



The Kingdom of Lesotho

ISTANBUL PROGRAMME OF ACTION

NATIONAL PROGRESS REPORT 2020

Contents

LIST OF ACRONYMS	iii
EXECUTIVE SUMMARY	vii
1 INTRODUCTION	1
1.1 BACKGROUND	1
1.2 THE ISTANBUL PROGRAMME OF ACTION (IPoA) IN CONTEXT	1
1.3. METHODOLOGY	2
1.3.1 General Approach.....	Error! Bookmark not defined.
1.3.2 Research & Report Preparation (Stakeholder Consultation)	Error! Bookmark not defined.
2. THE NATIONAL DEVELOPMENT PLANNING PROCESS	3
2.1 IPOA INTEGRATION INTO NSDP I & II:	Error! Bookmark not defined.
2.2 SOCIO-ECONOMIC CONTEXT	8
3 ASSESSMENT OF PROGRESS AND CHALLENGES IN THE IMPLEMENTATION OF THE ISTANBUL PROGRAMME OF ACTION FOR THE DECADE 2011-2020	9
3.1 PRODUCTIVE CAPACITY	9
3.1.0 ENERGY	9
3.1.1 INFORMATION COMMUNICATION AND TECHNOLOGY (ICT) & INNOVATIONS	11
3.1.2 PUBLIC WORKS AND TRANSPORT INFRASTRUCTURE.....	12
3.2 AGRICULTURE, FOOD SECURITY AND RURAL DEVELOPMENT	13
3.3 TRADE SECTOR.....	19
3.4 COMMODITIES.....	21
3.5 PRIVATE SECTOR DEVELOPMENT	23
3.6 HUMAN AND SOCIAL DEVELOPMENT	26
3.6.1 Human Development: Education and training.....	26
3.6.2 Human Development: Population & Primary Health	29
3.6.3 Human Development: Youth Development	32
3.6.4 Human Development: Shelter, Water & Sanitation	33
3.6.5 Human Development: Gender Equality & Women Empowerment (GEWE)	33
3.6.6 Human Development: Social Protection	34
3.7 MULTIPLE CRISES AND EMERGING CHALLENGES.....	35
3.7.1 Economic Shocks	35
3.7.2 Climate change / Environmental Shocks	36
3.7.3 Disaster Risk Reduction	37
3.8 MOBILISING FINANCIAL RESOURCES FOR DEVELOPMENT AND CAPACITY BUILDING	37
3.8.1 Domestic Resource Mobilisation	37
3.8.2 Official Development Assistance (ODA)	38
3.8.3 External Debt	40

3.8.4 Foreign Direct Investment (FDI)	41
3.8.5 Remittances	42
3.9 GOVERNANCE AT ALL LEVELS	44
3.9.1 Structure of Governance	44
3.9.2 Combating Corruption	45
3.9.3 Human Rights	46
3.9.4 Gender Issues	47
3.10 STEPS TOWARDS GRADUATION	48
3.10.1 Graduation Criteria - Gross National Income per capita	48
3.10.2 Graduation Criteria – Human Assets Index	49
3.10.3 Graduation Criteria – Economic Vulnerability Index	49
3.11 COHERENCE AND LINKAGES WITH THE 2030 AGENDA AND OTHER GLOBAL PROCESSES	51
3.12 TOWARDS THE NEXT LDC AGENDA	52
3.14 ANNEXES	53

LIST OF ACRONYMS

ACP	African Caribbean Pacific
AfCFTA	Africa Continental Free Trade Agreement
AfDB	African Development Bank
AGOA	African Growth Opportunity Act
AIDS	Acquired Immuno-Deficiency Syndrome
AU	African Union
BADEA	Arab Bank for Economic Development in Africa
BoS	Bureau of Statistics
CBL	Central Bank of Lesotho
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
COMESA	Common Market for Eastern and Southern Africa
CSR	Corporate Social responsibility
DCEO	Directorate of Criminal Investigation Economic and Offences
DINER	Diversification for Nutrition and Enhanced Resilience
EAC	East African Communities
EBA	Everything But Arms
EFTA	European Free Trade Association
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
ETL	Econet Telecom Lesotho
EU	European Union
EVI	Economic Vulnerability Index
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FEP	Free Primary Education
FY	Financial Year
GAD	Gender and Development
GDP	Gross Domestic Product
GEF	Global Environment Facility
GER	Gross Enrolment Rates
GEWE	Gender Equality and Women's Empowerment
GII	Gender Inequality Index
GNI	Gross National Index
GOL	Government of Lesotho
GSP	Generalised System of Preferences
HAI	Human Assets Index
HDI	Human Development Index
HEIs	High Education Institutions
HIV	Human Immunodeficiency Virus

ICM	Integrated Catchment Management
ICT	Information Communication and Technology
IDA	International Development Assistance
IFAD	International Fund for Agriculture Development
IMF	International Monetary Fund
IPOA	Istanbul Programme of Action
ISIC	International Standard Industrial Classification
IT	Information Technology
JR-HIV/TB&HP	Joint Review of HIV/Tuberculosis and Hepatitis Programmes
KG	Keyhole Garden
KPAs	Key Performance Areas
LCA	Lesotho Communications Authority
LDCF	Least Developed Countries Fund
LDCs	Least Developed Countries
LDHS	Lesotho Demographic and Health Survey
LHWP	Lesotho Highlands Water Project
LNDC	Lesotho National Development Corporation
LOR	Lesotho Obstetric Record
LRA	Lesotho Revenue Authority
LSA	Lesotho Standards Authority
M&E	Monitoring and Evaluation
MAFS	Ministry of Agriculture and Food security
MCC	Millennium Challenge Corporation
MDGs	Millennium Development Goals
MDP	Ministry of Development Planning
MICA	Mountain Integrated Conservation Agriculture Project
MICS	Multiple Indicator Cluster Survey
MODA	Multiple Overlapping Deprivation Analysis
MOET	Ministry of Education and Training
MoF	Ministry of Finance
MoPWT	Ministry of Public Works and Transport
MoSD	Ministry of Social Development
MSBDCM	Ministry of Small Business Development, Cooperatives & Marketing
MSMEs	Medium Small and Micro Enterprises
MTEF	Medium Term Expenditure Framework
MW	Mega Watts
NAC	National Aids Commission
NAPA	National Adaptation Plan of Action
NCCP	National Climate Change Policy
NGOs	Non-Governmental Organisations

NISSA	Lesotho National Information System for Social Assistance
NMDS	National Manpower Development Secretariat
NPIECCD	National Policy for Integrated Childhood Care and Development
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OVC	Orphans and Vulnerable Children
PSCED	Private Sector Competitiveness and Economic Diversification Project
REAL	Restoring Ecosystems and Livelihoods
RoM	Run-of-Mine
RSA	Republic of South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SPR	Services Policy Review
SSA	Sub-Saharan Africa
STI	Science Technology and Innovations
STIs	Sexually Transmitted Infections
TB	Tuberculosis
TEBA	Employment Bureau of Africa
TFR	Total Fertility Rate
TVET	Technical and Vocational Training
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNECA	United Nations Commission for Africa
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations International Children's Emergency Fund
UNRISD	United Nations Research Institute for Social Development
USA	United States of America
USD	United States Dollars
VAC	Violence Against Children
VAT	Value Added Tax
VNR	Voluntary National Review
WASA	Water and Sewage Authority
WB	World Bank
WFP	World Food Programme
WTO	World Trade Organisation
YDI	Youth Development Index

List of Tables

Table 2.0:	Linkages between Agenda 2030, IPoA, AU Agenda 20163 and NSDP II	5
Table 3.2.0:	Area Planted and Method of Ploughing by District	17
Table 3.2.1:	Diversification and Commercialisation Enhancement Projects	18
Table 3.4.0:	Lesotho Top 5 Merchandise Exports 2017	22
Table 3.4.1:	Lesotho Top 5 Markets for Merchandise Exports 2017	23
Table 3.6.0:	Lesotho Millennium Development Goals Education Status 2015	27
Table 3.6.1:	Enrolment in Schools, Gender Parity & School Size	28
Table 3.8.0:	Assistance Provided by Multilateral Donors 2017/18	40
Table 3.8.1:	External Debt Stock (US\$ Mlns & Maloti Mlns)	41
Table 3.8.2:	Major Development Finance Flows to Lesotho as % of GDP	43
Table 3.10.0:	Lesotho Graduation Performance – Income	48
Table 3.10.1:	Lesotho Graduation Performance – Human Assets Index	49
Table 3.10.2:	Lesotho Graduation Performance – Economic Vulnerability Index	50
Table 3.11.0:	Coherence between Agenda 2030 and NSDP II	52

List of Figures

Figure 1.0:	Workflow and Process	2
Figure 2.0:	Alignment between NSDP I, NSDP II and Istanbul Programme of Action	4
Figure 3.2.0:	Livelihood Sources Within Rural Settlements – 2016/17	13
Figure 3.2.1:	Comparative Cereal Production for 2017	14
Figure 3.2.2:	Livestock Ownership by Gender	14
Figure 3.2.3:	Lesotho Food and Agriculture Trade Balance (US\$, Mlns)	15
Figure 3.2.4:	Lesotho Structure of GDP	15
Figure 3.2.5:	Lesotho Food Consumption Score by Settlement & District	18
Figure 3.4.0:	Lesotho Sectoral Real Growth Rate (%) 2013 – 2017	21
Figure 3.4.1:	Lesotho Non-extractive Value Add Share of GDP 2006 & 2017	22
Figure 3.4.2:	Lesotho Structure of Export Merchandise 2015	22
Figure 3.5.0:	Ease of Doing Business – Lesotho & Comparator SADC Countries	24
Figure 3.5.1:	Lesotho Ease of Doing Business Ranking 2018	24
Figure 3.6.0:	Gross Enrolment Rates for Primary & Secondary Schools	27
Figures 3.6.1 & 3.6.2:	Number of TVET Institutions, Enrolment & Participation	29
Figure 3.6.3:	HIV Prevalence among Adults Aged 15 – 49	30
Figure 3.6.4:	Unemployment by Age & Gender	32
Figure 3.6.5:	Share of Women in Top Positions	34
Figure 3.6.6:	Composition of Lesotho Social Assistance Spend 2013 – 2017	34
Figure 3.8.0:	Shares of Sources of Development Finance Flows to Lesotho, 2017/18	39
Figure 3.8.1:	Migrant Mineworkers (Annual % Changes)	43
Figure 3.9.0:	Government Performance in Fighting Corruption 2003 – 2017	46
Figure 3.9.1:	Perceived Corruption among Government Officials (2005 vs 2017)	46
Figure 3.9.2:	Perceived Corruption among Business Executives 2014 -2017	47

List of Annexes

Annex 1:	GDP by Economic Activity, current prices Maloti (Mlns)	58
Annex 2:	GDP by Economic Activity, % Contribution	59
Annex 3:	Summary of Government Budgetary Operations 2013 – 2017 (Mlns, Maloti)	60
Annex 4:	Value of Imports & Exports (Mlns, Maloti) 2017	61
Annex 5a:	Value of Exports 2013 – 2017 (Mlns, Maloti)	62
Annex 5b:	Value of Imports 2013 – 2017 (Mlns, Maloti)	62
Annex 6a:	Vaccinations by Background Characteristics 2018	63
Annex 6b:	Early Childhood Mortality Rates by Socioeconomic Characteristics	64
Annex 6c:	Early Childhood Mortality rates by Demographic Characteristics	65
Annex 6d:	Assistance to Mothers during Delivery	66
Annex 6e:	Select Health Indicators	67
Annex 7a:	Enrolment in Tertiary Institutions by Sex 2014 – 2018	68
Annex 7b:	Enrolment in Lower & Upper Secondary Schools, Age, Education level 2018	69

EXECUTIVE SUMMARY

The Istanbul Program of Action (IPoA) was adopted at Fourth United Nations Conference on LDCs convened in Istanbul, Turkey in May 2011. The IPoA is a decadal programme which runs until 2020. The IPoA covered 27 areas (8 priority areas plus their 19 sub priorities) The goal is to help LDCs address structural weaknesses in their economies, to build their human capacities and reduce their vulnerabilities to economic / natural / environmental shocks, especially climate change.

This report reflects the result of a review of progress Lesotho has made with regards to the above as well as the challenges encountered in the process of implementation. Chapter 1 provides background information regarding the methodology used to create the report, the country context from the economic, social, environmental and political perspectives. Chapter 2 provides an overview of how Lesotho integrated the prescripts of IPoA and other international frameworks such as Agenda 2030 into its national sustainable development plans. Chapter 3 presents an assessment of the extent of progress Lesotho has made with respect to IPoA key priority areas to overcome structural challenges, reduce hunger and poverty as well as progress towards graduation. Chapter 4 elaborates on the linkages between the policies Lesotho developed and executed as well as principles of Agenda 2030 during the IPoA period of 2011 – 2020. Lastly, Chapter 5 provides insight on the outstanding aspects of IPoA goals in as far as Lesotho is concerned and actions needed to close the gap so that Lesotho may graduate by 2030.

The Economy and the people: Lesotho possess unique characteristics and natural assets with intrinsic value and potential for socio-economic exploitation. Opportunities for clean energy, water exports, agriculture use, and tourism abound due its topography and human endowments. The fragility of mountain ecosystems does require that exploitation of these potentials should be knowledge based to optimise the socio-economic benefits on a lasting basis. The population is young and literacy rates exceed regional average 89.2% (2018).

At the beginning of the IPoA the economy grew at the promising rates closer to the 7% desired annual growth for LDCs but tapered off to figures below 2% at the closing years of IPoA. Proximity to South Africa means that Lesotho's economy is highly integrated into and influenced by development in the larger South African economy. The smallness and being landlocked presents economic vulnerabilities consistent with such country characteristics on top of the climate change effects affecting most LDCs. The majority of people (70%) rely on agriculture for livelihoods, but the sector accounts for just 6.5% of GDP. The government revenue sources are split between SACU (40.7%, taxes (44.9%) and grants and other 14.4%.

Graduation is feasible, but there are challenges: Lesotho has regularly met one of the 3 criteria for graduation from the LDC category, the GNI per capita. The 2018 GNI figure is \$1.296, a few dollars above the \$1,230 threshold. Challenges in health (maternal mortality rates, 1,024 per 100, 000 live births) and in education (low Gross Enrolments Rates, 35.3%, 2017) in secondary schools hinder progress towards reaching the Human Asses Index frontier of 66. Lesotho's score of 61.6 is not far off though and commendable even though more could have been achieved through enhancing effective and efficient application of the investment being made in both education and health. Vulnerability issues are the most challenging for Lesotho as can be seen by the 10-point gap between the threshold (32) and Lesotho's Economic Vulnerability Index score of 42.

Productive Capacity: Improving road network connectivity, sustainability and self-sufficiency in energy resource and an appropriate ICT ecosystem to power a private sector led economic growth model: Under substantial fiscal constraints Lesotho continues to expand the transport network. The NSDP I review report notes that "Road infrastructure is basically meeting its targets for paved roads lessening the amount of gravel roads. Yet, when it comes to providing basic water and sanitations services, progress has been most visible in urban areas, with 95% of residents having access to an improved water source, while rural areas lag behind with 77% access to improved water source (MDG Report, 2015). The same can be said for well-planned human settlements, which have faced much constraint in their progress." The NSDP I review report concludes that the power generation targets have not been met. The target for 2014/15 was 150 MW but power generation remained at 72 MW, a shortage by 78 MW. In communications services mobile services keeps expanding but wireless broadband uptake is slow. In 2005 the broadband was less than 1% and ten years later (2015) has only reached 32.5%. GoL is facilitating the development of an

appropriate ICT ecosystem and infrastructure which will allow efficiency generating innovations to take place and improve access to information and markets. Optic submarine cable systems links with outside world and wireless communication technologies like WLAN and WiMax internally are pursued because difficult terrain.

Agriculture: The focus is on promoting commercialisation, mitigating against climate change effects on agriculture and pursuing sustainable food production based on smart technologies. As the main source of livelihoods especially in the rural communities, investments in the sector can create sustainable jobs, increase economic growth and reduce inequality. The Government's has therefore put emphasis on commercialising the sector through value chain development towards economic diversification to ensure economic sustainability and resilience to shocks that may be caused by dependence on primary production.

The effects of climate change have been felt the most in agriculture as droughts bring along degradation of agricultural land, pervasive soil erosion and agriculture productivity losses to the extent that Lesotho depends on imports to meet food needs. Maize crop yields of just over 1 MT per hectare are approximately a quarter of yields in South Africa (4.37 MT per hectare). Low utilisation of mechanisation, technology, quality seeds and fertiliser are factors affecting productivity. The contribution of the sector to GDP has fallen over the years and averages 6% annually. The GoL is intent on changing the food insecurity and deficit with joint support from development partners to establish and maintain smart agriculture and intensified application of technology in agriculture.

Trade: The binding supply-side constraints and vague trade policy limit trade, export diversification and promoting linkages to global value chains: Lesotho has prioritised the development and articulation of trade policy as a means to streamline trade development efforts and to effect policy clarity leading to efficiency in dealing with the current challenges. The focus areas has been to facilitate product and market diversification, to accelerate trade facilitation and to optimise the linkages of local producers to global value chains. The number of agreements and affiliations to trade blocks open opportunities in SACU, SADC, USA (AGOA), EU (EPA & EFTA). The limitations relating to productive capacity including appropriate skills (coordination, negotiations and facilitation in the public sector; entrepreneurial and policies for the private sector) hamper the effective utilisation of the opportunities thereof by the private sector. Evidence of this is seen in the low utilisation of backward linkages in the manufacturing sector due to limited skills among locals in repairs and accessories production. The AGOA Response Strategy revealed other products which qualify for AGOA but have not been tapped into. In addition to the above, AGOA alone has 6,000 product lines, but Lesotho utilises about four (4). Trade Policy Framework completed in 2019 will address to address all these by streamlining trade policy in related sectors.

Commodities: Accelerating value addition, processing and deepening diversification will advance the policy of tackling economic structural challenges. Commodities from the agriculture and mining sectors do not have major contribution to the economy. The contribution of agriculture for the years 2015, 2016 and 2017 constituted M1,592, M2,091, M1,778 million Maloti respectively. The contribution of mining for the years 2015, 2016 and 2017 constituted M2,328, M2,375, M2,983 million Maloti respectively. The total GDP for the respective years was M31,445, (2015), M33,904 (2016), M34,525 (2017). The GoL has chosen to focus efforts on smart agriculture and has adopted policies to enable this. For mining, the policy of GoL (Minerals & Mining policy of 2015) is to utilise the proceeds from mining to build up the agriculture and services sectors as part of growing a rural economy that supports jobs. In both agriculture and mining value addition is the underlying principle to development to optimise local beneficiation.

Private Sector Development: Promoting a private sector led economic growth in agriculture, manufacturing, tourism and creative industries and technology and innovation. This will be achieved through the Big Fast Results methodology that targets private sector led initiatives for sustainable job creation and inclusive growth. The private sector is small and under-developed. The missing middle may indicate survivalist entrepreneurs and a lack of job opportunities. Disproportionate distribution of firms towards sales at the expense of production exacerbates dependence and vulnerabilities to externalities. The GoL has shown political will to develop the private sector by establishing the Ministry of Small Business Development, Cooperatives and Marketing. The ministry runs a partial credit guarantee scheme to assist start-ups. The private

sector contributes about 20% of GDP. Clarity of mandates between this ministry and the Ministry of Trade & Industry and the respective state-owned enterprises under their direction still need to be clarified to avoid duplication of efforts.

Human Development: Improving the quality, relevance and efficiency of education will offer good return on investment in the long term. Focus on maternal and infant health, containing HIV/AIDS and TB, and improving nutrition will have positive economic spin-offs in the medium to long term. There are many positives on the human development front: literacy that is one of the highest in Sub-Saharan Africa, improvements on under 5 mortality rates (86.4/1,000 live births, MICS 2018) and above average GNI per capita for LDCs all add to an improving HDI of 0.520 in 2019. Also, the HDI for men (0.516) and women (0.519) when calculated separately indicates parity between the sexes, none being favoured by GoL policies (HDI Report 2014). Inequality between rich and poor is still high (Gini coefficient of 0.45 in 2017/18) even though it has declined from 0.53 observed in 2010/11. Youth literacy rates for Lesotho for the period 2006 – 2016 are at 95% (female) and 79.6% (male) according the Human Development Report of 2018. Youth unemployment is estimated to range from 34 – 35.8% in various reports. GoL's approach centres on keeping youth in school, addressing teen pregnancies (girls) and child labour (boys) and of course dealing with the relevance of the education especially the TVET institutions through the introduction of the Lesotho Skills Authority so that on completion they are appropriately qualified.

Gender parity and policies promoting it are evident in school attendance ratios; exercising greater effort in full application of the policies in economic activity will have positive multiplier effect on advancing economic inclusiveness and limiting inequalities; Social protection works best when tied to resilience building initiatives for vulnerable groups of the population: In 2018 Lesotho developed a Gender and Development Policy which is to be implemented through a multi-sectoral approach in public, private and civil sectors. As a result of years of trying to balance the equation as far as gender is concerned, school enrolment in primary is almost equal to boys and it is higher at secondary and tertiary institutions. In government, remuneration is indiscriminative while women are well represented in the legislature and the judiciary. Outside of government, the exposure to economic opportunities and remuneration favours men (0.590) according to the 2018 Global Gender Gap Report. Lesotho has used social protection to help distressed families to manage the effects of shocks coming as a result of economic and environmental shocks. These cover schooling, nutrition and old age assistance in the form of grants and feeding schemes.

Multiple crises and emerging challenges are being mitigated with strong support from development partners through measures in agriculture, disaster preparedness, and better management in public sector and transparency in governance: The government's policy for trade focuses on diversification of products and markets targeting high value addition for exports. Fiscal consolidation aims to lower the GoL expenditure levels and redirect spending from recurrent towards productive sectors. A number of measures are in place to prepare for and manage disasters including the establishment of the National Climate Change Committee which is a multi-sectoral committee coordinating development and implementation of policies and plans to address climate change issues.

There are advantages to increasing domestic resources mobilisation for development and capacity building to the extent possible; Mobile technologies have improved financial inclusiveness; Pursuing a development agenda that is sustainable and inclusive benefits domestic resource mobilisation in the long run. As a strategy towards fiscal prudence and to manage sustainable levels of debt stock. GoL has stepped up efforts to mobilise resources for development and capacity building on the domestic front through efficiencies in tax collection and domestic borrowing. With the changing development finance landscape in mind and the prevailing development challenges Lesotho faces as an LDC, GoL will continue to utilise the provisions of relevant frameworks for cooperation such as the Paris and Busan frameworks to effect partnerships which will raise needed resources to meet the development needs of Lesotho.

Lesotho has made efforts to deepen democracy (Reforms Agenda), improve governance at all levels, increase safety and security, and improve the efficiency of the justice system. National unity and conflict management and electoral structures are being strengthened (Independent Electoral Commission; Parliament; judiciary, DCEO) etc.

The menu for the next LDC Agenda for Lesotho will build on positives from implementation of IPoA. The agenda will focus on accelerating poverty reduction, reducing the inequality gap and unemployment through private sector led inclusive and sustainable economic growth. Key initiatives will seek to (i) extend improvements in human development (consolidating participation / enrolment & improving the quality of education, matching outcomes with industry needs); (ii) combating underlying factors contributing to high mortality for under 5s and pregnant women, HIV/AIDS and tuberculosis; (iii) improving the business investment climate to suit growth sectors: Agriculture - focus on productivity enhancing technologies and climate smart approaches / methods while post-harvest initiatives will seek to establish agro-processing infrastructure and market linkages (accreditation, certification, packaging, branding). Tourism & creative industries – focus on research to inform product development matching market needs, develop tourism supportive infrastructure while preserving the environment and cultural assets. Manufacturing - deepen manufacturing capabilities and move into knowledge intensive value chains, develop linkage programmes & incentive packages for local SMMEs to improve backward and forward linkages. Technology & innovation - enhance the institutional capacity for research, increase investment in research and development which supports the private sector competitiveness, provide appropriate infrastructure for product development and testing. In facilitating this agenda the GoL should maintain close adherence to Public Debt Management Policy and periodic debt sustainability analysis reports which will inform a prudent debt decisions leading to sustainable levels of borrowing. In addition an all-encompassing advocacy strategy and stronger mainstreaming of the successor programme to IPoA into GoL policies and programmes should be developed and implemented to proactively eliminate challenges to successful implementation and forward movement towards graduation by 2030. An evaluation and monitoring framework should be put in place in order to facilitate the tracking of progress and alignment of annual action plans to the programme of action preferably on a bi-annual basis.

1 INTRODUCTION

1.1 BACKGROUND

The Kingdom of Lesotho is a small landlocked country in Southern Africa (30,555 square kilometres), located at around 29°30' south latitude and 28°30' east longitude. It is entirely surrounded by South Africa and the national boundary is formed by natural barriers such as the Caledon and Orange rivers in the west and south respectively while in the north and east the boundary between the two countries is formed by towering mountains of the Maloti and Drakensberg ranges. The topography is mountainous and is divided into four main topographical areas of highlands / mountains, foothills, lowlands and Senqu river valley. Lesotho is commonly referred to as the 'Mountain Kingdom', largely due to the fact that the whole country lies over 1,000 metres in altitude.

Lesotho's status as an enclave also means that it is largely dependent on South Africa for its economic and trade activities. The nearest major shipping port for Lesotho's international trade is the South African port city of Durban, some 600+ km to the south east on the Indian ocean. Lesotho has a per capita gross domestic product (GDP) of \$1,401 (Trading Economics accessed on 13-12-2019, 14:58 pm).

The majority of the population of just over two million reside in the foothills and lowlands and literacy levels of men and women surpass those of sub-Saharan Africa. Lesotho is a member of the United Nations and has acceded to many of the multi-lateral agreements under the UN.

1.2 THE ISTANBUL PROGRAMME OF ACTION (IPoA) IN CONTEXT

The Istanbul Program of Action (IPoA) was adopted at Fourth United Nations Conference on LDCs convened in Istanbul, Turkey in May 2011. The IPoA covered 27 areas (8 priority areas plus their 19 sub priorities). The emphasis was on countries to build productive capacities (addressing structural weaknesses) and adopt new innovations (appropriate technology & competitiveness enhancements); to build their human capacities (fostering sustained, equitable and inclusive human and social development; increasing gender equality and empowerment of women); reducing the vulnerability of LDCs to economic / natural / environmental shocks and climate change as well as enhancing their resilience to such challenges.

The purpose of the IPOA and its predecessors is to assist these countries graduate from this category irreversibly. The identification of LDCs is based on three criteria: (i) per capita gross national income (GNI), (ii) Human Assets Index and (iii) Economic Vulnerability Index.

Under this Programme of Action, developed countries agreed and committed to support national disaster reduction and mitigation programmes in LDCs, and to facilitate South-South transfer of lessons learned on disaster preparedness. The commitment included an undertaking that development partners will integrate the PoA into their respective national cooperation policy framework as well as commit 0.15 – 0.20% of their GNI to LDCs in the form of Official Development Assistance (ODA); put a strong emphasis on technological innovation and technology transfer to LDCs, including development partners' commitment to provide enhanced financial and technical support for this sector. In support of the IPoA, the Addis Ababa Action Agenda encouraged countries to pursue public policies which optimise resource mobilisation and effective use of domestic resources as a means to finance the IPoA and agenda 2030. Capacity building including domestic resource mobilisation and international support to develop capital markets, PPPs, FDI potentials and infrastructure were encouraged. The LDCs on the other hand committed to taking commitment, ownership and strong leadership in domesticating IPoA, designing and implementing the requisite development actions in IPoA key priority areas.

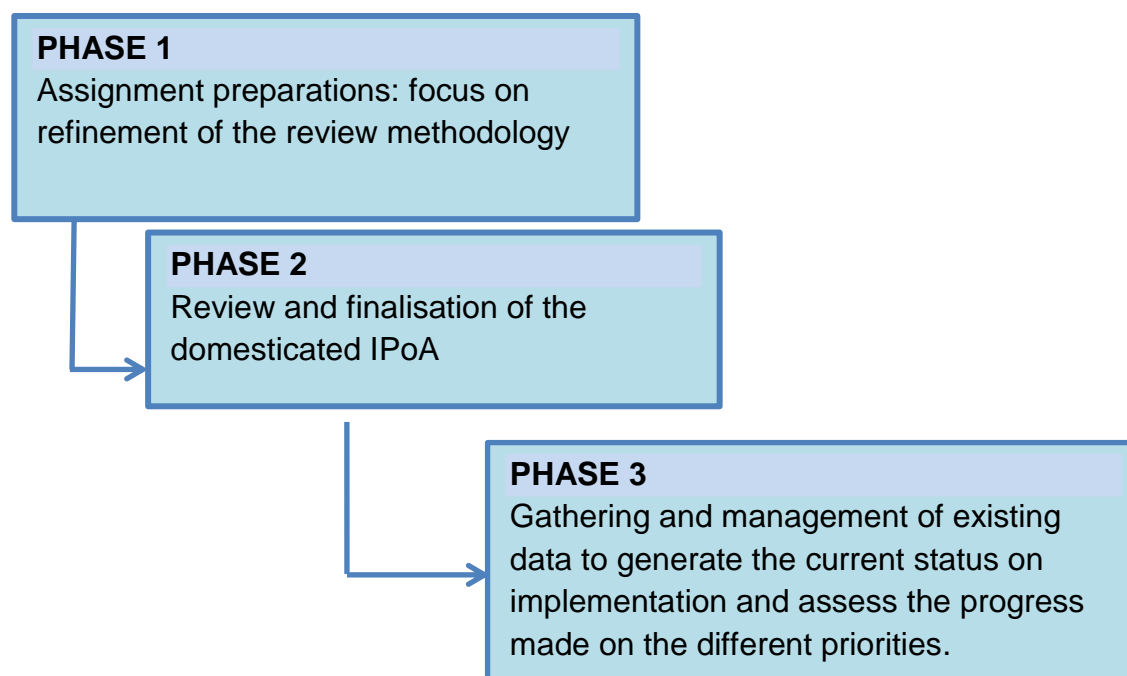
In pursuit of the above, Lesotho integrated IPoA into the National Development Strategic Plan I (NDSP I). The NSDP II has also mainstreamed the IPoA into its key priority areas and policy initiatives. In that way, it was envisaged that substantial improvements in progress will be recorded in the implementation of this Programme of Action to the benefit of Lesotho.

1.3. METHODOLOGY

The aim of the assessment is to undertake a comprehensive review, appraisal and evaluation of the progress made on the implementation of the Programme of Action since 2011 by Lesotho and development partners. The assessment utilised a mixed method approach, with qualitative and quantitative elements of a consultative review of national programmes and consensus building. This was complemented by desk research.

Specifically, the methodology proposed comprises review of existing documents and prescribed secondary data sources to facilitate the development of the IPoA progress report. To achieve the objectives of the review process and the development of the progress report, a three phased operational approach was adopted.

FIGURE 1.0: WORKFLOW AND PROCESS



A desk review of relevant documents was undertaken (to establish relevant national targets, indicators, strategic developmental plans, policies and regulations).

The assessment was undertaken with cognizance of the fact that there are other development frameworks and support mechanisms which are relevant to LDCs, many of which are initiatives from various UN agencies. Therefore, other documents reviewed included published reports on LDCs and related subjects by development experts, relevant UN entities and other multilateral development agencies. These include 2030 Agenda, Paris Declaration on Aid Effectiveness, Busan, Sendai and Enhanced Integrated Frameworks, Vienna Programme of Action for landlocked developing countries 2014 – 2024, AU's Agenda 2063 and regional development frameworks.

As part of the assessment, various stakeholders who played a role in the implementation of IPoA in Lesotho were consulted and their inputs were sought through a standardised information gathering tool. This was in part to assess the degree of national ownership, equity, voice and representation of views and participation of all stakeholders. The tool was sent to stakeholders to guide the respective stakeholders to prepare the necessary information in an effort to improve the quality of

information received. Stakeholders were requested to provide additional documentation relevant to IPoA implementation. Such information came in the form of sector strategic plans and assessment reports which fell within the 2011 -2018 period.

At the end of the consultative meetings, a wrap-up meeting with the National Steering Committee was convened to discuss/ validate some of the preliminary findings. The process was concluded with a validation workshop which provided all stakeholders with the final opportunity to comment on the report. The final report incorporating comments from the validation workshop was submitted thereafter.

1.3.3 Challenges

The Government of Lesotho took steps to integrate IPoA into the NSDP I and II. Collecting information needed for the review became a challenge due to limited availability and consistency of statistical data and relevant personnel from stakeholders for consultations.

Much time went towards secondary meetings where the stakeholders (line ministries) lacked understanding of IPoA framework and needed further clarifications on the information gathering tool sent to them.

2. THE NATIONAL DEVELOPMENT PLANNING PROCESS

The aspirations of Lesotho towards development are currently guided by the country's long-term plan, the National Vision 2020. It is envisioned that: "By the year 2020, Lesotho shall be a stable democracy, a united prosperous nation at peace with itself and its neighbours. It shall have a healthy and well-developed human resource base. Its economy will be strong and its technology well established."

The government of Lesotho has ensured that both Agenda 2030 and IPoA were integrated into the NSDP I (2012/13 – 2017/18) and later into the NSDP II (2018/19 – 2022/23). NSDP I was aimed at pursuing a high, shared and employment creating economic growth as well strategic areas to provide an enabling environment. Foremost among these were education, health alongside with infrastructure development to aid economic growth.

The implementation of the NSDP II started from 2018/19 and runs until 2022/23 as a follow-up to the NSDP I. Building on the foundation of NSDP I, it aims to transform Lesotho from a consumer-based economy to a producer and export-driven economy. It acknowledges and emphasises the need for a vibrant private sector as a key player for long-term sustainability of economic development and jobs.

The NSDP II priority areas are in alignment with international, continental and regional development frameworks which Lesotho adopted such as Istanbul Programme of Action (IPOA), Agenda 2030 and SDGs, the African Union Agenda 2063 Goals, and SADC's Revised Regional Indicative Strategic Development Plan 2015-2020 among others. Figure 2.0 and table 2.0 represent a visual portrayal of the linkages between the aforementioned frameworks for development

Figure 2.0 IPoA – NSDP I and II Linkages

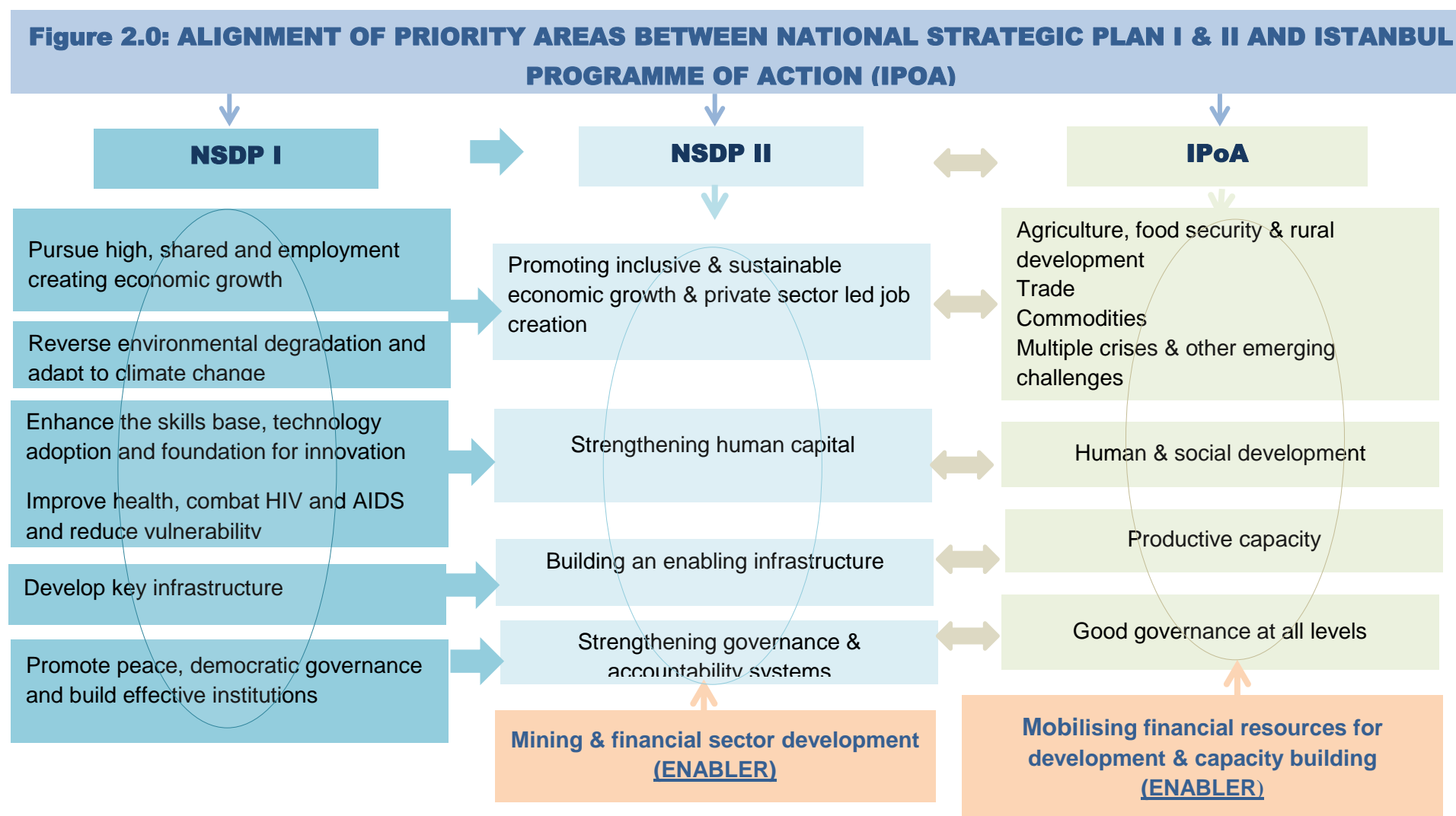


Figure 2.0 above serves as a guideline linking the NSDP II priority areas to IPoA key priority areas. It indicates that the priority areas of IPoA are already on the GoL policy agenda. Greater coordination is required to maintain coherence and focus among different stakeholders.

TABLE 2.0 LINKAGES BETWEEN KEY PRIORITY AREAS OF AGENDA 2030 - SDGs, IPoA, AU AGENDA 2063 & NSDP II			
Agenda 2030	IPoA: - Key Priority Areas	Agenda 2063:- Key Priority Areas	National Strategic Development Plan II (NSDP II)
SDG1 End poverty in all its forms everywhere	Agriculture and rural development. Productive capacity.	Incomes, jobs and decent work	Promoting inclusive & sustainable growth & private sector led job creation; Building enabling infrastructure; Strengthening human capital through investment in health, nutrition, skills development, social protection & migration
SDG 2 End hunger, achieve food security & improved nutrition & promote sustainable agriculture	Agriculture and rural development. Productive capacity.	Poverty, inequality and hunger Agricultural productivity and production	Promoting inclusive & sustainable growth & private sector led job creation; Building enabling infrastructure
SDG 3 Ensure healthy lives & promote well-being for all at all ages.	Human & social development – population & primary health	Health and nutrition	Strengthening human capital through investment in <u>health</u> , nutrition, skills development, social protection & migration
SDG 4 Ensure inclusive & equitable quality education & promote life-long learning opportunities for all.	Human & social development - education	Education and science, technology and innovation (STI) driven skills revolution. Youth empowerment and children's rights	Strengthening human capital through investment in health, nutrition, <u>skills</u> development, social protection & migration
SDG 5 Achieve gender equality & empower all women and girls	Human & social development - gender equality.	Violence and discrimination against women and girls Youth empowerment and children's rights	Promote inclusive & sustainable economic growth; Strengthening human capital through investment in health, nutrition, skills development, social protection & migration
SDG 6 Ensure availability & sustainability management of water & sanitation for all.	Human development – Water & sanitation.	Bio-diversity, conservation and Sustainable natural resource management.	Building enabling infrastructure
SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all	Productive capacity – Infrastructure – energy	Bio-diversity, conservation and Sustainable natural resource management.	Building enabling infrastructure
SDG 8	Productive capacity –	Sustainable and inclusive economic	Building enabling infrastructure;

TABLE 2.0 LINKAGES BETWEEN KEY PRIORITY AREAS OF AGENDA 2030 - SDGs, IPoA, AU AGENDA 2063 & NSDP II			
Agenda 2030	IPoA: - Key Priority Areas	Agenda 2063:- Key Priority Areas	National Strategic Development Plan II (NSDP II)
Promote sustained, inclusive and sustainable economic growth, full & productive employment & decent work for all.	Infrastructure; Trade; Commodities; Agriculture; Human & social development; good governance; multiple crises.	growth STI driven manufacturing, industrialisation and value addition Economic diversification and resilience Social security and protection, including persons with disabilities	Promoting inclusive & sustainable growth & private sector led job creation;
SDG 9 Build resilient infrastructure, promote inclusive & sustainable industrialisation & foster innovation.	Productive capacity Trade Agriculture, food security & rural development; Commodities	Communications and infrastructure connectivity. STI driven manufacturing, industrialisation and value addition Economic diversification and resilience	Building enabling infrastructure; Promoting inclusive & sustainable growth & private sector led job creation;
SDG 10 Reduce inequality within & among countries	Good governance at all levels	Capable institutions and transformative leadership in place. Institutional structure for AU instruments on peace and security Human rights, justice and the rule of law Institutions and leadership	Strengthening governance & accountability systems
SDG 11 Make cities & human settlements inclusive, safe, resilient & sustainable.	Productive capacity Good governance at all levels Multiple crises & emerging challenges	Modern, affordable and liveable habitats and quality basic services	Building enabling infrastructure; Strengthening human capital through investment in health, nutrition, skills development, social protection & migration; Strengthening governance & accountability systems
SDG 12 Ensure sustainable consumption & production patterns.	Productive capacity Agriculture, FS & RD Good governance at all levels	Sustainable and inclusive economic growth	Promote inclusive & sustainable economic growth;

TABLE 2.0 LINKAGES BETWEEN KEY PRIORITY AREAS OF AGENDA 2030 - SDGs, IPoA, AU AGENDA 2063 & NSDP II

Agenda 2030	IPoA: - Key Priority Areas	Agenda 2063:- Key Priority Areas	National Strategic Development Plan II (NSDP II)
SDG 13 Take urgent action to combat climate change & its impacts.	Agriculture, FS & RD Multiple crises & EC Good governances at all levels	Bio-diversity, conservation and Sustainable natural resource management. Water security Climate resilience and natural disasters preparedness	Strengthen governance & accountability systems; Promote inclusive & sustainable economic growth;
SDG 15 Protect, restore & promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, & halt & reverse land degradation & halt biodiversity loss.	Agriculture, FS & RD Multiple crises & EC Good governances at all levels	Bio-diversity, conservation and Sustainable natural resource management. Water security Climate resilience and natural disasters preparedness	Strengthen governance & accountability systems; Promote inclusive & sustainable economic growth;
SDG 16 Promote peaceful & inclusive societies for sustainable development, provide justice for all & build effective, accountable & inclusive institutions at all levels.	Good governances at all levels	Democracy and good governance Human rights, justice and the rule of law Institutions and leadership Participatory development and local governance Maintenance and preservation of peace and security	Strengthen governance & accountability systems;
SDG 17 Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.	Mobilising financial resources for development & capacity building	African capital markets Fiscal systems and public sector revenue Development assistance	Mining & financial sector development Strengthen governance & accountability systems;

2.2 SOCIO-ECONOMIC CONTEXT

The Economy or Economic Developments: Lesotho economy is open, with generally modest growth rates and limited diversification. It is dominated by services (~57%), followed by industry (~36%) and agriculture (~6%). The growth of Lesotho's economy was stronger at the beginning of this decade corresponding to the start of IPoA, with the first three years starting from 2011 averaging approximately 4.9% per annum. Starting from 2013 however, a mixed economic growth picture emerged with the characteristics of lower and highly volatile growth rates becoming more prominent. The four years ending 2017 recorded a low of 1.8% (2013) annual growth and could only reach a high of 3.6% in 2016, much lower than the growth rates of 6% and over experienced during the years 2010 - 2012. The recurring collapses of pacts for coalition governments have become a political risk and negatively impact clarity, coherence and implementation of development policy at sector level. Ultimately economic performance is adversely affected.

Proximity to South Africa also means the Lesotho economy is highly integrated into and dependent on the economy of its bigger neighbour. The growth model is driven by public spending which in turn is highly dependent on the procyclical Southern African Customs Union (SACU) revenues and declining remittances. Therefore, the prolonged period of slow growth in South Africa and the falling SACU revenue present economic challenges for Lesotho. SACU revenues fell from 30% of GDP in FY2012/13 to an estimated 17.7% of GDP in FY2017/18 and were projected to decline to 15.2% of GDP in FY2019/20.

Looking ahead, factors likely to boost economic growth are the recent approval of Lesotho Compact by the Millennium Challenge Account, the injections provided by the new phase of Lesotho Highlands Water Project (LHWP) and new road building projects by the government of Lesotho.

Employment: Despite the public sector's contribution to employment, the rate of unemployment increased from 25.8% in the second quarter of 2014/15 to 32.8% in the second quarter of 2015/16. The public sector and LNDC assisted companies in the manufacturing sector dominate (LNDC assisted companies in the Food & Beverages, Textile & Clothing, Leather & Footwear, Other Manufacturing employed about 43,587 people in 2019). The public sector employs approximately 55, 000 employees. But an increase in mining activity is improving its contribution to employment. Employment in Lesotho's manufacturing sector and RSA mines remain volatile. Young people are disproportionately affected by unemployment and experience high rates of inactivity, unemployment and low access to earning opportunities, with unemployment rate of 29% males and 34% for females. The public sector wage bill is considered unsustainable and there is mounting pressure for GoL to exercise prudence and bring the wage bill to levels commensurate with current GoL fiscal capabilities.

Human Developments: Lesotho has one of the highest literacy rates in Africa (about 86.2% of the adult population) partly because Lesotho spends a substantial amount of its GDP on education. The GoL is working to address the quality of education by transitioning from Cambridge Overseas School Certificate (COSC) syllabus to a Lesotho General Certificate Secondary Education (LGCSE). Lesotho has a very young population with 37.8% (PHC, 2016) under 15 years of age. The average family size is 3.7 people with rural families (mountains, foothills, Senqu valley) having larger families. Using the Gini Index as a measure of inequality, nationally the Gini Index was 51.9 in 2002/2003 but has dropped by 6.3 Gini points to 44.6 in 2017/2018. Life expectancy at birth stands at a low 56 years (BOS 2016). HIV/AIDS and opportunistic diseases such as TB are the main drivers of mortality rates. There have been improvements on under 5 mortality rates from 117/1,000 in 2009 (LDHS, 2009) to 85/1,000 live births in 2014 but regressed slightly to 86.4/1,000 in 2018 (MICS, 2018). The maternal mortality rate improved from 1,243/100,000 in 2009 (LDHS, 2009) to 1,024/100,000 in 2014 (LDHS, 2014). According to LDHS 2014 survey report this indicator was not significantly different from the estimates in earlier survey reports of 2004 and 2009.

The GoL is taking steps to build on the positive and address the human development deficiencies through policy initiatives in education, health and in addressing some of the gender-type imbalances in the population. Lesotho recognises that inclusive and quality education and training (SDG 4), together with health (SDG 3) are part of human capital development and critical enablers for achieving sustainable development in the country. The relative high spending in the education and health sectors (13.5%, 2018/19, VNR 2019) reflects the Government's priority on human development.

Environmental developments: The geography and topography of Lesotho gives it a rich yet fragile mountain environment of magnificent views and economic opportunity. More than 70% of the population reside in mountainous or semi-mountainous areas of Lesotho. They face unique challenges, including a fragile ecology, natural disasters, and long distances to markets, educational facilities, and healthcare as well as higher unemployment. The GoL is engaged in tree planting and soil conservation programmes in order to address the persistent issue of soil erosion exacerbated by drought and related climate change vulnerabilities. Due to climate change, soil erosion is exacerbated and leads to smaller productive land, less fertile soil and reduces food security. Crop productivity has been affected negatively as reflected by a comparative cereal production drop from 182,196 metric tonnes to just 30,959 metric tonnes in 2016 as a result of prolonged drought induced by El Nino. However, good rains in 2017 resulted in an increase in cereal production to 238,362 metric tonnes in that year.

Political Developments: The country's nascent democratic institutions are gradually evolving, and its political stability and tolerance have been frequently tested. Until 1998 Lesotho was using "First Past the Post" electoral system where the winner takes all. The system brewed severe political instability which ended in riots in 1998. With the SADC intervention and facilitation the Interim Political Authority was set up to prepare for the 2002 elections. The Interim Political Authority introduced a mix member proportional representation electoral system which was inclusive and gave other parties an opportunity to be represented in parliament. Since 2002 relative political stability has been achieved through the adoption of the new electoral system. However, strengthening the democratic institutions and culture remains a challenge to the country hence the current National Reforms initiative is under way which is highly envisaged to bring better development, stability and economic growth. The proposed courses of action aim to improve accountability and transparency in the areas of financial management, procurement and political oversight. The enhancement of systems of checks and balances are expected to limit fraud and corrupt practices.

3 ASSESSMENT OF PROGRESS AND CHALLENGES IN THE IMPLEMENTATION OF THE ISTANBUL PROGRAMME OF ACTION FOR THE DECADE 2011-2020

3.1 PRODUCTIVE CAPACITY

Improving road network connectivity, energy sustainability and self-sufficiency and an appropriate ICT ecosystem to power a private sector led economic growth model: Under the NSDP II Lesotho has chosen to adopt a private sector led economic growth model which seeks to enhance export capacities. In order to do this successfully, good infrastructure should be the backbone of the economic activity to facilitate connectivity and an efficient production and movement of merchandise both within the country and for export purposes. While constrained by limited fiscal capabilities, the GoL is accelerating the processes of infrastructure development in roads, energy and ICT.

3.1.0 ENERGY

The electricity supply industry in Lesotho is executed through the partnership of two state owned entities, namely the Lesotho Highlands Development Authority (LHDA), which is the main generator

of electricity through its 'Muela Hydro Power Station and transfers the generated power to Lesotho Electricity Company (LEC). LEC is the sole transmitter, distributor and supplier of electricity.

The GoL adopted the Lesotho Energy policy of 2015-2025 in 2015 which states that Government will increase access to electricity for all socio-economic sectors to meet electrification targets within the framework of reliability, affordability and efficiency. More than 60,000 households were successfully connected to the main power grid from 2012 to 2017, an average of 15,000 connections per year, translating to the equivalent of 1,000% above the target, far exceeding the NSDP I electrification target of 1,500 households per year. The renewable Energy Investment Plan was developed and approved by the Cabinet in 2017. Lesotho has also developed the Electrification Master plan (EMP) 2018, catering for both grid and off-grid electrification to enable systematic, predictable and equitable grid expansion and off-grid electricity roll-out, with a view to enhancing quality of life, providing income-generating opportunities and alleviating poverty in Lesotho.

The draft Country Action Agenda (CAA) 2018 is being developed with the main purpose of defining the national Sustainable Energy for All (SE4All) objectives and determining how Lesotho would to achieve the three goals of SE4All. The Government of Lesotho in partnership with the European Union is implementing the Economic Growth through Sustainable Access to Renewable Energy project to support the energy sector reform, to strengthen the energy sector, distribute renewable energy and energy efficiency technologies (strengthening of distribution channels). The piloted model involves a private sector led approach to provide services through enhanced delivery/distribution networks.

At the regional level, a Southern African Power Pool (SAPP) 2017 – 2040, was adopted in 2017 by the SADC Energy Ministers, as a guiding document for the development of power generation and transmission in the Region. This seeks to identify “a core set of generation and transmission investments of regional significance that can provide adequate electricity supply to the region under different scenarios in an efficient and economically, environmentally and socially sustainable manner and support enhanced integration and power trade in the SAPP region.”

With the support of the African Development Bank, the Lesotho Electricity Corporation (LEC) rehabilitated the 2-megawatt (MW) Mantšonyane mini-hydropower plant in 2013, and in 2016, the GoL completed the Japanese-funded 280-kilowatt MIA Solar Generation Facility that was commissioned in 2013. In 2018, the GoL and LEC signed a Power Provision Agreement with Electricidade de Mozambique to provide Lesotho with up to 30 MW of power, which has secured LEC's electricity supply and sustained the quality of electricity service. By 2015/16, total electricity connections to the main grid had increased to 235,000, translating to more than 200,000 households connected to electricity since Household Population Census, 2006. This is equivalent to about 39% of Lesotho households connected to the main grid using the 2016 population census.

Lesotho generates 72 Megawatts (MW) from Muela hydropower station and imports about 67 MW, 40 MW from Mozambique and 27 MW from South Africa. Two other mini hydropower plants are operated by LEC, Semonkong (0.8 MW) and Mantšonyane (2 MW) making total power generation to be approximately 75 MW from mainly renewable sources. Household access to electricity is estimated at 36.9% and concentrated in the lowlands and Senqu river valley. About 77% of Basotho use biomass as the main source of energy.

According to the Household Energy Consumption Survey 2017, 63.1% of households did not have access to grid electricity. Botha-Bothe had the lowest usage of electricity at 6.8% of the households while the highest usage is in Maseru at about 57.2% of households. By settlement, 71.3% of urban households are reported to have been connected to grid electricity, about 44% of peri-urban households were connected while 11.4% of rural households indicated that they were electrified. The distribution of households with access to grid electricity by sex indicates that of all households connected to the grid, 64.9% were male headed as compared to 35.1% of female-headed households. Most households electrified their households through personal expenditure in all the

districts of Lesotho. Most households spent less than M500.00 on electricity in both summer (78.9%) and winter (67.9%).

The Government of Lesotho is implementing the following projects to improve access to energy and energy efficiency:

- **Urban Distribution, Rehabilitation and transmission expansion project.** Funded by the Government of Lesotho, this is improvement of electricity access and network reliability by refurbishing old electricity network equipment and installing new transformers, power lines, sub-station, switch gears, poles in 10 districts and also constructing the alternative feeders
- **Northern Districts Electrification.** The project consists of supply and erection of 11kV transmission and distribution lines; 11/0.4 kV step-down transformers; 0.4 kV distribution lines; and service connections to nineteen villages in Leribe and Botha-Bothe districts connecting 4361 households. It is jointly funded by BADEA and the Government of Lesotho.
- **Rural Electrification Programme.** The project consists of supply and erection of 33kV and 11kV transmission and distribution lines; 33/11kV and 11/0.4 kV step-down transformers; 0.4 kV distribution lines; and service connections to twelve thousand four hundred (12,400) households annually.
- **Solar Street Lighting.** Installation of 112 solar street lighting masts at Peka in the Leribe district.
- **SE4All project** financed by GEF, UNDP and Government of Lesotho, for development of appropriate policies and strategies to facilitate investment in RE-based mini-grids, Energy survey, and village-based energy schemes

3.1.1 INFORMATION COMMUNICATION AND TECHNOLOGY (ICT) & INNOVATIONS

Information and communication technologies (ICTs) have become the gateway to knowledge economies in the era of globalisation. The World Bank Competitiveness Report lists ICT adoption as one of the key factors enabling competitiveness. According to the 2019 World Competitiveness Report, Lesotho's ICT adoption indicators for 2018 show that mobile-cellular telephone subscriptions per 100 population stands at 113.8. The subscriptions per 100 population for mobile-broadband (59), fixed-broadband internet (0.3) and fibre internet (0.1) are much lower. Internet users as a percentage of adult population stands at 29 per 100 population.

ICT has been proved to be one of the drivers of economic activity and also provides an enabling environment for business and economic growth which in turn contributes to GDP. ICT contribution to GDP averaged 0.44% over the NSDP I period (2012/13 – 2017/18). The sector has attracted investment in excess of USD73 Million thereby providing direct and indirect employment to a large number of people. The revenue collection from telecom companies amounted to US\$332 billion by December 2017, up from US\$289 billion in December 2012.

Lesotho has signed up to the East and Southern African Optic Submarine Cable System project, which will provide access to broadband infrastructure that allows cost competitive, high speed downloads and uploads of digital content. Access to high-speed digital subscriber line (DSL) broadband is currently constrained by limited fixed line infrastructure. In addition, limited bandwidth, which is the range of frequencies with which voice, data and internet traffic is transmitted, inhibits internet usage and uptake and consequently delays developments in electronic services.

Another milestone under ICT is the development of Lesotho National Broadband Policy 2014 – 2018 which was aimed to facilitate the earliest and widest level of adoption of broadband, establishing the broadband infrastructure investment, the development of services and applications and ensuring widespread and affordable access to high speed internet connections. In 2013/14 the GoL started

the Lesotho E-government Infrastructure Project, whose aim was the enhancement of good governance by the deployment of a modern and secure E-Government broadband infrastructure. The main focus was on the utilisation of ICT on governance frameworks that underpin the effectiveness of public sector institutions. It further aimed to develop institutions and processes that allow the private sector to provide the public the benefits of newer technologies.

The project has enhanced coordination across ministries, key agencies and local governments. It has also strengthened government data centres and portals. It has improved provision of e-services such as; automated administrative services including e-payroll, civil registration, e-health, e-procurement, e-customs and revenue management. Another achievement is that Lesotho became the first in Africa to launch and roll out 5G connectivity network. One of the success stories became the successful introduction of mobile money in the form of M-pesa and Ecocash which have helped improve financial inclusion in the economy.

3.1.2 PUBLIC WORKS AND TRANSPORT INFRASTRUCTURE

It is increasingly understood that transport infrastructure and services are critical towards achieving poverty reduction, gender equality, resilience to climate change impacts and sustainable development. The overall responsibility of Government is to ensure reliable and efficient provision of public transport in Lesotho by all modes, though the transport system is dominated by roads as the main mode followed by limited rail freight services while air mode is only passenger oriented.

During NSDP I, the goal was to provide infrastructure that will support private sector development, inclusive growth, service delivery, job creation and enhance trade between districts. Under the road infrastructure sub-sector, the following milestones were achieved: 239.6 kms of roads were upgraded across the country to bitumen standard and this included the Mokhotlong-Sani road (42km), Roma-Ramabanta-Semonkong-Sekake road (80.3km), Alwynskop to Tele Bridge (8.6 km) and Oxbow-Mokhotlong road (109km). Approximately 150 kms of roads are currently under construction and include Mpiti to Sehlabathebe which extends the Maseru – Semonkong – Qachas Nek – Sehlabathebe tourism corridor, Marakabei – Monontša road network which will shorten transit from Lesotho to the seaport in Durban by approximately 1.5 hours.

As part of SADC inter-country regional corridors Lesotho and South Africa have enhanced their inter-linked transport networks to stimulate economic development and promote inter-country investment opportunities. South Africa has upgraded the road between Bloemfontein and the Maseru Bridge; this improvement encompasses a dedicated truck lane that enhances ease of movement of persons and goods across the border. South Africa has paved the road (corridor) from Qwaqwa to Monontša Border with Lesotho in the north which will connect to the Marakabei to Monontša road network. The Marakabei - Monontša road is currently under construction. These developments have substantially improved travel between the two countries, also minimizing some of the costs of transit.

These upgrades provided safe, faster and all-weather roads and reduced the travel time between Botha-Bothe and Mokhotlong districts and allowed easy and improved access to Letšeng Diamond Mine and Polihali Dam. The Roma-Ramabanta-Semonkong-Sekake bitumen road reduced the travel time by half between Maseru and Qacha's Nek. During the same period, 214 kms of roads were rehabilitated and resealed and these included Mafeteng-Thabana Morena road, Nyenye-Makhoroana road (37km), Teyateyaneng- Sefikeng road, Kolonyana-Rakolo road, Old Teyateyaneng road, Mafeteng Van Rooyen road, Motsekuoa-Rants'eli road and, Quthing-Mount Moorosi road.

Furthermore, 18 footbridges and 7 drainage structures were constructed, which include two major bridges (Koma-Koma Bridge & Bethel Bridge). The upgraded roads and footbridges provided access to more than 360 000 people around the country and created more than 14 200 jobs to unskilled labourers. However, NSDP I review has noted that the rugged highlands covering three quarters of Lesotho's land area pose a major challenge for road infrastructure development. The

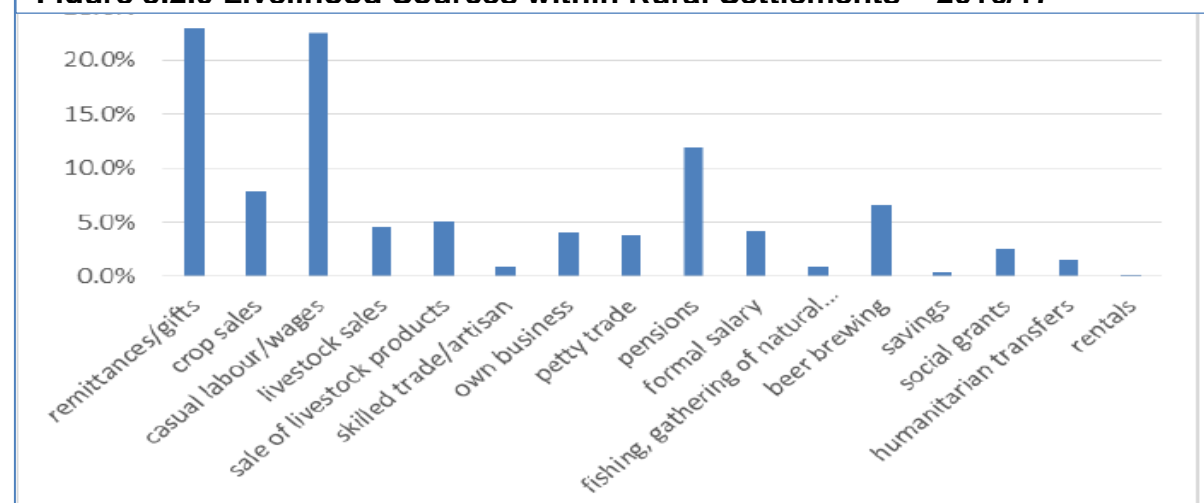
total road network in Lesotho is approximately 6906.26 kms in length of which 1798.76 kms are paved. The remainder is made up of 3830.52km of gravel roads and 1276.98 km of earth tracks.

3.2 AGRICULTURE, FOOD SECURITY AND RURAL DEVELOPMENT

Agriculture is important to the achievement of the 2030 Agenda for Sustainable Development due to its wide coverage and links to goals ranging from ending poverty and hunger (SDG1 & SDG2), even addressing climate change and sustaining natural resources (SDG 6, 12,13 &15). Arable land is small covering only 10% of Lesotho's total land area. Farming practices are heavily skewed towards mono cropping with main crops being maize, sorghum, and wheat. The sector is low in productivity and commercialisation. Agriculture is dominated by subsistence farmers, mainly rain fed, utilises low grade inputs, is limited in use of productivity enhancing practices such as technology, fertiliser use (32%), insecticide use (8%), irrigation (< 2% of arable land) and limitations in agriculture research and extension. Maize yield is low (0.7 tonne per ha) and by far less than the average for the Southern African (4.2 ton per hectare).

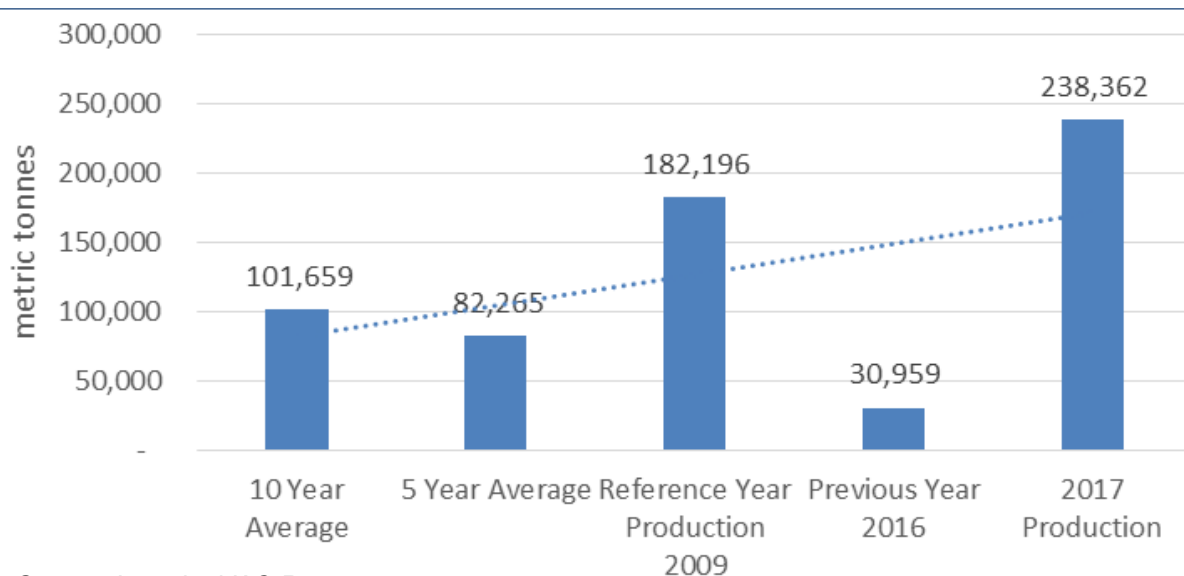
The GoL allocates just 3.3% of its budget to agriculture according to the 2019 Agriculture Expenditure Review despite the importance of agriculture to livelihoods of people in rural areas. The agriculture budget allocation trend shows 3.5% (2011/12), 3.8% (2013/14), 2.8% in 2015/16 but increased to 4% of the budget in 2019/20 fiscal year. Given the critical nature of agriculture and the vast majority of the population involved in it mainly as subsistence farmers, this is a rather modest proportion. Still agriculture sector has potential to increase food security, reduce rural poverty, and generate employment opportunities. More than 70% of population depends heavily on agriculture for nutrition, employment and livelihood. However, table 3.2.0 shows that despite the majority depending on agriculture, it features poorly as a source of livelihood and is surpassed by remittances.

Figure 3.2.0 Livelihood Sources within Rural Settlements – 2016/17



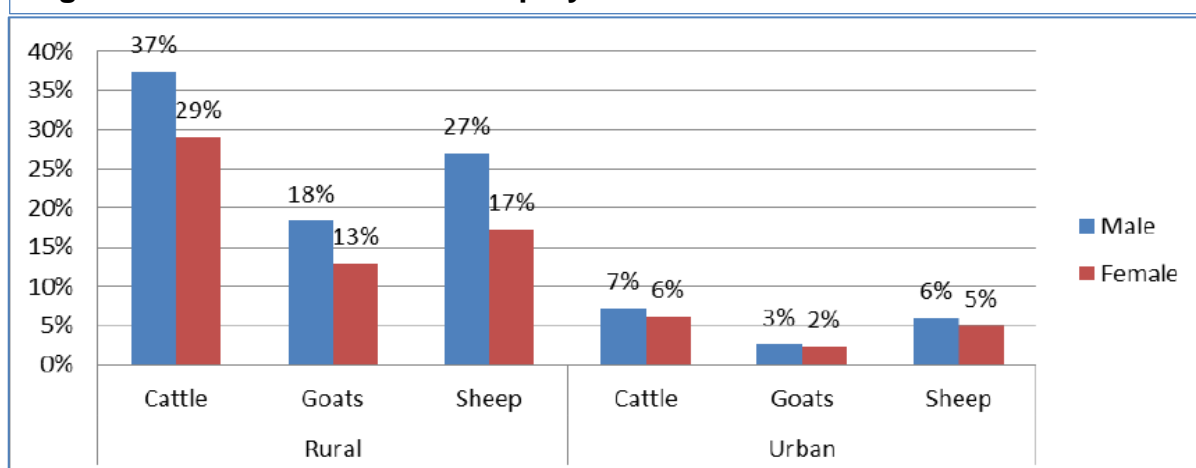
Source: Lesotho VAC Report 2017

The 2016/17 BOS Agricultural Productivity Survey reports that due to better rains for the 2016/17 there was an improvement from 1 tonne to 1.04 tonnes per hectare in maize yield per hectare for that season. This raises hope but constraints mentioned earlier lead to high variability and volatility in agricultural productivity from year to year and mean that Lesotho depends heavily on food imports from South Africa to meet domestic consumption needs.

Figure 3.2.1 Comparative Cereal Production for 2017

Source: Lesotho VAC Report

Livestock: Livestock farming's most prominent activity involves wool and mohair undertaken by multiple rural households on commonly managed rangelands. Poor rangeland management practices lead to their continuing degradation largely due to over grazing.

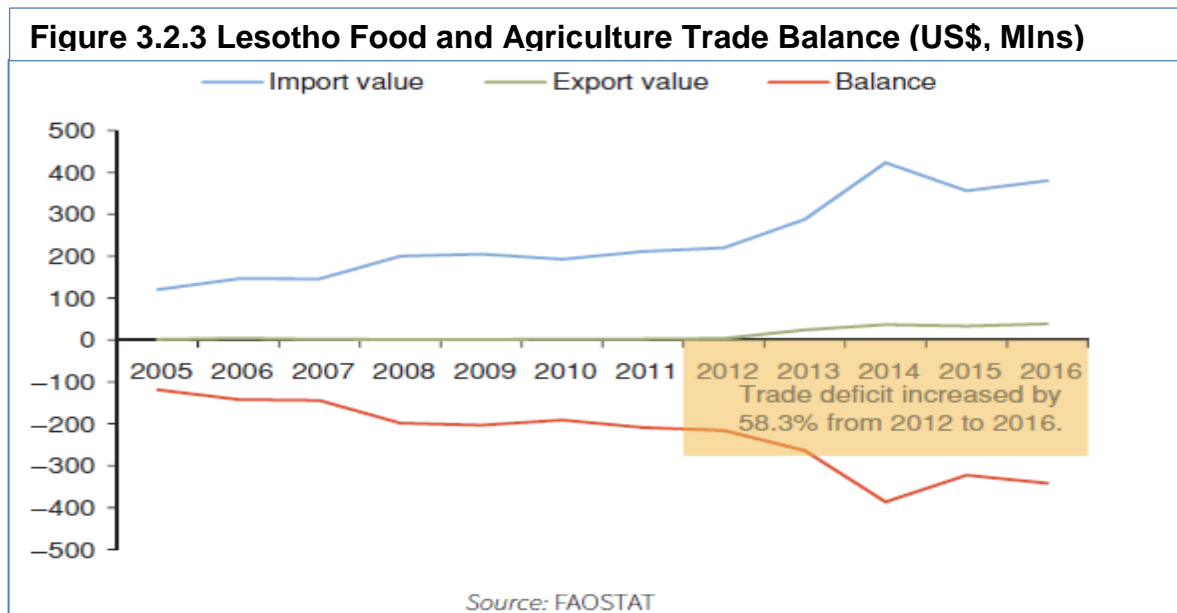
Figure 3.2.2 Livestock Ownership by Gender

Source: Lesotho VAC Report 2017

For economic and cultural reasons stock ownership of cattle, sheep and goats is common in Lesotho particularly in the rural communities residing in the mountains and foothills (Figure 3.2.2). There are over 1.2 million sheep and 845,000 goats. Wool and mohair make a significant contribution to exports and national incomes, contributing about 55% of agriculture exports on average between 2009 and 2013. Wool and mohair together account for 58.3% of agricultural exports. Lesotho produces 3,320 tons of Merino-type greasy wool and 750 tons of Angora-type greasy mohair annually, respectively 0.2% and 14% of 2011 world production.

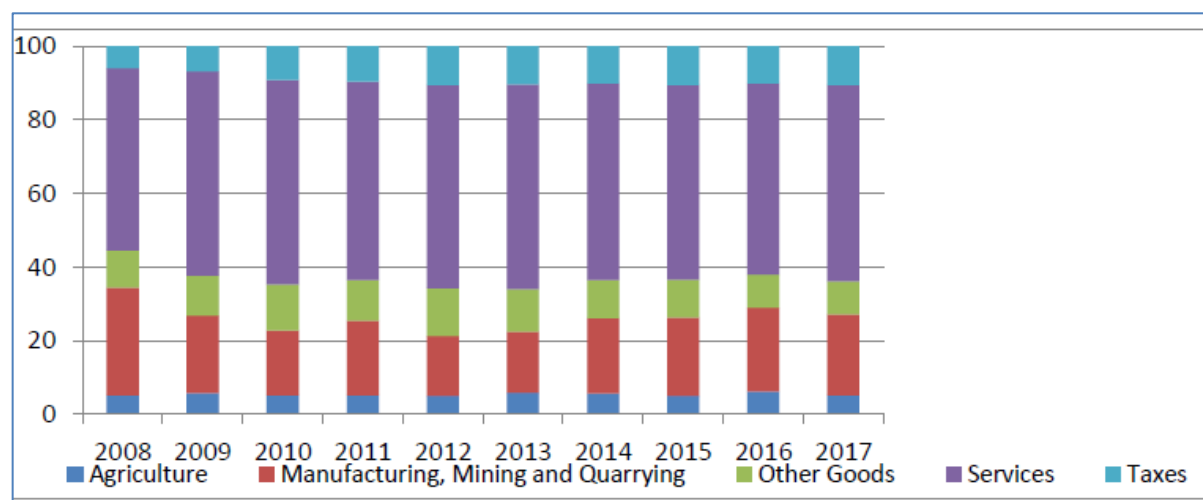
Fish farming (trout) has been successfully piloted and produces export grade fish, raising prospects for upscaling. Nonetheless, the food and agriculture products trade balance remain on negative terrain (Figure 3.2.3) because of the challenges facing crop production as outlined above. Overall, livestock contributes 75% of the total agricultural output and is dominated by free range animal rearing of goats and sheep on commonly managed rangelands reared mainly for wool and mohair.

Despite 70% of the rural population being engaged in agricultural activity figure 3.2.4 below shows



that the sector contributes only 6% to GDP and has been declining for years. However, there is an emergent interest in the sector that raises optimism with investments in fish farming, essential oils and horticulture especially coming to light. Still the uptake of credit by players in the sector is still low as the CBL report (2018) shows. Credit extension to businesses in agriculture averages 1% of all credit to businesses and reached only a high of M25.3 million in 2016. The 2018 Household Budget Survey / Continuous Monitoring Survey (HBS/CMS) shows that only 5% of farming households use credit mainly from the informal sector and relatives - neighbours (47%), money lenders (21%), relatives (11%). This limits households' access to technology and better agriculture inputs resulting in low yields since loans from these sources tend to be either limited or too costly.

Figure 3.2.4 Lesotho: Structure of GDP



Source: BOS, Report No 42: 2018

GoL recognises the significant role of agriculture in its overall economic growth agenda. The NSDP II priorities build on achievements of NSDP I based on three broad areas of strategic action:(1)

Sustainable commercialisation and diversification of agriculture; (2) A well-functioning agro-food system and (3) Rehabilitation of rangelands and wet lands.

A further selection of priorities for action within these areas has been narrowed to include: (i) Improved technology and infrastructure and building the capacity of farmers as a means to facilitate increased production of high-value crop and livestock products; (ii) Development of institutional frameworks for producer and industry organisations; and (iii) Development of value chains and agricultural markets to enable commercialisation and merchandise exports.

Since 2005 the National Food Security Policy, along with the Agriculture Sector Strategies have shaped the development of agriculture in Lesotho. Other policies made together with development partners and MAFS and initiatives aimed at improving the agriculture and food security situation in Lesotho are: (i) Climate Smart Agriculture policy & Investment plan; (ii) The National Nutrition Policy and Strategic Plan have been developed with assistance from FAO and await approval by GoL to help bring down the prevalence of malnutrition and the related health problems in the population; (iii) Subsidy Policy; and (iv) draft policies for Irrigation and Seeds are being pursued.

The 2016/17 agriculture production survey undertaken by BOS indicates that a total of 20,393 hectares were planted using own tractor. A further 76,051 hectares were planted using a rented tractor while by far the greatest area (280,887 ha) was planted using own oxen. Even though the number of tractors cannot be ascertained, table 3.2.0 below indicates the small acreage (22.4%) cultivated using tractors seems to suggest that the number of tractors per 100 km² is small. By contrast the use of hired tractor is 3.7 times higher while the use of oxen (owned and hired) is 15.5 times more for 2016/17.

TABLE 3.2.0 Area planted and Method of Ploughing by District								Total per District	District % of Total
District	Own Tractor	Hired Tractor	Own Oxen	Hired Oxen	Hired Labour	Combina tion	Other		
Botha Bothe	1,357	9,812	15,124	487	0	0	0	26,780	6.2
Leribe	5,833	24,383	56,997	10,191	597	199	995	99,195	23.0
Berea	7,542	17,543	20,822	7,050	328	328	984	54,597	12.7
Maseru	1,945	15,546	38,887	5,319	350	947	4,508	67,502	15.7
Mafeteng	1,596	6,451	22,121	2,710	158	0	882	33,918	7.9
Mohales Hoek	1,086	1,249	31,936	5,126	465	1,206	1,757	42,825	10.0
Quthing	110	0	21,464	1,695	331	110	138	23,848	5.5
Qachas Nek	374	373	13,390	2,166	100	0	1,532	17,935	4.2
Mokhotlong	117	0	36,469	608	117	0	0	37,311	8.7
Thaba Tseka	434	694	23,677	687	549	0	419	26,460	6.1
Lesotho	20,394	76,051	280,887	36,039	2,995	2,790	11,215	430,371	6.2
% of Total	4.7	17.7	65.3	8.4	0.7	0.6	2.6		

Key **Level of mechanisation use for ploughing (4.7% +17.7% = 22.4%)**

Adapted from BOS 2016-17 Agricultural Production Survey

Only 2% of arable land under cultivation is irrigated, mainly through gravity fed irrigation schemes. Farmers encounter many challenges with irrigation including the cost of equipment, low water tables and difficult terrain. The small land holdings and communal ownership of farmland make putting irrigation infrastructure a very complex exercise. Still GoL and partners are implementing projects which enhance water harvesting and rehabilitate the productive land. The integrated Catchment Management is financed by the European Union (EU). The purpose is to contribute towards effective implementation of Integrated Catchment Management (ICM) in Lesotho through an improved coordination amongst relevant stakeholders. The Restoring Ecosystems and Livelihoods (REAL) 2015 - the objective is to produce evidence and good practices in reducing the effects of climate change and funded through Catholic Relief Services' (CRS) private funds). The

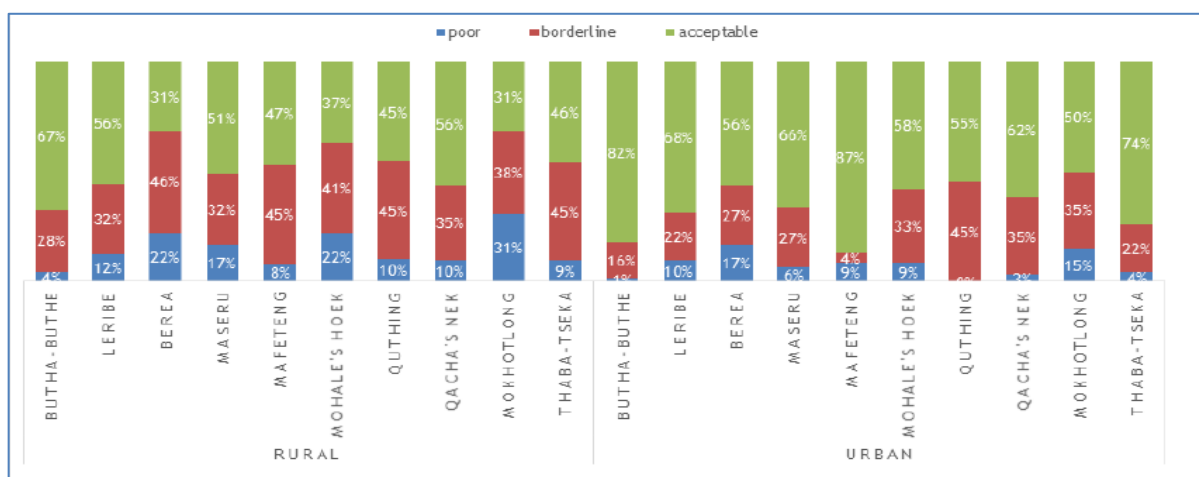
Diversification for Nutrition and Enhanced Resilience (DiNER) and Keyhole Garden (KG) Response to El Niño Drought Emergency, 2016 – 2018: The project was implemented in two phases by CRS. DiNER main objective was a response to the 2015-16 El Niño-induced drought in Lesotho. Mountain Integrated Conservation Agriculture Project (MICA), 2012 - 2014: The MICA project was implemented in two phases in three districts (i.e. Mphahle's Hoek, Quthing and Thaba-Tseka), in collaboration with Caritas Lesotho and World Vision.

One of the major significant innovations for strengthening resilience and adaptive capacity to climate-related hazards and natural disasters in Lesotho is the development of keyhole gardens. The program's main goal was to enhance food security, through better nutrition, improve climate resilience and increase incomes and savings targeting households affected by HIV and AIDS. Since their inception, 23,150 keyhole gardens have been constructed, impacting approximately 115,590 people.

The 2016/17 Agricultural Production Survey (crops) by BOS shows limited use of fertiliser (13,371 MT inorganic) applied on 106,507 hectares and (123 MT organic) applied on 503 hectares. This is indicative of farmer inability to access credit for agriculture inputs which in turn affects productivity adversely.

Figure 3.2.5 below portrays food consumption score levels by district and by settlement type (urban or rural). Findings indicate that for 53.3% of total households, food consumption was acceptable, 34.4% borderline and 12.3% poor. There are more households in urban areas (50-87%) that had acceptable food consumption than rural areas (31-67%). Poor food consumption was more in rural (15%) than urban (8%) areas.

Figure 3.2.5 Food consumption Score by Settlement & District



Source: Lesotho VAC Report 2017

Agriculture provides opportunities for forward / backward linkages and can be a good tool for promoting inclusive economic growth and reduce the negative health and nutrition related problems. However, the agriculture sector has lacked a well-coordinated and adequate inclusive growth-oriented investment in physical infrastructure, scientific and technological development, research and agricultural extension services.

The recent research and investment in pilot projects have focused on initiatives which are climate smart and are based on holistic and integrated approaches. For example, the introduction of tunnel farming technologies was piloted first by the Enhanced Integrated Framework project (Agriculture Productivity & Trade Development Project) and was soon followed by other projects like the Smallholder Development Project through MAFS with variations. The EIF model in particular

showed much promise, largely because its multi-faceted approach attempted to resolve many of the constraint's farmers complain about along the whole value chain. Quality inputs supply was sustained through establishment of seedling suppliers, farmers with demonstrated ability and willingness to farm were supplied with a combo (greenhouse, tank / drip irrigation set). All these were complemented by close extension services covering soil, crop and pest management as well post-harvest marketing solutions. The analysis of these pilots gives many useful insights on how this approach can work on a sustainable basis if pursued rigorously and with intention.

The projects undertaken with partners are listed in Box A below.

Box A: Projects for Agricultural Development, Commercialisation & Diversification 2011 - 2019

UNDP: *Reducing Vulnerability from Climate Change Project.* This is a GEF funded project implemented by GoL in partnership with UNDP Country Office to mainstream climate risk considerations into the Land Rehabilitation Programme of Lesotho to improve ecosystem resilience and reduce vulnerability of livelihoods to climate related shocks.

FAO: The development of a *Comprehensive Land Cover Database and Atlas* was developed by MAFS with assistance of the FAO which has been functional from 2014. The database will enable development of disaster risk maps, conduct soil erosion risk assessment, monitoring frameworks for integrated water catchment initiatives and other land related management systems.

Lesotho Climate Smart Agriculture (CSA) Visual Training Material repository is a web based central location of information promoting CSA undertaken in partnerships between FAO and GoL. It is easy to access and uses a variety of tools to provide information on the practice of CSA.

World Bank: *Smallholder Agriculture Development Project* has been providing assistance to farmers to address limitations to productivity and help them commercialise. In addition, phase II of the project focuses on assisting farmers adopt climate smart agriculture technologies, enhance commercialisation as well as improve the dietary diversity. The project set up more than 420 varied production facilities (green houses, poultry, piggery, ram breeding and 43 irrigation schemes) for 50,866 beneficiary farmers.

Private Sector Competitiveness and Economic Diversification project pioneered the exploitation of existing potential for citrus fruit (apples) production with a pilot farm in Mahobong. Indications are the pilot is successful and produces export grade fruits with a slight competitive advantage in availability times compared to the sector in RSA. Approximately 35,000 fruit trees were planted in Mahobong, Qoqolosing, Thuathe plateau and Likhetlane, generating a total employment of 918 labourers on an annual basis.

Enhanced Integrated Framework (EIF): *Agricultural Productivity and Trade Development Project.* The project piloted a bouquet of innovative agriculture production technologies, improved seed supply, extension support and linkages to local value chains for commercialisation. The bouquet consisted of cold / hot weather friendly greenhouse, drip irrigation kit, a dedicated extension support and marketing team. The pilot showed great potential and significantly improved the nutrition and income generation prospects.

Approximately 115 greenhouses were installed in Maseru, Mafeteng, Berea and Leribe districts generating employment for 100 people and an annual income of M 865, 200 or an average of M 721 per month per person. A mmushroom spawn production facility at Masianokeng was set up with capacity of 12,500 to 500,000 spawn bags per annum and benefitted about 7,000 people.

IFAD: *The Wool and Mohair Promotion Project* has been in implementation aiming to boost the resilience of livestock farmers to climate change shocks. Components include the crucial elements such as range management, livestock production management, fibre handling and marketing.

3.3 TRADE SECTOR

Lesotho has a very small domestic market and must pursue an outward oriented strategy and utilise opportunities in regional and international markets, such as SACU, SADC, the US through AGOA, the EU through EPA and EFTA. In order to take advantage of the opportunities for trade, particularly exports, Lesotho must increase productive capacity by removing the binding supply-side constraints for the main growth sectors, which are manufacturing, mining, agriculture and tourism.

In order to ensure that productive capacity development agenda is mainstreamed into national development policies and strategies, the GoL is committed to using trade as a key driver of economic growth and development. The National Strategic Development Plan (NSDP) II commits the government to adopting a trade policy that will maximise private sector investment aimed at increasing Lesotho's regional and global competitiveness. In June 2019, the Ministry of Trade and Industry completed the process of developing Trade Policy Framework. The Framework provides transparent guidelines for implementing the GoL's trade agenda and identifies specific policy and regulatory goals aimed at advancing Lesotho's development for all investors, both domestic and foreign and citizens. Once implemented, the trade policy will contribute towards a stable policy environment.

The development of an inclusive and sustainable private sector is underpinned by the National Industrialisation Policy 2015 that seeks to diversify the range of products and the destination markets. In line with NSDP II the fundamental principle underpinning Lesotho's trade policy is the Government's commitment to promoting private sector growth. Lesotho is currently negotiating market access for goods and service with the Eastern African Community under the Tripartite FTA which consists of 3 economic blocks: EAC, COMESA and SADC and at the continental level under the AfCFTA. Lesotho under SACU signed an Economic Partnership Agreement with UK in October 2019 to avoid any disruption in trade between the parties as consequence of BREXIT.

Lesotho has made numerous efforts to diversify and improve productive capacities through support by Partners such as the World Bank (The Second Private Sector Competitiveness and Economic Diversification Project) to unlock potential sectors in horticulture, tourism etc. The Enhanced Integrated Framework is an on-going project in Lesotho that aims to develop national capacity in the production and marketing of high-value fresh fruits and vegetables and the establishment of value chains in the agriculture sector. Lesotho also established the Lesotho Standards Institution in 2018, in effort to support diversification and competitiveness.

The National Trade Facilitation Committee (NTFC) was established in September 2017 as a multi stakeholder body to facilitate the domestic coordination and implementation of the World Trade Organisation Trade Facilitation Agreement and to oversee the overall national trade facilitation initiatives. The role of the NTFC among others is to develop medium and long-term plans that address trade facilitation issues and to advocate for the incorporation of the plans into implementation plans of relevant ministries and agencies.

Furthermore, Lesotho is a beneficiary to several preferential trade arrangements. Among them are AGOA, EBA and the GSP. What is significant therefore, is Lesotho's ability to position itself to maximise the opportunities available from these arrangements. Despite the inability to trigger backward and forward linkages in the textile and the garment sector, the initiatives undertaken to utilise the market access opportunities under existing trade agreements have been to utilise Aid for Trade initiatives to build the productive capacity. (PSC project; TRF; EIF; AfDB etc.)

Lesotho with technical and financial assistance from UNCTAD undertook the Services Policy Review (SPR) focusing on Tourism, Financial and Professional Medical Services. The intention of the SPR was to improve the regulatory and institutional frameworks and utilise trade policies as an instrument to advance national objectives and interests. Most of the SPR recommendations however have not been implemented due to lack of technical and financial resources.

The country has also recorded a good progress in the development of an Economic Partnership Agreement (EPA) Implementation Plan to ensure maximum utilisation of the potential benefits of the Agreement, pave way for financial and other types of assistance from the EU as provided for in the Development Cooperation Chapter as well as to ensure compliance with the provisions of the Agreement. Action Document has been completed to secure €6 million from the EU in order to implement the implementation plan.

During the period in review the country has managed to develop the AGOA Response Strategy. The Strategy is a plan under the unilateral, non-reciprocal Africa Growth and Opportunity Act (AGOA) to increase exports by focusing on diversification from textile and apparel, from Lesotho to the USA. The Strategy was reviewed in December 2018 through technical assistance by the United States Agency for International Development. More AGOA-eligible products were identified through the analysis of Lesotho's trade data for a period of four years and specific export strategies were designed, to increase utilisation of the AGOA program. Identified potential products for export are bottled water, canned foods, organic products, handicrafts, leather and leather accessories.

Trade Performance: Trade to GDP ratio registered about 124% in 2017 which showed a significant decrease as compared to 137% in 2006. During the period in review, total exports of goods registered about 1.028 Billion (USD) in 2017 and that shows that they increased significantly by 43% from 0.718 billion (USD) in 2006. Commercial services were at 0.031 billion (USD) about 12% decrease from 2006, while the total imports of goods were about 1.826 billion (USD) in 2017, showing a sharp increase of 34% from 1.359 billion (USD) in 2006.

Lesotho's main export destinations are South Africa which accounts for about 49% of the total exports, the United States which accounts for 45% of the total exports under the AGOA preferential treatment and about 4% were exported to other trading partners. The records show that the bulk of Lesotho's exports were from the manufacturing sector, specifically textile and clothing and the rest of the exports were diamonds and other commodities.

Lesotho is implementing programmes under SACU relating to among others industrialisation, trade facilitation and trade agreements completed with third parties. SADC has recently developed a Comprehensive Trade Facilitation Programme (CTFP), driven by SADC's agenda for integration, industrialization, the requirements of the WTO Trade Facilitation Agreement, and other legal instruments associated with trade facilitation, across member states. The CTFP is expected to facilitate, support and complement the efforts of Member States to streamline border logistics and tackle obstacles to intra-regional and regional value chain development.

The SADC Industrialization Strategy and Roadmap provides guidance towards operationalizing the regional integration agenda through industrialization. It further seeks to enhance comparative advantages of the economies in the SADC region through value chain participation that has the potential to expand production possibilities. Lesotho has identified interventions from the SADC Industrialisation Strategy which are in line with her NSDP and Industrial Policy and developed the SME Competitiveness project funded by SADC Trade Related Facility, aimed at promoting domestic and regional value chains.

Lesotho has signed for the trade facilitation agreement under the WTO and is committed to the implementation of this framework, where it has set up a Trade Portal platform to facilitate information access. LNDC as the main trade promotion arm of the government has created information hub and as well as staging series of investment promotion activities distribute information on the available opportunities and procedures in trade. The Ministry of Trade and Industry, LRA, and Home Affairs have launched their integrated data management systems which are automated and that as a result facilitate trade as it has shortened time it takes for businesses to register for license, tax clearance, import/export permits and residents permits.

In order to facilitate trade and free movement of people and goods across the border Lesotho in collaboration with regional member states introduced transit policies to resolve prevailing cross border challenges.

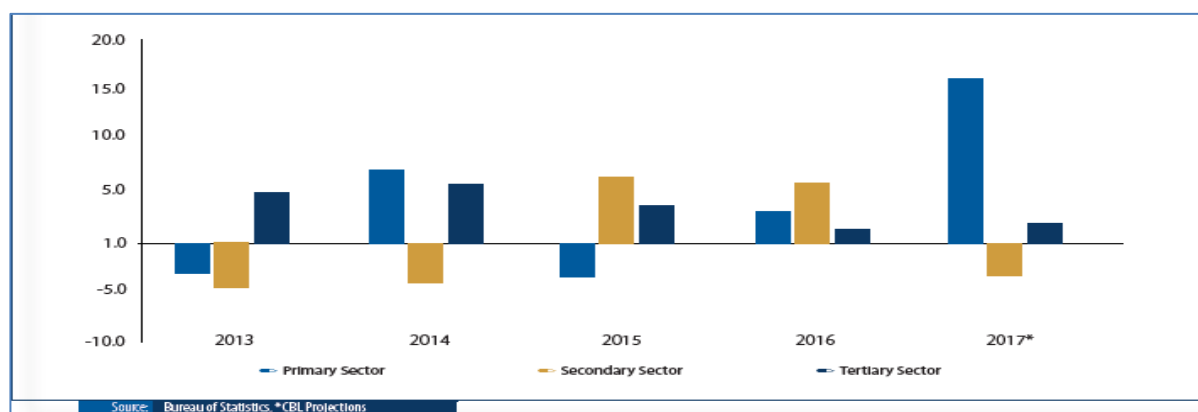
Challenges	Intervention / Policy Initiative
Free movement of persons within the region; to facilitate trade in services	Introduction of e-VISA in 2017 for electronic application and approval of VISAs into Lesotho
Improve freedom of transit of goods / cargo across territories of member states Reduce excessive number of documents required to import/export goods into/out of the countries in the SADC region	Introduction of a Single Administrative Document (SAD)
Inefficient customs border management systems	Customs Modernization Programme (ASYCUDA World)

3.4 COMMODITIES

In Lesotho the primary sector comprises of agriculture, forestry & fishing and mining & quarrying (sandstone, dolerite & clay). In recent years, the real output in the primary sector has been growing steadily, largely driven by increased production by the existing mines and the effect of new entrants pushing production further upward in 2017. According to the 2018 CBL annual report the primary sector grew by 3.1% and 16% in 2016 and 2017 respectively.

In mining, diamond mining companies dominate with output estimated to have registered a growth of 34.4 % in 2017 (Figure 3.4.0 below). The growth came from increased production in 2017 as well as a new company entering at the end of 2016.

Figure 3.4.0 Lesotho Sectoral Real Growth Rate (%) 2013-2017



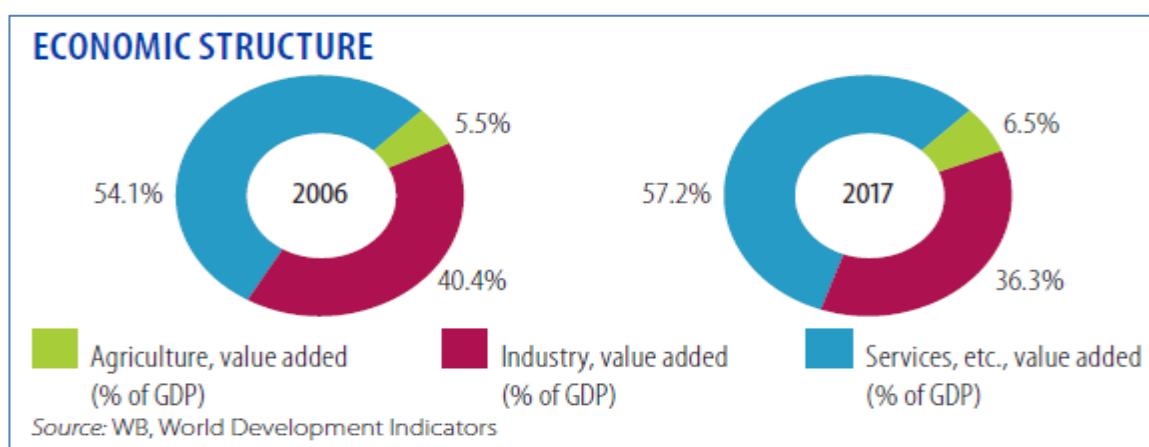
Real output growth estimation in the agriculture, forestry and fishing subsector stood at 7.2% and 3.4% respectively in 2016 and 2017 as a result of higher crop production due to favourable weather conditions.

In as far as mining is concerned the GoL developed the Minerals & Mining policy of 2015. Through this policy GoL seeks to facilitate greater contribution of the subsector to economic development by amplifying the subsector's linkages with other sectors of the economy. The GoL sees mining as an accelerator / enabler sector with potential to support the growth generator sectors of agriculture, tourism and technology & innovation.

In the three years between 2015 - 2017 the value add of non-extractive sectors has registered figures in the upper 80s the lowest being 86.3% of GDP (2017) and the higher figure of 88.5% (2015). However, the higher value add is not a result of structural change or diversification in the economy. It just reflects the poor performance of the agriculture sector. Mining is in a nascent stage

and growing since its recent resuscitation. Agriculture though has been in decline and its contribution is down to the range of 5 – 7% of GDP for years.

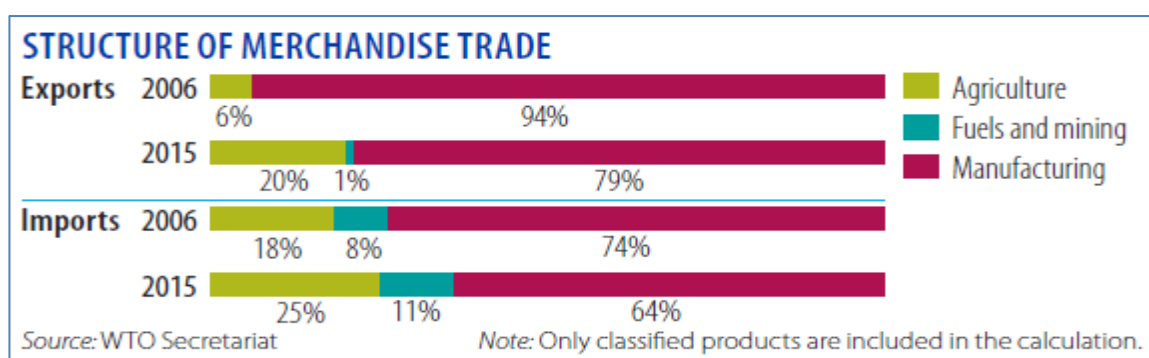
Figure 3.4.1 Lesotho Non-extractive Value Add share of GDP 2006 & 2017



Source: Aid for Trade Report, 2019

The GoL recognises the importance of diversifying its export portfolio and increasing the volumes of the diversified portfolio. Figure 3.4.2 shows limited dependence on commodities with primary commodities making up only 21% for 2015, the bulk of which were agricultural/mining products such as wool & mohair and uncut diamonds.

Figure 3.4.2 Lesotho Structure of Export Merchandise (2015)



Source: Aid for Trade Report, 2019

The GoL seeks further diversification and beneficiation to reduce dependence on manufacturing and effect a structural change which optimises value add of the agriculture and mining sectors. Lesotho's export concentration index is 0.278 on a scale 0 – 1, with 1 denoting least diversification of export products. The score can be considered to be very good for an LDC. However, it should be noted that the absolute value of the diversification is still low because exports are still dominated by manufactures (66%) in the clothing and apparel subsector. Figure 3.4.4 shows that textile and clothing are disproportionately important (top 5 export, 2017).

Table 3.4.0 Lesotho Top 5 Merchandise Exports 2017

TOP 5 MERCHANDISE EXPORTS (%)			
2008	%	2017	%
Television receivers etc.	21	Mens, boys clothing, x-knit	18
Electric switch relay circuit	18	Women, girls clothing knitted	15
Footwear	7	Other textile apparel, n.e.s.	15
Wool, other animal hair	6	Mens, boys clothing, knit	11
Mens, boys clothing, x-knit	6	Women, girl clothng, excl. knitted or crocheted	7

Source: UN Comtrade

Source: WTO Aid for Trade Report, 2019

This exposes the export performance to high risk from developments in the apparel subsector. The priority is to raise the volumes of other exports in the portfolio significantly (services, agro-processing in horticulture & wool and mohair as well as diamond processing) to even out exposure to shocks in the various export markets.

On the market side, Lesotho's market concentration index stands at 0.438 according WTO's Aid for Trade Report, 2019. Top markets include the USA and South Africa as destinations for products from the clothing and apparel sector.

Table 3.4.1 Lesotho top 5 markets for merchandise exports 2017

TOP 5 MARKETS FOR MERCHANDISE EXPORTS (%)			
2008	%	2017	%
South Africa	83	South Africa	49
United States	15	United States	45
Madagascar	1	Eswatini	2
Kenya	1	Germany	1
Canada	0	Canada	1

Source: WTO Aid for Trade Report, 2019

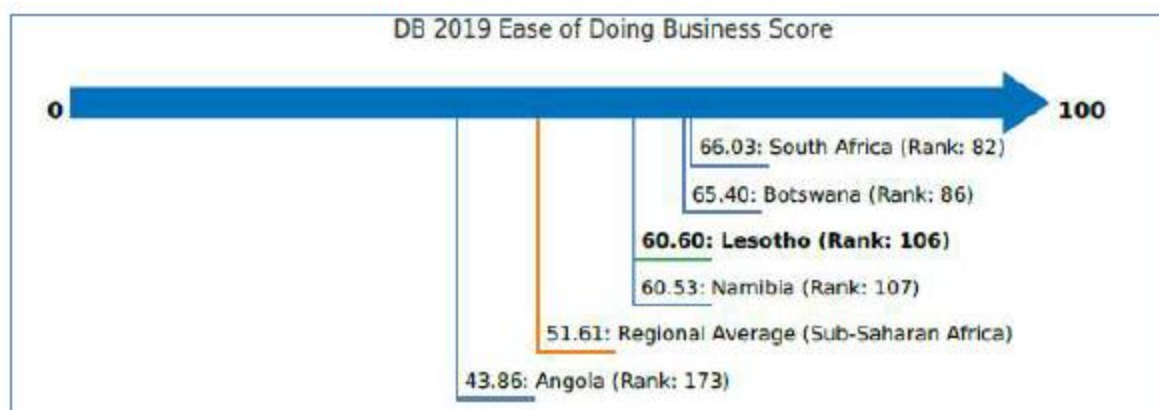
Primary sector policy & regulation: The Minerals and Mining Policy mentioned earlier has other strategic imperatives built into it. It also seeks to address issues of Corporate Social Responsibility (CSR) which should be done systematically and in line with existing rural development plans. It specifically provides for inclusion of the Community Development Agreements in the mining contracts. Currently some of the CSR activities that have been done and have economic values are in the tourism sector and agriculture in particular to support farmers improve production of wool and mohair. The CSR initiatives in the tourism sector are in the form of establishment of community based tourism facilities and hiking trails such as Letšeng-Khubelu partnership where the mine developed and handed over Maloraneng Lodge in the Mokhotlong district. In order to enforce the implementation of this policy, the Government's undertaking to review and update the mining legislation is at an advanced stage.

3.5 PRIVATE SECTOR DEVELOPMENT

Contributing around 20 % to Lesotho's GDP, the private sector is relatively small, characterized by medium, small and micro enterprises (MSMEs) and affiliated business associations. However, Government's private sector development initiatives are beginning to bear fruits. Top aims include improving the efficiency and effectiveness of the public sector and promoting high quality job creation in the private sector.

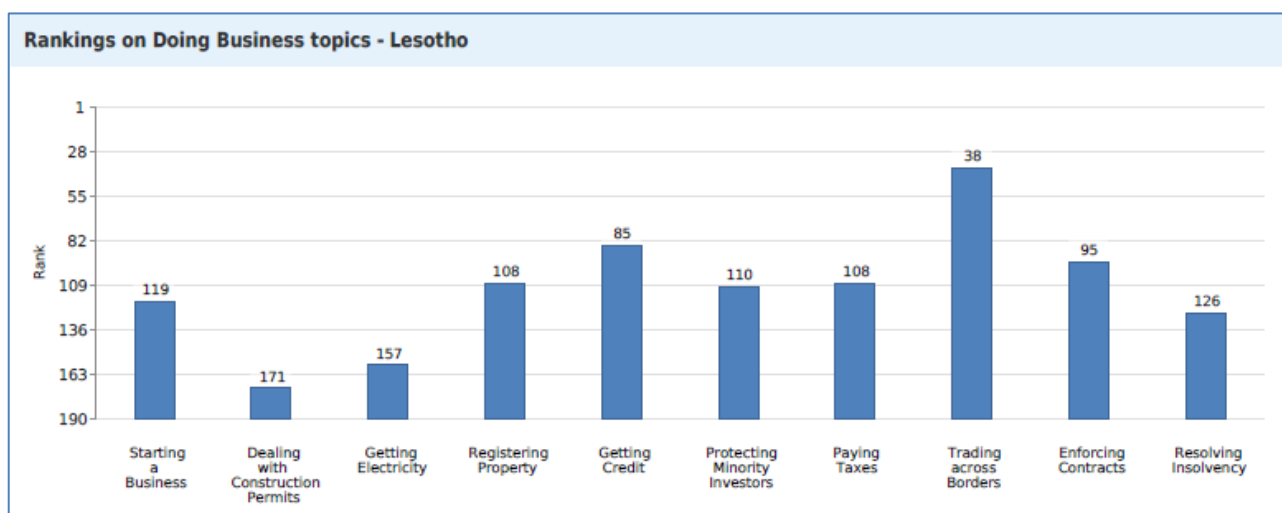
Despite Lesotho's challenges in recent years there is an emerging dynamism in the private sector which is combined with a rehabilitated government could place Lesotho on an upward growth trajectory. The aim of the present National Strategic Development Plan (NSDP II), which took off in 2018/19 is to consolidate efforts of the private and public sectors to focus on sustainable growth and job creation.

Figure 3.5.0: Ease of Doing Business - Lesotho & Comparator Countries (SADC)



On-going economic reforms have resulted in improved environment for doing business in Lesotho. Lesotho is ranked 106 on the 2019 World Bank's Ease of Doing Business with a score of 60.6 (as shown in Figure 3.5.0) from the 138 in 2011, due to automation of the registration processes and improved credit score ratings. This puts Lesotho in the same bracket as Namibia whose score stands at 60.53 and a rank of 107. Comparator economies in the SADC region which fare better than Lesotho are Botswana and South Africa with scores of 65.4 and 66.03 respectively. Lesotho has done very well to attain a score of 83.13 on "Starting a Business" and an impressive score of 91.86 on "Trading across Borders" indicators. But more improvement is needed in the areas of "Resolving insolvency" (36.91), "Protecting Minority Investors" (50.0), and "Getting Electricity" (52.38) where Lesotho achieved low scores.

Figure 3.5.1: Lesotho: Ease of Doing Business Ranking 2019



Several positive developments have been recorded in recent years, including the opening of the One-Stop Business Facilitation Centre and the establishment of the Credit Bureau, which covers 7.5 % of the adult population. Furthermore, the process of obtaining construction permits was streamlined, with the introduction of electronic systems in August 2017. But with FDI levels still far from adequate, especially when placed alongside comparator countries in the region and LDCs category, it is clear that more improvement is needed to attract not just more FDI, but that which adds to diversity in the economy and more importantly, creates jobs on a sustainable basis.

The Government of Lesotho has been committed to reforms and strategies which aimed to facilitate the development and growth of small businesses and cooperatives to contribute to inclusive and shared economic growth and job creation through public and private sector procurement; facilitate

partnerships with all spheres of government as well as the private sector to ensure mutual cooperation that will benefit small businesses and cooperatives; advocate for a conducive regulatory environment for small businesses and cooperatives to enable access to finance, investment, trade equitable and market access in a sustainable manner; and facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy.

The following projects were undertaken to unlock some of the bottlenecks:

1. Civil Legal reform: the project was aimed at establishment of the Commercial Court, mandatory Court-annexed mediation, a small claims process, and computerized case management system. This reform has facilitated process as about 70% of cases referred to mediation were resolved and reduced the time a case would take to be heard and resolved.
2. Land Administration Reform: the land act and policy were developed and systematic land regularization program for urban and peri-urban areas were implemented. This has resulted in an increase in land leases and increase in mortgage bonds from 161 to 1540 per annum
3. Gender Equality in Economic Rights: Legal capacity of Married Persons of 2013 was passed, training and public awareness implemented in gender equality through different sources of media. This reform has led to about 6000 women holding new joint land titles and that has increased female representation in leadership and business positions.
4. Credit Bureau; Data Protection Act and Credit Bureau Act were passed in 2017 and about 4 credit providers were registered. This reform has increased loan access from 191,371,286 to 491,589,292 loans and loan application process is reduced from 7 to 2 days

In view of enhancing the role and contribution of SMEs in the development of the economy, the government of the Kingdom of Lesotho through the Ministries of Finance and Small Business Development, Cooperatives and Marketing in partnership with development partners undertook a national SME survey (SME FinScope) to investigate, analyse and document the challenges faced by this sector, not only limited to access to credit but other technical aspects limiting their growth.

The government through the Ministry of Finance introduced a Partial Credit Guarantee Scheme amounting to LSM 50 million, currently managed by Ministry of Small Business Development, Cooperatives & marketing. The aim of the scheme is to increase access to credit services by SME through provision of guarantees. All the commercial banks in the country inclusive of Post Bank are actors in this scheme. The Lesotho National Development Corporation (LNDC), a development agency of the government is also operating a similar scheme to the tune LSM 10 million. It has been reported that more than 200 businesses have benefited in this scheme since its inception in 2012 and more businesses have applied for this assistance.

The GOL under the Private Sector Development and Economic Diversification Project has also provided counterpart contribution which covers payments under Lesotho Enterprise Assistance Program (LEAP). LEAP is a matching grant scheme whereby the Project provides financial assistance to local enterprises to cover eighty percent (80%) of their business development costs. LEAP's main objective is to help strengthen business capacity of the private firms, mostly Basotho-owned MSMEs, as well as their representative organizations through provision of financial and technical assistance to buy business development services with the aim of increasing their competitiveness. More than 3000 business entities have benefited in trainings, website developments, exhibitions and study tours under this programme during these IPOA implementation period

In order to promote the inclusive growth, employment creation and private sector driven economy, the government through the implementation of NSDP II has deployed Big Fast Results (BFR) Methodology. This methodology uses a radical and structured approach incorporating diagnosis, planning, implementation, execution and feedback; in a sequence that ensures transparency and accountability during the transformation. Four sectors, namely Agriculture, Manufacturing, Technology and Innovation and Tourism and Creative Industries have been selected as main

drivers of the economy. It is expected that these four sectors have a potential to contribute approximately M14,367 million to GDP, additional private investment of M19,933 million and potential additional employment of 30021 jobs.

Specific sectoral strategies which will be engaged are:

- (i) promotion of Sustainable Commercial Agriculture through improved technologies, infrastructure, markets, access to finance and proper management.
- (ii) Diversified products and effective business linkages through improved manufacturing capacities, trade facilitation for export promotion, supply chains and regulatory framework to create competitive business environment
- (iii) Strengthening research for policy making and product development
- (iv) Resuscitation incubation centers and industrial parks, to support cottage industries and innovation
- (v) Diversified tourism products and improved heritage sites, in order to increase tourism investment, marketability and visibility
- (vi) Improved creative arts industry, to stimulate the proper functioning of the creative industry

3.6 HUMAN AND SOCIAL DEVELOPMENT

The 2018 Human Development Report allocates an HDI score of 0.520 to Lesotho and a rank of 159 out of 189 countries, putting Lesotho in the low human development category (< 0.550), mainly due to low life expectancy (56.0) (BOS Selected Indicators Report, 2019), low expected years in school (10.6) as well as a lower mean year of school (6.3). On the positive side, GNI per capita stands at \$3,255. HDI improved by only 0.021 points between 1990 and 2017 from 0.499 to 0.520. However, the average annual growth of HDI for the period 2010 – 2017 gives rise to optimism at 0.77% compared to -0.66% (1990 – 2000) and 0.54% (2000 – 2010). An inequality adjusted HDI is lower but shows parity between male (0.516) and female (0.519). Lesotho also trails other LDCs on all the composite indicators of HDI except for the GNI per capita.

3.6.1 Human Development: Education and training

The NSDP II also ascribes importance to education by stating “To support the productive sectors with the greatest potential for job creation and inclusive economic growth to reduce poverty, the GoL will build human capabilities through investment in health, nutrition, education, and skills development”. A review undertaken in 2015 concluded that progress in the education sector midway through the IPoA implementation period (2015) was mixed (Table 3.6.0).

Table: 3.6.0 Lesotho Millennium Development Goals Status Report - 2015						
MDG Goal	Target	Indicator	Baseline (%)	2015 Target (%)	Current	Status
Achieve universal primary education	Ensure that all children are able to complete primary education	Net enrolment ratio in primary education: - NER (%)	82 (M:78.7; F: 85.3) (2000)	100	76.6 (M: 75.1; F: 78.2) (2014)	Not Achieved
		%age of pupils starting grade I who reach last grade of primary (%)	61.2 (2005)	100	71.8 (2014)	Not achieved
		Literacy rate of 15-24-year olds, women & men (%)	89.3 M: 82.5 F: 96.1 (2004)	100	94.6 M:90.6 F:98.6 (2014)	Substantially achieved

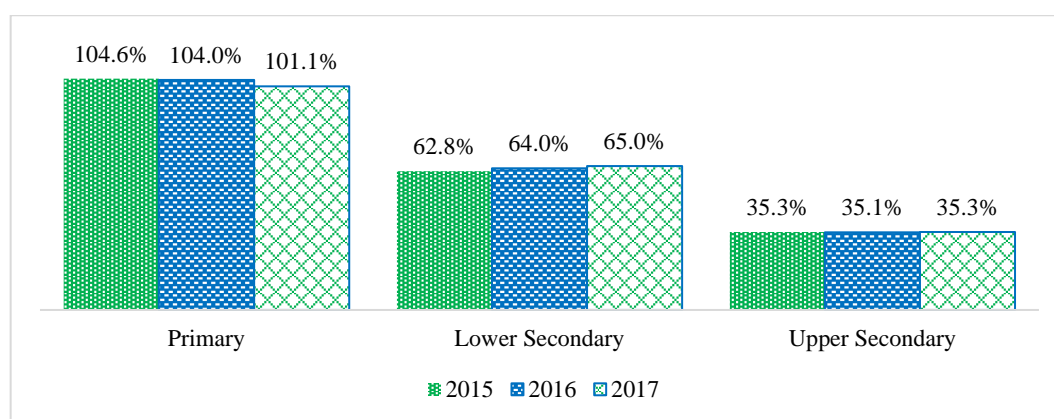
Source: 2015 Lesotho MDG Status Report

GoL introduced Free Primary Education (FPE) in 2000, the Education Act of 2010 and National School Feeding Policy which combined to improve education indicators. By making education compulsory and free as well as providing meals challenges impeding school participation were resolved and enrolment rates (especially in primary) and secondary education improved.

Literacy figures (94.6%, 2014) according to the 2015 Lesotho MDG Status Report (Table 3.6.0 above) were impressive, but regarding enrolment in primary school (76.6% NER, 2014) and completion rates (71.8%, 2015) for that level, there was still some room for improvement. The 2018 Multiple Indicator Cluster Survey (MICS 2018) results seem to indicate a drop-in literacy rates in the 15 – 24 years population to 89.2% (95.7 for women, 82.7 for men).

The policies implemented to advance higher participation at primary school level have worked and gross enrolment rates (GER) at this level have stayed above the 100% level for several years (Figure 3.6.0 below). At secondary school level participation (GER) level was 65% (2017) for lower secondary while GER for higher secondary is stagnant at around 35% for the three years up to 2017.

Figure 3.6.0 Gross enrolment rates for Primary and Secondary schools



Source: MOET

The table 3.6.1 below shows that the gender parity index (GPI) at primary level indicates that the participation of boys at this level is higher at (0.96) and that is fairly constant for 2015 -2017. At secondary school level the index is skewed towards girls at 1.33 (2017) in favour of girls and according to MICS 2018 the index is slightly higher at 1.36.

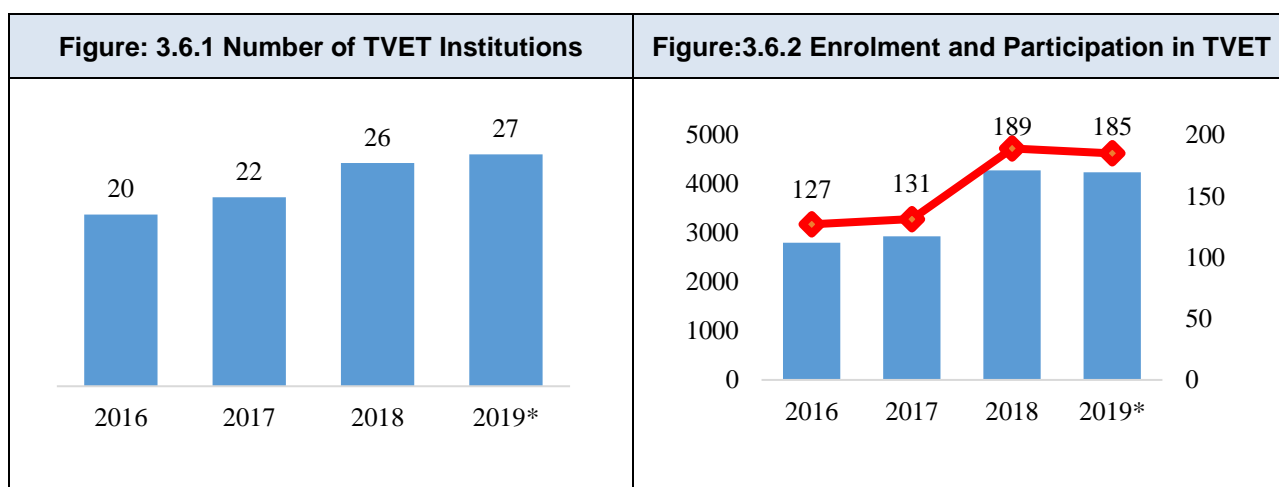
Table 3.6.1 Enrolment in Schools, Gender Parity and School Size				
School Level	Variable	2015	2016	2017
Primary	Boys	184,543	184,317	181,332
	Girls	176,704	176,439	173,515
	Total	361,247	360,756	354,847
	Parity	0.96	0.96	0.96
	School Size	244	244	239
Secondary	Boys	55,095	55,032	55,429
	Girls	73,606	73,748	73,763
	Total	128,701	128,780	129,192
	Parity	1.34	1.34	1.33
	School Size	376	373	374

As far as coverage of secondary school education is concerned measures undertaken to improve education included extending bursaries to orphans and vulnerable children, a book rental scheme and rationalisation of school fees.

Enrolment rates have fallen steadily since 2007 according to BOS Education Statistics Report No. 28 for 2016 from 400,934 pupils enrolled to a lower enrolment figure of 360,756 in 2016. Transition rate from primary to secondary school (77.3%) compares unfavourably to promotion rates within primary school (90%). Repeat pupils rose marginally from 8.7% to 9.1% while drop-outs fell from 0.9% to 0.2% for the same period. The teacher/pupil ratio (~ 24%) is still high and negatively affects the quality of teaching and undermines the attempts to reduce the class repetition and pupil drop-out incidences.

The Lesotho 2016 Population and Housing Census Report indicates that some of the factors that adversely affect completion rate at secondary education include social challenges such as teenage pregnancy (19%), child marriage (24%) for girls while for boys it is child labour (herding animals) and initiation schools. The GoL spends 13.5% of public spending and 7.2% of GDP on education (source: MOET 2019). What remains is to apply the spending with greater efficacy towards improving the infrastructure, equipment and quality of the curriculum in response to development needs and less on recurrent expenditure.

Technical and Vocational Training (TVET): The GOL recognises that there is a shortage of appropriate vocational and technical skills in the priority sectors for economic development and is acting to change the situation. The TVET Policy of May 2019 aims to facilitate increased access to and enrolments in TVET. Flexibility will be achieved by introducing the modularised programmes that are (1) flexible with multiple entry and exit points and (2) increase coverage through the introduction of TVET evening classes. For the period 2016 – 2019 the number of TVET institutions increased from 20 to 27 and participation increased from 127 trainees per 100,000 inhabitants to 185 per 100,000. Going forward GoL will strive to align TVET curriculum and quality of outcomes to the needs of the labour market and economy.



Source: MOET 2019

Promoting access to higher education remains a priority for GoL and is one of the policy goals for the sector. Through the National Manpower Development Secretariat Lesotho has continued to sponsor students under the Loan Bursary Fund Regulations of 1978 even under difficult fiscal

conditions and poor loan recoveries. Lesotho invests a large share of its budget in education. The 2019/20 budget allocated about M2.14 billion of which M577 million was spent on the student loan bursary. Comparatively in 2015/16 the total budget allocation for education was M 2.8 billion and the student loan bursary was allocated M662 million. In almost all Higher Education Institutions (HEIs) there is a distinct mismatch between courses offered and what the economy needs in order to perform at high levels of growth. The GoL needs to step up efforts to address some of these challenges to ensure access to higher education by those who are eligible by continuing with the bursary facility for students in HEIs. The three registered universities (1 public and two private) experienced lower enrolments in 2015/16 (21,586 students compared to 21,664 in 2014/15) according to the recently published Voluntary National Review (VNR) report on the Implementation of Agenda 2030 report for the Kingdom of Lesotho. The gender split favours female at 60.5% while male students made up 39.5%.

3.6.2 Human Development: Population & Primary Health

The GoL acknowledges that a healthy, educated, and skilled workforce is a valuable asset and has the potential to enhance productivity and attract private investment. That is why GoL continues to apportion significant resources towards improving primary health for all. This is important because the 2019 edition of the Global Competitiveness Report cites poor performance in the health sector (score of 22/100) as one of the reasons for Lesotho's low competitiveness ranking (131 out of 141). During implementation of NSDP I, the GoL's intent to provide healthcare was shown by investing around 13.4% of GDP on health care, a figure close to the Abuja Declaration target of 15%.

Positive outcomes include:

- The under-5 mortality rate declined substantially from 117/1,000 live births in 2009 (LDHS, 2009) to 86.4/1,000 live births in 2018 (MICS, 2018), nearly meeting the NSDP I target of 82.
- Maternal mortality rate per 100,000 live births decreased from 1,243 in 2009 to 1,024 (LDHS, 2014)
- Malnutrition prevalence declined from 39% (2009) to 33% (2014), nearly reaching the NSDP I target of 30.
- The contraceptive prevalence rate increased from 46% to 60% in 2014,
- Antenatal care offered by skilled providers increased from 92% to 95% in 2014.
- Infant mortality rate decreasing from 91/1,000 live births to 59/1,000 live births in 2014 as a result of greater vaccination coverage.

(i) Child Health and Nutrition

Lesotho has significantly reduced its under-5 mortality rate from 117/1,000 live births in 2009 (LDHS, 2009) to 86.4/1,000 live births in 2018 (MICS, 2018). However the 2018 figure represents an increase of 1.4 from the 85/1,000 live births indicated in the 2014 LDHS and still a long way out from the desired target of 37/1000 and the global target of 25/1,000. Similarly, infant mortality rate was reduced from 91/1,000 live births in 2009 to 59/1,000 live births in 2014, but MICS 2018 shows a worsening to 71.7/1,000 drawing Lesotho away from the desired target of 27/1,000 live births. Some of the underlying factors for the improvement are the successful immunisation of 1 year olds against measles (100%) in 2015 and reductions on malnutrition for under 5s, but more needs to be done. MICS 2018 results show that 10.5% of under 5s are stunted or weigh less for their age and about 34.5% stunted in respect of height for age. The proportion of the population lacking access to sufficient nutrition stands at 14.5%. The prevailing trend of a deepening poverty means the risk of this indicator getting worse is real.

(ii) Maternal Health

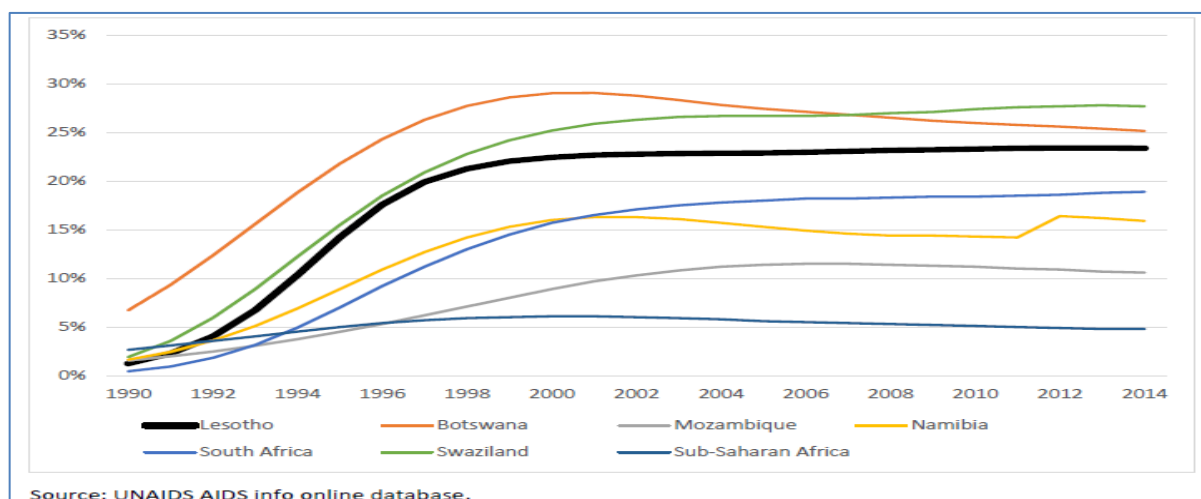
According to LDHS 2014 Lesotho has succeeded in reducing maternal mortality to 1024/100,000 (LDHS, 2014) from 1,243/100,000 in 2009 (LDHS, 2009). However, the 2017 Public Health Sector Expenditure Review analysis concluded that although the 2014 estimated maternal mortality of

1,024 is lower than the 2009 estimated rate of 1,243, the confident intervals for these estimates overlap substantially, indicating that there is no evidence to conclude that the maternal mortality has changed. The GoL has implemented a number of policies which contributed to this decrease including the Maternal Death Review (MDR) initiative. This initiative monitors and reports maternal deaths with a view to use the information to identify and rectify the causes. Another initiative applied alongside the MDR, is the setting up of Lesotho Obstetric Record which tracks the health of women during pregnancy, labour and the postnatal period. Some of the underlying factors to the success in reducing maternal mortality rate are the improved access to skilled health personnel. MICS 2018 shows 86.6% of pregnant women gave birth under the supervision of a skilled health person. Antenatal care and delivery in a health facility indicators have also been on the rise to record 91.3% and 89.4% respectively in 2014 (LDHS 2014).

(iii) HIV/AIDS

The HIV/AIDS epidemic remains the greatest public health challenge in Lesotho, with an increase in the prevalence rate from approximately 23% in 2009 to 25% in 2014. According to the Lesotho Health Strategic Plan 2017 – 2022 (LHSP 2017-22), the HIV prevalence increased between 2009 and 2014 from 23% to almost 25% among adult men and women 15- 49 years. In 2015, HIV and AIDS was the fourth cause of admission in females (3%) and 7% in males.

Figure 3.6.3 HIV Prevalence among adults ages 15 - 49



According to the LDHS 2014, HIV prevalence is significantly higher in women (29.7%) than men (18.6%), indicating the importance of social and gender determinants negatively impacting health outcomes. HIV incidence is on decline from 3.44% in 2000 to 2.41% among the 15-49-year age group in 2016.

Joint Review of HIV/Tuberculosis and Hepatitis Programmes (JR-HIV/TB&HP - 2017) attributes slow progress in reduction of new infections to institutional capacity limitations on one hand (inadequate focus; scale; and implementation of high-quality HIV prevention programmes; policy gaps). On the population side, cultural behaviour and practices restrict access to available preventative health solutions. The proportion of people with comprehensive knowledge about HIV/AIDS target for 2016 was set at 75% (JR-HIV/TB&HP - 2017). But the report put the figures at 38.5% for women and 30.3% for men in 2016.

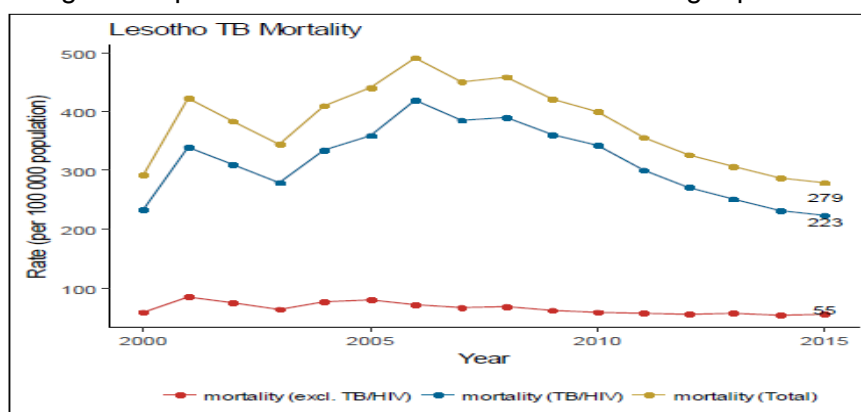
Lesotho has improved accessibility to antiretroviral treatment leading to an improved coverage of approximately 56% of the adult population with advanced HIV infection accessing treatment in 2017 (JR-HIV/TB&HP – 2017). This is 1% over the target set for 2016/17. For children with advanced HIV infection accessing antiretroviral treatment an achievement of 58% was reached against the target of 60% set for 2017/18.

Noting that the coordination of efforts towards containing and reducing the HIV/AIDS epidemic was affected adversely when the National Aids Commission (NAC) was disbanded, Lesotho resuscitated NAC in 2016. This will significantly improve coordination of HIV/AIDS interventions and response strategies. But for these to bear better fruitage, the GoL must also undertake reforms to address structural inequalities that make women and girls more vulnerable to HIV and gender-based violence.

(iv) Tuberculosis

The prevalence of TB has stubbornly remained high with the rate registered at 671 persons per 100,000 population in 2015. The JR - HIV/TB/HP of 2017 noted that a planned TB prevalence survey for 2018 will shed more light into the epidemiology of TB in Lesotho and better guide effective interventions to find the missing cases.

During the implementation of the national TB strategic plan 2012-2018 which was based on the



“STOP TB” Strategy, the vision was to achieve a reduction in TB. The overall goal was to reduce TB prevalence and mortality rates by 25% and 50% respectively relative to the 2008 rates. Up to 2015 the TB related mortality rate stood at 223. However, the 2019 edition of Global TB Report indicates that the

figure has reduced to 155, likely due to the effect of GoL efforts at making treatment accessible to all patients. In particular, the reduction in mortality is discernible among the co-infected cases which may be attributable to the effectiveness of antiretroviral treatment.

The JR–HIV/TB/HP report (2018) puts the treatment success rate at 74% while the rate of success with MDR-TB stood at 64%. It also reports that dually infected TB patients accessing ART stands at 86% as of 2017.

In an effort to understand the dynamics driving the TB epidemic, one drug Resistant Survey was conducted by 2014 as planned. An epidemiological and impact analysis for the TB programme was carried out (2017) in order to inform the Joint Review Mission of 2017 and to update the National TB Strategic Plan. The review resulted in JR-HIV/TB&HP report with the progress made against TB, the challenges and recommendations.

(v) Medical Personnel & Staffing:

The Public Health Sector Expenditure Review (2017) notes that Lesotho remains a nurse-driven health service. On average there are 11.58 nurses per doctor across the government-run health system. Even though attention is often focused on the ratio of nurses (and midwives) to doctors, the WHO Health Report of 2006 states that the exact numbers and mix necessary for a health system to run efficiently and effectively remains unclear and ranges between 4 – 8. The ratio of nurses to population is 10.2 per 10,000. The ratio of doctors to the population is at 0.9 per 10,000. The latter two ratios are below the WHO AFRO regional averages of 12.0 and 2.6 respectively. Primary health centres had 51% of the nursing and medical staff they needed during 2016/17, while hospitals had 250% of the nurse-midwives and 450% of the nursing assistants needed to meet current demand for services. These disparities will need to be addressed to improve cost effectiveness, eliminate inefficiencies in HR deployments and enhance the quality of health services where they matter.

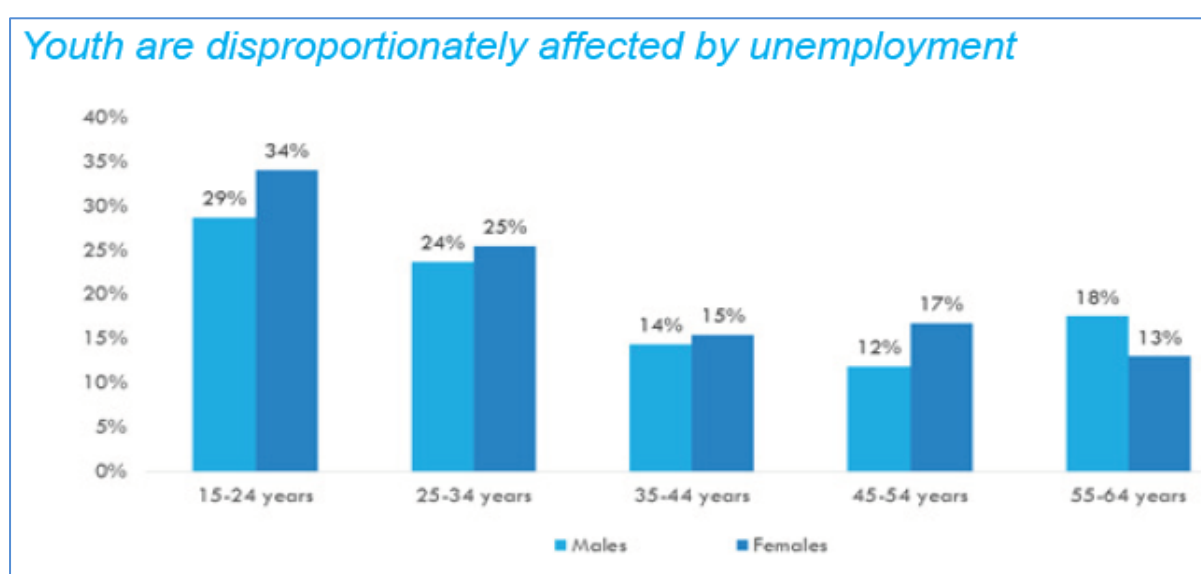
According to the Public Health Sector Expenditure Review (2017) Lesotho’s total health expenditure in 2014 stood at 10.6% of GDP, differing from VNR cited 13.5%. At this level of spending, it is a bit

less than double the average for Sub-Saharan Africa (SSA), and is higher than all its neighbouring countries. Figure 3.6.8 below shows that compared to their neighbours, Lesotho citizens' private expenditure (mainly out-of-pocket expenditure – (OOP)) is 24% of the total health expenditure or only 2.5% of GDP. GoL's portion is 44% and the externally financed portion (financed by donors/development partners) is approximately 32% of total expenditure.

3.6.3 Human Development: Youth Development

Lesotho has a significantly young population, with about 32% aged below 15, while those aged 15-34 years accounting for approximately 38%. Youth literacy rates for Lesotho for the period 2006 – 2016 are at 95% (female) and 79.6% (male) according the Human Development Report of 2018. Youth unemployment is estimated to range from 34 – 35.8% in various reports and is said to have increased from 31.2% in 2014/15 to 35.8% in 2015/16. The high rate of unemployment among youth is mainly due to limited job opportunities in the private sector and the mismatch between skills demand and what is being supplied.

Figure 3.6.4 Unemployment by age and gender



Source: CMIS 2015

Figure 3.6.9 shows that females are more prone to unemployment than male counterparts with 34% compared to 29% (15-24 yrs) despite having a higher literacy rate (95%). The 2015 edition of the Lesotho National Human Development Report indicates that Lesotho has a Youth Development Index (YDI) of 0.520 and a youth health and wellbeing score of 0.224. Major challenges to address include a high prevalence of HIV as well as tuberculosis (TB) and sexually transmitted infections (STIs) which arise as a result of a network of inter-related factors – policy gaps on the side of government and behavioural and cultural practices on the population side. The majority of youth reside in rural areas (63%) and face the challenge of limited skills not tailored to labour market needs as well as limited access to finance. The GoL has implemented a number of initiatives towards improving youth development by undertaking the following initiatives:

- Department of Youth developed the National Youth Policy 2017-2030;
- Development and implementation of the National Volunteer Corps for young graduates' project – 2009;
- In 2015, a volunteer programme that is aimed at enhancing youth engagement in development frameworks.

3.6.4 Human Development: Shelter, Water & Sanitation

Lesotho has undertaken measures to improve access to clean water, sanitation and hygiene for both its rural and urban population. The Water and sanitation Interim Strategy (2010-2012) and , the Long Term Water and Sanitation Strategy (2013) have guided the implementation of the Water and Sanitation Policy of 2007 for the period 2011 - 2020. The strategies directed efforts towards improving water supply and sanitation services in urban and rural areas as well as institutional and capacity development. Initiatives include among others, the initiation of a Climate Change Adaptation for Sustainable Rural Water Supply in Lowlands Lesotho (2015 - 2019) with funding from the African Development Bank (AfDB) for rural communities in the lowlands. At the time when the mid-term review of IPoA was undertaken, the Ministry was preparing to review this policy and develop the Sectoral Strategic Plan as well as Monitoring and Evaluation plan for period 2016/17-2018/19.

As a result of the initiatives the proportion of population using an improved drinking water sources reached 71% in rural areas against a target of 80% by 2020, and 94% in urban areas against a target of 95% by 2020. At national level the supply of improved water reached 89% of the population. The national coverage for sanitation is 52% of the population with rural coverage (55%) higher than the urban coverage (46%). Access to basic hygiene services is very limited in Lesotho. Only 1 in every 10 rural dwellers and 1 in every 4 urban dwellers had a hand washing facility with soap and water available on their household's premises.

3.6.5 Human Development: Gender Equality & Women Empowerment (GEWE)

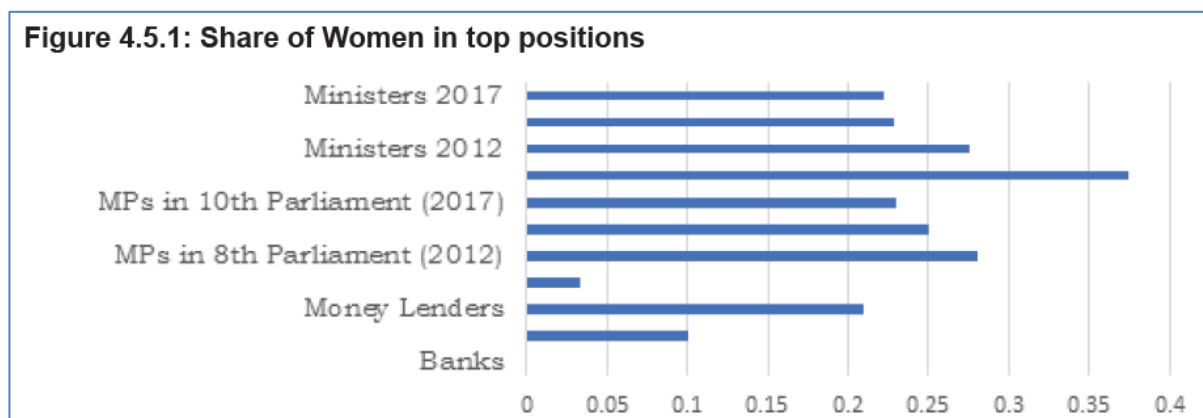
The IPoA goals encourage LDCs to improve women's access to education, health and equality of opportunities. It is fair to conclude that GoL has shown the political will to correct existing imbalances manifesting themselves in the form of gender inequalities and women empowerment barriers. For instance, prior to 2011 many gender friendly laws were enacted and policies developed. During the IPOA implementation period starting from 2011, GoL continued to enact gender friendly laws. These include: (i) Amendment of Companies Act of 2011, (ii) National Assembly Electoral Act 2011, (iii) Anti-Trafficking in Persons Act 2011, (iv) Children's Protection and Welfare Act 2011, (v) Financial Institutions Act 2008, Labour Code Wages Act 2012. Recently, the Gender and Development Policy (2018-2030) was developed in alignment with the international and regional instruments including the Agenda 2030, SADC Protocol on Gender and Development, and others. At the local level, it aligns to the national protocols such as the National Strategic Development Plan (NSDP) and Vision 2020.

The 2018 Global Gender Gap Index Report indicates that there are major shifts in the status and conditions of women in Lesotho. To some degree, there is a narrowing of the gender gap, while there is the widening of the inequality gap in general between the rich and the poor. In 2018, Lesotho was ranked at 81 on Global Gender Gap Index having closed about 69% of its overall gender gap and ranked 14 in Sub-Saharan Africa. The Report further shows that Lesotho slips several ranks due to stagnant progress on wage equality. The country is ranked number one in terms of educational attainment, 86 on political empowerment and 88 on economic participation and opportunity.

The rates of female enrolment in secondary school and in tertiary education in particular show females outnumber their male counterparts, indicating that GoL policies are successful in eliminating gender related barriers. MOET sources indicate the number of females in tertiary institutions have been rising since 2014/15 (12,657) to reach 13,782 in 2017/18, an increase of approximately 9%. The ratio of female students to male in tertiary also rose from 1.46 in 2014/15 based on 8,643 male & 12,657 female students to 1.57 in 2017/18 (8,762 males & 13,782 females).

In the social and political sphere, women continue to make gains as far as participation is concerned in the decision making structures of public life – public service, judiciary and parliament.

Figure 3.6.5: Share of Women in Top Positions



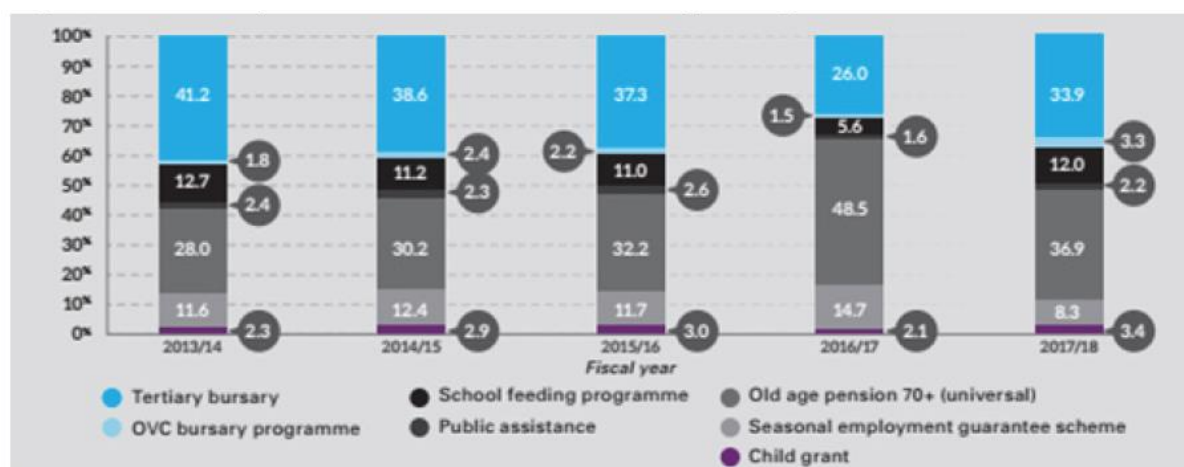
Source: VNR 2019

Figure 3.6.5 above is a representation of the progress that has been made in the area of eliminating gender inequalities while promoting the empowerment of women in the governance sectors.

3.6.6 Human Development: Social Protection

IPoA encourages LDCs to strive to enhance social protection systems to improve the resilience of all, including poor and disadvantaged groups. GoL initiatives have been designed to support the most vulnerable such as orphans to overcome challenges hindering them to access education and old age people for livelihood support as well as a subsidized health care and drugs for health maintenance. Over the IPoA implementation period the endeavours undertaken are depicted in figure 3.6.6 below.

Figure 3.6.6 Composition of Lesotho Social Assistance Spend (2013 – 2017)



Source: UNICEF Lesotho, (2017). Social Assistance Budget Brief

The social protection efforts of GoL are led by Ministry of Social Development (MoSD) with ample support among development partners. Lesotho revised its social protection policy in 2014 to address the risks and challenges across the life-course. The National Policy on Social Development with a National Social Protection Strategy structured around four key life-course stages (pregnancy and early childhood; school age and youth; working age; and old age) plus the two dimensions of shocks and of disability/chronic illness that may impact at any stage of the life-course has been reviewed. A Social Protection Strategy Implementation Plan, along with an M&E framework, has been finalised to support implementation, coordination and monitoring of social protection interventions.

Lesotho National Information System for Social Assistance (NISSA) is a single national registry for all social protection programmes. It is an integrated system for targeting eligible social protection candidates and will also be of great help to deter fraud. The use of mobile technology is employed

to cut out delays in delivering cash payments to the intended recipients of child grants. Some 3,200 child grant beneficiary households received their grant instalments this way in 2018, up from 2,000 in 2017. Through UNICEF-supported initiative, MoSD's capacity to manage and implement social assistance programmes was strengthened. Also worthy of mention is the Local Purchase Initiative through which WFP in partnership with GoL procures 10% of needs from smallholder farmers to support the school feeding programme. This initiative uses a social need to support food production on a commercially viable basis and catalyses agricultural value chains development.

3.7 MULTIPLE CRISES AND EMERGING CHALLENGES

The strengthening of macroeconomic resilience along with combating climate change, producing healthy and educated human capital, and effective governance and coordination are all imperatives for development in Lesotho. It is also necessary to put measures in place to mitigate against the occurrence of disasters and should that fail, that there are social protection measures to limit the impact of such disasters. This way the socio-economic development gains made can be safeguarded and further improved.

3.7.1 Economic Shocks

Lesotho in the past decade has been highly reliant on external development assistance. The importance of ODA is seen in that it finances close to 40% of capital expenditures of the Government. However, ODA disbursements to Lesotho are characterised by a significant degree of volatility. In 2013 ODA disbursements reached US\$ 343 million but dropped over the next three years to just US\$ 143 million in 2016. In addition, SACU related revenues experienced a sharp drop over 2016 – 2017 leading to a widening of the fiscal deficit and accumulation of budgetary arrears. As mentioned earlier revenues fell from 30% of GDP (2012/13) to an estimated 17.7% in 2017/18. Remittances have also been dragged down by the sluggish South African economy with these dropping from 32% of GDP in 2009 to 15% in 2016. The reliance of exports on manufactures underpinned by the AGOA concession also poses risks for Lesotho. Vulnerabilities to fluctuations in these revenue sources have presented economic challenges which the GoL had to deal with during 2011 – 2020 period.

The GoL response to the above vulnerabilities has been in the forms of (i) diversifying the economy, (ii) pursuing beneficiation in mining, agro-processing in agriculture, (iii) identifying and developing high value niche products for export in manufacturing as well as (iv) measures to diversify revenue sources to include domestic resource mobilisation. As mentioned under the commodities section earlier, the value add of non-extractive sector is high and ranges between 86.3% (2017) and the higher figure of 88.5% (2015). This means that the extractive sector contributed approximately 11.5% (2015) and 13.7% (2017) of GDP and the pursuit of diversification and value addition (local beneficiation) will certainly aid the cause to minimise dependence on commodity exports and the shocks related to them. In respect of ODA, GoL and development partners have moved to a new partnership coordination mechanism which sees GoL take over the leadership role formerly played by the UNDP in order to facilitate support which is in line with Lesotho's development goals in the NSDP II.

In the financial sector the Maseru Securities Market was established in 2014 through the publication of Capital Markets Regulations of 2014 and it is executed by the Central Bank of Lesotho. This initiative is part of a wider financial sector reforms aimed at improving financial sector in the country and to facilitate raising of medium to long-term capital. The regulations and other regulatory instruments provide for the operation of a market that is fair, orderly, secure, and transparent and adds to the credibility of the financial sector. The reforms made it possible for more remittances to be transferred through quasi / formal financial institutions including retail outlets and mobile money, thus increasing the availability of funds for the domestic financial system and fostering financial deepening and stimulating demand for new products and services.

On the disruptive matter of pyramid schemes, the CBL actively promotes financial literacy among the population as a strategy to deter infiltration by pyramid schemes which erode the credibility of the financial sector, inflict savings losses for people and facilitate leakage of resources from the legitimate financial sector. These schemes have reared their ugly head with regularity during the last decade and require vigilance and the acceleration of financial inclusion and access to credit by a larger portion of the populace.

The CBL Annual Report 2017 indicates a marginal improvement of GoL debt-to-GDP ratio from 2013 (45.3%) which peaked in 2015 (55.6%) but came down to 36.5% of GDP in 2017 thus bringing it under the 40% threshold. The domestic debt-to-GDP ratio recorded 6.8%, in the form of new debt in treasury bonds to finance deficit. The foreign debt to GDP ratio declined to 28.7%, down from 33.5% in 2016. The external debt was significant at 80.7% of total debt but slightly mitigated by concessional debt of 77.6% of external debt. Using figures from CBL 2017 Annual Report, reserves (M12,959 Mln) as a percent of external debt (M10,177.59 Mln) stands at an approximate 127.3%. Overall Lesotho's external debt situation with respect to absorbing shocks is moderate according to IMF report of 2019 with indicators of both solvency and liquidity falling within threshold limits. But it underscores the need to adopt a conservative debt management strategy focusing on financing projects with high economic returns through concessional sources.

Lesotho's debt service is estimated to be 2.5% of exports of goods, services and income, significantly up from the 1.2% registered in 2011. The CBL annual report states that in 2017 the current account deficit narrowed to M2.2 billion or 6.2 % of GDP in 2017, from a M2.9 billion deficits, equivalent to 8.6 % of GDP in the previous year. The deficit was fuelled by the continuation of a trend of increase in imports of services at a higher rate than exports for services during 2016/17 (net services deficit was M4.1 billion, equivalent to 11.5 % of GDP in 2017, compared with a deficit of M3.6 billion or 10.7 % of GDP in the preceding year). The growth in the services account deficit was attributed to transportation services, on account of a rise in payments for freight services on imported goods. The observed performance of services account was also influenced by an increase in payments for business travel services abroad and international telecommunication services during the review year.

The CBL reports indicate that reserves have been decreasing since 2015 (6 months cover of imports) to about 4 months in 2017. Estimates in the CBL Economic Outlook for 2019 – 2021 foresee reserves falling to an "average 3.7 months, marginally above the 3-months threshold, over the medium term". The gradual erosion of reserves arises from GoL using reserves to cover the persistent current account deficits. The GoL's policy decision of fiscal consolidation is therefore a must along with the policy of GoL as expressed in the NSDP II to diversify exports with focus on high value niche products to bolster the export and foreign currency generating capabilities.

3.7.2 Climate change / Environmental Shocks

Climate change effects in Lesotho manifest themselves in the form of recurrent droughts and sporadic rainfall in the form of destructive storms. Soil erosion and soil nutrient depletion has accelerated leading to reduced crop yields and erosion of livelihoods for a sizeable portion of the population. During the 2016/17 period Lesotho was offered assistance in response to El Nino effects to provide livelihoods support and to boost the nutrition requirements of the vulnerable smallholder farming households, particularly households with children. The total amount committed by multiple donors was M24,123,853 of which M22,322,794 was disbursed but only M13,667,644 or 56.6% was spent. The reasons for this low absorptive should be looked into as they constitute a missed opportunity for relief for the communities affected by drought when their suffering could have been relieved and perhaps their livelihoods put back on track.

The GoL's response to these developments comes in the form of policy measures which address the institutional frameworks for managing climate change effects, practical projects which revive natural ecosystems as well as enhancing knowledge at smallholder farm level. These responses

include the National Strategic Resilience Framework (2016), National Climate Change Policy (2017) and the Range Resources Management Policy (2014). Complementing these are sector specific policies in agriculture, energy, health and public works among others.

3.7.3 Disaster Risk Reduction

Many of the initiatives which have been put in place by GoL and development partners to better prepare Lesotho to prevent and handle disasters better also double up as climate change mitigation efforts since many of the disasters arise as a result of climate change. In addition to the measures highlighted under climate change GoL also produced a National Adaptation Plan of Action (NAPA) in 2007. As part of its mandate, NAPA documented national circumstances, vulnerabilities and expected impacts from climate change in Lesotho. NAPA outlined priorities in order to achieve its goals in the form of several projects which focus on preparedness and resilience building. Among the areas of priority are building capacity to mainstream climate change into sectoral development plans, improving livestock productions systems, securing village water supplies, reclaiming degraded land and promoting renewable energy sources such as solar and promoting food processing and preservation technologies to improve nutrition.

3.8 MOBILISING FINANCIAL RESOURCES FOR DEVELOPMENT AND CAPACITY BUILDING

3.8.1 Domestic Resource Mobilisation

Following the global financial crisis, domestic resources mobilisation has been among the top priorities of the Government of Lesotho mainly due to the changing external resources conditions. A well-functioning financial sector is critical for effective domestic resources mobilization. This is particularly important for Lesotho which is a member of the Common Monetary Area which allows for free capital mobility among member states. Significant progress has been made in creating supportive infrastructure for domestic money and capital markets in the country.

The money market is mainly for liquidity management and monetary policy purposes, and has four instruments 91 days TBs, 182 days TBs, 273 days TBs and 364 days TBs. The treasury bills are traded biweekly and have seen improving participation to the non-banks sector. At the end of 2017, the outstanding treasury bills holdings was M724.7million.

Over the past four years, the country's economy has faced challenges stemming from the political instability and prolonged period of slow growth in South Africa, which has led to falling Southern African Customs Union (SACU) revenue and liquidity challenges. Economic growth from 2015 to 2017 averaged 1.7%. A contraction of 0.6% of GDP revenue was experienced in 2017/18 fiscal year as a result of contraction in agriculture output and other fiscal challenges. This as a result has contracted the bulk of the national revenue contribution, thus prompting the government to consider other avenues which can boost the revenue and contribute to the fiscus.

The country has a mixed picture in domestic resource mobilisation. Total government revenue was about 54% of GDP in 2010, 44% of GDP in 2012 and 46 percent of GDP in 2015. In 2017, it was about 36 percent of GDP. The GoL's efforts to mobilise resources for the implementation of SDGs is further hampered by the decline in other sources of financial resources, particularly, Foreign Direct Investment (FDI) and Official Development Assistance (ODA). FDI's increased from about 1% of GDP in 2010 to about 13% in 2015. However, it has since dropped to about 4.8% of GDP in 2017. The ODA increased from about 58% of the budget in 2010 to about 96% of the budget in 2013. In 2015, ODA was about 88% of the domestic budget, and it dropped further to reach about 76% of the budget in 2017.

The Government is developing fiscal adjustment reform programme to regain sustainability. To contain the ballooning wage bill, public sector census has been undertaken to identify human capital capacity needs. Going forward, strengthening Public Finance Management (PFM) and

accountability across government MDAs is critical and includes the use of the Integrated Financial Management Information system (IFMIS), aligning government procurement and payments processes.

To increase revenue base, Lesotho must come up with new innovative sources of revenue. Lesotho must take advantage of lucrative markets in the EU member states, under EU and ACP Partnership Agreement; and USA through AGOA; and venture into other trade deals regionally and internationally. However, this need building effective national partnership and coordination structure/mechanism with focus on effective governance and prudent financial management

The government through LRA as main domestic revenue collector, has sketched some measures and introduced some reforms and initiatives which it intends to implement to mobilise domestic revenue and maintain macroeconomic stability and fiscal sustainability. These measures included but not limited to: (i) Aligning VAT with South Africa at 15 percent; (ii) Introducing Voluntary Disclosure Program (VDP) which is expected to yield an addition revenue of M225.0 million; (iii) Enhancing tax administrative measures to improve compliance by tax payers which is expected to return another M350.00 million in tax revenue; (iv) Reviewing mining regime to cater for windfall taxation; (v) Increasing VAT rates for telecommunications and electricity by 4 percent and 3 percent respectively to align them to a unitary 15 percent rate; (vi) Revision and setting of new rates for all non-tax revenue across the board by all government ministries, agencies and departments.

The Government has continued the fiscal expansion to support the NSDP II enablers and the financial inclusion. However, in response the consistent shortfalls in cash and foreign reserves as well as drops in SACU revenues, the impact of South African Rand depreciation against the US Dollar on external debt stock and taking into consideration strong recurrent expenditure growth in recent budgets have led to significant budget deficits. To rectify the situation, the following strategies will continue to be used to underpin and guide the financial resource mobilisation and budget utilisation. The government is committed to (i) Achieve consistency of the MTFF and MTEF to the national priorities; and efficiency, effectiveness and value for money in public expenditure; (ii) Adopt a Budget that is affordable, sustainable and yet responsive to the needs of the country over the medium term; (iii) Achieve sufficiency in domestic revenue mobilisation to finance Government programmes while gradually limiting the dependence on external financing; (iv) Consistently constrain the Government's recurrent expenditure not to grow more than the development expenditure. (v) The Government's expenditure on wage bill as a percentage of GDP will not be allowed to grow.

Over the medium term, the government will (i) Use borrowing only for the purpose of financing development expenditure; (ii) Maintain a realistic degree of predictability with respect to the level of tax rates and tax bases taking into account any future tax reforms; (iii) Improve monitoring, transparency and accountability mechanisms to ensure expenditure efficiency; and (iv) Expand the sources of public debt financing to enable the Government to restructure its public debt portfolio and to better facilitate the financing of deficit.

3.8.2 Official Development Assistance (ODA)

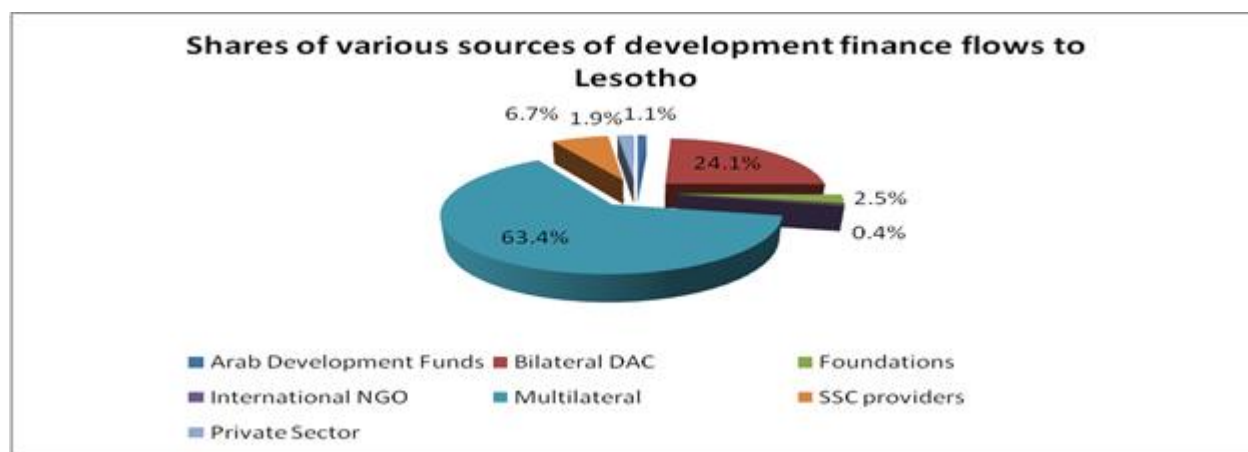
Official Development Assistance continues to be a major resource for financing the development strategies outlined in the National Strategic Development Plan (2012/13 – 2016/17), although its share in the total development finance is declining.

Prior to 2013, Lesotho was among the largest beneficiaries of Official Development Assistance (ODA) in Africa. During that period, net ODA to Lesotho showed an upward and steady trend. In 2013 net ODA to Lesotho was USD320.67 million. However, in 2014 it declined by approximately 66.58%, to USD107.17 million, which is equivalent to its 1988 level. In 2015, the net ODA to Lesotho declined further by 22.42% to USD83.14 million. Thereafter, net ODA has been increasing by at least 30% per annum.

Lesotho in the past decade has been highly reliant on external development assistance, which reached unusually high levels in 2013 (US\$ 343 million in total disbursements), placing Lesotho among the 4 highest aid recipient nations in the world, as indicated in the Development Cooperation Report of Lesotho for 2014/15-2015/16 fiscal years. It is at this rise in external financing when the implementation of the National Strategic Development Plan (NSDP) of the country (2012/13-2016/17) commenced, aiming at achieving faster, inclusive and employment-generating economic growth, while simultaneously significantly reducing poverty amongst Lesotho's population.

A sizable decrease of the external inflows from non-traditional donors – Arab Development Funds has been observed in 2016/17, however in the period under review it began to increase by over 25.2%. South-South Cooperation has contributed positively from 16.8% to 79.9% in 2016/17 and 2017/18 respectively. Reason being that various data sources which have different data coverage have been used in different reporting intervals. NGOs and Private Sector disbursements data is only available for the period 2017/18. Shares of various types of resources in the total disbursements to Lesotho in 2017/18 are presented in figure 3.8.5.

Figure 3.8.0: Shares of sources of development finance flows to Lesotho, 2017/18



Lesotho Development Cooperation Report 2018

Figure 3.8.0 above shows that the highest share of resources provided to Lesotho comes from multilateral agencies (63.4%) with UN agencies and Global Fund being the largest contributors, followed by bilateral DAC donors (24.1%) dominated by the US Government. The share of Private Sector has been 1.9% and SSC provided 6.7% of the share in the total volume of development assistance in 2017/18

Table 3.8.0: Assistance provided by multilateral donors, 2017/18

Multilateral	Disbursed Amount (Million US\$)
United Nation Agencies	106.48
Global Fund	54.11
World Bank	28.61
African Development Bank Group	8.71
European Union	6.28
OFID	2.15
GAVI	3.37
Enhanced Integrated Framework	0.098
Total	207.66

Lesotho Development Cooperation Report 2017/18

The largest provider of development assistance in the period under review is the UN Agencies with US\$ 106 million in grant disbursements as depicted in table 3.8.0 above. The Global Fund is the second largest donor continuing its significant disbursements in the Health Sector to the tune of US\$54.1 million, followed by the World Bank in the third position with the disbursement to the value of US\$28.6 million to Lesotho's developmental assistance in both loans and grants. The other multilateral donors being ADB, EU, GAVI, EIF and OFID contributed a total of US\$20.6 million under the reporting period 2017/18.

The total amount of development finance in Lesotho followed a downwards trend over the past 5 years, having decreased from US\$343.6 million in 2013 to US\$119.78 million in 2015 due to phasing out of Millennium Challenge Cooperation (MCC). This led the government contribution to national development as seen in national budget 2015/16 reaching a peak of 63%. In 2017 development assistance steadily improved until it reached US\$328.20 million. When comparing net disbursements for 2016 and 2017, it is realized that there is a 56.3% difference in the amounts of development assistance captured. The analysis further shows that 95% of disbursements have been towards the implementation of NSDP I goals, an indication of a strong commitment of Lesotho's development partners to Paris Aid Effectiveness principle of Alignment.

To improve their effectiveness, development partners (bilateral and multilateral) in Lesotho have outside the government framework established mechanisms for consultation and coordination, on a wide range of intervention areas. The UNDP is charged with the responsibility for convening all donors for consultation and coordination on governance issues. In addition to this, all European development partners with a field presence in Lesotho, namely DCI, DfID, European Union (EU), and German Technical Assistance/Kreditanstalt für Wiederaufbau (GTZ/KfW), have come up with their own mechanism, known as European Donor Agencies (EDAL), which enables them to effectively coordinate their activities in the country

3.8.3 External Debt

Lesotho's external sector position deteriorated in 2016, driven by the widening current account deficit. The weakness of external sector was also attributed to the reduction in foreign assets during the review year. Consequently, the overall balance decreased by M1.8 billion in 2016 which was equivalent to 5.7 % of GDP, in contrast with an increase of M1.6 billion or 5.8 of GDP in the previous year. The weakening in the external sector position was reflected in the decline in months of import cover to 5.2 months in 2016, from 6.3 months realized in the previous year.

The Mid-term Review Report indicates that the structure of Lesotho debt is such that 10.6% is debt contracted from domestic sources and 89.4% is debt from external sources. This means that a very large proportion of Lesotho debt is exposed to adverse movements of exchange rates in the currency market

During the period under assessment, external debt increased by 0.9 percent to US\$ 852.5 million over the previous year. In local currency, external debt grew at an average rate of 21 percent between 2012/13 and 2015/16. This increase can partially be attributed to new projects contracted and to the depreciation of the Loti against major foreign currencies. From 2015/16 to 2016/17 the decline of about 14 percent from M 13,000 to M11, 021.5 respectively was registered mainly as a result of the appreciation of the Loti against other foreign currencies. Table 3.8.1 below, provide an illustration of external debt evolution between 2012/13 and 2015/16.s

Table 3.8.1 External Debt Stock (US\$ Million and Maloti Million)

Debt Category	2012/13	2013/14	2014/15	2015/16	2016/17
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Bilateral	40.7	53.3	69.4	74.8	69.9
Commercial Bank	06.8	05.6	04.5	00.0	00.0
Export Credit	46.1	49.8	63.2	60.5	55.7
Multilateral	692.4	724.0	691.9	709.4	726.9
Total	786.0	832.7	829.0	844.7	852.5
Debt in Maloti Million)	(M'000)	(M'000)	(M'000)	(M'000)	(M'000)
Total	7,265.9	8,818.5	10,031.8	12,829.5	11,032.6

External debt has over the past five fiscal years increased by over 65 percent from M7,226 million in 2012/13 to M11,021 million in 2016/17. Although the disbursed outstanding debt (DOD) has declined in the financial year 2016/17, there has also been an increase in the interest payments as they have more than doubled over the period. Continuous increase of interest payments is mainly attributed to increased DOD.

There were some policy and frameworks reforms during the period under review. Public Debt Management Policy framework 2019 and Medium-Term Debt Management Strategy 2018 respectively were developed. The Public Debt Management Policy 2019 was developed to guide the borrowing decisions of the Government of Lesotho on all public borrowings (External and Domestic) including contingent liabilities derived from PPP's and unsolicited proposals and direct guarantees to private sector and individuals. This will ensure that the borrowing decisions are prudent and guarantee that debt remain at sustainable levels.

Medium Term Debt Management Strategy 2018 is intended to be implemented over medium term to achieve a desired composition of government debt portfolio that captures the governments preferences regarding the trade-off between cost and risk. Thus, ensuring that the governments financing needs and payment obligations are met at the lowest possible cost consistent with a prudent degree of risk.

3.8.4 Foreign Direct Investment (FDI)

Lesotho's performance in attracting FDI has been credible by regional standards, particularly in view of its landlocked and remote location, paucity of natural resources and undeveloped industrial base. It has also been markedly better than that of most other least developed countries. UNCTAD report indicates that, FDI inflows in Lesotho have been consistently much higher. Even more impressive is the fact that the bulk of FDI has gone into manufacturing and, within that, overwhelmingly into export activity to the US market due to the AGOA agreement.

FDI has provided other benefits to Lesotho. The employment benefits have been recorded to about 45000 jobs, particularly for female workers, have been most significant in the textile and clothing manufacturing sector. The income effects have also been beneficial. This is particularly important in view of the large numbers of Basotho returning from their traditional source of employment, the mines in South Africa. New jobs and sources of income have contributed to poverty reduction. FDI has also created new skills and work attitudes, better trade infrastructure and support services geared to export markets

According to UNCTAD World Investment Report 2019, FDI inflows to Lesotho amounted for USD 39 million in 2018, showing a slight decrease from the USD 43 million of 2017. FDI stocks in the country amounted for USD 614 million in 2018, representing approximately 22.2% of the country's GDP.

High port authority expenses due to Lesotho's landlocked territory and the relatively low quality of its infrastructure are real constraints to investors. The recent political crises have also discouraged foreign investment. However, Lesotho has certain assets such as a high productivity rate, a skilled labour force and an untapped tourism potential.

Whilst Lesotho was ranked 10th in Africa and 104th in the world in the 2018 Doing Business, it fell to 11th on the continent and 106th worldwide in the 2019 ranking. In response, the country set several reforms aimed at making the economy more attractive. To ease import and export, the government has established an automated customs data management system baptised ASYCUDA. The textile industry attracted many investments and others are expected for electricity facilities. Lesotho has a business enabling environment and its tourism potential is still untapped. High productivity and skilled labour remain good assets for investment but poor infrastructure quality and recent political crises continue to be constraints.

Large infrastructure projects that aim at developing the country's hydroelectric power industry, Polihali Dam construction and envisaged Millennium Challenge Account Compact II will likely attract new investors in the following years. The African Growth and Opportunities Act (AGOA) - a special provision that grants textiles manufactured in Lesotho duty-free access to the U.S. - attracts FDI as nearly 80% of Lesotho's textile exports target the American market. The AGOA was extended by the U.S. Congress until 2025 but the textile industry is currently facing a crisis, as factories failed to secure orders from the U.S.

An Economic Partnership Agreement (EPA) between the EU and the Southern African Development Community (SADC) - which includes Lesotho - entered into force on a provisional basis. The EU grants free access to its market while via the EPA allowing said African countries to maintain tariffs on products sensitive to international competition. In exchange, these African countries remove custom duties on 86% of EU imports. The agreement is contingent on the respect of the provisions in Article 2 of said agreement, including respect for human rights, rule of law, and democracy. Lesotho's small-scale manufacturing sector is also a recipient of FDI in addition to mining and hydropower industries. South Africa and Southeastern Asian countries are the main investors.

3.8.5 Remittances

The global development community classifies sources of development finance into 2 broad categories – external and domestic, both being of public and private origin. A wide diversity of these resources has been globally identified (please refer to Development Finance Assessment methodology for more details), but not all these resources are available or signified in each country. For Lesotho, most significant sources for development finance so far have been the national budget, ODA, Foreign Direct Investments and Overseas Remittances.

Remittances are considered one of the major sources of foreign currency earnings in Lesotho showing contribution trend of more 15% of our GDP after receipts from exports of manufacturing and diamond mines industries. Remittances differ from other sources of foreign exchange inflows like exports, FDI, external loans etc. in terms of its motivation and effects. However, remittances have positive macro-economic and socio-economic impacts on Lesotho's economy. A large portion of remittances are used to increase consumption demands which lead to expand the aggregate demand level and thus increase overall economic activities. Since part of remittances directly goes to savings, which leads to increase in the investment level and ultimately generates employment opportunities. Foreign exchange Reserve is influenced positively by some factors like higher trade surpluses, exchange rate depreciations, interest rate differentials and higher inflows of remittances. In fact, the influence of remittances on reserves is the strongest and most consistent factor.

As illustrated in table 3.8.2 below, the total ODA after a sharp decrease after 2013 - from 12.7% to 7.4% of GDP – has remained relatively stable in size as regards to percentage of GDP and is the second largest, but the first direct source of development finance for Lesotho. Personal remittances were by far the largest flows of resources – 15.1% of GDP - that potentially can greatly contribute to

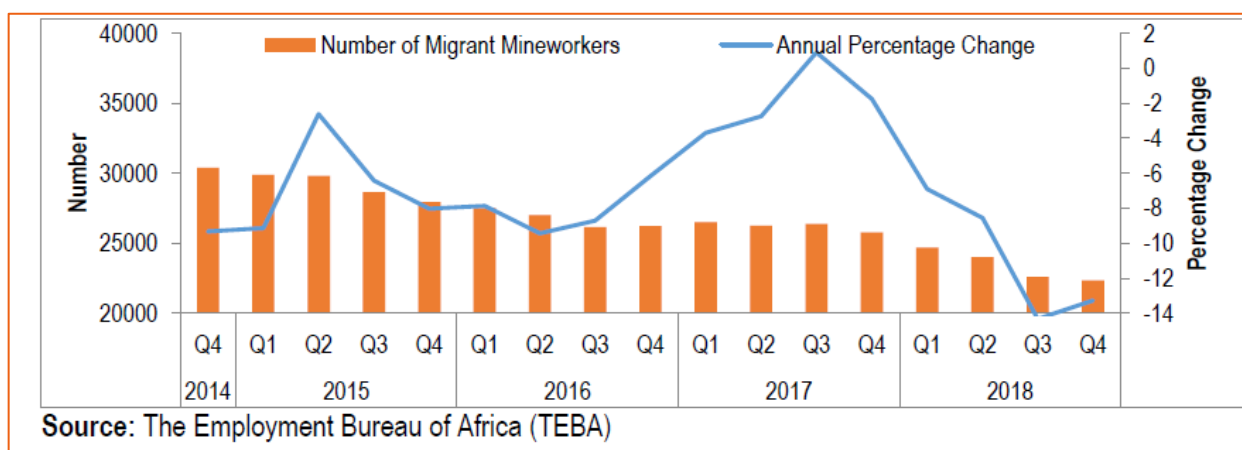
economic development. However, their volumes have also been decreasing in the past 5 year, replicating the ODA trends of the same

Table3.8.2: Major development finance flows to Lesotho as % of GDP

Major development finance flows	2012	2013	2014	2015	2016
Personal Remittances	19.9%	18.3%	15.1%	15.7%	15.1%
Net ODA	9.9%	12.7%	7.4%	5.9%	6.5%
FDI	2.0%	2.0%	3.7%	4.8%	3.7%

The number of migrant mineworkers continued to decline in the quarter under review albeit at a reduced rate of 13.5 % as compared to the 14.3 % decline registered in the third quarter of 2018. The observed decline was an indication of challenges faced by the SA mining industry, especially the platinum and gold mines where a large number of Basotho migrant mineworkers are employed. The two precious metals' mines were under pressure during the course of 2018, and this was at the back of relatively weak prices and low production volumes faced by the mines. In addition, the strengthening of the rand against major currencies exacerbated the impact in the second half of 2018, putting deep-level South African gold and platinum producers under significant pressure as reflected in the market capitalisation of such entities.

Figure 3.8.1: Migrant Mineworkers (Annual %age Changes)



Remittances increased sharply between 2010 and 2011 to reach about US\$200 million. From there, remittances have been on the decline until 2015/2016 when they reached a low of US\$18 million. This drop in remittances could be linked to decline in the number of migrant mine workers in South Africa as seen from Figure 3.8.1 above. In March 2015, the Shoprite cross-border money transfer service was launched in Lesotho to enable Basotho living in South Africa to send money to and from Lesotho. Since then the Loti volume of transfers through this service have increased by an impressive 10 % between 2015 and 2018. In the first part of 2019, remittances received through the Shoprite and Mobile Money transfers were about US\$13 million. Given the increasing number of Basotho working in South Africa, this service is likely to continue increasing remittances, which play a part in countering the declining SACU receipts.

As part of the initiatives by government of Lesotho to broaden the financial resource mobilisation net and encourage Basotho in the diaspora to participate and contribute to the total national revenue and their economy at large, the Government has proposed the following strategies in order to engage the diaspora. In order to enhance the benefits of Diaspora engagement in economic development, Lesotho aims to:

- Research on and profile Diaspora through evidence-based and analytical research and the inclusion in national censuses and inter censal survey;

- Support the creation of, and liaise with Lesotho Diaspora Associations Create conducive environment for Diaspora to remit payments, invest, be involved in short/medium skills and knowledge transfer, matching and exchange transfer programmes;
- Provide information for the Diaspora on investment opportunities in Lesotho;
- Encourage development initiatives such as Diaspora banks and cooperatives, avenues for partial financing for businesses and projects financed by Diaspora community;
- Create platforms for Diaspora to engage in governance issues.

3.9 GOVERNANCE AT ALL LEVELS

3.9.1 Structure of Governance

The Kingdom of Lesotho is a constitutional monarchy, with the King as Head of State, the Prime Minister as Head of Executive and Government and a dual legal system – consisting of traditional customary law and the common Law. The legislative branch is bicameral with a 120-seat member Parliament and a 33-seat Senate of which 22 are permanently held by principal chiefs and 11 other senators who are appointed to represent the wider interests of society. The judiciary, which is the arm of Government headed by a Chief Justice, consists of the Court of Appeal, Constitutional as the highest court, the High Court, Magistrates' Courts, and the local courts. While the country's nascent democratic institutions are gradually evolving, its political stability and tolerance have been frequently tested.

Good governance rides high in the current agenda for the GoL and is viewed as the basis to achieve accelerated growth and poverty reduction. In fact, governance is one of the main pillars of the National Vision for Lesotho, commonly referred to as Vision 2020. According to this document, governance challenges for Lesotho include the “empowering of the legislature to carry out the oversight function, improving the judiciary to deal with delays in the justice system and strengthening the public service for effective service delivery and accountability”.

The NSDP I recognises that governance is one of the missing and weak links in its efforts at poverty reduction. In this regard, its overall objectives are to deepen democracy, improve governance at all levels, increase safety and security, and improve the efficiency of the justice system. To achieve these objectives, the strategies articulated in the NSDP I focus, *inter alia*, on: (i) promoting national unity and strengthening the formal conflict management structures; (ii) maintaining the capacity of the Independent Electoral Commission; (iii) improving the legislative efficiency of Parliament; strengthening the DCEO; strengthening accounting, auditing and tendering processes; (iv) creating and strengthening structures for public participation in governance; reducing the high rate of crime; and speeding up justice.

National Reform Programme, especially Economic and Financial Reforms are among the key priorities the Government of the Kingdom of Lesotho (GoL) reform process with the view to undertake measures to enhance public financial management systems by way of: (i) developing and implementing integrated planning and budgeting processes based around Medium Term Expenditure Framework (MTEF) approach; (ii) strengthening the Accountant General's office through re-organisation, training and replacement of the old financial management system; (iii) strengthening the role of oversight which is the Public Accounts Committee in Parliament and, (iv) fast tracking reforms of the procurement system to introduce standard procurement documentation, decentralise the procurement function to line ministries and these function in order to transform the proposed National Planning Board as a regulatory body.

Transparency and access to information: although it is a fundamental human right for all Basotho, loopholes in the country's legal framework on financial management, poor transmission of information and poor coordination of institutions involved in financial management constrain access. In addition to this, Civil Society Organisations and the private sector in Lesotho are weak and hardly have the capacity to engage government on its programmes and intentions.

As for stakeholders' participation, Lesotho is gradually implementing a decentralised system of functions, resources and authority from the central government to local authorities in order to improve the coordination of the public service sector and promote popular participation. Against this background, the first elections of local government structures were conducted in April 2005, and the last successfully conducted in 2016. However, GoL faces challenges in implementing the Decentralisation Policy of 2014 owing to lack of commitment by the central government, capacity at the Ministry of Local Government and Chieftainship to monitor and advise the local authorities effectively and lack of additional sources of revenue for the local authorities.

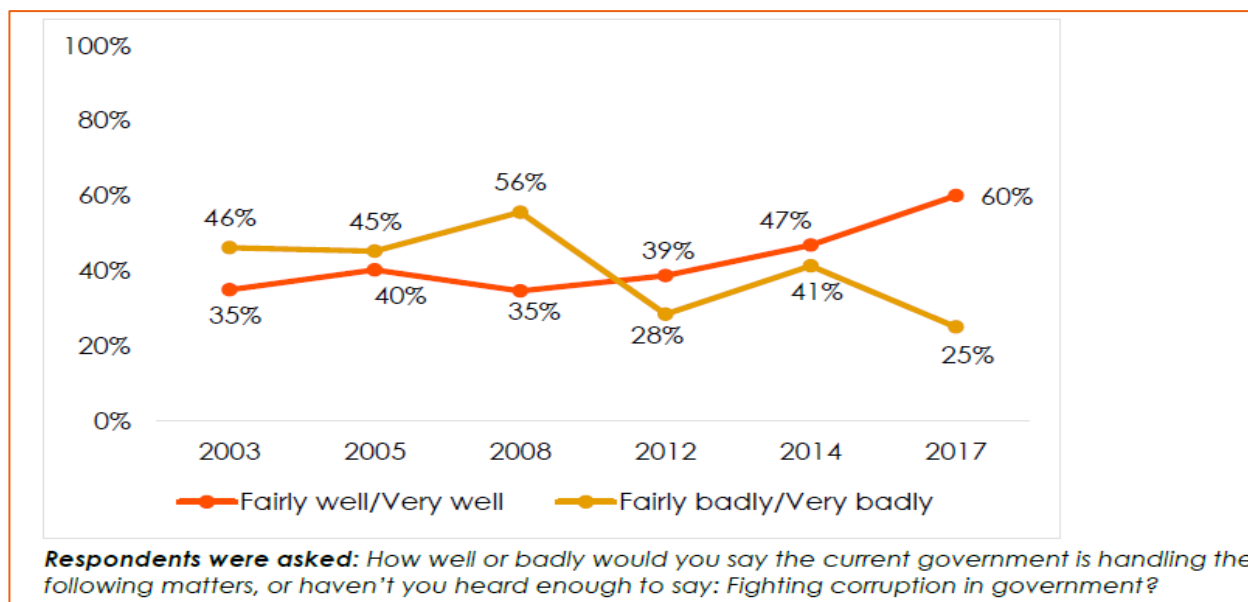
3.9.2 Combating Corruption

Generally, lack of good governance provides the enabling environment for corruption and malpractices by political leaders and public officials. Discussions with a wide range of actors, including private sector representatives, yielded the result that corruption, though present in the country, is not endemic. However, the potential for corruption, given the weak legal and regulatory system, is real. Added to this is the fact that public finance management system is inadequate.

The global Corruption Report 2018 showed that Lesotho is ranked 78 out of 175 (1 is least corrupt and 175 is the most corrupt) dropping from 55/174 in the 2014 as Corruption Perception Index rankings, with a score of 49/100 (100 being the least corrupt). This means that the country has regressed 23 places down implying that corruption acts are worsening instead of dropping as the country improves policies, laws and institutions like Directorate of Corruption and Economic Offences (DCEO) which were established to prevent and investigate the corrupt practices.

Despite mixed views on the overall level of corruption in the country, Basotho give increasingly positive reviews of the government's efforts to fight corruption. Six in 10 respondents (60%) say the government is performing "fairly well" or "very well" on the issue, up from 35% in 2008 and 47% in 2014 (Figure 3.9.0).

Figure 3.9.0: Government performance in fighting corruption| 2003-2017|



Source Afrobarometer Corruption Report 2019

Perceived corruption among government officials has worsened as well. Between 2005 and 2017, the proportion of citizens who say that "most" or "all" government officials are corrupt increased by 9 %age, while the share who think that "some of them" are corrupt grew by 20 points (Figure 3.9.1). Combined, 80% of Basotho now think that at least "some" government officials are corrupt, compared to 51% in 2005.

Figure 3.9.1: Perceived corruption among government officials | 2005 vs. 2017|

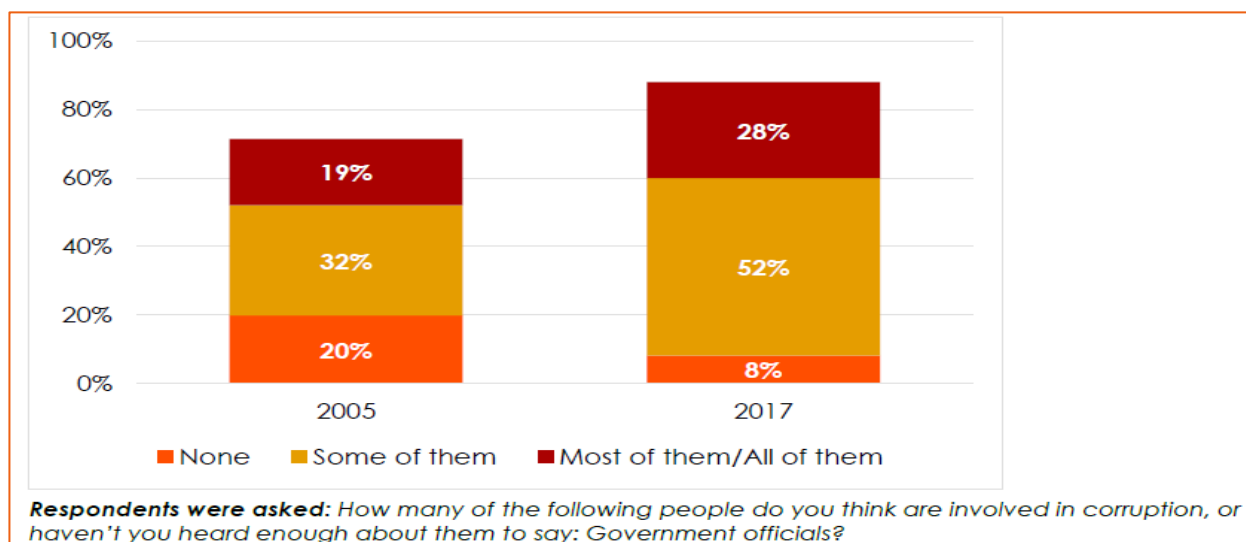
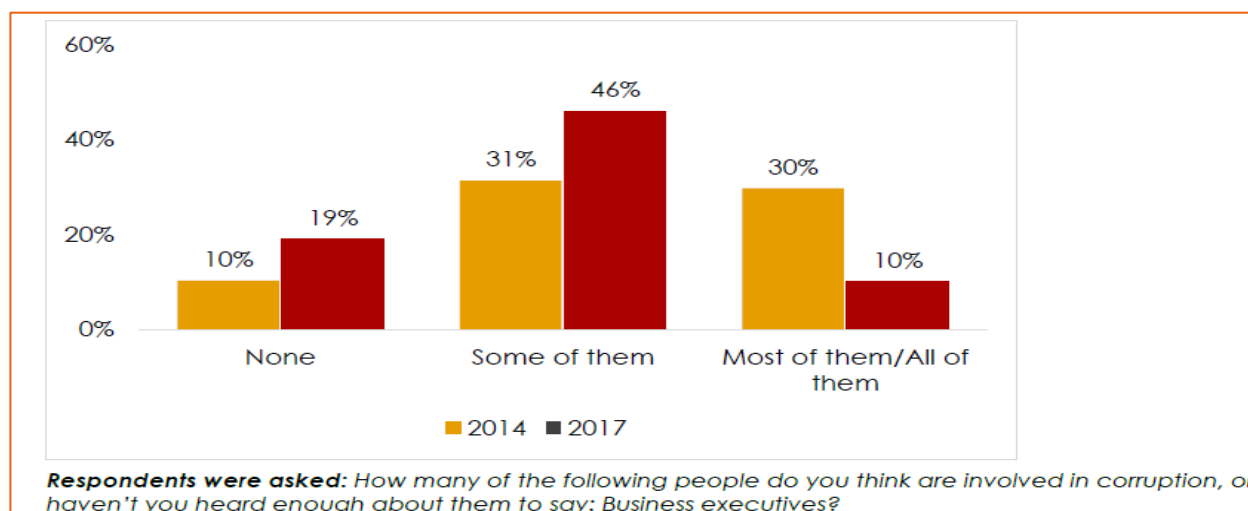


Figure 3.9.2: Perceived corruption among business executives |2014-2017|



Source: Afrobarometer Corruption Report 2019

But perceptions of the prevalence of corruption among business executives has become slightly less harsh compared to 2014. Only 10% of respondents say that “all” or “most” business leaders are corrupt (down from 30% in 2014), while 46% see “some” as corrupt (up from 31% in 2015). Almost twice as many Basotho as in 2014 say that “none” are corrupt (19% in 2017 vs. 10% in 2014) (Figure 3.9.2 above).

3.9.3 Human Rights

A country's recognition and respect for basic human rights of its people is at the very core of the quality of its governance. According to the Mo Ibrahim Index, Lesotho achieved a rating of 58.9 in 2011 and improved to 62.3 in 2014, then dropped to 57.1 in 2017. In the period following IPoA more work has to be done in respect of attaining good governance in the country. Although the 1993 Constitution of Lesotho guarantees fundamental human-rights and freedom to all persons regardless of race, colour, sex, language, religion and political or other opinion, there are several social, cultural and economic rights which are not justiciable and are only principles of state policy based on the availability of resources. Yet, these are the rights that embody the immediate and pressing survival needs of the people.

It is commendable that institutions of protection, such as the courts, Police Complaints Commission and the Ombudsman have been established to give practical effect to these constitutional rights. However, the mandate of the Ombudsman is limited to cases of administrative malpractice bordering on unfair practices and procedures relating to actions of government officers and public bodies and cannot investigate some higher offices in government, such as members of the Cabinet, the judiciary and the palace. Further, although Lesotho has ratified or acceded to most of the principal UN Human Rights Treaties, including; International Covenant on Civil and Political Rights 1996; International Covenant on Economic, Social and Cultural Rights 1996; Convention Against Torture 1981; and International Convention on Elimination of All Forms of Racial Discrimination, a Human Rights Commission to deal with infringement of human rights of the ordinary *Basotho* in line with its international commitment to the Vienna Declaration on Human Rights 1993 has still not yet materialised.

3.9.4 Gender Issues

Lesotho is one of the few African countries with a reverse gender gap in favour of women where the female literacy rate was estimated to be 95.7 % and the male literacy rate was 82.7% in 2018. Women constitute 50.6 % of the population and it is estimated that 30.7 % of households are headed by women, of which almost 63 % are below the poverty line, as compared to male headed households which stands at 58 %. A large proportion of female-headed households are vulnerable to poverty because they lack agricultural assets and have more difficulties in securing income. Rural households are forced to depend on diversified sources of livelihoods. Women are visibly active in the various sectors of the economy, but they dominate the less productive areas, including the informal sector. The poor female headed households have a high degree of dependence on food purchases for food security. Poverty and household food insecurity in Lesotho reveals a strong gender dimension.

Women are reported to have earned only 30.9 % of the total national income despite their higher mean years of school. In the education, girls are being favoured over boys, who are discriminated against because they are away tendering cattle. This relative education advantage has enabled women to compete for employment within the country, while historically the more poorly educated men have sought employment in South Africa. As a result, women have done well in certain sectors of the economy, including health, education and manufacturing, although often in poorly paid positions. According to the Global Gender Gap Index report 2020, Lesotho is ranked 88 out of 153 countries with a total of 0.695. But Lesotho has made good strides in achieving gender parity in educational attainment (1.0) as well as health and survival (0.980) where 1.00 reflects parity. However, political empowerment remains weak (0.137) which puts Lesotho at 102 out of 153 countries and economic participation and opportunity (0.662) which puts Lesotho at 84 out of 153. Greater efforts will be needed to improve women's participation in these areas.

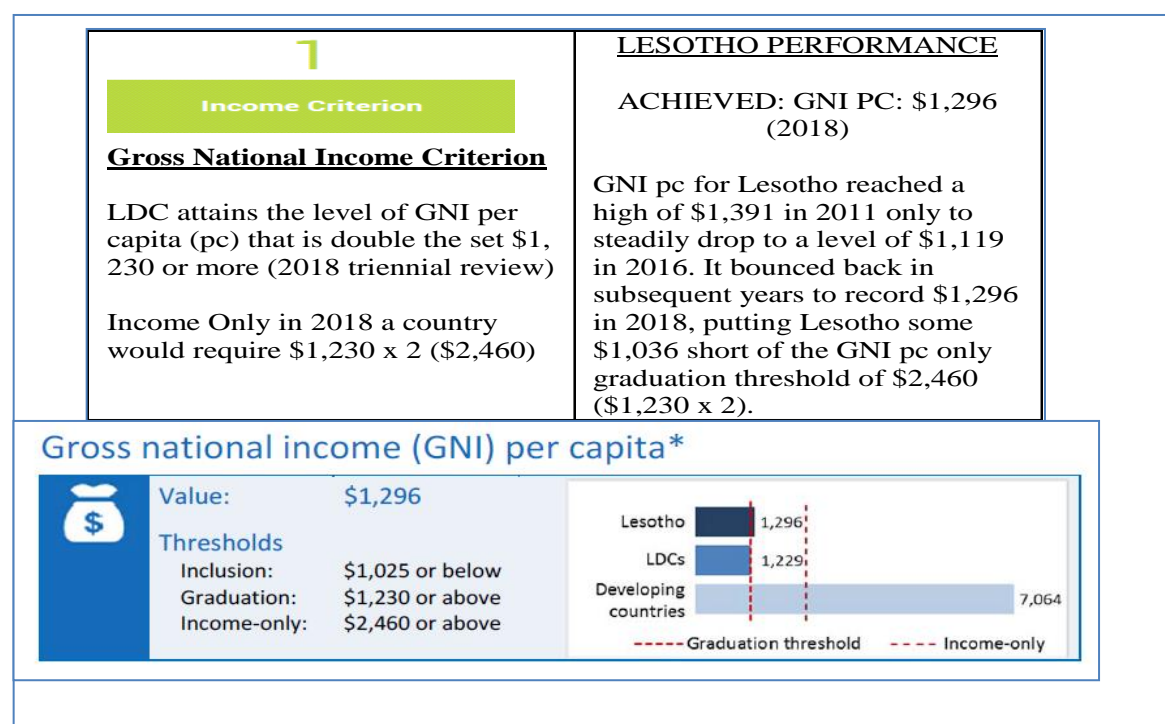
Within government, it is only at very senior levels that one finds a disproportionate number of men while in lower and middle ranking positions women predominate over men in many departments. Furthermore, despite the relative advantage of women in education, social prejudice - rather than lack of qualifications, employment regulations or the Constitution – bars women from getting into mainstream politics. For instance, currently, 40 % and 33 % of the principal secretaries and deputy principal secretaries, respectively, are women. The number of positions allocated to women in cabinet fluctuates with but reached 31 % in 2013. Although the proportion of women in the new Parliament is almost 12 %, up from 2.5 % in the previous one, it is much lower than the minimum SADC benchmark of 30 %.

3.10 STEPS TOWARDS GRADUATION

Lesotho is making gradual and promising progress towards graduation. As can be seen in the following indicator tables Lesotho has surpassed the threshold GNI per capita and is close to the other two criteria of Human Assets Index and Economic Vulnerability Index.

3.10.1 Graduation Criteria - Gross National Income per capita

Table 3.10.0: Lesotho Graduation Performance: Income



The steady and relatively large investments made over the years are improving education access as well as indicators in the health sector which contribute to an improved HAI score of 61.6. Efforts to contain both maternal and under-five mortality rates include improving access to antenatal care for pregnant women (78% of all births took place under the supervision of a skilled health person, 77% in a health facility), immunisation (95%, 2018) and nutrition for under 5s. Table 3.10.2 shows the achieved level of Human Assets Index.

3.10.2 Graduation Criteria – Human Assets Index

Table 3.10.1: Lesotho Graduation Performance: Human Assets Index

<div>2</div> <div>Human Assets Index (HAI)</div> <div>Based on Indictors of:</div> <div><div>Health</div><div>% of population undernourished</div><div>Under 5 mortality rate</div><div>Maternal mortality rate</div></div> <div><div>Education</div><div>Gross secondary school enrolment ratio</div><div>Adult literacy rate</div></div>	<div>LESOTHO PERFORMANCE</div> <div>ACHIEVED: 61.6</div> <div><div>HEALTH</div><div>Population undernourished: 14.5%</div><div>Under 5s mortality rate: 86.4/1,000 live births</div><div>Maternal mortality rate: 1,024 per 10,000 live births (LDHS, 2014)</div></div> <div><div>EDUCATION</div><div>GER: Secondary school: 65% Lower secondary & 35% Upper Secondary</div><div>Adult literacy rate: 89.2% (MICS 2018)</div></div>	<div>HAI indicators*</div> <div><div>Under-five mortality rate</div><div><div></div><div>Value: 93.5</div><div>Index: 49.4</div><div>Source: UN IAG for Child Mortality Estimation</div></div></div> <div><div>Percentage of population undernourished</div><div><div></div><div>Value: 14.5</div><div>Index: 84.2</div><div>Source: FAO</div></div></div> <div><div>Maternal mortality rate</div><div><div></div><div>Value: 487</div><div>Index: 59.7</div><div>Source: UN IAG for Maternal Mortality</div></div></div>
<div>Human assets index (HAI)*</div> <div><div><div></div><div>Value: 61.6</div></div><div>Thresholds</div><div><div>Inclusion: 62.0 or below</div><div>Graduation: 66.0 or above</div></div></div> <div><div><div>Lesotho</div><div></div><div>61.6</div></div><div><div>LDCs</div><div></div><div>53.1</div></div><div><div>Developing countries</div><div></div><div>76.4</div></div><div><div>----- Graduation threshold</div></div></div>		
<div><div><div></div><div>Gross secondary school enrolment ratio</div><div><div></div><div>Value: 53.8</div><div>Index: 48.6</div><div>Source: UNESCO</div></div></div><div><div><div></div><div>Adult literacy rate</div><div><div></div><div>Value: 76.6</div><div>Index: 68.8</div><div>Source: UNESCO</div></div></div></div></div>		










Lesotho achieved a score of 61.6 on Human Assets Index for 2019, making a steady progress towards the frontier score of 66. The score has been achieved through the consistent and relatively large investments made by GoL over the years in improving education access as well as those in the health sector. But further improvements are required in the coordination of the efforts of stakeholders to contain maternal and under-five mortality rates, improve the food security and nutrition levels as well as stabilise HIV/AIDs prevalence. The degree of success attained in reversing these and the socio-economic negatives arising from them along with addressing issues of relevance and quality in the education sector will improve the HAI score towards the required threshold of 0.66.

3.10.3 Graduation Criteria – Economic Vulnerability Index

From the Economic Vulnerability Index (EVI) point of view, Lesotho's progress has also been held back even though considerable progress is being made to address the causes of vulnerability such as distance from markets as a result of remoteness and exports concentration. In order to address the factor of remoteness, Lesotho has streamlined export procedures to facilitate faster cross border trade.

There is still a long way also to go to address vulnerability to climate related factors which lower production in agriculture which ultimately lowers the share of agriculture in GDP. The constraints in this respect are not only from a climate point of view for Lesotho, but include policy clarity and consistency in facilitating commercial smallholder farming on sustainable scale, solving challenges of access to inputs, credit, availability of skills and extension support and of course facilitating access to markets (Lesotho Agriculture Expenditure review, 2019). Complicating matters also is the fact that commercialisation generally falls under the purview of MTI / MSBDCM but farm level operations fall under the MAFS thus requiring effective coordination and close calibration of policies / initiatives between responsible ministries.

Table 3.10.2 Lesotho Graduation Performance: Economic Vulnerability Index

<div>3</div> <div>Economic Vulnerability Index (EVI)</div> <div>Based on indicators of:<ul style="list-style-type: none">Population sizeRemotenessMerchandise export concentrationShare of agriculture, hunting, fishing and forestryShare of population in low elevated coastal zonesInstability of exports of goods servicesVictims of natural disastersInstability of agricultural production</div> <div>Economic Vulnerability Index Criterion</div> <div>Threshold: 32 or below</div>	<div>LESOTHO PERFORMANCE</div> <div>Population size: 2 Mln (Small)</div> <div>Remoteness: Land locked, mountainous, limited infrastructure. Closest seaport is Durban, some 600 km (Indian Ocean), economy integrated into South Africa and benefits from South Africa's road network.</div> <div>Merchandise export concentration: 0.278. Diversification is taking hold, but the value of most merchandise is still low. Apparel & clothing exports dominate</div> <div>Share of agriculture: 6% of GDP</div> <div>Instability of exports: Highly dependent on manufacturing (apparel & clothing) exports which are based on AGOA</div> <div>Victims of natural disasters: Climate change effects include frequent and intense drought conditions.</div> <div>Instability of agricultural production: Frequent droughts threaten production because agriculture is mainly ran-fed.</div>	<div>EVI indicators*</div> <div>Population<div> Value: 2,203,821 Index: 58.7 Source: UN/DESA, Population Division</div></div> <div>Remoteness<div> Value: 89.0 Index: 98.7 Source: CDP</div></div> <div>Merchandise export concentration<div> Value: 0.28 Index: 21.0 Source: UNCTAD</div></div> <div>Share of agriculture, forestry and fishing in GDP<div> Value: 5.7 Index: 7.9 Source: UN/DESA, Statistics Division</div></div> <div>Share of population in low elevated coastal zones<div> Value: 0.0 Index: 0.0 Source: CIESIN</div></div> <div>Instability of exports of goods and services<div> Value: 11.6 Index: 21.9 Source: UN/DESA, Statistics Division</div></div> <div>Victims of natural disasters<div> Value: 6,526 Index: 94.4 Source: EM-DAT</div></div> <div>Instability of agricultural production<div> Value: 6.3 Index: 26.1 Source: FAO</div></div>
<div>Economic vulnerability index (EVI)*</div> <div><div><div></div><div><div>Value: 42.0</div><div>Thresholds</div><div>Inclusion: 36.0 or above</div><div>Graduation: 32.0 or below</div></div></div><div><div><div>Lesotho</div><div>LDCs</div><div>Developing countries</div></div><div><div><div></div><div></div><div></div></div><div><div>42.0</div><div>41.3</div><div>34.7</div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></div></div><div><div></div><div></div><div></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Having looked at the Lesotho situation with regard to graduation, there are positives and a cause for cautious optimism. There has been consistency in maintaining the per capita GNI threshold. The HAI threshold is not far off with Lesotho sitting at 61.6, not far from the 66 frontier score. The challenge remains due to the health difficulties, the need to improve the quality of education as well as align skills to labour market needs. Therefore, there is still significant work to be done to fill the existing gaps to meet the goals of the Programme of Action and entertain thoughts of graduation. Continued efforts to address the remoteness, low agricultural production, diversification and disasters are needed to bring the EVI score closer to the threshold of 32 or lower. On the upside though is the fact that relative to other LDCs Lesotho is making progress in diversifying exports as can be deduced from the encouraging 0.278 value of export concentration (Human Development Report Indices & Indicators 2018 Statistical Update). This will in the long term even out the dependence on commodities exports.

Graduation, as said earlier, is not an end, but rather a way to achieve structural change, poverty eradication and economic diversification in LDCs and thereby contribute to the achievement of the goals of the IPOA and 2030 Agenda for Sustainable Development. Some lessons can be learnt from the experiences of countries which have made it to graduation, even though not all may directly be applicable to Lesotho and the set of circumstances it faces. Lessons from countries which have graduated seem to reinforce an approach to graduation that is correct and should be pursued with effort. The following ingredients seem to be critical and it is encouraging to note that Lesotho is doing this: (1) putting emphasis on policies geared towards reducing a country's specific vulnerabilities and (2) playing to a country's potential strengths.

In addition to strengthening education and health sectors, Lesotho will strengthen policies which enhance infrastructure development especially in manufacturing, agriculture, ICT and tourism

bearing in mind the goal of diversification and value chain development in the economy. The infrastructure development policies should seek to improve accessibility to rural areas conducive for agriculture and tourism development. In addition to making access possible, policies should also enhance private sector participation in unlocking value through incentives or other means which lighten the load of starting businesses in these sectors. The value chain development should seek to link rural farmers with markets at local level while establishing linkages with the export markets for niche high value agro-products.

3.11 COHERENCE AND LINKAGES WITH THE 2030 AGENDA AND OTHER GLOBAL PROCESSES

The 2030 Agenda has placed the promise of leaving no-one behind at the centre of the global efforts to eradicate extreme poverty, build a future of shared prosperity and protect our planet. LDCs received special attention in the 2030 Agenda as the most vulnerable countries. The challenges and priorities are firmly embodied in the basic architecture of the 2030 Agenda.

Lesotho is an active member of many international organisations such as United Nations, World Trade Organisation, World Health Organisation, etc and it is also a signatory to many global agreements and conventions. It has actively participated in the international, continental (AU) and regional meetings including the SADC frameworks, the Sustainable Development Goals (SDGs), the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), UNFCCC and many other international programs.

During the review period, Lesotho has undertaken and presented a Voluntary National Review (VNR) 2019 with the view to assess progress towards the implementation of the agenda 2030. The country has undertaken Green House Gases (GHG) inventory, assessed its vulnerability to climate change impacts, provided existing adaptation strategies and potential strategies, assessed mitigation efforts and available options, assessed the level of systematic observation and research and information dissemination.

The NSDP II has a clear linkage to agenda 2030 and envisages ambitious policy targets of the transformation of the economy from a consumer driven economy to a producer-based economy led by the private sector. Its full implementation will depend upon the concerted efforts and commitment of all the people of Lesotho. Thus, based on the principle of “Leaving No One Behind”, it is the responsibility of all in the country, in whatever capacity to build the future all aspire for and want by committing once more to redoubling efforts towards the transformation of Lesotho socially, economically and politically for the betterment of the lives of all. It is important to note that these collective efforts to transform Lesotho into a producer based, private sector led economy on a sustainable basis will bear fruit if greater appreciation is given to the environment and managing factors which negatively impact on its resilience.

The NSDP II also states that, this National Strategic Plan defines Lesotho’s new development path and represents a renewed commitment and strategic guidance towards the creation of a shared prosperity. This Plan is also integrated, streamlined to the current global vision as well as serving as the first to implement the Post 2015 UN Sustainable Development Goals and Agenda 2063, thus all the relevant programmes such as IPoA are directly incorporated and mainstreamed into this 5-year strategic policy programme.

Therefore, there is need for all to plan to support, to join hands and forge smart partnerships with a range of stakeholders at national, regional and global levels to deliver on the aspirations of the people after commemorating fifty years of independence. Lesotho further pledging and demonstrating its commitment both to the regional and global development agendas by actively participating in the discourse on development matters.

3.12 TOWARDS THE NEXT LDC AGENDA

The Government of Lesotho is committed to the 2030 Agenda, SDGs, AU Agenda 2063 and the next Agenda for LDCs. Building on the achievements and lessons of the IPoA 2011-20, and NSDP 2013/14-2017/18 the Government has begun implementation of NSDP II towards the delivery of Agenda 2030. Lesotho will therefore accelerate efforts towards the reduction of poverty, inequality and unemployment.

Poverty and inequality remain significant challenges for Lesotho despite huge investments in social sectors by the government and its development partners. The country is still classified under least developed countries with GDP per capita of \$1300 and 49% of its population living below poverty line. In order to reverse these persistent problems, the NSDP II is proposing a private – sector – led strategy that is meant to create jobs and achieve inclusive economic growth. The Government has further prioritized four- sectors to drive economic activity and catalyze growth and create jobs. Building productive capacity towards a vibrant private sector is therefore key for the government to realize its national aspirations as well as international commitments for sustainable and equitable growth. The following strategic areas and actions will be pursued in collaboration with all key stakeholders including development partners.

Improving Human Development:

Health: There is an urgent need to consolidate the gains made this far on improving the mortality rates of pregnant women and under 5s; reduce malnutrition and strengthen disease prevention.

Education and Training: There is need to enhance skills development through TVET as there is urgency to address the persistent challenge of skills mismatch between labour market demand and supply.

Enhancing Youth Development and Women Empowerment: There is need to enhance coverage and impact of youth development and women empowerment programmes. Emphasis should be paid to skills and entrepreneurship development to enable youths and women to be self-employed or gain meaningful employment. In addition to capital provision, women and youth should also be provided with other forms of support such as business development services, market access support and other technological skills that enhance productivity and competitiveness.

Providing a conducive environment for investment: The government should strengthen efforts towards implementation of its investment climate reforms agenda to ensure improved productivity of the private sector towards sustainable job creation and increased private investments.

Enhancing Debt sustainability: Implement Public Debt Policy of 2019 to manage and ensure that borrowing decisions are prudent and debt remains at sustainable levels. Continuous debt sustainability analysis should be carried out and the results should inform the borrowing decisions.

Improving Aid Coordination: The government should enforce The Lesotho Partnership Policy This policy in order to strengthen aid coordination and management in Lesotho and to set a proper platform for collaboration between GoL and DPs on how best to achieve Lesotho's development goals. This will lead to effectiveness of development cooperation, increased transparency and accountability, and accelerated progress towards policy coherence.

Strengthening good governance and promote the rule of law: Implementation of National Reforms should be fast – tracked. These include reforms of the constitution, parliament, security and justice sectors, public as well as the economic reforms.

3.14 ANNEXES

ANNEX 1

GDP by Economic Activity, current prices Maloti millions)

Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture	805	907	895	1043	1099	1445	1595	1592	2091	1778
Mining & Quarrying	1392	716	893	1657	1211	1430	2390	2328	2375	2983
Manufacturing	3132	2612	2189	2437	2385	2590	3402	4671	5340	4616
Electricity Supply	259	263	288	313	356	423	426	395	335	403
Water & Sewage	490	511	691	779	853	893	1025	1169	1244	1254
Construction	788	944	1211	1166	1608	1505	1519	1659	1467	1432
Wholesale & Retail	1577	1698	1880	2143	2585	3044	3200	3216	3559	3642
Transportation & Storage	400	418	454	494	568	644	728	708	726	720
Accommodation services	246	261	285	302	326	339	355	323	343	367
Information & Communication	409	467	558	623	647	733	889	1011	1129	992
Financial & Insurance	737	743	827	900	985	1407	1952	2508	2485	2849
Real Estate	1064	1133	1162	1200	1251	1297	1319	1351	1374	1390
Professional service	113	133	162	177	204	262	274	278	279	279
Admin & Support services	234	259	291	387	425	430	531	737	748	730
Public Admin & defence	1 605	1 969	2 155	2 400	2 709	2 711	2 971	3 403	3 615	3 958
Education	1 087	1 405	1 578	1 798	1 808	2 024	2 125	2 240	2 391	2 494
Health	218	272	289	433	590	672	834	917	1 021	1 100
Other	185	200	218	217	239	249	268	268	293	303
Gross Domestic Product	15 454	15 812	17 468	20 244	21 990	24 389	28 375	31 445	33 904	34 525

Derived from BOS Statistical Report No 42, 2018 (National Accounts of Lesotho 2008 – 2017)

ANNEX 2**GDP by Economic Activity, per cent (%) contribution**

Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture	5.2	5.7	5.1	5.2	5	5.9	5.6	5.1	6.2	5.1
Mining & Quarrying	9	4.5	5.1	8.2	5.5	5.9	8.4	6.4	7	8.6
Manufacturing	20.3	16.5	12.5	12	10.8	10.6	12	14.9	15.8	13.4
Electricity Supply	1.7	1.7	1.6	1.5	1.6	1.7	1.5	1.3	1	1.2
Water & Sewage	3.2	3.2	4	3.8	3.9	3.7	3.6	3.7	3.7	3
Construction	5.1	6	6.9	5.8	7.3	6.2	5.4	5.3	4.3	4.1
Wholesale & Retail	10.2	10.7	10.8	10.6	11.8	12.5	11.3	10.2	10.5	10.6
Transportation & Storage	2.6	2.6	2.6	2.4	2.6	2.6	2.6	2.3	2.1	2.1
Accommodation services	1.6	1.7	1.6	1.5	1.5	1.4	1.3	1	1	1.1
Information & Communication	2.6	3	3.2	3.1	2.9	3	3.1	3.2	3.3	2.9
Financial & Insurance	4.8	4.7	4.7	4.4	4.5	5.8	6.9	8	7.3	8.3
Real Estate	6.9	7.2	6.7	5.9	5.7	5.3	4.6	4.3	4.1	4
Professional service	0.7	0.8	0.9	0.9	0.9	1.1	1	0.9	0.8	0.8
Admin & Support services	1.5	1.6	1.7	1.9	1.9	1.8	1.9	2.3	2.2	2.1
Public Admin & defence	10.4	12.5	12.3	11.9	12.3	11.1	10.5	10.8	10.7	11.5
Education	7	8.9	9	8.9	8.2	8.3	7.5	7.1	7.1	7.2
Health	1.4	1.7	1.7	2.1	2.7	2.8	2.9	2.9	3	3.2
Other	1.2	1.3	1.2	1.1	1.1	1	0.9	0.9	0.9	0.9
Gross Domestic Product	100	100	100	100	100	100	100	100	100	100

Derived from BOS Statistical Report No 42, 2018 (National Accounts of Lesotho 2008 – 2017)

ANNEX 3 Summary of Government Budgetary Operations 2013 – 2017 (Million Maloti) (CBL Annual Report, 2018)

	2013	2014	2015	2016	2017
Revenue	13,721.88	14,103.59	15,069.10	14,078.91	14,151.70
Tax revenue	4,879.97	5,876.40	6,638.16	6,883.54	6,697.13
Grants	1,783.35	364.93	510.24	717.46	263.33
Other revenue	1,026.06	1,073.07	1,340.62	1,511.63	1,445.86
SACU receipts	6,032.49	6,789.19	6,580.08	4,966.28	5,745.39
Expense	-9,493.54	-11,042.79	-11,399.91	-13,342.68	-13,365.40
Compensation of Employees	-4,155.75	-4,967.88	-5,336.49	-5,825.06	-5,879.93
Purchases of goods and services	-2,413.85	-2,850.34	-2,884.65	-3,921.51	-3,031.47
Interest Payments	-263.06	-300.21	-336.19	-370.82	-403.61
Subsidies	-246.42	-201.63	-304.19	-307.76	-490.83
Grants	-926.28	-1,174.63	-890.84	-862.63	-1,759.12
Social benefits	-736.13	-762.23	-882.44	-937.01	-938.04
Other expense	-752.06	-785.87	-765.11	-1,126.73	-862.41
Net Cash Inflow From Operating Activities	4,228.35	3,060.80	3,669.19	736.22	786.30
Transactions in Nonfinancial Assets	-2,977.11	-3,244.44	-3,369.10	-2,923.01	-2,983.77
Fixed Assets	-2,977.11	-3,244.44	-3,369.10	-2,923.01	-2,983.77
Buildings and structures	-1,418.06	-2,098.78	-1,485.47	-1,715.88	-2,386.69
Machinery and equipment	-263.92	-158.36	-161.85	-191.11	-390.41
Non-Produced Assets	0.00	0.00	0.00	0.00	0.00
Cash deficit(-)/surplus(+)	1,251.24	-183.63	300.09	-2,186.79	-2,197.47
Net Cash Inflow From Financing Activities	-860.66	-205.70	968.73	2,343.05	2,108.27
Transactions in Financial assets	-1,176.59	-768.30	-137.09	2,195.31	1,915.58
Domestic	-1,176.59	-768.30	-137.09	2,195.31	1,915.58
Foreign	0.00	0.00	0.00	0.00	0.00
Transactions in Liabilities	315.93	562.60	1,105.82	147.74	192.69
Domestic	44.13	53.56	383.23	-47.14	204.16
Foreign	271.80	509.04	722.60	194.89	-11.47
Statistical Discrepancy	390.58	-389.33	1,268.82	156.27	-89.20
Source	Ministry of Finance (MoF) and CBL estimates				

ANNEX 4 Value of Imports and Exports (million Maloti) 2017 (*BOS Statistical Report No 42, 2018 (National Accounts of Lesotho 2008 – 2017)*)

Partner	SITC									
	Food and live animals	Beverages & tobacco	Crude materials, inedible, except fuels	Mineral fuels, lubricants & related materials	Animal & vegetable oils, fats & waxes	Chemicals & related products, n.e.s.	Manufactured goods classified chiefly by material	Machinery & transport equipment	Miscellaneous manufactured articles	Commodities & transactions not classified elsewhere in the SITC
	Imports									
Botswana	0.01	0.00	0.00	0.00	0.00	2.08	0.23	3.79	0.92	0.50
Namibia	0.01	2.41	0.16	0.61	0.00	0.00	0.00	1.56	0.12	0.10
South Africa	4017.26	783.02	175.27	2564.01	164.75	1180.71	5670.43	3094.92	1979.39	27.80
Swaziland	0.96	0.00	0.00	0.00	0.00	0.37	0.05	0.49	8.67	0.02
SACU	4018.25	785.44	175.43	2564.62	164.75	1183.16	5670.71	3100.76	1989.09	28.42
Angola	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Congo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malawi	0.00	0.00	5.33	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Mauritius	3.34	0.00	0.05	0.00	0.00	0.71	0.74	0.28	0.94	0.00
Mozambique	0.00	0.00	3.54	111.65	0.00	0.00	0.00	0.00	0.00	0.00
Tanzania	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Zambia	0.00	0.00	191.54	0.00	0.00	0.00	0.00	0.05	0.01	0.31
Zimbabwe	0.00	0.00	129.81	0.00	0.00	0.06	0.00	0.27	0.00	0.00
SADC	4021.59	785.44	505.71	2676.26	164.75	1183.93	5671.45	3101.38	1990.04	28.75
	Exports									
Botswana	0.04	0.05	1.08	0.00	0.00	0.06	21.01	0.27	0.05	0.23
Namibia	0.00	0.00	0.00	0.00	0.00	0.00	0.29	8.27	0.16	0.00
South Africa	297.65	912.05	896.59	7.73	0.00	3.90	499.10	803.12	2169.25	0.94
Swaziland	0.08	0.00	3.38	0.00	0.00	6.23	141.82	0.45	0.24	0.10
SACU	297.77	912.11	901.06	7.73	0.00	10.19	662.21	812.10	2169.70	1.28
Angola	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Congo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malawi	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mauritius	0.00	0.00	0.00	0.00	0.00	0.00	21.05	0.01	0.00	0.00
Mozambique	0.00	0.00	0.00	0.00	0.00	0.00	0.19	1.43	0.00	0.00
Tanzania	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	1.80	0.00
Zambia	0.00	0.00	0.00	0.00	0.00	0.00	0.03	2.40	2.36	0.25
Zimbabwe	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.00	14.88	0.00
SADC	297.77	912.11	901.06	7.73	0.00	10.28	683.50	816.19	2188.75	1.53

ANNEX 5a Value of Exports 2013 – 2017 (Million Maloti) (BOS Statistical Report No 42, 2018 (National Accounts of Lesotho 2008 – 2017))

SITC	2013	2014	2015	2016	2017
Food and live animals	245	179	119	1,078	318
Beverages and tobacco	658	639	627	0	912
Crude materials	206	4,376	2,814	656	947
Mineral fuels	3	4	2	7	8
Animal and vegetable oils	0	0	1	4	0
Chemicals and related products	9	9	8	12	21
Manufactured goods	279	294	261	4,400	4,703
Machinery and transport equipment	513	294	186	676	821
Miscellaneous manufactured articles	1,477	3,206	2,950	6,259	6,420
Commodities not elsewhere classified	0	3	6	7	3
Monetary coins	0	0	8	0	0
Total	3,391	9,004	6,983	13,098	14,154
Percentage change	-39.2	165.6	-22.4	87.6	8.1

ANNEX 5b Value of Imports 2013 – 2017 (million Maloti) (BOS Statistical Report No 42, 2018 (National Accounts of Lesotho 2008 – 2017))

Table 1: Distribution of Imports ('Million Maloti) by SITC Categories, 2013-2017

SITC	2013	2014	2015	2016	2017
Food and live animals	2,678	3,049	3,508	4,820	4,059
Beverages and tobacco	384	342	673	686	776
Crude materials (e.g. diamonds)	750	492	650	748	618
Mineral fuels	2,267	3,132	2,729	2,076	5,479
Animal and vegetable oils	139	145	155	421	166
Chemicals and related products	1,989	1,566	1,682	2,091	1,680
Manufactured goods	3,087	2,909	4,860	4,968	7,026
Machinery and transport equipment	2,964	3,651	3,641	4,531	4,180
Miscellaneous manufactured articles	3,494	2,411	2,169	3,298	3,884
Commodities not elsewhere classified	9	43	65	22	46
Monetary coins	0	0	0	0	0
Total	17,760	17,741	20,132	23,662	27,916
Percentage change	35.3	-0.1	13.5	17.5	18.0

ANNEX 6a Vaccinations by Background Characteristics 2018 (MICS, 2018)

Percentage of children age 12-23 months currently vaccinated against vaccine preventable childhood diseases (Crude coverage), Lesotho MICS, 2018																							
	Percentage of children age 12-23 months who received:																	Percentage with:			Number of children age 12-23 months		
	Polio							DTP-HepB-Hib			PCV			Rotavirus		Measles -Rubella 1 ^a	Measles1/ Measles - Rubella 1 ^a	Basic anti-gens ^{a,b}	No vacci-nations	Vacci-nation cards ^c		Vacci-nation cards seen ^c	
	BCG ¹	At birth	OPV 1	OPV 2	OPV 3	IPV	OPV 3 &	1	2	3 ^{d,e}	1	2	3 ^f	1	2 ^g								Measles1 ^h
Total	96.7	87.6	94.1	88.8	79.8	46.4	36.8	91.6	90.2	86.8	78.2	72.6	86.8	21.4	16.3	48.0	82.8	88.9	68.9	2.3	96.1	84.0	886
Sex																							
Male	96.6	87.8	94.9	89.9	80.7	42.0	32.2	92.9	92.1	86.5	80.0	77.1	72.1	20.1	13.7	46.2	64.5	91.3	70.9	1.3	96.5	85.4	331
Female	94.7	87.1	93.4	87.9	78.9	48.7	39.3	90.2	88.3	84.8	72.5	68.0	61.5	22.7	16.9	49.8	61.1	88.6	66.9	3.3	93.7	82.5	334
Area																							
Urban	96.8	89.4	95.2	89.8	79.3	40.3	31.6	92.3	91.6	86.7	71.0	70.4	66.5	24.9	16.7	56.1	62.6	90.4	69.3	2.4	95.1	83.0	220
Rural	95.1	86.5	93.6	88.4	80.0	47.9	37.8	91.2	89.5	85.1	78.8	73.6	67.0	19.7	14.6	44.0	62.9	89.7	68.7	2.2	95.1	84.4	446
Ecological Zone																							
Lowlands	96.0	87.8	94.0	88.7	79.7	43.9	35.4	93.4	92.5	88.2	74.7	71.2	67.0	24.0	17.5	52.6	62.4	90.2	71.2	2.3	94.9	84.8	404
Foothills	92.4	78.5	96.6	93.2	69.2	44.2	21.5	86.6	86.6	80.9	82.3	76.3	64.6	13.4	8.3	30.1	66.1	86.2	50.6	1.5	97.4	71.6	67
Mountains	95.2	89.2	94.2	87.9	82.8	47.9	40.8	88.6	86.9	81.1	76.3	73.8	66.6	19.0	13.6	44.2	60.8	89.7	68.9	3.1	94.6	85.4	144
Senqu R. Valley	99.0	91.8	91.4	87.2	85.6	51.7	43.0	91.4	86.1	84.3	80.7	74.3	68.6	18.2	11.2	45.5	67.0	93.7	74.7	1.0	94.5	89.7	50
Mother's education																							
Primary or none	91.7	83.2	92.5	84.8	79.5	45.8	36.0	86.1	84.0	79.5	78.0	74.2	69.4	21.7	15.3	44.1	59.2	85.9	64.0	4.1	94.5	81.5	254
Secondary	91.7	83.2	92.5	84.8	79.5	45.8	36.0	86.1	84.0	79.5	78.0	74.2	69.4	21.7	15.3	44.1	59.2	85.9	64.0	4.1	94.5	81.5	254
Higher	91.7	83.2	92.5	84.8	79.5	45.8	36.0	86.1	84.0	79.5	78.0	74.2	69.4	21.7	15.3	44.1	59.2	85.9	64.0	4.1	94.5	81.5	254
Wealth Index quintile																							
Poorest	92.5	81.1	91.9	87.6	81.9	42.6	35.6	83.0	81.9	76.8	72.2	67.9	60.0	18.1	12.5	40.6	56.2	83.3	61.7	2.6	93.2	81.6	139
Second	94.2	90.0	95.0	90.0	86.4	51.3	45.8	92.6	91.2	87.2	76.6	72.8	69.2	21.4	15.2	39.8	67.5	89.0	76.3	3.6	95.7	84.8	155
Middle	99.0	88.6	90.1	83.8	71.4	52.6	36.4	94.5	92.7	84.8	80.4	74.9	64.7	23.1	17.7	50.6	60.7	89.7	60.9	1.0	92.4	76.0	136
Fourth	97.2	90.3	98.9	92.3	81.4	34.5	24.5	96.3	95.6	93.3	78.0	76.2	71.5	20.5	16.3	58.8	65.7	96.3	75.6	0.8	98.0	90.3	130
Richest	95.9	87.0	95.1	91.2	76.0	44.2	34.3	91.5	90.0	86.6	73.4	70.7	69.4	24.6	14.7	53.2	63.7	92.6	69.6	3.4	96.6	88.3	104
¹ MICS Indicator TC.1 - Tuberculosis Immunization coverage																							
² MICS Indicator TC.2 - Polio Immunization coverage																							
³ MICS Indicator TC.3 - Diphtheria, tetanus and pertussis (DTP) Immunization coverage; SDG Indicator 3.b.1 & 3.8.1																							
⁴ MICS Indicator TC.4 - Hepatitis B Immunization coverage																							
⁵ MICS Indicator TC.5 - Haemophilus Influenzae type B (Hib) Immunization coverage																							
⁶ MICS Indicator TC.6 - Pneumococcal (Conjugate) Immunization coverage; SDG Indicator 3.b.1																							
⁷ MICS Indicator TC.7 - Rotavirus Immunization coverage																							
⁸ MICS Indicator TC.8 - Rubella Immunization coverage																							
⁹ MICS Indicator TC.11a - Full Immunization coverage (basic antigens)																							
¹⁰ MICS Indicator TC.10 - Measles Immunization coverage; SDG Indicator 3.b.1																							
¹¹ MICS Indicator TC.11b - Full Immunization coverage (all antigens)																							
^a Basic antigens include: BCG, Polio3, DTP3, Measles1/ Measles-Rubella1																							
^b Vaccination card or other documents where the vaccinations are written down																							
^c Includes children for whom vaccination cards or other documents were observed with at least one vaccination dose recorded (Card availability)																							
^d All antigens include: BCG, Polio3/IPV, DTP3, HepB3, Hib3, Rubella, DT Booster 1, Rot2 and Measles2/ Measles-Rubella2 as per the vaccination schedule in Lesotho																							
^e Measles vaccine not associated with Rubella																							
^f The cohort of children age 12-35 months being measured for this indicator includes children who received either Measles or Measles-Rubella, as the latter was introduced in February 2018.																							

ANNEX 6b Early Childhood Mortality Rates by Socioeconomic Characteristics (MICS, 2018)

Neonatal, post-neonatal, infant, child and under-five mortality rates for the ten year period preceding the survey, by socioeconomic characteristics, Lesotho MICS, 2018					
	Neonatal mortality rate ¹	Post-neonatal mortality rate ^{2,A}	Infant mortality rate ³	Child mortality rate ⁴	Under-five mortality rate ⁵
Total	41.5	30.2	71.7	15.8	86.4
Area					
Urban	44.3	36.4	80.7	20.6	99.7
Rural	39.5	25.8	65.4	12.5	77.1
Ecological Zone					
Lowlands	44.1	32.6	76.6	15.0	90.4
Foothills	(38.3)	(28.2)	(66.5)	(6.9)	(72.9)
Mountains	41.6	24.8	66.4	18.4	83.6
Senqu River valley	22.1	26.2	48.3	25.6	72.6
Mother's education					
Primary or none	41.0	33.3	74.3	22.0	94.7
Secondary	43.8	30.7	74.5	11.0	84.7
Higher	(33.0)	(16.2)	(49.1)	(9.0)	(57.6)
Wealth index quintile					
Poorest	35.9	28.9	64.9	19.7	83.3
Second	43.7	25.8	69.6	15.9	84.4
Middle	46.3	33.4	79.7	12.5	91.2
Fourth	43.9	37.4	81.3	12.8	93.0
Richest	38.4	25.5	63.9	17.4	80.3
¹ MICS indicator CS.1 - Neonatal mortality rate; SDG indicator 3.2.2 ² MICS indicator CS.2 - Post-neonatal mortality rate ³ MICS indicator CS.3 - Infant mortality rate ⁴ MICS indicator CS.4 - Child mortality rate ⁵ MICS indicator CS.5 - Under-five mortality rate; SDG indicator 3.2.1 ^A Post-neonatal mortality rates are computed as the difference between the infant and neonatal mortality rates () Figures that are based on 250-499 unweighted cases					

ANNEX 6c Early Childhood Mortality Rates by Demographic Characteristics (MICS, 2018)

Neonatal, post-neonatal, infant, child and under-five mortality rates for the ten year period preceding the survey, by demographic characteristics, Lesotho MICS, 2018					
	Neonatal mortality rate ¹	Post-neonatal mortality rate ^{2A}	Infant mortality rate ³	Child mortality rate ⁴	Under-five mortality rate ⁵
Total	41.5	30.2	71.7	15.8	86.4
Sex					
Male	45.4	37.6	83.0	16.4	98.0
Female	37.5	22.7	60.2	15.2	74.5
Mother's age at birth					
Less than 20	57.8	24.0	81.8	15.0	95.6
20-34	34.3	31.7	66.0	16.2	81.1
35-49	63.0	29.7	92.6	(14.4)	(105.7)
Birth order					
1.0	40.4	25.9	66.3	10.6	76.2
2-3	38.4	32.6	71.0	19.0	88.6
4-6	52.5	31.1	83.6	20.2	102.1
7+	(¹)	(¹)	(¹)	(¹)	(¹)
Previous birth interval^B					
First birth	40.5	25.8	66.3	10.6	76.2
< 2 years	(83.4)	(37.4)	(120.7)	(43.1)	(158.7)
2 years	45.7	27.9	73.6	13.3	85.9
3 years	29.6	30.7	60.3	26.6	85.4
4+ years	36.5	34.8	71.3	13.3	83.6

ANNEX 6d Assistance to Mothers during Delivery (MICS, 2018)

Percent distribution of women age 15-49 years with a live birth in the last 2 years by person providing assistance at delivery of the most recent live birth, and percentage of most recent live births delivered by C-section, Lesotho MICS, 2018														
	Person assisting at delivery							Percent delivered by C-section					Number of women with a live birth in the last 2 years	
	Skilled attendant		Other					Delivery assisted by any skilled attendant ¹	Decided before onset of labour pains	Decided after onset of labour pains	Total ²			
	Medical doctor	Nurse/ Midwife	Nurse Assistant	Community health worker	Relative/ Friend	Community member	Other							
Total	27.8	58.8	4.3	2.0	4.1	1.2	1.4	0.5	100.0	86.6	8.6	8.8	17.4	1096
Area														
Urban	35.1	54.9	6.0	1.4	1.1	0.0	1.5	0.0	100.0	90.0	11.8	9.7	21.4	422
Rural	23.2	61.2	3.3	2.4	5.9	1.9	1.3	0.8	100.0	84.4	6.6	8.2	14.8	674
Ecological Zone														
Lowlands	33.3	55.0	5.1	1.6	3.2	0.4	1.2	0.2	100.0	88.2	10.1	9.7	19.7	682
Foothills	20.1	66.0	4.4	0.5	7.6	0.0	1.4	0.0	100.0	86.2	10.0	9.3	19.3	106
Mountains	18.4	61.4	3.3	3.9	5.4	3.9	2.0	1.7	100.0	79.8	5.4	7.2	12.5	226
Senqu River Valley	18.0	73.8	0.7	2.9	2.4	1.4	0.4	0.4	100.0	91.8	3.3	4.9	8.1	81
Education														
Primary or none	17.5	59.1	4.4	4.1	8.8	2.4	2.6	1.2	100.0	76.6	4.5	7.0	11.6	341
Secondary	28.1	61.7	4.7	1.3	2.3	0.7	0.9	0.2	100.0	89.8	8.7	8.3	17.0	640
Higher	56.7	41.2	2.1	0.0	0.0	0.0	0.0	0.0	100.0	97.9	20.0	16.5	36.4	115
Age at most recent live birth														
Less than 20	21.8	67.7	5.1	1.5	1.1	0.5	2.1	0.0	100.0	89.6	4.5	9.4	13.9	236
20-34	29.9	57.7	4.4	1.3	4.3	0.9	1.1	0.4	100.0	87.6	9.1	9.5	18.6	740
35-49	26.7	47.7	2.4	7.4	8.4	3.9	1.1	2.4	100.0	74.4	13.2	3.2	16.4	119
Number of antenatal care visits ^A														
None	(7.0)	(28.6)	(5.4)	(6.8)	(22.4)	(8.1)	(11.5)	(10.2)	100.0	(35.6)	(0.0)	(0.0)	(0.0)	35
1-3 visits	23.5	59.5	2.3	3.3	8.4	1.2	1.8	0.0	100.0	83.0	6.0	9.0	15.0	201
4+ visits	29.0	60.2	4.9	1.6	2.4	0.9	0.9	0.2	100.0	89.2	9.4	8.8	18.1	839
8+ visits	41.6	47.9	7.9	0.0	0.3	1.9	0.3	0.0	100.0	89.6	17.6	7.7	25.4	149
Place of delivery ^A														
Home	0.0	6.8	0.5	21.6	41.4	11.8	13.4	4.5	100.0	6.8	0.0	0.0	0.0	100
Health facility	31.0	64.3	4.5	0.0	0.0	0.0	0.1	0.0	100.0	95.3	9.6	9.8	19.4	979
Government-Lesotho	27.7	67.4	4.9	0.0	0.0	0.0	0.0	0.0	100.0	95.1	8.5	8.8	17.3	654
CHAL	29.4	64.4	5.3	0.0	0.0	0.0	0.6	0.2	100.0	93.8	6.8	10.8	17.6	230
Private-Lesotho	(57.3)	(42.7)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	100.0	(100.0)	(29.8)	(12.2)	(42.0)	42
South Africa	57.7	42.3	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	19.0	16.2	35.2	53
Functional difficulties (age 18-49 years)														
Functional difficulty	(24.1)	(57.0)	(10.4)	(3.5)	(2.6)	(0.5)	(1.0)	(0.8)	100.0	(81.1)	(11.5)	(0.8)	(12.3)	49
No functional difficulty	27.8	58.9	4.1	2.0	4.3	1.2	1.2	0.5	100.0	86.7	8.7	8.7	17.4	1009

ANNEX 6eSelect Health Indicators(LHDS, 2014)

	Residence		
	Lesotho	Urban	Rural
Fertility			
Total fertility rate (number of children per woman)	3.3	2.3	3.9
Median age at first sexual intercourse for women age 25-49 (years)	18.5	18.8	18.3
Median age at first marriage for women age 25-49 (years)	20.3	22.1	19.6
Women age 15-49 who are mothers or currently pregnant (%)	19	12	23
Family Planning (currently married women age 15-49)			
Women using any method of contraception (%)	60	66	58
Women using any modern method of contraception (%)	60	65	57
Women with an unmet need for family planning ¹ (%)	18	14	21
Maternal and Child Health			
Pregnant women who received antenatal care from a skilled provider ² (%)	95	98	94
Births delivered in a health facility (%)	77	89	71
Births assisted by a skilled provider ² (%)	78	90	73
Children age 12-23 months who received all basic vaccinations ³ (%)	68	70	68
Nutrition			
Children under 5 who are stunted (moderate or severe) (%)	33	27	35
Children under 5 who are wasted (moderate or severe) (%)	3	1	3
Children under 5 who are underweight (moderate or severe) (%)	10	8	11
Women age 15-49 who are overweight or obese (%)	45	50	42
Childhood Mortality (deaths per 1,000 live births)⁴			
Neonatal mortality	34	22	38
Infant mortality	59	70	68
Under-five mortality	85	95	90
HIV/AIDS			
Women age 15-49 tested for HIV and received results in past 12 months (%)	58	57	59
Men age 15-49 tested for HIV and received results in past 12 months (%)	36	47	31
Men age 15-49 traditionally or medically circumcised (%)	72	68	74
Men age 15-49 medically circumcised only (%)	23	41	13
Women and men age 15-49 who are HIV-positive (%)	25	30	22
Women age 15-49 who are HIV-positive (%)	30	36	26
Men age 15-49 who are HIV-positive (%)	19	23	16
Women and men age 15-24 who are HIV-positive (%)	10	13	8
Hypertension			
Women age 15-49 who are hypertensive ⁵ (%)	19	23	18
Men age 15-49 who are hypertensive ⁵ (%)	13	16	11

¹Currently married women who do not want any more children or want to wait at least two years before their next birth but are not currently using a method of family planning. ²Skilled provider includes doctor and nurse/midwife. ³All basic vaccinations includes BCG, measles, three doses each of DPT and polio vaccine (excluding polio vaccine given at birth). Children received DPT as part of DPT-HepB-Hib or DTap-IPV-Hib depending on whether they followed the immunisation schedule of Lesotho or the Republic of South Africa.

ANNEX 7a ENROLMENT IN TERTIARY INSTITUTIONS BY SEX 2014/15, 2015/16, 2016/17 and 2017/18

INSTITUTION	2014-15			2015-16			2016-2017			2017-2018		
	MALE	Female	Total	MALE	Female	Total	Male	Female	Total	Male	Female	Total
BOTHO UNIVERSITY	0	0	0	88	94	182	167	174	341	319	317	636
CENTER OF ACCOUNTING STUDIES	344	468	812	764	905	1669	412	530	942	659	894	1553
INSTITUTE OF DEVELOPMENT MANAGEMENT	127	195	322	99	178	277	5	4	9	144	310	454
LEROTHOLI POLYTECHNIC	1589	844	2433	1352	840	2192	1334	1007	2341	1367	1248	2615
LESOTHO AGRICULTURAL COLLEGE	344	317	661	238	236	474	220	178	398	232	220	452
LESOTHO BOSTON HEALTH ALLIANCE	1	4	5	4	4	8	4	4	8	4	4	8
LESOTHO COLLEGE OF EDUCATION	1148	2388	3536	960	1976	2936	886	1916	2802	821	1988	2809
LIMKOKWING UNIVERSITY	1378	1759	3137	1300	1920	3220	1404	1835	3239	1488	2038	3526
MALUTI ADVENTIST COLLEGE	47	138	185	54	132	186	69	187	256	65	186	251
NATIONAL HEALTH TRAINING COLLEGE	124	325	449	116	309	425	7	385	392	142	325	467
NATIONAL UNIVERSITY OF LESOTHO	3427	5812	9239	3452	6108	9560	3476	6249	9725	3435	5914	9349
PARAY SCHOOL OF NURSING	31	98	129	44	132	176	38	115	153	34	115	149
ROMA COLLEGE OF NURSING	25	96	121	28	94	122	26	96	122	29	100	129
SCOTT COLLEGE OF NURSING	29	97	126	33	126	159	34	136	170	81	323	404
LESOTHO INSTITUTE OF PUBLIC ADMINISTRATION AND MANAGEMENT	29	116	145	0	0	0	66	218	284	0	0	0
TOTAL	8643	12657	21300	8532	13054	21586	8148	13034	21182	8820	13982	22802

ANNEX 7b: Distribution of Enrolment in Lower and Upper Registered Secondary Schools by Age, Level of education and Sex, 2018																	
	LOWER SECONDARY									UPPER SECONDARY							
Age	FORM A		FORM B		FORM C		TOTAL			FORM D		FORM E		TOTAL			Total
	M	F	M	F	M	F	M	F	T	M	F	M	F	M	F	T	
<13	831	1778	0	0	0	0	831	1778	2609	0	0	0	0	0	0	0	2609
13	3703	6486	596	1422	0	0	4299	7908	12207	0	0	0	0	0	0	0	12207
14	4978	6702	2413	4792	423	1016	7814	12510	20324	0	0	0	0	0	0	0	20324
15	4386	4500	3413	5134	1641	3367	9440	13001	22441	342	867	0	0	342	867	1209	23650
16	3310	2576	3226	4031	2128	3644	8664	10251	18915	1285	2623	280	724	1565	3347	4912	23827
17	2029	1201	2798	2510	2152	2787	6979	6498	13477	1843	2810	1038	2152	2881	4962	7843	21320
18	947	555	1707	1265	1757	1856	4411	3676	8087	1772	2277	1378	2118	3150	4395	7545	15632
19	277	208	721	573	1074	946	2072	1727	3799	1368	1486	1205	1548	2573	3034	5607	9406
20	96	85	290	152	524	402	910	639	1549	827	831	1019	980	1846	1811	3657	5206
21	21	23	82	47	240	147	343	217	560	431	369	631	509	1062	878	1940	2500
22	11	14	34	25	91	44	136	83	219	196	165	383	271	579	436	1015	1234
23	3	1	17	13	46	24	66	38	104	83	75	156	118	239	193	432	536
24	0	1	3	6	15	10	18	17	35	29	37	69	49	98	86	184	219
>24	4	4	4	9	9	16	17	29	46	13	56	34	75	47	131	178	224
Total	20596	24134	15304	19979	10100	14259	46000	58372	104372	8189	11596	6193	8544	14382	20140	34522	138894

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