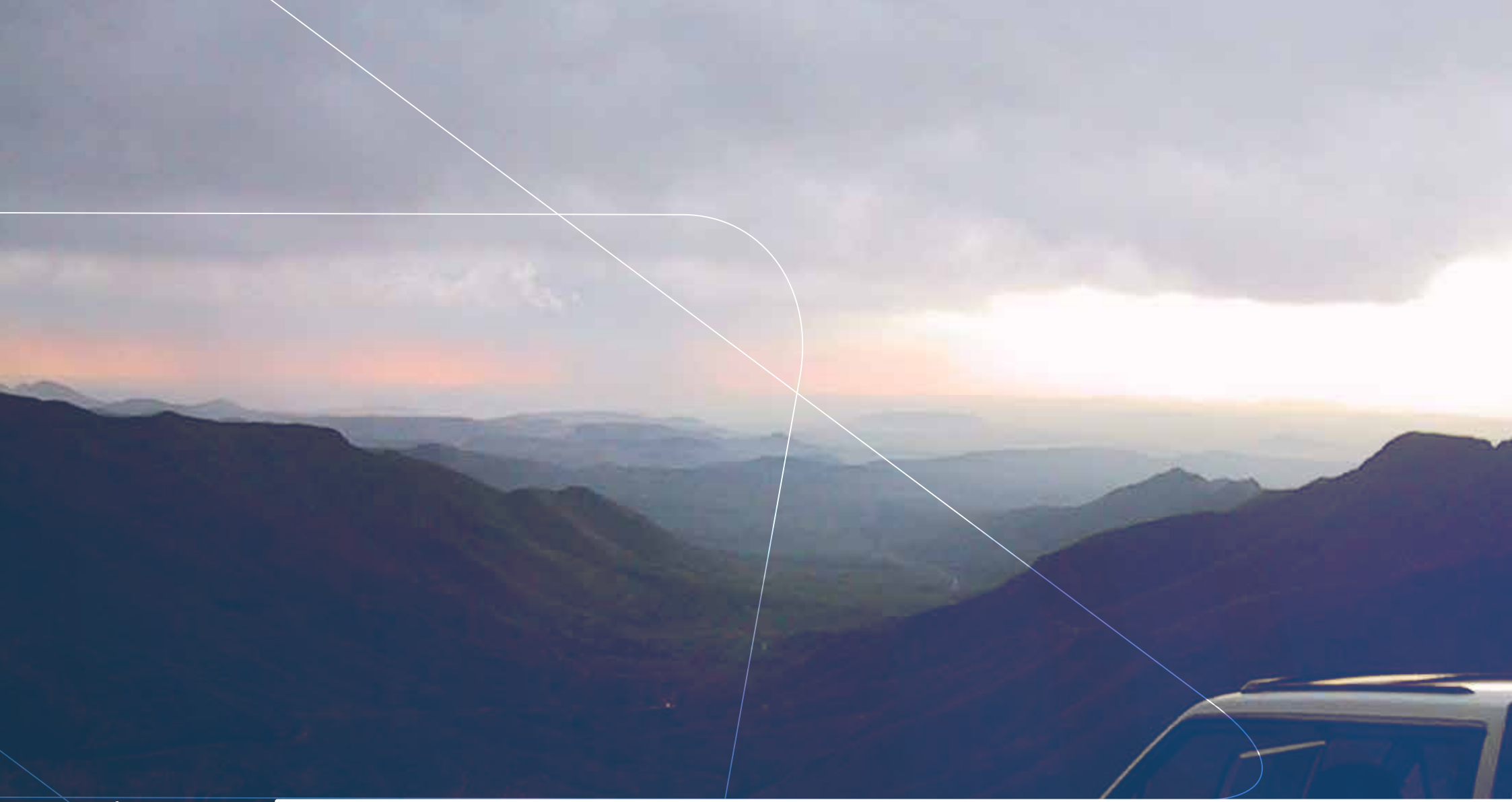


# IOA — 2019 — ACBR



AFRICA COUNTRY BENCHMARK REPORT

Lesotho Profile



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**The Mountain Kingdom is small, landlocked and has few natural resources – however, spectacular mountainous scenery offers more than views but also a valuable water supply for neighbouring South Africa.**

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Image courtesy of Henri Bergius

# LESOTHO

# #14

# LESOTHO



## OVERVIEW ANALYSIS

Small in geographic and population size, landlocked Lesotho is unable to raise the majority of their population out of poverty. Unlike other countries that have the resources to alleviate poverty but are inhibited by civil war and other factors, Lesotho lacks the natural resources and domestic market size for a manufacturing sector. In addition, political instability is a constant problem. Lesotho's greatest asset is their association with South Africa, the massive country that entirely surrounds them, which is Lesotho's economic lifeline and, in times of political turmoil, their security lifeline. Some analysts suggest Lesotho's incorporation into South Africa as a semi-autonomous state is still the best option available. Lesotho experienced a decrease in all quadrants, declining overall to 14<sup>th</sup> position.

### KEY OPPORTUNITIES

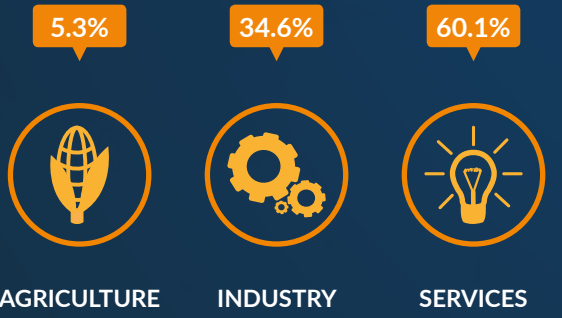
- Plentiful river water resources are major revenue earners.
- The country's rivers can also be harnessed for hydroelectricity production
- Lesotho's mountainous topography offers potential for tourism

### KEY CONCERNS

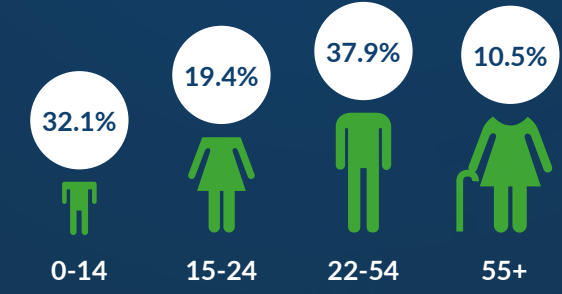
- The population is poor, unskilled and plagued by HIV/AIDS
- Internal markets are too small to support a thriving economy
- An unstable government has opposition parties who are unable to unite for nation building

## COUNTRY HIGHLIGHTS

<b>PREDOMINANT RELIGION</b>  Christianity	<b>PREDOMINANT LANGUAGE</b>  Sesotho	<b>POPULATION WITHOUT ELECTRICITY</b>  70.3% (#38) ▼ <sup>4</sup>	<b>LITERACY RATE</b>  79.4% (#15) =	<b>PRIMARY ELECTRICITY SOURCE</b>  Hydroelectric
<b>IMPORT/EXPORT</b>  Petroleum/ Clothes	<b>EXTERNAL DEBT</b>  US\$ 9.525 billion (#46) ▼ <sup>1</sup>	<b>ACTIVE CONFLICT</b>  No	<b>LAND SIZE</b>  30,355 km <sup>2</sup> (#43)	<b>INTERNET PENETRATION</b>  27.4% (#16) ▲ <sup>13</sup>



### CONTRIBUTIONS TO GDP BY SECTOR



### POPULATION AGE BREAKDOWN

**Term:**  
 07/02/1996 - present  
 N/A

**Political Party:**  
 N/A

**Recent Electoral Information:**  
 N/A  
 N/A  
 N/A  
 Voter turnout: N/A



King Letsie III

### NATIONAL GOVERNANCE

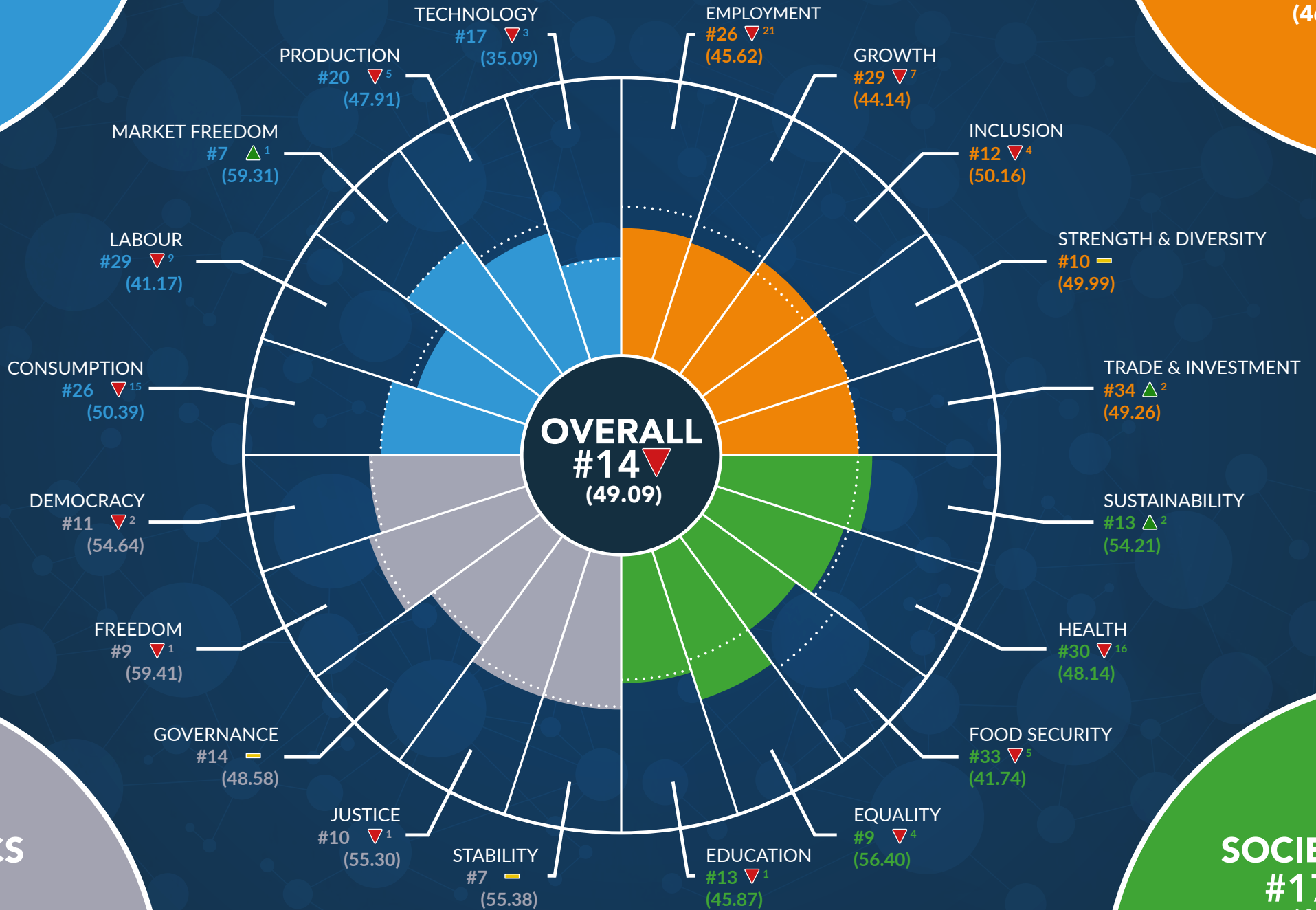
# BUSINESS

#16  
(46.78)

## LESOTHO PERFORMANCE OVERVIEW

# ECONOMICS

#22  
(46.23)



▲ Increase from 2017

▼ Decrease from 2017

▬ No change

..... 2017 Score

# POLITICS

#9  
(54.66)

# SOCIETY

#17  
(48.69)

# LESOTHO BUSINESS ANALYSIS



## BUSINESS OVERVIEW

Consumer goods are brought over the border from South Africa, where 87% of Lesotho's imports originate. Manufacturing aimed at South Africa has not proven financially viable. Consequently, industries exporting overseas have found markets for goods as long as this effort enjoys trade benefits, like the US's African Growth and Opportunities Act (AGOA). The few textile companies exporting under AGOA were necessary to boost industry to a contribution of 39% of Lesotho's GDP. However, these factories are owned not by the indigenous Basotho people but by Chinese and Taiwanese investors.

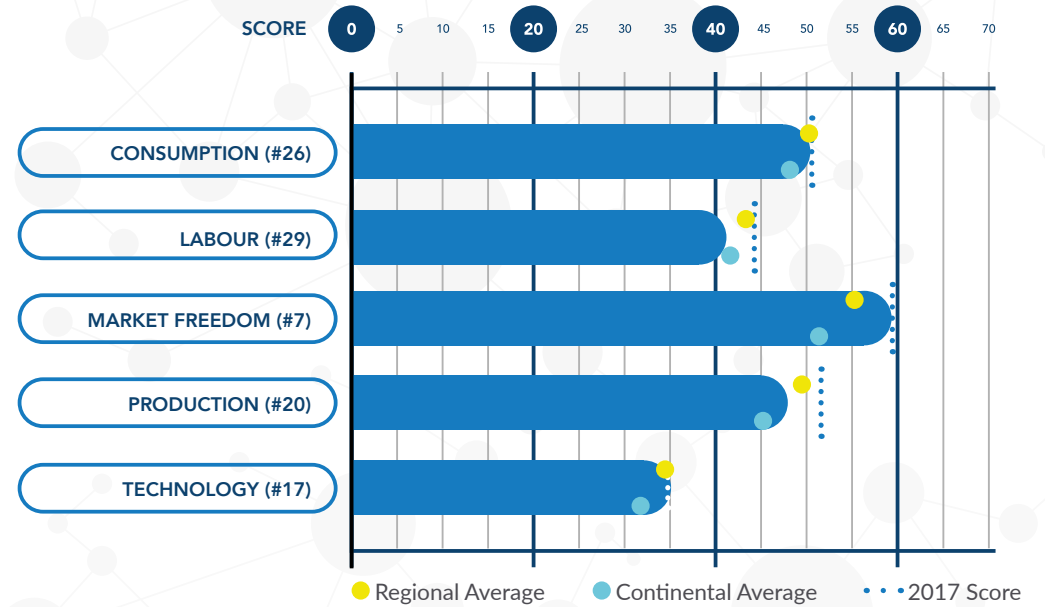
To lure new investors, government offers incentives like a low corporate income tax of 10% on manufacturing profits. Small- and medium-sized businesses support

the textile industry or are often franchises of South African firms. These meet local demand for retail goods and services. While businesses in the services sector include the few tourism operators in the country, the major player in this sector is the Lesotho Highlands Water Project, which provides South Africa with Lesotho's only abundant natural resource: water. The services sector commands 55% of GDP. Lesotho's small local market which limits business expansion and the near impossibility of competing industrially with South Africa are significant disincentives to business investment. Reflecting this, Lesotho suffered a significant six rank decline in the Business quadrant to 17<sup>th</sup> place. The decline reflects the small market and limited business opportunities Lesotho offers.

## BUSINESS DATA COMMENTARY

<p>Lesotho data availability <b>78.02%</b></p>	<p><b>REGIONAL AVERAGE</b> 87.41%</p>	<p><b>AFRICAN AVERAGE</b> 77.78%</p>	<p><b>CONTINENTAL RANK</b> #28</p>
	<p>The lowest of all quadrants, the current score for business data availability in Lesotho is 78.02%, thus ranking 28<sup>th</sup> continentally. This ranks below the regional average for Southern Africa, which currently stands at 87.41%, but just exceeds the continental average of 77.78%. With commerce mostly confined to a narrow assortment of primary industries, future growth depends on increases in quality business data. At present, the best business data repositories tend to be international financial institutions.</p>		

## BUSINESS SCORES & RANKINGS



## BUSINESS STATISTICS

<p><b>% POPULATION IN URBAN CENTRES</b></p> <p>28.2% (#44)</p>	<p><b>LABOUR FORCE IN MILLIONS</b></p> <p>0.93 million (#43)</p>	<p><b>INDUSTRIAL PRODUCTION GROWTH</b></p> <p>8.2% (#8)</p>	<p><b>PRIME LENDING RATE</b></p> <p>12% (#20)</p>
<p><b>% ADULTS WITH A BANK ACCOUNT</b></p> <p>45.56% (#14)</p>	<p><b>ANNUAL AIR PASSENGERS</b></p> <p>N/A (#N/A)</p>	<p><b>MOBILE SUBSCRIPTIONS</b></p> <p>103.59 per 100 (#17)</p>	<p><b>NATIONAL 3G COVERAGE</b></p> <p>96% (#4)</p>

# LESOTHO ECONOMIC ANALYSIS



## ECONOMIC OVERVIEW

Lesotho's economy is the 2<sup>nd</sup>-worst performing in Africa after Equatorial Guinea. The World Bank projects GDP growth of 1.2% in 2018 to slow to 0.2% in 2020. The fundamentals working against a prosperous economy include a lack of natural resources and a small local market place.

The people of Lesotho are largely rural and poor, with 57.1% of the population living below the poverty line. While 86% of the Basotho people engage in agriculture, they work on the subsistence level and do not significantly contribute to the overall economy. Agriculture accounts for only 5.8% of GDP, and this is derived mainly from livestock, like cattle and sheep. Mohair is one valuable product that can be more greatly produced and exported.

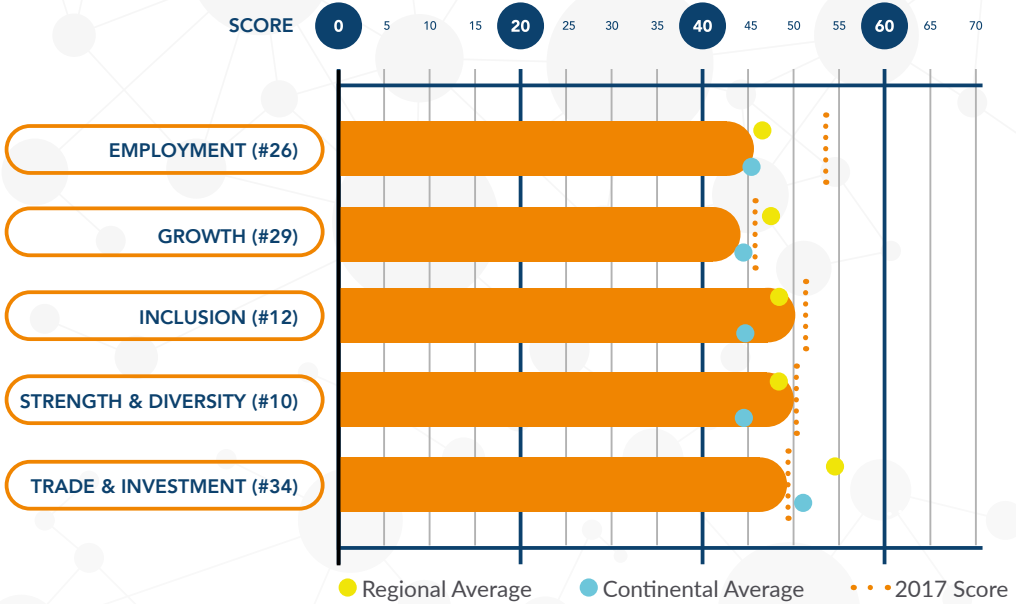
Lesotho has favourable if underutilised trade treaties with Australia, Canada, Europe and the US. Exports amounted to US\$ 1.03 billion in 2017. The cost of imported good amounted to US\$ 1.83 billion. Government's fiscal record is also off-balance, with 2017 government expenditures of US\$ 1.26 billion unmatched by government revenues of US\$ 1.09 billion. High unemployment forces many Basotho to find work in South Africa. Their remittances to their families are vital to Lesotho's overall economy.

Lesotho suffered another significant position drop in the Economics quadrant. From 15<sup>th</sup> in the previous period of review to 23<sup>rd</sup> place, this eight-rank descent reflects the limited economy in terms of size and growth potential.

## ECONOMIC DATA COMMENTARY

<p>Lesotho data availability <b>82.91%</b></p>	<p><b>REGIONAL AVERAGE</b> 87.18%</p>	<p><b>AFRICAN AVERAGE</b> 77.78%</p>	<p><b>CONTINENTAL RANK</b> #29</p>
	<p>The highest of all quadrants, Lesotho presently scores 82.91% for economic data availability, thus ranking 29<sup>th</sup> continentally. However, this nonetheless falls considerably short of the regional average 87.18%, although it still manages to outpace the continental average of 77.78%. As of present, Lesotho has a dedicated data portal sponsored by the African Development Bank featuring some basic macroeconomic indicators.</p>		

## ECONOMIC SCORES & RANKINGS



## ECONOMIC STATISTICS

<p><b>GDP PER CAPITA</b></p> <p>US\$ 3,900 (#22)</p>	<p><b>UNEMPLOYMENT RATE</b></p> <p>27.2% (#53)</p>	<p><b>TRADE BLOC MEMBERSHIP</b></p> <p>AFTZ, SACU, SADC</p>	<p><b>INFLATION RATE</b></p> <p>6.6% (#32)</p>
<p><b>GDP AT PPP</b></p> <p>US\$ 7 billion (#45)</p>	<p><b>CURRENCY AND GOLD RESERVES</b></p> <p>US\$ 0.98 billion (#23)</p>	<p><b>FDI NET INFLOWS</b></p> <p>US\$ 43 million (#46)</p>	<p><b>BUDGET SURPLUS (+) OR DEFICIT (-)</b></p> <p>-3.8% (#23)</p>

# LESOTHO POLITICAL ANALYSIS



## POLITICAL OVERVIEW

Lesotho is a peaceful country with no external threats. However, internal threats to peace and stability are persistent, stemming from a too-powerful military that often considers themselves superior rather than subordinate to civilian control. Since independence in 1966, the police and army have often kept government control out of the hands of people they dislike or cannot control. South Africa militarily intervened in 1998 when a coup d'état brought destruction to the capital Maseru and threatened the highlands water flow that supplies Johannesburg and Pretoria.

The ruling coalition formed after the 2012 elections devolved into chaos in 2014 when Prime Minister Tom Thabane suspended parliament to avoid a parliamentary vote of no confidence. He was replaced in a coup

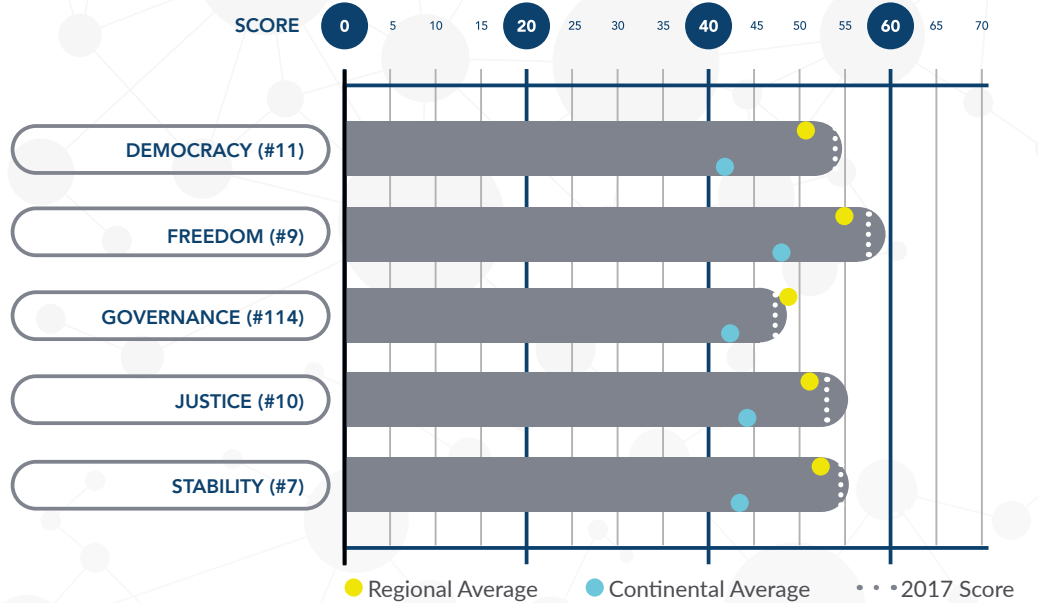
d'état by the head of the Lesotho Defence Force. Intervention by the Southern African Development Community, led by South Africa's current President Cyril Ramaphosa, restored order in Maseru. Elections of 2015 installed Thabane's political opponent, Pakalitha Mosisili. In 2017, general elections were held again. The new polling restored Thabane to power but did not reduce the threat of military takeovers in the future.

Lesotho dropped one rank to 9<sup>th</sup> place in the Politics quadrant on the basis of political instability that continues to undermine two strong political fundamentals – good democratic institutions and the security of being surrounded by South Africa with its powerful and protective military.

## POLITICAL DATA COMMENTARY

<p>Lesotho data availability <b>81.56%</b></p>	<p><b>REGIONAL AVERAGE</b> 88.82%</p>	<p><b>AFRICAN AVERAGE</b> 82.86%</p>	<p><b>CONTINENTAL RANK</b> #31</p>
	<p>Lesotho has a tenuous political history, recently giving rise to heightened instability and corresponding military involvement in national politics. This combined with the repressive tendencies of the existing monarchy has resulted in limited political transparency, with the score for political data availability currently at 81.56% and ranking 31<sup>st</sup> continentally. This falls short of the respective regional and continental averages of 88.82% and 82.86%, thus requiring considerable improvement.</p>		

## POLITICAL SCORES & RANKINGS



## POLITICAL STATISTICS

<p><b>NUMBER OF POLITICAL PARTIES</b></p> <p>13 (#19)</p>	<p><b>MILITARY EXP AS % OF GDP</b></p> <p>2% (#13)</p>	<p><b>REFUGEE INFLOW</b></p> <p>N/A (#N/A)</p>	<p><b>NUMBER OF RIGHTS</b></p> <p>55 (#21)</p>
<p><b>DATE OF INDEPENDENCE</b></p> <p>10/04/1966</p>	<p><b>NET OFFICIAL DEVELOPMENT ASSISTANCE</b></p> <p>US\$ 113 million (#44)</p>	<p><b>WOMEN IN PARLIAMENT</b></p> <p>22.9% (#21)</p>	<p><b>CAPITAL PUNISHMENT</b></p> <p>Special Cases</p>

# LESOTHO SOCIETAL ANALYSIS



## SOCIETAL OVERVIEW

Because of a small industrial and business sector, government is the country's largest employer. Nearly six out of 10 Basotho live beneath the poverty line, which has prompted an exodus of workers to South Africa for employment. This diaspora has done nothing to improve social welfare conditions in Lesotho.

HIV/AIDS is a major health concern. The HIV prevalence rate is 24%, and the small country of about two million people has about 400,000 people living with HIV/AIDS, accounting for 5,000 deaths annually. HIV/AIDS is one reason for Basotho's having Africa's lowest population growth rate at 0.24%. Life expectancy is low, at 53 years. Infant and maternal mortality are high. Agricultural harvests are hard hit by persistent droughts, and international aid

is needed to avert famines. One out of 10 Basotho children under the age of five is underweight.

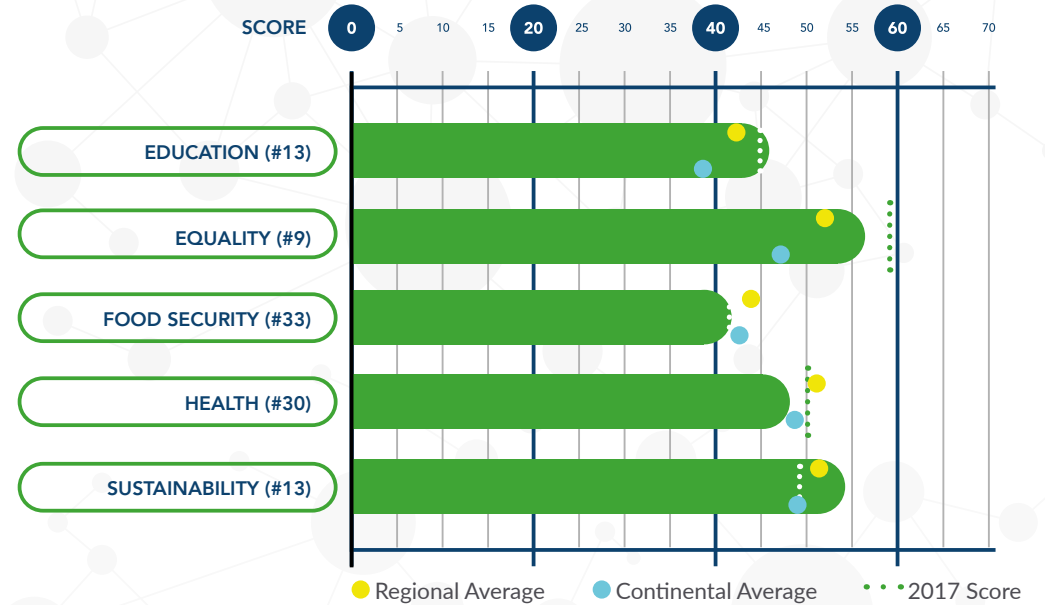
The Basotho are more ethnically united than any African country. Nearly all of the country's population – 99.7% – is Sotho. The remaining 0.3% are Asian and European business people and a few long-time settlers. Spending on education was 6.4% of GDP in 2018, exactly half of the 13% of GDP spent in 2016, at a time when four out of five Basotho are literate.

With no improvement in social services during the year under review, Lesotho's Society quadrant ranking declined by four positions from 14<sup>th</sup> in the previous period of review to 18<sup>th</sup> place.

## SOCIETAL DATA COMMENTARY

<p>Lesotho data availability <b>80.61%</b></p>	<p><b>REGIONAL AVERAGE</b> 84.54%</p>	<p><b>AFRICAN AVERAGE</b> 75.28%</p>	<p><b>CONTINENTAL RANK</b> #30</p>
	<p>Following closely on the previous quadrant, the current score for societal data availability in Lesotho is 81.61%, thus ranking 30<sup>th</sup> continentally. Comparatively speaking, this falls below the respective regional and continental averages of 84.54% and 75.28%, thus indicating a need for improved societal data collection. With high rates of poverty and associated societal deficits, future development will require concerted efforts by government to expand its statistical capabilities.</p>		

## SOCIETAL SCORES & RANKINGS



## SOCIETAL STATISTICS

<p><b>POPULATION SIZE AND GROWTH RATE</b></p> <p>1,958,042 at 0.28% p.a (#44)</p>	<p><b>LIFE EXPECTANCY</b></p> <p>53 years (#46)</p>	<p><b>HIV PREVALENCE</b></p> <p>25% (#2)</p>	<p><b>SEXUALITY TOLERANCE</b></p> <p>Legal</p>
<p><b>ACCESS TO DRINKING WATER</b></p> <p>81.8% (#20)</p>	<p><b>HEALTH EXPENDITURE (% OF GDP)</b></p> <p>8.36% (#7)</p>	<p><b>PRIMARY EXPENDITURE (% OF EDU. TOTAL)</b></p> <p>N/A (#N/A)</p>	<p><b>SOCIAL MEDIA PENETRATION</b></p> <p>15% (#16)</p>

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