HIGHLIGHTS OF ECA’S SUPPORT TO LESOTHO 2015-2022.
Contents

Economic Commission for Africa, mandate and core functions 5
   Mandate 5
   Core functions 5

Actions encompassed by the core functions of the Subregional Office for Southern Africa 5

Recent technical support provided by the Subregional Office for Southern Africa to stakeholders in Southern Africa 6

Lesotho, socioeconomic and development context 7
   Overview 7
   Economic trends 7
   Social indicators 10

Recent support of the Economic Commission for Africa for Lesotho 11
   Measurement of the gross domestic product of the city of Maseru 11
   Intergovernmental Committee of Senior Officials and Experts for Southern Africa 12
   Country Profiles initiative 13
   National minerals and mining policy 14
   Response to the pandemic 14
   Agreement Establishing the African Continental Free Trade Area 15
   Interregional cooperation to implement the New Urban Agenda 15
   Support for Lesotho on poverty and vulnerability 16
   Revival of the SADC National Planning Entities Platform 16
   Requests from the Government of Lesotho 17
   Support for voluntary national reviews and the Africa Regional Forum on Sustainable Development 17
ABOUT ECA

Our mission is to deliver ideas and actions for an empowered and transformed Africa, informed by the 2030 Agenda and Agenda 2063.

ECA’s Core Functions:

Conducting multisectoral research and analysis that nurture regional integration.

Providing platforms for policy frameworks and action plans at the regional and subregional levels.

Providing policy advice and analytical work to support countries' sustainable development.
ECA’s Overall objective is to promote inclusive and sustainable development in support of accelerating the economic diversification and structural transformation of Africa, in line with the 2030 Agenda for Sustainable Development and Agenda 2063: The Africa We Want.

Hanan Morsy, Deputy Executive Secretary and Chief Economist of ECA
The Subregional Office for Southern Africa, based in Lusaka, supports the following member States: Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. ECA pursues its mandate through the direct intervention of the two technical sections of the Subregional Office: the Inclusive Industrialization Section and the Subregional Initiatives Section. Support for member States is anchored in the Commission’s three core functions: convening platforms, acting as a think tank and providing operational support.

» **Convening.** The Subregional Office provides subregional bodies, member States and other stakeholders with a platform for consensus-building, leading to the development of policy frameworks, standards and action plans that reinforce regional integration and development.

» **Acting as a think tank.** The Subregional Office conducts multisectoral research and analysis to foster the integration of the three pillars of sustainable development (social, economic and environmental) and promote peer learning, innovative thinking, advocacy of public policies, intersectoral linkages and synergies.

» **Operational support.** The Subregional Office provides policy advice at the national and subregional levels through direct, demand-based support for member States and regional economic communities in areas related to the normative and analytical work of ECA, in collaboration with the United Nations system, at the country level.
Supporting social and economic development in Southern Africa: recent activities of the Subregional Office for Southern Africa of the Economic Commission for Africa in Lesotho

Economic Commission for Africa, mandate and core functions

**Mandate**

The mission of the Economic Commission for Africa (ECA) is to deliver ideas and actions for an empowered and transformed continent, informed by the 2030 Agenda for Sustainable Development and Agenda 2063: The Africa We Want, of the African Union.

**Core functions**

- Convening platforms for policy frameworks and action plans at the subregional and regional levels
- Acting as a think tank by carrying out multisectoral research and analysis to promote regional integration
- Providing operational support, including policy advice and analytical work, for the sustainable development of countries

Actions encompassed by the core functions of the Subregional Office for Southern Africa

» Assisting member States and regional economic communities in the subregion in promoting and developing inclusive industrialization policies, national and regional plans, and appropriate institutional frameworks geared towards achieving social and economic development

» Collaborating with the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa, other intergovernmental organizations, the private sector and other stakeholders in promoting regional development agendas and priorities

» Convening expert group meetings and policy dialogues and providing technical support and advisory services to member States and other stakeholders aimed at enhancing their capacity to design and implement priority initiatives for subregional economic transformation
Recent technical support provided by the Subregional Office for Southern Africa to stakeholders in Southern Africa

The activities have included:

» Industrial policy harmonization

» Development of national strategies and implementation plans for the strategies and implementation plans related to the African Continental Free Trade Area

» Support for the growth of micro-, small and medium-sized enterprises

» Domestic resource mobilization

» Capacity-building in macroeconomic modelling

The Subregional Office periodically designates specific countries on which to focus its technical support within the broader programme of supporting social and economic development across the subregion, addressing specific development challenges. During the 2020–2024 cycle, the focus countries are Malawi, Namibia, South Africa, Zambia and Zimbabwe.
Lesotho, socioeconomic and development context

**Overview**

Lesotho is a mountainous country that is completely surrounded by South Africa and is economically dependent on its neighbour for employment, with migrant labour remittances in the mining sector making a significant contribution to gross domestic product (GDP). The country is the smallest member of the Southern African Customs Union, and it depends heavily on inflows of remittances and receipts from other members of the Customs Union. Lesotho is a member of SADC and a signatory to the Agreement Establishing the African Continental Free Trade Area, having deposited instruments of ratification on 2 November 2020. The country has a population of 2.2 million people, of whom 49.4 per cent are male and 50.6 per cent are female.\(^1\)

**Economic trends**

The economy of Lesotho relies mainly on agriculture, livestock, manufacturing and mining. According to the Lesotho Bureau of Statistics, the contribution of the agriculture sector to GDP growth remained almost constant in the first quarter of 2022 (5.0 per cent, compared with 5.4 per cent in the first quarter of 2021), which can be attributed to favourable weather, government subsidies and import substitution measures. The manufacturing sector, in particular textiles (which mainly employs women), and mining and construction (both dominated by men) shrunk during the first quarter of 2021, owing to the lingering effects of the coronavirus disease (COVID-19) pandemic, weak external demand and supply chain disruptions. However, the manufacturing industry recovered to post a growth rate of 11.9 per cent during the first quarter of 2022, after a decline of 5.5 per cent in the first quarter of 2021. Mining and quarrying grew by 44.0 per cent in the first quarter of 2022, mainly owing to a 43 per cent increase in diamond production in response to stronger prices and uninterrupted production after the pandemic. Consequently, according to the Lesotho Bureau of Statistics, the contribution of mining and quarrying to GDP rose to 13.5 per cent in the first quarter of 2022, from 12.3 per cent in the first quarter of 2021.

Imports of goods and services fell to 87.9 per cent of GDP in 2020 from 91.5 per cent in 2019 and 94.4 per cent in 2018, while exports of goods and

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services relative to GDP fell to 40.5 per cent in 2020, from 50.9 per cent in 2018. Lesotho benefits from the African Growth and Opportunity Act of the United States of America, which provides duty-free access to the United States market. In 2020, exports from Lesotho to the United States under the Act included apparel amounting to $258 million, diamonds worth $50 million and circuit breakers worth $1.7 million.

GDP growth rebounded to 2.4 per cent in 2019, from −1.2 per cent in 2018. However, it worsened again in 2020, contracting by 7.6 per cent owing to supply disruptions, lockdown measures, lower remittances and travel restrictions. The Bureau of Statistics reported that the GDP growth rate in the first quarter of 2022 rose to almost 3 per cent, from 1 per cent in 2021, indicating that economic activity improved after the pandemic.

In *African Economic Outlook 2022: Supporting Climate Resilience and a Just Energy Transition in Africa,* it is projected that the economy of Lesotho will grow by 2.5 per cent in 2022 and 2.8 per cent in 2023, as the economy continues to stabilize after the pandemic. The annual inflation rate is projected to peak in 2022 at 7.6 per cent before falling to 5.9 per cent in 2023. The fiscal deficit is expected to narrow to 4.6 per cent of GDP in 2022 and to 3.7 per cent in 2023, because of a forecast rebound in revenues from the Southern African Customs Union. Similarly, the current account deficit is projected to narrow from 6.8 per cent of GDP in 2022 to 5.4 per cent in 2023, owing to reduced imports. The second phase of the Lesotho Lowlands Water Development Project is expected to lift the economy marginally.

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Despite these positive developments in 2022, Lesotho remains vulnerable. COVID-19 exacerbated the country’s adverse macroeconomic performance and undermined sociopolitical stability, while recent elections have increased vulnerability. Furthermore, the country’s porous borders remain a challenge to sociopolitical stability.

Social indicators

Lesotho is one of the most unequal countries in the world, although its Gini coefficient improved from 0.542 in 2010 to 0.449 in 2017. In the World Bank Group Country Survey, 2021, it is reported that the poverty headcount ratio at $2.15 a day (2017 purchasing power parity) is 32.4 per cent. Furthermore, youth unemployment remains high, despite a stimulus programme (2020–2023) that helped to reduce youth unemployment from 50 per cent in 2000 to 33 per cent in 2020. HIV/AIDS remains a major challenge in Lesotho: the country has one of the highest HIV prevalence rates in the world. However, the overall prevalence of HIV among the population aged 15–49 declined to almost 21 per cent in 2021, from 23 per cent in 2018. The prevalence rate is significantly higher in women than in men, with a higher rate of new infections among adolescent girls and young women. The efforts of the Government, the Joint United Nations Programme on HIV/AIDS and other stakeholders in the prevention and treatment of HIV/AIDS have contributed immensely to declining infection rates in recent years. In April 2016, Lesotho became the first country in sub-Saharan Africa to adopt the World Health Organization recommendations for HIV-positive persons, implementing them nationwide.

Recent support of the Economic Commission for Africa for Lesotho

Measurement of the gross domestic product of the city of Maseru

Maseru is one of the six African cities (the others are Accra, Harare, Kigali, Lusaka and Yaoundé) in which the Gender, Poverty and Social Policy Division of ECA is implementing a project to estimate city GDP. Collective efforts to measure city GDP in Africa are important; they can support and drive economic growth and transformation, because the findings inform policymaking, urban planning and investment decisions. A report by the Lesotho Bureau of Statistics on the GDP of Maseru, which was produced with ECA support, was validated by local and national government officials, data specialists, development experts and urban planners at a workshop held in the city on 25 July 2022. The report provides evidence on the economic performance and relative economic weight of Maseru and identifies measures that could help to unlock its full potential. The findings are intended to support the Government of Lesotho in prioritizing policy interventions to attract investors, improve competitiveness and strengthen the city’s productive economic sectors. The report indicates that Maseru accounts for approximately 50 per cent of national GDP, despite having only 17 per cent of the total population. The services sector is the main contributor to the economy of Maseru, followed by manufacturing. However, much of the
industry in Maseru showed negative growth, owing to supply and demand disruptions caused by the COVID-19 pandemic. The findings further showed that the GDP per capita of Maseru, $5,187.10, was five times higher than that of the rest of the country, and three times higher than the national per capita GDP.

ECA is also collaborating with the Ministry of Local Government and Chieftainship of Lesotho on a new initiative to measure the financial performance of the city of Maseru. The project is aimed at providing a systematic framework that is effective and useful for cities, to improve their financial performance and then expand their fiscal space in an attempt to achieve the Sustainable Development Goals and the aspirations of Agenda 2063 in a context of prevailing financial pressures.

**Intergovernmental Committee of Senior Officials and Experts for Southern Africa**

The Government of Lesotho actively participates in subregional programmes supported by ECA, including the annual deliberations of the Intergovernmental Committee of Senior Officials and Experts for Southern Africa. The Government of Lesotho chaired the twenty-sixth session of the Intergovernmental Committee, held on 28 and 29 October 2020, under the theme “Policies and strategies towards effective private sector-led growth and job creation in Southern Africa”. The experts at the session, held online owing to the pandemic, recommended that Southern African States should:

» Strengthen and/or stabilize the subregional and national macroeconomic environment, working assiduously to reduce public debt, spending judiciously on priority areas, and monitoring emerging or potential inflationary pressures on spending decisions

» Create a platform for the implementation in Southern Africa of the Agreement Establishing the African Continental Free Trade Area and accelerate subregional industrialization, expeditiously ratifying the Agreement and developing implementation strategies in a fully consultative manner to facilitate the evolution of a harmonized approach to the Agreement across the subregion that complements the aspirations of the protocols on trade, and ensuring that all pertinent issues and challenges in opening up to external markets are factored into their national strategies

» Enhance the role of the private sector, including micro-, small and medium-sized enterprises, harmonizing the service sector's
policy, legal and regulatory frameworks to facilitate the movement of services entrepreneurs across the subregion to exploit opportunities

» Build back better and faster, looking beyond the post-pandemic phase with proactive subregional and national policies, introducing well-targeted interventions to deal decisively with the health and socioeconomic impacts of COVID-19 in order to save lives and livelihoods while eliminating wastage, and rooting out corruption and strengthening financial management systems to reduce the leakage of resources

**Country Profiles initiative**

The Subregional Office for Southern Africa prepared and published a series entitled *Country Profiles*, which included a profile on Lesotho. Each profile provided robust independent analysis of the subject country’s economic and social development status, progress and prospects, which policymakers and analysts could use for key national, regional and international development initiative and agendas, including economic transformation. The series was published and updated until 2018. The latest generation of profiles are the structural transformation, employment, production and society (STEPS) profiles. The recurrent publications were widely disseminated, eliciting evidence-based policy engagement and dialogue among State and non-State stakeholders. The Lesotho edition of the *Country Profiles* was launched in Maseru in collaboration with the United Nations Development Programme (UNDP) country office in Lesotho and the Lesotho Bureau of Statistics.
National minerals and mining policy

The Subregional Office for Southern Africa, in collaboration with the African Minerals Development Centre and the UNDP country office, supported the Government of Lesotho in developing its national minerals and mining policy. This policy framework, which is compliant with the African Mining Vision, was developed through an extensive consultative process with stakeholders at the subnational and national levels. The final version of the policy adopted by the Government was officially launched in June 2015. The Government later embarked on the process of aligning the legal and regulatory framework to facilitate implementation of the new policy, with support from UNDP and other partners.

Response to the pandemic

The Subregional Office for Southern Africa worked closely with the Resident Coordinator Office and other entities of the United Nations system in Lesotho to support studies analysing the social and economic impact of COVID-19, in support of interventions by entities of the United Nations system and other stakeholders, in particular in 2020. Furthermore, the regional policy dialogue on the harmonization of pandemic recovery strategies in Southern Africa, organized online in May 2021, provided an information platform for government officials, development finance institutions, civil society organizations and the private sector, including micro-, small and medium-sized enterprises. The forum on promoting and implementing regional and national industrialization policies for inclusive and sustainable development in Southern Africa facilitated the sharing of country experiences on issues related to COVID-19 and inclusive industrialization. In addition, the Subregional Office has supported member States, including Lesotho, through the United Nations Development Account Global MSME Surge Project (2020-2021) to strengthen the capacities of micro-, small and medium-sized enterprises in Southern Africa, in order to address and mitigate the economic and social impacts of COVID-19.

Actions to date include the following:

» Completion of two analytical studies, one on opportunities for micro-, small and medium-sized enterprises within the green and blue economies in SADC countries, and one on the role of digitalization in strengthening the capacity of micro-, small and medium-sized enterprises in Southern Africa

» Design and roll-out of an online training course for African businesses on the use of technology and innovation to address the impact of COVID-19, in close collaboration with the African Institute for Economic Development and Planning

» Significant progress towards developing a digital platform on technology and innovation for micro-, small and medium-sized enterprises, hosted by the SADC Business Council
Agreement Establishing the African Continental Free Trade Area

Lesotho is one of nine member States that has ratified the Agreement Establishing the African Continental Free Trade Area. It ratified the Agreement on 2 November 2020, although the country has not yet begun to prepare a national implementation strategy or to tap into the support provided by ECA through the African Trade Policy Centre, the Subregional Office for Southern Africa and other partners, including the African Union Commission, the International Trade Centre and the United Nations Conference on Trade and Development.

Interregional cooperation to implement the New Urban Agenda

ECA, in partnership with the United Nations Human Settlements Programme (UN-Habitat), has been supporting Lesotho in developing a cross-sectoral action plan to achieve coherence between the urban sector of the economy and other major sectors to inform implementation of the national strategic development plan and the design of a national urban policy and, ultimately, to further the implementation of the New Urban Agenda in Lesotho. The project is being implemented under the guidance of a national implementation team and a city implementation team.

The following activities have been conducted, with ECA support:

» A detailed diagnostics study, entitled “Policies to leverage urbanization for development in the Kingdom of Lesotho”, was carried out and validated with national stakeholders at a national workshop

» An action plan for multisectoral coordination of crucial urban priorities was developed by representatives of municipal and national authorities

» The Ministry of Local Government and Chieftainship showcased the initiative at the high-level meeting to assess progress on the implementation of the New Urban Agenda, held in April 2022 in New York
**Support for Lesotho on poverty and vulnerability**

ECA has collaborated with UNDP and the Resident Coordinator Office to undertake an in-depth assessment of the social and economic situation of Lesotho to understand the country’s long-term development trends, its drivers of economic growth, and their impact on livelihoods, inequality and exclusion. ECA, UNDP and the Resident Coordinator Office have worked on the terms of reference for the study, to be conducted under the title “Socioeconomic analysis and opportunities for development in Lesotho”. Two consultants have been designated to undertake the study, which will contribute to the Common Country Assessment for Lesotho and will undoubtedly inform the United Nations Sustainable Development Cooperation Framework for the country.

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**Revival of the SADC National Planning Entities Platform**

Lesotho participated in a meeting of national planning organizations on reviving the SADC National Planning Entities Platform, held on 7 and 8 April 2022 in Lilongwe. The meeting was convened by the Subregional Office for Southern Africa, in collaboration with the ECA Macroeconomics and Governance Division, the Publications, Conference and Knowledge Management Division and the African Institute for Economic Development and Planning and was attended by representatives of national planning entities from 13 SADC member States and by SADC national contact points from ministries of foreign affairs. Participants reviewed and adopted the framework of operation and workplan for 2022 to guide the efforts of the SADC National Planning Entities Platform. The Platform serves as a space for national planning entities in SADC countries to share information, lessons learned and best practices, and to engage in networking. The Platform also enhances the capacity of member States to align their national development plans with regional, continental and global agendas through cooperation among national planning entities and to ensure the harmonization of their national industrial policies with the SADC Industrialization Strategy and Roadmap, 2015–2063 and SADC Vision 2050. Subsequently, the SADC National Planning Entities Platform convened an online dialogue on the macroeconomic impact of the conflict between the Russian Federation and Ukraine, held on 4 August 2022. The dialogue
raised awareness among the national planning entities of the impact of the conflict in the subregion; identified short-, medium- and long-term opportunities for member States in the subregion; proffered concrete proposals and recommendations on how member States could best manage these negative impacts while exploiting the opportunities that might arise; and explored how the proposals and recommendations could be incorporated into the work of the National Planning Entities Platform and into national plans and budgets.

Requests from the Government of Lesotho on Gender Issues

The Government of Lesotho has asked the Gender, Poverty and Social Policy Division of ECA to support the development of the national spatial framework, which is critical for drafting the new national development plan. Moreover, the Government has also requested that the Macroeconomics and Governance Division provide technical support for designing the national development plan. Given the many requests from the Government, ECA is planning to use an integrated approach to address them, and in that regard, discussions have already started within these ECA divisions and with UNDP.

Support for voluntary national reviews and the Africa Regional Forum on Sustainable Development

The Technology, Climate Change and Natural Resources Management Division of ECA has supported countries in Southern Africa, including Lesotho, as they pursue voluntary national reviews of their sustainable development frameworks and progress. As part of the follow-up and review of the progress made by member States in implementing the 2030 Agenda, ECA provided technical advice and financing, and facilitated participation at the Africa Regional Forum on Sustainable Development and the high-level political forum on sustainable development. Voluntary national reviews enable the sharing of experiences, including successes, challenges and lessons learned, with a view to accelerating implementation of the 2030 Agenda.