marginalization.

2.2.5 Inclusive Development

To address the complex issues of marginalization in Lesotho, the following interventions are recommended. First, it is critical to improve data collection and analysis. Disaggregated data on marginalized groups, particularly women, youth, persons with disabilities, and rural residents, is essential for understanding the full extent of exclusion and for informing policy decisions. This data will allow for more targeted interventions and help track progress toward reducing inequality. The use of volunteers, especially young people, will enable efficient and comprehensive data collection, while also creating opportunities for youth's learning and enhanced employability.

Investing in rural infrastructure is another key recommendation. Expanding access to healthcare, education, and basic services such as roads and communication networks in rural areas will help bridge the geographic divide. These investments are essential for improving the quality of life in remote regions and facilitating economic development. Empowering

marginalized groups through programs that promote economic inclusion is also crucial. Vocational training, financial inclusion programs, volunteerism opportunities and entrepreneurship initiatives can help women, youth, and PWDs become more active participants in the economy and break the cycle of poverty.

Addressing gender inequality should also be a priority. Legal reforms, community engagement, volunteerism, and sustained advocacy are needed to challenge cultural and structural barriers that limit women's participation in the economy and decision-making processes. Programs aimed at reducing gender-based violence and promoting women's leadership in both the public and private spheres should be expanded. Finally, strengthening governance and coordination mechanisms at the national and local levels is essential for ensuring that marginalized groups are included in development planning and service delivery. Improved coordination between government agencies, civil society organizations, volunteer involving organizations (VIOs), and development partners will help address the root causes of marginalization and ensure that resources are used effectively.

Lesotho faces significant challenges in addressing the complex and interrelated factors that drive marginalization. The LNOB analysis reveals that geographic isolation, socio-economic status, gender, and disability are key drivers of exclusion in the country. Without targeted interventions, the most vulnerable groups, particularly rural women, youth, and persons with disabilities, will continue to be left behind. The recommendations outlined in this chapter provide a roadmap for addressing these inequalities through a combination of improved governance, infrastructure development, and social protection programs aimed at empowering marginalized communities. Ensuring that no one is left behind is essential for achieving sustainable development and creating a more inclusive and equitable society in Lesotho.

3.0 ENVIRONMENT AND CLIMATE CHANGE ACTION

Lesotho, a landlocked country in southeastern Southern Africa, lies between 28°S to 31°S latitude and 27°E to 30°E longitude, surrounded by South Africa. It covers 30,355 km² of mostly mountainous terrain, with elevations ranging from 1,388 to 3,482 meters above sea level. The country has four distinct Agro-Ecological Zones: Lowlands (17%), Foothills (15%), Mountains (59%), and the Senqu River Valley (9%). Socio-economic activities are concentrated in the Lowlands and Foothills, while the mountains and Senqu Valley primarily support livestock grazing and water resource projects.³

Figure 3.1: Agro-Ecological Zones in Lesotho



Source: Lesotho Meteorological Services

Lesotho’s mountainous terrain and semi-arid climate shape its natural resources and economy, especially through water, land, and limited forest and mineral reserves. However, the country faces rising temperatures, erratic rainfall, and extreme weather, threatening agriculture, water supply, and public health. This analysis examines Lesotho’s resource management challenges, legal frameworks, and the economic role of the Lesotho Highlands Water Project (LHWP), underscoring the need for climate adaptation and sustainable practices.

Natural Resources	Major Legal Framework	Major Institutions for Administration	Major Tenure Security Issues
Land	Land Act 2010, Town & Country Planning Act 1980, Building Control Act 1995,	Land administration authority, customary and	Limited arable land available for equitable

³ Lesotho Meteorological Services (LMS). (2021). *Lesotho’s First Biennial Update Report to the United Nations Framework Convention on Climate Change (UNFCCC)*. Ministry of Energy and Meteorology, Kingdom of Lesotho.

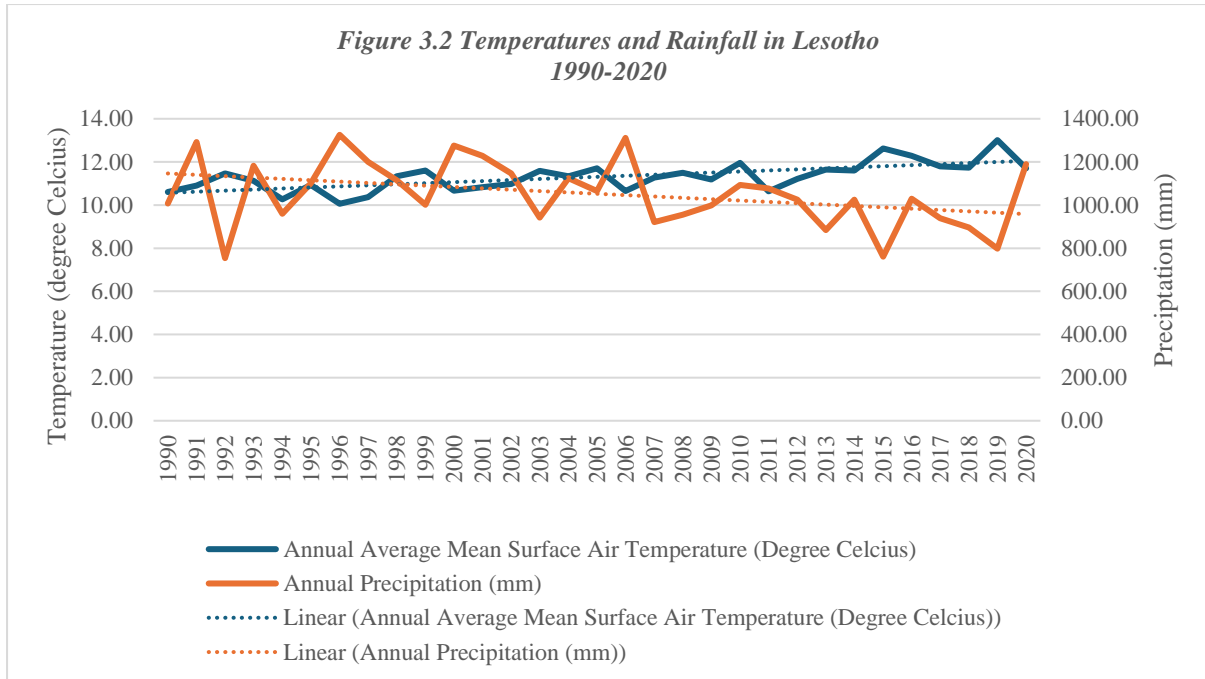
Table 3.1 The State of Land and Natural Resource Tenure in Lesotho

Natural Resources	Major Legal Framework	Major Institutions for Administration	Major Tenure Security Issues
	Legal Capacity of Married Persons Act 2006, Survey Act 1980, Valuation & Rating Act 1980, Deeds Registry Act 1967, Chieftainship Act 1968	local authorities, Chiefs, and Traditional Leaders Councils	distribution, with small farm sizes being common.
Water	Development Plan 2012-2017, Water Act 2008, Water & Sanitation Policy 2007, Urban Water Quality of Service & Supply Standards 2013, Public Health Order 1970	WASCO, Lesotho Electricity and Water Authority, Department of Rural Water Supply	Displacement and disruption of livelihoods due to the Lesotho Highlands Water Project.
Forest	Forestry Act 1998, National Forestry Policy 2008, Environment Act 2008	Ministry of Forestry and Land Reclamation, Ministry of Agriculture and Food Security, Environment Department	Limited forest cover, requiring efforts in reforestation and addressing climate impacts.
Minerals	Mines and Minerals Act 2005, Labour Code Order 1992, Environment Act 2008, Mines Safety Act 1981, Precious Stones Order 1970	Ministry of Mining (Mining Board)	Environmental degradation and challenges in compensation for displaced communities.

Source: The Government of the Kingdom of Lesotho (various publications)

3.1 Climate

Lesotho’s climate is shaped by its high elevation and location in the Karoo basin, placing it under the influence of the subtropical high-pressure zone. It features a continental temperate climate with some alpine characteristics due to its altitude. The country experiences two main seasons: dry, cold winters (May to July) and hot, humid summers (November to January), with transitional periods in autumn and spring. Average annual precipitation is about 720 mm, with most rainfall occurring between October and April. However, precipitation varies greatly, ranging from 500 mm in the Senqu River Valley to 1,200 mm in the northern and eastern highlands. The variability in rainfall contributes to challenges like droughts and flash floods.

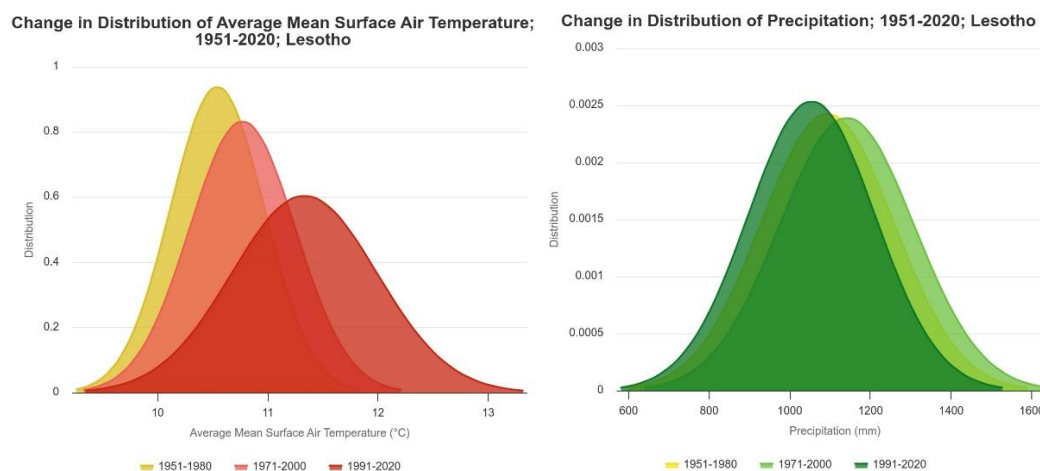


Source: World Bank, Climate Change Knowledge Portal (2024). URL: <https://climateknowledgeportal.worldbank.org/>

The temperature and rainfall data reveals a pronounced warming trend in Lesotho, alongside fluctuating precipitation patterns. Between 1990 and 2020, average annual temperatures in Lesotho rose significantly, moving from around 10.90°C in 1991 to highs of 12.62°C in 2015 and 13.01°C in 2019, before settling at 11.71°C in 2020. This period shows accelerated warming, with temperatures frequently surpassing 11°C, marking a shift toward consistently warmer conditions. Such temperature increases are consistent with global climate change trends, likely driven by heightened greenhouse gas emissions.

Precipitation data from 1990 to 2020, however, shows considerable variability rather than a clear trend. Annual rainfall during this period fluctuated widely, with some years experiencing significant highs, such as 1,452.31 mm in 1987 and 1,290.31 mm in 2020, and lows, such as 753.88 mm in 1992 and 761.44 mm in 2015. This irregular precipitation pattern, combined with rising temperatures, indicates an increasingly unpredictable climate, which poses challenges for water resource management, agriculture, and rural livelihoods.

Figure 3.3 Changes in distribution (Surface Temperature and Precipitation)



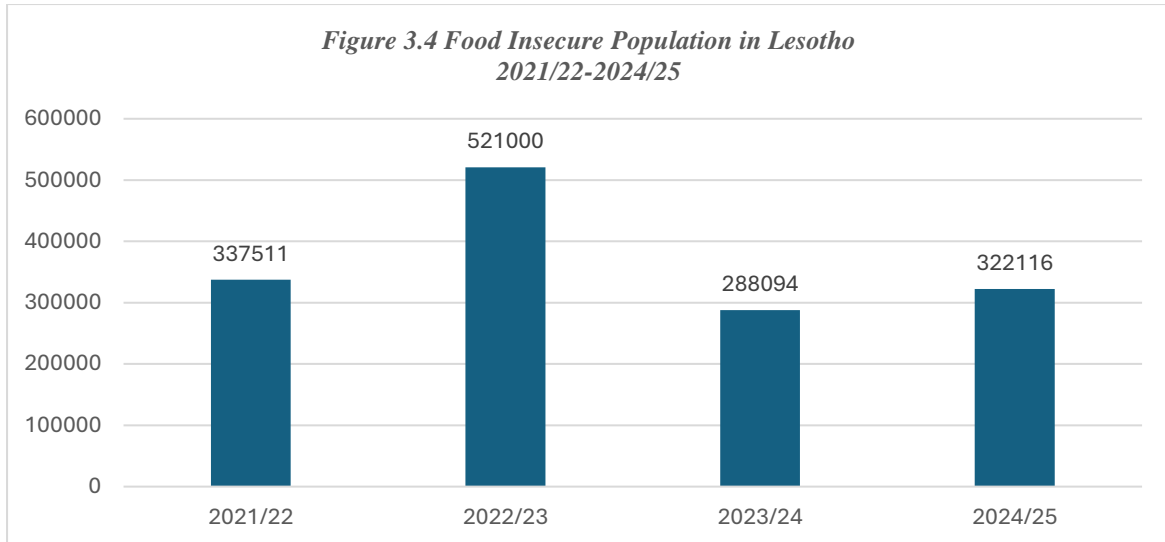
Source: World Bank, Climate Change Knowledge Portal (2024). URL: <https://climateknowledgeportal.worldbank.org/>.

The impacts of these climate changes in Lesotho are considerable. Rising temperatures can lead to higher evaporation rates, reducing water availability for crops, livestock, and communities. The inconsistent rainfall patterns further strain agricultural productivity, as farmers face difficulty in planning around an increasingly unpredictable water supply. The unpredictable cropping seasons lead communities to abandon farming which is a lifeline for most rural communities. Additionally, the frequent occurrence of hotter years increases health risks, especially heat-related illnesses, placing additional pressure on healthcare systems.

This combination threatens agriculture, water resources, and public health, emphasizing the urgent need for climate adaptation measures such as sustainable water management, climate change adaptive farming, well managed migration and community resilience for those who cannot move, climate shocks and health preparedness to mitigate the effects of a changing climate.

One such impact of climate change is the recent El Niño-induced drought during the 2023/24 season. This event severely affected agricultural production, leading to increased food insecurity and human mobility. There has been a notable increase in external migration in the recent years (2022/23) seen mainly from rural households (69%) due to climate changed induced food insecurity. The number of food-insecure individuals rose to 521,000 in 2022/23 and, despite some recovery, remained at 288,094 in 2023/24. In 2024/25, the number slightly increased to 322,116.⁴ Even during favourable climatic conditions, previous adverse seasons continue to impact food reserves, highlighting the country's reliance on food imports and its vulnerability to climate variability.

⁴ Lesotho Vulnerability Assessment Committee (LVAC). (n.d.). *Integrated Food Security Phase Classification (IPC) Data*. Retrieved from <https://www.lvac.gov.ls/data/ipc>.



Source: Lesotho Vulnerability Assessment Committee (LVAC). (n.d.). *Integrated Food Security Phase Classification (IPC) Data*. Retrieved from <https://www.lvac.gov.ls/data/ipc>.

During the current period, that ended in September 2024, 36% of the population were already under stress and are projected to fall into worsening conditions from October to March 2025.⁵

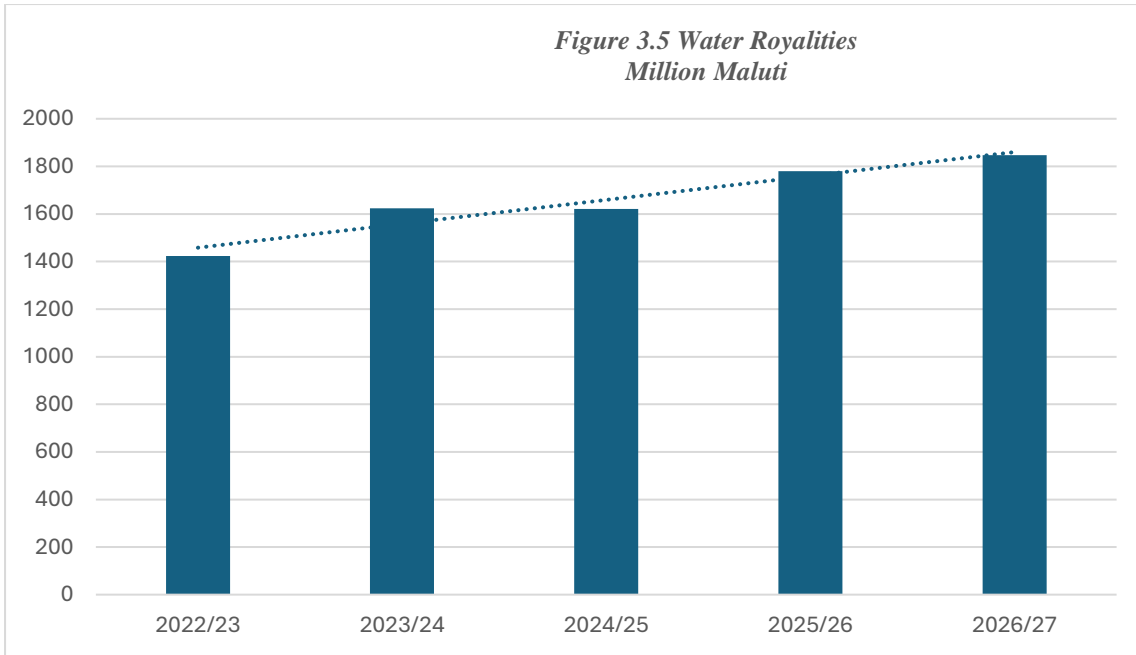
3.2 Water Resources

Lesotho’s vast water reserves have earned it the nickname “Water Tower” of Southern Africa. The Lesotho Highlands Water Project (LHWP), which channels water primarily to South Africa, is a major driver of the nation’s economy. While this project has boosted economic growth and revenues, it has also led to displacement and disrupted livelihoods for some local communities, highlighting the need for a balanced approach that considers both economic gains and social impacts.

The data on water royalties from LHWP shows a rising trend, from M1,422.8 million in 2022/23 to an estimated M1,847 million by 2026/27. This steady increase reflects the growing fiscal benefits of the project. Water royalties contribute to the government’s revenue, which supports public spending on development initiatives, social programs, and infrastructure improvements, essential for reducing poverty and promoting social equity.⁶

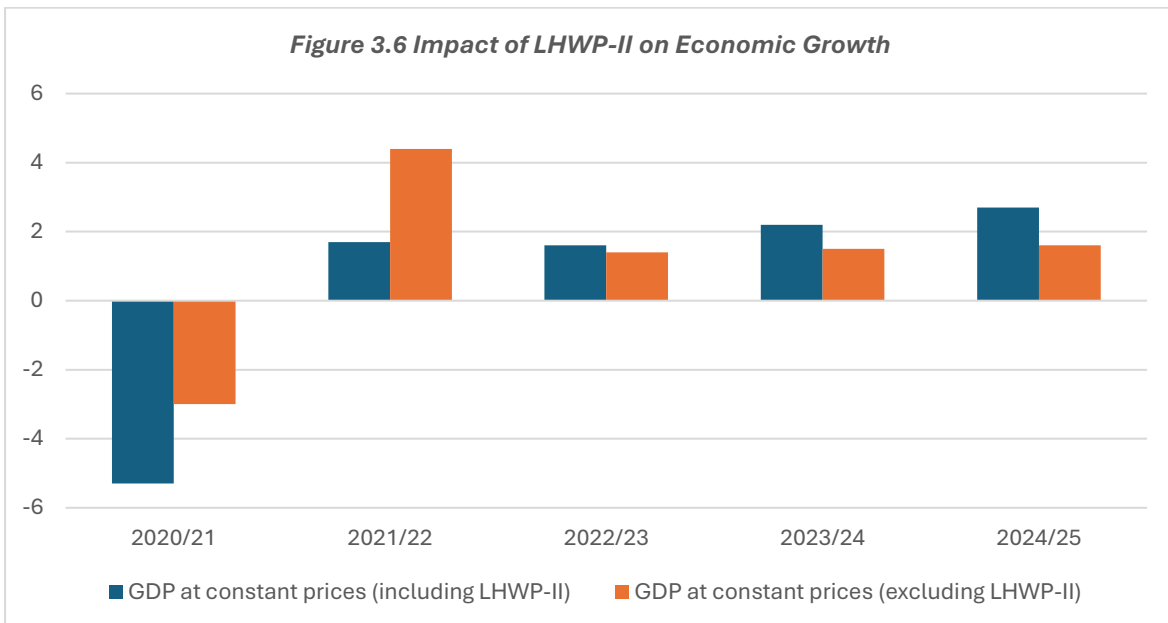
⁵ Lesotho Vulnerability Assessment Committee (LVAC). (2024). *Annual Vulnerability Assessment Report: 2024/25 Consumption Year*. Disaster Management Authority, Office of the Prime Minister, Kingdom of Lesotho.

⁶ *Budget Speech to the Parliament of the Kingdom of Lesotho for the 2024/2025 Fiscal Year: Building Resilience, Fostering Growth*. Ministry of Finance and Development Planning, Maseru, Lesotho.



Source: Ministry of Finance and Development Planning, Budget Speeches 2022-2024

Lesotho's GDP growth data shows a marked difference when LHWP-II contributions are included. For instance, in 2020/21, GDP contracted by -5.3% when including LHWP-II, whereas excluding it, the contraction was only -3%. In subsequent years, growth rates also differ, with a notable increase in projected growth for 2024/25 (2.7% with LHWP-II versus 1.6% without it). This highlights the critical role of LHWP in bolstering economic growth, especially in years when other sectors may underperform.



Source: Central Bank of Lesotho

Beyond direct financial inflows, the LHWP has catalysed development in other sectors, particularly in infrastructure and employment. The construction and maintenance of LHWP phases have created jobs, attracted investment, and improved local infrastructure, including

roads and electricity. These improvements enhance the quality of life for local communities and create an enabling environment for private sector growth.

Water resources, through the LHWP, are a cornerstone of Lesotho's economic strategy. They provide substantial fiscal revenue via royalties and support GDP growth, underscoring the project's significance in maintaining fiscal stability and promoting economic resilience. As Lesotho continues to develop its water resources, it is positioned to further leverage this natural asset for sustainable economic development.

3.3 Forest and Mineral Resources

Lesotho, known for having one of the lowest forest covers in Southern Africa, faces ongoing challenges from deforestation and soil erosion. Forest management in the country is guided by the Forestry Act of 1998 and the National Forestry Policy of 2008, which emphasize reforestation and sustainable land use.

Despite these efforts, tree cover continues to decline, largely driven by environmental pressures and land degradation. From 2001 to 2023, Lesotho lost 139 hectares of tree cover, representing a 2.3% reduction since 2000. This decrease resulted in an estimated 45.8 kilotons of CO₂ equivalent emissions. Tree cover loss was particularly concentrated in two regions, which accounted for 63% of the total reduction.⁷

Maseru recorded the highest loss with 55 hectares, significantly above the national average of 14 hectares, followed by Leribe with a reduction of 32 hectares. While there are opportunities for private sector investment in forestry to support reforestation and restoration efforts, the impacts of climate change continue to pose risks, threatening the sustainability of these initiatives.

Lesotho's sustainable development hinges on balancing economic growth with environmental protection and social equity. While projects like the LHWP boost revenue and growth, climate adaptation is essential to protect agriculture, water resources, and health. Strengthening land management, forest conservation, and water stewardship will enable Lesotho to build a resilient, prosperous future.

The National Disaster Risk Reduction Policy⁸ creates an enabling environment for mobilization of volunteers from communities, private sector, Nongovernmental organizations, charitable and religious organizations for disaster preparedness and emergency response and provide them with relevant skills in order to expand the response base. The Framework for Monitoring Policy Implementation of DRR includes the allocation of resources and inventory to emergency staff, including volunteers. Despite these important policy instruments, there has been limited engagement of volunteers in DRR and Climate action initiatives. It would be key to increase the engagement of Lesotho's population in the DRR planning and response through volunteerism.

⁷ <https://www.globalforestwatch.org/dashboards/country/LSO/?map=eyJjYW5Cb3VuZCI6dHJ1ZX0%3D>

⁸ <https://drmiims.sadc.int/sites/default/files/document/2020-03/Final%20Lesotho%20DRR%20policy.pdf>

4.0 ECONOMIC TRANSFORMATION ANALYSIS

Lesotho's economy has gone through challenging global conditions, showing resilience amid significant economic disruptions. The onset of the COVID-19 pandemic led to a sharp contraction in growth, which was followed by a period of gradual recovery. This analysis examines key economic indicators across four primary economic sectors: the real sector, fiscal sector, external sector, and monetary sector. It highlights the trajectory of Lesotho's economic transformation in recent years.

4.1 Trends in GDP and Economic Growth

Lesotho's GDP trends from 2020 to 2024 reflect the impact of the pandemic, policy interventions, and gradual global recovery. In 2020, the economy faced a substantial setback, with GDP in constant prices decreasing to 19.69 billion Maloti from its pre-pandemic level of 20.78 billion in 2019. This decline, corresponding to a GDP contraction of approximately 5.26%, was largely due to the pandemic's disruption of trade, reduced foreign investment, and restricted domestic economic activities.⁹

By 2021, Lesotho's GDP in constant prices had begun to stabilize, showing an increase to 20.02 billion Maloti, and continued this upward path, reaching an estimated 21.36 billion by 2024. This gradual recovery reflects economic adaptation to pandemic-related challenges, government support initiatives, and partial normalization of international trade. Growth rates rebounded as well, with GDP growth reaching 1.71% in 2021 and continuing upward to an estimated 2.79% by 2024.

Indicator	2020	2021	2022	2023	2024*
Real GDP (billion Maloti)	19.69	20.02	20.34	20.78	21.36
Real GDP Growth Rate (%)	-5.3	1.7	1.6	2.2	2.8
Nominal GDP (billion Maloti)	34.24	36.04	38.53	41.49	45.05
Nominal GDP Growth Rate (%)	2.1	2.4	2.3	2.2	2.3
PPP-adjusted GDP (billion International Dollars)	5.8	5.8	6.3	6.7	7.1
GNI per capita (\$)	1,170	1,160	1,220	1,160	

(*) = estimates

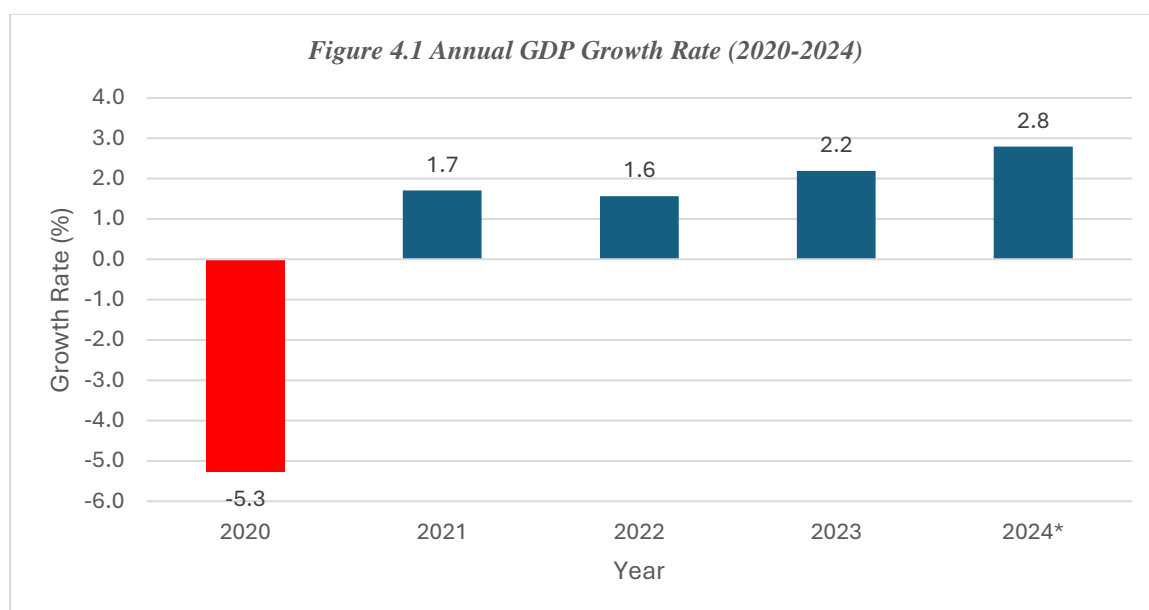
Source: International Monetary Fund, World Economic Outlook Database, October 2024

4.2 Economic Recovery and Annual GDP Growth Rate

The economic contraction of 2020 had a noticeable effect on GDP growth, with a recorded -5.26% decrease in economic activity. This downturn represented one of the most severe declines Lesotho had experienced in recent years. The recovery phase, beginning in 2021, saw a shift in growth dynamics as sectors slowly resumed operations under modified conditions. The recovery process was gradual, with growth rates remaining modest, reflecting both

⁹ International Monetary Fund. (2024). *World Economic Outlook Database*. Retrieved from <https://www.imf.org/en/Publications/WEO/weo-database/2024/October>

cautious optimism and lingering challenges. By 2023, GDP growth had reached 2.19%, and estimates for 2024 indicate continued positive momentum, reaching 2.79%.¹⁰



(*) estimate

Source: International Monetary Fund, World Economic Outlook Database, October 2024

This figure represent the economic contraction in 2020, followed by steady improvement, symbolizing the resilience and adaptability of Lesotho’s economy under trying conditions. The recovery trend is expected to continue, supported by ongoing structural reforms and global economic recovery.

4.3 Indicators of Economic Health

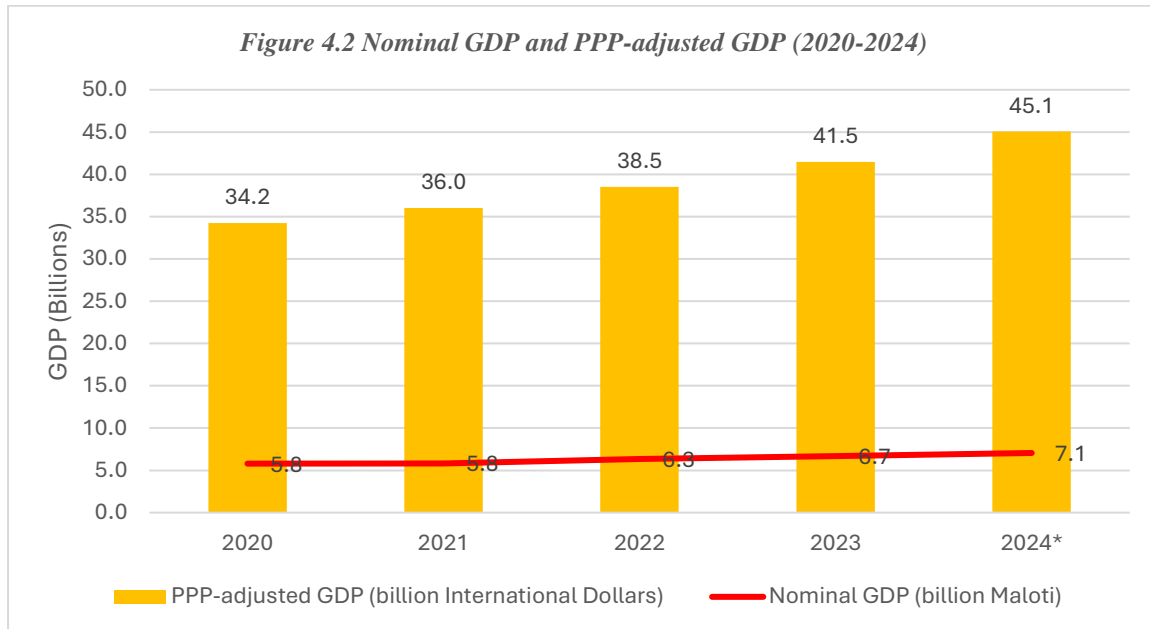
Based on its GNI per capita, Lesotho is classified as a lower-middle-income country. However, GNI per capita declined from \$1,280 in 2019 to \$1,160 in 2023, a drop of 9.4%.¹¹ This decline reflects a deterioration in livelihoods, particularly among vulnerable populations, driven by the impacts of COVID-19 and rising inflation, especially due to escalating food prices.

Alongside constant price GDP, nominal GDP (measured in current prices) provides additional insights into Lesotho’s economic activity. In 2020, nominal GDP was recorded at 34.24 billion Maloti, which was relatively stable compared to 2019 levels. This stability suggests that although the real economy contracted, inflationary pressures or currency changes contributed to a steady nominal GDP. Over the subsequent years, nominal GDP continued to grow, reaching an estimated 45.06 billion by 2024. This growth reflects not only inflation but also improved economic conditions, as domestic industries and external demand contributed to economic output.

¹⁰ International Monetary Fund. (2024). *World Economic Outlook Database*. Retrieved from <https://www.imf.org/en/Publications/WEO/weo-database/2024/October>

¹¹ International Monetary Fund. (2024). *World Economic Outlook Database*. Retrieved from <https://www.imf.org/en/Publications/WEO/weo-database/2024/October>

Similarly, PPP-adjusted GDP, which accounts for purchasing power differences, increased from 5.79 billion international dollars in 2020 to an estimated 7.05 billion by 2024. This steady rise suggests improvements in Lesotho’s purchasing power relative to other economies, underlining enhanced income levels and potential consumption growth. PPP-adjusted GDP provides a balanced perspective, as it accounts for the cost of living and is often used to compare economic well-being internationally.¹²



(*) estimate

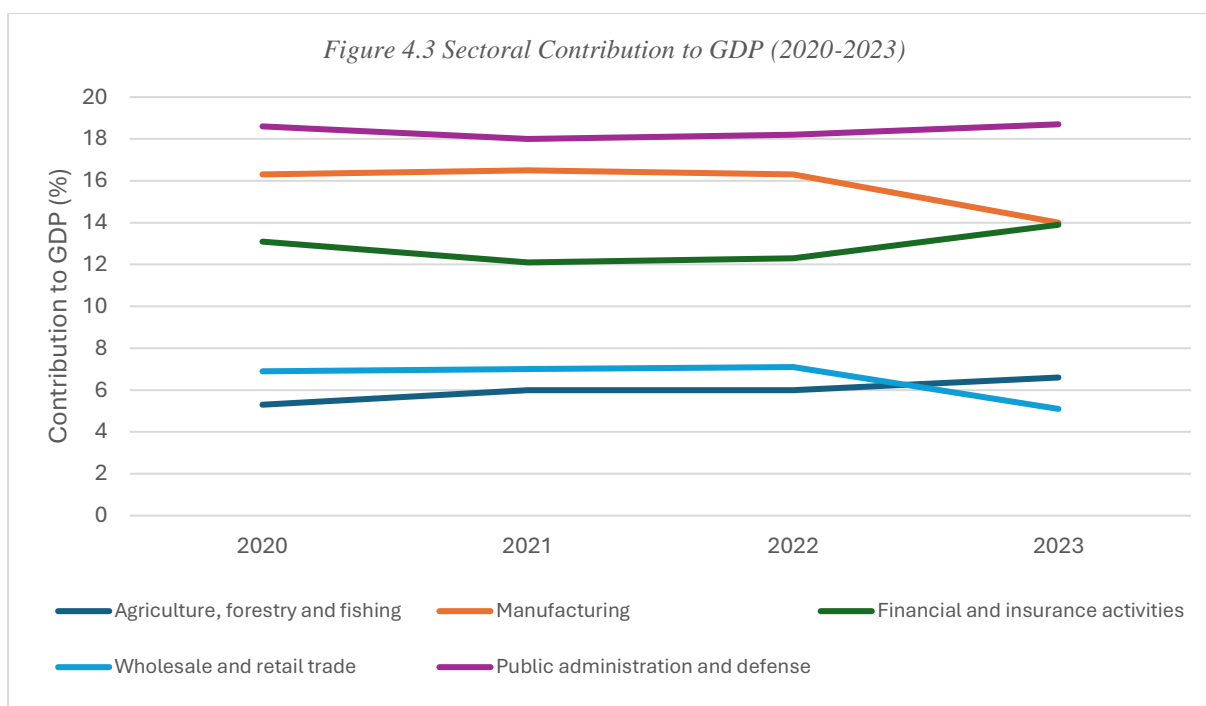
Source: International Monetary Fund, World Economic Outlook Database, October 2024

This figure will illustrate the growth in both nominal GDP and PPP-adjusted GDP, highlighting the economic recovery and improved purchasing power of Lesotho’s citizens over the analysis period.

4.4 Sectoral Contributions to the Economy

The analysis of sectoral contributions to GDP between 2020 and 2023 reveals dynamic shifts across various economic activities, highlighting areas of growth, resilience, and decline. Each year within this period reflects unique economic conditions, likely shaped by external and internal factors such as global economic trends, policy changes, and possibly the lingering effects of the COVID-19 pandemic.

¹² International Monetary Fund. (2024). *World Economic Outlook Database*. Retrieved from <https://www.imf.org/en/Publications/WEO/weo-database/2024/October>



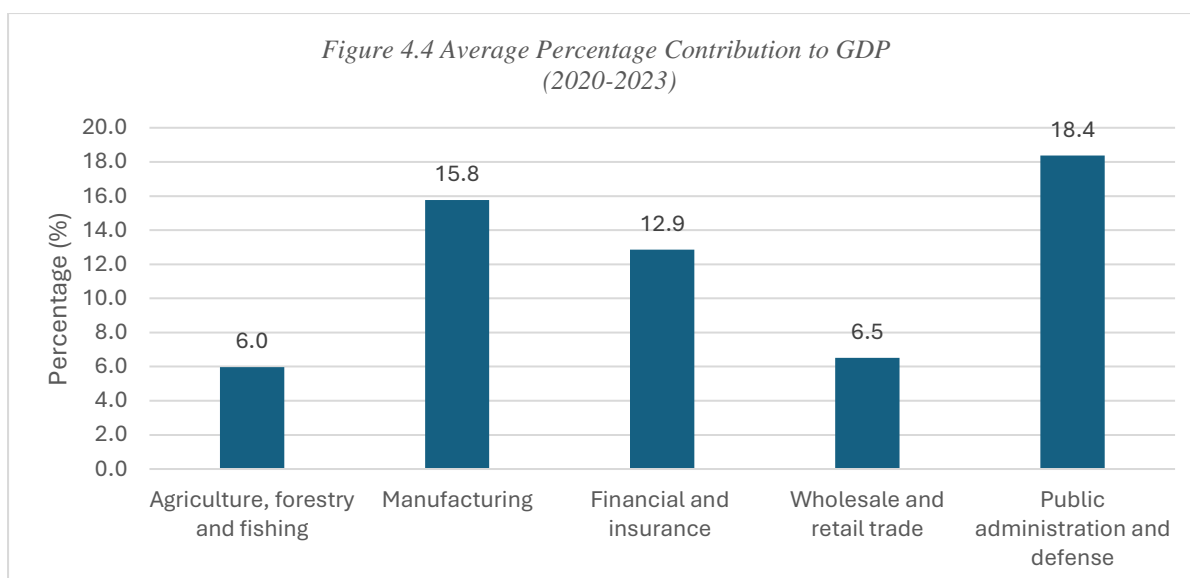
Source: Bureau of Statistics 2024

From 2020 to 2023, the Agriculture, Forestry, and Fishing sector steadily increased its GDP contribution from 5.3% to 6.6%, reflecting its growing economic importance, possibly due to enhanced agricultural practices and local demand. Conversely, Manufacturing saw a decline from 16.5% in 2021 to 14% in 2023, indicating challenges like supply chain issues or reduced demand. The Wholesale and Retail Trade sector also experienced a drop from 6.9% in 2020 to 5.1% in 2023, likely due to changing consumer behaviours and economic conditions post-pandemic.¹³

Financial and Insurance Activities grew from 13.1% to 13.9%, signalling a robust finance sector bolstered by digitalization and increasing access to financial services. Public Administration and Defence maintained a stable contribution, slightly rising to 18.7% by 2023, underscoring the role of government spending in economic stability. Overall, these trends highlight growth in agriculture and finance, contrasting with declines in manufacturing and retail, suggesting potential areas for policy focus to support balanced economic growth.

Between 2020 and 2023, Public Administration and Defence had the largest average GDP contribution at 18.4%, underscoring the importance of government spending and social services in economic stability. Manufacturing also played a significant role with an average contribution of 15.8%, despite recent challenges. Financial and Insurance Activities averaged 12.8%, reflecting growth and the sector's expanding influence on economic resilience. Agriculture, Forestry, and Fishing contributed an average of 5.9%, indicating steady but lower activity relative to other sectors, while Wholesale and Retail Trade averaged 6.5%, highlighting the role of consumer spending and trade.

¹³ Bureau of Statistics. (2024). *Quarterly National Accounts of Lesotho: Second Quarter 2024*.



Source: Bureau of Statistics 2024

Together, these contributions reflect a balanced economy, heavily supported by government and manufacturing, with meaningful roles for finance, agriculture, and retail, suggesting both resilience and areas for potential growth support. However, the heavy reliance on Public Administration and Defence, along with Manufacturing,¹⁴ creates potential economic vulnerability, as downturns in government spending or industrial output could disproportionately impact overall stability and growth.

On the demand side, economic growth in 2024 has been driven by increases in government consumption, fixed capital investment, and imports of goods and services, which rose by 17.9%, 9.3%, and 10.8%, respectively, compared to 2023.

Table 4.2 Lesotho Demand Growth Indicators (annual percentage)

Indicator	2021	2022	2023	2024*
Real GDP at constant prices	1.9	1.1	2.0	2.2
Private consumption	-6.7	9.1	3.6	3.5
Government consumption	-5.3	2.4	2.2	17.9
Gross fixed capital investment	6.5	10.8	54.7	9.3
Exports, goods and services	5.1	36.7	2.2	2.2
Imports, goods and services	-0.4	22.5	10.3	10.8

(*) = estimates

Source: Macro Poverty Outlook, World Bank, April 2024.

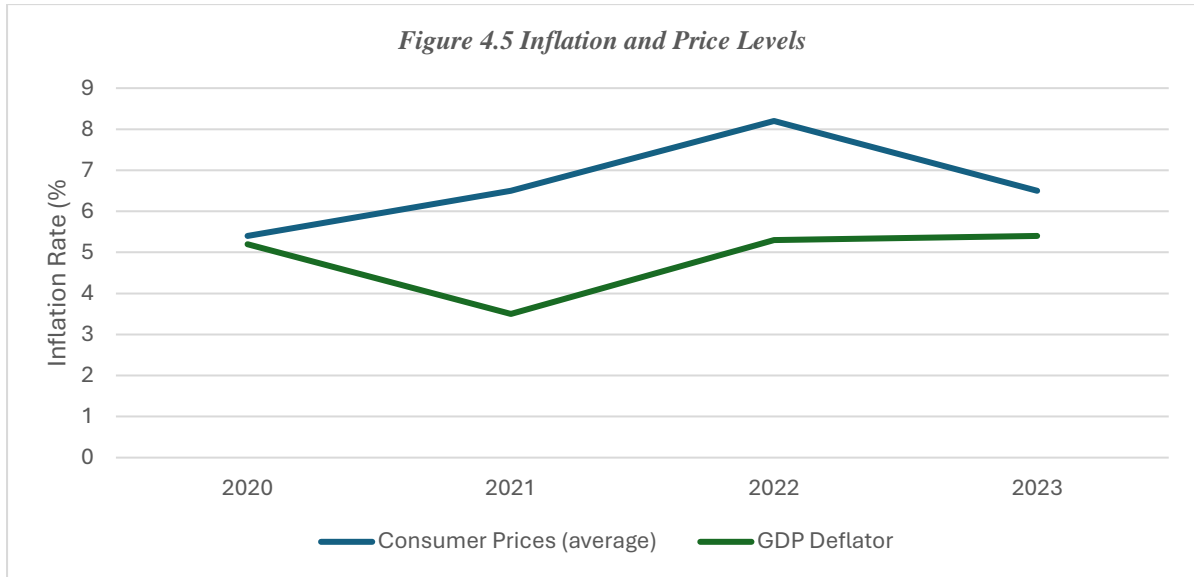
4.5 Inflation and Price Stability Challenges

Inflationary pressures present an ongoing concern for Lesotho’s economy. The consumer price inflation peak of 8.2% in 2022,¹⁵ followed by a modest decline, shows that while inflation is

¹⁴ Together, the Public Administration and Defence and Manufacturing sectors contributed an average of 34.15% to GDP during the period from 2020 to 2023.

¹⁵ Central Bank of Lesotho. *Macroeconomic statistics*. Retrieved November 12, 2024, from <https://www.centralbank.org.ls/index.php/statistics/macroeconomic-statistics>

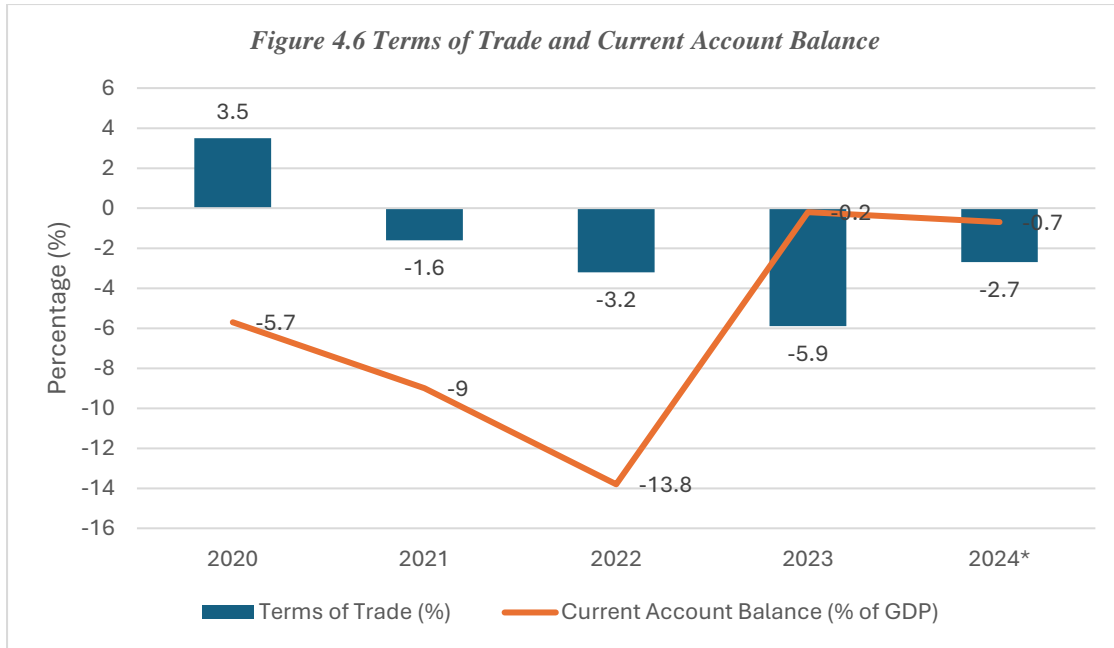
easing, it remains above ideal levels. The fluctuations in the GDP deflator further highlight Lesotho's vulnerability to imported inflation, given its reliance on imported goods. Stabilizing inflation and ensuring price stability will be critical for maintaining consumer purchasing power and protecting economic gains, particularly in an economy that is sensitive to global price changes.



Source: Central Bank of Lesotho 2024

4.6 External Sector Vulnerabilities

Lesotho's external sector data paints a picture of heightened vulnerability. The sharp deterioration in terms of trade in 2023 and a high current account deficit of -13.8% of GDP in 2022 illustrate the economy's susceptibility to external shocks and unfavourable trade dynamics. The narrowing deficit in 2023 is promising, yet the stability of Lesotho's international reserves remains crucial. Maintaining 4-5 months of import cover offers some insulation, but the underlying trade imbalance suggests the need for export diversification and strengthened domestic production to reduce external dependency.

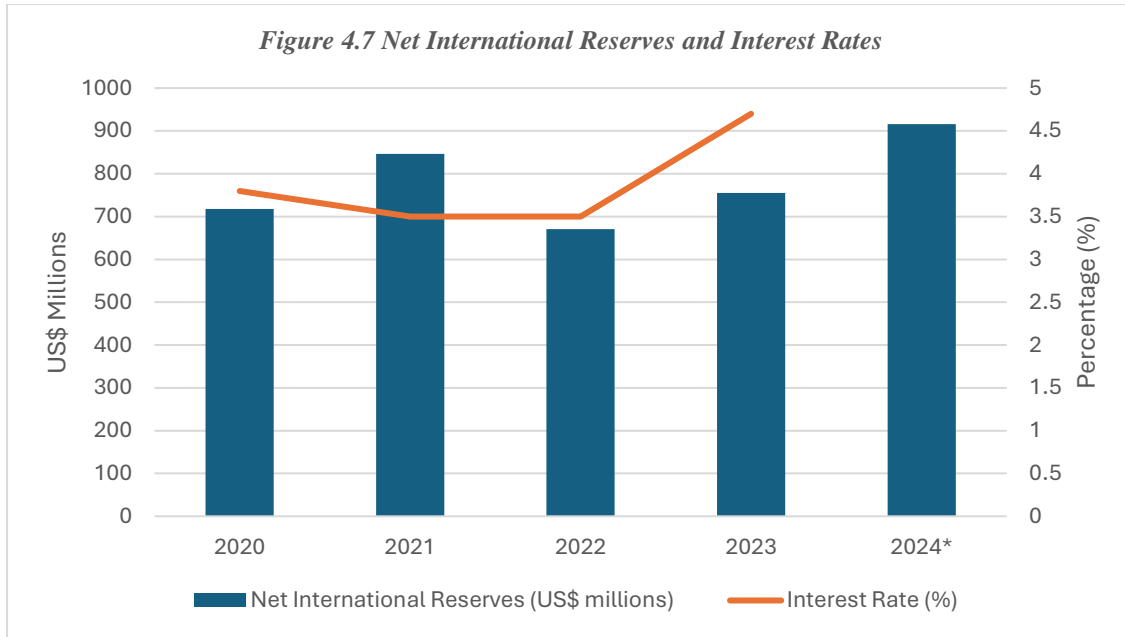


(*) estimate

Source: International Monetary Fund, World Economic Outlook Database, October 2024

4.7 Monetary Policy and Private Sector Credit Growth

Monetary policy in Lesotho has been cautiously supportive, with the central bank’s efforts to maintain robust net international reserves and a controlled interest rate environment. The increase in private sector credit growth to 12.5% in 2023 reflects an improving environment for business investment, a positive sign for economic diversification and employment. However, the balance between promoting growth and controlling inflation will remain a delicate task, particularly as interest rates have risen slightly in response to inflationary pressures. Continued support for private sector development will be key to broadening the economy’s base and fostering sustainable growth.



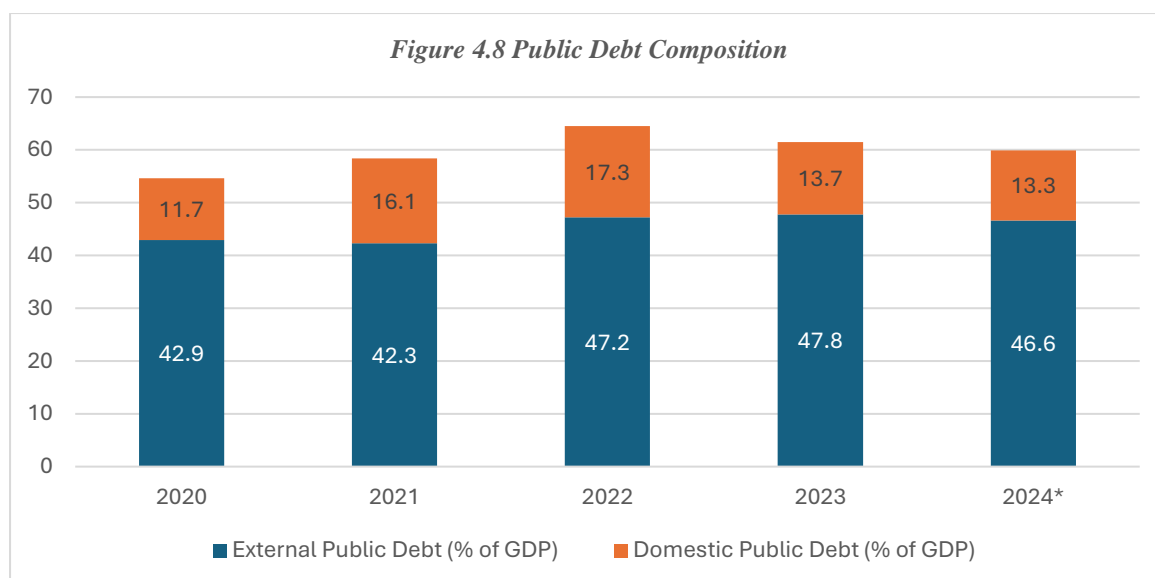
(*) estimate

Source: Central Bank of Lesotho

4.8 Public Debt and Fiscal Sustainability

Lesotho's fiscal situation has remained fragile in recent years, primarily due to declining revenues, driven by poor SACU revenue performance linked to the weak performance of the South African economy. However, the fiscal balance showed significant improvement, shifting from a deficit of 5.7% of GDP in 2022 to a surplus of 6.1% of GDP in 2023, largely due to a more than twofold increase in SACU revenues. Further improvement was noted as the fiscal surplus grew from 1% of GDP in December 2023 to 4.5% in June 2024, supported by increased SACU revenues and water royalties. On the expenditure side, the implementation of the Public Procurement Act of 2023 helped to curb the growth of spending on goods and services. Despite these gains, progress on clearing arrears has been limited. These arrears have accumulated due to past fiscal deficits and persistent weaknesses in public financial management and procurement processes.

Public debt is a major concern for Lesotho, particularly the high external debt share, which exposes the country to exchange rate risks. While total debt as a percentage of GDP is projected to decline to 59.9% by 2024, the heavy reliance on external financing underscores fiscal vulnerabilities. Managing this debt load while preserving room for growth-oriented spending will require careful fiscal discipline. The recent reduction in domestic debt is a step in the right direction, allowing for a reallocation of resources towards development investments, but external debt management must remain a priority.



(*) estimate

Source: Central Bank of Lesotho

4.9 Key Drivers and Challenges of Economic Transformation

It is important to note that Lesotho's primary development challenge lies in the lack of structural transformation. This stems from weak linkages between agriculture and industry, limited value addition, low agricultural productivity, significant infrastructure deficits, and weak institutional

Lesotho's economic transformation has been shaped by government support, sectoral growth in agriculture and finance, and rising private sector investment. Government spending has provided stability, particularly post-COVID-19, with agriculture and finance growing as resilient sectors—agriculture adapting to local demand and finance benefiting from digitalization. Private sector credit growth, reaching 12.5% in 2023, signals increased investment confidence and potential for job creation. Purchasing power improvements suggest rising income levels and economic well-being.

However, significant challenges remain. Heavy reliance on government spending and manufacturing exposes the economy to risk if these sectors face downturns. Inflationary pressures and external sector vulnerabilities due to import dependency further complicate growth prospects, while high public debt, particularly external debt, presents fiscal risks. Addressing these challenges through prudent fiscal and monetary policy, sectoral diversification, and debt management will be essential for sustainable growth.

Lesotho's economy has shown resilience, supported by government initiatives, sectoral shifts, and private investment growth. Despite positive trends, inflation, external sector vulnerabilities, and high public debt pose challenges. Achieving sustained growth will require balanced policies, a diversified economic base, and careful debt management.

5.0 SOCIAL DEVELOPMENT ANALYSIS

This chapter adopts a life cycle approach to assess the progress and challenges in the fulfilment of fundamental human rights in Lesotho. By examining key stages of life—from pregnancy and early childhood, through school-age children and adolescents, to youth, adults, and elders—the analysis identifies both notable achievements and remaining deprivations in realizing these rights.

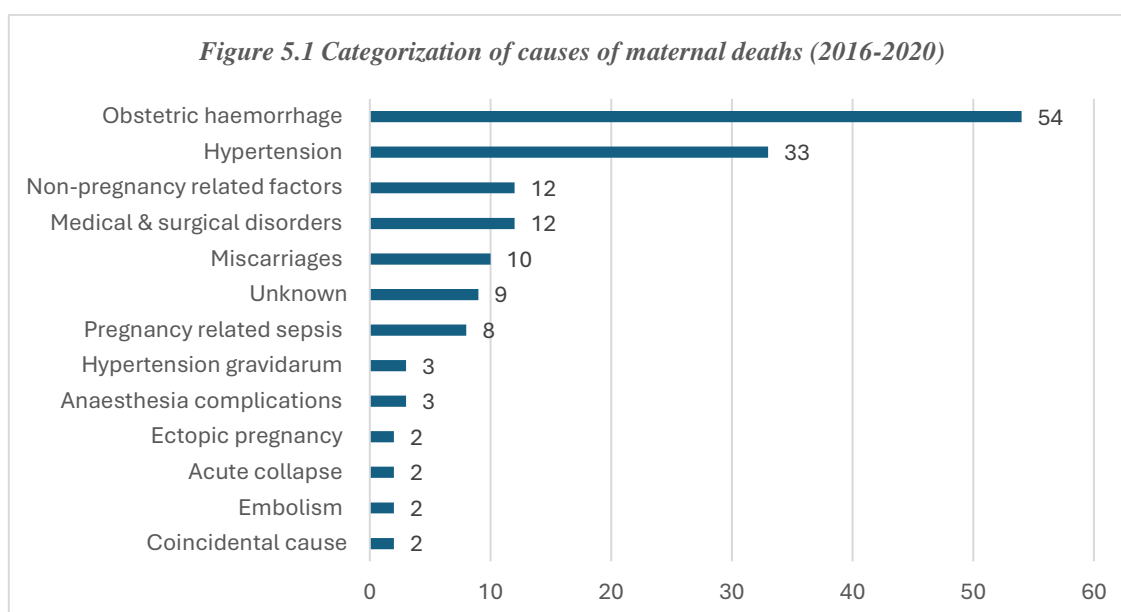
The chapter focuses on five essential rights that underpin human development and well-being: the right to health, the right to nutrition, the right to food security, the right to education, and the right to live free from poverty. By tracking progress across these rights at different stages of life, this analysis offers a comprehensive understanding of how far Lesotho has come in fulfilling these commitments and where further action is needed to ensure equitable access and opportunity for all its citizens.

5.1 Child Health

5.1.1 Pregnancy and young children in early childhood – A good start to life

Maternal mortality in Lesotho continues to be a pressing concern, requiring stronger coordination across various sectors. In 2016, the maternal mortality ratio was 618 per 100,000 live births, which improved slightly to 566 per 100,000 by 2020. However, this progress remains insufficient when compared to the Sexual, Reproductive, Maternal, New-Born Child, Adolescent Health and Nutrition (SRMNCAH & N) strategic target of reducing the rate to below 300 per 100,000 by 2025.

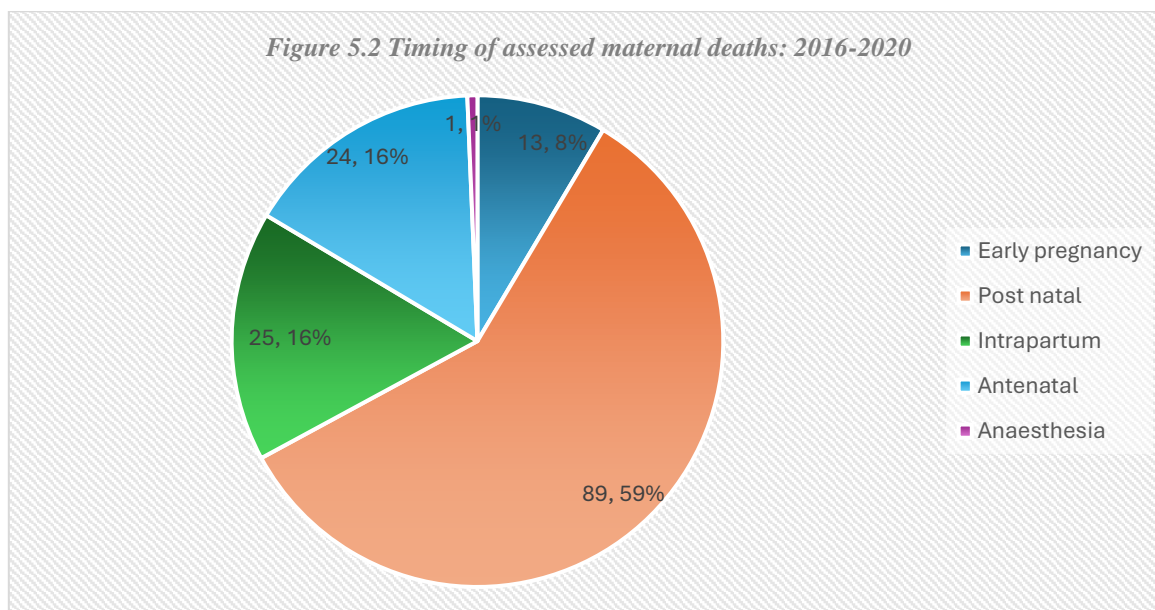
The leading causes of maternal deaths during the period from 2016 to 2020 highlight several critical challenges. Obstetric haemorrhage was the most common cause, responsible for 54 deaths, followed by hypertension, which contributed to 33 deaths. Other direct causes, including miscarriages, pregnancy-related sepsis, and anaesthesia complications, also played a significant role. Indirect causes such as medical and surgical disorders and non-pregnancy-related factors contributed to 12 deaths each, reflecting the broader health system challenges that affect maternal outcomes.



Source: Ministry of Health Lesotho

In terms of timing, most maternal deaths occurred during the postnatal period, with 89 deaths recorded. The intrapartum and antenatal periods saw 25 and 24 deaths, respectively, while 13 deaths occurred during early pregnancy. One maternal death was linked to complications from anaesthesia. These

figures emphasize the need for targeted interventions at each stage of pregnancy and childbirth to reduce the risk of maternal death.



Source: Ministry of Health Lesotho

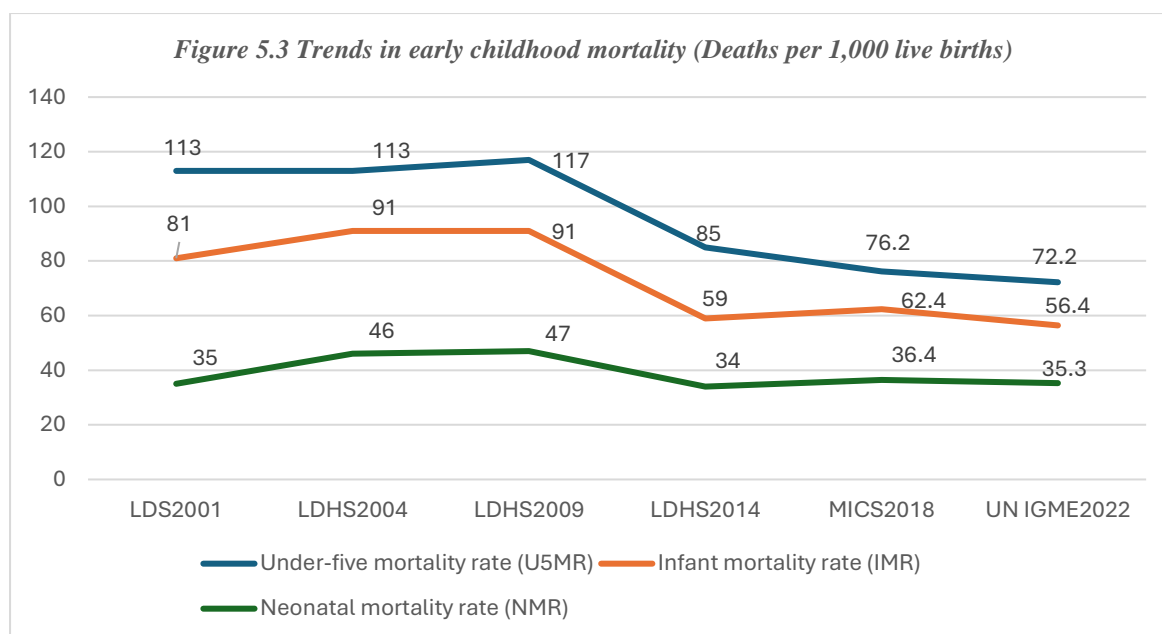
To address these issues, the Ministry of Health has implemented several strategies, including the m-mama project aimed at improving maternal and newborn health. Additionally, efforts to enhance the reporting of maternal deaths, both at healthcare facilities and at the community level, are crucial steps towards better understanding and addressing the causes and timing of these deaths.

5.1.2 Under-5, infant and neonatal mortality rates¹⁶

Over the period from 2001 to 2022, Lesotho achieved notable reductions in child mortality, largely due to key health policies and interventions aimed at improving healthcare access and outcomes. The under-five mortality rate (U5MR) declined from 113 deaths per 1,000 live births in 2001 to 72.2 deaths per 1,000 live births by 2022, marking a reduction of 36%. This progress highlights efforts to strengthen healthcare systems, particularly through enhanced immunization coverage, improved maternal and child health services, and broader disease prevention strategies. However, the high mortality rates among children under five are still influenced by significant challenges such as inadequate maternal and child healthcare services, poor nutrition, and the prevalence of infectious diseases like HIV/AIDS and pneumonia. Malnutrition remains a critical factor, weakening children's immune systems and increasing susceptibility to diseases, particularly in rural areas where access to skilled healthcare professionals and emergency referrals is limited.

The neonatal mortality rate (NMR) saw a slower reduction, decreasing from 35 deaths per 1,000 live births in 2001 to 35.3 deaths per 1,000 live births in 2022, indicating persistent gaps in neonatal care that require further attention. While broader child health interventions have shown success, more focused policies are needed to enhance maternal health services, ensure skilled birth attendance, and improve neonatal intensive care to prevent newborn deaths. The infant mortality rate (IMR) also saw a decline, from 81 deaths per 1,000 live births in 2001 to 56.4 deaths per 1,000 live births in 2022.

¹⁶ Estimates generated by the UN Inter-agency Group for Child Mortality Estimation (UN IGME) in 2024



Source: Lesotho Demographic Surveys (2001-2014); Multiple Indicators Cluster Survey (2018); UN Inter-agency Group for Child Mortality Estimation (2022)

Lesotho's health policies have driven significant reductions in U5MR and IMR, yet the slower progress in reducing NMR highlights the need for targeted interventions in neonatal care. Gaps in maternal and neonatal health services, especially in rural areas, continue to present challenges, while malnutrition and infectious diseases exacerbate child mortality rates. Strengthening healthcare infrastructure, improving access to skilled healthcare professionals, and expanding emergency referral systems remain critical steps. Additionally, focusing on enhancing nutrition and scaling up disease prevention programs will be essential to further reduce child mortality across all age groups in the country.

Despite these achievements, the country still needs to make concerted efforts toward further reduction of child mortality to meet the Sustainable Development Goals (SDGs) of reducing under-five mortality to 25 per 1,000 live births and neonatal mortality to 12 per 1,000 live births by 2030.

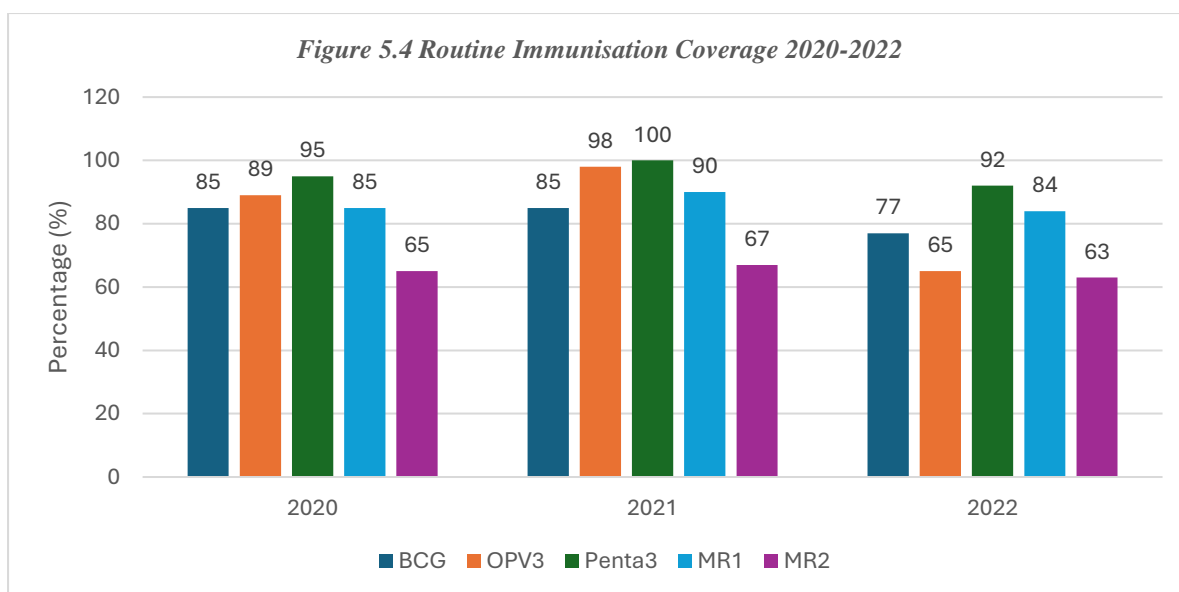
Volunteerism can be among the key pathways to addressing antenatal and neonatal health challenges. As per the *National Strategic Plan for Integrated Early Childhood Care and Development (IEECD) (2013/14-2017-28)*¹⁷, volunteers are involved in antenatal and neonatal education and home visits for pregnant women. The IEECD also highlights that training should be provided for volunteers and professionals to be able to provide health services. It is crucial to engage different groups of community members to contribute to the countries' efforts to address health issues.

5.1.3 Routine Immunization Performance

The Expanded Programme on Immunization (EPI) in Lesotho has been key in reducing vaccine-preventable diseases (VPDs) by promoting immunization services. Between 2020 and 2022, Lesotho showed strong progress in several areas, though some challenges remain. For instance, BCG coverage, crucial for preventing tuberculosis, remained consistently high, increasing from 85% in 2020 to 92% in 2022. OPV3 coverage also showed positive trends, peaking at 100% in 2021, though it slightly dropped to 84% in 2022, signalling a need for careful monitoring.¹⁸

¹⁷https://planipolis.iiep.unesco.org/sites/default/files/ressources/lesotho_integrated_early_childhood_care_development_strategic_plan.pdf

¹⁸ Ministry of Health Lesotho. Health Sector Annual Joint Review Report 2022/2023



Source: Ministry of Health Lesotho

Penta3 coverage, which protects against five serious childhood diseases, maintained high levels, ranging from 94% to 98% over the period. This reflects well on Lesotho's commitment to immunizing children. However, measles-rubella (MR1 and MR2) coverage was significantly lower, staying below 70% for most of the period. This gap poses a risk for future outbreaks and may require stronger public health campaigns to encourage vaccine uptake.

To strengthen immunization efforts, Lesotho developed the National Polio Outbreak Preparedness and Response Plan in 2022, outlining how to respond effectively to polio outbreaks. Additionally, new guidelines on Adverse Events Following Immunization (AEFI) ensure the safety of vaccine administration, building public confidence in vaccines. The country is also revisiting its 2010 EPI policy to improve leadership and coordination, and in 2022 reintroduced the Human Papillomavirus (HPV) vaccination campaign for girls aged 9-14, targeting 128,558 girls nationwide.¹⁹

It is important to note that while Lesotho's EPI program has achieved high coverage for vaccines like BCG, OPV3, and Penta3, gaps remain in measles-rubella coverage. Addressing these issues through targeted public health campaigns, improving rural access, and reinforcing leadership in the immunization program will be crucial for sustaining progress and meeting global health targets.

5.1.4 Maternal and Child Nutrition

Lesotho has made gradual improvements in maternal and child nutrition over the past decade, but challenges remain. The prevalence of stunting in children under five years decreased from 37.5% in 2012 to 31.8% in 2022.²⁰ This decline in stunting reflects some progress in improving child nutrition, but the rate is still high, indicating that chronic malnutrition remains a significant issue. Stunting not only affects children's physical growth but also impairs cognitive development, which can have long-term impacts on learning and economic productivity.

Malnutrition remains a leading cause of child mortality in Lesotho, with stunting rates exceeding emergency thresholds of 30% in seven out of ten districts. Stunting is more prevalent in rural areas, where 36% of children are affected, compared to 28% in urban areas.²¹ This disparity highlights the

¹⁹ Ibid

²⁰ FAO, IFAD, UNICEF, WFP and WHO. 2024. The State of Food Security and Nutrition in the World 2024 – Financing to end hunger, food insecurity and malnutrition in all its forms. Rome.

²¹ Lesotho Nutrition and Health System Strengthening project, June 4, 2021

challenges faced by rural populations, including limited access to nutritious food and healthcare. The situation is particularly severe among children aged 2–23 months, who are in critical stages of growth and development. Stunting rates are alarmingly high (58%) among children of illiterate women, reflecting the broader impacts of maternal education on child nutrition. Additionally, children born to adolescent mothers face higher stunting rates (39%), underscoring the vulnerability of young mothers and their children. Despite these challenges, there has been some progress, with a 6% reduction in stunting over the past five years. This improvement is a positive sign, but addressing malnutrition in rural areas and among the most vulnerable populations remains a critical priority for improving child health outcomes in Lesotho.

In terms of maternal health, the prevalence of anaemia in women aged 15-49 years showed a slight improvement, decreasing from 28.3% in 2012 to 27.9% in 2022.²² While the reduction is minimal, it highlights persistent challenges in addressing iron deficiency and other nutritional gaps among women of reproductive age. Anaemia is a critical concern as it increases the risk of maternal and perinatal mortality, affects women's productivity, and impacts the overall well-being of families. Improving access to nutritious food, particularly for pregnant and lactating women, is crucial to addressing these maternal health challenges.

5.2 Situation Analysis of Youth and Adolescents in Lesotho

Youth and adolescents in Lesotho face a range of challenges, including access to education, health services, and economic opportunities. This analysis highlights the current situation using recent statistics, supported by tables and graphs for a clearer understanding of the issues affecting young people. Young people form part of the highly mobile population usually living and travelling between Lesotho and South Africa primarily for work in the formal and informal sectors such as mining, domestic work, industrial textiles, and farm work. This movement occurs through official borders and a significant number of travellers using unofficial crossing points increasing irregular human mobility leading to risk of labour exploitation, human trafficking and limited access variety of services including health and non-health services.²³

5.2.1 Education and Skills Development

Access to education is crucial for youth development in Lesotho, yet there are significant disparities at various levels of schooling. For ages 10-14, the enrolment rate is high at 95%, but this drops to 68% for ages 15-19 and further to 45% for ages 20-24. Correspondingly, dropout rates increase with age, with 32% of adolescents aged 15-19 and 55% of those aged 20-24 leaving school.²⁴

Gender disparities in education are significant, with girls facing additional challenges such as teenage pregnancies that contribute to higher dropout rates. The enrolment rate for females in secondary education is 64%, compared to 72% for males, while dropout rates are higher for females at 36%, compared to 28% for males.²⁵ Economic barriers, especially in rural areas, further exacerbate the challenge, as many families cannot afford schooling costs.

²²FAO, IFAD, UNICEF, WFP and WHO. 2024. *The State of Food Security and Nutrition in the World 2024 – Financing to end hunger, food insecurity and malnutrition in all its forms*. Rome.

²³ IOM, returnees situation analysis, 2020 and reintegration project report, 2021-2022

²⁴ UNICEF (2023). *Situation Analysis of Children, Adolescents and Youth in the Kingdom of Lesotho, Summary Report*. Maseru, Lesotho: UNICEF

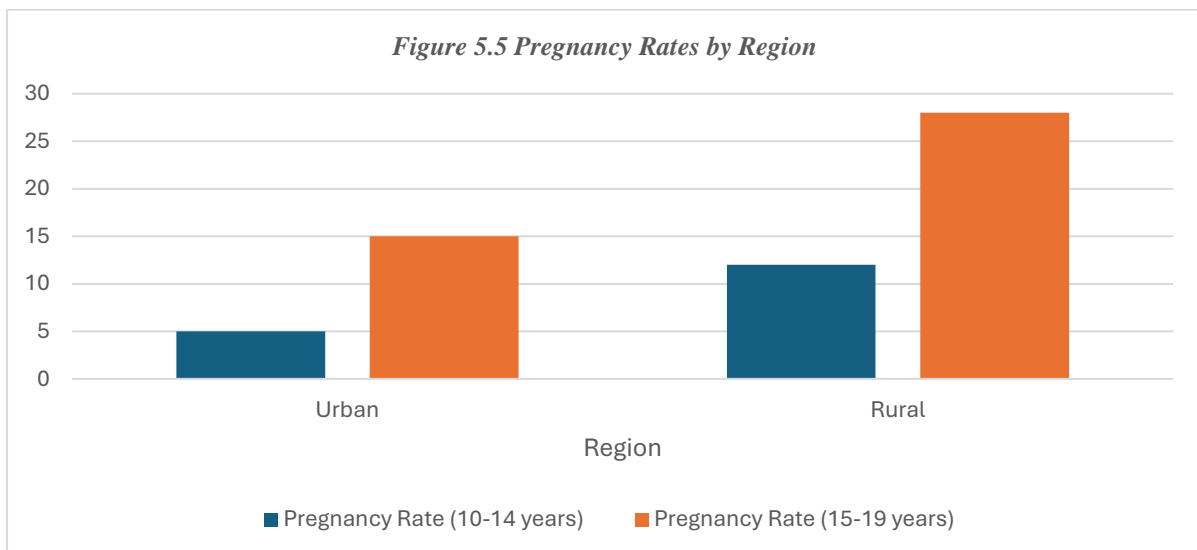
²⁵ UNICEF (2023). *Situation Analysis of Children, Adolescents and Youth in the Kingdom of Lesotho, Summary Report*. Maseru, Lesotho: UNICEF

5.2.2 Health and Well-being

Health issues among adolescents in Lesotho, such as high rates of teenage pregnancy, significantly impact their opportunities and future prospects. Teenage pregnancies are notably higher in rural areas, with a 12% pregnancy rate for girls aged 10-14, compared to 5% in urban areas. For the 15-19 age group, the pregnancy rate rises to 28% in rural areas, compared to 15% in urban areas.^{26,27}

The contraceptive prevalence rate (CPR) in Lesotho stands at 67%, with the modern contraceptive prevalence rate (mCPR) at 65.3%.²⁸ However, contraceptive use among adolescents aged 15-19 is significantly lower at 52.6%. The unmet need for family planning remains substantial at 13%, rising to 16.5% in remote, underserved areas and reaching 21.2% among adolescent girls aged 15-19. Alarming, 67% of adolescents aged 10-14 admitted to female and gynaecological wards suffer complications from unsafe abortions (2getehr4SRHR Endline Study). Factors contributing to high rates of teen pregnancy include limited comprehensive sexuality education, restrictive social and cultural norms, frequent stockouts of contraceptives, and insufficient access to adolescent-friendly health services.

To address these challenges, several initiatives are underway. Comprehensive Sexuality Education (CSE) has been institutionalized in teacher training at the Lesotho College of Education and integrated into the basic education curriculum. Efforts to enhance adolescent-friendly health services include capacity-building for service providers, demand generation for contraceptive access among youth, and strengthened condom programming. Family planning services are being provided both at static facilities and through outreach programs. Additionally, data is being generated and analysed to better understand the determinants of early and unintended pregnancies, enabling targeted interventions.



Source: Ministry of Health Lesotho

²⁶ Ministry of Health (2023). *Annual Joint Review Report 2022/23 Financial Year: Strengthening Health Systems for Better Health and Wellbeing*. Maseru, Lesotho: Ministry of Health

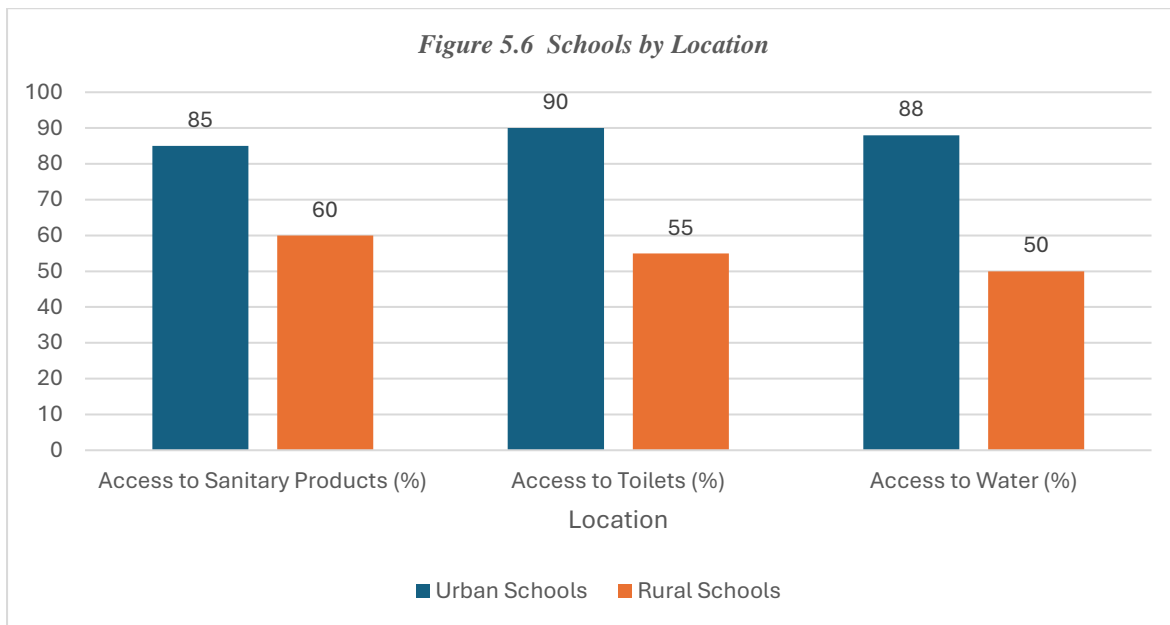
²⁷ Ministry of Health (2022). *Situational Analysis on Menstrual Health in Lesotho*. Maseru, Lesotho: Ministry of Health and UNFPA

²⁸ Ministry of Health [Lesotho] and ICF. 2024. *Lesotho Demographic and Health Survey 2023–24: Key Indicators Report*. Maseru, Lesotho, and Rockville, Maryland, USA: Ministry of Health and ICF

5.2.3 Menstrual Health

Women and girls in Lesotho experience similar difficulties to those faced across the Sub-Saharan Africa region. For many, menstruation presents a considerable obstacle to full engagement in daily life. It is estimated that around 13% of females between the ages of 15 and 49 report being unable to participate in social events, attend school, or go to work because of menstruation.²⁹

Menstrual health management (MHM) is another issue that affects school attendance among adolescent girls. Access to menstrual hygiene products and facilities is limited, especially in rural schools. Only 60% of rural schools provide adequate sanitary products, compared to 85% in urban schools. Access to toilets also differs, with 90% of urban schools providing adequate facilities compared to 55% in rural schools.³⁰



Source: Ministry of Health Lesotho

Limited access to proper menstrual hygiene products, insufficient facilities, cultural stigma, and fear of blood leakage contribute to the challenges faced by women and girls in Lesotho. The country struggles with inadequate menstrual products, lack of sanitation and water supply, and insufficient hand-washing facilities. Consequently, many women, particularly in disadvantaged areas, still rely on old cloths and rags to manage their periods.³¹

5.3 Economic Participation and Employment

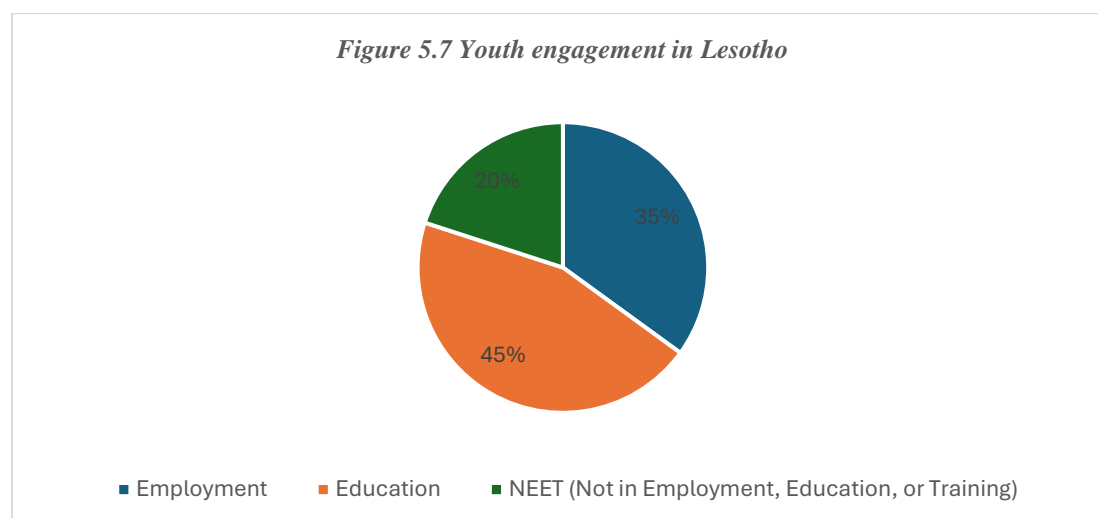
Youth unemployment is a critical issue in Lesotho, particularly among those classified as NEET (Not in Employment, Education, or Training). About 20% of youth fall into this category, indicating that a

²⁹ Mabekebeke, L., 2022. 13 percent of females lack sanitary pads. <https://maserumetro.com/news/health/13-percent-of-females-lack-sanitary-pads/#:~:text=As%20a%20result%2C%20many%20girls,menstruating%20being%20targeted%20with%20violence.>

³⁰ Ministry of Health (2022). *Situational Analysis on Menstrual Health in Lesotho*. Maseru, Lesotho: Ministry of Health and UNFPA

³¹ Mabekebeke, L., 2022. 13 percent of females lack sanitary pads. <https://maserumetro.com/news/health/13-percent-of-females-lack-sanitary-pads/#:~:text=As%20a%20result%2C%20many%20girls,menstruating%20being%20targeted%20with%20violence.>

significant number of young people are not engaged in economic activities or skill-building opportunities. Of those who are active, 35% are employed, and 45% are still in education.³²



Source: UNICEF Lesotho 2023

5.4 Social Protection and Support Systems

Lesotho has implemented various social protection programs to support vulnerable youth, such as the Child Grant Programme (CGP) and initiatives for Orphans and Vulnerable Children (OVC). However, these programs often do not reach all who need them, especially in rural areas. Expanding the reach and effectiveness of these programs could help reduce economic pressures on families, thereby improving educational and health outcomes for youth.³³

Programme Name	Objective(s)	Coverage	Characteristics
Public Assistance Programme (PAP)	Provide relief during shocks and address year-round vulnerability and poverty	12,710 people (2020)	Loosely defined eligibility; inefficiencies in application process
Child Grant Programme (CGP)	Combat poverty, food insecurity, and the HIV epidemic; support orphaned and vulnerable children	Launched in 2005-2006; Focus on orphaned and vulnerable children	Joint initiative of EU, UNICEF, and GoL; responds to HIV/AIDS impacts
Orphaned and Vulnerable Children Bursary	Support children’s secondary education from economically disadvantaged families	Economic disadvantaged families with children in secondary education	Covers school tuition, books, and boarding fees; inclusion errors in application
Disability Grant	Support persons with disabilities who are unable to work	222 persons with disabilities (2020)	Quarterly payment of LSL 400; Disability Equity Act in place

³² UNICEF (2023). *Situation Analysis of Children, Adolescents and Youth in the Kingdom of Lesotho, Summary Report*. Maseru, Lesotho: UNICEF

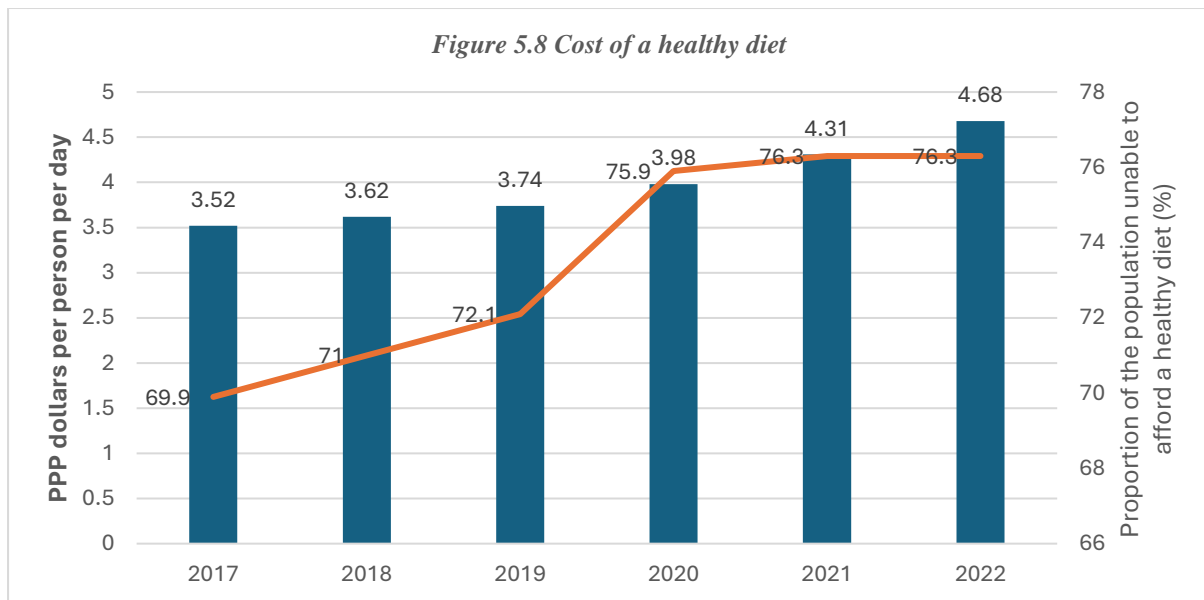
³³ UNICEF (2023). *Situation Analysis of Children, Adolescents and Youth in the Kingdom of Lesotho, Summary Report*. Maseru, Lesotho: UNICEF

Public Works Initiative	Address poverty and land degradation through environmental conservation works	0.5% of GDP (2020)	Cash transfer in exchange for environmental conservation work; deemed inefficient
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Source: UNICEF Lesotho 2023

5.5 Food Insecurity in Lesotho

Food insecurity in Lesotho has worsened in recent years, as indicated by various data points. The cost of a healthy diet has steadily increased, rising from 3.52 PPP dollars per person per day in 2017 to 4.68 PPP dollars in 2022. As food costs have increased, so too has the proportion of the population unable to afford a healthy diet, reaching 76.3% in both 2021 and 2022.³⁴ This means that over three-quarters of the population cannot afford the necessary nutrients for a healthy diet, reflecting a growing crisis in food affordability.



Source: FAO, IFAD, UNICEF, WFP and WHO. 2024. *The State of Food Security and Nutrition in the World 2024*

The prevalence of severe food insecurity between 2021 and 2022 was 32.8%,³⁵ further underscoring the depth of the problem. Severe food insecurity means households are likely to face significant disruptions in food consumption, such as skipping meals, reducing portion sizes, or going without food altogether. These conditions contribute to malnutrition and other health problems, especially among vulnerable populations like children and pregnant women.

The rising cost of food and the high rates of food insecurity directly impact the nutritional status of Lesotho's population, leading to both short- and long-term health consequences. Stunting in children and anaemia in women are partly driven by this lack of access to affordable, nutritious food. Tackling food insecurity through improved agricultural policies, social protection programs, and better market access is essential for improving the overall health and nutritional outcomes in the country.

³⁴ FAO, IFAD, UNICEF, WFP and WHO. 2024. *The State of Food Security and Nutrition in the World 2024 – Financing to end hunger, food insecurity and malnutrition in all its forms*. Rome.

³⁵ Ibid

5.6 HIV/AIDS AND TUBERCULOSIS

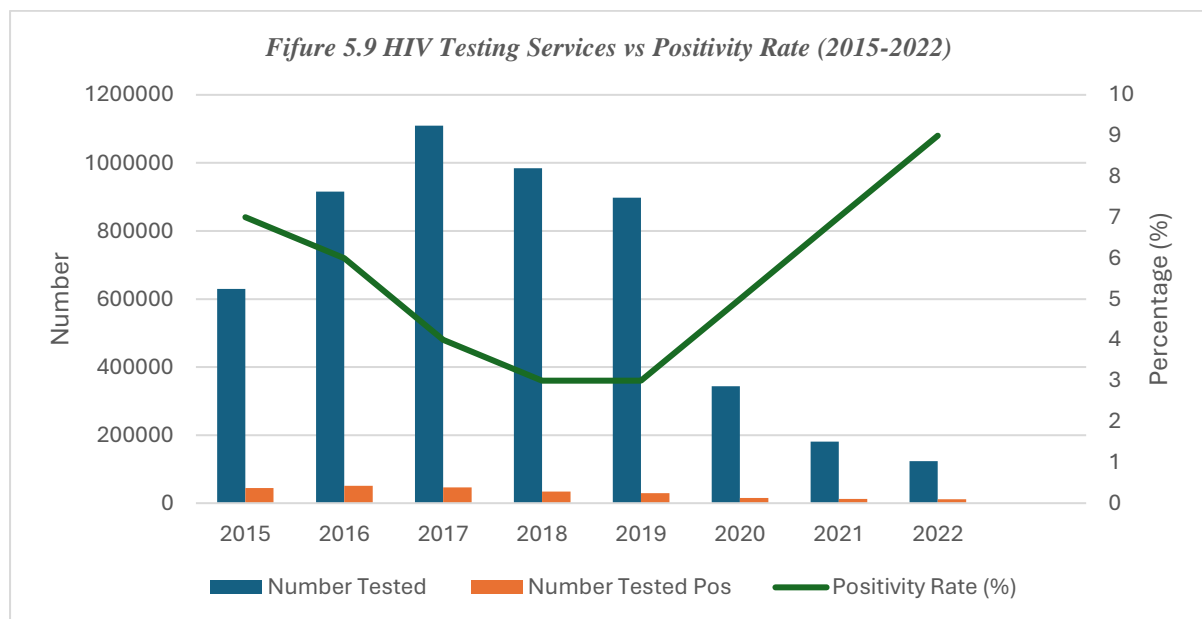
Lesotho faces critical public health challenges with one of the highest global HIV prevalence rates (18.5% among adults) and a severe tuberculosis (TB) burden, exacerbated by high TB/HIV co-infection rates. Despite progress toward global HIV targets, gaps in testing, treatment, and viral suppression persist, particularly among youth and mobile populations. Reliance on external funding and stigma-inducing legal frameworks further hinder sustainable progress. This analysis highlights the intersecting challenges of HIV and TB, emphasizing the need for targeted, rights-based interventions and sustainable solutions to reduce disease burden and improve health outcomes.

5.6.1 HIV/AIDS

Lesotho faces one of the highest HIV/AIDS burdens globally, with a prevalence of 18.5% among adults aged 15–49. This epidemic disproportionately affects young women aged 15–24, who make up 27% of new HIV infections in their age group, despite being only 10% of the population. This disparity underscores the urgent need to address gender-based vulnerabilities in the fight against HIV.

Significant progress has been made toward the 95–95–95 targets, with overall adult achievement at 95% for diagnosis, 94% for treatment, and 98% for viral suppression. However, there are notable gaps in coverage for children under 15 (95–84–96), young people aged 15–24 (85–83–97), and men (93–90–98). These groups require focused interventions to close the gaps in HIV testing, treatment, and viral suppression, especially among youth, where diagnosis and treatment rates remain low. High mobility with extended stays away from home among people living with HIV affect continuity of care and result in treatment disruptions and failure. This issue may be alleviated by using differentiated approaches to treatment delivery including cross-border collaborations.³⁶

From 2015 to 2022, the number of people tested for HIV showed a marked decline, with testing numbers peaking in 2017 at over 1.1 million and dropping sharply to just over 123,000 in 2022. Despite the reduction in testing, the positivity rate has risen, reaching 9% in 2022.³⁷ This suggests that testing is becoming more focused on high-risk individuals, though the lower overall testing numbers raise concerns about potential missed diagnoses in the general population.



Source: IOM Lesotho

³⁶ IOM (2024). Facilitating access to HIV, TB and Covid-19 services amongst Basotho migrants in a cross-border setting.

³⁷ Ministry of Health Lesotho. Health Sector Annual Joint Review Report 2022/2023

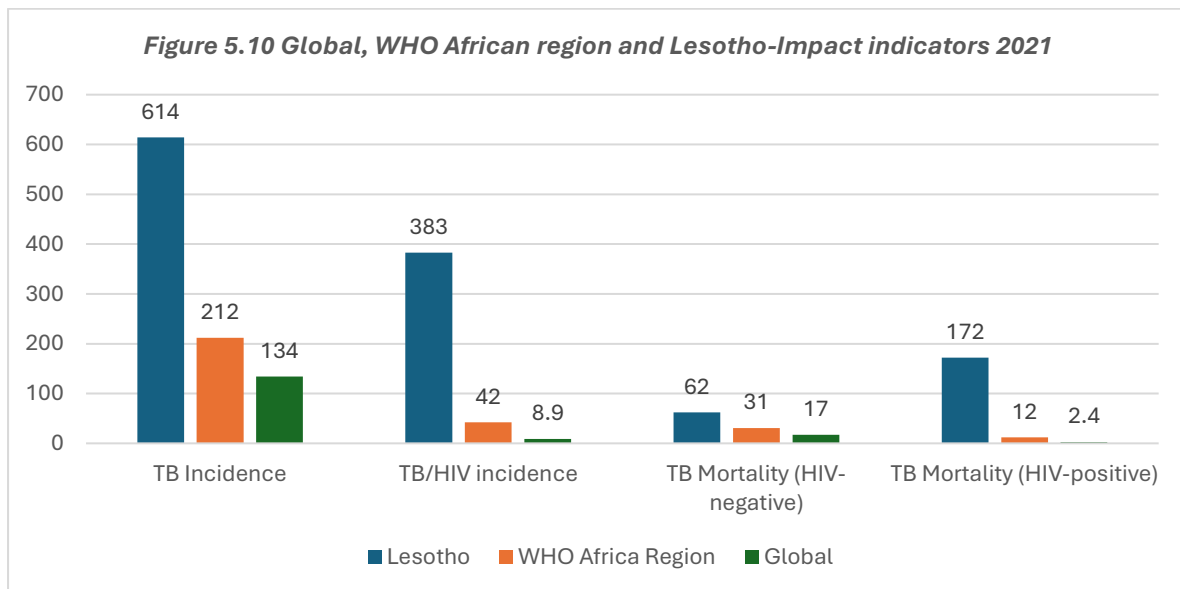
Lesotho’s HIV response relies heavily on external funding, with 60–70% of its HIV financing coming from international donors, such as PEPFAR and The Global Fund. The government covers 70% of the costs for first-line antiretrovirals (ARVs), but this reliance on external support highlights vulnerabilities in the sustainability of the HIV program. Strengthening domestic financing mechanisms will be key to ensuring the continuity of HIV services if external funding decreases.

Legal provisions in the Counter Domestic Violence Act, 2022 and the Sexual Offences Act, 2003 criminalize HIV transmission and include mandatory testing for those charged with sexual offenses. The inclusion of the death penalty for individuals who knowingly transmit HIV is concerning, as such measures can fuel stigma and discourage people from getting tested or treated. Reforming these laws is critical to aligning with human rights approaches and ensuring that legal frameworks support, rather than hinder, public health goals.

5.6.2 Tuberculosis

Lesotho faces a significantly higher burden of tuberculosis (TB) compared to both the WHO Africa Region and global averages. The TB incidence rate in Lesotho stands at 614 per 100,000 people, nearly three times higher than the WHO Africa Region average of 212 and over four times the global average of 134 per 100,000. The situation is even more concerning when it comes to TB/HIV co-infections, with Lesotho reporting an incidence of 383 per 100,000 people, in stark contrast to the WHO Africa Region’s 42 and the global average of 8.9 per 100,000.³⁸

TB mortality rates also highlight the severity of the epidemic in Lesotho. Among HIV-negative individuals, the TB mortality rate in Lesotho is 62 per 100,000, double the regional average of 31 and nearly four times the global average of 17. The mortality rate among HIV-positive individuals is particularly alarming in Lesotho, standing at 172 per 100,000, which is significantly higher than both the regional (12 per 100,000) and global (2.4 per 100,000) averages.³⁹



Source: WHO Global Tuberculosis Report

³⁸ World Health Organization. (2024). *Global tuberculosis report 2024*. Geneva: World Health Organization. Licence: CC BY-NC-SA 3.0 IGO.

³⁹ *Ibid*

These figures underscore the critical need for targeted interventions in Lesotho to address both the high TB incidence and the disproportionately high mortality rates, particularly among those co-infected with HIV.

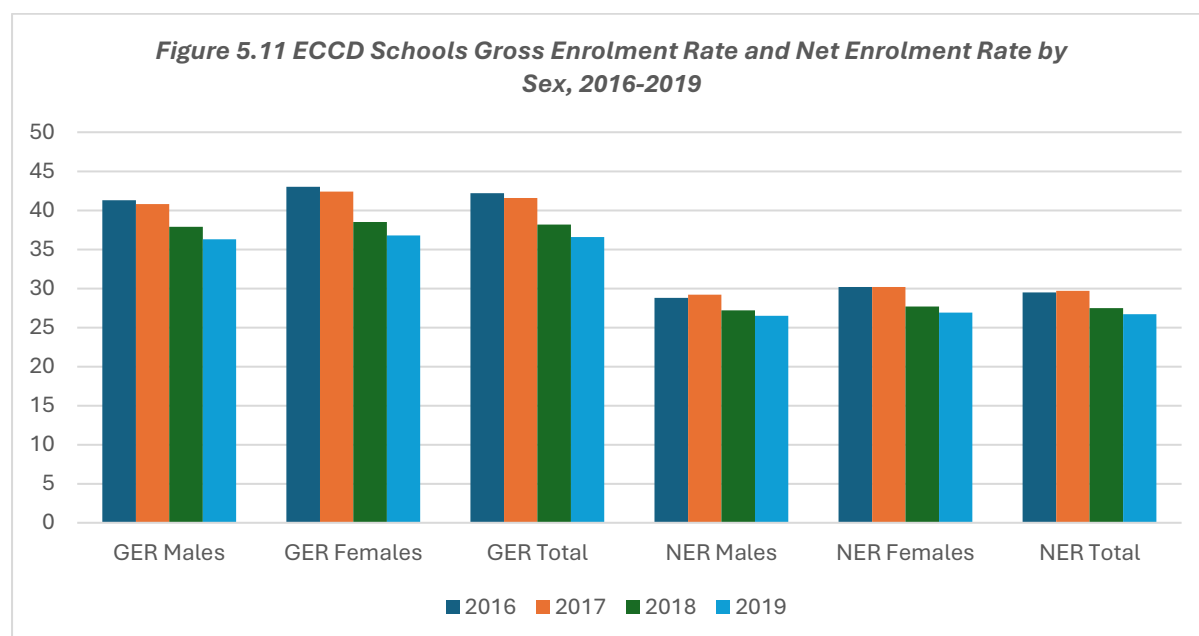
5.7 Education

The education system in Lesotho is confronted with numerous challenges that hinder the provision of quality education. These include high inefficiencies within the system, poor school governance, low retention rates at both primary and secondary levels, and unsatisfactory student learning outcomes. Additionally, many students graduate without the necessary skills to meet the demands of the job market.

In 2019, there were a total of 3,928 schools in Lesotho, including 2,094 ECCD schools, 1,486 primary schools, 348 secondary schools and 15 institutions of higher education.⁴⁰

5.7.1 Pre-primary-Early Childhood Care and Development (ECCD)

In Lesotho, pre-primary school is the formal Early Childhood Care and Development (ECCD) system for children aged 3-5, but most centres are informally run by private entities, communities, or NGOs, with limited government oversight. Despite policies like the National Policy and Strategic Plan for Integrated ECCD, weak multi-sectoral coordination hampers implementation. In 2018/2019, only 0.3 percent of the education budget was allocated to ECCD, leaving the sector underfunded, with untrained teachers and limited accountability. Increasing the budget would help expand access to quality pre-primary education, ensuring more children enrol at the correct age and stay in school through secondary education.



Source: Lesotho Government Education Statistics Bulletin

The enrolment data for Early Childhood Care and Development (ECCD) in Lesotho from 2016 to 2019 shows a consistent decline in both Gross Enrolment Rate (GER) and Net Enrolment Rate (NER) for

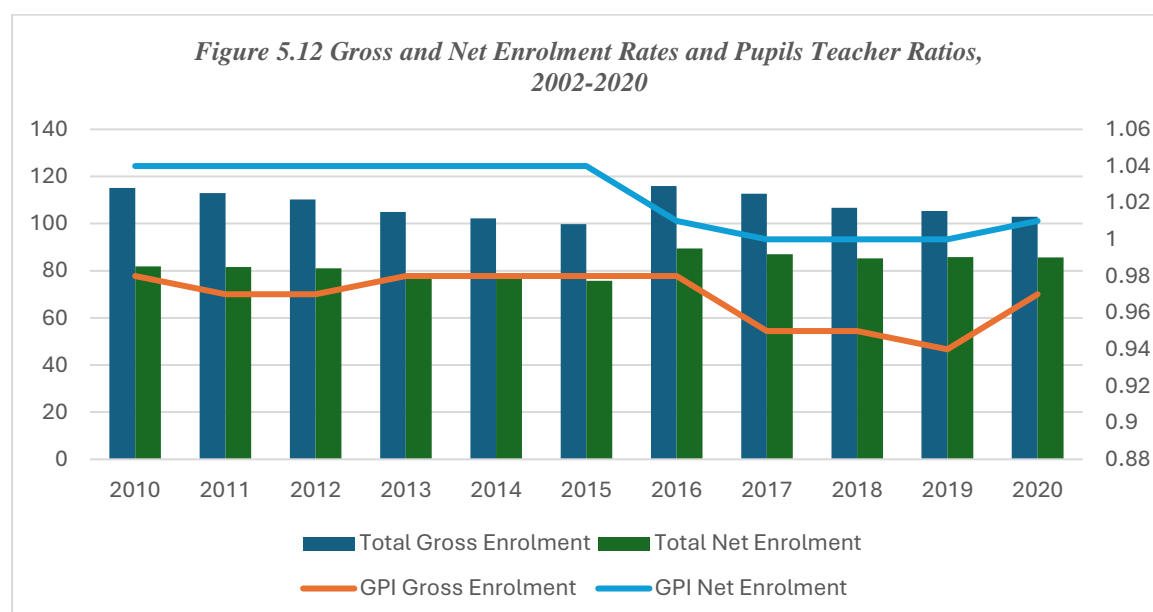
⁴⁰ Lesotho Government Education Statistics Bulletin, 2019. Ministry of Education and Training Planning Unit, Statistics Office: Maseru, Lesotho.

males and females. The total GER dropped from 42.2 percent in 2016 to 36.6 percent in 2019, with females consistently showing slightly higher rates than males (e.g., 43.0 percent vs. 41.3 percent in 2016 and 36.8 percent vs. 36.3 percent in 2019).

Similarly, the NER decreased from 29.5 percent in 2016 to 26.7 percent in 2019. Again, females had a small but consistent advantage over males, with NERs of 30.2 percent for females and 28.8 percent for males in 2016, and 26.9 percent for females compared to 26.5 percent for males in 2019. The gender differences are minor, typically within 1-2 percentage points, but the key issue is the overall decline in both GER and NER, reflecting broader challenges in ECCD access for all children in Lesotho.

5.7.2 Primary Education

The data from 2010 to 2020 shows a declining trend in both total gross enrolment and total net enrolment in primary education in Lesotho. Gross enrolment peaked in 2016 at 116 percent and gradually decreased to 102.9 percent by 2020. Similarly, net enrolment reached a high of 89.4 percent in 2016 but dropped to 85.6 percent in 2020. The Gender Parity Index (GPI) for both gross and net enrolment remains close to 1, indicating near gender balance throughout the period.



Lesotho Government Education Statistics Bulletin

However, a notable change occurred in 2017, when the GPI for gross enrolment dipped to 0.95, showing a slight imbalance favouring males. This recovered slightly by 2020. The pupil-teacher ratio (PTR) has shown a steady improvement, dropping from 34 in 2010 to 32.5 in 2020, which suggests improved teacher availability.

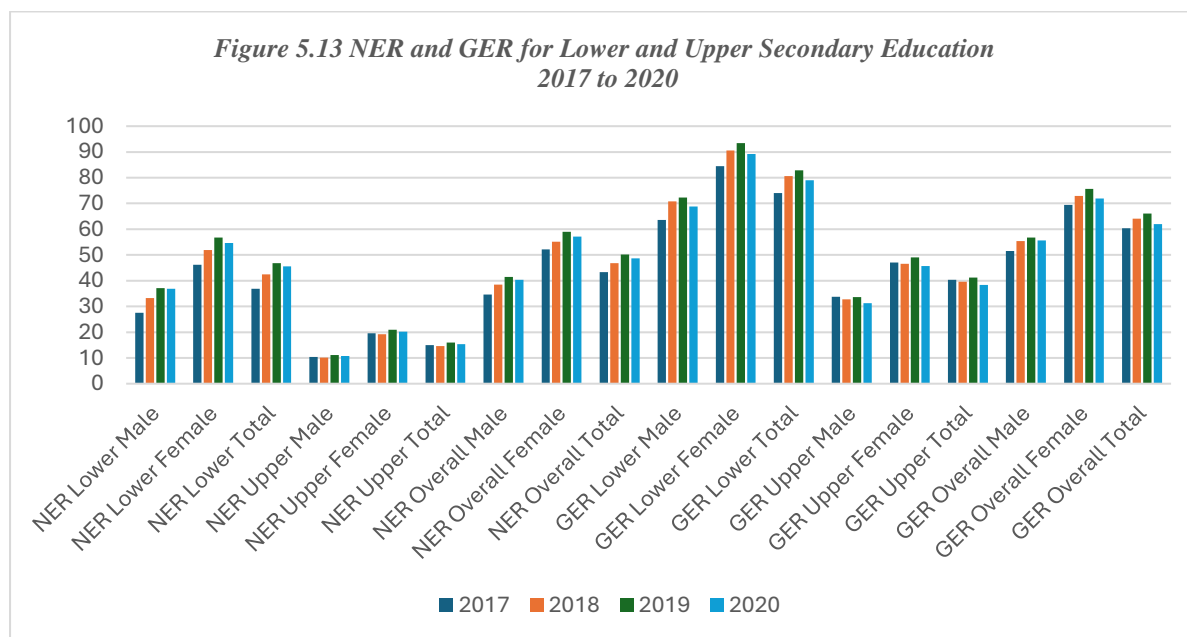
For policy purposes, addressing the declining enrolment rates while maintaining gender parity should be a priority. Additional efforts to sustain and improve enrolment rates, particularly in later years, are crucial, alongside continued focus on reducing the pupil-teacher ratio to ensure quality education. The *Lesotho Education Sector Plan 2016-2026*⁴¹ calls for mobilisation of communities to expand and increase voluntary support groups. It would be crucial to leverage the potential of volunteerism to bridge

⁴¹ https://www.globalpartnership.org/sites/default/files/education_sector_plan_2016-2026_lesotho_0.pdf

capacities gaps and engage the Lesotho population, including young women and men, in the improvement of the education enrolment rates and bringing the drop-outs back to school.

5.7.3 Secondary Education

The data on secondary education enrolment in Lesotho from 2017 to 2020 highlights several trends. Net Enrolment Rates (NER) for lower secondary education show a consistent increase for both genders, though females consistently outperform males. By 2020, the NER for females reached 54.6%, while for males, it was only 36.8%, indicating a persistent gender gap in access to lower secondary education. The NER for upper secondary education is notably lower, with females again leading at 20.2% in 2020, compared to 10.7% for males, showing limited access to upper secondary education overall.



Lesotho Government Education Statistics Bulletin

Gross Enrolment Rates (GER) for lower secondary education also reflect higher female enrolment, with females reaching 89.2% in 2020 compared to 68.8% for males. Although GER for upper secondary education remained stable, females continued to have higher enrolment rates, with a GER of 45.7% compared to 31.3% for males in 2020. The major contributors of absenteeism especially among young girls is menstrual poverty, teenage pregnancies and child marriage.

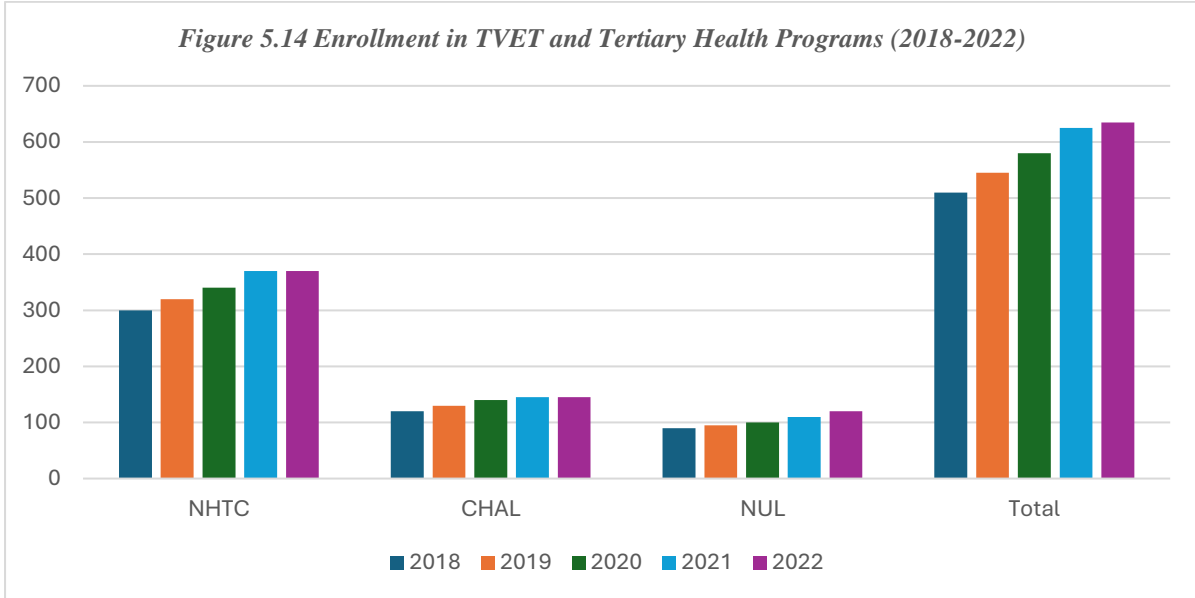
Overall, while access to secondary education has improved, the data highlights a persistent gender disparity, with females enrolling at significantly higher rates than males, especially in lower secondary education. Addressing this gender gap is crucial for ensuring equal access to education for both boys and girls in Lesotho.

5.7.4 Technical and Vocational Education (TVET) and Tertiary Education

The education sector in Lesotho, particularly the Technical and Vocational Education and Training (TVET) and Tertiary Education, plays a crucial role in developing a skilled workforce to support the nation's socio-economic development. These sectors are especially significant in the health domain, where institutions such as the National Health Training College (NHTC), the Christian Health Association of Lesotho (CHAL), and the National University of Lesotho (NUL) provide essential programs aimed at producing qualified healthcare professionals.

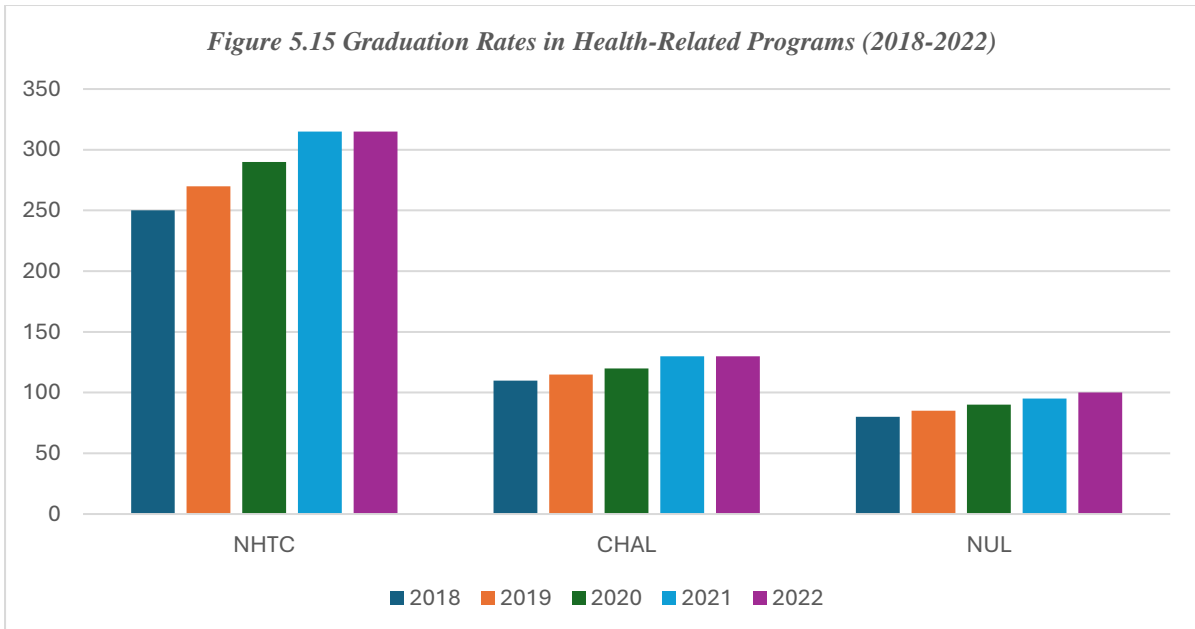
Enrolment and Graduation Trends

Over the period from 2018 to 2022, there has been a steady increase in enrolment at key institutions, demonstrating a growing demand for health-related education. NHTC, for example, increased its student enrolment from 300 in 2018 to 370 in 2022, while CHAL saw an increase from 120 to 145 over the same period.



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At NUL, enrolment in health-related programs also rose from 90 students in 2018 to 120 in 2022. These figures indicate the importance of TVET and tertiary education in equipping the healthcare sector with skilled professionals.



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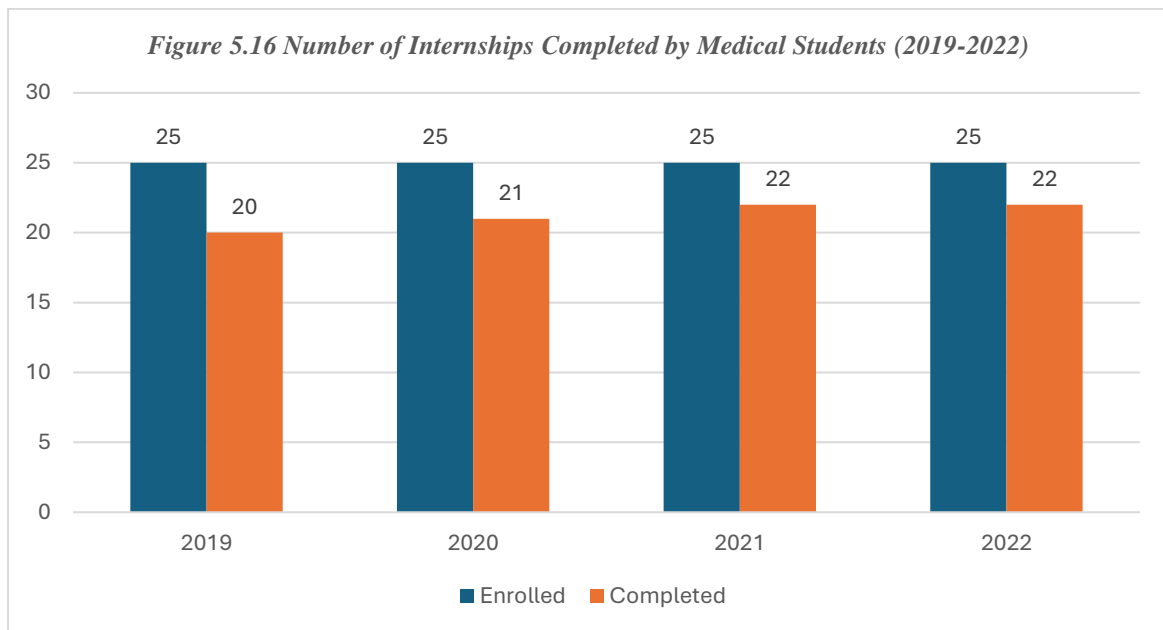
Graduation rates across these institutions have also remained strong, with an average of 85% of students graduating across NHTC and CHAL programs. This high graduation rate reflects the commitment of both students and institutions to meet the growing need for healthcare professionals in Lesotho.

Accreditation and Quality Assurance

Ensuring the quality of educational programs through accreditation is vital for maintaining high standards in the health education system. The Council on Higher Education (CHE) is responsible for accrediting programs to ensure compliance with national and international benchmarks. As of 2022, both CHAL and NUL had fully accredited programs, whereas NHTC continues to work on meeting accreditation standards, currently operating under probationary status. This is a key area for improvement, as fully accredited programs are essential for producing healthcare professionals whose qualifications are recognized globally.

Medical Internship Programs

In addition to undergraduate and diploma programs, internship opportunities are vital for ensuring that students gain practical, hands-on experience in the healthcare system. Between 2019 and 2022, a total of 100 students enrolled in medical internship programs, with 85 completing their internships successfully. The internship programs are integral to preparing medical students for the realities of healthcare delivery in Lesotho, equipping them with necessary clinical skills.



Lesotho Government Education Statistics Bulletin

Challenges Facing TVET and Tertiary Education

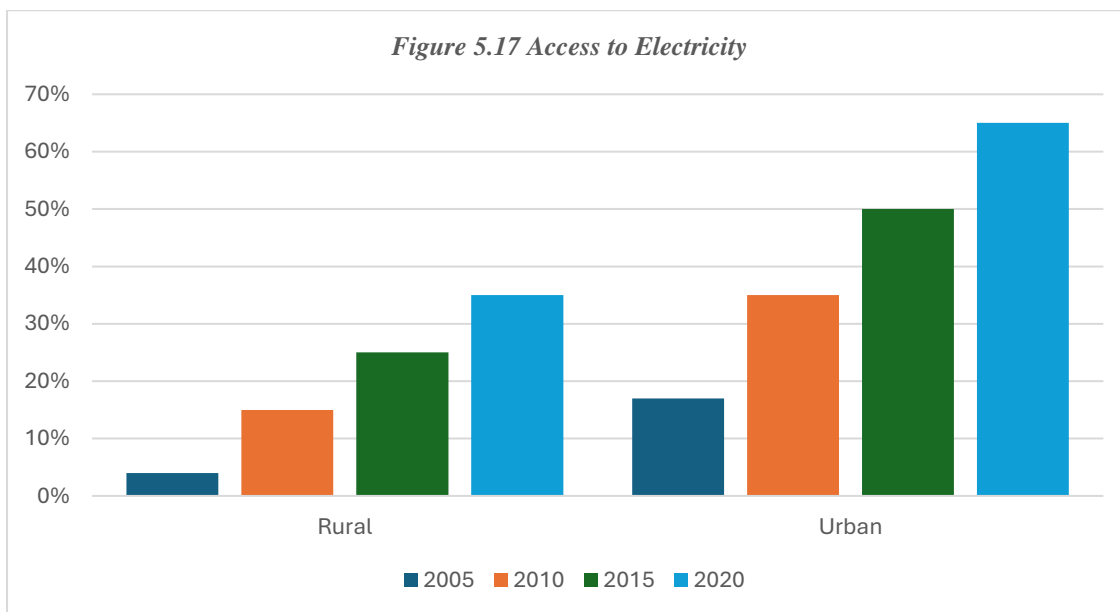
Despite positive trends in enrolment and graduation, the TVET and tertiary education sectors in Lesotho continue to face several challenges. One of the major obstacles is resource limitations, as many institutions struggle with outdated equipment and inadequate learning facilities, which negatively impact the quality of education provided. Additionally, accreditation issues persist, particularly for the National Health Training College (NHTC), which is still working towards meeting full accreditation standards. This lack of full accreditation can hinder the international recognition of its graduates. Another significant challenge is the retention of skilled graduates within the country, as many healthcare professionals seek better job opportunities abroad, further exacerbating the strain on Lesotho's healthcare system.

5.8 Access to basic services

The analysis of service access in Lesotho from 2005 to 2020 highlights significant disparities between rural and urban areas, underscoring the need for targeted policies to support more equitable development.

5.8.1 Electricity access

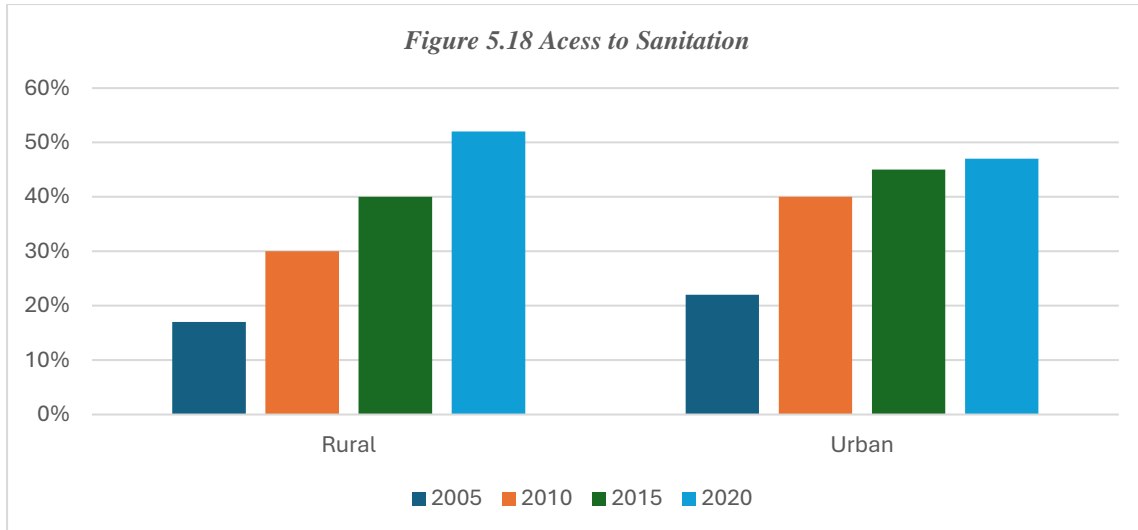
Electricity access has improved considerably, yet the rural-urban gap remains stark: by 2020, urban access reached 65%, while rural areas lagged at 35%. This disparity limits economic opportunities in rural communities, where electricity is essential for businesses, education, and healthcare. Policies should focus on expanding rural electrification, potentially through renewable energy solutions like solar power, to help bridge this gap and stimulate rural development.



Source: World Development Indicators

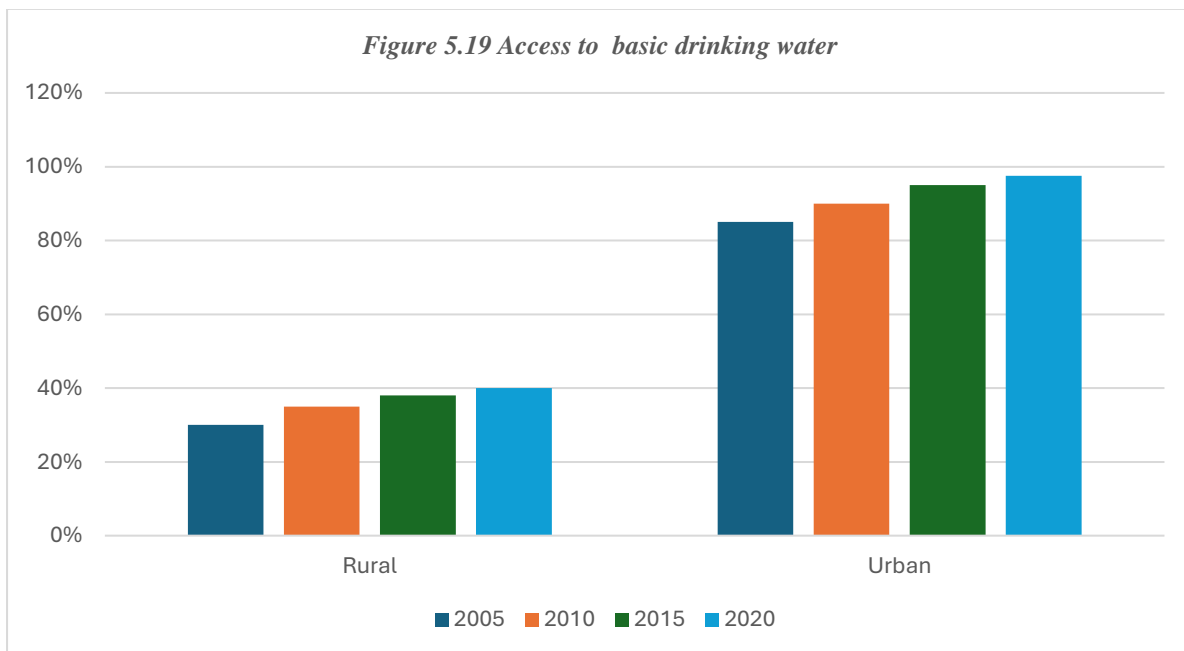
5.8.2 Sanitation access

Sanitation access also shows improvement, with rural areas achieving 52% access compared to 47% in urban areas by 2020, reflecting targeted rural sanitation efforts. Despite this progress, both regions remain underserved, indicating the need for ongoing investment in sanitation infrastructure, particularly as urban populations grow. Expanding sanitation access will promote public health by reducing disease transmission and enhancing overall community well-being.



Source: World Development Indicators

The starkest disparity is seen in water access. Despite Lesotho's status as a water-rich country that exports water to South Africa, rural access remains limited, increasing only modestly from 30% to 40% between 2005 and 2020, while urban access reached 97.5%. This discrepancy highlights the challenge of extending reliable water infrastructure to remote areas, where improved access is crucial for health, agriculture, and economic productivity. Addressing this gap through solutions like community-managed water systems or rainwater harvesting can better leverage Lesotho's water resources to support sustainable rural development.



Source: World Development Indicators

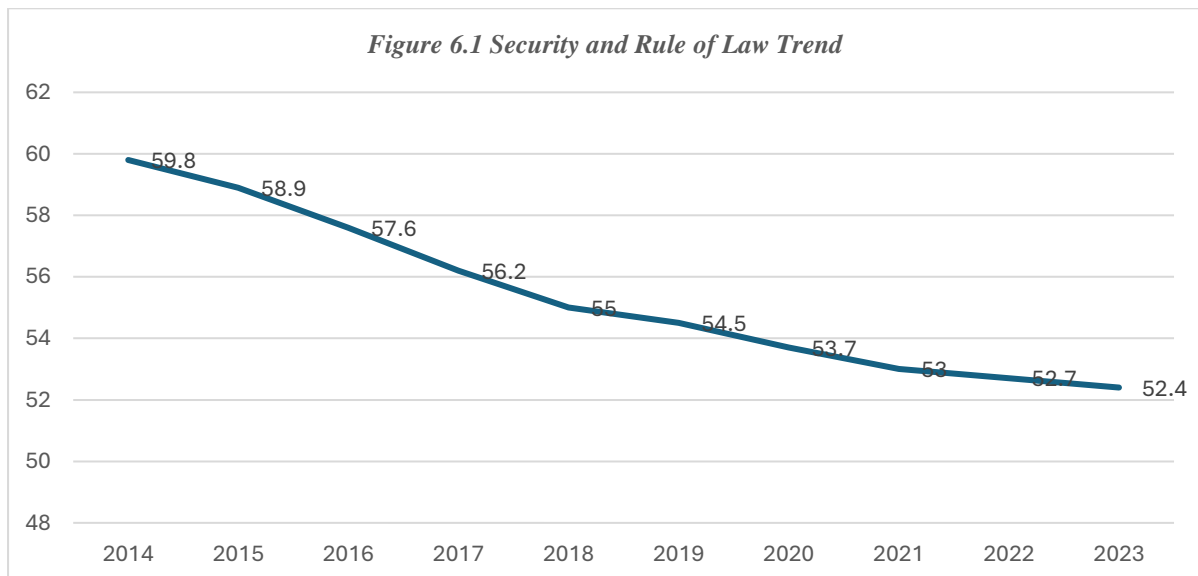
Bridging these urban-rural gaps in electricity, sanitation, and water access requires policies that prioritize rural infrastructure. Investing in these areas is essential for inclusive growth, improving quality of life, and reducing poverty for all Basotho while making the most of Lesotho's natural resources.

6.0 STATE AND SOCIETY RELATIONS IN LESOTHO

Lesotho’s governance and democratic landscape in 2024 reflect a complex relationship between the state and its citizens. With an Ibrahim Index of African Governance (IIAG) score of 53.9 out of 100, Lesotho ranks 21st out of 54 African nations, marking a delicate balance between achievements and persistent challenges across governance domains. The country’s decade-long governance score decline of 1.9 points highlights certain ongoing issues, although a recent slight upward trend in specific areas suggests the potential for future improvement. This section examines Lesotho’s performance in Security and Rule of Law, Participation, Rights and Inclusion, Foundations for Economic Opportunity, and Human Development, alongside an analysis of democracy that considers citizen demands for democratic governance and the perceived effectiveness of government in upholding democratic principles. Together, these assessments reveal insights into the evolving relationship between state and society in Lesotho.

6.1 Security and Rule of Law

In the 2024 IIAG, Lesotho’s Security and Rule of Law category scored 52.4 out of 100, ranking it 21st among African nations. This area experienced the most significant decline over the past decade, with a drop of 8.4 points attributed to issues in public confidence, institutional transparency, and law enforcement effectiveness.⁴² These challenges are reflected in low rankings for Public Perception of Security and Safety, indicating that citizens increasingly feel uncertain about safety and the effectiveness of law enforcement. Law Enforcement itself scores low, pointing to systemic deficiencies in policing and public protection mechanisms that contribute to citizens’ unease about the stability of their communities.



Source: Mo Ibrahim Foundation

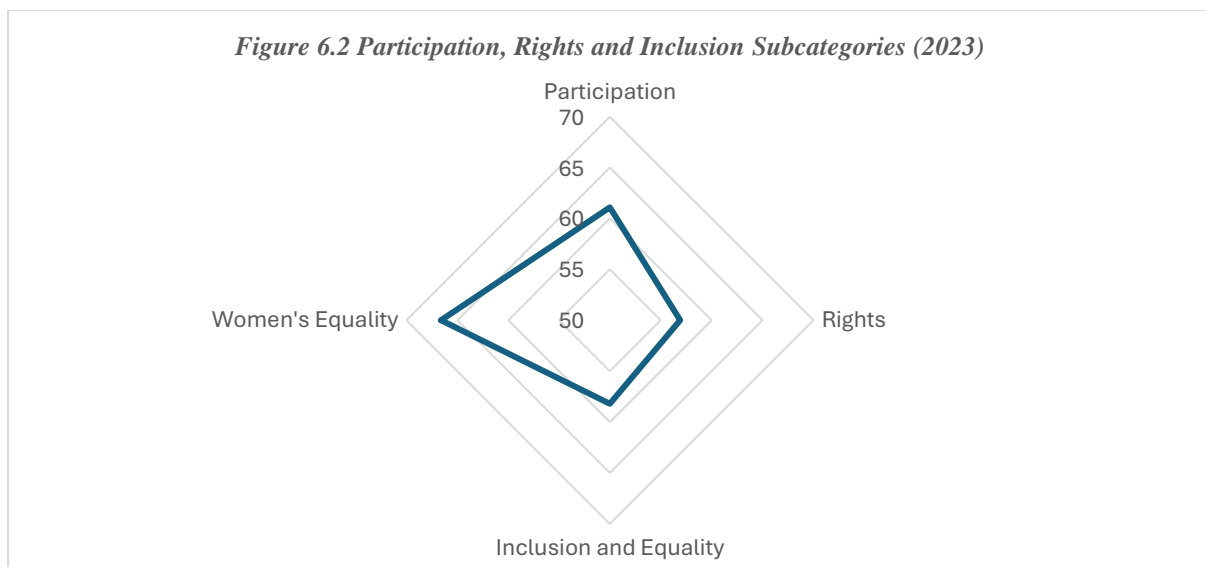
Corruption and transparency remain significant hurdles in this category. Declines in the Anti-Corruption and Accountability and Transparency subcategories illustrate the challenges Lesotho faces with corruption in public institutions, limited accessibility to government

⁴² Mo Ibrahim Foundation. (2024). *2024 IIAG Profile for Lesotho*. Retrieved from <https://mo.ibrahim.foundation/iiag>

records, and weakened accountability measures. The persistence of corruption within state institutions further erodes public trust in the government's ability to govern with integrity. Addressing these issues will require not only institutional reforms but also a concerted push for increased transparency and accountability to foster a more stable and secure governance environment.

6.2 Participation, Rights and Inclusion

Lesotho's score in the Participation, Rights and Inclusion category stands at 60.7, placing it 14th across African countries.⁴³ This category encompasses civil liberties, political representation, and inclusivity, areas that demonstrate relative strength compared to Lesotho's other governance categories. A particular highlight is Lesotho's improvement in Women's Equality, marked by recent strides in political representation, access to public services, and legal protections for women. These achievements in gender inclusivity are reflected in recent laws on violence against women, and increasing societal acceptance of female leadership further supports this trend toward gender equality.



Source: Mo Ibrahim Foundation

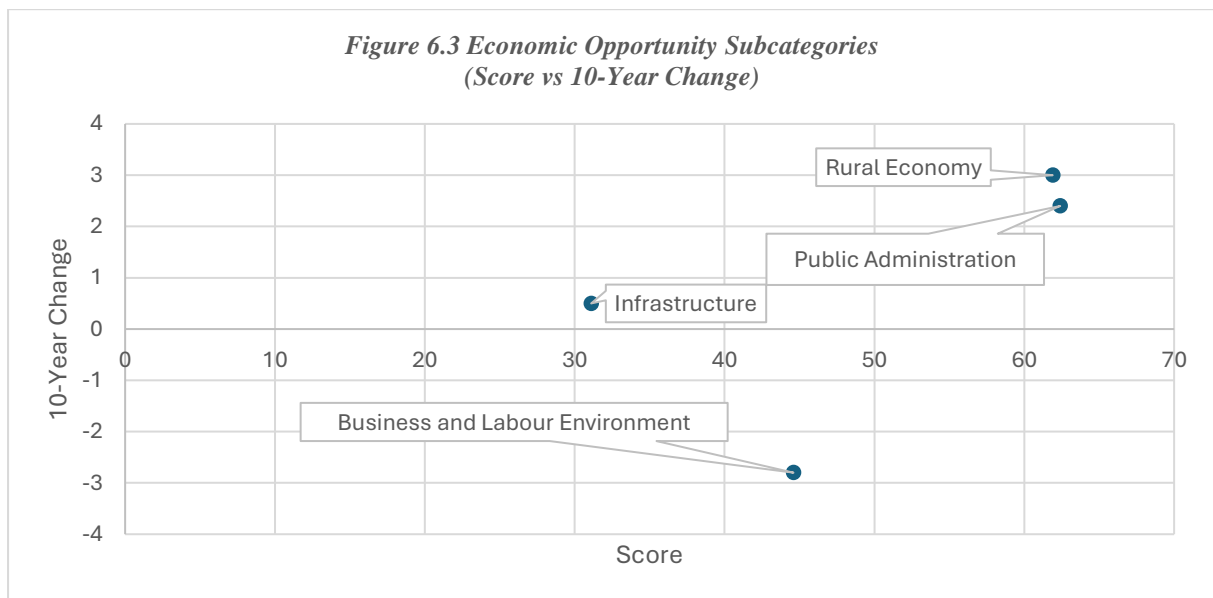
Despite these positive developments, challenges remain, especially in the Rights subcategory. Declines in Media Freedom and Digital Freedom point to rising restrictions on civil liberties that impact citizens' ability to express themselves and access digital information freely. These reductions in freedom reflect a complex environment where certain aspects of civil liberties progress while others experience setbacks. Addressing these challenges will require ensuring protections for freedom of expression, enhancing the transparency of media institutions, and reinforcing mechanisms for public accountability.

⁴³ Mo Ibrahim Foundation. (2024). *2024 IIAG Profile for Lesotho*. Retrieved from <https://mo.ibrahim.foundation/iiag>

6.3 Foundations for Economic Opportunity

Lesotho’s score in Foundations for Economic Opportunity stands at 50.0, ranking 24th among African countries.⁴⁴ While this score suggests a need for substantial improvement, there are some positive developments that lay the groundwork for economic growth. Gains in Access to Banking Services and Regional Integration indicate progress in expanding economic networks and improving financial inclusivity, providing essential tools for small businesses and economic diversification.

Despite these advancements, Infrastructure and the Business and Labour Environment are areas of notable concern. Insufficient digital connectivity, reliable transportation, and utility services restrict broader economic development and create barriers to foreign and domestic investment. With an infrastructure rank of 39, the lack of connectivity and energy resources limits Lesotho’s capacity to cultivate a business-friendly environment. Focused efforts to improve digital infrastructure and reduce regulatory constraints will be crucial to unlocking Lesotho’s economic potential and supporting sustainable development.



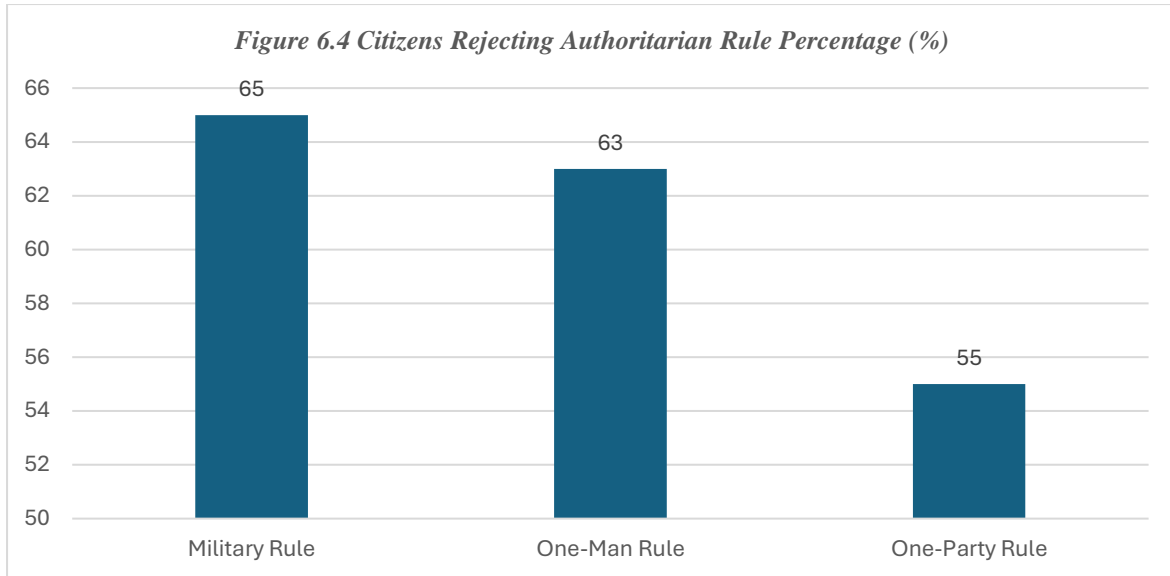
Source: Mo Ibrahim Foundation

6.4 Demand for Democracy

The 2024 Afrobarometer survey reveals a strong demand for democratic governance among Basotho, with 82% of respondents expressing a preference for democracy over any other form of government. This high demand for democracy is coupled with strong public rejection of authoritarian alternatives, with 65% rejecting military rule, 63% rejecting one-man rule, and 55% rejecting one-party rule.⁴⁵ These findings underscore the population’s desire for a political system that supports multiparty competition, upholds term limits, and is free from authoritarianism.

⁴⁴ Mo Ibrahim Foundation. (2024). *2024 IIAG Profile for Lesotho*. Retrieved from <https://mo.ibrahim.foundation/iiag>

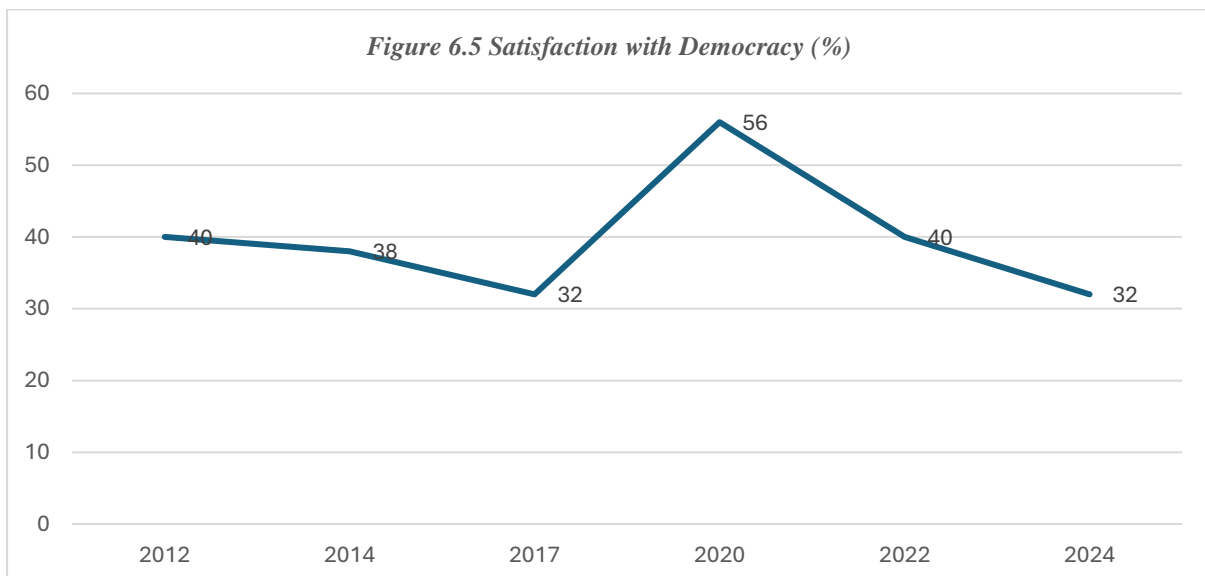
⁴⁵ Afrobarometer. (2024). *Lesotho Democracy Scorecard, Round 10*. Retrieved from <https://www.afrobarometer.org>



Source: Afrobarometer

6.5 Supply of Democracy

Despite the robust demand, there is a considerable gap between citizens’ desire for democracy and the government’s perceived supply of democratic principles. Only 39% of Basotho view the country as a full democracy or one with minor problems, reflecting significant discontent. Satisfaction with democracy’s functionality has also fluctuated over the years, with only 32% of respondents in 2024 indicating they were “fairly” or “very satisfied” with democracy, a notable decline from 56% in 2020.⁴⁶ These trends highlight an unmet need for greater government responsiveness and effectiveness in meeting democratic standards.

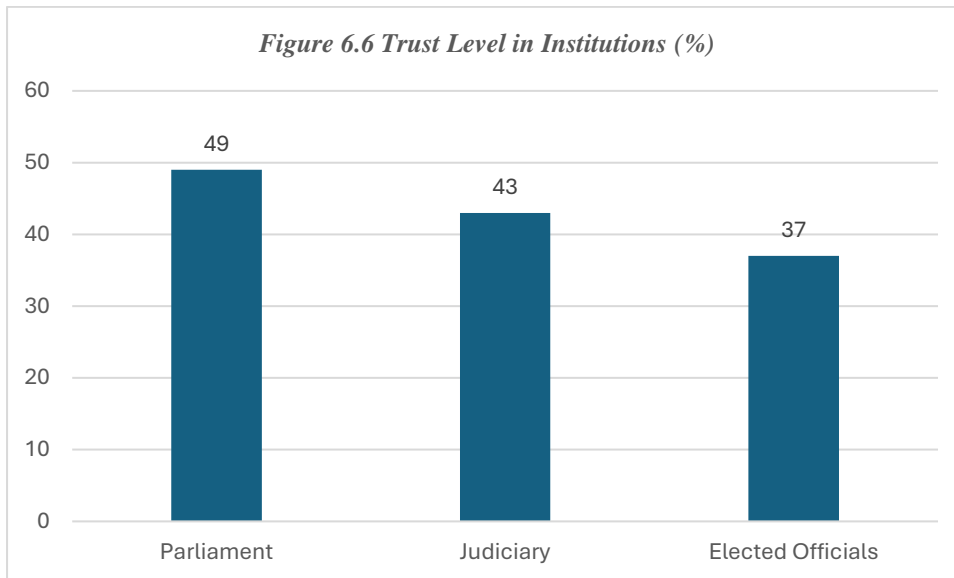


Source: Afrobarometer

⁴⁶ Afrobarometer. (2024). *Lesotho Democracy Scorecard, Round 10*. Retrieved from <https://www.afrobarometer.org>

6.6 Trust and Accountability in Government Institutions

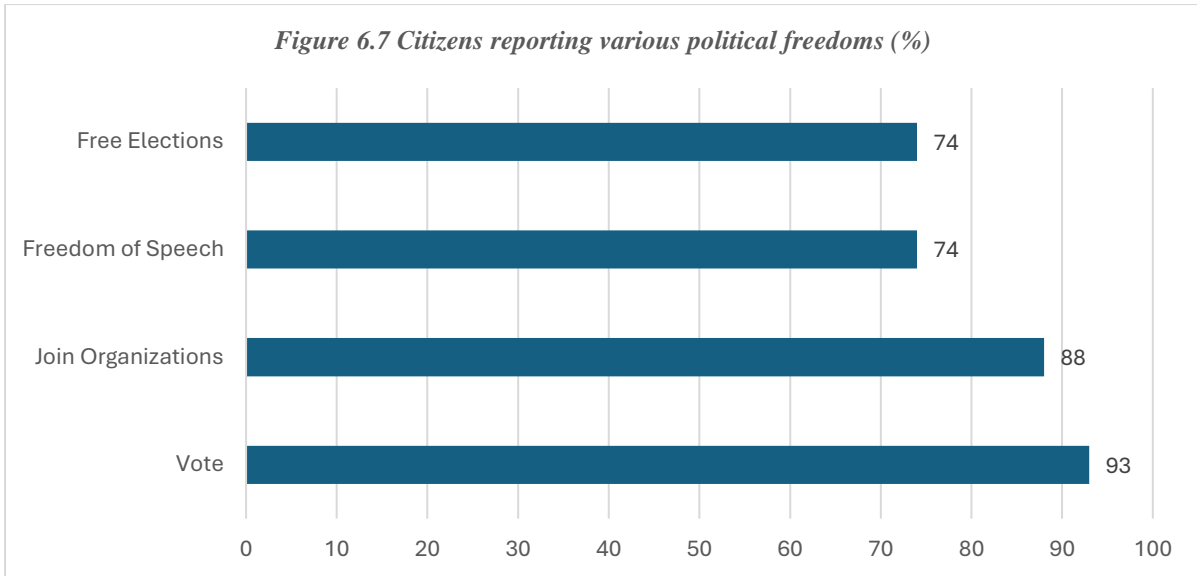
Trust in democratic institutions remains low, with few respondents feeling that elected officials are responsive to their concerns. While 43% of Basotho support multiparty competition, a small proportion feel that their voices are heard by elected officials. This lack of perceived responsiveness has likely contributed to low satisfaction with democracy. Furthermore, 37% of respondents expressed concerns over the accountability of government bodies, viewing governance as prioritizing efficiency over transparency and accountability.



Source: Afrobarometer

6.7 Political Freedoms and Civil Liberties

Lesotho performs comparatively well in civil liberties, with 93% of citizens feeling free to vote as they choose, 88% expressing freedom to join political organizations, and 74% affirming freedom of expression. Additionally, 74% believe that the most recent national election was free and fair, suggesting an open political environment that supports a democratic foundation.



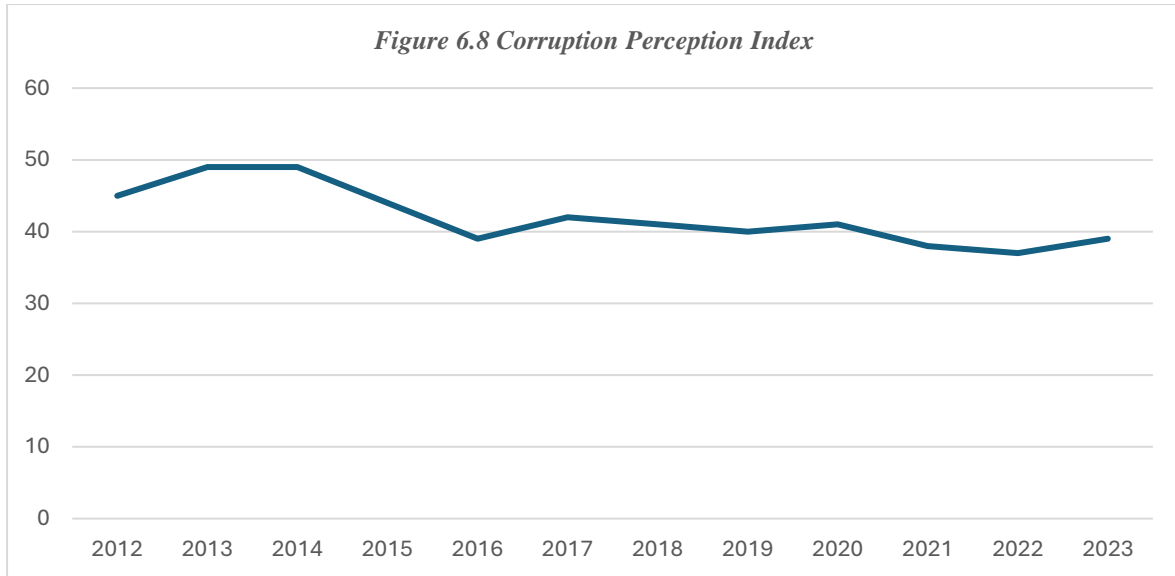
Source: Afrobarometer

6.8 Perceptions of Corruption

Corruption is a significant issue in Lesotho and it erodes public trust and hampers the efficacy of democratic institutions. Citizens’ perceptions of corruption reflect a lack of faith in the integrity of the political system, underscoring the need for stronger anti-corruption initiatives to restore trust and accountability.

The graph on the Corruption Perception Index (CPI)⁴⁷ for Lesotho from 2012 to 2023 shows a general decline in perceptions of corruption, indicating perceived improvements in governance and anti-corruption efforts. Starting near the mid-40s in 2012, the CPI score shows a slight decrease and then stabilizes around the mid-30s for the latter part of the decade into 2023. This trend suggests that while initial improvements were made, maintaining significant progress has been challenging. The levelling off in recent years highlights the ongoing struggle against corruption and the need for sustained anti-corruption measures to continue making headway.

⁴⁷ The Transparency International Corruption Perceptions Index (CPI), a lower score indicates a higher perceived level of public sector corruption. The scale ranges from 0 (highly corrupt) to 100 (very clean), so a score closer to 100 represents a cleaner, less corrupt public sector.



Source: Transparency International

The state of governance and democracy in Lesotho reflects a society striving for democratic ideals and inclusive governance, yet hindered by significant challenges in transparency, accountability, and public service provision. While Lesotho has made progress in areas like gender equality, health, and civil liberties, gaps remain in public trust, economic infrastructure, and the perceived supply of democratic governance. Bridging these divides will require targeted reforms that prioritize transparency, accountability, and service delivery across governance categories. Such reforms could enhance the resilience of Lesotho’s governance structures, building a more inclusive, transparent, and responsive state that aligns with citizen aspirations.

7.0 PARTNERSHIP AND FINANCING LANDSCAPE

Lesotho's financing landscape reveals a dual reliance on internal and external funding sources, each presenting distinct opportunities and challenges. While domestic revenue mobilization through tax collection, diversified income streams, and SACU receipts demonstrates the country's efforts toward fiscal sustainability, external financing from remittances, foreign direct investment (FDI), official development assistance (ODA), and grants supplements these efforts. This analysis examines Lesotho's internal and external financing trends from recent years, highlighting progress in resource mobilization as well as areas needing strategic intervention to bolster economic resilience and sustainability.

7.1 Internal Financing

7.1.1 Domestic Resource Mobilisation

The analysis of Lesotho's revenue from 2018/19 to 2023/24 provides insights into the nation's domestic revenue trends, highlighting significant progress in tax revenue, other revenue sources, and SACU receipts. Each component of revenue reflects Lesotho's efforts to mobilize internal resources while also revealing areas that require strategic focus to ensure fiscal sustainability and resilience.

7.1.2 Overall Trends in Domestic Revenue

The data illustrates a steady upward trend in total domestic revenue, driven largely by increased tax revenue and substantial growth in other revenue sources. Tax revenue, for instance, rose from 7,528.9 million Maloti in 2018/19 to 9,741.2 million Maloti in 2023/24. This consistent growth suggests that Lesotho has made commendable efforts to enhance its tax collection mechanisms and possibly expand the tax base. The gains in other revenue streams, which grew from 177.8 million Maloti to 2,452.1 million Maloti over the same period, demonstrate the government's success in diversifying income sources beyond taxation. Additionally, SACU receipts, a critical revenue component, have shown significant fluctuations, reaching a peak of 10,148.5 million Maloti in 2023/24, following a low of 5,399.5 million Maloti in 2022/23. The variability of SACU income underscores Lesotho's exposure to external economic conditions and highlights the need for stable and sustainable revenue alternatives.

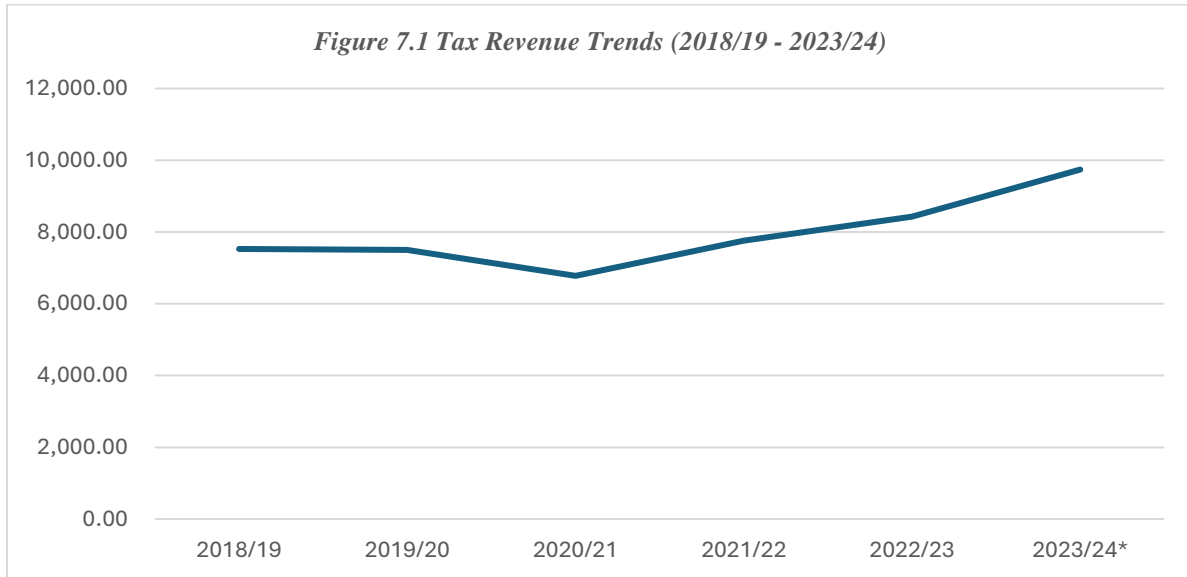
Year	Tax revenue	Other revenue	SACU receipts	Grants
2018/19	7,528.90	177.80	5,542.20	1,076.80
2019/20	7,501.40	1,429.00	6,226.20	1,255.90
2020/21	6,778.60	1,824.70	8,980.50	1,049.00
2021/22	7,756.50	2,048.30	6,008.00	1,756.60
2022/23	8,433.60	2,205.10	5,399.50	1,155.10
2023/24*	9,741.20	2,452.10	10,148.50	1,464.80

Source: Ministry of Finance and Development Planning

7.1.3 Tax Revenue

Tax revenue has been the backbone of Lesotho's domestic revenue, exhibiting a general upward trajectory. Starting at 7,528.9 million Maloti in 2018/19, tax revenue saw fluctuations but

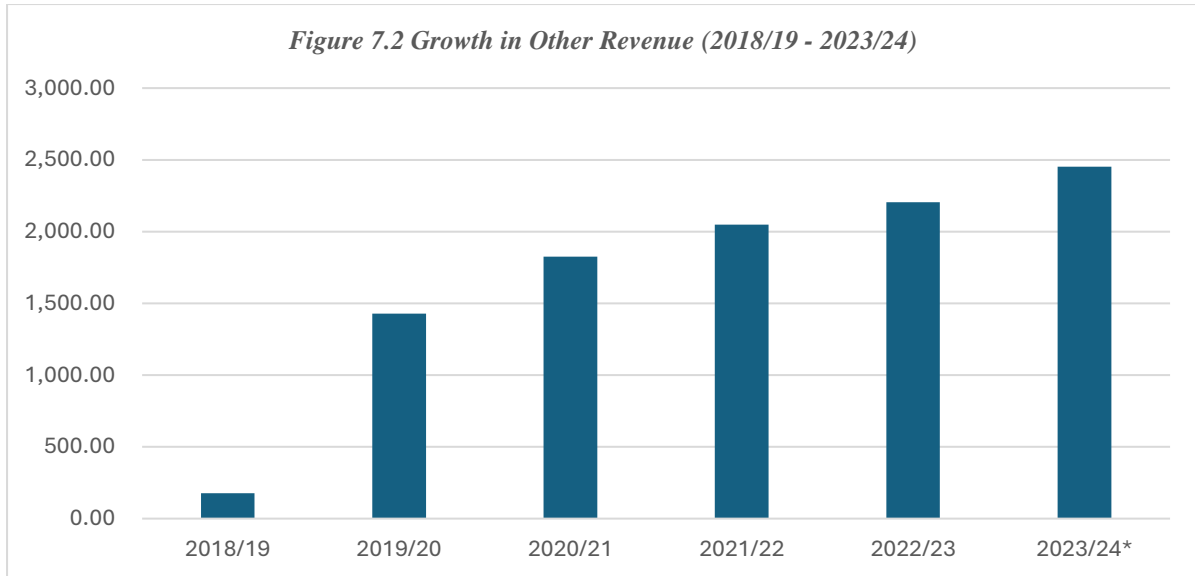
ultimately reached 9,741.2 million Maloti by 2023/24. This upward trend indicates a strengthening of tax compliance and possibly an expansion of the taxable population. The sharp increase from 8,433.6 million Maloti in 2022/23 to 9,741.2 million Maloti in 2023/24 reflects substantial year-on-year growth, which may result from targeted tax policy reforms or economic growth that has broadened the tax base. Sustaining this growth in tax revenue will be essential for reducing Lesotho’s reliance on external sources, particularly given the volatility of SACU receipts.



Source: Ministry of Finance and Development Planning

7.1.4 Other Revenue

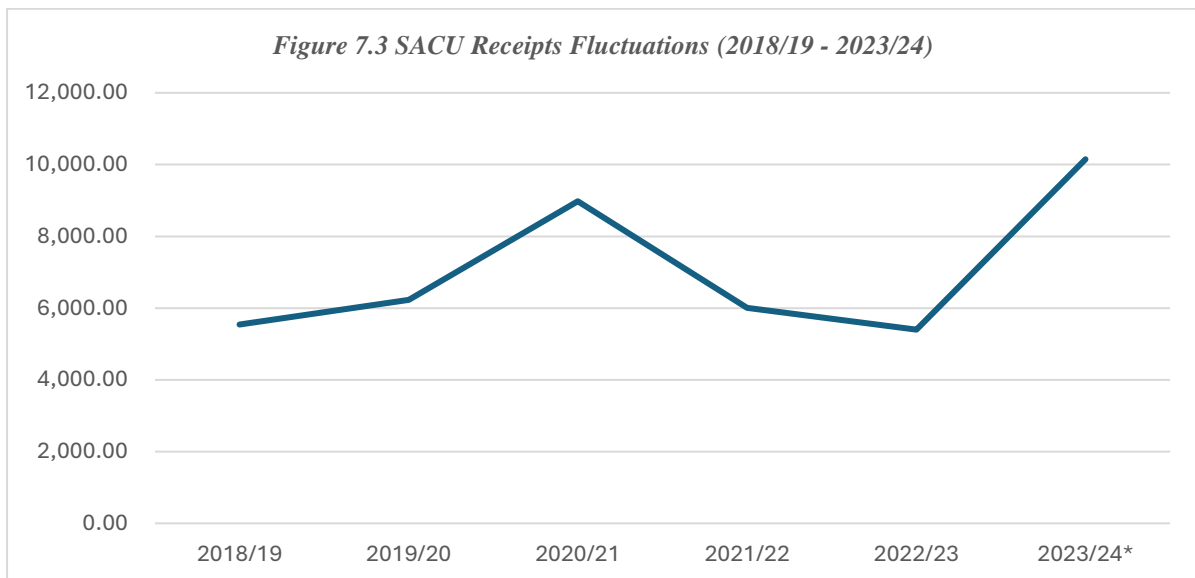
Revenue from other sources has grown remarkably, showing Lesotho’s proactive approach to diversifying its income base. Other revenue sources increased from a mere 177.8 million Maloti in 2018/19 to 2,452.1 million Maloti in 2023/24. This category likely includes revenues from state-owned enterprises, administrative fees, and dividends from government investments. The impressive growth in this revenue stream points to successful efforts in tapping into non-tax revenue avenues, which is crucial for building fiscal resilience. Expanding revenue from these sources can provide a buffer against the economic shocks that often affect tax collection and SACU receipts.



Source: Ministry of Finance and Development Planning

7.1.5 SACU Receipts

SACU receipts are a significant yet highly variable component of Lesotho’s revenue. These receipts peaked at 10,148.5 million Maloti in 2023/24, following a substantial decline to 5,399.5 million Maloti in 2022/23. The fluctuations reflect Lesotho’s dependency on regional trade performance and the revenue-sharing arrangement within the Southern African Customs Union. While SACU income provides substantial revenue in peak years, it also presents a challenge for fiscal planning due to its unpredictability. This dependency on SACU receipts underscores the importance of expanding domestic revenue sources to mitigate the impacts of external economic shifts on Lesotho’s fiscal stability.

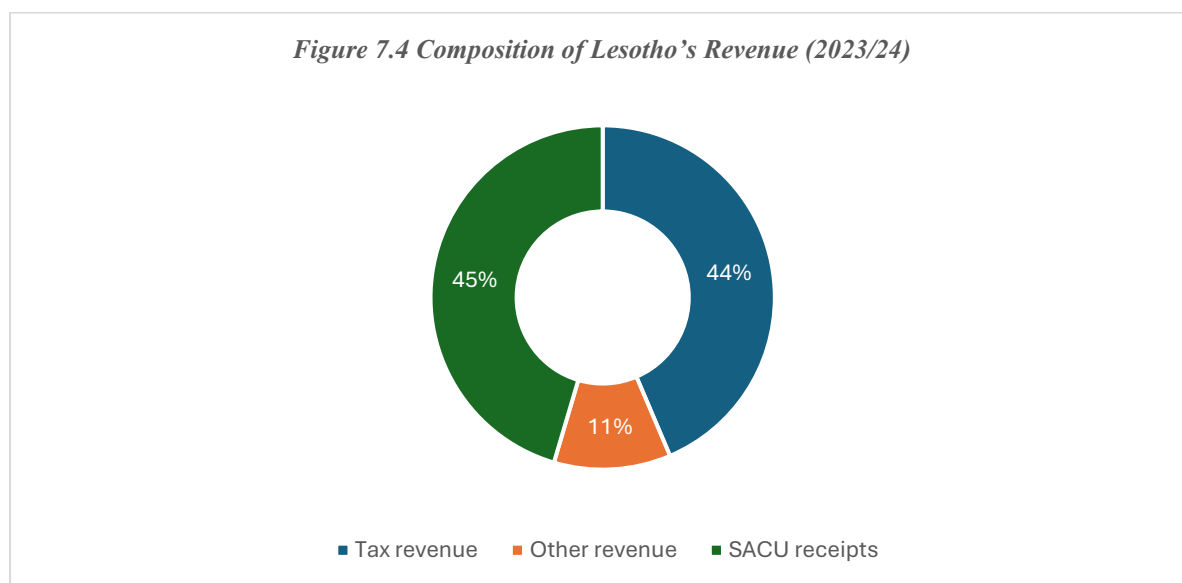


Source: Ministry of Finance and Development Planning

Lesotho’s revenue profile, as analysed from the 2018/19 to 2023/24 data, reflects both progress and vulnerabilities. The consistent rise in tax revenue indicates effective efforts in domestic resource mobilization, a crucial step toward achieving fiscal self-sufficiency. However, the heavy reliance on SACU receipts poses risks due to the inherent volatility of these funds. As

Lesotho moves forward, diversifying revenue sources will be critical for building fiscal resilience. Strengthening tax compliance, expanding the tax base, and enhancing non-tax revenue streams should be key areas of focus.

To mitigate the risks associated with SACU dependency, Lesotho might consider reinvesting portions of SACU receipts in economic diversification projects that promote sustainable growth. Additionally, fostering an environment that encourages private sector investment and strengthening partnerships with development institutions could contribute to the stability of domestic revenue.



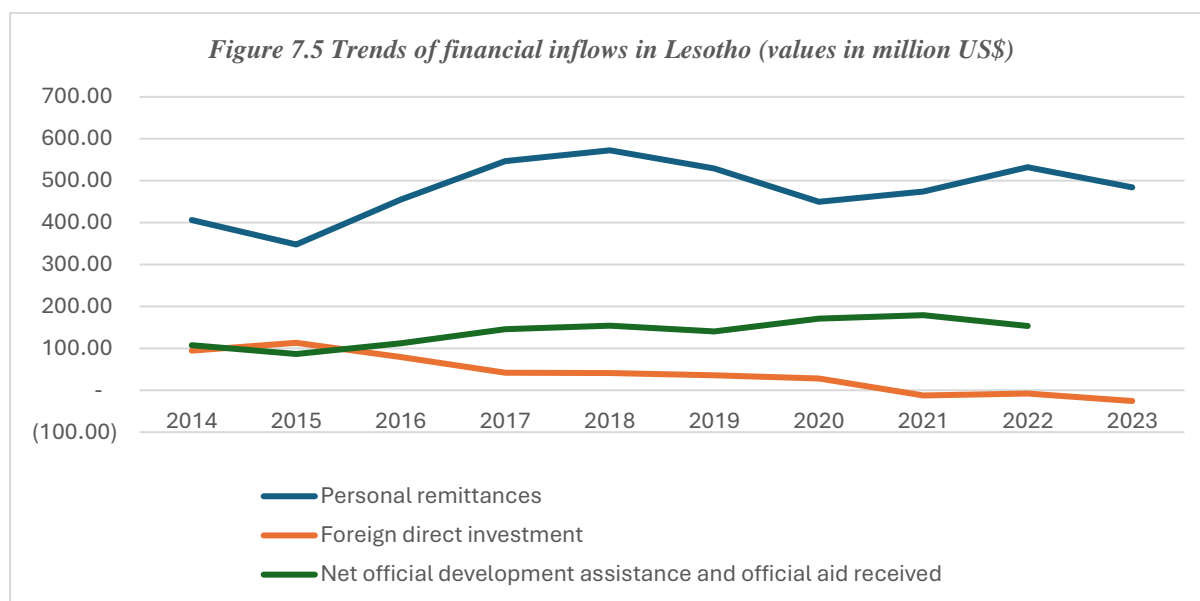
Source: Ministry of Finance and Development Planning

Lesotho has made significant strides in mobilizing domestic revenue through increased tax revenue and a diversification of income sources. However, the volatility of SACU receipts underscores the need for continued efforts to reduce dependency on external sources. Expanding domestic revenue, particularly through non-tax avenues, and managing SACU income strategically will be essential to achieving fiscal resilience and sustainable economic growth in the coming years.

7.2 External Financing

Lesotho's external financing profile, as reflected in the data on personal remittances, foreign direct investment (FDI), official development assistance (ODA), and grants, presents a complex picture of both stability and challenges. From 2014 to 2023, personal remittances have remained a significant source of external financing. These remittances represent funds sent home by Basotho migrant workers, primarily from neighbouring countries such as South Africa. Remittances saw a steady increase up to a peak of 572.52 million in 2018, after which there was a slight decline, though levels remained relatively high. By 2022, remittances rebounded to 532.60 million but fell again in 2023 to 484.39 million. This pattern suggests that remittance flows, while generally stable, are susceptible to economic conditions in the countries where these workers are employed. The recent decreases may be attributed to economic challenges in South Africa or shifts in labour migration patterns. Overall, remittances

continue to play a vital role in Lesotho's economy by supporting household incomes and sustaining local consumption.



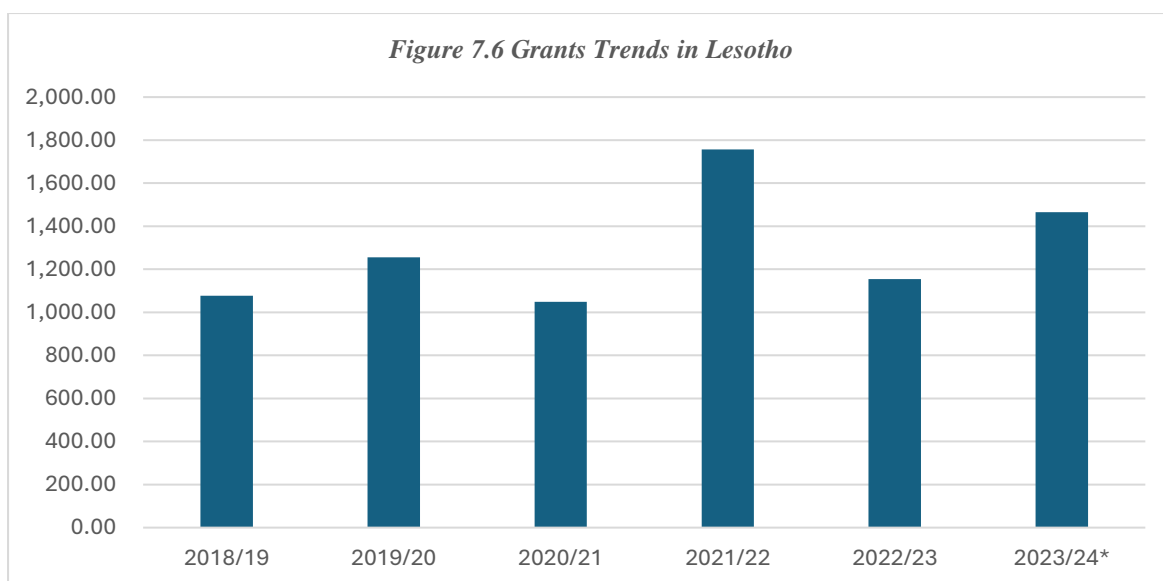
Source: World Development Indicators

7.2.1 Foreign Direct Investment (FDI) and Remittances

Foreign Direct Investment (FDI), another critical element of external financing, shows a worrying downward trend in Lesotho. FDI started at 94.46 million in 2014 but has steadily declined over the years, reaching negative values from 2021 onwards. In 2023, FDI registered at -25.65 million, indicating a net outflow of investments, where foreign investors withdrew more capital than they invested in Lesotho. This trend may be reflective of an unfavourable investment climate, potentially caused by economic instability, regulatory challenges, or political uncertainties that deter investor confidence. The persistent decline in FDI is concerning, as FDI is essential for economic growth, job creation, technology transfer, and infrastructure development. To reverse this trend, Lesotho could benefit from reviewing its investment policies, improving the ease of doing business, and creating a more stable and predictable economic environment to attract foreign investors.

7.2.2 Official development assistance (ODA) and Grants

Official development assistance (ODA) and official aid, received by Lesotho over the years, have been relatively stable with periodic increases. From 2014 to 2023, ODA saw peaks, such as in 2020 when it reached 170.87 million, although it declined slightly to 153.29 million by 2023. ODA is a crucial source of funding for Lesotho, as it supports various development projects, including those in health, education, and infrastructure. The relatively steady flow of ODA indicates continued donor support; however, fluctuations highlight the importance of diversifying funding sources and not overly relying on ODA. Factors influencing ODA levels include global economic conditions, donor country policies, and Lesotho's alignment with international development agendas. While ODA remains a valuable source of financing, Lesotho must focus on maximizing its impact through effective allocation toward priority development areas that can stimulate sustainable growth.



Source: Ministry of Finance and Development Planning

Grants, a vital component of external financing within Lesotho’s government budget, have fluctuated between 2018/19 and 2023/24. Over this period, grants increased notably in 2021/22, reaching 1,756.60 million. This peak may have been influenced by international responses to the COVID-19 pandemic, as countries and international organizations ramped up financial support to aid public health and economic recovery. In 2022/23, however, grants declined to 1,155.10 million but rose again in 2023/24 to 1,464.80 million, possibly reflecting renewed donor commitments or new development programs. While grants provide essential support for government-funded projects and services, over-reliance on them can present sustainability challenges, as grants are often subject to donor priorities and conditionalities. For Lesotho’s fiscal resilience, it is crucial to develop robust domestic revenue sources to reduce dependency on grants, which can fluctuate based on external factors.

Lesotho’s external financing situation displays a combination of steady flows from remittances and ODA, alongside a concerning decline in FDI and fluctuating grants. The consistent decrease in FDI highlights the need for urgent reforms to create a more attractive environment for foreign investors. Remittances, while currently stable, show signs of vulnerability, suggesting a need for policies that support Basotho working abroad and facilitate affordable remittance transfers. Though ODA and grants remain reliable sources of external funding, reducing dependency on them by building a more self-sustaining economy through enhanced domestic revenue generation is essential. Strategic utilization of all external funds toward high-impact projects in infrastructure, human capital development, and economic diversification could significantly bolster Lesotho’s economic resilience and growth potential. Overall, balancing external financing with robust domestic strategies will be critical for Lesotho’s sustainable development.

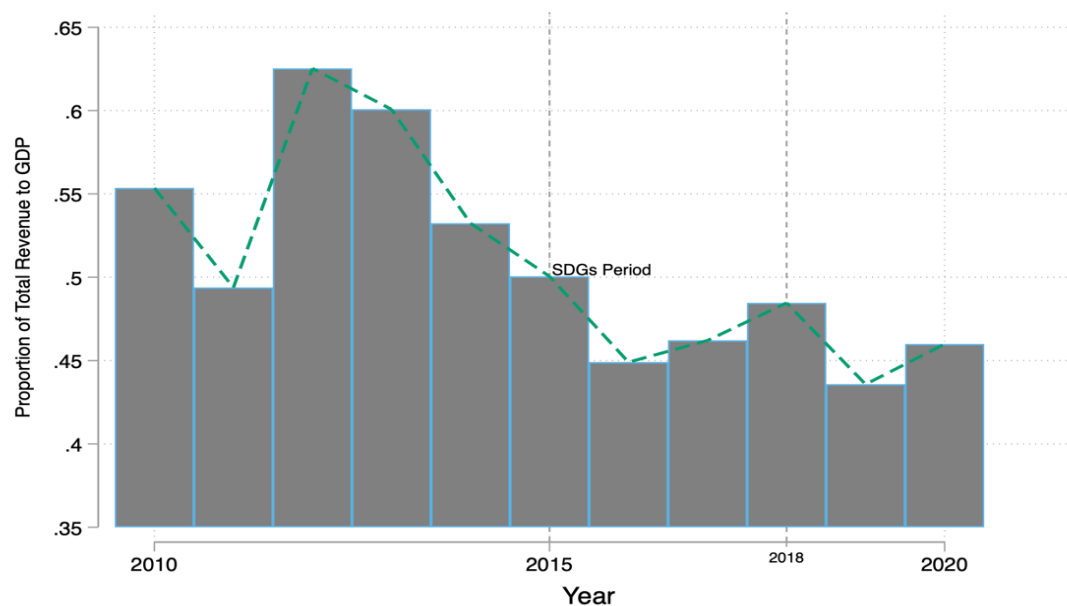
Lesotho’s financing framework must continue balancing domestic resource mobilization with strategic use of external funds. Strengthening tax systems, expanding non-tax revenue sources, and managing the volatility of SACU receipts will be critical for internal revenue growth. Externally, the stabilization of remittances, reversal of FDI declines, and effective deployment of ODA and grants are vital. Together, these measures can enhance fiscal resilience and foster sustainable development, positioning Lesotho for a more self-sustaining and prosperous future.

7.3 Strengthen the means of implementation and revitalize the global partnership for sustainable development (SDG 17)

7.3.1 Indicator 17.1.1: Total government revenue as a proportion of GDP, by source

The share of government revenue to GDP fell from 50% in 2015 to 45% in 2016, rebounded to 48% in 2018, and dropped again to 43% in 2019 before slightly recovering to 46% in 2020. These fluctuations were primarily driven by volatile SACU revenue.

Figure 7.7 Total Government Revenue as a Proportion of GDP



Data source: Central Bank of Lesotho

7.3.2 Indicator 17.1.2: Proportion of domestic budget financed by domestic taxes

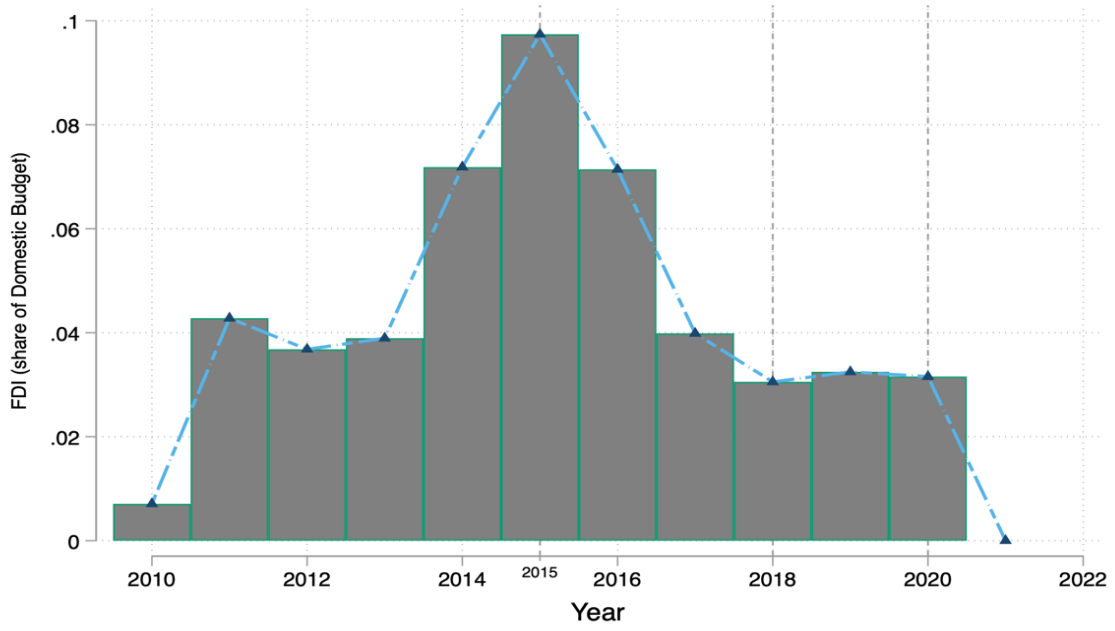
Domestic tax revenue was the largest contributor to total government revenue, peaking at 22% of GDP in 2019 before dropping to 18% in 2020 due to COVID-19 measures. SACU revenue fell to 15% of GDP in 2018 but rebounded to 22% in 2020. Grants increased modestly from 3% of GDP in 2015 to 5% in 2020, while other revenues remained steady at around 5% of GDP.

7.3.3 Indicator 17.3.1: Foreign direct investments (FDI), official development assistance and South-South Cooperation as a proportion of total domestic budget

FDI as a share of the domestic budget dropped sharply from 9.8% in 2015 to 3.2% in 2020. This decline was driven by higher FDI outflows as commercial banks, benefiting from high domestic liquidity, sought better returns abroad due to the underdeveloped local debt market.⁴⁸

Figure 7.8 Foreign Direct Investment as a Proportion of Budget

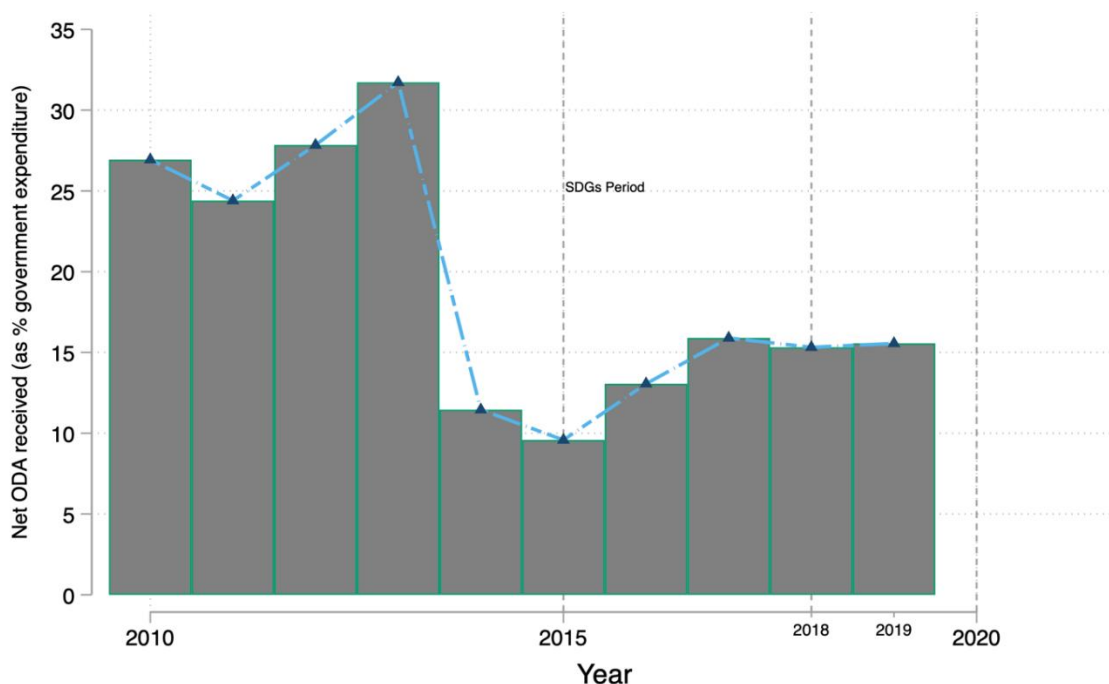
⁴⁸ World Bank (2021) “Lesotho Systematic Country Diagnostic Update.”, <https://openknowledge.worldbank.org/handle/10986/36910> (Accessed on the 5th May 2022)



Data source: Central Bank of Lesotho

Net ODA to Lesotho's domestic budget has halved since 2013, reflecting political instability. Following the 2012 elections and the first coalition government, ODA peaked at 32% of the budget in 2013. Political instability from 2013-2015 led to a sharp decline to below 10% by 2015. While ODA recovered to 16% in 2019 under the second coalition government, it slightly fell again after the 2017 elections. Political instability continues to hinder resource mobilization for the SDGs.

Figure 7.9 Official Development Assistance as a Proportion of Budget



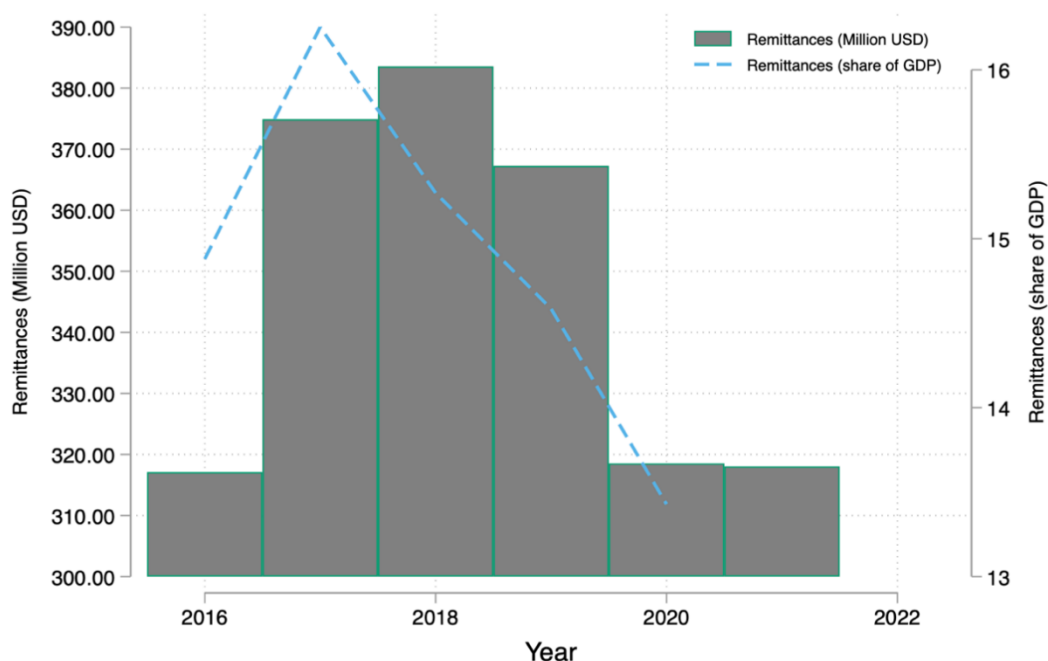
Data source: World Development Indicators. Notes: Net ODA includes disbursements of concessional loans (net of repayments of principal) and grants by official agencies of the members of the DAC and by non-DAC countries

7.3.4 Indicator 17.3.2: Volume of remittances (in United States dollars) as a proportion of total GDP

Remittances in Lesotho rose to 16% of GDP in 2018 (US\$375 million) but declined to 13.4% by 2020 due to COVID-19 restrictions and job losses among Basotho migrants in South Africa. This mirrored global and sub-Saharan trend, exacerbated by a continuous decline in South African mine workers. The Shoprite cross-border transfer service, launched in 2015, initially boosted remittance flows.⁴⁹

Figure 7.10 Remittances Overtime: Volume (in US dollars) and as a Proportion of GDP

⁴⁹ Blake, P. and Wadhwa, D. (2020). “2020 Year in Review: The impact of COVID-19 in 12 charts” available at <https://blogs.worldbank.org/voices/2020-year-review-impact-covid-19-12-charts> (25 May 2022).



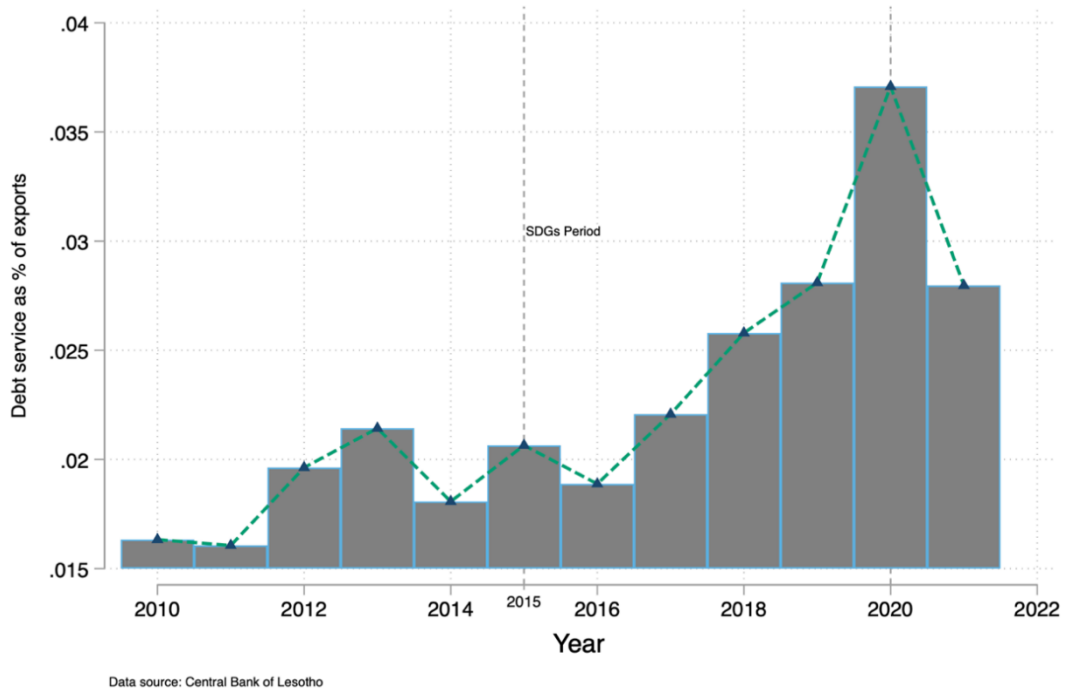
Data source: Central Bank of Lesotho. Note: Remittances estimated based on BOP concepts

7.3.5 Indicator 17.4.1: External Debt service as a proportion of exports of goods and services

Debt service as a share of total exports rose from 1.8% in 2016 to a peak of 3.7% in 2020 before declining to 2.8% in 2021. This increase was driven by rising government debt, which reached 64.7% of GDP in 2020, reflecting the public sector's dominance.⁵⁰ The rise in debt service was also influenced by the depreciation of the Loti against the US dollar, as external debt constituted 70% of Lesotho's government debt, with most interest payments in US dollars. The decline in debt service to exports in 2021 likely reflects temporary debt relief measures granted to developing countries during the COVID-19 pandemic.

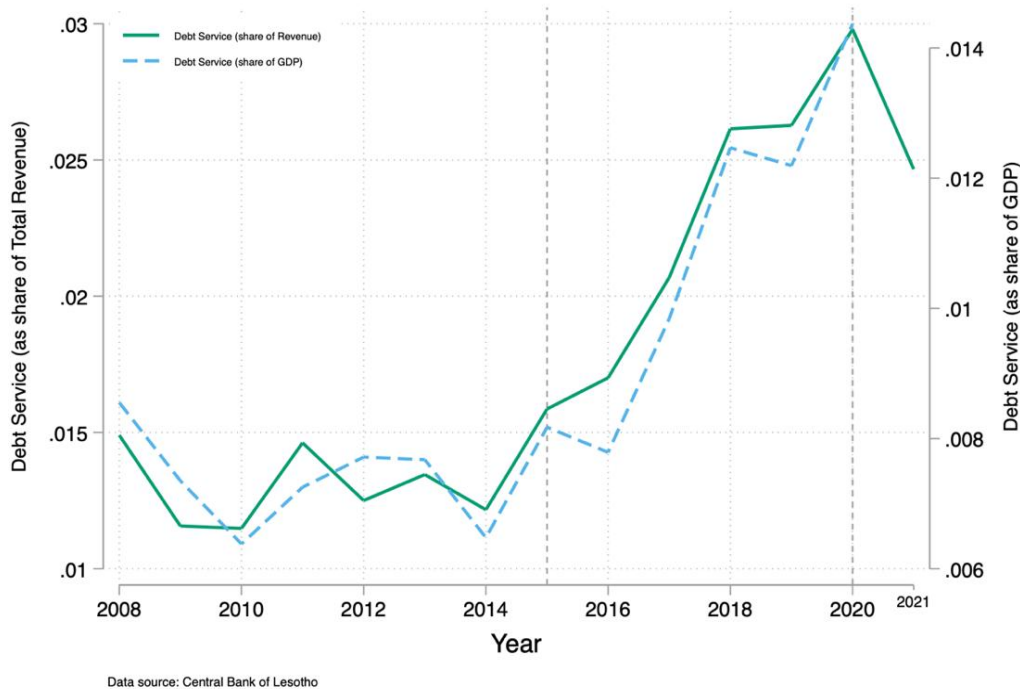
Figure 7.11 Debt Service as a proportion of Total Exports of Goods and Services

⁵⁰ World Bank (2021) "Lesotho Systematic Country Diagnostic Update."



Since 2014, debt service has steadily risen, reaching 3% of total revenue and 1.4% of GDP in 2020, up from 1.6% of revenue and 0.8% of GDP in 2015.

Figure 7.12 Debt Service as a proportion of Total Revenue and GDP



Temporary debt relief following the COVID-19 pandemic reduced Lesotho's debt service to 2.5% of total revenue. However, its trajectory remains closely tied to total revenue and real GDP growth since 2017. Despite being relatively low, rising debt service has strained government revenues. Additionally, less concessional borrowing compared to the pre-SDGs era suggests a growing debt burden with further borrowing.

8.0 SUMMARY

The 2024 Common Country Analysis (CCA) for Lesotho provides a thorough examination of the country's development landscape, focusing on key challenges, progress, and opportunities across economic, social, environmental, and governance domains. It emphasizes the need for collective efforts to align national priorities with the 2030 Agenda for Sustainable Development, ensuring no one is left behind.

8.1 Socio-Economic Context and Challenges

Lesotho's socio-economic environment has been significantly shaped by global and regional disruptions, including the aftermath of COVID-19, the Russia-Ukraine conflict, and climate-induced challenges such as the El Niño drought. These crises have exacerbated existing vulnerabilities, deepening poverty and inequality. While Lesotho has made efforts to recover from these shocks, structural challenges such as high unemployment, limited economic diversification, and reliance on external financing persist. Addressing these issues requires targeted investments in infrastructure, private sector growth, and fostering sustainable economic activities.

Economic recovery has been gradual, with GDP growth projected to reach 2.79% in 2024. This recovery has been supported by government spending, sectoral contributions from agriculture and finance, and increased private sector investment. However, youth unemployment remains alarmingly high at 38%, posing a significant challenge to inclusive economic growth. The analysis calls for comprehensive strategies to create job opportunities, particularly for youth and marginalized groups, while enhancing the resilience of key economic sectors.

8.2 Inclusive Development and Social Protection

The principle of "Leaving No One Behind" is central to Lesotho's development agenda. The analysis identifies systemic exclusion faced by marginalized groups, including women, youth, persons with disabilities, and rural communities. Geographic isolation, socio-economic disparities, and cultural norms perpetuate exclusion, limiting access to essential services such as education, healthcare, and economic opportunities. For instance, women in rural areas face barriers to healthcare and economic participation, while LGBTQI+ individuals often experience social stigma and discrimination.

The analysis highlights the importance of expanding social protection systems to address these disparities. Programs such as the Child Grant Programme (CGP) and Public Assistance Programme (PAP) have provided support to vulnerable populations, but gaps in coverage and targeting persist. Strengthening these programs and aligning them with the needs of marginalized groups is crucial for fostering social inclusion. Additionally, investments in rural infrastructure, education, and healthcare are recommended to bridge the geographic divide and ensure equitable development.

8.3 Environmental Sustainability and Climate Resilience

Lesotho faces significant environmental challenges, primarily due to the impacts of climate change. Rising temperatures, erratic rainfall, and extreme weather events such as droughts and

floods have exacerbated food insecurity and water shortages. The El Niño-induced drought of 2023/24 highlighted the vulnerability of rural communities, with many households experiencing severe food insecurity and reduced agricultural productivity.

The analysis emphasizes the need for climate adaptation measures to safeguard livelihoods and ensure sustainable resource management. Investments in climate-resilient agriculture, renewable energy, and disaster preparedness are critical to mitigating the impacts of climate change. The Lesotho Highlands Water Project (LHWP) is identified as a key driver of economic growth, but its social and environmental impacts require careful management to ensure equitable benefits for affected communities. Reforestation and sustainable land management practices are also highlighted as essential strategies to combat deforestation and soil erosion.

8.4 Economic Transformation and Opportunities

Lesotho's economy has shown resilience, but its heavy reliance on external financing and limited diversification pose significant risks. The analysis underscores the importance of fostering economic transformation through investments in infrastructure, industrialization, and private sector development. Strengthening linkages between agriculture and industry, enhancing value addition, and diversifying economic activities are identified as critical strategies for sustainable growth.

Unemployment, particularly among youth, remains a pressing challenge. The analysis calls for expanded vocational training, entrepreneurship programs, and support for micro, small, and medium enterprises (MSMEs) to create job opportunities and enhance economic productivity. Additionally, prudent debt management and fiscal reforms are recommended to ensure economic stability and reduce reliance on external financing. The adoption of innovative financing mechanisms, such as the Integrated National Financing Framework (INFF), offers a pathway to mobilize resources and align investments with development priorities.

8.5 Human Development and Education

Human development outcomes in Lesotho remain uneven, with significant gaps in health, education, and nutrition. Maternal and child mortality rates are high, particularly in rural areas where access to healthcare services is limited. The analysis highlights the need for targeted interventions to improve maternal health services, expand access to skilled birth attendance, and address malnutrition.

In education, while primary school enrolment rates are relatively high, retention rates drop significantly at the secondary and tertiary levels, particularly among girls. Barriers such as teenage pregnancies, economic pressures, and limited access to quality education exacerbate this challenge. The analysis recommends investments in education infrastructure, teacher training, and policies to support gender equality in education. Expanding access to early childhood education is also identified as a priority to ensure a strong foundation for lifelong learning.

8.6 Governance and Institutional Reform

Strengthening governance and institutional capacity is essential for achieving sustainable development in Lesotho. . Ongoing reforms aimed at fostering transparency, accountability, and citizen participation are identified as critical enablers of effective governance. The analysis underscores the importance of enhancing institutional capacity at both national and local levels to ensure efficient service delivery and resource management. Strengthening coordination among government agencies, civil society, and development partners is crucial for addressing systemic challenges and ensuring the alignment of development efforts with national priorities.

8.7 Conclusion and Recommendations

The 2024 CCA update points to the need for coordinated action and strategic investments to address Lesotho's systemic challenges and leverage emerging opportunities. To achieve sustainable development, several critical recommendations aimed at fostering inclusive growth, climate resilience, economic transformation, improved human development, and strengthened governance are outlined below.

Promoting Inclusive Development is essential for ensuring that no one is left behind in Lesotho's development journey. This requires expanding social protection systems to cover vulnerable populations, including women, youth, persons with disabilities, and rural communities. Improving rural infrastructure, such as roads, healthcare facilities, and schools, is vital for bridging the geographic divide and enabling equitable access to essential services. Additionally, targeted interventions must address systemic exclusion by empowering marginalized groups through enhanced access to education, economic opportunities, and healthcare. By promoting inclusivity, Lesotho can foster a more equitable society where all individuals can contribute to and benefit from development.

Enhancing Climate Resilience is critical as Lesotho faces significant environmental challenges, including rising temperatures, erratic rainfall, and extreme weather events. Strategic investments in sustainable resource management, such as water conservation and forest preservation, are needed to mitigate the impacts of climate change. The analysis underscores the importance of promoting climate-resilient agricultural practices to support rural livelihoods and ensure food security. Additionally, investing in renewable energy infrastructure can reduce reliance on fossil fuels and support sustainable economic growth. By prioritizing climate adaptation measures, Lesotho can protect its natural resources and build resilience against future environmental shocks.

Accelerating Economic Transformation is another key recommendation for driving sustainable growth and reducing reliance on external financing. Strengthening linkages between sectors, such as agriculture and manufacturing, can enhance value addition and foster industrialization. The analysis highlights the importance of fostering private sector growth, particularly through support for micro, small, and medium enterprises (MSMEs), which are pivotal in creating jobs and diversifying the economy. Expanding vocational training programs can equip the workforce with skills that align with market demands, addressing high unemployment rates and promoting economic inclusion. These measures are critical for building a resilient economy capable of adapting to global and regional disruptions.

Improving Human Development Outcomes is essential for ensuring that all citizens have access to fundamental rights such as healthcare, education, and nutrition. The analysis identifies gaps in maternal and child healthcare, nutrition, and educational access, particularly in rural areas. Targeted investments in healthcare infrastructure, teacher training, and nutrition programs can significantly enhance outcomes in these areas. Expanding early childhood education and addressing gender disparities in secondary and tertiary education are also critical for fostering a skilled and healthy population. By addressing these gaps, Lesotho can improve the well-being of its citizens and enable them to contribute meaningfully to national development.

Finally, ***Strengthening Governance*** is crucial for creating an enabling environment for sustainable development. Enhancing institutional capacity at both national and local levels will ensure more effective service delivery and resource management. Promoting transparency and accountability in governance processes is essential for building public trust and fostering inclusive decision-making. The analysis emphasizes the importance of citizen participation in policy development and implementation to ensure that governance structures reflect the needs and aspirations of all segments of society. Strengthened governance will lay the foundation for political stability, economic growth, and social cohesion.