

LESOTHO

WORLD RANK: REGIONAL RANK:

157

38

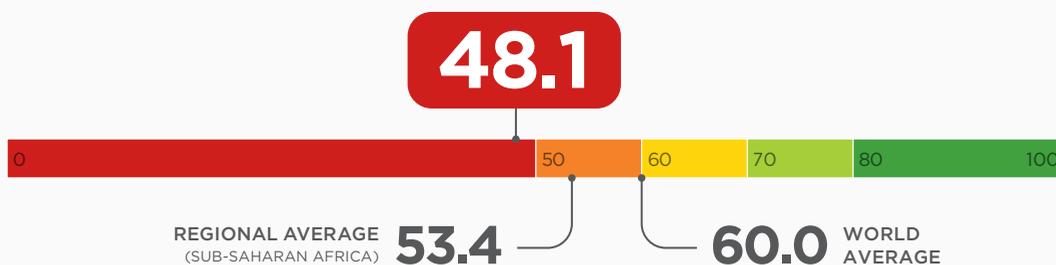
ECONOMIC FREEDOM STATUS:
REPRESSED

Lesotho's economic freedom score is 48.1, making its economy the 157th freest in the 2022 *Index*. Lesotho is ranked 38th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Lesotho's economic growth was positive from 2017 through 2019, turned negative in 2020, and rebounded in 2021. During the same period, its economic freedom was consistently weak. Dragged down by significant decreases in scores for **fiscal health**, **business freedom**, and **property rights**, Lesotho has recorded a 5.8-point overall loss of economic freedom since 2017 and has fallen into the "Repressed" category. Monetary freedom and **tax burden** reflect some strength, but **fiscal health** is poor, and excessive **government spending** is crushing the economy.

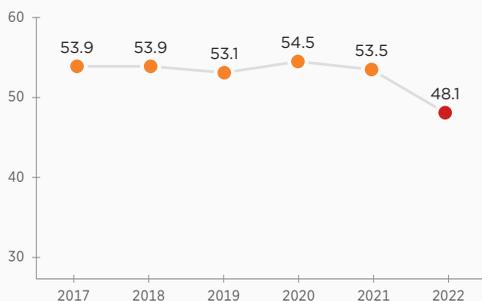
IMPACT OF COVID-19: As of December 1, 2021, 663 deaths had been attributed to the pandemic in Lesotho, and the government's response to the crisis ranked 83rd among the countries included in this *Index* in terms of its stringency. The economy contracted by 4.5 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +1.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
\$5.6 billion
-4.5% growth
in 2020
5-year compound
annual growth -1.1%
\$2,718 per capita

UNEMPLOYMENT:
24.7%

INFLATION (CPI):
4.9%

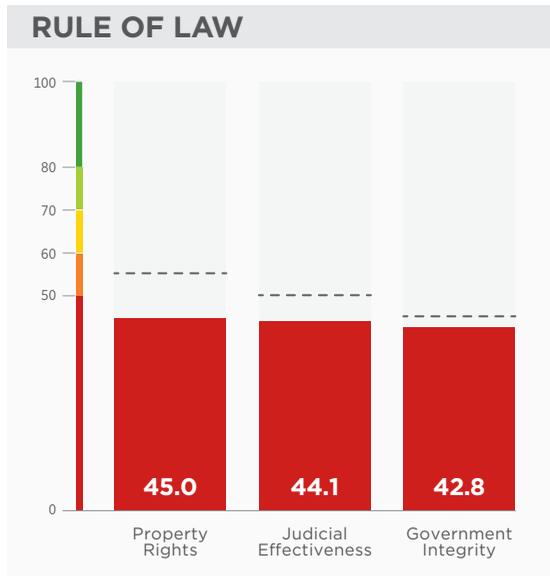
FDI INFLOW:
\$102.0 million

PUBLIC DEBT:
50.3% of GDP

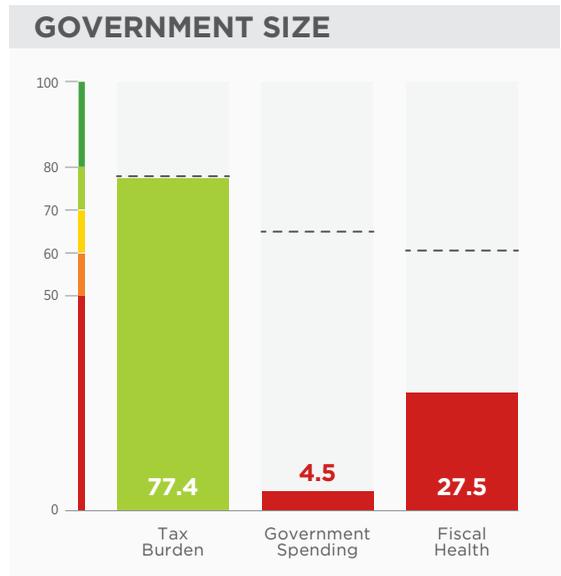
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Landlocked within a mountainous area of South Africa, Basutoland was renamed the Kingdom of Lesotho upon independence from the United Kingdom in 1966. It is a parliamentary constitutional monarchy, currently headed by King Letsie III. In 2020, Finance Minister Moeketsi Majoro replaced Prime Minister Thomas Thabane, who resigned after being implicated in the murder of his ex-wife. Lesotho's narrow economic base consists of textile manufacturing, agriculture, diamond mining, remittances from Basothos working in South Africa, and regional customs revenue. About three-fourths of the population is engaged in animal herding and subsistence agriculture. A large dam and tunnel infrastructure project will divert water to South Africa and provide money and hydropower to Lesotho.

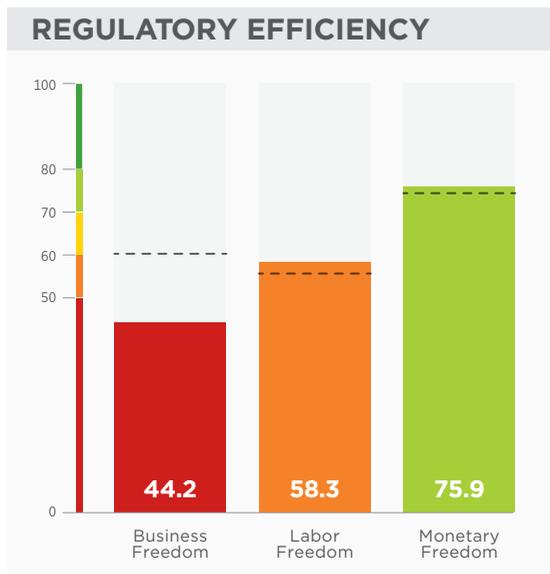
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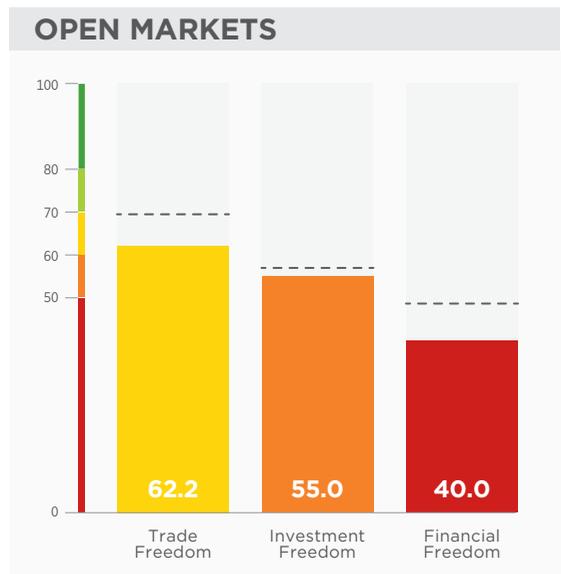
The law protects the right to private property. Property rights and interests are enforced but not consistently. Expropriation is unlikely. The judiciary is relatively independent but politicized, inefficient, slow, and chronically underfunded. Official corruption and impunity remain problems in all sectors of government and public services. Corruption is most pervasive in government procurement, the awarding of licenses, and customs procedures.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 25 percent. The overall tax burden equals 20.2 percent of total domestic income. Government spending has amounted to 56.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 6.5 percent of GDP. Public debt is equivalent to 50.3 percent of GDP.



New e-licensing and e-registration platforms introduced in 2020 make it easier to launch a business. Immigrants with businesses in certain sectors including small retail food sales and auto repair face greater difficulty. Informal resolution of labor disputes is tried before formal processes are used. Monetary stability is affected by the South African rand, and the government maintains food subsidies and influences other prices through state-owned enterprises.



Lesotho has seven preferential trade agreements in force. The trade-weighted average tariff rate is 11.4 percent. Customs procedures are gradually improving, but other nontariff barriers persist. Private-sector investment remains limited. Facilitation of economic diversification is undermined by political considerations, and investment inflows remain constrained. The high cost of credit hinders the development of a vibrant private sector.