Special advertising supplement as published in USA TODAY

LESOTHO

A tiny kingdom with potential for great success

Long a source of textiles, with the US being its major destination market, Lesotho has pristine natural resources and could be a major source of development in the future

Nestled entirely within South Africa's borders, the Kingdom of Lesotho is a small country with an outsized role in trade, energy development and resource exports. With a total GDP of approximately \$2–2.2 billion in 2024 and per-capita GDP just over \$1,100, this mountain nation is charting a bold path forward despite external economic shocks. Growth has been modest but steady, with GDP rising from 1.8% in 2023 to 2.3% in 2024, supported by major infrastructure projects such as Phase II of the Lesotho Highlands Water Project (LHWP-II), road construction and renewable energy investments.

Prime Minister Sam Matekane, elected in 2022, has prioritized governance reform and economic diversification.

Economic disruptions and opportunities

Lesotho's economy has traditionally leaned heavily on textile manufacturing and diamond mining, bolstered by preferential access to US markets through the African Growth and Opportunity Act (AGOA). However, recent tariff increases of up to 50% have caused factory closures, job losses and even a declared 'state of disaster', underscoring the fragility of export-dependent sectors. "The renewal of AGOA will be highly appreciated but certainly will be handled differently. With the renewed vision we hope manufacturing will recover," stressed Matekane.

While textiles once accounted for roughly 10% of GDP and a significant share of exports to the US, Lesotho is now aggressively diversifying. The government's Smallholder Agriculture Development Project II and industrial strategy emphasize growth in agriculture, renewable energy, light manufacturing and ICT. "Lesotho is a good country to do business with and countries should see it as an investment destination," said Matekane, calling on investors to see Lesotho as a hub for innovation and trade.

Lesotho's natural resources provide a stable base for growth. Its Highlands Water Project, a joint venture with South Africa, is one of Africa's most ambitious water infrastructure programs, generating revenue and energy potential. King Letsie III highlighted its impact: "This initiative allows us to supply water, a vital resource, to South Africa, particularly to its industrial hub of Gauteng. In return, we receive revenue that is reinvested into our economy to strengthen our fiscal position while contributing to our economic and social development."

The high-altitude terrain also supports a thriving wool and mohair industry, trout farming and horticulture exports to markets including the US and Japan. Diamond mining remains another high-value sector, with some of the world's most prized stones originating from Lesotho's mines. With exploration opportunities

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Sehlabathebe National Park is Lesotho's oldest protected area and features rugged landscapes and over 200 San rock art sites.

HIS MAJESTY KING LETSIE III
KINGDOM OF LESOTHO

"By producing our own energy, we stand to benefit greatly — not only by fueling industrial and economic development but also by improving energy security and creating jobs."

expanding, mining will remain a cornerstone of the economy for decades.

Few African nations have embraced renewable energy with the same gusto as Lesotho. The country produces half of its electricity demand from hydropower and solar, with plans to become a net energy exporter by 2030. Supported by the \$1 billion Just Energy Transition and initiatives like Mission 300, Lesotho aims to install 3,000 megawatts of clean energy capacity through hydro, wind and pumped storage.

Minister of Finance and Development Planning, Retšelisitsoe Matlanyane emphasized the transformative potential: "We have embarked on a very ambitious plan to generate renewable energy from our natural resources like water, wind and sun," before highlighting the international importance: "We are exporting water to South Africa and very soon we will be exporting to Botswana as well."

The king echoed this optimism: "Harnessing our natural resources to produce and generate energy will help the Basotho people." He added: "By producing our own energy, we stand to benefit greatly — not only by fueling industrial and economic development but also by improving energy security and creating jobs. Lesotho is in a strong position to make this happen."

Financial growth and global partnerships

Lesotho's financial strategy is anchored in modernization and inclusion. The government is building on past success with its National Inclusion Strategy 2024–28. The plan focuses on strengthening financial sector resilience, expanding credit infrastructure for SMEs and unlocking long-term capital markets to finance infrastructure and development.

The African Development Bank's recent \$331 million investment is a clear sign of renewed international confidence. "We have come from a period where there was instability and changeovers of government within very short periods to a stable democracy. That has brought on the confidence of the ADB," Matlanyane explained. "We are focusing on energy and productive sectors, infrastructure development and human capital… One of the key things about the \$331 million fund is that we have to use it for projects that have an impact on trade." He added: "Lesotho is virgin ground that has not been exploited but welcomes investors and people from everywhere." Lesotho's leadership is united in its message: "Lesotho offers endless opportunities," said Matekane. "We are eager to welcome investors, as Lesotho offers many untapped resouces."

King Letsie III emphasized safety and security: "We want to assure US investors that their investments will be safe and protected by a strong, transparent legal framework. With the support of American investors and businesses, we can successfully advance our energy transition and build a sustainable future together." The mountain kingdom is transforming and is inviting US investors to jump on the train before the rest of the world realizes its qualities.

We have come a long way

Lesotho has made incredible advancements since achieving independence almost 60 years ago and is clear about what it needs to do next

Lesotho's king, Letsie III carries the burden of monarchy on his shoulders but is clear of its role in national pride and international cooperation.

What are the defining milestones of Lesotho's journey since indepdendence?

In 2026, we will celebrate 60 years of independence, during which we have achieved significant and impactful milestones. Despite facing challenging political and economic periods since our independence, our greatest accomplishment has been our ability to remain a peaceful and unified nation.

Today, we can confidently assert that we are a stable parliamentary democracy that is forward-looking and committed to upholding the rule of law and human rights. The establishment of a healthy democracy marks a significant milestone for us. While we have achieved milestones of which we can be proud, there is still much work ahead of us.

How do you see the monarchy's contribution to national development?

The monarchy in Lesotho is a historic institution with deep roots in our nation's identity. Last year, we celebrated the 200th anniversary of the founding of our nation, which also marks the origins of the monarchy. From its inception to the present day, the monarchy has served as a rallying point for the Basotho people, fostering unity, oneness and a sense of nationhood. I take this role very seriously and strive to fulfill it to the best of my abilities."

Lesotho has significant potential in renewable energy and tourism. What is needed to fully unlock this potential?

To unlock our country's potential, the responsibility rests on our shoulders as both citizens and leaders. We must work diligently, remain focused and uphold discipline to create an enabling environment for growth. This involves establishing a robust legal framework that supports development and investment, implementing a consistent and predictable fiscal policy and introducing additional measures to foster an attractive climate for economic expansion.

Foreign direct investment plays a crucial role in this endeavor. To achieve our goals, we need both capital and expertise. We aim to stimulate

His Majesty Letsie III
King of Lesotho

private sector investment to grow our indigenous business sector. However, this can only be accomplished through partnerships with external investors who bring in the necessary capital, expertise and knowledge. Access to foreign investment is vital for strengthening our economy and ensuring sustainable growth that benefits both the country and its people.

Two-thirds of Lesotho is mountainous, offering breathtakingly beautiful and picturesque landscapes. For visitors, the main attraction is our beautiful countryside — a truly unique offering in this part of the world.

What relationship would you like to have with the United States in the short and long term?

Since gaining independence, Lesotho has enjoyed warm and friendly relations with the United States and the American people. As a nation, we are deeply grateful for the generous support we have received over the years through successive US governments.

Looking ahead, we are hopeful that these strong relations will not only continue but be further strengthened. It is our goal to maintain a positive and cooperative relationship with the United States, regardless of which administration is in power, because we have seen the tremendous benefits such a partnership can bring.

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Lesotho is tiny, but it is a powerhouse of resources.

The challenges to overcome

Prime Minister Matekane knows what he needs to do and the country needs for advancement

Lesotho's prime minister, Sam Matekane, explains the road ahead and how his country will navigate it.

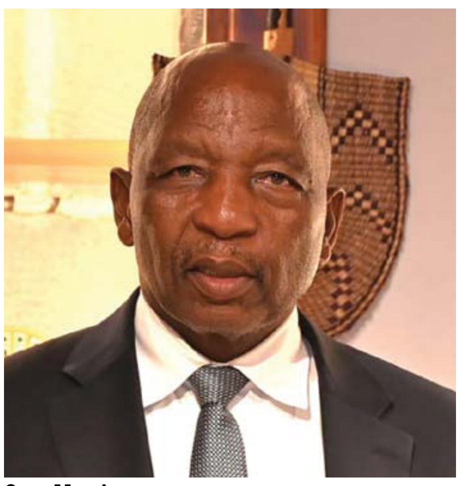
Can you introduce yourself and your tenure so far as prime minister?

Since becoming prime minister in 2022, I have focused on stabilization and improving governance, addressing social challenges and implementing austerity measures to reduce government spending. I have streamlined the cabinet, limited officials' international travel, managed debt and improved revenue collection. In infrastructure, we have raised investment in roads, water and electricity. I have also strengthened ties with regional partners, especially South Africa, international donors and the Southern African Development Community.

There is still work to be done, particularly in reducing our reliance on the region for trade, stock revenues and remittances by boosting agriculture, manufacturing and mining. I also aim to formalize the informal sector to increase domestic revenue. I am committed to national reforms, including constitutional amendments to reduce political instability. Judicial and police reforms to tackle corruption are also a priority.

How do you see Lesotho's place in the world in the modern era?

Lesotho faces a wide range of risks to its economic outlook, including weak economic growth, poverty, inflation and public debt. Other



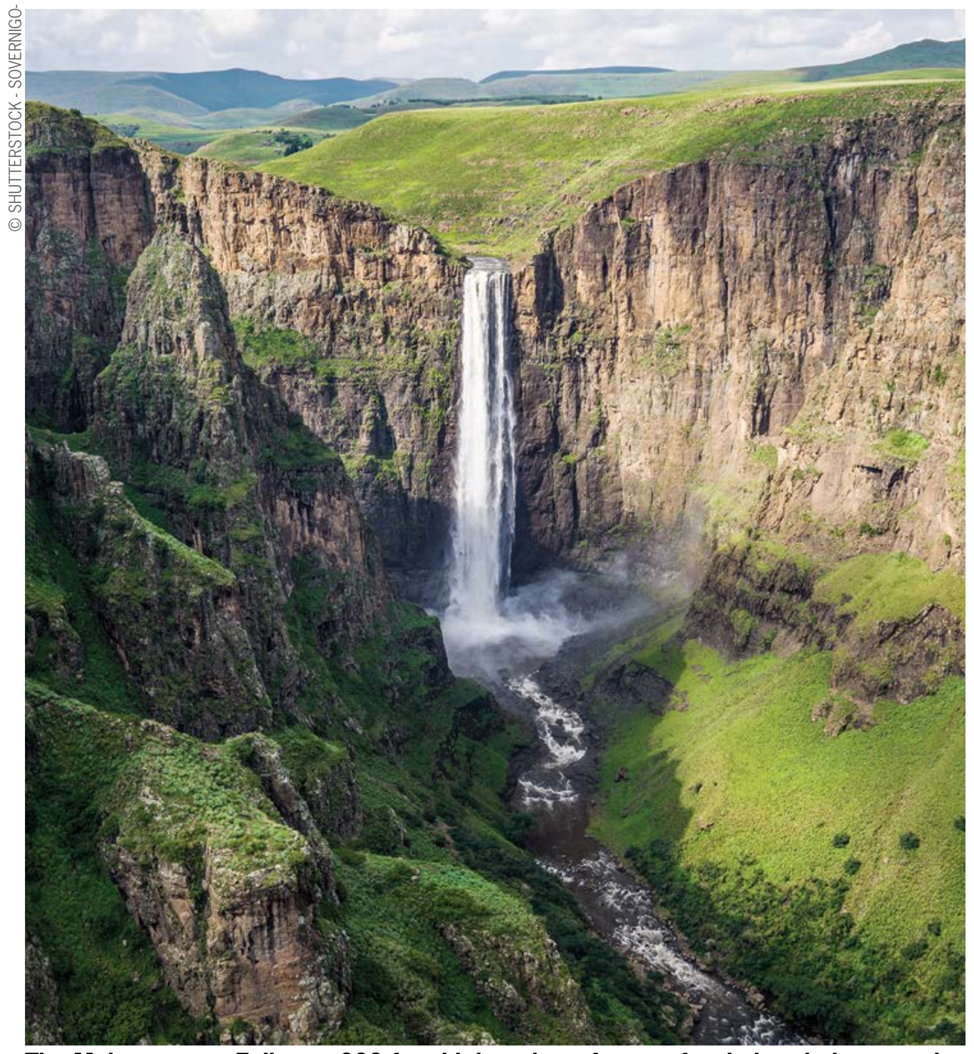
Sam Matekane
Prime Minister of Lesotho

challenges include the HIV/AIDS epidemic, infrastructure deficits and heavy reliance on South Africa for trade. Climate change and a limited industrial base also impact Lesotho's export-oriented industries, particularly textiles.

We need structural transformation, which requires financial capacity. Support from development partners and institutions is essential, particularly for climate adaptation finance. Strengthening the domestic base and sharpening public finance management are critical to have a strong foundation for meaningful participation on the global stage.

Lesotho: A tiny kingdom with big potential

Long a source of textiles, with the US being its major destination market, Lesotho has pristine natural resources and, exploited the right way, could be a major source of development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The Maletsunyane Falls are 630 feet high and are famous for their echoing sounds.

Lesotho is charting a bold path for economic resilience through the extension of its National Strategic Development Plan (NSDP II) to 2028, built around four pillars: inclusive growth, human capital, infrastructure and governance. At the heart of this strategy is the Ministry of Finance and Development Planning, led by Retšelisitsoe Matlanyane. "The Ministry of Finance and Development Planning within the government of Lesotho is a key ministry that coordinates other ministries," she said. "We not only do finance, but we also do economic planning giving us an opportunity to be at the center of strategic economic development and drive it through all government departments."

One of Lesotho's biggest achievements has been restoring macroeconomic stability. In FY 24/25, the country achieved a 9% of GDP budget surplus, driven by strong Southern African Customs Union transfers and rising water royalties. Public debt dropped to 56.6% of GDP and reserves now cover six months of imports.

RETŠELISITSOE MATLANYANE
MINISTER OF FINANCE AND DEVELOPMENT PLANNING

"Lesotho is an independent state that has its own character… If exploited in the right way, it could be a gem."

"A key aspect of the ministry's role is ensuring effective coordination in public financial management including procurement and resource mobilization," Matlanyane explained. "This coordination is essential for maintaining macroeconomic stability, building financial buffers, managing risks and supporting all related functions." Lesotho is creating an environment that fosters sustainable private-sector growth.

Lesotho is also pursuing efficiency reforms to reduce its wage bill, modernize procurement and prioritize capital spending, aiming to raise capital expenditure from 13% to 20% of GDP. "We are responsible for resource mobilization, as well as coordination of spending activities and disbursement of funds while cognizant of maintenance of macroeconomic and macro fiscal stability," she said.

The government's vision is clear: a private-sector-led economy backed by sustainable funding. In partnership with the United Nations Development Program, Lesotho launched a sustainable development goal-investor map to attract investors to renewables, infrastructure, technology, food and beverage and services. "We launched a sustainable development goals investor map to attract both foreign and domestic private sector operators, showing them the opportunities and guiding them to the right areas in alignment with our national strategic development goals," said Matlanyane.

Financial inclusion is a cornerstone of Lesotho's transformation strategy. "We worked hard to put the right technology in place and provide consumer education to ensure everyone is included in the financial sector. We're happy with the results because we are one of the highest in the region at 90%," Matlanyane said. The new Financial Sector Development Strategy aims to strengthen resilience and build access to finance for SMEs, especially youth-led startups. "Financial inclusion is one of the major problems that we have for small, medium and large businesses, " she stressed, adding: "We're working to strengthen credit infrastructure to support private sector development.

Financial growth and global partnerships

The government is also unlocking long-term financing through capital market development, pension sector reforms and green finance instruments. "We must develop other key sectors such as pensions, insurance and capital markets," Matlanyane said. "We believe that if we successfully implement this strategy, it will encourage both local and foreign businesses to become more active, unleashing their potential to grow and contribute more to the economy."

International confidence in Lesotho's reforms is clear. The African Development Bank recently announced a $331 million investment project in energy, infrastructure and food security. "For me, it says that Lesotho has garnered the confidence of a multilateral development bank such as the ADB and others as well," said Matlanyane. "We have come from a period where there was a bit of instability and changeovers of government within very short periods to a stable democracy and that has brought on the confidence of the ADB to realise it can now work with the government of Lesotho to improve things."

This investment aligns with His Majesty King Letsie III's Just Energy Transition Initiative, which seeks to leverage Lesotho's natural resources to become a net exporter of renewable energy. "We're looking at mostly using hydro because we have the water, gravity, mountains and everything that it could take for us to produce that energy," she explained. "We have wind in the mountain areas and we are very well positioned to be good in wind energy."

Lesotho is also focused on building infrastructure to facilitate trade and regional integration. "Connectivity is very important," Matlanyane said. "After the US policy concerning tariffs, Intra-African trade has to grow… The barriers are at the borders, where infrastructure is needed… to make it easier for people, goods and services to move between borders."

To complement these initiatives, the government is targeting youth entrepreneurship. "We have the Sebabatso Initiative under the prime minister's office… a youth initiative where we bring in youth innovators, entrepreneurs and startups to get assistance to leverage what they have and move into business and be productive," Matlanyane explained. In addition, the government launched a $22 million Inclusive Growth Fund to increase access to finance for businesses, especially youth-owned enterprises.

Matlanyane called for a deeper understanding of African economies by the global financial community. "Often we hear people from outside Africa talking about Africa and sometimes there's a belief that the 54 countries of Africa are the same. No, they're not. They're different," she said. "Credit rating agencies, in particular, must go deeper in analyzing African economies, considering their unique challenges, the policies and programs in place to address them… These systems are there, even if they're not the usual ones people expect. They work in their own way because without them, many African countries wouldn't have made it this far."

In closing, Matlanyane emphasized Lesotho's potential: "We are a small country within South Africa, but a rich one, rich in heritage, culture and our deep understanding of ourselves as a resilient society that has lived and endured for over 200 years. Lesotho is an independent state that has its own character… If exploited in the right way, it could be a gem and could be turned into a fantastic and phenomenal story of development." By focusing on efficient governance, private-sector-led growth, and sustainable investments, Lesotho is positioning itself as a resilient and forward-looking economy in Southern Africa.

Tailored tech solutions

Econet Telecom Lesotho is commited to driving digital transformation through the delivery of smart technologies


Dennis Plaatjies
CEO, Econet Telecom Lesotho

Serving a diverse client base that includes individual customers, small and medium-sized enterprises, corporate enterprises, and the government of Lesotho itself, Econet Telecom Lesotho is firmly established as one of the country's leading providers of telecommunications and technology solutions.

Delivering solutions that are tailored for businesses in rural areas, the company has successfully implemented the installation of a high-speed, low-latency network that is scalable to meet the ever-increasing demand for data. It has also introduced smart infrastructure solutions, such as traffic monitoring systems and cameras, which have enhanced traffic management in urban areas.

"Over the past few years, we've invested significantly in network infrastructure to reaffirm our commitment to deliver best-in-class connectivity and lay the foundation for a truly digital Lesotho," explains Dennis Plaatjies, CEO of Econet Telecom Lesotho.

"Our investment strategy focuses on three pillars: mobile coverage expansion, network capacity to accommodate the increasing demand for data and technological advancement. To date, these expansions have seen us introduce 5G network coverage across all the metropolitan areas in the 10 districts of Lesotho. We have deployed more than 200 kilometers of fiber optic cable to strengthen our backbone connectivity. This investment has also given us an increased network uptime to 99.8% on average, which is positioning us amongst the most reliable operators in our region."

DENNIS PLAATJIES, CEO
ECONET TELECOM LESOTHO

"We've invested in network infrastructure to reaffirm our commitment to deliver best-in-class connectivity."

In addition to improving network coverage in rural and urban areas, Econet Telecom Lesotho has introduced several innovative mobile financial services. This includes mobile money platforms that have soared in popularity across Africa.

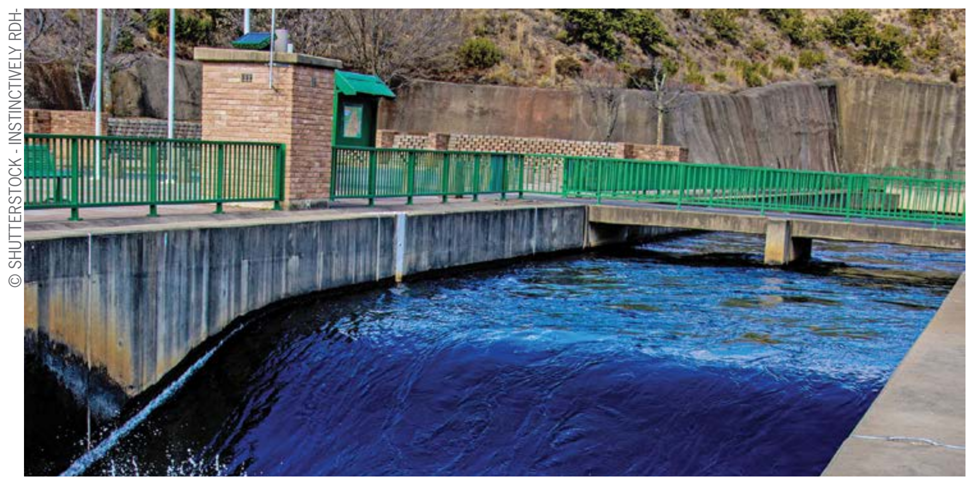
"Over the years, we have been number one when it comes to innovation, which includes the introduction of new products and features around the mobile money financial sector. This has been backed by the deep engineering resources that we have in-house," says Plaatjies. "They deal with our digital transformation initiatives by developing internal solutions that help people to make savings on their mobile devices without having to go to the bank physically. We have just upgraded our EcoCash system, making it open to all mobile users in the country."

Econet Telecom Lesotho is also embarking on a project to modernize its 5G network and is considering which new technologies could soon be introduced to complement its already substantial offering.

"We want to bridge the digital gap and further enhance connectivity," reveals Plaatjies. "We want technology that integrates global solutions, but we also want to ensure that we are investing in homegrown innovation where possible.

"As we look to the future of telecommunications in our country, there's no doubt that global technologies like Starlink play an essential role in bridging the connectivity gap. In a country like ours, where much of the population lives in rural or remote areas, solutions that provide reliable, fast internet are a lifeline.

"Therefore, we welcome such technologies as they have the potential to create vast opportunities for education, healthcare and economic growth."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The As River is man made, a result of the Lesotho Highlands Water Project.

Responsible development

The sustainable way that Lesotho is exploiting its resources has drawn international praise


Mohlomi Moleko
Minister of Natural Resources

Lesotho, often celebrated as the Kingdom in the Sky, is positioning itself as a powerhouse of water, renewable energy, mining and agricultural potential. At the heart of this transformation is the ambitious Lesotho Highlands Water Project (LHWP) Phase II, with the Polihali Dam slated for completion in 2028. This project will not only increase water storage and energy generation capacity but also enhance connectivity through roads and bridges in remote mountain areas, reinforcing the nation's role as a regional water hub.

"Lesotho is known as the water tower of the region within the Orange-Senqu River Water Commission, which encompasses Botswana, Lesotho, Namibia and South Africa. Water is our main resource. Within the water basin, we occupy 3% of the land mass but provide more than 40% of the basin's water," said Mohlomi Moleko, minister of natural resources.

The LHWP, alongside the Lesotho-Botswana Water Transfer Project, exemplifies Lesotho's strategic collaboration with neighbors. Moleko explained: "We supply water to around 8 million people in the region and its industrial complex. The project is critical in driving the largest economic hub in Africa." With plans to double water royalties and become a net exporter of clean energy, Lesotho is cementing its regional importance and long term resilience.

Providing for everyone's needs

Lesotho is equally renowned for its diamond industry. "Our diamonds are the best in the world and are used by brands such as Louis Vuitton and Van Cleef & Arpels," Moleko said. While four active mines contribute 8% of GDP, the government is exploring copper, cobalt, coal and rare earth minerals, supported by geological surveys and reforms to attract sustainable investment.

Agriculture and aquaculture are also priorities. Lesotho leads Africa in trout exports and is scaling poultry, dairy, wool, mohair and horticulture production. New irrigation projects and water availability promise to boost investor interest in agribusiness and food security. Many projects are run with the United Nations to ensure expertise and attract investors.

Renewable energy is another bright spot. "We will become a net exporter of clean energy within the next two years. We are currently building solar farms with battery storage, wind farms and our second hydropower station," Moleko stated. Backed by international partnerships, Lesotho is also pursuing its bold vision of becoming the world's first digital 'hydronation', leveraging blockchain and AI to manage water resources.

"Now is the right time to invest in Lesotho due to our stable government, which has given hope to Basotho through their ambitious development agenda," Moleko affirmed. With its natural wealth and forward-thinking policies, Lesotho is charting a path to prosperity that extends far beyond its mountain skylines.

LESOTHO SPECIAL


A scenic view of Mohale Dam.


Lesotho remains the largest sub-saharan exporter of garments to the US.

Spearheading economic growth

The Lesotho National Development Corporation aims to create a diverse economy through a series of strategic investments


Molise Ramaili
CEO, LNDC

Ever since its establishment in 1967, the Lesotho National Development Corporation (LNDC) has played a crucial role in shaping the country's economic landscape through investment promotion, infrastructure development and support for both local and foreign businesses. Traditionally focusing on sectors such as textiles, apparel and footwear manufacturing, it aims to create employment opportunities and boost economic growth.

More recently, the LNDC has expanded its focus to include emerging sectors identified by the government as part of a strategic plan to diversify the economy. By promoting a variety of sectors, it is helping to improve the country's standing on the global stage. This is key to the Nation Brand initiative, which aims to bolster the nation's reputation and deliver economic vitality.

"As the first point of contact for investors, we have historically been strong in manufacturing and processing. Today, we are working to diversify our portfolio and attract investment across multiple sectors to broaden Lesotho's economic base," explains Molise Ramaili, CEO at the LNDC. "Our mandate is to initiate, promote and facilitate the development of industry, mining and commerce, with the goal of increasing income and employment. We also promote trade in both domestic and international markets and provide development finance to strengthen private sector participation. Our 2024–2028 strategy focuses on attracting foreign direct investment and encouraging partnerships with local investors to create enterprises that generate jobs for the people of Lesotho."

To help facilitate further economic growth, the LNDC has introduced a range of financial incentives through its development finance department, a unit that is focused on expanding access to finance across a variety of sectors.

"One key initiative is our partial credit guarantee scheme, where we partner with commercial banks to offer a 75% guarantee on approved loans. This helps de-risk projects and enables businesses with limited collateral to secure funding and grow," outlines Ramaili.

"This has been a huge success as it has streamlined governance and empowered our board's investment committee to make faster loan approvals. We have also launched a project preparation facility to de-risk investments. We package projects by conducting feasibility studies, environmental impact assessments and business cases — making them investment-ready. This has attracted strong interest from international investors unfamiliar with Lesotho but looking for credible, well-prepared opportunities."

MOLISE RAMAILI
CEO, LESOTHO NATIONAL DEVELOPMENT CORPORATION

"We are working to diversify our portfolio and attract investment across multiple sectors."

"Additionally, last year we piloted a supply chain financing initiative to support local businesses, especially in high-value sectors like mining. Many domestic companies struggle to participate due to limited access to finance. We bridge this gap by assessing their agreements with large clients and providing funding based on the credibility of those clients."

The LNDC is also actively working to facilitate further investment in industries that are showing promise in Lesotho. This has led to significant contributions being made to the agriculture and renewable energy sectors.

"Through investments in agriculture, we aim to ensure Lesotho can sustainably feed its people and boost economic resilience," says Ramaili. "We recently supported a local pharmaceutical company with a $690,000 loan, aiming to boost exports to Botswana and South Africa.

"As part of the deal, LNDC secured a board seat to help ensure its success. The project is already showing promising growth. This aligns with our goal of building a private sector-led, export-driven economy and diversifying Lesotho's industrial base."

The LNDC also entered into a partnership with Astra Energy last year to develop 100 megawatts of renewable energy in Lesotho, marking a substantial increase from the existing 77 megawatts of installed capacity currently within the country.

"The Astra Energy Project will add clean energy to local and regional grids, reducing reliance on imports and ensuring a stable power supply. As neighboring countries face electricity shortages, Lesotho, through LNDC's facilitation with Astra Energy and the Ministry of Energy, has the opportunity to produce and export renewable energy," describes Ramaili.

"A memorandum of understanding has been signed to support this initiative and all participating parties have come together to discuss the implementation of the project. LNDC's role is to ensure all requirements are met for the project's expedited execution. We are committed to fully packaging and implementing this project by next year, driving economic diversification and ensuring various sectors contribute to Lesotho's growth."

Tourism potential

The tourism industry is another priority for the LNDC, as it is one of the pillars of the Nation Brand. The government is also determined to take full advantage of the country's spectacular scenery and significant potential for eco-tourism. Lesotho's rugged terrain makes it ideal for off-road sports, while it is also home to the world's longest commercial single-drop abseil and the only ski resort in Sub-Saharan Africa.

Efforts are also being made to improve internal infrastructure to better accommodate the tourism industry and there is hope that the country can benefit from the huge number of international tourists who visit South Africa through side-trips and excursions to Lesotho.

"While Lesotho faces challenges, we see them as opportunities," acknowledges Ramaili. "Investors seek untapped markets, and Lesotho offers significant growth potential. Unlike saturated markets, Lesotho remains open for expansion, making it an attractive destination for international investors.

"Lesotho's high altitude offers unique opportunities for wind energy and high-altitude sports training, attracting athletes seeking intensive training conditions. The country's mountainous landscape also supports adventure tourism, such as hiking, mindfulness and meditation, thanks to its tranquillity.

"With 300 days of sunlight annually, Lesotho is ideal for solar energy. Additionally, abundant clean water provides potential for hydropower, aquaculture and water sports, positioning the country as a leader in renewable energy and sustainable water use.

"Lesotho also has the only ski resort in Southern Africa, offering winter sports at high altitude. Its location near South Africa ensures easy access for imports and exports. The challenges have created opportunities for investment in tourism, including resorts, adventure activities like skiing and hiking, and experiences focused on mindfulness and nature in Lesotho's tranquil mountains."

A tech-driven economy

Recognizing the importance of machine learning, artificial intelligence and automation, Lesotho has identified technology as a sector that will be crucial to delivering economic growth. Communication infrastructure is already on the rise, with fiber optic internet expanding in urban centers and mobile money services now being introduced by a variety of providers.

The importance of the tech industry is not just highlighted in the country's strategic development plan but it is also a key aspect for LNDC, which aims to attract significant investment across the sector.

"We are especially targeting investments in data centers, which thrive in cooler climates. Lesotho's energy production and cool highland temperatures make it ideal for data centers," says Ramaili. "Additionally, with 63.3% of the population aged 15-40 and an 86.3% literacy rate, Lesotho offers a skilled, youthful workforce fluent in English, making it an attractive location for business process outsourcing, such as call centers.

"We are encouraging global companies to invest here, offering competitive wages and highly skilled labor. Lesotho has made significant progress in ICT infrastructure and digital connectivity. Broadband and fiber networks are expanding, with Vodacom and Econet Telecom boosting 4G and fiber optic coverage.

"Notably, Lesotho became one of the first Southern African countries to introduce 5G through Vodacom. The government is prioritizing e-government services, including online tax payments and electronic business registration, which allows company registration within three days. Additionally, Lesotho is introducing biometric passports and identity systems to enhance security and governance. The country supports tech startups through innovation hubs, focusing on software development, coding and AI, ensuring technology drives economic growth."

With a strategy aimed at developing the aforementioned priority sectors, the LNDC is set to make a significant contribution to Lesotho's national development and Ramaili believes it is the ideal time for investors to be part of an exciting journey.

MOLISE RAMAILI
CEO, LESOTHO NATIONAL DEVELOPMENT CORPORATION

"Lesotho is an ideal partner for investors and those seeking a peaceful, healthy environment."

"Lesotho is an ideal partner for investors and those seeking a peaceful, healthy environment. Its disease-free water and clean air offer a tranquil setting for a healthy lifestyle.

From a trade perspective, Lesotho presents untapped market potential with opportunities for growth, particularly in sectors like renewable energy, driven by abundant natural resources such as water, wind and sunlight," he adds. "With local and regional demand for clean energy, investing in Lesotho's renewable energy sector offers sustainable growth prospects. Lesotho's small size enables fast decision-making and quick execution, essential for business success. With bilateral agreements like the Africa Growth Opportunity Act, duty-free access to the EU and membership in the African Continental Free Trade Area, Lesotho offers businesses a strategic base for expansion.

"Its proximity to South Africa and stable leadership further enhance its appeal, with successful companies like Siemens and Crabtree already thriving here. Lesotho's supportive legislative environment ensures businesses can operate confidently and grow."


Lesotho is increasingly pursuing projects in the renewable energy sector.


Tikoe Industrial Estate.

Helping to power the economy

The Lesotho Highlands Development Authority is a major force in driving Lesotho's economy through the use of hydropower and water exports to South Africa

Katse Dam is Africa's second largest double-curvature arch dam.

Almost 40 years since the governments of Lesotho and South Africa agreed to a large-scale water transfer scheme, the Lesotho Highlands Water Project continues to hold great significance for both countries. Not only does it provide a critical water source for South Africa's industrial hub, but it has also generated significant revenue and hydropower for Lesotho.

The multi-phased project has already seen the construction of a series of dams and tunnels that harness the waters of the Senqu River and its tributaries. One of the most ambitious and largest engineering projects ever created, the second phase of the development is currently underway and includes the construction of new dams, tunnels, a hydropower station, power lines and telecommunication links.

Overseeing the construction, operations and maintenance of all dams, tunnels, a power station and infrastructure in Lesotho is an enormous task, and it is one that is being expertly handled by the Lesotho Highlands Development Authority (LHDA).

The implementing authority has faced many challenges along the way but the advanced infrastructure for the second phase is almost complete. This includes the construction of major bridges, offices, workshops and residential accommodation for people working on site, all of which will ultimately benefit the communities in the vicinity of the project in the long term.

"One of the challenges we faced was working in very remote areas with complex, rugged terrain, making access quite difficult," explains Tente Tente, Chief Executive of the LHDA. "This is why we had to construct new access roads and power lines to reach the project site in Polihali where the dam is under construction. We are now in the throes of constructing major bridges because, as the water fills the valley, we still have to maintain the existing access between several villages and towns. One of the complexities is balancing technical requirements with issues around community expectations and getting the buy-in of the immediate communities around the construction sites, as well as some of the business community that are looking at the project as a potential source of revenue.

"Another challenge is the resettlement of people. We have had to do it with the utmost care to minimize as far as possible negative impacts. Bilateral coordination between the two countries involves balancing their respective interests."

TENTE TENTE
CHIEF EXECUTIVE, LHDA

"We are proud of the monumental achievements we have made, the most rewarding being our ability to control water."

The ability to expertly navigate these challenges has been crucial to the success of the large-scale transboundary water project and Tente believes the project can be viewed as a successful model for other regional initiatives.

"We have learned the importance of early, robust and continuous stakeholder engagement that is transparent," he says. "Communication is key. Implementing the project in phases enables us to be adaptive in planning and managing execution and external expectations.

"So, there's a need to strengthen both local and regional partnerships. Strong political will and support are also key factors in the success of this project."

Tente Tente
Chief Executive
Lesotho Highlands Development Authority

Another factor that stands out to Tente is the remarkable engineering that is seen throughout the vast project. This includes Katse Dam, which is situated 2,000 meters above sea level. Construction is also underway on a new extradosed bridge, across the Senqu River, which will be one of the largest in the region. The feeder roads and bridges program also includes some of the most impressive pedestrian bridges globally.

Due to the ambitious nature of the second phase of the project, the LHDA is also utilizing the latest technology to ensure the work is carried out to the highest standard and as efficiently as possible.

"We are proud of the monumental achievements we have made, the most rewarding for water engineers being our ability to control water, especially knowing the force and potential energy it has," outlines Tente. "It is also satisfying to see our employees happy and successfully delivering the commodities that we work with: water and electricity.

"We are also working with some cutting-edge technology, including tunnel boring machines (TBM) with precise geographical positioning systems. We are using the double shield TBM, which can advance continuously while simultaneously installing precast concrete lining segments behind it to make sure that there is continuous work and progress. These machines were designed and customized to excavate the challenging geology of Lesotho's highlands.

"As we are building some of the most complex infrastructure in the region, we are also using a bespoke system, called FlowCentric, to maintain accurate records for every asset affected and track the payment process for compensation. We are very much at the cutting edge of technologies employed in the implementation of large infrastructure projects."

Harnessing hydropower

Developed by the LHDA, the Muela Hydro Power Station was first commissioned in 1998 and has been a game-changer for Lesotho. Located on Nqoe River in the Butha-Buthe district, it has become a key source of electricity for the country, generating around 50% of Lesotho's annual electricity needs.

Supplied by the Katse and Mohale dams, the power station is capable of generating 72 megawatts and features the Muela Dam with a capacity of six million cubic meters. This Hydropower Station is not just an impressive feat of engineering, but it is also the blueprint for the new Oxbow Hydropower Scheme which is currently in the design stage and is expected to be operational by 2030/2031.

The arrival of the first TBM delivery trucks at the Lesotho border.

Located on the Malibamatso River, it will, subject to the finalization of the design, feature a 100-meter-high gravity dam, a 6.6km headrace tunnel and an 80 megawatts surface powerhouse. Set to operate as a peak plant for seven hours each day, it will enhance Lesotho's power security and reduce reliance on electricity imports.

Currently in the design phase, the LHDA is set to be responsible for raising the funding for the new hydropower plant and Tente believes potential investors in the US will see it as a great opportunity to be involved in a renewable energy project that will have a positive effect on the entire country.

TENTE TENTE
CHIEF EXECUTIVE, LHDA

"There's an opportunity for potential investors to come and join hands with the LHDA to implement floating solar projects."

"The Oxbow scheme is in the design phase and we've just completed the bankability part of it. Hydropower falls under the category of renewable energy projects, and the fact that we will be supplying clean energy is a significant advantage. For investors and lenders to be associated with such a project is a clear plus," he stresses.

"There is an opportunity for developers to come and partner with us in advancing this forward. We also have other renewable energy projects in the pipeline, such as floating solar farms. We are going to put solar panels on the water (reservoir) surface and generate solar power. So, there's another opportunity for potential investors and private partners to come and join hands with the LHDA to implement floating solar projects.

"These solar farms have the potential to supply even more than what is required in the country. Currently the region is hungry for energy, so it is an opportune time for investment in clean energy. There's a real opportunity for Lesotho to earn money from exporting clean energy.

"These projects are robust and bankable. We are open to partnerships in renewable energy and climate-smart developments. Further opportunities exist in technology, construction, environment, innovation, and skills development. The sky's the limit."

LHDA
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With the second phase of the Lesotho Highlands Water Project continuing at pace, it is clear that there will be many benefits not just for Lesotho, but also for South Africa — particularly the Gauteng province — due to the country's water scarcity.

"Johannesburg is situated in an area where water is a scarce resource. This is quite uncommon worldwide, as it's rare for a city of Johannesburg's size to be located in such a region. Typically, before a city is established, one of the key requirements is the assurance of a reliable water supply. In this particular case, water had to follow the city because the city was located where the gold was being mined," explains Tente.

"Johannesburg is the economic hub of South Africa, which, in turn, is one of Africa's giants. So, to drive the economy of South Africa, they need water. And this is where the Lesotho Highlands Water Project comes in.

"While South Africa was seeking water for domestic and industrial development, Lesotho was looking for alternative ways to generate revenue and reduce energy imports. That's when the partnership was formed, and now Lesotho benefits from billions in royalties annually.

"In addition, Lesotho has the opportunity to harness the energy of the water before it leaves the country to generate power for itself. Currently, 51% of our needs are generated internally and 49% is imported. As we move into further phases, we will reduce imports to the point where we'll begin exporting, generating additional revenue for Lesotho.

"This reduction in energy imports also benefits the country's economy in that funds saved on imports can be redirected to other developmental priorities.

"The project also creates thousands of jobs for Basotho and supports local businesses. Currently, cumulatively, we are sitting at about 14,000 job opportunities that have been created in the second phase of the project.

"The infrastructure left behind after construction, such as high-quality roads, and several hotels, creates opportunities for tourism to flourish in Lesotho, especially when the dams are spilling. We view the project as a win-win, strengthening both the economy and promoting regional integration and stability."

MUST KNOW FACTS ABOUT THE LESOTHO HIGHLANDS WATER PROJECT

- The first phase was complete in 1998 and includes several dams, tunnels and a hydropower facility
- Katse Dam, which is one of the highest dams in the world, plays a crucial role in water storage and supply
- The Muela Hydropower Station generates electricity for Lesotho
- The water from the project is of high quality, thanks to the biodiversity system
- It has led to significan infrastructure improvements in Lesotho, including roads and telecommunications

The second phase of the Lesotho Highlands Water Project requires huge amounts of infrastructure development.