

BTI 2012 | Lesotho Country Report

Status Index	1-10	5.23	# 78 of 128	
Political Transformation	1-10	5.60	# 66 of 128	➔
Economic Transformation	1-10	4.86	# 86 of 128	➔
Management Index	1-10	5.43	# 50 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

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Key Indicators

Population	mn.	2.2	HDI	0.450	GDP p.c.	\$	1600
Pop. growth ¹	% p.a.	1.0	HDI rank of 187	160	Gini Index		52.5
Life expectancy	years	47	UN Education Index	0.507	Poverty ³	%	62.3
Urban population	%	26.9	Gender inequality ²	0.532	Aid per capita	\$	59.5

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The period under review was characterized by continued wrangling between political parties in Lesotho, due to the continued controversy over the allocation of parliamentary seats following the 2007 general elections. The Lesotho Congress for Democracy (LCD) emerged from the elections victorious, with a majority of just over 50%. However, opposition parties have argued that the allocation of proportional representation seats to the National Independent Party (NIP) was done in violation of the electoral code. The LCD and the NIP had formed an informal alliance prior to the 2007 general elections that allowed members of the LCD to stand for LCD in their own constituency, while also appearing on the NIP's proportional representation party list. A similar alliance was formed between the Lesotho Workers Party (LWP) and the All Basotho Convention (ABC). High-profile mediation efforts led by the Southern African Development Community (SADC) initiated dialogue between opposition parties and the ruling LCD. However, during the period under review, SADC failed to bring the parties to agreement, and civil society organizations in Lesotho had to take over the mediation process. The country experienced an attempted coup in April 2009, when alleged mercenaries from Mozambique led an attack on the prime minister's official home, with weapons seized from the Makoanyane military barracks in Maseru. The matter is now being handled by the civilian courts in Lesotho. The most shocking episode was when a commission of inquiry formed by the prime minister in order to investigate the attack criticized a High Court judge for having granted bail to one of the suspects.

Local civil society groups continued the process of mediating between political parties on the issue of parliamentary seats after the SADC mediator, Sir Ketumile Masire, declared the process to be unproductive. The intervention of local civil society groups is a clear demonstration of the country's potential to solve its own problems. In addition, the process has presented an opportunity for stakeholders to fully reflect on the electoral system with the aim of minimizing future post-election conflict. All stakeholders should certainly come out of this process with

clear strategies on how to ensure the stability of Lesotho in order to achieve the desired development. The country is surely at a crossroads, and the need for reforms can only be ignored at the peril of Lesotho and the Basotho, the country's population. The legislature and public service represent major bottlenecks, with a persistent shortage of skills and funding leading to difficulties in formulating reforms appropriately. One of the key shortcomings of both bodies is their inaccessibility, which inhibits ordinary citizens from taking ownership of the democratic process. However, the country's rising levels of poverty and inequality represent a more immediate danger, exacerbated by decreased government revenue during the period under review. Lesotho has been adversely affected by the decline in Southern African Customs Union (SACU) revenue, which previously accounted for about two-thirds of the national budget. This is very significant given that government plays a major role in an economy of less than \$2 billion. The challenge for government is to find alternative sources of revenue in order to become less dependent on customs revenues.

Despite commendable levels of economic growth under a market-based macroeconomic policy, levels of poverty, inequality and unemployment have increased significantly since the turn of the millennium. Nevertheless, there is very little organized left-wing resistance against the LCD's macroeconomic framework. Organized labor, the traditional opponents of liberal market-based policy, continues to be weak. A more significant threat to liberal economic policies in Lesotho could be posed by collaboration between the labor movement in Lesotho and the influential Congress of South African Trade Unions (COSATU) in neighboring South Africa, which has been growing in recent years. COSATU is well known for its leftist program, which is sustaining the bargaining power of unionized workers in South Africa.

The period under review also saw rising threats to the free media. Prominent figures such as political party leaders and CEOs of private bodies such as the Lesotho Football Association are reported to have threatened journalists investigating their organizations. The government has also showed an intention of increasing pressure on the media, referring a long-awaited draft media policy to the Minister of Communication, Science and Technology. The freedoms of association and assembly were undermined when the government increased restrictions on protests.

The country has received a massive financial boost from the U.S. government in the form of a \$362 million Millennium Challenge Corporation (MCC) grant. The country's implementation of this project, which was ongoing through the period under review, represents a clear demonstration of its development ambitions. Additional development initiatives have been sponsored by the European Union, Japan and China, and are intended to build the state's capacity to deliver better services to Lesotho's population.

History and Characteristics of Transformation

Lesotho is a small landlocked country that is geographically surrounded by the Republic of South Africa. In 1868, it became a British protectorate, and gained its independence in 1966. Lesotho falls within the category of least developed countries (LDCs), with more than half of its population living on less than \$1 a day. It has one of the highest HIV and AIDS infection rates in the world, which can be regarded as both a cause and a result of its high levels of poverty. A substantial proportion of its populace lives from subsistence farming, with the consequence that the country is highly exposed to the phenomenon of climate change.

The country's endowment of mineral resources has yet to be properly utilized. There have been very few geological surveys focusing on the nation's mineral deposits, which may be due to the terrain, which is less attractive than that of neighboring South Africa. However, efforts to exploit the country's natural resources have in recent years drawn significant investment, resulting in initiatives such as the Lesotho Highlands Water Project (LHWP), which channels Lesotho's clean and abundant water to neighboring South Africa. The country has diamond deposits which have not been exploited, despite its recent history of producing some of the largest gems in the world. Textiles are country's biggest industry, realizing massive growth with support from the U.S. government's Africa Growth and Opportunity Act (AGOA). However, the single biggest contributor by far to Lesotho's GDP has been the tariff revenue generated by the Southern African Customs Union (SACU), which consists of Botswana, Lesotho, Namibia, South Africa and Swaziland. The fact that this accounts for around two-thirds of the national budget has made the country highly dependent on the economic activity within the union and particularly South Africa, the biggest economy in the region and the primary source of Lesotho's imports. Unemployment is high and a significant percentage of Basotho people are employed within the South African economy. As a result, remittances, mainly from South Africa, constitute about a quarter of Lesotho's GDP.

Economic reforms have taken place mainly in the financial sector, where a Financial Institutions Act was introduced to improve the regulatory environment, as well as in the public finance realm, which contributed to a shrinking overall fiscal deficit

Lesotho is very committed to the process of trade liberalization. This has been demonstrated by its active role in SADC, in which it has sought to ensure that regional integration becomes a success. This will benefit both the global and the Southern African economies. Lesotho is one of the most liberal LDCs, and has made extensive General Agreement on Trade in Services (GATS) commitments. Out of 12 major service sectors, the country has liberalized 10, as well as 85 services subsectors. The country has long linked its trade policy with that of South Africa. This is largely due to the lack of skilled personnel and the country's incapacity to engage in thorough situational analysis before taking a position in trade negotiations. However, the country has not realized major dividends from liberalizing trade in services, largely due to its very small

population, which decreases the country's attractiveness for investors. Lesotho has shown a commitment to increasing the role of private businesses in its economic growth strategy. The country's poverty reduction strategy (PRS) unequivocally stated the desire to have growth led by the private sector instead of allowing the government to dominate the economy. The country has come a long way from the days when large enterprises were owned by the state. This previous condition was reversed through privatization and foreign direct investment (FDI), ultimately resulting in the private sector superseding civil service as the largest employer in the country.

Lesotho is at present a stable democratic constitutional monarchy. After a protracted period of about 25 years of undemocratic rule, which included seven years of military rule, the country held democratic elections in 1993. The transition was largely facilitated by external donor pressure, which coincided with a breakdown of the military-monarchy oligarchy in 1990. As the military's grip on the levers of power weakened, the prohibition on political activity was lifted and preparations began for general elections. The Basutoland Congress Party (BCP) won a landslide parliamentary victory in the 1993 elections. The country therefore became a one-party state immediately after the return to democracy.

In the years that followed, Lesotho experienced several internal challenges to the legitimacy of the democratic state. In 1994, King Letsie III staged a military-backed coup and appointed an interim government after unsuccessfully trying to persuade the ruling BCP to reinstate his father, Moshoeshe II, who had been deposed and exiled after falling out with the military government. Civil society groups mobilized all stakeholders in- and outside Lesotho in order to put pressure on the king to restore the constitution and reinstate a democratically elected government. A negotiated settlement resulted in the reinstatement of the BCP, and Letsie III abdicated in favor of his father. However, he soon returned to power as the result of Moshoeshe II's death in an automobile accident. A second round of democratic elections was held in 1998 and won by the Lesotho Congress for Democracy (LCD) party. Although international election observers described the poll as free and fair, opposition parties and their followers contested the outcome, leading to widespread violence and looting. That led to a Southern African Development Community (SADC) military intervention that was led by South Africa, and later joined by Botswana and Zimbabwe. The government of Lesotho invited its Southern African counterparts to intervene as the state apparatus was completely paralyzed by the protesters.

A multiparty Interim Political Authority (IPA) was created to oversee the crafting of a new mixed-member proportional (MMP) electoral system, which eventually culminated in peaceful, free and fair general elections in 2002. In 2005, free and fair local government elections were conducted for the first time in Lesotho. The second general elections under the new MMP model were conducted in 2007, and were also pronounced free and fair by observers. However, opposition parties fiercely contested the validity of the results, arguing that the MMP model had been corrupted, and that seats had not been properly allocated by the Independent Electoral Commission. SADC and local civil society organizations intervened to calm the tension, which was approaching the levels seen following the 1998 elections.

Since independence, Lesotho has engaged in a variety of comprehensive planning exercises, such as the National Development Plans (NDPs), a Poverty Reduction Strategy (PRS) and the National Vision 2020. The country has adopted many strategies as it has attempted to overcome structural challenges, and has implemented public-sector reform programs in pursuit of improved efficiency. However, the success of such programs remains hampered by significant financial and skill constraints.

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

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

There is no current challenge to the territorial sovereignty of Lesotho and the government retains its monopoly on the use of force. However, the country was shocked by the April 2009 attacks at the military barracks, which resulted in the armory being opened by mercenaries who later attacked the statehouse. The armed forces responded swiftly to quell the attack, but it left a bitter memory.

Monopoly on the
use of force

6

In the more impoverished areas, where informal economies, often based on criminal activity, have taken root, the influence of the criminal justice system is limited and the rule of law is not present. The country also faces serious challenges from human and drug traffickers. The country's weak institutions put it at high risk of being adopted as a drug haven by foreign elements, especially given its strategic position to South Africa.

Despite Lesotho's economic dependence on South Africa, its state identity as a constitutional monarchy remains distinct from that of its bigger neighbor. This identity is underpinned by the country's cultural, linguistic and religious homogeneity. Citizens respect the state as legitimate, and discrimination, where it occurs, is not based on ethnic or religious grounds. Social divisions and conflicts are more visible along class lines, as the rural poor in many instances do not have access to the same economic infrastructure as do people residing in urban areas. Some groups are engaged in a peaceful campaign aimed at persuading the Basotho to consider a merger with South Africa. They interpret the free movement of citizens between Lesotho and South Africa as a first step in this direction.

State identity

8

Religion plays an important role in Lesotho, with around 90% of the population estimated to be Christian. However, the state remains secular, in line with constitutional provisions on religious freedom. Other religious minorities are free to practice without interference or intimidation from the Christian majority. The

No interference of
religious dogmas

9

prevalence of new or minority religious practices is increasing; integration these practices has been smooth, as the country truly embraces secularism.

The administrative capacity of the state is generally weak, and is hampered by insufficient financial and human resources. The country has lost trained personnel to neighboring South Africa due to low domestic wage rates. The country relied heavily on SACU revenues, which dwindled during the global financial and economic crisis. Most services are accessible primarily to urban dwellers, with the majority of the population, which lives in rural areas, having little access to state resources. Efforts to decentralize governance have been hampered by the lack of local infrastructure and skilled human resources.

Basic
administration
5

2 | Political Participation

Elections have been a source of social friction since independence from Britain in 1966. The 1965 general elections were won by the Basotho National Party (BNP), led by Chief Leabua Jonathan. During this period Lesotho made tentative steps toward the institutionalization of democracy. This was short-lived, as Jonathan annulled the 1970 election process as it became clear that the Basutoland Congress Party (BCP), led by Ntsu Mokhehle, was heading for a landslide victory. This ushered in a period of de facto one-party rule, which lasted until 1986, when the BNP was dislodged by the military. Military rule took another turn in 1991 when the government of Major General Metsing Lekhanya was topped by Major General Phitsoane Ramaema, who facilitated the return to democracy in 1993. These were the first truly democratic elections since 1970, and BCP came out victorious in all 65 constituencies. In 1994, King Letsie III staged a military-backed coup against Mokhehle's BCP government. However, civil society campaigned against the move, ultimately forcing reinstatement of the BCP government.

Free and fair
elections
6

In 1997, internal conflict within the BCP resulted in the formation of the Lesotho Congress for Democracy (LCD) party, which took control from the BCP as the majority of members joined the new party along with the prime minister. The general elections in 1998 were also declared free and fair by local and international election observers. However, the fact that the newly formed LCD won all but one of the 80 constituencies became a bone of contention among opposition political parties. The number of constituencies had earlier been augmented from 65 in 1993 to 80. Pakalitha Mosisili was elected the prime minister, following Mokhehle's retirement from active politics heading into the elections. The opposition parties then mobilized their supporters to protest in the capital, Maseru, accompanied by a mutiny within the Lesotho Defense Force (LDF). The government of Lesotho invited military intervention from its SADC peers. The September 1998 military intervention was led by South Africa, and was later joined by Botswana and Zimbabwe. The intervention was then followed by a protracted period of violent

public unrest and looting. After relative peace was restored, the Interim Political Authority (IPA), consisting of representatives from the various political parties that participated in the 1998 general election, was tasked with developing a new electoral system that had less potential to elicit social friction than did the first-past-the-post (FPTP) constituency system.

The 2002 general elections were held under a mixed-member proportional (MMP) system. The model is a mixture of both FPTP and proportional representation (PR); the previous system's 80 constituencies were retained, but an additional 40 seats created, and allocated through PR. The subsequent elections were declared free and fair, despite isolated protests by opposition parties. A multiparty parliament was then formed, ushering in a period of general stability.

In 2005 the country held its first local government elections. With a voter turnout rate of less than 40%, the elections were peaceful. The most recent round of general elections was in 2007; this was again won by the ruling LCD, but the party was markedly weakened by the All Basotho Convention (ABC), a party formed shortly before elections by former LCD Foreign Minister Tom Thabane. This new group took 17 constituencies, thereby reducing the LCD's tally to 62, while the LPC won the remaining seat. Opposition parties again contested the outcome of the elections, which were declared free and fair by local and international observers. A series of walkouts, stay-aways and strikes followed, resulting in the arrest of senior military officers and civilians who were alleged to have been planning a coup. Again, SADC was called to intervene in resolving the situation, this time invited by opposition parties. However, the matter has proved to be beyond SADC's powers to settle. With this group's withdrawal, local civil society organizations led by the Lesotho Council of NGOs and the Christian Council of Lesotho (CCL) stepped into the gap. However, the matter could still not be resolved, and with the need to prepare for the 2012 elections, parties agreed to start on a process of amending the electoral laws in order to avoid a repeat of the events surrounding the 2007 elections.

The serious flaw within the election process is the lack of equal access to the public broadcaster. The ruling party is given more much coverage than are other political parties. Opposition parties have access to the national broadcaster for just one hour, weeks ahead of the election, during a program that takes place under the auspices of the independent electoral commission (IEC). The country can do more than this, as there is certainly no point to having all ruling party political activities given full coverage, while those of the opposition are not. This gives the ruling party an unfair advantage, which defeats the purpose of an ostensibly level playing field.

Within the constraints of the resources at its disposal, the government of Lesotho at present has effective power to govern without any significant veto powers that contest its authority. Although the military has been instrumental in the formation of prior authoritarian governments in Lesotho, a military reform program aimed at

Effective power to govern

6

the depoliticization of the military has over the past decade brought the military back under the firm control of the government. However, the 2009 seizure of arms at the Makoanyane military barracks by mercenaries who later attacked the state house served as a dramatic spotlight on the military's lack of capacities. The Office of the Prime Minister has the ministerial portfolios of defense and national military security. While this allows the government to keep the country's security within its sphere of influence, a pervasive impression exists that the armed forces are largely partial to the government.

While traditional leadership does not constitute a potential veto to government, this sector of society still wields considerable influence.

The freedoms of association and assembly are constitutionally enshrined. Yet although these rights are enforced, politically related crimes such as the assassination of BNP member of parliament Bereng Sekhonyana in 2006 suggest that these rights may not be fully consolidated yet. A major setback in the freedoms of association and assembly came in the form of a law enacted by parliament that restricted and regulated protests and private citizen meetings. Many commentators have associated this move with the change in the land tenure system, and with government fears that the Basotho people might revolt against the law. However, this is unacceptable as Basotho made it very clear to the Ramodibedi Commission that they wanted a land tenure system that would enable them to invest in the land. Rather, the government introduced this draconian law to intimidate and suppress the citizenry. Protesters are normally barred from using main streets during their marches.

The rather small formal civil society sphere, which is primarily active in the fields of poverty alleviation, health care (HIV prevalence is estimated at 23%) and governance issues, is organized under the umbrella body of the Lesotho Council of Non-Governmental Organizations (LCN). Although weakly resourced, it fills critical gaps in the context of a state with limited capacity to reach its citizens. It has not shied away from being vocal about social issues and corruption, but has generally found it difficult to engage with the national legislature, which offers limited opportunity for public participation. Notable exceptions have included the development of the National Vision 2020, the Poverty Reduction Strategy (PRS) and the recent drafting of Lesotho's African Peer Review Mechanism (APRM) country assessment report, during which civil society organizations were broadly consulted.

While workers in the private sector are able to form trade unions, public sector workers are excluded from this right. Given the fact that Lesotho's government is one of the country's primary employers, union membership is small, and its influence consequently limited. There are also too many trade union federations, which further undermines the influence of the trade union movement. Labor laws

Association /
assembly rights

6

are generally ignored and union meetings prohibited in many sectors of the economy, as the size of investments by multinational corporations relative to the economy of Lesotho allows investors to work with impunity relative to government regulation. The government has failed to respond to calls to amend the labor code in order to ensure that workers are not unduly harmed by weak legislation or economic downturns. Since the procedures for calling legal strikes are complicated, strikes have been rare. Where spontaneous protests occur, workers risk legal action and/or loss of their jobs.

Freedom of expression is respected in principle, although the state has shown discomfort with, and sometimes antagonism toward, the media's role within society. While the country's constitution contains the principle of press freedom, tolerance of media criticism remains low, and legislation dating back to the country's authoritarian period has been used to silence the government's critics. The state broadcaster, the Lesotho National Broadcasting Corporation (LNBC), dominates the broadcast media and is the most cost-efficient and widely consumed source of media for ordinary Basotho. Its views are generally pro-government, while that of private print and broadcast sources take a more critical posture. There has been increased coverage by some privately owned broadcasters, who have aligned their views with those of the ruling party in the period under review.

Freedom of
expression
4

Sedition Proclamation No. 44 of 1938, which remains a part of Lesotho's statutes, prohibits specific forms of criticism of government, and can result in charges of seditious libel. Even under democratic rule, this proclamation has been invoked on a number of instances, with libel suits filed against some of the most robustly critical media sources. The continued existence of oppressive laws which were used to suppress opposing voices during authoritarian rule is a clear signal that there are people within the government who are not fully committed to the principles of democracy. Privately owned media depends on government advertising expenses for their continued existence, given the size of the economy and the significance of the advertisements as a proportion of total ad spending. The decision for most media organizations is to choose between the economic gains of being comparatively less critical of the government and the risk of closure associated with sharp criticism of government policy. A member of parliament representing the ABC opposition party was barred from talking to the media for 12 months in 2010 after making public statements about an alleged misappropriation of funds under investigation by a parliamentary committee.

For the last 11 years, the Lesotho chapter of the Media Institute for Southern Africa has been a tireless advocate for a media policy in Lesotho. During the period under review, a major setback to this cause occurred when the cabinet referred the draft policy back to the minister of Communication, Science and Technology. The general feeling among media practitioners is that the policy might have been rejected because it represented a transition away from the hard-line approach to

media to one that is more open. The other factor is that the government is not yet ready to relinquish control of the Lesotho National Broadcasting Corporation (LNBC).

3 | Rule of Law

The constitution provides for a clear distinction between the executive, legislature and judicial branches of government. The country's legislature consists of two houses: a lower house or Assembly with 120 members (80 elected on the basis of the first-past-the-post system, and an additional 40 on the basis of proportional representation) and the upper house or Senate, consisting of 22 principal chiefs and 11 members who are appointed by the king.

Separation of
powers
4

In practice, the limited capacity and resources of the legislature and its institutions diminish their impact. The parliament's capacity to play an oversight role with respect to the executive or to craft quality social legislation is limited due to the weakness of opposition parties, insufficiently skilled legislators and an inefficient parliamentary committee system. In addition, the impartiality of the country's security apparatus is in doubt. Although they do not in themselves constitute a veto power, incidents such as the harassment of independent critics, abductions and the shooting of politicians have raised questions as to the partiality of the country's armed forces.

The judiciary is by and large independent, and it is not uncommon for it to rule against the state. There are nevertheless certain matters that seem to compromise this independence. In Lesotho, the capital and recurring budgets of the judiciary, including administrative issues such as the employment of staff, falls under the jurisdiction of the executive. For instance, contrary to international best practices under which a judicial service commission nominates candidates for approval to parliament, the chief justice and the president of the Court of Appeal is appointed by the king on the advice of the prime minister. At lower levels, High Court judges are appointed by the king on the advice of the Judicial Service Commission.

Independent
judiciary
6

Political influence is however a serious concern in the delivery of justice in Lesotho. There are instances in which practicing lawyers also serve as acting High Court judges. There is a huge shortage of skills, as most lawyers are trained by the National University of Lesotho, which leaves the country with little option other than opting for attorneys from neighboring South Africa to serve as judges.

The country won international praise when the former chief executive of the Lesotho Highlands Development Authority (LHDA) and several multinational corporations were convicted of unethical business practices during the first phase of the Lesotho Highlands Water Project. However, other people found guilty by the

Prosecution of
office abuse
5

High Court on matters related to the LHDA remain free. This is a serious threat to the rule of law and the delivery of justice in a country that has enjoyed an international spotlight on the same issue. The country has failed to strengthen its fight against corruption despite the establishment of the Directorate on Corruption and Economic Offences (DCEO).

There have been significant numbers of arrests of felons who were producing falsified vehicle registration numbers, temporary travel documents and driving licenses, among other offense. The police have confiscated equipment used to produce these important documents. The illegal production of travel document has led the government of South Africa to stop issuing six-month permits to Basotho. The permits facilitated smooth cross-border movement for persons who crossed on a regular basis.

The current unrest in the ruling Lesotho Congress for Democracy (LCD) party has led senior members to call on the prime minister to root out corruption in government circles. This has resulted in the investigation of senior government officers, including some from the Office of the Prime Minister, in connection with inflating costs. This could be a major breakthrough in the fight against corruption within the civil service. However, the major challenge is that the prime minister has shown little commitment to ensuring that ministers alleged to have taken loans intended for farmers repay the funds. The Office of the Ombudsman has asked several ministers, including the minister of finance, to respond to allegations of having failed to repay the loans. However, none of those ministers has appeared before the Ombudsman to explain.

The constitution of Lesotho guarantees basic civil liberties and their enforcement by the state. Yet in some instances, practice diverges from these democratic principles. Continued instances of intimidation and brutality by the police and army serve as remnants of the country's long autocratic history, traces of which remain evident within Lesotho's society. Whether in cases of suspected criminals, informal traders, street vendors, public protests or individuals criticizing government policies, instances of alleged brutality and even torture have been documented in recent years. The death penalty remains in the country's statutes, though it has not been used since the return to democracy in the early 1990s. Prison conditions remain harsh, with overcrowding common as a result of inadequate facilities. The government of Lesotho is paying hundreds of thousands of dollars annually in compensation to people who have been tortured by the police. The courts of law have been very firm on this particular matter, forcing the Police Directorate to continue reaching settlements with torture victims. Training police officers to avoid torture would go a long way toward saving scarce resources which could be put to better use in other sectors of the economy.

Civil rights

6

4 | Stability of Democratic Institutions

Lesotho has undergone significant democratic reforms, particularly since 2002. For the democratic state to build longer-term legitimacy, however, these reforms need to evolve from statements of state intention to practical implementation. A divergence between the theory and practice of democratic institutions retards the pace of democratic consolidation. At present, the outcomes produced by democratic institutions, including the legislative, executive and judicial branches, remain insufficient to the country's challenges. The legislature remains weak for reasons mentioned above (see "separation of powers"), the executive struggles with capacity deficits, while the judiciary is hampered by weak criminal law enforcement and extensive case backlogs, compromising the rule of law.

There is a need for the High Court to meet more often in order to deal with backlogs that have resulted in cases being delayed for more than two years. All High Court judges, including the chief justice, must be committed to the cause. The chief justice has been criticized by the Law Society of Lesotho for a failure to preside over cases even under the current situation.

The period under review saw a fierce battle between the Court of Appeals and the High Court during the period under review. According to the constitution, the Court of Appeal is the highest court in the country. However, it relies on High Court personnel in order to carry out its duties, lacking an independent budgetary allocation.

In this regard, public financial management remains one of the public administration's primary weaknesses. The government has introduced an integrated financial management information system (IFMIS) in order to improve its management of public finances. This was initially not well received by many bureaucrats, but adoption now seems to be taking hold, with expenditures managed through a network-based system.

All actors accept and support the existence of democratic structures in Lesotho. Security sector reform since 1998 has brought sweeping changes to the armed forces. However, enormous challenges remain, highlighted by the persistent allegations of military and police intimidation in the wake of the 2007 general elections. Moreover, the attempted assassination of the prime minister in April 2009 showed that serious shortcomings remain in the transformation of the armed forces. The LDF's response to the attacks at Makoanyane barracks in Maseru and on the state house showed serious lapses in its operations, and thus brought its

Performance of
democratic
institutions

5

Commitment to
democratic
institutions

6

commitment to defending Lesotho as a democratic state into question. The country is heading toward the 2012 general election without deficiencies within the military and police being properly addressed.

The role played by civil society organizations in seeking to settle the disputes between political parties after the 2007 election has helped the country progress toward a more sustainable democracy. The role of civil society in bringing all stakeholders back to the basics of democratic principles is commendable. However, there is a need for government to invest resources in enhancing the capacity of state institutions and civil society in order to ensure that there are more defenders of democracy in Lesotho.

5 | Political and Social Integration

Political parties in Lesotho are membership based and registered under the Societies Act. A political party is eligible to participate in elections upon collection of 500 voter signatures. The 500 need not be members of the party in order for the Independent Electoral Commission to recognize the party as eligible to contest an election. People are free to form, dissolve, merge and split political parties at will and this has resulted in a significant proliferation of parties, especially since the inception of the MMP model in 2002.

Party system
4

The ruling LCD holds 63 out of 120 seats in the country's National Assembly. Although Lesotho cannot be classified as a single-party state, LCD is disproportionately central to the country's political life. Political opposition has been weak since the return to democracy in 1993, but the ABC's solid performance in the 2007 general elections added a new dynamic to Lesotho's body politic. Having campaigned on a strong anti-corruption ticket, former LCD minister Tom Thabane's party victory in 17 constituencies sent a clear message regarding transparency and accountability to the LCD government. However, it should be noted that 16 of these successful campaigns were in urban areas, where access to information and alternative media is possible. LCD formed an alliance with the National Independent Party (NIP) heading into the general elections, ultimately together winning a comfortable two-thirds majority in parliament.

Despite this alliance, the leader of the NIP is called the leader of the opposition, having won 21 PR seats. This triggered the formation of an opposition coalition between ABC and four other opposition parties, the so-called "big five." This has the potential to strengthen the legislature, provided that parties subject their policy choices to greater public input instead of focusing on narrow considerations of

power. The big five coalition has not been officially recognized by the speaker of the National Assembly, one of the contentious issues in the negotiations over the allocation of the 2007 election's PR seats.

While the MMP system has effectively managed to reduce the prospects for conflict over elections by limiting the possibility of potential veto actors, it has given rise to the proliferation of small, financially and policy-weak parties that struggle to retain their international cohesion. In general, the party system is not stable and voter volatility remains high. In the 1993 elections, which was held under FPTP, all constituencies were won by a single party. In the 2007 elections, the MMP system allowed 12 parties to gain seats.

The country's provision for "floor-crossing" – the practice that allows legislators who won within their constituency to defect from one party to another, or even to create a completely new party – has compounded this problem. Signs point to the formation of even more political parties or alliances heading into the 2012 general elections. Given the lack of internal democracy and the fragile cohesion within all the country's political parties, including the ruling LCD, the practice of floor-crossing has allowed discontented parliamentarians to leave their parties and form new parties without losing their seats or having to consult their constituencies. If the low voter turnout of 51% in the 2007 general elections, or the less than 40% turnout rate in the 2005 local government elections are taken as indicators of citizens' confidence in the capacity of parties to make meaningful improvements in living conditions, it suggests that the debilitating effects of such fragmentation, combined with the meager output of a generally resource-starved institution, has led to a measure of popular cynicism.

The constitution guarantees the freedom of association. The generally fragmented nature of party politics combined with a weak and under-resourced parliament, however, makes it difficult to engage in meaningful public participation in policy processes at the national level. The parliament's weak oversight capacity and the consequent shortcomings related to the transparency and accountability of the executive make it difficult for interest groups to profitably engage the state by providing relevant information and facts. Watchdog bodies, such as the Auditor General and the Office of the Ombudsman, suffer under parallel constraints related to skills and capacity. The dominance of the ruling party has furthermore offered little incentive to strengthen channels for civic participation through the national legislature. However, even if opportunities for public participation and activism were to somehow improve overnight, only a limited number of the country's existing interest groups would be able to capitalize upon such an opportunity. The majority of the extra-parliamentary structures that might normally provide critical linkages between a democracy's state and citizenry are ill equipped to do so. Limited funding and low levels of skills and capacity present significant obstacles to civil society's impact. Although the past decade has seen growth in the number

Interest groups
5

of NGOs focused on issues of governance and human rights, the majority of civil society organizations remain informal, community based and focused on grassroots activities in issues such as poverty and health, particularly HIV and AIDS.

The formation of labor unions is allowed, but they must be registered with the Registrar of Trade Unions. Strikes are allowed, but the official procedure for calling a strike is cumbersome. As a result, official strikes have been rare in democratic Lesotho. The implementation of labor laws has not been prioritized, and disregard for such laws, particularly in the textile sector, has been overlooked. Workers in the public sector do not have the right to join unions, and are instead allowed to join associations that have only a consultative status. Labor unions are also fragmented, a fact that has resulted in the formation of four trade union federations. These federations have further exacerbated the challenges of workers in Lesotho, as the trade unions and their workers are divided between the four.

The most recent Afrobarometer survey data, which was released in 2009, shows that democratic rule in Lesotho has not been received by the populace without reservation. Although military rule was rejected by 75%, in 2008 only 54% of the population rejected the idea of one-party rule, a decline from 70% in the 2005 survey. Again in 2008, 75% of the population rejected one-man rule, a decline from 86% in the 2005 survey. Only 46% of the population in 2008 said it would prefer democracy to any other form of governance, which is a decline from 2005's already low 50%. In some circumstances, about 29% of the population would prefer nondemocratic governance. This is a significant increase from 2005's 16%. To 17% of the population, the type of governance did not matter in 2008, a decline from 27% in 2005.

The failure to introduce necessary reforms has led many defenders of democracy to advocate that Lesotho be united with the Republic of South Africa. This stance has been fiercely criticized by the government, and people are being discouraged from signing a petition on the issue. Many people are disillusioned, and compare their status now with the era of autocratic rule, discounting the effects of globalization and other recent economic slumps.

According to Afrobarometer, an increasing share of the population sees the current system as having failed to deliver for the nation. In 2008, 60% of the populace indicated that if the current system failed to deliver changes soon, another system of governance should be tried. That was an increase from 48% holding the same view in 2005. Only 26% of the populace in 2008 thought the current system should be given more time to deal with the inherited problems, while 50% held this view in 2005. The number of those who agreed with neither statement or said they did not know also increased from 2% in 2005 to 9% in 2008. In 2008, 58% of the populace expressed a lack of satisfaction with the way democracy worked in Lesotho, an increase from 43% in 2005. Only 30% of the population expressed satisfaction in

Approval of
democracy
6

2008, a decline from 40% in 2005. The 2008 survey introduced a new, important indicator of the freeness of elections; on this measure, 83% of the populace said elections were completely free in Lesotho.

Basotho are known for their trust and interpersonal relationships, which can be traced back to the foundation of the nation. Moshoeshe I founded the nation based on these principles, and they later proved central in the struggle to withstand Lifaqane wars fuelled by Shaka, and in resisting pressure to be part of the union of South Africa. The primary challenge is the marginalization of people who do not belong to the ruling clan. The current arrangement ignores the fact that every clan had its chief, with sons of Moshoeshe installed as chiefs throughout the country. Clans such as the Baphuthi have challenged their marginalization, and have regrouped to elect chiefs which are not recognized by the laws of Lesotho. This move is largely intended to maintain the culture of these clans, not necessarily to challenge the rule of the Bakuena clan. The role of traditional chiefs has been reduced with the introduction of local government structures. The country is struggling to assimilate these new structures, and is attempting to clarify the role of chiefs in the new organization. The new local government structures are perceived by many from the Bakuena clan as a move by the ruling party to redress the mistakes of the past. The relationship between the ruling clan and the ruling party is generally quite cool. Members of the ruling clan are typically dissuaded from joining the ruling party, and are predominantly active in the opposition parties.

Social capital
4

Despite a fairly homogenous culture and language, the effects of dire poverty have had a deeply destructive effect on the social cohesion of Basotho society. Such poverty is pervasive in the deep rural areas, but has also become increasingly pronounced in urban and suburban areas where families of job seekers, ill-equipped to compete in the small formal economy and unable to rely on traditional social structures, suffer some of the worst poverty in the country. This in turn has given rise to a growth in criminality and a decline in interpersonal trust. However, the most negative impact on social capital formation has come from the impact of HIV/AIDS, which largely overlaps with the incidence of poverty. The HIV prevalence rate is estimated to be 23%; the pandemic has destroyed Basotho social fabric, which is based on extended families and traditional communal ways of living that for many years have provided a buffer against the scourge of poverty. As the number of “dependents” begins to outweigh the number of contributors, the social capital of these traditional systems is becoming increasingly eroded.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Lesotho, which is completely landlocked and surrounded by Africa's largest economy, South Africa, is one of the world's 49 least-developed countries (LDCs). The country has experienced a sharp decline in GDP growth in recent years (3.9% in 2008 and 2.1% in 2009); this has taken place from an extremely low base (GDP stood at \$1.62 billion in 2008 and \$1.75 billion in 2009).

Socioeconomic
barriers
2

Lesotho was ranked 141st in the UNDP's Human Development Index 2010, an improvement from its previous ranking of 155th. Although accurate poverty statistics are difficult to obtain, the country's poverty reduction strategy assumes a figure of 58% of citizens living under the poverty line (\$2 per day). While most growth is generated in urban areas, an estimated 76% of the country's population resides in rural areas, which makes Lesotho one of the world's most unequal countries, with a Gini coefficient of 0.53 in 2003. Although improvements have occurred in recent years, weak infrastructure continues to exacerbate such inequality.

Lesotho's overreliance on customs revenue has left it in a precarious condition as customs volume has dwindled. The country needs to find alternative sources of revenue in order to sustain its development program. The country should make long-term investments and increase the productivity of its agriculture and tourism sectors, as they have a potential to drive a more efficient use of resources. These two industries will also be critical in reducing inequality as they are labor intensive, and can generate the badly needed sustainable employment opportunities.

The country has also relied on remittances from workers in neighboring South Africa. However, the rise of inequality in South Africa, as well as the influx of other African citizens, has made competing for jobs there even more challenging. The most threatening factor is the effect of HIV and AIDS in the economy, as the disease affects workers at their most active years between the ages of 15 and 49. HIV and AIDS have without doubt destroyed the fabric of Basotho as a nation.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	1581.2	1600.6	1720.3	2132.5
GDP growth	%	4.5	4.7	3.1	3.3
Inflation (CPI)	%	8.0	10.7	7.2	3.6
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	6.6	6.9	5.9	5.5
Export growth	%	4.6	-1.7	-17.2	2.2
Import growth	%	11.9	7.8	-1.1	9.6
Current account balance	\$ mn.	98.5	143.7	-2.4	-421.4
Public debt	% of GDP	46.5	53.4	39.6	37.7
External debt	\$ mn.	677.6	688.8	704.8	725.9
Total debt service	\$ mn.	98.3	37.5	38.1	34.5
Cash surplus or deficit	% of GDP	8.0	5.8	-	-
Tax revenue	% of GDP	57.5	59.8	-	-
Government consumption	% of GDP	38.6	43.8	47.5	43.8
Public expnd. on edu.	% of GDP	-	12.4	-	-
Public expnd. on health	% of GDP	6.8	7.6	8.2	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.5	1.6	2.8	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

The government of Lesotho espouses free market principles, yet its high level of unemployment and the absence of an efficient social safety net make the majority of Basotho dependent on the proceeds of a largely unregulated informal economy. In its poverty reduction strategy (PRS), the country has declared its intention to rely on growth led by the private sector, with the state retaining a regulatory function. The country has introduced a number of structural reforms in financial markets, and has privatized a number of public and parastatal enterprises. A concerted effort to attract foreign direct investment resulted in a significant inflow of multinationals investing in the textile industry around the turn of the millennium, a trend which

Market-based
competition
5

continued during the period under review. Additional efforts have been made to attract investors in the extractive industries, especially the diamond and sandstone industries.

In 2010, the World Bank ranked Lesotho 130th out of 181 countries in terms of the ease of doing business. The process of reviewing the Companies Act 25 of 1967 has been completed, and the amendments have been tabled in parliament for enactment. This should help reduce both the number of days it takes to register and to start a business in Lesotho. The process of registering a new business is today very tedious, and has likely led to many investors deciding against investing in the country. The length of the process and the associated bureaucratic bottlenecks are certainly ingredients for corruption, and Lesotho is as a result losing out to its rivals in the battle for investors.

A number of state-owned monopolies have been transformed into privatized monopolies. The privatization process has therefore failed in this respect to increase the number of players within the economy. This may largely be attributable to the size of Lesotho's economy. However, the situation is exacerbated by the lack of a legislative framework to promote and regulate economic competition. This is despite attempts by many stakeholders to help the country establish just such a framework. The drafting of a competition bill and the formulation of competition policy has been a slow process, which as of the time of writing has still not made any breakthrough. The government has stated that it wants a policy formulated in accordance with WTO guidelines, which would then replace the current regulation through Industrial Property Order No.5 of 1989.

Anti-monopoly
policy
3

Unfortunately, government revenues have fallen enough to make it difficult to finance the establishment of the competition authority as in the initial policy proposal. It seems unlikely that the policy will be in place in the near future; consequently, consumer groups have called for a single policy dealing with competition and consumer issues. These issues are pressing; for example, consumers suffered huge shortages of paraffin (which is burned for light) in winter 2010 as a result of collusion between retailers to buy up the country's reserves. The incident prompted the petroleum fund to intervene. There are many such instances demanding regulation if competition is to be encouraged.

Lesotho has one of the most liberalized economies among the ranks of LDCs. It has a relatively open economy, and due to its small manufacturing base is a net importer. The country is a member of the Southern African Customs Union (SACU), along with South Africa, Botswana, Swaziland and Namibia. SACU has been a major source of government revenue, contributing over 60% of the national budget in the fiscal year 2008 – 2009. However, the dwindling of SACU collections in recent years has led to a decline in revenue. However, there are signs that SACU members are determined to make the union sustainable, as the future of a broader

Liberalization of
foreign trade
8

regional integration program looks bleak. Lesotho was one of the first countries in the region to sign an economic partnership agreement (EPA) with the European Union in 2007. However, a lack of progress in liberalization has called into question policy-makers' capacity or understanding of the process. The country has failed to progress after liberalizing trade in services, which has cast doubts as to whether the country is ready to take full advantage of the benefits associated with trade. The private sector is in no way ready to export goods or services to developed countries, and the country has largely been dependent on the substantial inflow of FDI associated with the U.S. African Growth and Opportunity Act.

The Lesotho banking system, which is dominated by well-regulated South African banks, is under the supervision of the autonomous Central Bank of Lesotho (CBL). The country belongs to the Common Monetary Area (CMA), which also includes South Africa and Swaziland. The CMA provides for circulation of the South African rand in Lesotho, and the loti is pegged at par to the rand. Although this means that the Central Bank of Lesotho does not have influence over the determination of interest rates or exchange rates, the country does benefit from the policy credibility of the South African Reserve Bank. The financial sector in Lesotho was therefore not directly affected by the global financial crisis.

Banking charges remain very high in Lesotho, representing a huge burden to customers. The country is currently working on the establishment of a credit bureau, which is intended to increase access to financing. Banks have been very reluctant to lend Basotho money, as it has proved very challenging to trace them if they elect to default on loans. The country's ability to deliver a national ID system will also enable banks to be able to trust that the individuals who receive loans are in fact the people who have applied. This is difficult today, as people use their passports as their only form of identification, and it is very easy to apply for passports under different names. This is currently facilitated by the fact that a confirmation letter from a local chief serves as sufficient proof of identity to be given a new passport, and chiefs can be easily bribed to produce such letters. The ID project, which is supported through the Millennium Challenge Account (MCA), should prove for be a breakthrough for both banks and customers who have waited for years to have access to full banking services.

8 | Currency and Price Stability

Lesotho enjoys a relatively stable currency, especially given the 1:1 pegging of the loti to the South African rand. Membership in the CMA ensures that the country does not experience currency fluctuations, as South Africa is its major trading partner. However this means that the rand's fluctuations against major currencies have a direct impact in Lesotho. Lesotho has surrendered most of its monetary policy decision-making power to the Republic of South Africa. The country imports

Banking system
8

Anti-inflation /
forex policy
6

most of its goods and services from South Africa, thus importing South Africa's inflation and market price fluctuations at the same time. Inflation targeting in South Africa resulted in relatively low inflation levels in Lesotho during the period under review. However, the country faces serious price hikes in the future if food and fuel prices continue to rise, given that it is a net importer.

According to the Central Bank of Lesotho, the rate of consumer price index inflation slowed from 7.3% in 2009 to 3.3% in 2010. This was a further decline from the 10.7% rate in 2008. The decline in 2010 was attributed to weak demand conditions in South Africa and a strong rand, while the 2009 decline was due to sinking fuel and food prices.

After a period of consistent and prudent macroeconomic policies, which ensured that Lesotho recorded fiscal budget surpluses between 2004 and 2008, the country has shown an increase in the fiscal budget deficit. Dwindling government revenues from the SACU have put the country in a situation of having to make deeply difficult choices. The introduction of government bonds in 2010 is a clear indication that the country needs to use more tools and instruments in order to mobilize resources. The objective of the Debt Management Unit within the Ministry of Finance is to continue reducing debt stock, as has been the policy of the government since 2004. The country's external debt stock represented 33.21% of gross national income (GNI) in 2009, a huge improvement from 2002 when it reached 76.51% of GNI. Debt fell below 40% of GNI in 2005, when it was 39.40%, stabilizing between 35% and 33% for four consecutive years through 2009. Data for 2010 was not yet available at the time of writing.

The influence of the 2012 general elections might be very significant in determining the country's macroeconomic position. Members of the ruling party have questioned the wisdom of stable macroeconomic policies, which may in turn result in weakening the LCD's grip on power. In the short run, macroeconomic policies are likely to be influenced primarily by the ruling party's political objectives. The search for alternative sources of revenue has also proven to be a critical task; this will almost certainly result in the government introducing further contractionary policies, which will only exacerbate the political situation. The country is also running a huge risk in public debt management, as the prime minister and the minister of finance have full decision-making power over whether to acquire more debt, with no input from the legislature.

9 | Private Property

The state respects private property, with this right enshrined in the country's constitution and actively enforced by the country's judiciary. Though provisions are made for expropriation in the public interest, the state is obligated to compensate

Macrostability

6

Property rights

7

the owner in full and to ensure that it occurs as speedily as possible. The government has repeatedly called for the cooperation of people who are on land earmarked for development. It has become very difficult for the ruling party to enforce citizens' resettlement, especially in the urban areas that are the opposition parties' stronghold. In some instances, where entire communities have resisted resettlement, eviction orders have been enforced by the military. A proper resettlement policy is required, in order to prevent situations where poor households are forced to go to court against the government. Lessons learned from the Lesotho Highlands Water Projects resettlement program could serve as the building blocks for such a policy. The period under review saw a noticeable shift in the land tenure system, with the lifting of the barrier to foreign ownership of land. This had been labeled as one of the major obstacles to the generation of higher levels of FDI.

The process of putting a land administration authority in place has progressed reasonably far, thanks to Millennium Challenge Account support. Land owners will now be able to use land as collateral for the first time, something that was impossible under the previous regime's communal land ownership. The change is expected to result in significant investment in land development and in other areas that have been similarly hampered for years. Foreigners will also be able to acquire land in Lesotho, an activity barred under the previous legal framework, under which the king was the sole custodian of the soil on behalf of the nation. According to the World Bank Doing Business 2010 report, it takes 50 days and 10 procedures for an entrepreneur who wants to purchase land and a building that is already registered and free of title disputes. The country is far worse than neighbors South Africa, which requires 24 days and six procedures, and Botswana, with 16 days and five procedures.

Lesotho actively promotes private enterprise and has strongly committed itself to the privatization of all state and parastatal enterprises. This process is supposed to be regulated by the 1995 Privatization Act, which paved way for the creation of a privatization unit within the Finance Ministry. The unit has become less active in recent years, leading to a lack of transparency in some privatization processes. The unit has privatized approximately 50 state-owned commercial enterprises since its inception. The most notable examples include Lesotho Bank, Lesotho Flour Mills, Lesotho Airways and Lesotho Telecommunication Corporation. The state risks the loss of those enterprises that have not been privatized as a result of the abuse of power, as in the case of Lesotho Pharmaceutical Corporation, which was liquidated despite performing well.

According to the World Bank's Doing Business 2010 indicator, it takes 20 days and five procedures to launch a large firm. The indicator takes into consideration the bureaucratic and legal hurdles an entrepreneur must overcome to incorporate and register a new firm, in this case a commercial or industrial firm with up to 50 employees and start-up capital of 10 times the per-capita gross national income

Private enterprise

7

(GNI). The prime minister of Lesotho is currently the chairperson of the country's Business Council, which is intended to create an environment conducive to private investment. However, this has raised concerns in the private sector. The Lesotho Chamber of Commerce and Industry has disassociated itself from the newly formed Business Council despite having advocated for its formation, as it has become a political tool.

10 | Welfare Regime

As a least developed country, Lesotho has neither the financial nor the physical infrastructure to provide a social welfare system that can meet the needs of a majority of its population. Government provision of social welfare is largely supported by international donor funds, while local and international NGOs play an important role in supplementing the services rendered by the Ministry of Health and Social Welfare. Economic growth is not sufficient to bring down the country's high poverty rate. The HIV/AIDS pandemic has become the single biggest burden on the country's social security infrastructure.

In 1996, life expectancy in Lesotho stood at 60 years. However, as a result of HIV and AIDS and other factors such as poverty, it has declined to 46 years in 2010, according to the Human Development Index. With HIV prevalence at 23%, the country is faced with the challenging prospect of taking over the care of more than 140,000 orphans. Many of these children are forced to abandon school in order to care for their siblings, as they become de facto heads of household upon the deaths of their parents. Not only is this burden on the state immense, but its destruction of family networks has eroded the capacity of traditional communal networks to care for the destitute in their midst. The government does not have the political will or the capacity to support community-based groups that care for the infected and affected. Support groups are the strongest way in which Basotho are fighting the scourge of the pandemic. However, there is a need to ensure that HIV and AIDS projects are benefiting the intended recipients rather than creating extra income for bureaucrats and consultants without making differences in the lives of citizens. Since the inception of both the Vision 2020 in 2001 and poverty reduction strategy in 2004, the country's scores on key human development indicators have remained dismal. Some, such as public health, poverty and inequality, have deteriorated further.

The country introduced universal primary healthcare in 2008, only to see a massive shortage of drugs and poor delivery of essential health services result. The problem was exacerbated by the fact that the Christian Health Association of Lesotho (CHAL), which receives a 70% subsidy, was forced to provide health care services free without making provision to increase the level of subsidies to 100%. The remaining 30% was collected from the patients through service fees; however, these

Social safety nets
3

were very minimal, and the majority of the populace resorted to CHAL health center given the poor quality of services in the government-run center. This was a huge burden to CHAL, and most of its centers took on heavy debt levels in an attempt to keep customer satisfaction high. The universal primary health care program thus resulted in the complete collapse of the health system in Lesotho.

The government of Lesotho subscribes to and promotes the cause of equal opportunity within its national borders. Since Lesotho is a largely homogenous state, instances of ethnicity-based discrimination are extremely rare.

Equal opportunity
5

The government has acknowledged that minorities have long been denied the opportunity to be taught at schools in their native languages. As a result, Sephuthi has been accepted as a language of instruction in formal education in the southern districts of Lesotho.

Although the country's constitution subscribes to the principle of gender equality, its society remains strongly patriarchal, and many women particularly in rural areas are at a disadvantage in comparison to men. Marriages under customary law, for example, still limit women's rights in terms of inheritance and property. The government has taken steps in the right direction by enacting the Married Person's Equality Act of 2008. Nonetheless, traditional leadership issues which prohibit women from becoming heirs to the chieftainship or kingdom remain a challenge. The government should address this matter since it is a source of conflicts.

The country has also adopted the SADC quota on the role of women in political and public life, which sets a target of at least 30% of parliamentary seats to be occupied by women. Currently, women make up 25% of the lower house of parliament and 8 out of 33 Senators are women. In the 2005 elections, women were allocated a third of all council seats nationwide but female candidates won 51% of councilor posts. In terms of access to education, young girls have greater access than do boys. This is due in large part to the fact that boys look after animals instead of going to school in an economy dominated by subsistence farming.

11 | Economic Performance

With a GDP growth of 2.1% in 2009 (GDP total for 2009 was at \$1.76 billion), Lesotho is struggling to reach the 7% annual growth needed to reduce poverty. Lesotho's gross capital formation increased slightly from 28.2% of GDP in 2008 to 29% in 2009. There was no data available for 2010 during the writing of this report. The country should do more to improve upon this and increase its output, especially given the size of its GDP, which is less than \$2 billion.

Output strength
5

Lesotho, being a least developed country, surely faces enormous challenges when it comes to economic performance. The country was affected by the global economic crisis as it exports textiles to the U.S. market. The volume of textiles exported to the United States has dropped since the multifibre agreement expired in December 2004.

The economy's high dependency on remittances puts it at the risk of continually being affected by turbulence in other economies. Low wages and lack of employment opportunities in Lesotho have resulted in many Basotho resorting to work in South Africa. The current trends in unemployment are such that even a bigger economy like neighboring South Africa cannot absorb an influx of job seekers from Lesotho, not to mention other African countries.

The government is finding it difficult to finance its expenditure as there have been massive declines in the country's revenues. The major source of revenue to Lesotho has been the Southern African Customs Union (SACU) revenue pool which has dwindled in recent years.

12 | Sustainability

Since more than half of Basotho practice some form of subsistence farming, the economic prospects of the country and the lives of many ordinary citizens are inextricably linked to the state of the environment. Although the country is not an important player in debates regarding the prevention of global climate change, Lesotho's government does seek to cope with the effects of climate change, particularly insofar as soil erosion and agricultural products are concerned. Lesotho is a mountainous country and agriculture is commonly practiced on slopes with fragile soil formation. Another problem relates to the lack of agricultural investments, which means that farmers depend on rain fall despite the country's water endowments.

The country is estimated to be losing about 40 million tons of arable soil per year as a result of a combination of factors, including perennial droughts, overgrazing, population movement and the resultant soil erosion and destruction of biodiversity. This in turn has an impact on food security and levels of poverty. Lesotho has ratified a number of U.N. environmental conventions, but has had limited success with implementation. In 2001 the country enacted the Environment Act ahead of the Sustainable Development Summit in Johannesburg, 2002. However the law did not come into effect until 2008. The major challenge here is the lack of political will to grant an autonomous body (in the form of an environmental authority) the (limited)

Environmental
policy
4

power to regulate environmental issues. The country has been in the international news as a result of an animated engagement between environmental activists with government on pollution from industrial areas.

Compared to other sub-Saharan African countries, Lesotho has a relatively high literacy rate of 86%. The country prioritizes education in its annual budget; for the 2010/11 fiscal year, education comprised the government's single largest expenditure, at 20%. The country introduced free primary education in 2000 to learners at primary schools. It is however faced with enormous challenges with regard to the quality of such education, the retention of pupils in the primary system, the transition rate from primary to the secondary system and the generally poor quality of secondary and tertiary education. This prompted the government, in an attempt to ensure that parents and guardians take full responsibility for the education of their children, to make education compulsory in 2009. Tertiary education has been hit hard by several strikes that took place between August 2010 and January 2011; at some point, almost all the tertiary institutions were on strike at the same time. Because tertiary education in Lesotho has not been growing with the country's needs, there is a huge skill gap between the demand and supply of skilled personnel. The establishment of the Council on Higher Education in 2009 is said to be a direct attempt to address this gap. However, the lack of investment in research and development by both the government and the private sector leaves the country with a mountain to climb in order to be at par with its regional and global competitors.

Education policy /
R&D
4

Transformation Management

I. Level of Difficulty

Lesotho is a small, mountainous landlocked and least developed country, where both human and physical resource deficits have a debilitating effect on the country's governance record. The majority of the labor force is unemployed, and the rather small formal economy is dominated by the civil service. An estimated 58% of the population lives below the poverty line of \$1 per day. Such poverty is particularly acute in the mountainous areas, which are hard to reach. Given the condition of the country's rudimentary road network, the state's reach in these areas remains limited. Inhabitants of these areas have traditionally sustained their livelihoods through subsistence farming, but as a result of increasing regularity of protracted droughts and soil erosion, the scope for such farming continues to diminish. In addition to the country's unacceptably high poverty levels, HIV and AIDS have had a devastating effect on family units and the greater social cohesion of the society. These realities have placed a tremendous burden upon a state which has neither the financial means nor the human capacity to properly address the needs of the most marginalized in society. To address these challenges in a meaningful way, the country needs protracted growth that is robust and equitable. Such growth is, however, very dependent upon SACU revenues. The country's dependency upon the South African economy is a structural weakness that makes Lesotho's economy particularly vulnerable to the exchange rate fluctuations of the rand.

Structural
constraints
8

The size and character of civil society in Lesotho is largely reflective of the country's historical and socioeconomic realities since independence. The biggest component of civil society in Lesotho remains informal by nature and assists ordinary people in coping with the effects of poverty and HIV and AIDS. Given the country's relatively short democratic history, formal civil society is small and often lacks the necessary resources and capacity to assert itself. The government has traditionally demonstrated only a limited interest in public participation and consultation. In instances where formal civil society organizations adopt a supportive function, such as voter education and human rights training, it has proved to be very efficient.

Civil society
traditions
7

Civil society organizations must build on their capacity to contribute meaningfully to democratic dispensation in Lesotho. The need to ensure that human rights and democracy groups themselves adhere to the principles of democracy is the single most important challenge. Development partners and other regional organizations have initiated measures to enhance civil society activities during the review period. These include the implementation of the non-state actors program, which is funded by the EU. The Lesotho Council of Non- Governmental Organisations (LCN) also became a principal recipient of about \$35 million of the Global Fund to Fight Malaria, Tuberculosis and Malaria. Other organizations, like the Open Society Initiative for Southern Africa (OSISA), have shown commitment to support civil society capacity enhancement in Lesotho.

The government has failed to support efforts of umbrella bodies such as the Lesotho Council of NGOs and Lesotho Youth Federation and has instead given the Ministry of Gender, Youth, Sports and Recreation the mandate to act as a coordinating body for civil society organizations. To make matters worse, the government has failed to support the establishment of the National Youth Council, which the youth of Lesotho have called for since the return to democracy in 1993.

Elections have traditionally been a source of social conflict, but since the 2002 general elections, such conflict, where it has occurred, has been low in intensity. Lesotho is culturally homogenous and the overwhelming majority of Basotho are self-identified Christians. Conflict along ethnic or religious lines is therefore unlikely to emerge. The country was not even affected by the xenophobic attacks against fellow African citizens that took place in neighboring South Africa. Low levels of inter-communal conflict relating to natural resources, such as pastures and water in particular, is a growing phenomenon. In this regard, Lesotho has become a case study of the relationship between climate change and social conflict. A culture of peace is needed and could be developed by reinforcing civil society initiatives that provide conflict resolution training.

Conflict intensity
4

II. Management Performance

14 | Steering Capability

Lesotho's greatest developmental challenges are poverty and inequality (which includes the related issue of HIV and AIDS), and the government's insufficient capacity to overcome these issues. The key development steering documents (PRS and Vision 2020), which are aligned with the United Nation's Millennium Development Goals (MDGs), articulate the government's long-term vision and

Question
Score

Prioritization
6

strategies. However there is very little evidence from the ground to suggest that all stakeholders are committed toward bridging the gap of inequality and poverty. The priority is largely given to short-term political gains rather than the country's long-term objectives.

The country's weak economic and political position in international politics puts it at risk of being easily influenced by foreign governments and multinational corporations. The country's lack of financial and human resources leaves it in a very compromising situation and unable to independently target the goals of a full-fledged market economy. It has therefore failed to set priorities and to engage the broader public in setting its agenda. The government should set up a national planning board as is provided for in the constitution. This has yet to take place, however, as it is opposed by the Minister of Finance, who would lose much of his power in setting the country's economic development agenda once such a board is established. The current process of developing a national strategic plan falls short of past plans, such as the PRS, that involved the consultation of stakeholders.

There is certainly no question about the fact that Lesotho's public service for the most part continues to lack the skills and capacity to face up to the country's daunting developmental challenges with specified timelines. Despite having undergone restructuring in order to execute its mandate more efficiently, public services continue to suffer from human resource problems, such as a weakly enforced performance management system, low salaries and a dire shortage of critical management and technical skills. Comprehensive social, physical and regulatory infrastructures are therefore left wanting. This situation is exacerbated by the more attractive remuneration packages that South Africa offers to qualified individuals.

Implementation
5

The country does not seem to be learning anything from its failure to achieve policy objectives. It heavily relies on the support of intergovernmental organizations and allows international financial institutions to dictate its policy direction. Policy formulation is not based on scientific research, which makes it a mere subjective exercise. There are also no independent institutions working on policy monitoring in order to ensure that lessons learned from previous or existing policies are incorporated into future decision-making processes. The government prefers incremental approaches to policy-making, which does not offer much in terms of innovation. For instance, government expenditure patterns have not changed much, except in education or other sectors subject to huge aid inflows. Military expenditure has been kept at around 5% of the total budget, which is precisely the level that existed during military rule (1986 – 1993).

Policy learning
5

15 | Resource Efficiency

The introduction of the Integrated Financial Management Information System (IFMIS) has improved the government's ability to monitor expenditures. IFMIS also ensures that spending on an item is within the budget as it will not approve a transaction that exceeds the budgeted amount.

Efficient use of
assets

4

The country is failing to put its civil service to good use as more and more people are employed in areas beyond their specialization. There are instances of civil servants spending weeks or months without doing any work. To make matters worse, some civil servants are often absent from their work station during working hours, which leaves the public wanting.

Lesotho has been scandalized by public expenditure accountability issues. In a recent case, ministers were called to appear for a hearing before the Office of the Ombudsman in relation to alleged misappropriations of public funds intended as agricultural subsidies. Ministers ended up rebuking the ombudsman's call, dismissing the claims as attempts to tarnish their political image. The country is certainly not likely to benefit from this behavior on the part of ministers. This sets a harmful precedence and civil society groups have failed to speak out on the need to hold these public office bearers accountable.

The implementation of a decentralization program has left most services centralized. Many observers claim that the decision to decentralize the government was intended instead to decentralize blame. Local government structures remain weak, under-resourced and served by people with insufficient educational backgrounds to implement the program, especially at the council level. Local government structures receive directives from the central government, which defeats the whole purpose of decentralization because people at the local level do not have a say in what they want for their development. The top-down approach has failed the government of Lesotho for years and it is time that a more participatory approach is adopted.

The country has failed to make good use of customs revenue in recent years. These revenues have been used to increase the salaries of legislators, ministers and other senior civil servants. Civil servants on the other hand are paid very low wages compared to those in the private sector and other SACU members.

The Public Service Improvement and Reform Programme (PSIRP) has played a pivotal part in restructuring the civil service in order to make it a more efficient system. It has provided an impetus for the reform of the country's financial management and accountability procedures. In this regard, the government, with international support, embarked upon the introduction of the Integrated Financial

Policy
coordination

5

Management Information System (IFMIS). The launch of the system in 2009 resulted in the Minister of Finance being subjected to considerable criticism from the public as well from his colleagues; the worst case was when he was criticized by the prime minister for having introduced a system that was not ready for implementation. The Ministry of Finance is simply too powerful. It therefore has greater say on what other ministries should do even if it means compromising the long-term objectives of other sectors. There are clear signs that government policy is not coordinated by the prime minister, who appears to be unaware of what is happening within government. There is a need for the executive, in particular the head of government, to show some level of commitment if the country is to move forward. There is fierce competition between government ministries, which most of the times results in a duplication of efforts. It is very common in Lesotho for the minister of agriculture and the assistant minister of the same ministry to pursue two conflicting policies at the same time.

In all fairness, the deterioration of human development indicators must be viewed against the background of the decline of subsistence agriculture, which is related to environmental degradation and climate change, as well as the rapid spread of HIV and AIDS during this period. Both have added a significant, almost incalculable burden to the national budget over a relatively short period. The adoption of the Medium Term Expenditure Framework (MTEF) has not had any major impact on facilitating the implementation of government policies. Internal conflict within the ruling party has also resulted in party stalwarts pointing fingers toward some government failures in implementing policies to end corruption and elitism in policy-making.

The Office of the Auditor General is understaffed and does not possess sufficient capacity to execute its mandate. The major challenge is that the office depends on the ability of the Office of the Accountant General to release financial statements in time for auditing. The introduction of the IFMIS is said to improve the ability of the Office of the Accountant General to release financial statements within a short period of time. The greatest challenge for Lesotho is not only about identifying persons who misappropriate public funds, but rather what is done once matters have been reported. There are individuals who have been named in a number of reports that have been released, yet there have been no actions taken against them. The Directorate on Corruption and Economic Offences (DCEO) investigates alleged cases of corruption in both the public and private sector, but it does not have the power of prosecution, which is the responsibility of the National Directorate of Public Prosecutions. The anticorruption body also does not have the resources to carry out its mandate, especially given the fact that corruption is endemic in Lesotho.

Anti-corruption
policy
5

There is a need for public office bearers to declare their business interests. This would help battle corruption, which prevents most of Lesotho's poverty-stricken population much-needed services, such as access to quality education and healthcare. The Lesotho Mounted Police Services should also have the capacity not only to work on corruption cases in society but also to uproot corruption within its ranks. It is common knowledge that traffic police do not offer tickets for traffic offences but impose charges on offenders. The country cannot battle corruption effectively if the very institutions and individuals who are supposed to fight it are major perpetrators.

16 | Consensus-Building

As mentioned elsewhere, the country's goals and objectives, which focus primarily on questions of growth, poverty eradication, the Millennium Development Goals (MDGs) and governance, are articulated clearly in strategic documents such as Vision 2020 and the country's PRS. Both documents were the products of extensive participation processes that included voices from across the broad spectrum of the society, making them representative of the major social stakeholders.

Consensus on goals

8

The country's major political actors remain by and large committed to the basic tenets of democratic governance. Although available survey data by Afrobarometer show lukewarm support for democratic principles amongst the populace, such support seems to be growing. At local government levels, however, tensions do occasionally arise around issues of authority and jurisdiction between local chiefs, whose authority is derived from their hereditary status, and local government representatives, who were elected in the country's first local government elections in 2005 after the country's decentralization process was completed that same year.

Tensions emerged between civil society organizations and political parties when the second local government elections were postponed with political parties agreeing to extend the mandate of local authorities beyond five years. The argument of civil society was that it was not up to political parties to decide whether to postpone the elections since the proposed changes in the local government acts were made by civil society heading into the 2005 elections but were thrown away by the politicians. The changes relate to a provision intended to improve participation in government by women by reserving for women one-third of all constituencies. The challenge for political parties was that the second elections originally scheduled for 2010 (but postponed to October 2011) meant that the male supporters were likely to lose their council seats as the quota program was scheduled to rotate.

Although the military has in the past played a significant role in the determination of political power, its influence has waned over the years. In 1986, the Lesotho Defence Force, under the command of Major-General Mesting Lekhanya, overthrew the autocratic BNP government of Chief Leabua Jonathan. Lekhanya's rule was then overturned by another military coup led by Major General Phitšoane Ramaema in 1991, who returned the country to democratic government in 1993. In the years since, great efforts have been made to bring military back under democratic control. Those efforts have been met with fierce opposition. There have also been allegations that the government intimidated some critics.

Anti-democratic
actors

6

There are fears that the military will grow increasingly involved in shaping the 2012 election and its outcome, especially tensions within the ruling party increase, which could result in another breakaway faction. The existence of oppressive laws which were used to suppress opposing voices during authoritarian rule is a clear signal that there are people within the government who are not fully committed to the principles of democracy.

Lesotho has had a protracted history of political fragmentation and intra-elite fighting for power. Since Lesotho gained independence in 1966, the run-ups to elections have proved to be the most prominent cause of both political instability and the autocratic rule that followed in their wake. In 1998, contested election results once again degenerated into widespread public violence, which was brought to an end only after SADC military intervention. In the wake of violence, an Interim Political Authority (IPA), consisting of representatives from political parties that participated in the 1998 general elections, convened to develop a new electoral system that had to give broader representation to the scope of the country's political interest groups. This process resulted in the acceptance of an MMP electoral model, but the process also significantly contributed to consensus-building and mutual trust. It started a new chapter in Lesotho's public sphere history as people were able to engage the opposing side and negotiate a solution.

Cleavage /
conflict
management

6

Both the 2002 and 2007 general elections were contested and largely within the boundaries of the democratic process. So far, the government has failed to address the traditional line of conflict between the generations. The younger generations suffer from high unemployment and they are largely excluded from political power. Lack of intraparty democracy will only make young people more vulnerable to manipulation at the hands of political elites. The country relies heavily on the role of the Lesotho Council of Non-Governmental Organisations (LCN) and the Christian Council of Lesotho (CCL) to intervene during conflicts.

Influential traditional leaders are incorporated within the Senate. There are 22 Principal Chiefs in the Senate with the other 11 members nominated by the state council.

Although there is no embedded cooperative relationship between the government and civil society, the government has in several instances consulted a broad section of civil society stakeholders in developing key strategic documents (e.g., PRS and Vision 2020) and in disbursing donor assistance, especially on HIV and AIDS issues. In several instances, civil society organizations have supplemented the limited reach of the government, particularly in the socioeconomic and healthcare spheres but also in governance, where such organizations have also played a significant role in fields such as voter education and registration. For instance, LCN has a long and well-documented involvement in electoral processes in Lesotho, which is important to consider as the country heads into the 2012 general elections. Relations between the state and civil society, however, remain at arm's length and decidedly uneven, with the latter at a disadvantage, unable as it is to regularly assert itself. In instances where meaningful cooperation and consultation have occurred, such as the process that involved the drafting of the country's Poverty Reduction Strategy, intergovernmental organizations and donors made such participation a prerequisite for funding. However, in processes where no prerequisite from partners is required (e.g., the negotiations of the Economic Partnership Agreements (EPAs) with the EU), interest groups were not consulted or informed of the whole process.

Civil society
participation
5

The process of public policy formulation remains secretive, though civil society organizations are normally informed about the decisions. When they attempt to raise their concerns with the policy and suggest alternatives, they are normally accused of belonging to the opposition parties. There is a need for government and civil society to work together in order to ensure that rational decisions are made. During the review period, the government of Lesotho has been developing the National Strategic Plan without engaging civil society, despite the enormous strides made during the development of the PRS. Government should also provide resources for civil society in order to ensure that the good work done by civil society is not only funded by foreign governments and donors.

Access to information must be improved in order to enhance full participation and efforts to monitor public officeholders. Civil society organizations find it very challenging to obtain access to information that they deem essential in the advancement of their cause. It is therefore a huge challenge for government to open the processes of decision-making and enact legislation on providing access to public information.

The country has not had a civil war and the serious conflicts which have taken place are the battles from 1970 to 1986 between the Lesotho Liberation Army (LLA), which is the BCP's military wing, and the armed forces. The BCP's 1993 electoral victory brought about a shift of power, and reforms within the military eventually facilitated trust between the former adversaries. The 1998 unrests have been to some extent addressed through the new electoral model. In this case, the Lesotho Youth Federation intervened among fighting youth factions while the political

Reconciliation
n/a

leaders negotiated the electoral model. The reconciliation process amongst young people ensured that the different factions were able to reach a consensus on how to move forward. The government's key challenge for government is to provide an open space for participation and equal access to the country's resources.

17 | International Cooperation

Overseas development assistance (ODA) for Lesotho peaked in 1992 as the country prepared to return to democratic rule, but declined again significantly to new lows in the period between 1998 and 2000 following the violence that resulted from the disputed elections of 1998. Lesotho's relations with the donor community improved significantly since 2001 due to measures that have been already been mentioned, and as a result of the attempts that have made to restructure and strengthen the country's fiduciary systems. According to the recent available data on ODA Lesotho is one of the countries that has experienced massive decline in development assistance. Lesotho's per capita ODA declined from \$70.17 in 2008 to \$59.53 in 2009. The highest per capita ODA received by Lesotho was \$86.83 in 1992. The country can improve its use of ODA if it is to adopt the approach used under the Millennium Challenge Account where Basotho professionals are given full control of the implementation of the program without interference of politicians.

Effective use of support

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The other import lesson learned here is that government inefficiencies are bypassed in the implementation of programs, which are implemented not by the government itself but by professionals. But this increases the administrative costs of these independent programs and therefore poses a serious problem. The most important question is whether the government financial management system can be trusted to implement time-bound projects that are supported by development assistance. Civil society organizations often use development funds more efficiently, though their capacity to follow through on implementation and account for all resources allocated to them needs to be developed further.

The country's international credibility has increased since peace and order were restored after 1998 by external intervention. The international community has, however, since then expressed concerns about the country's stability. The growth of terrorist threats internationally and the ease with which one can obtain a Lesotho passport has led several countries to introduce stricter entry conditions for Basotho. This is true, for example, of the United Kingdom, which now requires Basotho to obtain visas for entry. South Africa also stopped issuing to Basotho six month cross-border permits, which had allowed Basotho to cross the border back and forth for a period of six months without having to apply for a visa. This was very useful for entrepreneurs and others who cross the border frequently. But the arrangement was halted due to growing fears that it could be abused by terrorists. The

Credibility

8

government is now using Millennium Challenge Account funds to introduce a personal identification system.

Economic reforms targeting a market economy are often not communicated or are ignored because the government often pretends as if things have not changed. It does this in order to maintain its political popularity. However, this compromises the country's preparedness to change, since citizens are often misinformed of the reform process. The reform process in general should be streamlined to ensure that all stakeholders contribute to the development of new strategies. This ambiguity is strongly demonstrated on issues of democracy and good governance where the government says one thing and does the direct opposite. The government should demonstrate its commitment to democracy by ensuring that corruption and nepotism are curbed and anyone found guilty is subject to harsh possible punishment. The government's commitment to reducing poverty, illiteracy, hunger and corruption should be supported by institutions able to deliver the desired results. Lesotho has little to gain from the lip service of politicians and bureaucrats who fail to drive the country toward a position where it will be a formidable force in the global regional economy.

Lesotho is a member of the Southern African Development Community (SADC) and is one of the 11 countries that in 2008 launched with SADC a free trade area (FTA). However, as an economic region, SADC suffers from fragmentation and a lack of cooperation when it comes to negotiating with other economies. The negotiations surrounding the recent economic partnership agreements (EPAs) with the EU showed that the region has a long way to go before it can realize full integration. Some countries from southern Africa negotiated agreements with East African countries to form an EPA while others like Lesotho remained in the SADC EPA configuration. Lesotho was criticized for having rushed to initial the EPAs without considering the concerns of its neighboring South Africa, which will exacerbate fragmentation within regional platforms.

Lesotho and other countries in the region will have to decide on whether to pursue the project of regional integration within the framework of the SADC. An alternative view on this matter suggests that members of the Southern African Customs Union (SACU) should build on the successes of the world's oldest customs union. This proposal seems to have been well received by SACU leaders, who convened in 2010 to celebrate the customs union's centennial and met for the first time within the framework of a SACU forum for regional heads of state. The question is whether Lesotho will abandon the SADC route for a more realistic one with SACU, where there is less divergence among member states. The most challenging thing with the process of regional integration is that it has become a platform for leaders to meet annually rather than changing the lives of the peoples

Regional
cooperation
8

of southern Africa. Stakeholders in Lesotho are involved only minimally in such decision-making process, and this is even more so the case when the ministry leading a process is itself fragmented.

Lesotho's commitment to regional integration is evinced by the fact that it is one of the first countries to volunteer for assessment by the African Union (AU) under the African Peer Review Mechanism (APRM). This has provided an opportunity for all stakeholders to assess the progress the country is making in service delivery.

Strategic Outlook

Given the growth of political intolerance in Lesotho, the country faces a very bleak future. The state is disconnected from its impoverished citizens, a state of affairs that can generate frustration and social friction.

Further reforms in local government are needed. Fears of the unknown might keep the traditional leadership from introducing reforms. The progress made through local governance has shown that ordinary citizens should be given equal opportunity to participate in decision-making processes. The country can nurture its democratic norms only if opportunities for all stakeholders to co-decide on how and where reforms are needed are expanded. The lack of interest in politics among most citizens should signal a warning sign to politicians that the current arrangement does not serve the interests of Basotho.

Education remains the single most important sector of a fragile economy. In order for the country to maintain peace and benefit from a well-trained workforce, education policy must be reviewed, as stipulated by the national vision paper. A first key step would involve abandoning the current curriculum, which dates to the pre-independence era. The country should invest in its human resources in order to make use of its strategic position at the center of powerful South Africa. This can be achieved by increasing the quality and efficiency of the only state-owned university, the National University of Lesotho (NUL). There is also a need to train more engineers, which could be achieved by introducing degree programs at the Lesotho Polytechnic, which currently provides only certificates and diploma courses. Geology as a course of study should also be introduced, especially given the country's mineral wealth.

Massive economic growth could be achieved through investments in renewable energies and tourism. Tourism has always been earmarked as one of the industries that can generate large numbers of jobs for Basotho. The process of forming Lesotho Power Generation Authority (LPGA) will go a long way in creating employment, increasing access to electricity for more people and generating revenue for the country. The potential to generate wind power electricity will not only impact the local economy significantly, but will provide an export to neighboring South Africa. Plans to establish the first wind farm by 2012 is a step in the right direction and the prospects of employment in the energy sector provide considerable growth opportunities. The energy sector is likely to generate more inter-sectoral flows than most of the major development works that the country has embarked on. However, the proceeds from the industry will have to be properly managed if meaningful economic benefits are to be realized. Increasing politicians' and bureaucrats' accountability will be crucial and should involve senior bureaucrats and members of the political executive declaring their business interests upon assuming public positions. The second phase of the Lesotho highlands Water Projects (LHWP) is likely to

generate double digit economic growth similar to that experienced during phase one. The lessons of phase one underscore the need to ensure inter-sectoral flows between massive infrastructural projects and the local economy.

The management of mineral resources needs to be rethought in order to secure a prosperous future. Lesotho is known globally for its precious gems. Processing diamonds locally for export as finished goods will go a long way toward generating significantly larger revenues than in the past. A multi-stakeholder mining board must be re-instated in order to ensure greater transparency in the regulation of the industry. Lesotho should also join the Extractive Industries Transparency Initiative (EITI) in order to better involve other stakeholders in monitoring the management of minerals in Lesotho. The Lesotho mounted police service should also be provided the resources needed to protect the country's minerals from looting and corruption.

Lesotho needs to strike an appropriate balance between labor-intensive and capital-intensive industries if it is to remain relevant in a rapidly globalizing world. Lesotho needs capital in order to exploit unexplored mineral resources, but it also needs to provide sustainable employment to those currently unemployed through investments in tourism and agriculture. This will in turn help reduce the country's exposure to risks associated with rising global prices for foodstuff and fuel in particular.

The issues of HIV and AIDS, if not addressed properly, will erode all the dividends that the country has made in recent years. Mainstreaming HIV and AIDS in society should be the way forward for Lesotho. Abandoning social programs in order to focus on fighting AIDS is a step in the wrong direction. All stakeholders in Lesotho must realize that HIV and AIDS is not a health problem but a development challenge. The management of resources allocated to HIV and AIDS should be transparent in order to avoid more money being channeled into consultancies that have little impact in reducing the effects of AIDS in Lesotho. The National AIDS Commission (NAC) should also be depoliticized. The increased involvement of politicians in the fight to overcome HIV and AIDS has also increased the desire for most political cadres and friends of politicians to serve bodies like NAC. People should be given such crucial appointments because of their good track record and academic qualifications not as a political reward.

Both government and development partners should provide greater support to civil society groups in promoting human rights and social justice, which could strengthen human rights and give them the requisite institutional framework. Civil society groups should also find a way of working together to cultivate and promote the culture of peace within society. Civil society should make better use of opportunities presented to it. Civil society actors could, for example play an active role in the SADC National Committee, which provides the peoples of southern Africa a platform to have a say on the direction and pace to be taken in the integration program. The Lesotho Council of Non-governmental Organisations should play a more prominent role and demonstrate leadership by bringing civil society and government actors together. More should be done to encourage and facilitate the formation of special interest groups in Lesotho. The current trend, in which political parties constitute the only recognized form of participation in decision-making only encourages the formation of more political parties rather than special interest

groups or other expressions of social interests. The recent case of a party formed by traditional healers clearly points to the need to reconsider public participation and the role of civil society. The best means of doing so is to require the government to consult with special interest groups in decision-making. This may also require that relations between government and civil society groups be formalized in order to ensure that these relations meaningfully deepen democracy. The government should provide a framework in which private citizens can form and support associations.

The need to enhance the capacity of democratic institutions such as the legislature and judiciary cannot be overlooked if Lesotho is to realize the dividends of democracy. The parliamentary portfolio committees should be given enough resources to be able to oversee the activities of the executive. This should include increased public participation in democratic dispensation before decisions have been made. The country should clearly balance the needs of public participation with the influence of multinational, foreign government and intergovernmental organizations. Augmenting the judiciary with a commercial court is a step in the right direction. However, the National University of Lesotho should start training commercial lawyers in order to ensure that the delivery of justice is not compromised by a lack of skilled personnel.

The continuing decline of the country's exports to the U.S. market under AGOA is a serious cause for concern. Intra-regional trade must increase if Lesotho is to make up for these losses. Lesotho can use its experience to export its textiles to the SADC market. Negotiations between the Common Market for East and Southern Africa (COMESA), East African Community (ECA) and SADC could create a free trade area that will provide another market for products from Lesotho. Lesotho could become a serious player within the region if it successfully draws on its experiences with the U.S. market. The country should also invest in organic farming and target lucrative European markets. Here it could draw on its past experience exporting asparagus to Europe in the 1990s before the collapse of Basotho Cannery. The benefits are extensive and provide small farmers considerable opportunity. It is critical that subsistence farmers, who comprise 70% of the population, be afforded more attention from political decision makers.