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LESOTHO



LESOTHO COMMON COUNTRY ANALYSIS UPDATE

2023

1 Introduction

The 2022 UN Common Country Analysis (CCA) for Lesotho set the stage for the UN Sustainable Development Cooperation Framework 2024–2028. Updated guidelines emphasize that CCAs are a continuous process, ensuring UN actions align with dynamic needs and situations. This year's update offers a brief review of developments since the 2022 CCA. While the original CCA remains the foundational reference, gathering reliable data in Lesotho continues to be a hurdle, with many indicators not updated annually.

2 Progress Towards the 2030 Agenda (SDGs)

SDG Progress: In 2022, Lesotho ranked 135 out of 163 countries in its commitment to the Sustainable Development Goals (SDGs). By 2023, it dropped to 143 out of 166, suggesting other nations may be advancing more rapidly in their SDG efforts. Of the individual SDGs, 25.5 percent face slowdowns or setbacks, 49 percent progress slowly, and 25.5 percent are on track or have met their targets.



Source: *Sustainable Development Report, 2023*

Lesotho's SDG score was 55.1 in 2022, slightly dropping to 54.9 in 2023, indicating areas needing targeted efforts. The Statistical Performance Index improved from 55.2 in 2022 to 57.5 in 2023, highlighting better data reporting. However, missing data in the SDG Index rose from 9 percent to 14 percent in 2023, pointing to data collection gaps.^{1,2}

Leave No One Behind: Lesotho's commitment to "Leaving No One Behind" emphasizes the need for inclusive growth. The Common Country Analysis (CCA) highlights nine groups at risk: people with disabilities; women and girls; herders; youth; migrants; the LGBTIQ+ community and female sex workers; older individuals; rural impoverished populations; and refugees and asylum seekers.

An in-depth LNOB analysis is set for early 2024 to understand the unique challenges these groups face. This analysis will guide the United Nations in Lesotho, aiding in the creation of

¹ Sachs, J.D., Lafortune, G., Kroll, C., Fuller, G., Woelm, F. (2022). From Crisis to Sustainable Development: the SDGs as Roadmap to 2030 and Beyond. Sustainable Development Report 2023. Cambridge: SDSN, Cambridge: Cambridge University Press, 2022. 10.1017/9781009210058 <https://s3.amazonaws.com/sustainabledevelopment.report/2022/2022-sustainable-development-report.pdf>

² Sachs, J.D., Lafortune, G., Fuller, G., Drumm, E. (2023). Implementing the SDG Stimulus. Sustainable Development Report 2023. Paris: SDSN, Dublin: Dublin University Press, 2023. 10.25546/102924 <https://s3.amazonaws.com/sustainabledevelopment.report/2023/sustainable-development-report-2023.pdf>

tailored interventions. The findings will also influence the UN's approach for the Cooperation Framework 2024-2028, ensuring these groups are central to development plans.

Pillar 1: Good Governance and Social Equity

The Kingdom of Lesotho's history of political instability, insecurity, poor service delivery, fragility, and incomplete reforms underpinned and defined Lesotho's socio-economic and political landscape in 2022-2023³. This was preceded by the depreciating Southern Africa Customs Union-derived revenue that accounts for 30% of Lesotho's total revenue⁴. The GDP has been contracting by an average of 5%⁵ with a 38% unemployment rate⁶. 37% of the population lives on \$2.5 per day⁷ with a GINI Coefficient of 49.9⁸. Diaspora remittances which constitute 22% of the GDP were negatively affected by the COVID-19 pandemic with massive job losses in South Africa⁹. All these continue to be an affront on political stability and state capacity to deliver services to Basotho.

The 2022 general elections in Lesotho, therefore, were held against the backdrop of deteriorating socio-economic indicators buttressed by a reforms process that parliament failed to pass before the elections. The reconvening of a dissolved parliament under a state of emergency to pass the omnibus bill, was declared unconstitutional, null and void by the courts. This political uncertainty in the build-up to the election, however, did not translate into an uncertain result. The newly established Revolution for Prosperity (RFP) party, led by Sam Matekane, won 56 of the 120 parliamentary seats, falling short by 5 of the required 61 seats to govern with an outright majority. This was one of the strongest shows in an election by any political party in decades. Despite the strong demonstration of popularity from the RFP, the party has found it difficult to fully assert its authority as evidenced by successive attempts of "No-Confidence" vote, party splintering and dissent in the leading coalition partner.

Since assuming office, the Government has demonstrated commitment and determination to finalising the work of the reforms processes emphasizing that the bill would lay a solid foundation for the future of the Basotho. Measures taken by the Government to resuscitate the bill included the amendment of the parliamentary Standing Order No 105B of 2022 to allow reintroduction of an abdicated bill from the previous parliament in a form that allows variation, consensus building among stakeholders on contentious issues resulting in pact among political parties to support the bill in July 2023, and a proposal to segregate the bill into simple majority, double entrenched, and double entrenched with referendum clauses. These measures were, however, met with litigation resulting in the Court of Appeal of Lesotho once again declaring the attempts unconstitutional. This judgement is likely to create a constitutional crisis with the effective functioning of parliament being stalled by a flurry of litigations on how it conducts business thereby negating democratic principle of separation of power.

The Government's election campaign pledges were translated into a 20-point agenda delivered during the inaugural speech of the prime Minister in 2022 that continue to guide the work Government in 2023. The Agenda is premised on a) effective leadership and management of public services, b) efficient, accountable, and informed resource allocation and utilization; c) optimized service delivery; d) institutionalizing national accountability mechanisms and e) prioritizing public sector reforms including systemized performance management. In pursuit of the above objectives, Lesotho Government functions were restructured and reorganized from a previous 29 ministries to 15 without deputy ministers. This was the largest cut since independence that was hailed as a bold rationalization of Government functions and cost cutting measure. However, political marginalizations, a call for inclusivity, and the expediency to have stability led to broadening of the coalition members and increasing the cabinet to 20 ministries. The general analysis indicate that this move is likely to cause stability and provide Government with enough to pass critical legislations in Parliament. The downside is the dynamics of managing coalition has changed with additional variables. There will be need for strategic

³ <https://www.eisa.org/publications/jae/>

⁴ https://www.sacu.int/docs/reports_annual/2023/SACU-Annual-Report-2022.pdf

⁵ <https://www.worldbank.org/en/country/lesotho/overview>

⁶ https://www.ilo.org/wcmsp5/groups/public/---ed_mas/---program/documents/genericdocument/wcms_734419.pdf

⁷ <https://www.worldbank.org/en/country/lesotho/overview>

⁸ <https://knoema.com/atlas/Lesotho/GINI-index>

⁹ <https://hlpf.un.org/sites/default/files/vnrs/2022/VNR%202022%20Lesotho%20Report.pdf>

interventions to generate a common agenda, unity of purpose, and collective responsibility for the coalition to function cohesively.

The political processes in the country have been augmented by technical, advisory, and programmatic processes to catalyse achievement of the above signature priorities. The institutional gap assessment of core-governance institutions was completed for the executive, parliament, and judiciary as well as functional review of five amalgamated ministries. This was followed by the development of capacity development programme to close the gaps, a communication strategy for the government and a resource mobilization strategy as well as an implementation action plan to operationalise the capacity development programme and resource mobilization. Steps towards professionalization of the public service and enhanced performance were initiated with the competitive recruitment and deployment of Principal Secretaries. This was the first time Principal Secretaries were recruited using a transparent process away from political appointment. As part of the induction and introduction of tools for performance, a coaching platform that pairs Principal Secretaries with seasoned executive coaches was launched and has been lauded as a success story¹⁰. All these were undertaken within the framework of a UN joint Initiative on Improved Governance for Optimised Service Delivery, - a UN collective response to complement Government efforts.

Human Rights: In March 2023, Lesotho submitted its mid-term report on measures taken to implement Universal Periodic Review (UPR) recommendations received in 2020. The next UPR report for Lesotho is due in 2025.

In July 2023, Lesotho's record on civil and political rights was reviewed by the Human Rights Committee in Geneva. Whereas the country was commended for strides made especially in enacting laws that protect women against discrimination, recommendations were made requesting the State Party to fast-track the establishment of a Human Rights Commission that complies with the Paris Principles, domesticating the Convention Against Torture by enactment of a specific law that criminalizes torture and placing a moratorium on the death penalty.

In October 2023, the government submitted its fifth periodic report under the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) which was due in 2013. Government also updated its Common Core Document providing current information about Lesotho's demographic, political social, and economic data.

Respect for the right to life remained a challenge. According to Lesotho Mounted Police Service (LMPS), between January and October, 622 people were murdered in Lesotho which is an average of 62 people killed per month mainly due to gun violence with Leribe District topping the list with 112 people killed. In commemoration of 75 years of the Universal Declaration of Human Rights, in December 2023 government made three public pledges at a High-Level Event in Geneva namely: to fast-track the establishment and operationalization of the Human Rights Commission; to address the backlog of state party reports in line with her reporting commitments; to extend standing invitations for country visits to the Special Procedures of the Human Rights Council.

Findings from a recent field research revealed that the stalling of reforms threatens the future of governance and political stability in Lesotho¹¹. There is increasing impatience with the slow pace of reforms, considering the investment and interest by foreign donors in the SADC-initiated process. Furthermore, some members of civil society have lost the hope that was present at the beginning of the

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<https://www.google.com/url?sa=t&ret=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwimlfzut4mDAXVLOkEAHlMCa0QFnoECC8QAQ&url=https%3A%2F%2Ftwitter.com%2Ffundplesotho%3Flang%3Dpl&usg=AOvVaw040lkHJEsd9WIMRV8EhEh-&opi=89978449>

¹¹ <https://www.accord.org.za/analysis/politics-in-lesotho-remains-uncertain/>

reforms process. As the delays persist, civil society is becoming sceptical about whether the contents of the bill will still reflect the original aspirations and inputs from the public consultation processes.

The greater danger of political and governance uncertainty is that citizens may start to lose hope in democratic processes. A case in point is the local government elections in Lesotho, which were held in 29 September 2023, where public participation and enthusiasm was poor. Another threat to continued delays and uncertainty is that the security sector may become more decisive and take advantage of these governance loopholes.

Ultimately, the reform process is key to further consolidate democracy in Lesotho. Therefore, it is important that the bill reaches its initially intended conclusion to make the aspirations of Basotho a reality.

In the coming years, it's important for Lesotho to keep working on these areas to ensure a fair and just society. Establishing a Human Rights Council could be a big step forward. Overall, if Lesotho keeps focusing on these issues, it can build a more stable, prosperous, and fair future for everyone.

Cross Border and Regional Dimension: The inaugural session of the Bi-National Commission (BNC) between South Africa and Lesotho took place in September 2023. The launch of the BNC marked a deeper commitment to strengthen the relations between the two countries. The BNC evolved from the Joint Bilateral Commission of Cooperation (JBCC) signed in November 2021 will enhance bilateral economic cooperation between the two countries.¹²

There has been significant progress made under the 2001 JBCC framework, however, there are several challenges in enhancing trade and movement between the two nations, due to their close geographic proximity. Currently, there is a commitment to develop a new migration model aimed at facilitating smoother cross-border movement of people, goods, and services. Additionally, both countries agreed to expedite actions to remove trade barriers and plan to commercialize more border posts to improve trade efficiency.¹³

It is evident that it's evident that both countries are prioritizing sustainable development and economic integration. The focus on sustainable development and economic integration is clear. The expansion of the JBCC framework into renewable energy sectors like hydro, wind, and solar underscores a commitment to environmental sustainability and economic growth, highlighting a deeper level of interdependency between the two nations. The emphasis on reviewing and implementing a growing number of agreements since 2001 indicates a shift towards more specific, actionable bilateral commitments, with regular high-level meetings ensuring effective implementation. Additionally, the adoption of the Joint Action Plan and discussions on domestic and international issues demonstrate a comprehensive approach to diplomacy, with South Africa's support for Lesotho's national reforms underscoring mutual respect and a recognition of the interconnected regional landscape.¹⁴

12 Joint communiqué on the occasion of a working visit to the Republic of South Africa by the Prime Minister of the Kingdom of Lesotho, The Right Honourable Samuel Ntsokoane Matekane for the official launch of the Bi-National Commission on 28 September 2023.

¹³ *Ibid*

¹⁴ *Ibid*

Pillar 2: Equitable Food Systems, environmental sustainability, and climate action Biodiversity¹⁵, lands and forests

Climate change intensifies Lesotho's issues like drought, soil erosion, and biodiversity loss. The National Climate Change Policy highlights these growing concerns. Extreme weather events have impacted farming and food security. The agricultural sector is particularly affected, with a 0.7°C temperature rise already observed. Projections indicate a further increase of up to 2.2°C by 2060.¹⁶ In addition, Lesotho suffers from the economic shocks that promote negative coping mechanisms that adversely affect environmental/natural resource management and food systems.

Food security and nutrition: In December 2022, heavy rains damaged crops across Lesotho. While wheat production improved, maize and sorghum yields decreased compared to the previous season, with all main cereals below the normal and five-year averages. Food availability isn't a major concern due to stable markets. However, high food prices, inflation, and reduced casual labour from rain disruptions in 2023 affected vulnerable households' purchasing power, especially in the mountain regions. From October 2023 to March 2024, about 325,000 people (22 percent of the population)¹⁷ are expected to face severe food crises, with eight districts¹⁸ in IPC Phase 3 (Crisis)¹⁹ with an additional 255,730 people in urban areas.²⁰

Global Acute Malnutrition (GAM) levels in all districts are within IPC Phase 1 (Acceptable). Currently, 58 percent of households are in IPC Phase 1 (None/Minimal) for coping strategies, 34 percent are in IPC Phase 2 (Stressed), and 16 percent are in IPC Phase 3 (Crisis). The number of households in IPC Phase 3 (Crisis) coping strategies is slightly higher than in 2021 and 2022, but significantly lower than in 2020.²¹ Factors that stand in the way of ending malnutrition include poverty, natural and man-made disasters, low consumer demand and purchasing power for nutritious food, low and undiversified agricultural productivity, lack of prioritization of nutrition issues by government agencies, and limited commitment and capacity of local government units to deliver nutrition interventions. A multi-sectoral approach is therefore needed to address malnutrition holistically.

The Government of Lesotho has put in place the Lesotho Anticipatory Action Plan to mitigate drought in Mafeteng, Maseru, Maseru's Hoek, Quthing, and Thaba-Tseka during October-December 2023 and December 2023 – February 2024 seasons. It includes early warning systems, cash transfers, water source development, and providing drought-resistant agricultural supplies. The plan targets 5,218 to 25,644 households (21,000 to 103,000 individuals) across mild to severe scenarios. Budget estimates range from \$1.4 million to over \$8 million, triggered by drought

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

16 Ministry of Energy, Meteorology and Water Affairs (MEMWA) (2013)

17 The IPC analysis is done in rural areas only.

18 The districts are Berea, Mafeteng, Maseru, Maseru's Hoek, Mokhotlong, Qacha's Nek, Quthing, and Thaba-Tseka.

19 IPC Lesotho. Improved Production eases Lesotho's Food Insecurity. IPC Acute Food Insecurity Analysis July 2023 – March 2024

20 The Lesotho Vulnerability Assessment, August 2023.

21 *Ibid*

forecasts from Lesotho Meteorological Services and the International Research Institute at Columbia University.²²

Climate Change and Vulnerability: In the 2021 Notre Dame Global Adaptation Index (ND-GAIN)²³, Lesotho's readiness score was 0.307, positioning it at 150th out of 185 countries. This score suggests that Lesotho faces significant challenges in its capacity to leverage investments and convert them into adaptation actions, indicating an urgent need for enhanced strategies and initiatives to prepare for the impacts of climate change. On the vulnerability front, Lesotho has a score of 0.471, ranking 126th, which underscores its relative susceptibility to climate change threats, particularly in sectors like health, food, and water. The overall ND-GAIN score of 41.8, with a rank of 135th, further emphasizes the urgency for Lesotho to bolster its adaptive capacities and reduce vulnerabilities to ensure the well-being of its population in the face of changing climate patterns.

Climate Change and Water Resources: Lesotho, the "water tower" of Southern Africa, provides 40 percent of the Orange-Senqu river's run-off from just 3.0 percent of its basin. This water is essential for regional agriculture, industry, and households. Within Lesotho, aquatic ecosystems contribute up to 22 percent of GDP and 30 percent of employment. However, climate change and severe land degradation threatens these river catchments, costing the country an estimated 4.6 percent of annual Gross National Income (US\$ 108 million)²⁴ and amplifying flood and drought events and jeopardizing regional water security and local livelihoods.

Lesotho is facing a tough battle against climate change, which is hitting its farming hard and putting its beautiful nature at risk. The country is getting warmer, and unpredictable weather like heavy rains and droughts are making it hard for people to grow enough food sustain their livelihoods. This is a big worry, especially for families in the mountains who depend more on agriculture and are finding it harder to buy food because of escalating prices. The good news is that Lesotho's government is acting. They've got a plan to help people deal with droughts, using things like early warning systems and helping farmers get drought-resistant crops. But there's a lot more work to do. Lesotho needs to get better at adapting to these climate changes, especially to protect its important water resources that so many people depend on, both in Lesotho and the surrounding region.

In the future, it's going to be important for Lesotho to keep coming up with smart ways to deal with climate change. This means finding better ways to farm, taking care of its land and water, and working with other countries and experts. Lesotho must explore other strategies to respond to adverse effects of climate change over and above providing support for people to remain in affected locations. Government interventions must also accommodate those who choose to relocate by providing the means for regular pathways for people to move. Migration is an adaptation strategy to climate change and must be seen as such. The climate change Lesotho National Adaptation Plan considers relocation and reintegration of those who choose to move. By doing this, Lesotho can hope to have a healthier environment and make sure everyone has enough to eat.

Pillar 3: People's well-being and economic development

²² Lesotho Disaster Management Authority 2023. Lesotho Anticipatory Action Plan (AAP)

²³ ND-GAIN. (2021). Notre Dame global adaptation initiative country index. <https://gain.nd.edu/our-work/country-index/rankings/> accessed on 07 October 2023

²⁴ The National Programme for Integrated Catchment Management in Lesotho, Operational Plan 2022

Lesotho's economic landscape presents a blend of growth opportunities and challenges. As the nation navigates post-pandemic recovery, key sectors show varying degrees of progress. Influenced by revenues from the Southern African Customs Union (SACU) and other factors, this section provides an update of Lesotho's economic indicators and their broader implications.

Table 1: Lesotho Macroeconomic Indicators 2018 - 2024

	2018	2019	2020	2021	2022(e)	2023(p)	2024(p)
Real GDP Growth	-1.5	-0.8	-5.6	1.6	2.5	2.1	2.6
Real GDP per capital growth	-2.7	-2.0	-6.9	0.3	1.5	1.0	1.5
CPI inflation	3.9	5.2	5.0	6.1	8.3	6.5	5.5
Budget balance % GDP *	-4.5	-7.0	0.2	-4.8	-4.3	-5.5	-5.1
Current account balance % GDP	-2.8	-4.0	-2.0	-4.2	-6.8	-5.8	-5.1
<i>Source: Data from domestic authorities; estimates (e) and prediction (p) based on authors' calculations.</i>							
<i>* Data for fiscal year: April to March.</i>							

In 2022, Lesotho's GDP grew by 2.5 percent, primarily fuelled by the services sector's 1.87 percent growth, while the primary sector saw a smaller increase of 1.19 percent.²⁵ However, with a large portion of the population reliant on the primary sector, this modest growth may not adequately elevate living standards or job prospects, underscoring the importance of strategies to enhance the primary sector's output and employment opportunities. The GDP per capita grew by 1.5 percent in 2022, is expected to dip to 1.0 percent in 2023, and rebound to 1.5 percent in 2024. Despite fluctuations, there's been a steady rise in living standards since the Covid-19 pandemic, which saw declines of 2.0 percent and 6.9 percent in 2019 and 2020. Inflation was 8.3 percent in 2022, with projections of 6.5 percent in 2023 and 5.5 percent in 2024.²⁶

Despite the strong economic recovery, poverty continues to be a deep-rooted issue in the country, with half of the population living beneath the poverty threshold. The rising income inequality, highlighted by the Gini coefficient's increase from 0.446 in 2020 to 0.48 in 2022, further complicates the situation. This disparity is starkly evident in the employment sector, where the youth face an unemployment rate of 33.2 percent, a figure significantly higher than the overall unemployment rate of 24 percent.²⁷

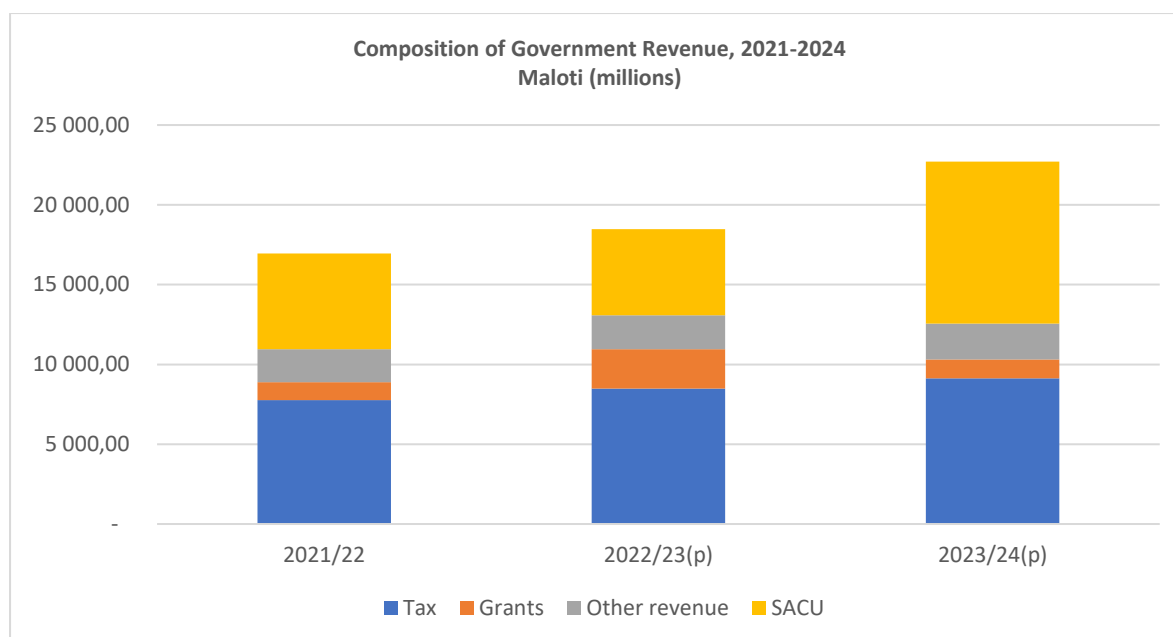
In fiscal years 2022/23 and 2023/24, Lesotho saw a shift in its fiscal outlook, with SACU revenues rising from M5.4 billion to M15 billion, increasing its revenue share by 13 percent. This surge turned a projected 7.7 percent GDP deficit in 2022/23 to a 1.6 percent GDP surplus in 2023/24.²⁸

²⁵ CBL Economic Outlook June 2023

²⁶ *Ibid*

²⁷ AfDB Country Focus Report 2023.a Lesotho Mobilizing Private Sector Financing for Climate and Green Growth

²⁸ Mid-Term Budget Speech 2023/24



Source: Mid-Year Budget Review 2023/2024 domestic authorities; projection(p).

Health: Despite allocating 10.6 percent of its GDP to healthcare and providing subsidized services, Lesotho's health system is fragile. Geographic barriers limit access, and the nation contends with high HIV, TB, and maternal and infant mortality rates. Moreover, Lesotho leans on South Africa for specialized healthcare.²⁹

In 2021, Lesotho's neonatal mortality rate dropped from 44.8 to 35 per 1,000 live births, and the under-five mortality rate decreased from 89.5 to 73. These declines highlight effective child health measures, but sustained efforts are crucial. Maternal health is pivotal, and Lesotho's maternal mortality ratio has decreased from 671 per 100,000 live births in 2014 to 566 in 2020. To meet SDG targets, a 10 percent yearly reduction is needed, suggesting the necessity for intensified strategies. Child stunting, a sign of chronic malnutrition, remains high at 31.8 percent in 2022, emphasizing the need for nutritional programs and potential policy changes.³⁰

The 2021 UHC index was 53, indicating that while over half the population accesses essential health services, a gap remains. Enhanced service delivery and infrastructure are vital for comprehensive health coverage. Lesotho has made significant strides against HIV/AIDS, with a 74 percent reduction in new infections from 2010 to 2022, ranking third globally. Continued efforts are essential to sustain this progress.³¹ It is evident that while Lesotho has made health advancements, challenges persist. Continuous investments, community involvement, and policy shifts are key to enhancing the nation's health landscape.

Education: In 2011, the literacy rate stood at 87.5 percent. By 2021, this figure had impressively risen to 96.9 percent. Among the population aged 6 to 24 years, 65.3 percent were still in school, 33.2 percent had left, and 1.5 percent had never attended. Urban areas showed a gender disparity in education. 54.9 percent of urban males had never attended school, compared

²⁹ WHO Lesotho Annual Report 2022

³⁰ World health statistics 2023: monitoring health for the SDGs, Sustainable Development Goals. Geneva: World Health Organization; 2023. Licence: CC BY-NC-SA 3.0 IGO

³¹ The path that ends AIDS: UNAIDS Global AIDS Update 2023. Geneva: Joint United Nations Programme on HIV/AIDS; 2023. Licence: CC BY-NC-SA 3.0 IGO

to 45.1 percent of females. In rural regions, the gap widened with 77.6 percent of males never attending school, while only 22.4 percent of females shared this status. From 2011 to 2021, the percentage of individuals still in school decreased from 67.1 percent to 63.8 percent. Meanwhile, those who left school increased from 29.2 percent to 34.7 percent.³²

Gender Equality: Lesotho's gender equality scores show a slight decline from 2022 to 2023, moving from a rank of 82nd to 87th. This indicates areas of concern despite some progress made. Access to financial services in Lesotho is uneven, potentially limiting women's economic empowerment. Similarly, widows and daughters face disparities in inheritance rights, which can lead to economic vulnerabilities for them.³³

While there's near parity in access to land, the rights to non-land assets remain uneven. This suggests that women's economic rights are limited beyond land ownership. The dominance of women in the informal sector, at 81 percent, might reflect limited access to formal job opportunities, often resulting in less secure roles. In politics, women hold 36.1 percent of parliamentary seats and 27.3 percent of ministerial positions. These figures, though above global averages, still highlight a representation gap. Alarming, 62.0 percent of women have experienced gender violence in their lifetime, emphasizing the need for protective measures.³⁴

Youth: In Lesotho, the significant potential of the youth for innovation and growth remains underutilized. A notable 45 percent of individuals aged 15-24 are neither in education nor employment. To address youth unemployment, the Prime Minister launched the "Prime Minister's Youth Empowerment Initiative SEBABATSO," focusing on nurturing youth businesses. Despite widespread aspirations, there's a pronounced gap between aspirations and actual achievements, especially in tertiary education. While there's a clear demand for Technical and Vocational Education and Training (TVET), female participation is conspicuously lower. About a third of the youth have pursued some form of training, with males being 1.5 times more likely to complete it. Contrary to common perceptions, Basotho youth lean more towards entrepreneurship than public sector jobs, but they grapple with challenges such as high dropout rates, unemployment, and barriers like limited credit access and entrepreneurial knowledge. Young women face heightened challenges, including higher unemployment rates and mental health concerns. A significant constraint for many youths is poor time management in achieving educational goals as well as lack of support/weak system that are available for the youth. Their job searches are predominantly informal, and sectors like manufacturing and tourism see limited interest. The prevalent high anxiety levels among the youth highlight an urgent need for mental health interventions.³⁵

Lesotho's economy is recovering, driven by the services sector and SACU revenues. Yet, challenges like slow primary sector growth and income inequality remain. Policymakers should prioritize the primary sector and tackle youth unemployment, leveraging the positive fiscal outlook to promote equitable growth through education and social programs.

Lesotho is on a path to recovery and growth, but it's not without its challenges. The economy is picking up, thanks to the service sector and help from the Southern African Customs Union.

³² Bureau of Statistics (2023). 2021 Lesotho Demographic Survey. Analytical Report "Volume IIIB Socio-economic Characteristics". Bureau of Statistics. Maseru. Lesotho

³³ World Economic Forum. Global Gender Gap Report 2023. Insight Report 2023

³⁴ *Ibid*

³⁵ World Bank 2023. A Survey of Young Basotho's Aspirations and Challenges (English)

But many people still depend on farming, which isn't growing as fast. Also, too many people, especially the young, don't have jobs, and income inequality is a big problem.

In health and education, there is commendable progress. More learners, especially at primary school level are into school, and health services are improving. But there are still big issues such as high secondary school dropout rate due to early and unintended pregnancies and harmful societal norms including child marriage impacting on the educational outcomes. New HIV infections remain a challenge among adolescents and young people. Access to healthcare services remain a challenge in rural areas. Lesotho needs to focus on a few key areas. First, boosting farming and other key sectors to create more jobs, especially for the youth. Second, continuing to improve healthcare and education for everyone. And third, working harder to make sure women and girls have the same opportunities as men, especially in education and jobs.

7 Financing Landscape and Partnerships for Sustainable Development

Lesotho's financial landscape is anchored by strong domestic revenues and complemented by foreign inflows like remittances and Foreign Direct Investment (FDI). However, challenges such as rising public debt and variable Official Development Assistance (ODA) underscore the complexities of its path towards sustainable growth.

Domestic Financial Resources: Lesotho's fiscal landscape is primarily shaped by its domestic financial resources. The government revenue stands out as the predominant financial flow, constituting a significant portion of the nation's GDP. Between 2021 and 2023, this revenue averaged an impressive 50.7 percent of the GDP. Such a figure not only highlights the country's substantial reliance on domestic sources for its budgetary allocations but also underscores the robustness of its internal financial mechanisms. Delving deeper into this revenue structure, two main pillars emerge: Tax and SACU revenues. These sources have consistently been the linchpins of Lesotho's financial inflow, with tax revenues averaging 25.9 percent and SACU revenues contributing about 20.1 percent to the GDP during the same period. The prominence of these revenues accentuates the pivotal role of regional trade agreements in the country's economy. Moreover, it brings to the fore the significance of having efficient tax collection systems to ensure fiscal health.³⁶

Another noteworthy aspect of Lesotho's domestic financial resources is the role of the private sector. Between 2019 and 2022, credit extended to the private sector averaged 21.3 percent of the GDP. Such figures not only suggest an active banking and financial sector but also hint at the immense potential that private enterprises hold in driving the nation's economic growth.³⁷

However, while domestic resources have been buoyant, there's a looming concern in the form of public debt. By the end of 2022, the public debt stock to GDP ratio was estimated to be 59.9 percent. Such a substantial figure is a stark reminder of the country's borrowing patterns. While borrowing is often a necessary tool for development, it's imperative for policymakers to ensure that this debt remains sustainable to prevent undue burdens on future generations.³⁸

³⁶ Budget speeches 2022/23 and 2023/24

³⁷ IMF. 2023. Lesotho: 2023 Article IV Consultation—Staff Report; Staff Statement; and Public Information Notice on the Executive Board Discussion. July 23. Washington, DC: IMF.

³⁸ *Ibid*

Foreign Financial Resources: Shifting the lens to foreign financial resources, Lesotho's landscape presents a mixed picture. Official Development Assistance (ODA), a lifeline for many developing nations, plays a somewhat muted role in Lesotho. Averaging at 4.5 percent of the GDP from 2021 to 2023, ODA, although contributory, isn't the predominant financial source for the nation.³⁹ In contrast, remittances have consistently bolstered Lesotho's foreign inflows. Between 2019 and 2022, remittances constituted an average of 21.1 percent of the GDP.⁴⁰ Such figures not only highlight the crucial role played by the Lesotho diaspora in buttressing the nation's economy but also emphasize the need for policies that streamline and encourage these transfers. Lastly, the Foreign Direct Investment (FDI) scenario in Lesotho mirrors the patterns observed in remittances. Averaging 21.1 percent of the GDP from 2019 to 2022,⁴¹ FDI inflows indicate Lesotho's success in positioning itself as an attractive destination for foreign investors. Beyond the immediate capital infusion, FDI also brings with it opportunities for technology transfers, skill development, and job creation, all of which are essential for sustainable development.

9 Multi-Dimensional Risks and Conclusions

Lesotho faces a range of multidimensional risks that challenge its developmental trajectory. These risks, spanning political, social, economic, and environmental domains, have varying degrees of impact on the nation's progress:

Political Instability and Governance Issues (High Risk): Lesotho has experienced recurring political instability, with several coalition governments collapsing prematurely. The nation's declining corruption ranking is worrisome, and there are hurdles in implementing comprehensive governance reforms.

Economic Vulnerabilities and Inequalities (High Risk): Lesotho's economy faces significant challenges, including slow growth in its primary sector, which is vital for many livelihoods. The nation grapples with escalating income inequality and a concerning youth unemployment rate. Additionally, there's a heavy reliance on fluctuating revenues from the Southern African Customs Union (SACU).

Climate Change and Environmental Degradation (High Risk): Lesotho is increasingly susceptible to climate change, a concern highlighted by the Notre Dame Global Adaptation Index. The country's crucial water resources are under threat, and extreme weather events pose risks to agriculture and food security.

Conclusion: Lesotho's journey towards sustainable development presents a tapestry of achievements, challenges, and opportunities. The nation's commitment to the UN Sustainable Development Goals is evident, though progress has been uneven, with data gaps remaining a significant hurdle. The country's SDG rankings have seen a decline, indicating the need for more targeted efforts, especially in areas like health, education, and gender equality. Climate change poses a looming threat, with its impacts already manifesting in sectors like agriculture, water, and human resources. Economically, while there are signs of recovery, deep-rooted issues like poverty and income inequality persist. The political landscape remains volatile, with governance reforms and anti-corruption measures being of paramount importance.

On the financial front, Lesotho's reliance on domestic revenues, especially from tax and SACU, underscores the significance of regional trade agreements and efficient tax systems. The rising

³⁹ *Ibid*

⁴⁰ *Ibid*

⁴¹ *Ibid*

public debt, however, is a concern that needs addressing to ensure fiscal sustainability. Foreign financial inflows, primarily through remittances and FDI, have been robust, highlighting the role of the diaspora and the country's appeal to foreign and diaspora investors. In conclusion, while Lesotho has made commendable strides in various sectors, a holistic, targeted, and inclusive approach is essential to address existing challenges and pave the way for sustainable growth and development.