



WORLD RANK: **141**

REGIONAL RANK: **33**

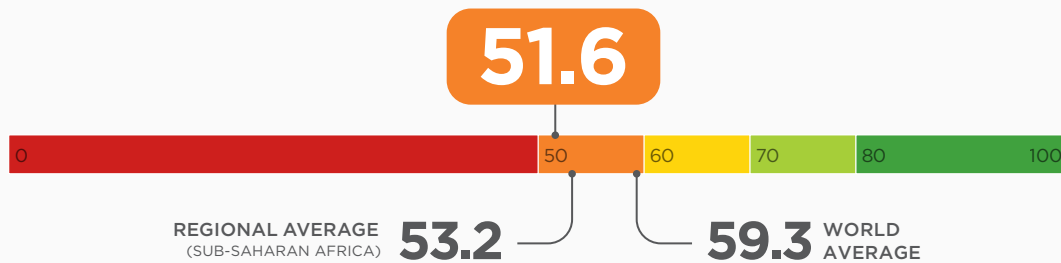
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

# LESOTHO

Lesotho's economic freedom score is 51.6, making its economy the 141st freest in the 2023 *Index*. Its score is 3.5 points higher than last year. Lesotho is ranked 33rd out of 47 countries in the Sub-Saharan Africa region, and its overall score is below the world and regional averages.

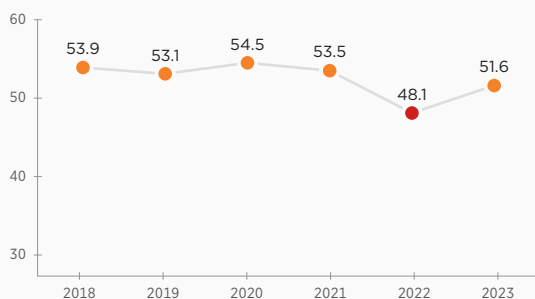
Lesotho lags far behind many other developing countries in terms of economic development, largely because of its failure to institute much-needed institutional reforms. The economy performs poorly in many of the four pillars of economic freedom. In particular, the rule of law is not strong enough to sustain meaningful economic progress.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +4.6

## RECENT FREEDOM TREND



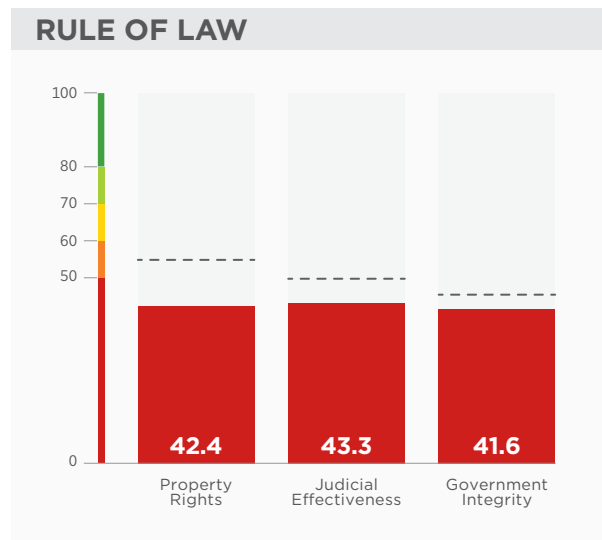
## QUICK FACTS

<b>POPULATION:</b> 2.2 million	<b>UNEMPLOYMENT:</b> 22.4%
<b>GDP (PPP):</b> \$5.9 billion 2.1% growth in 2021 5-year compound annual growth -1.7% \$2,803 per capita	<b>INFLATION (CPI):</b> 6.0%
	<b>FDI INFLOW:</b> \$26.6 million
	<b>PUBLIC DEBT:</b> 53.5% of GDP

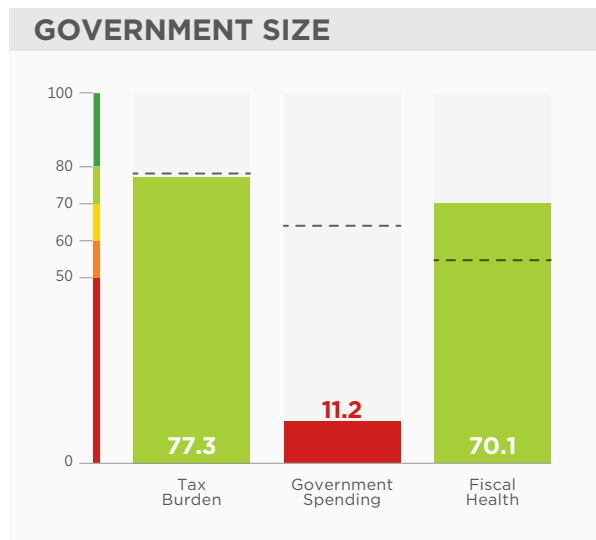
2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** Basutoland was renamed the Kingdom of Lesotho upon independence from the United Kingdom in 1966. Lesotho is a parliamentary constitutional monarchy that is currently headed by King Letsie III. Diamond magnate Samuel Matekane was sworn in as prime minister in October 2022. 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.

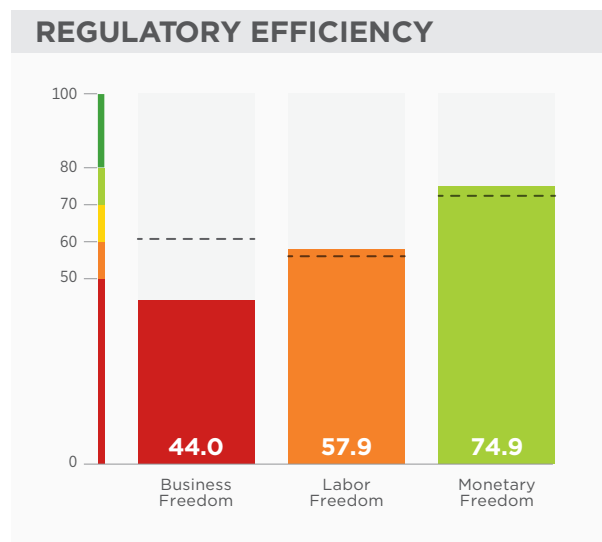
## 12 ECONOMIC FREEDOMS | LESOTHO



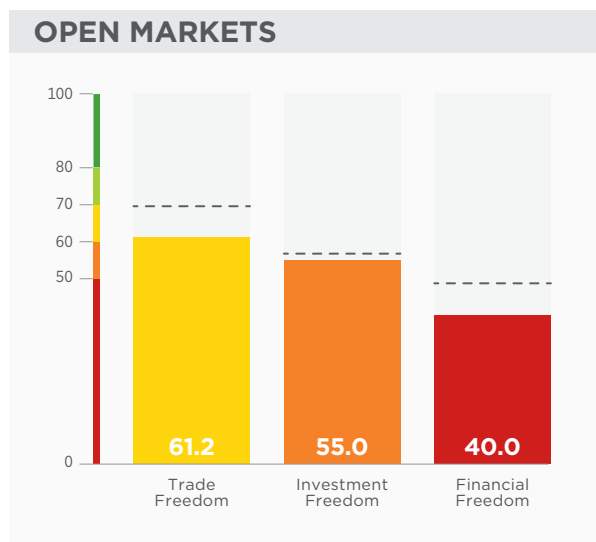
The overall rule of law is weak in Lesotho. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 35 percent and 25 percent. The tax burden equals 20.6 percent of GDP. Three-year government spending and budget balance averages are, respectively, 54.4 percent and -3.9 percent of GDP. Public debt equals 53.5 percent of GDP.



The regulatory system's overall efficiency remains limited. The labor market's rigidity continues to drive much of the labor force into the informal economy. Inflation has moderated. The government influences prices through state-owned enterprises. The most recent available inflation rate is 6.0 percent.



The trade-weighted average tariff rate is 11.9 percent, and nontariff barriers increase the cost of trade. Political fragmentation has stymied efforts to facilitate economic diversification, and investment inflows remain constrained. The high cost of credit discourages the development of a vibrant private sector.