

Lesotho cost savings

Lesotho is a small, mountainous, landlocked country surrounded by its much larger neighbor, South Africa. It has a population of about 2.3million and a per capita gross domestic product (GDP) of \$878.0 in 2023. Lesotho is classified as a lower middle-income country. It is primarily highlands, with its lowest point 1,400 meters above sea level. Previously a British protectorate, the nation gained its independence in October 1966. Lesotho is a constitutional monarchy, ruled by a King as Head of State, and governed by a 33-member Senate and a 120-member National Assembly.

The current government came into power in November 2022 and is led by Prime Minister Samuel Ntsokoane Matekane's Revolution for Prosperity (RFP) party, in coalition with the Movement for Economic Change (MEC), Alliance for Democrats (AD), and Basotho Action Party (BAP) parties.

The government extended Lesotho's Second National Strategic Development Plan (NSPD II) 2018/19-22/23 for another five years until 2027/28. The NSPDII's four priorities are enhancing inclusive and sustainable economic growth and private sector-led job creation, strengthening human capital, building enabling infrastructure, and strengthening national governance and accountability systems.

The headline inflation rate declined to 6.7% in July 2024 from its peak of 9.8% in July 2022, owing mainly to lower fuel and food prices. However, domestic food prices remain high because of imported inflation caused by the weaker currency as well as the higher transportation and intermediation costs associated with the severe drought caused by El Niño in Southern Africa. Consequently, the central bank maintained the policy rate at 7.75% in July 2024 to control inflation and align domestic interest rates with regional ones.

World Bank Group Portfolio Lesotho benefits from the International Development Association (IDA) with 12 projects, including ten national projects, one grant, and one regional IDA initiative. The commitment stands at \$423million, with \$403million allocated nationally and \$20million regionally. As of September 2024, cumulative disbursements reached \$131.9million for national projects (33% of the total commitment).

Social Protection and Jobs The Pathways to Sustainable Livelihood Project is enhancing the efficiency and equity of selected social assistance programs and strengthening the livelihoods of poor and vulnerable households. In early 2024, the project supported 45,000 households facing food insecurity with emergency cash transfers. It also promotes economic inclusion to boost productivity and employment outcomes, particularly for vulnerable youth and women. The project is digitalizing delivery of social assistance grants, enhancing the transparency and efficiency of these systems.

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