Impact of COVID-19 and the Russia-Ukraine Crisis on Micro Small and Medium-Sized Enterprises (MSMEs) in Lesotho
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TABLE OF CONTENTS</td>
<td>2</td>
</tr>
<tr>
<td>TABLE OF FIGURES</td>
<td>2</td>
</tr>
<tr>
<td>ABBREVIATIONS</td>
<td>4</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>6</td>
</tr>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>7</td>
</tr>
<tr>
<td>1. INTRODUCTION</td>
<td>10</td>
</tr>
<tr>
<td>BACKGROUND OF THE STUDY</td>
<td>10</td>
</tr>
<tr>
<td>RESEARCH METHODOLOGY</td>
<td>10</td>
</tr>
<tr>
<td>1. LESOTHO – COUNTRY CONTEXT</td>
<td>12</td>
</tr>
<tr>
<td>ECONOMIC CONTEXT</td>
<td>12</td>
</tr>
<tr>
<td>ECONOMIC PERFORMANCE AND GROWTH</td>
<td>12</td>
</tr>
<tr>
<td>GOVERNMENT RESPONSE</td>
<td>13</td>
</tr>
<tr>
<td>3. PROFILE OF SURVEYED MSMES</td>
<td>18</td>
</tr>
<tr>
<td>4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS</td>
<td>20</td>
</tr>
<tr>
<td>5. CURRENT CHALLENGES OF MSMES</td>
<td>23</td>
</tr>
<tr>
<td>6. IMPACT AND RESPONSE TO COVID-19</td>
<td>26</td>
</tr>
<tr>
<td>7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS</td>
<td>28</td>
</tr>
<tr>
<td>8. THE USE OF TECHNOLOGY AND INNOVATION DURING COVID-19</td>
<td>30</td>
</tr>
<tr>
<td>9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION</td>
<td>32</td>
</tr>
<tr>
<td>10. OUTLOOK FOR THE FUTURE AND BUSINESS POLICY IMPLICATIONS</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>35</td>
</tr>
<tr>
<td>10. CONCLUSIONS AND RECOMMENDATIONS</td>
<td>36</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>38</td>
</tr>
<tr>
<td>ANNEXES</td>
<td>39</td>
</tr>
<tr>
<td>SURVEY QUESTIONNAIRE</td>
<td>39</td>
</tr>
</tbody>
</table>
TABLE OF FIGURES

2. MACRO ECONOMIC DATA
   Figure 2.1: Annual GDP growth
   Figure 2.2: GDP sector composition (2021)
   Figure 2.3: Sector contribution to GDP’s growth
   Figure 2.4: Exchange rate
   Figure 2.5: Inflation rate
   Figure 2.6: Export and import as a share of GDP
   Figure 2.7: Share of employment by sector
   Figure 2.8: MSMEs by size
   Figure 2.9: Age of MSMEs

3. PROFILE OF SURVEYED MSMES
   Figure 3.1: Enterprise location
   Figure 3.2: Operational enterprise demographics
     Figure 3.2.1: Formal vs. informal business
     Figure 3.2.2: Enterprise registered with association
     Figure 3.2.3: Size of business of enterprise by employees
     Figure 3.2.4: Sectors
     Figure 3.2.5: Annual turnover 2021 (US$)
     Figure 3.2.6: Age of firm
     Figure 3.2.7: International traders
     Figure 3.3: Owner demographics
       Figure 3.3.1: Nationality of owners
       Figure 3.3.2: Gender of owners
       Figure 3.3.3: Age of owners
       Figure 3.3.4: Type of ownership

4.1 MEDIAN REVENUE GROWTH
   Figure 4.1.1: Overall revenue growth
   Figure 4.1.2: By sector
   Figure 4.1.3: By size of business
   Figure 4.1.4: By international traders
   Figure 4.1.5: By age of firm

4.2 AVERAGE GROWTH CHANGES FOR STAFF
   Figure 4.2.1: Overall staff growth
   Figure 4.2.2: By international traders
   Figure 4.2.3: By sector

5. CHALLENGES
   Figure 5.1: Challenges faced by businesses
   Figure 5.2: Why non-operating business closed
   Figure 5.3: Main challenges by sector
   Figure 5.4: Main challenges by traders
   Figures 5.5: Main challenges by size of business

6. IMPACT OF COVID-19
   Figure 6.1: Extent of COVID-19 impact
   Figure 6.2: Impact by size of business
   Figure 6.3: Impact on international traders
   Figure 6.4: Aspect of business affected by COVID
   Figure 6.5: How businesses responded to COVID
   Figure 6.6: Whether main challenges that businesses faced worsened since 2020

7. IMPACT OF THE RUSSIA-UKRAINE CRISIS
   Figure 7.1: Extent of the Russia-Ukraine crisis
Figure 7.2: Impact by size of business
Figure 7.3: Impact on international traders
Figure 7.4: Aspects affected by the Russia-Ukraine crisis
Figure 7.5: How businesses responded to the Russia-Ukraine crisis
Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis

8. USE OF TECHNOLOGY AND INNOVATION DURING COVID-19
   Figure 8.1: Whether businesses resorted to new tools and processes as a result of COVID-19
   Figure 8.2: Social media used for marketing
   Figure 8.3: Share of sales from digital tools
   Figure 8.4: Impact of COVID-19 on sales from digital platforms
   Figure 8.5: Support needed to invest in innovation and new technologies

9. IMPORT AND EXPORT CHALLENGES
   Figure 9.1: Export challenges
   Figure 9.2: What could be done to improve exports
   Figure 9.3: Import challenges
   Figure 9.4: What could be done to improve imports
   Figure 9.5: Proportions of enterprises who know trade agreements
   Figure 9.6: How traders perceive AfCFTA

10. OUTLOOK FOR THE FUTURE
    Figure 10.1: Forecast for financial situation
    Figure 10.2: Area of support needed
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>ATS</td>
<td>Appropriate Technology Services</td>
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<td>BEDCO</td>
<td>Basotho Enterprises Development Corporation</td>
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<td>CAFI</td>
<td>Competitiveness and Financial Inclusion</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<tr>
<td>Covid 19</td>
<td>Corona Virus Disease</td>
</tr>
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<td>EU</td>
<td>European Union</td>
</tr>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GoL</td>
<td>Government of Lesotho</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>LCCI</td>
<td>Lesotho Chamber of Commerce and Industry</td>
</tr>
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<td>LEAP</td>
<td>Lesotho Enterprise Assistance Programme</td>
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<td>LRA</td>
<td>Lesotho Revenue Authority</td>
</tr>
<tr>
<td>MSM</td>
<td>Maseru Securities Market</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
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<td>MTIBT</td>
<td>Ministry of Trade, Industry, Business Development and Tourism</td>
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<td>NSDP</td>
<td>National Strategic Development Plan</td>
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<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>PSFL</td>
<td>Private Sector Foundation of Lesotho</td>
</tr>
<tr>
<td>RSL</td>
<td>Revenue Services Lesotho</td>
</tr>
<tr>
<td>SACU</td>
<td>Southern African Customs Union</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SHAP</td>
<td>Small Holder Agricultural Project</td>
</tr>
<tr>
<td>SLB</td>
<td>Standard Lesotho Bank</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SRO SA</td>
<td>Sub Regional Office – South Africa</td>
</tr>
<tr>
<td>ToRs</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UNDESA</td>
<td>United Nations Department of Economic and Social Affairs</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>UN</td>
<td>United Nations</td>
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<td>US</td>
<td>United States</td>
</tr>
<tr>
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<tr>
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<tr>
<td>USD</td>
<td>United States Dollars</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<td>WIPO</td>
<td>World Intellectual Property Organisation</td>
</tr>
</tbody>
</table>
ACKNOWLEDGEMENTS

This country report is a deliverable of the project titled “Global initiative towards post-COVID-19 resurgence of the MSME Sector”, or the MSME Surge project that was funded by the United Nations (UN) Development Account (DA) 13th tranche from 2020 to 2022. The project brought together the United Nations Conference on Trade and Development (UNCTAD), the UN Department of Economic and Social Affairs (DESA) and the five UN regional economic commissions including the United Nations Economic Commission for Africa (ECA), through its Sub-regional Office for Southern Africa (SRO-SA) based in Lusaka, Zambia.

The country report for Lesotho was authored by Motebang Mokoaleli, ECA SRO-SA consultant who led the conduct of the survey in Lesotho with a team of enumerators, working under the overall coordination of Mads Knudsen, lead SRO-SA international consultant, from Vanguard Economics Ltd. The report was prepared under the direct supervision of Bineswaree Bolaky, Economic Affairs Officer, ECA SRO-SA working under the overall guidance of Isatou Gaye, Chief, Sub-regional Initiatives Section, ECA SRO-SA.

This country report is one of 11 country reports assessing the impact of COVID-19 and the Russia-Ukraine crisis across the member states of ECA SRO-SA which comprise of Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. The report is a collaboration between ECA SRO-SA, the SADC Business Council, the Lesotho Private Sector Foundation and the Lesotho Chamber of Commerce and Industry. Special thanks are expressed to Peter Varndell, Executive Secretary, SADC Business Council and his team, Thabo Qhesi, Chief Executive Officer, Lesotho Private Sector Foundation and Fako Hakane, Executive Secretary, Lesotho Chamber of Commerce and Industry for their support and guidance on this initiative. The draft country report was presented and discussed at the Regional Meeting on Technology and Innovation for MSMEs in Southern Africa, 21-23 June 2023 in Cape Town, South Africa, organised by the ECA SRO-SA and the SADC Business Council. The meeting was attended by senior government officials and private sector associations of ECA SRO-SA member states.

Special thanks are extended to the Government of Lesotho (GoL) as represented by the Department of Business Development, under the Ministry of Trade and Industry, Business Development and Tourism (MTIBT) and the Basotho Enterprises Development Corporation (BEDCO). These are two government institutions which are responsible for MSMEs development in Lesotho. Both provided invaluable government perspective and inputs towards development of this assignment, as well as unwavering support to the local Consultant and his team of enumerators. Special thanks are further extended to a highly energetic and motivated local team of enumerators, namely, Mesdames Malehomela Mphana, Matseliso Malunga and Rethabile Khoete who worked tirelessly and professionally to ensure the successful completion of this exercise.
EXECUTIVE SUMMARY

The coronavirus disease (COVID-19), as well as the subsequent Russia-Ukraine crisis, unleashed adverse impact on African countries economies, businesses and societies. These two events combined to constrain the ability of enterprises to produce goods and services and engage in trade. The micro, small and medium enterprises (MSMEs) were the most affected, by these two developments.

These events coincided with the period in which economic performance in Lesotho was on the decline. This downward trend commenced in 2016 due to issues that include: the economic slowdown in the United States (US), a major export destination for Lesotho’s garment exports; the reduced diamond mining exports, coupled with weak prices for these diamonds; as well as a drop in Southern African Customs Union (SACU) revenues owing to economic slowdown in the Southern Africa economy. These factors plunged growth into a negative territory from 2017-2020, before picking up moderately into a positive territory in 2021 (Source: World Bank, 2021). Despite the recent global disruptions caused by COVID-19 and Russia-Ukraine crisis, the economy however showed resilience by growing at 1.6% and 1.8% in 2021 and 2022 respectively. This recovery was largely driven by construction, mining, manufacturing, business services and public administration. Agriculture also contributed positively due to favourable rain falls (Source: World Bank, XXX)

The impact of the COVID-19 pandemic, and the Russia-Ukraine crisis on MSMEs in Lesotho was the focus of this research study. In 2020, the United Nations Economic Commission for Africa (ECA), and its development partners, conducted an online survey on the impact of COVID-19 on African businesses. The findings confirmed that most businesses were severely affected by COVID-19 pandemic leading to closures and reductions in capacity utilisation. The findings further confirmed the expression of dissatisfaction by a majority of companies regarding inadequate and insufficient relief interventions provided by respective governments. Lesotho was not an exception in experiencing a negative impact.

Like other countries, Lesotho provided relief to the MSMEs in the form of COVID-19 Relief Fund. This relief fund, as in many countries was considered insufficient by the affected enterprises. Lesotho further provided assistance through the introduction of subsidies on agricultural inputs and energy related products in order to curb inflationary pressures brought about by these events.

In an effort to mitigate the adverse impact of COVID-19, the United Nations, including the United Nations Economic Commission for Africa Subregional Office for Southern Africa (ECA SRO-SA), rolled out, and funded a project titled “Global Initiative Towards Post-COVID-19 MSME Sector”. The objective was to facilitate resurgence and strengthen resilience of MSMEs in developing countries and economies in transition. Furthermore, it aimed to mitigate the economic and social impact of COVID-19 and facilitate the contribution of MSMEs to the implementation of Sustainable Development Goals (SDGs).

Under this project, ECA SRO-SA had commissioned a survey across 11 countries in the Southern African region in 2022. The objective was to produce a set of 11 country level reports and a regional report synthesizing the findings of the country reports in order to assess the impacts of COVID-19 and the Russia-Ukraine crisis on MSMEs in the 11 member states of ECA SRO-SA.
This report presents findings from a survey that was conducted in Lesotho from 1st March to 4th April 2023 in order to assess the impact of the current twin-crisis; namely, the persistent impact of COVID-19 as well as the impact of the Russia-Ukraine crisis on MSMEs in Lesotho.

The survey was derived from a representative sample of MSMEs, based on an existing and available database on MSMEs. The survey covered the 4 regions of Lesotho, spanning all 10 districts, and covering both the rural and urban centres. A total 298 MSMEs were surveyed using digital technology. The survey was able to reach out to mostly urban based MSMEs due to, among others, challenges provided by the digital divide between urban and rural areas.

The key findings of the survey are as follows.

Businesses experienced a significant decline in sales revenue in 2020, owing to the COVID-19 pandemic, thereby leading to job losses. The performance in sales revenue recovered to a 40% positive growth in 2021 before slowing down to 22% in 2022, seemingly due to the effects of the Russia-Ukraine crisis. Industry and services sectors performed worse than the agricultural sector in 2020 and 2022. While these 3 sectors experienced a negative growth in 2020, they all recovered to a positive growth in 2022, suggesting a lesser impact of the Russia-Ukraine crisis. The micro enterprises revenues were the most affected, signalling weaker resilience by micro enterprises, compared to other enterprises.

Part time employees were laid off at the higher rate than full-time employees in 2020 and 2022. However, COVID-19, had a significant impact on both permanent and part time jobs in 2020. Furthermore, in 2020, among non-traders, revenues decreased more compared to importers’ revenues. Revenues for importers were however more affected in 2022, seemingly due to rising costs of imports, owing to the Russia-Ukraine crisis. The Lesotho's MSMEs identified key challenges facing their businesses during this time as follows: access to capital (51.6%); low demand for goods and services (47.6%); as well as inflation (47.2%).

Like COVID-19, the Russia-Ukraine crisis had a negative impact on MSMEs in Lesotho. 99% of the MSMEs were adversely affected by this crisis regardless of the size of an enterprise. The impact of the Russia-Ukraine crisis in 2022 was, however less severe compared to the events of 2020, as measured by revenue and job losses. The government responded to this crisis through subsidies applied on basic food commodities and the introduction of a stabilisation fund devoted to all petroleum products. The MSMEs also responded in various ways to this crisis as follows: 43.1% stopped operating; 20% worked online from home, while 9.3% deferred planned investments.

Based on secondary data and stakeholders’ interviews, there were a number of interventions and a dedicated support which was extended to MSMEs, by both the government and its development partners in an effort to address the negative impact of both events. Despite the interventions in place, evidence suggests that more still needs to be done. This is according to the majority of MSMEs, who expressed pessimism that things are going to get worse before they get better. Key issues for MSMEs in this regard included: a need for business support services regularly, and not only in times of crisis; a need to strengthen adaptation and resilience through science and technology uptake; as well as a need to adapt by adopting innovative ways of doing business given the changing business landscape.

By way of conclusions, and based on the findings of this survey, both COVID-19 and the Russia-Ukraine crisis unleashed a devastating impact on MSMEs in Lesotho. The effect was adverse for the overwhelming majority of the surveyed MSMEs. This majority, including the government, were unprepared for this eventuality. Only 7% of MSMEs adopted innovative ways of doing business during this time. In cases where the government responded to both events, the interventions were considered inadequate by the recipients.
Many deserving MSMEs could not get support due to insufficient information regarding their existence and location.

Against this background, and based on the findings of this study, below are specific recommendations aimed at addressing challenges faced by MSMEs in Lesotho.

- Develop a comprehensive national MSMEs database.
- Based on current initiatives and policy position, expedite the formalisation of informal traders and micro enterprises. The key focus of this initiative should be to extend support and capacity building to this section of MSMEs.
- Develop a tailored capacity building programme which responds to new trends and the changing business landscape, driven by science, technology and innovation.
- Develop/upgrade national ICT infrastructure (in both rural and urban areas) and promote science, technology and innovation uptake.
- Develop MSMEs emergency/stabilisation fund for use in times of crises.
- Develop a micro finance structure, as well as responsive financial products for MSMEs.
1. INTRODUCTION

Background of the study

The coronavirus disease (COVID-19) as well as the subsequent Russia-Ukraine crisis, unleashed adverse impact on African countries economies, businesses and the society. These two events constrained the ability of enterprises to produce goods and services. The micro, small and medium enterprises (MSMEs) were most affected by these two developments.

The sectors mostly affected were predominantly in manufacturing, informal sector, hospitality/travel and transport. The impact on business was confirmed by surveys conducted by the United Nations Economic Commission for Africa (ECA) and its development partners in April and June 2020. The findings confirmed that most businesses were severely affected by COVID-19 pandemic leading to closures and reductions in capacity utilisation. The findings further confirmed the expression of dissatisfaction by a majority of companies regarding inadequate and insufficient relief interventions provided by respective governments.

Lesotho was not an exception in experiencing a negative impact. Like other countries, Lesotho provided relief to the MSMEs in the form of a COVID-19 Relief Fund. This relief fund, as in many countries, was considered insufficient by the affected enterprises. Lesotho further provided assistance through the introduction of subsidies on agricultural inputs and energy related products in order to curb inflationary pressure brought about by these events.

In addition, and as a measure to assist member states to arrest the impact of COVID-19 on MSMEs, the United Nations (UN) through the United Nations Conference on Trade and Development (UNCTAD), and the 5 regional economic commissions of the UN, including the ECA and the UN Department of Economic and Social Affairs (DESA) rolled out and funded a project called “Global Initiative Towards Post-COVID-19 MSME Sector”. The objective of this project was to implement capacity building tools that will strengthen the resilience of MSMEs against challenges presented by COVID-19. This project was divided into 5 clusters considered critical areas to MSMEs recovery.

This assignment falls under cluster 4 dealing with technology and innovation, including cluster 5 on enhancing market access. The objectives of this study under these two clusters include: assessing the impact of COVID-19 on MSMEs in individual Southern African member states; and to produce a regional report assessing the impacts of COVID-19 on Southern Africa. The outcome of this process is to trigger a discussion on how technology and innovation is being used by MSMEs to address the adverse impacts of the unexpected eventualities, including the role that regional integration can play in building resilience.

Research methodology

The methodology for conducting this survey entailed the following key steps.

Establishing a Sampling Frame from Existing MSMEs Database

Evidence on the ground suggests the non-existence of any formal databases on MSMEs in Lesotho. There are reports that the WB commissioned a study in 2018 estimating the existence of over 200,000 MSMEs in Lesotho, accounting for 85% of all businesses. There are similar reports that FinScope also undertook an MSME survey which revealed the existence of 76,037 MSMEs in the country as follows: 62,168 in the informal sector; and 13,899 in the formal sector. Efforts to obtain these studies from official sources were not conclusive. As such, the consultant resorted to the latest existing, reliable and representative database on MSMEs generated during the implementation of the AfDB funded MSMEs Capacity Building and Effectiveness Improvement Programme in 2021.
The above cited programme was conducted on behalf of the GoL, in support of BEDCO. The project entailed several capacity building interventions to 1300 MSMEs in Lesotho.

Surveyed MSMEs include both formal and informal sectors derived from the 4 Lesotho regions namely: lowlands; highlands; foothills; and Senqu valley, inclusive of both rural and urban areas across all 10 districts of Lesotho. This survey was designed to cover at least 200 domestic MSMEs operating within the 4 key priority sectors as outlined in the National Development Strategic Plan (NSDP) namely: Agriculture; Manufacturing; Tourism; and Information and Communication Technology (ICT). The survey was further designed to include women and youth owned enterprises.

To provide the study with a context, Lesotho’s MSMEs policy 2021 became a key reference point. This policy provides criteria which defines MSMEs in Lesotho, including defining an informal sector in Lesotho.

Data Collection Process
The data collection process commenced on 1\textsuperscript{st} March 2023 to 4\textsuperscript{th} April 2023. The survey methodology considered risks and limitations presented by the local environment. These risks and limitations include the following:

- Non availability of a reliable and official MSMEs population in Lesotho.
- Fragmented and inadequately resourced and equipped business associations as sources of reliable data,
- MSMEs computer illiteracy, including lack of resources to obtain this technology,
- Differing understanding of issues between micro, small and medium enterprises due to experiences, level of education and location.

Appropriate mitigation strategies were adopted to manage these risks during data collection. Targeted respondents were contacted through direct telephone calls, and where appropriate, through online interviews.
1. LESOTHO – COUNTRY CONTEXT

Economic Context

Lesotho is a small, mountainous, and landlocked country, surrounded by its much larger neighbour, South Africa. It has a population of almost 2.3 million and a nominal gross domestic product (GDP) per capita of $1,045.9 in 2022.

Lesotho is a lower-middle-income country. Most of its land mass is located at high altitude with its lowest point at 1,400 meters above sea level. Previously a British protectorate, the nation gained independence on October 4, 1966. Lesotho is a constitutional monarchy, ruled by a king as Head of State and a Prime Minister as Head of Government. A 33-member Senate and a 120-member National Assembly govern Lesotho. A new government was established in November 2022.

Economic Performance and Growth

Lesotho’s gross domestic product (GDP) stood at 2.48 billion US dollars (USD) in current prices during 2021. Growth declined from 2016 and plunged into negative territory from 2017-2020 before picking up moderately in 2021 (Figure 2.1). This negative growth is attributable to an economic slowdown in the United States (US), a major export destination for Lesotho’s garment exports, the reduced diamond mining exports coupled with weak prices for these diamonds, as well as a drop in Southern African Customs Union (SACU) revenues owing to economic slowdown in the South Africa economy.

The effect of the COVID-19 pandemic put a further dampener on the performance of the economy. In terms of sectoral composition to GDP, the services and industrial sectors are key drivers accounting for 49.2% and 34.2% (Figure 2.2). Agriculture is a key priority sector for Lesotho. It is however still at a nascent stage with current negligible 4.9% contribution to sectoral composition, though a major contributor to job creation at 44.3% of total jobs created, though mostly of subsistence nature. This sector still has to unleash its potential to improve its contribution in Lesotho’s economic activity, through the commercialisation of this priority sector. Nonetheless, economic activity is expected to improve in 2023, underpinned by the construction sector, particularly Phase II of the Lesotho Highlands Water Project (LHWP-II), which includes the construction of a water transfer tunnel, the Senqu River bridge, and the Polihali dam. GDP is expected to expand by 2.6% in 2023, 3.1% in 2024, and 3.3% in 2025, as construction activity in the LHWP-II reaches its peak (World Bank 2023).

Another boost is expected to emanate from strong growth in the mining industry due to an improved market outlook for rough diamonds and the current upsurge in commodity prices. The return to full-scale production of some of the mines, under care and maintenance in 2021, is expected to improve the sector’s performance (World Bank 2023).

Given the limited recovery in 2022, poverty levels are estimated to remain high at 34.7% in 2022 based on $2.15 per person a day at 2017 purchasing power parities (PPP) terms. Other factors, such as rising food prices further limit poverty reduction (World Bank 2023). Despite the recent growth in the agricultural sector, food insecurity remains a challenge, particularly among the rural population. Between October 2022 and March 2023, an estimated 320,000 people, accounting for 22% of the population in rural areas will be food insecure, up from 15% between July and September 2022 (World Bank, 2023). Figure 2.4 shows that the exchange rate rose in 2020, fell in 2021 and then went up again in 2022. Inflation rose sharply to 10% in 2022, an indication that the Russia-Ukraine crisis had a negative impact.
However, imports and exports have been on an upward growth path between 2018 -2020 and have contributed significantly to Lesotho’s GDP (Figure 2.6).

**Development Challenges and Risks**

Lesotho’s poverty rate fell from 56.6% in 2002 to 49.7% in 2017. When using the international poverty line of $2.15 per person per day (in 2017 PPP), a sharper decline is observed, with poverty falling from 66.3% to 32.4% over the same period. Poverty reduction gains were made largely in urban areas, while rural and mountainous regions, where 58% of the population resides, continue to be the poorest.

The skewed spatial distribution of poverty is strongly correlated with levels of human capital, economic opportunities, and access to services, as well as to risks of natural disasters. The COVID-19 pandemic, together with other recent major shocks such as price inflation and recurrent climate anomalies, have reversed the downward trend in poverty reduction, with recent projections suggesting that poverty increased to 35.8 % in 2021.

High HIV/AIDS prevalence and tuberculosis (TB) remain Lesotho’s greatest health challenges. The HIV/AIDS prevalence rate in Lesotho is 25% in the adult population (15-49 years), the second highest in the world. In 2020 the incidence of TB stood at 650 cases per 100,000. While high health costs exert more pressure on the fiscal burden, these high rates continue to contribute to persistently high inequality and poverty.

**Government Response**

The GoL undertook measures to support MSME’s during the COVID-19 crisis. The adopted interventions are based on secondary data and the stakeholders’ interviews. These interventions are outlined below:

The GoL implemented a M50,000,000 (maloti) (US$ 2,777,777) COVID-19 Relief Fund programme for MSMEs. This Fund was administered through the Lesotho Enterprise Assistance Program (LEAP). The GoL however, released only 36% of the Relief Fund budget to a total 12,473 businesses due to, among others, comprehensive existing databases on MSMEs, making it difficult to identify and locate all intended beneficiaries.

On the business front, innovative and technologically based measures were put in place to provide resilience and continued operations of MSMEs in the face of challenges posed by the operating environment. These measures were administered through both the GoL Department of Business Development and the BEDCO. They include: a virtual Expos 2021 showcasing MSMEs goods and services on offer; as well as digital selling platforms branded as (Marakeng/The Market). While virtual expos were not a real success story due to local communication networks incapacity to effectively host such expos through existing platforms, the digital selling platforms showed promise during implementation.

Other support measures introduced by GoL to minimise the impact of Russia-Ukraine crisis on communities include subsidies by the GoL, keeping food and commodities prices as low as possible; as well as the introduction of subsidies on energy related products, following rampant inflationary pressures caused by the crisis. Both grains and petroleum products prices were capped at specific levels to provide support to business community and the citizens at large.
There were other initiatives which the GoL embraced, with the support of development partners, aimed at building MSMEs resistance and resilience beyond the era of adversity, by facilitating access to regional markets. These initiatives are as follows:

**UK Prosperity Fund - Trade Capacity Building Program for SACU member states and Mozambique**

The trade capacity building programme was instituted to enhance regional trade by supporting MSME’s to access the regional markets. This is supported by the British Government and covers SACU countries and Mozambique. The project focuses on the following areas: access to information and trade promotion, a demand driven initiative to support compliance with market standards, women in trade, as well as trade and customs training. The initiative provides Lesotho with 21 products that are eligible for export to both the SADC and AfCFTA. These include trout fish, vegetables, fresh and dried fruits, as well as water.

**SADC Regional Value Chain Programme**

As another measure to build regional resilience in post COVID-19 and post Russia-Ukraine crisis, a study was conducted within SADC to identify regional value chains. This study identified goods and services produced in the region and maps inputs produced by each country. Through this study, Lesotho is now able to identify countries that produces inputs required for the finished products for both local and export market.

The value chain programme is further supported by the regional trade facilitation initiative intended to automate a cross border system to facilitate cost effective regional trade. On the domestic front, Lesotho has embarked on measures to promote innovation and technology uptake among MSMEs. These measures include the following:

**Bacha Entrepreneurship Project**

This project is a conscious effort to guide the youth in developing entrepreneurship skills and culture. The project assists the young entrepreneurs in the following areas: assistance in the development of bankable business plans and business proposals, assistance with seed capital, as well as assistance of the youth through mentoring and coaching of their start-up enterprises.

In addition, the Bacha Entrepreneurship programme provides young entrepreneurs with incubation services. The project was launched in 2014 in collaboration with Standard Lesotho Bank (SLB) and the Lesotho Revenue Services (LRA). This project has to-date funded 17 youth owned businesses with a total value of M2,900,000. A further 10 youth entrepreneurs projects have been allocated M2,000,000, that was rolled out in the 2022/2023 financial year.

**Business Plan Competition**

The project aims to provide innovative financing model for women and youth that aims to achieve the following: job creation, enhancement of entrepreneurial ecosystem, support for economic growth and development, provision of enabling environment for enterprises, and mentorship and development of young entrepreneurs as well the enhancement of technology innovations.
This project is funded by the African Development Bank (AfDB) and targets Basotho youth aged between 18–35 and Basotho women aged between 18–40 years. The project has reached out to a total 110 women and youth owned enterprises to the tune of M11,000,000. Each of these young entrepreneurs received M100,000 as seed capital. These young entrepreneurs are also supported through incubation.

**Smart Youth Fund**

The project focuses on youth entrepreneurship venturing in the agricultural sector, through provision of financial support. The project is championed by a local investment consortium namely Sekhametsi which has pledged M300,000 interest free revolving fund to support youth agriculturally based projects. This Smart Youth Fund is managed by Sekhametsi in collaboration with Lesotho Post Bank. 3 youth businesses have so far benefited from this initiative where each received M100,000 financial support.

**Business Idea Pitching**

The project is an initiative of BEDCO. It aims to assist youth across various sectors, to transform own generated ideas to functional projects on the ground. This programme is implemented through pledges made by various organisations. The project was launched in 2022. To-date BEDCO has received pledges of up to M 77,000 in cash and M 30,000 in marketing services to support promising youth business ideas.

**Small Holder Agricultural Project (SHAP)**

The project is the GoL initiative to support MSMEs focusing on agricultural technology that improves old ways of producing, as well as assisting MSMEs to adapt to climate change.

**Appropriate Technology Services (ATS)**

ATS is another GoL initiative, created as a national centre and support structure for innovation, technology and research. The centre is operational and collaborate with businesses which provide e-commerce services for MSMEs.

Finally, BEDCO as an institution, administers a range of incubation programmes. These include provision of seed capital to youth who operate in the IT sector, as well as in other sectors with prioritisation of innovative ideas.

In addition to the initiatives earlier highlighted, there are a number of initiatives that the GoL is currently planning to undertake in order to strengthen the resilience of MSMEs. These initiatives are undertaken with the support of development partners and are currently at various stages of development. These are as follows:


The framework is a SADC initiative with the technical support of WIPO, to assist the region to harmonise political and socio-economic policies and plans in order to achieve deeper regional integration. One of the objectives of this framework is to assist member states to achieve economic integration through participation of MSMEs in regional value chains.
Lesotho strives to develop, grow, and sustain its indigenous MSMEs through the adoption of appropriate policies and plans that will support growth and development of MSMEs. The initiative, once in full swing, will strengthen the resilience of the local MSMEs by plugging these MSMEs into regional value chains.

**Lesotho Competitiveness and Financial Inclusion Project (CAFI)**

The CAFI Lesotho recently launched CAFI a project designed to increase access to business support services and financial products. CAFI is targeted at MSMEs, particularly women and youth. The project was conceptualised during the COVID-19 outbreak, informed by the challenges presented by the pandemic. The project focuses on 3 key components: enhancing the financial inclusion and resilience of MSMEs, scaling support for entrepreneurship and MSMEs, as well as project management and implementation support. It is a programme that aims to invest more into incubating youth and women into horticulture as well as to support small, micro businesses in Lesotho. The project is financed by the WB. It is a 6-year project which became effective in September 2022 and was officially launched in April 2023.

BEDCO, as a development agency responsible for the growth and development of MSMEs, has been assigned to oversee the implementation of CAFI project.
Lesotho’s GDP, which is at 2.48 billion USS (current prices), has been declining since 2018, but rose again in 2021. COVID-19 has had substantial impact on Lesotho’s economy. The services sector accounts for 49.2% of the GDP, and together with the industry sector have been driving the growth of the economy.

The exchange rate rose in 2020, fell in 2021, and then went up again in 2022. The Russia-Ukraine crisis had a significant impact on the inflation rate in 2022.

Both export and import have been growing and they contribute significantly to Lesotho’s GDP.

94% of MSMEs in Lesotho are micro enterprises. Most business were established within the last 5 years.
3. PROFILE OF SURVEYED MSMEs

Surveyed MSMEs are representative of the sampling frame per plan, premised on existing and available MSMEs population in Lesotho, also aligned to parameters that include, Lesotho’s 4 regions namely: lowlands; highlands; foothills; and the Senqu valley. This sampling frame is derived from all 10 districts of Lesotho, inclusive of both rural and urban areas. The survey focused on Lesotho’s MSMEs operating in key priority sectors as outlined in the NSDP 2018-23, namely, Agriculture, Manufacturing, Tourism, ICT (Figure 3.1).

A total 298 MSMEs were surveyed, accounting for 9% of the 11 participating countries’ total population of surveyed MSMEs. All the enterprises surveyed are spread almost evenly across formal and informal sectors. They are owned by Basotho entrepreneurs with the majority run by women and youth, operating as sole proprietors. Most of the surveyed MSMEs are located in urban areas, as only 28% are located in rural areas. 83% of surveyed businesses are operational. The remainder of the respondents are dormant (Figure 3.1).

The survey is dominated by micro enterprises accounting for over 94% of businesses, distantly followed by small and medium enterprises at 5% and 1% respectively. Most of these businesses were established within the past 5 years. The start-ups (2 years old or less) account for 36% of surveyed enterprises. In terms of sectoral distribution, the service sector remains dominant, accounting for 49.2% of enterprises surveyed, distantly followed by industry and agriculture, accounting for 34.2% and 4.9% respectively. Only 10% of enterprises surveyed hold membership with local business associations. All enterprises surveyed predominantly serve the local market (Figure 3.2).
3. PROFILE OF SURVEYED MSMEs

3.1 Enterprise location

298 business were surveyed and most are located in urban areas.

3.2 Operational enterprise demographics

There is slightly more formal businesses than informal, and the majority of businesses are micro (0-10) employees, in the services sector, and earn less than US$ 5k.

- Figure 3.2.1: Formal vs. informal business
- Figure 3.2.2: Enterprise registered with association
- Figure 3.2.3: Size of enterprise by employees
  - Micro (0-10): 93.5%
  - Small (11-50): 5.7%
  - Medium (51-200): 0.4%
  - Large (above 500): 0.4%
- Figure 3.2.4: Sectors
- Figure 3.2.5: Annual turnover 2021 (US$)

3.3 Owner demographics

Enterprises are predominantly owned by Basotho and the majority is owned by women, non youth, and sole proprietors.

- Figure 3.3.1: Nationality of owners
  - Fully (100%) owned by nationals: 99.2%
  - More than 50% owned by nationals: 0.8%
- Figure 3.3.2: Gender of owners
  - Enterprises owned by men: 35%
  - Enterprises owned by women: 65%
- Figure 3.3.3: Age of owners
  - Enterprises owned by youth: 28%
  - Enterprises owned by non-youth: 72%
- Figure 3.3.4: Respondent role in the enterprise

The majority of businesses were established within the last 10 years.

- Figure 3.2.6: Age of firm
  - <1 year: 2%
  - 1-5 years: 20%
  - 6-10 years: 19%
  - >10 years: 39%

Most enterprises import more than they export.

- Figure 3.2.7: International traders
  - Exports & imports: 5%
  - Doesn't trade: 59%
  - Import only: 36%
  - Export only: 0%

Operational: 248
Non-operational: 52

66% Urban
34% Rural
4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS

In terms of overall revenue growth, businesses experienced a significant decrease in sales revenue in 2020 (a negative growth of 88%) due to the impact of COVID-19. The performance improved in 2021 by achieving 40% positive growth. This growth however slowed down to 22% in 2022, suggesting the adverse effect of the Russia-Ukraine crisis (Figure 4.1.1). Businesses in the industry and services sectors performed worse than those in the agricultural sector in 2020 and 2022 (Figure 4.1.2). The agricultural sector was less affected by COVID-19 restrictions given its rural predominance where restrictions on movement of people were less, and the subsistence nature of this sector where most agricultural activities take place within people’s own yards.

While all these 3 sectors experienced a negative growth in 2020, they all recovered to positive growth in 2022, suggesting lesser impact of the Russia-Ukraine crisis on business compared to COVID-19. The micro enterprises were hit more in 2020, experiencing 88% negative growth compared to 29% negative growth for SMEs. This suggests a lack of resilience by micro enterprises in the face of adversity. Micro enterprises however performed better, compared to SMEs in 2021 and 2022 with a recovery to positive growth of 42% and 20% respectively (Figure 4.1.3). The micro enterprises business is reliant on free movement of people. The easing of movement restrictions from 2021 suggests a resurgence in performance.

In 2020, for non-traders, revenues decreased more compared to importers, but in 2022 importers were more affected, seemingly due to inflationary pressures on imported goods and inputs owing to intensifying Russia-Ukraine crisis (Figure 4.1.4). All enterprises regardless of age of the firm saw a decrease in revenue growth for the period 2020 -2022, suggesting the adverse impact of COVID-19 and the Russia-Ukraine crisis on businesses during this time (Figure 4.1.5).

In terms of the average growth changes for staff, the part time employees were laid off at the higher rate than full-time employees in 2020 and 2022. This situation is understandable given the nature of temporary work, which usually becomes the first to be affected in times of crisis. COVID-19 however had a significant impact on both permanent and part time staff in 2020. This was largely due to the stringent regulations designed to contain the pandemic, thereby adversely affecting all types of employment. The recovery was experienced from 2021 with moderate positive growth in employment. A further moderate drop was experienced in 2022 on both part time and full-time employees, seemingly due to the impact of the Russia-Ukraine crisis (Figure 4.2.1). Both non-traders and importers significantly cut down part time employees in 2020. Permanent employees were also laid off in 2020 though at the lower rate, again owing to the impact of COVID-19 (Figure 4.2.2). On the sectoral front, part time employees in industry were more adversely affected in 2020, whereas full time agricultural workers were mostly affected during this time (Figure 4.2.3). This is because industry engages a number of workers on a ‘short time’ basis to meet seasonal demand. The agricultural sector which is mostly of a subsistence nature does not operate in that manner.
4.1 MEDIAN REVENUE GROWTH

Figure 4.1.1: Overall revenue growth
Businesses experienced a significant decrease in sales revenue in 2020 due to the impact of COVID, and recovered in 2021. However, growth slowed in 2022.

Figure 4.1.2: By sector
Businesses in the industry and services sectors performed worse compared to those in the agriculture sector in 2020 and 2022.

Figure 4.1.3: By size of business
Micro enterprises were hit more in 2020 but performed better compared to SMEs before in 2021 and 2022.

Figure 4.1.4: By international traders
In 2020, non traders’ revenues decreased more compared to importers, but in 2022, importers were more impacted.

Figure 4.1.5: By age of firm
All enterprises regardless of the age saw a decrease in revenue growth 2020.
4.2 AVERAGE GROWTH CHANGES FOR STAFF

Figure 4.2.1: Overall staff growth

Part-time employees were laid off at a higher rate than full-time employees in 2020 and 2022. When compared to previous years, the COVID-19 in 2020 had a significant impact on both permanent and part-time employees.

![Graph showing overall staff growth]

Figure 4.2.2: By international traders

In 2020, both non traders and importers significantly cut down the number of part-time employees. Permanent employees were also laid off in 2020.

![Graph showing staff growth by international traders]

Figure 4.2.3: By sector

In 2020, part-time workers in the industry sector were more affected, whereas full-time workers in the agriculture were more affected.

![Graph showing staff growth by sector]
5. CURRENT CHALLENGES OF MSMEs

Challenges Faced by Businesses

Enterprises surveyed raised a number of issues as challenges confronting their businesses during 2020 and 2022. These challenges led to business closures in some instances. The 3 key challenges raised by surveyed businesses are as follows: Access to capital according to 51.6% of the respondents. It appears that financial institutions, microlenders and other non-banks financial intermediaries became more risk averse during this time; the low demand for goods and services was cited as another key challenge for 47.6% of surveyed enterprises; and inflation was cited by 47.2% of the respondents (Figure 5.1). Accessing capital was the main hurdle that propelled 52 businesses to shut down as indicated by 63% of the respondents. The unstable business environment and lack of raw materials came distant second and third at 12% and 6% of the respondents respectively (Figure 5.2). Difficulties in accessing capital was most prevalent in the services sector, as measured by 68% of the respondents, while inflation was prevalent in the agricultural sector for 54% of the respondents (Figure 5.3). The main challenges were experienced by non-traders as opposed to importers (Figure 5.4). Micro enterprises were mostly affected by facing three main challenges, namely: accessing capital; inflation; and low demand for goods (Figure 5.5). The absence of tailored financing for micro enterprises in Lesotho appears to be a major factor. The restricted movement of people due to COVID-19 was another contributing factor.

There were also other issues revealed by the survey as challenges presented by the environment during this time. These include hard to get imports; technical constraints, probably making it difficult for MSMEs to exploit new opportunities and markets; regulations, probably misaligned to the current crises; as well as unfavorable exchange rate resulting in a weakening local currency. Access to capital was cited as the single, largest factor which caused closure of 52 enterprises during this time.

The identified findings of this study correlate with the diagnostic report of the WB funded Lesotho CAFI of 2022. The CAFI diagnostic report acknowledges the following key issues: access to finance remains a challenge, particularly to small firms due to limited financial intermediation and limited use of digital financial services; and that MSMEs have been particularly hard hit by compounding shocks that include the COVID-19 pandemic with no resilience building mechanisms in place. CAFI was conceptualised based on COVID-19 experiences and focuses on 3 key components being enhancing the financial inclusion and resilience of MSMEs, scaling support for entrepreneurship and MSMEs, as well as project management and implementation support.

The challenges raised by surveyed enterprises, further appear to be corroborated by other related studies undertaken on MSMEs in Lesotho. For instance, a study by the European Union in 2013, confirmed access to finance as being problematic for locally owned SMEs. According to this study most SMEs operated and owned by Basotho face difficulties in accessing bank loans necessary for effective operations of enterprises. According to this study, 71% of small businesses and 56% of medium enterprises indicated constraints in accessing bank credit. Factors influencing these constraints include the following: high interest rates, the lack of appropriate collateral for 89% and 86% of small to medium enterprises respectively.

The study further raised other systemic challenges facing MSMEs which also impede access to finance. Most of the MSMEs do not produce financial data in the form of financial statements.
Financial institutions rely on this kind of data to assess the credit worthiness of an enterprise. In addition, MSMEs usually lack the skill to produce bankable business plans. Financial institutions in Lesotho rely on bankable business plans as a condition to providing financial support to MSMEs.

According to the UNDP Development Assessment Report - Lesotho 2021, domestic private investment is very low in Lesotho. This is due to a weak financial capacity of the sector and partly due to the lack of access to credit, especially for MSMEs. Access to finance remains one of the major challenges in promoting private economic initiatives in the country. This is despite the GoL and the local development institutions’ existing initiatives such as existing credit guarantee schemes. Many small non-bank financial intermediaries, including microfinance institutions, are important segments of the financial sector. These micro-lending institutions are, however, still unable to provide large-scale support.

According to this UNDP study, bank assets to GDP ratio in Lesotho was 19.03% in 2017, placing Lesotho in 149th position globally. Private sector capital is also constrained by the underdeveloped domestic capital market and limited regulatory instruments. The Maseru Securities Market (MSM) was only created in 2014 and is therefore, still in its nascent phase. Currently MSM is providing a narrow offering made up only of debt instruments. It presently has low liquidity.
5. CHALLENGES

Figure 5.1: Challenges faced by businesses

Accessing capital, low demand for goods and services and inflation are the main 3 challenges that surveyed businesses face.

- Accessing capital: 51.6%
- Low demand of goods and services: 47.6%
- Inflation: 47.2%
- Technical constraints: 8.5%
- Hard to get imported goods: 6.1%
- Regulations: 2.4%
- Access to skilled labor: 2%
- Undue involvement from government officials: 0.8%
- Insecurity: 0.8%
- Foreign currency is expensive: 0.8%

Figure 5.2: Why non-operating business closed

Accessing capital is the main hurdle that propelled 52 businesses to close.

- Access to capital: 63%
- Unstable business environment: 11%
- Family issues: 6%
- Lack of raw materials: 6%
- Changed to new profession: 4%
- Health reasons: 4%
- Lack of resources: 2%
- Low demand for goods and services: 2%
- Seasonal business: 2%

Figure 5.3: Main challenges by sector

Accessing capital is most prevalent in the services sector, while inflation is prevalent in the agriculture sector.

- Agriculture: 54% Accessing capital, 44% Inflation, 14% Low demand for goods and services
- Industry: 52% Accessing capital, 44% Inflation, 14% Low demand for goods and services
- Services: 60% Accessing capital, 58% Inflation, 14% Low demand for goods and services

Figure 5.4: Main challenges by traders

The main challenges are more prevalent among businesses that do not trade.

- Doesn’t trade: 56% Accessing capital, 50% Inflation, 43% Low demand for goods and services
- Importers: 46% Accessing capital, 43% Inflation, 43% Low demand for goods and services

Figure 5.5: Main challenges by size of business

Micro enterprises are more impacted by the 3 main challenges.

- Micro (0-9): 54% Accessing capital, 48% Inflation, 40% Low demand for goods and services
- Small & Medium (10-50): 54% Accessing capital, 48% Inflation, 40% Low demand for goods and services
6. IMPACT AND RESPONSE TO COVID-19

Most of the enterprises surveyed were adversely affected by COVID-19 pandemic as follows: 98% in 2020; and 95% in 2022 (Figure 6.1). The micro businesses were the most affected at 98% and 93% impact in 2020 and 2022 respectively, seemingly owing to marginal resilience compared to other enterprises (Figure 6.2).

The majority of both non-traders and importers were also adversely affected by the COVID-19 pandemic. 99% of non-traders were affected in 2020, while 96% of importers were affected in 2022 (Figure 6.3).

Access to loans, access to imports and exports were the three most affected business aspects (Figure 6.4). This in turn adversely affected production levels and the number of employees engaged to produce goods and services. More than a third of surveyed enterprises stopped operating during the COVID-19 pandemic per 38.5% of the respondents (Figure 6.5). The other surveyed businesses responded to COVID-19 challenges in different ways as follows: 17.4% of the businesses started working more online and from home, 13% laid off staff, while 10.5% stopped paying wages. Less than 10% of the surveyed enterprises responded in the following differing ways: deferrals of new planned investments, more focus on domestic market, and investment in new technologies.

There were other aspects of business which were also adversely affected though with a lesser but still serious impact. These include access to supplies, the number of clients, as well as net profits.

More than 80% of enterprises who experienced high inflation, and low demand for goods and services believe that challenges have worsened since 2020 (Figure 6.6)
6. IMPACT OF COVID-19

6.1 Extent of COVID-19 Impact
Most enterprises were negatively impacted by the COVID-19 pandemic.

6.2 Impact by size of business
Micro businesses experienced more negative effect of the pandemic.

6.3 Impact on international traders
Both non trading and importers were affected by the COVID-19 pandemic.

6.4 Aspects of business affected by COVID.
Access to loans and imports are the most affected business aspects.

6.5 How businesses responded to COVID-19
More than a third of the enterprises stopped operating during the COVID-19 pandemic.

6.6 Whether main challenges that businesses face have worsened since 2020
More than 80% of the businesses who faced inflation and low demand for goods and services believe that the challenge has worsened since 2020.
7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS

99% of surveyed enterprises experienced a negative impact of the Russia-Ukraine crisis (Figure 7.1). The impact of the Russia-Ukraine crisis was however less severe compared to COVID-19 in 2020 in terms of impact on revenue growth. All MSMEs were experiencing a negative effect of this crises regardless of size of the business. Almost all importers and non-traders were also adversely affected (Figure 7.2). The impact was, however, seemingly lesser than the impact of COVID-19 as enterprises performance started picking up in 2022.

Both the importers and non-traders were negatively impacted by the Russia-Ukraine crisis, owing to rising costs of imported inputs which affected both classes of enterprises (Figure 7.3). An aspect of businesses mostly affected by this crisis was access to loans as reflected by 49% of all surveyed enterprises. There were other aspects of businesses negatively affected according to around 20% of the respondents. These aspects include imports and exports, production level, number of clients, number of employees, and sales (Figure 7.4).

In response, most enterprises stopped operating due to this crisis, according to 43.1% of businesses (Figure 7.5). Other businesses responded in other ways to the crisis which included: working more online and from home per 20% of respondents; others accounting to less than 10% of survey results embarked on measures that include, deferral of planned investments, resorting to external markets and laying off staff.

Almost all enterprises surveyed believe that the crises led to inflation, low demand for goods and services and challenges in accessing capital. This situation worsened since February 2022 (Figure 7.6).
**7. IMPACT OF THE RUSSIA-UKRAINE CRISIS**

**Figure 7.1: Extent of the Russia-Ukraine Crisis**
99% of the enterprises experienced a negative impact due to the Russia-Ukraine Crisis

- Negative impact: 1%
- No impact: 99%
- Positive impact: 0%

**Figure 7.2: Impact by size of business**
All MSMEs experienced a negative effect of the crisis regardless of the size of the business.

- Micro: Negative impact: 99.2%, No impact: 0.4%, Positive impact: 0.4%
- Small & Medium: Negative impact: 100%

**Figure 7.3: Impact on international traders**
Importers and non-traders were both negatively impacted by the Russia-Ukraine crisis.

- Importers: Negative impact: 99%, No impact: 1%
- Doesn't trade: Negative impact: 100%

**Figure 7.4: Aspects of business affected by the Russia-Ukraine Crisis**
Access to loans is the most affected business aspect.

- Lower: Stock of finished goods: 42%, Sales: 31%, Production level: 31%, Number of employees: 31%, Number of clients: 26%, Loans: 31%, Import: 26%, Exports: 26%, Access to supplies: 31%, Ability to pay salaries: 20%, Ability to pay for inputs and variable expenses: 20%
- No change: 70%
- Higher: 70%

**Figure 7.5: How businesses responded to the Russia-Ukraine crisis**
More enterprises responded to the crisis by stopping operations.

- Stopped operating: 43.1%
- Started working more online and from home: 20%
- Deferring planned investments: 9.3%
- Found new external markets: 6.7%
- Laying off staff: 4.8%
- Found new foreign suppliers: 4.5%
- Focused more on domestic market: 2.6%
- Increased e-commerce focus/capabilities: 2.3%
- Stopped paying staff: 1.7%
- Invested in new technologies: 1.7%
- Found new domestic suppliers: 1.7%
- Taken new loans to bridge the crisis: 1.1%
- Lowering production: 0.5%

**Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis**
The majority of businesses believe that 3 main challenges are related to the crisis

- Challenges related to Russia-Ukraine Crisis: 99%
- Challenged worsened since Feb 2022: 98%

- Accessing capital: 100%
- Inflation: 100%
- Low demand for goods and services: 99%
8. THE USE OF TECHNOLOGY AND INNOVATION DURING COVID-19

Only 7% of surveyed enterprises resorted to new tools and processes during COVID-19. These businesses used predominantly online media according to 26% of respondents. Other enterprises resorted to other tools and processes which include the following: increased use of the internet per 21.1% of respondents; specialized applications per 10.5% of respondents; finally, the other 10.5% of the respondents applied other digital applications (Figure 8.1).

The two most used social media marketing platforms were Facebook and WhatsApp. There were a smaller number of businesses which resorted to other platforms that include website, Instagram and Twitter (Figure 8.2).

Social media accounted for more than 50% of sales for a third of companies interviewed. Majority of these businesses experienced increase in sales resulting from the use of these platforms (Figure 8.3). The majority of businesses therefore saw an increase in sales from digital platforms (Figure 8.4). Survey results, however, suggest that half of the businesses require financial support to invest in innovation and new technologies according to 49.6% of the respondents. The other smaller group of respondents cited a need for support to invest in innovation and technologies to access inputs. There were other businesses accounting for less than 10% of responses which required a range of support to invest in innovation and technologies in the following areas: empowerment of local businesses, improvement of infrastructure, access to markets and capacity building (Figure 8.5).
8. USE OF TECHNOLOGY AND INNOVATION DURING COVID-19

Figure 8.1: Whether businesses resorted to new tools and processes as a result of COVID-19

Only 7% of enterprises resorted to new tools and processes due to COVID-19, companies mainly adopted the use of online media.

Tools and processes introduced

- Online media: 26%
- Increased the use of internet: 21.1%
- New products: 15.8%
- Entering new markets: 15.8%
- Specialised apps: 10.5%
- Digital apps: 10.5%

Figure 8.2: Social media used for marketing

The two most popular social media platforms used by businesses for marketing are Facebook and Whatsapp.

Social media accounts for more than 50% of sales for a third of the businesses.

Figure 8.3: Share of sales from digital tools

Less than 10%
Between 11% - 25%
Between 26% - 50%
More than 50%
Don't know

Figure 8.4: Impact of COVID-19 on sales from digital platforms

The majority of businesses have seen an increase in sales from digital platforms.

No change: 15.4%
Increase a little: 42.3%
Decrease a lot: 1.2%
Increased a lot: 41.1%

Figure 8.5: Support needed to invest in innovation and new technologies

Half of companies need financial support to invest in new technologies.

- Financial support: 49.6%
- Access to inputs: 12.2%
- Empower local businesses: 8.5%
- Improve infrastructure: 6.9%
- Access to markets: 6.1%
- Capacity building: 5.7%
- Improve regulations & processes: 2.8%
- Improve e-commerce: 2.8%
- End the fuel crisis: 1.6%
- Access to affordable internet: 1.6%
- Access to electricity: 1.2%
- None: 0.8%
9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION

Challenges

Regulations, lack of finance and customs tariffs are the main reasons preventing businesses to export (Figure 9.1). Access to finance is considered a major challenge preventing enterprises from exporting according to 38.5% of the respondents. This challenge is closely followed by access to markets per 30.8% of the respondents (Figure 9.2). These factors prompt a need to improve regulation per 23.1% of the respondents. 7.7% believe in the need to reduce taxation in order to facilitate enterprises’ access to export markets.

In accordance with Figure 9.3, customs tariffs and high transportation costs are main challenges hindering businesses from importing. Enterprises surveyed cited the need for interventions that include financial support; regulations improvement; and import subsidies. Identified issues are considered as main aspects for improving and easing on importing. The majority of the respondents in this regard (32%) believe that financial support is a major intervention that can improve and ease imports. A further significant number of respondents recommended improvement in regulations, as well as government support through import subsidies. This is according to 21% and 16% of respondents respectively, in order to improve imports performance (Figure 9.4).

It is only 2% of the surveyed enterprises which expressed knowledge of the existence of the AfCFTA (Figure 9.5). Knowledge of the existence of the AfCFTA was more entrenched in importers compared to non-traders (Figure 9.6). The majority of the respondents are aware of the existence of the SACU (48.9%), closely followed by the respondents’ knowledge regarding existence of the African Growth and Opportunity Act (AGOA) (47.1%). Less than 1% of surveyed businesses expressed knowledge of the existence of the Common Market of Eastern and Southern Africa (COMESA). Lesotho however is not a member state of COMESA but of SADC.

Opportunities

Opportunities therefore exist for local MSMEs to integrate with the region through the establishment of value chains to facilitate access to regional and international markets. This is achievable provided Lesotho can improve the investment and trading environment by undertaking actions that include: review and effective implementation of investment and industrial policies, review of the legal and regulatory framework for MSMEs, easy access to finance by MSMEs to facilitate imports and exports as well as the reduction of both import and export tariffs. Opportunities further exist to create awareness on emerging market access opportunities presented by additional regional trading blocs that include: AfCFTA; SACU; SADC and others.
9. IMPORT AND EXPORT CHALLENGES

Figure 9.1: Export challenges
Regulations, lack of finance, and customs tariffs are the main reasons preventing businesses from exporting.

Figure 9.2: What could be done to improve exports
Access to finance was the top suggestion to improve exporting.

Figure 9.3: Import challenges
Customs tariffs and high transport costs are the main hurdles hindering businesses from importing.

Figure 9.4: What could be done to improve imports
Enterprises suggested financial support, regulations improvement, and import subsidies as the main aspects to improve importing.

Figure 9.5: Proportions of enterprises who know trade agreements
Only 2% of the businesses are aware of the AfCFTA.

Figure 9.8: How traders perceive AfCFTA
More importers are aware of the AfCFTA potential compared to non-traders.
10. OUTLOOK FOR THE FUTURE AND BUSINESS POLICY IMPLICATIONS

The overwhelming majority of surveyed MSMEs, based on their experiences of both the COVID-19 pandemic and the Russia-Ukraine crisis expressed pessimism that things are going to get worse before they improve and get better. All is not doom and gloom as enterprises surveyed expressed hope and optimism regarding the future (Figure 10.1). 56.1% of the enterprises surveyed expressed cautious optimism regarding the future of their businesses, while 32.9% of the respondents were upbeat and optimistic. The remainder expressed a gloomy picture regarding the future. Access to capital, business infrastructure, and access to raw materials were issues raised by businesses as support required (Figure 10.2). Though raised by less than 6% of the businesses, issues that include inflation stabilisation, government support and subsidies, local production empowerment, access to markets and improved regulations were considered as other factors which can provide support to businesses.

Interventions that include access to capital, business infrastructure, and access to raw materials were issues raised by businesses as key support required. Despite this, the MSMEs expressed the need for support at all times, and not only in times of emergencies, crises and economic shocks. These proposed regular interventions are considered as having a potential to secure the future of MSMEs enterprises through, among others, a strengthened adaptation, resilience, and the reinforcement of sustainability of MSMEs operations. The survey further raised a range of key issues requiring attention in laying a strong foundation for the growth, development, and sustainability of MSMEs in Lesotho. The survey has revealed MSMEs vulnerabilities in the face of economic shocks and adversity. This study has demonstrated the MSMEs lack of agility, dynamism, and flexibility to adapt, and to reset, by adopting innovative ways of conducting businesses as dictated by the demands of the changing operating landscape. This study has demonstrated that MSMEs require support to grow and develop.

Indeed, the GoL attaches a great deal of importance and attention to the growth, development and sustainability of MSMEs in Lesotho. In this regard the GoL has adopted a conscious effort to provide interventions that assist the MSMEs to grow and develop sustainably. This support is provided individually and in some instances in partnership with development partners. Provided interventions are in the form of policies, studies and programmes designed to offer support to MSMEs. These include the following: the SME Policy 2021 as an instrument designed to implement reforms through active participation of MSMEs in the economy, including meaningful linkages with FDI to achieve sustainable economic spillovers, the creation of partial credit guarantee schemes to provide financial support to MSMEs, a host of programmes designed to build capacity of MSMEs including women and youth owned businesses to produce goods and services for both local, regional and international markets, support for MSMEs to embrace innovation and technology uptake in order to remain relevant in the everchanging operating environment, as well as other initiatives supported by development partners to assist local MSMEs to effectively plug into regional and global value chains.

While all these interventions lay a good foundation for growth and development of MSMEs, this survey revealed a number of gaps which require to be plugged.
10. OUTLOOK FOR THE FUTURE

Figure 10.1: Forecast for financial situation
Most entrepreneurs are optimistic about the future of their businesses.

- A bit worse than today: 1.6%
- The same as today: 9.3%
- A bit better than today: 56.1%
- Much better than today: 32.9%

Figure 10.2: Area of support needed
Access to capital, business infrastructures, and raw materials are the main areas of support needed.

Access to capital: 44%
Access to business infrastructure: 18%
Access to raw materials: 15%
Stabilize inflation: 6%
Government support and subsidies: 5%
Empower local production: 5%
Access to markets: 3%
Improve regulations: 1%
Access to internet and network: 1%
Access to electricity: 0%
Access to energy: 0%
Deferral of rent: 0%
Improve tax policies: 0%
Reduce interest rates: 0%
10. CONCLUSIONS AND RECOMMENDATIONS

Both the COVID-19 pandemic and Russia-Ukraine crisis unleashed a devastating impact on MSMEs in Lesotho. The effect of these two events adversely affected the overwhelming majority of all surveyed MSMEs as economic activity slowed down, demand for MSMEs products slumped, supplies and inputs dwindled, working hours shortened and inputs costs rose exponentially. MSMEs reacted in different ways following these developments. These included closures of some businesses, the shedding of jobs, and laying off of temporary staff. A minuscule number of MSMEs quickly adapted and embraced the new operating environment.

In place are a host of interventions provided by GoL, and in some cases, in partnership with development partners, which are aimed at assisting the MSMEs to develop and grow. These include the SME Policy 2021 designed to position MSMEs at the centre stage of economic activity in Lesotho by, among others, reinforcing meaningful linkages with FDI; the establishment of partial credit guarantee schemes to provide financial support to MSMEs; the initiation of a host of programmes designed to build capacity of MSMEs, including women and youth owned businesses to produce quality products for local, regional and international markets; the implementation of other initiatives, with the support of development partners to assist local MSMEs to effectively plug into regional and global value chains; as well as the support afforded to MSMEs to embrace innovation and technology uptake in order to remain relevant in the everchanging operating environment. Indeed the quick adoption of technology and innovative ways of doing business by a handful of MSMEs was made possible through the support of the GoL and its development partners.

Despite the interventions in place, the majority of MSMEs demonstrated vulnerabilities in the face of economic shocks and adversity. This study further demonstrated that the majority of MSMEs still lack agility, dynamism and flexibility to adapt and to reset, through the adoption of innovative ways of conducting businesses as dictated by the demands of the dynamic operating landscape. These challenges are further compounded by domestic MSMEs limited knowledge regarding regional market opportunities presented by both SADC and AfCFTA. The local MSMEs can reap huge benefits from these kind of opportunities.

The study further revealed a need for MSMEs support on a regular basis, and not only in times of emergencies, crises and economic shocks.

The foregoing matters have brought into the spotlight key policy issues for consideration by GoL in order to lay a solid foundation for the growth, development and sustainability of MSMEs in Lesotho.

Based on the findings of this survey, below are the recommendations for consideration by GoL to support the resilience, development and growth of MSMEs in Lesotho.

**Develop a Comprehensive National MSME Database**

There is a need to develop and manage a single and comprehensive database on MSMEs in Lesotho. Evidence points to the absence of an institution which currently keeps and maintains a comprehensive database on MSMEs. The lack of this source of information still remains a major explanation regarding a paltry 36% disbursement made from the total funds allocated to deserving MSMEs under the COVID-19 Relief Fund.
Expedite Formalisation of Informal Traders and Micro enterprises, Current Government Policy and Initiatives

There is a conscious effort by GoL, through relevant institutions to conduct a formalisation process for informal traders and micro enterprises. This process may bring some disadvantages to the informal traders who may now form part of the tax net with a potential to erode their already meagre margins. On the positive side, this formalisation process can also bring benefits to both informal and micro enterprises. These include access to capacity building programmes, access to subsidised infrastructure and other facilities, as well as access to other benefits that include grants, donations and subsidised loans. There is a significant number of informal traders and micro enterprises which never benefited from the COVID-19 Relief Fund because these entrepreneurs were never registered in any existing database and as such could not be identified and located.

Develop MSMEs Stabilisation/Emergency Fund

The COVID-19 and Russia-Ukraine crises have exposed the vulnerabilities of the MSMEs in Lesotho. These events laid bare a need to consider development of a stabilisation/emergency fund, to be dedicated to the needs of the MSMEs for use during economic shocks, crisis and emergencies. Such a fund should be supported by a formal administrative structure.

Develop Micro Finance Structure and Financial Products for MSMEs

Access to loans was cited as a major challenge faced by the overwhelming majority of the respondents during COVID-19 and the Russia-Ukraine crises. This assertion has been corroborated by a number of studies on MSMEs including the recent study by UNDP, namely, Development Assessment Report - Lesotho 2021. Issues with access to finance continue despite the existing financial interventions that include partial credit guarantee schemes. The product offering of current financial interventions do not appear suitable to address the needs of MSMEs and remain inaccessible to MSMEs in current form.

Develop/Upgrade ICT infrastructure, Promote Innovation and Technology Uptake

Only 7% of surveyed enterprises responded by adopting technology to communicate product offering. Virtual expos were not a success story due to the apparently inadequate ICT infrastructure in the country. Science, technology and innovation are the new drivers of business in this era. It is therefore vital that a concerted effort should be made to develop/upgrade ICT infrastructure in the country, as well as to promote science, technology and innovation.
REFERENCES

ANNEXES

Survey Questionnaire

Introduction and consent to interview
  a. Yes
  b. No

A. Respondent Demo Figureics

A1. Current role in the business (tick those that apply)
  a. Sole owner
  b. Co-owner
  c. Board member
  d. Managing Director/CEO
  e. Manager
  f. Staff
  g. Other____________________________

B. Enterprise/Firm Characteristics

1.1 Name and start year

B1. Country of the Survey
  a. Lesotho

B2. Name of the Enterprise/Firm
  a. ________________________________

B3. In what year did the Enterprise/Firm start operating in Lesotho?
  a. ________________________________

1.2 Location

B4. Does the Enterprise/Firm have global Headquarters in Lesotho?
  a. Yes
  b. No

B5. If no to B4, in which country is the Headquarters located?
  a. Country_________________________

B6. If yes to B4, does the Enterprise/Firm have establishments in other countries?
  a. Yes
  b. No

B7. If yes to B6, please list the countries in which the Enterprise/Firm has establishments
  a. Country a_________________________
  b. Country b_________________________
  c. Country c_________________________
  d. Other countries_____________________
B8. Province of the national enterprise Headquarters
   a. Berea
   b. Butha-Buthe
   c. Leribe
   d. Mafeteng
   e. Maseru
   f. Mohale’s Hoek
   g. Mokhotlong
   h. Qacka’s Nek
   i. Quthing
   j. Thabe-Tseka
   k. Other:_____________________________

B9. Location of the national enterprise Headquarters
   a. Rural
   b. Urban

1.3 Main economic activity

B10. Main Economic Activity of the Enterprise/Firm (select as applicable)
   a. Agriculture, forestry and fishing (A)
   b. Mining and quarrying (B)
   c. Manufacturing (D)
   d. Construction (F)
   e. Wholesale and retail trade (G)
   f. Transport and storage (H)
   g. Accommodation and food services (I)
   h. Information and communication (J)
   i. Financial and insurance activities (K)
   j. Real estate activities (L)
   k. Professional, scientific and technical (M)
   l. Human health and social work activities (Q)
   m. Arts, entertainment and recreation (R)

B11. Description of economic activity (describe what your enterprise does)
   a. ________________________________

1.4 Business registration

B12. Business registration
   a. Sole proprietorship
   b. Private company limited by shares
   c. Publicly traded company (Ltd)
   d. Cooperative
B13. Is the Enterprise/Firm a member of a business association?
   a. Yes
   b. No

B14. If yes, which ones?
   a. Lesotho Social Security Administration
   b. Other (specify)

1.5 Ownership

B15. What is the gender of owners?
   a. Fully owned by women (100%)
   b. More than 50% owned by women
   c. Less than 50% owned by women
   d. Fully owned by men (100%)

B16. What is the nationality of owners?
   a. Fully owned by nationals (100%)
   b. More than 50% owned by nationals
   c. Less than 50% owned by nationals
   d. Fully owned by foreigners (100%)

B17. If any foreign owners, list their nationality
   a. ______________________________
   b. ______________________________

C. Enterprise/Firm Performance

1.6 Capacity utilization

C1. Are you currently producing at full capacity
   a. Yes
   b. No

C2. If no to C2, what level of capacity are you currently operating at?
   a. Less than 50%
   b. 50-60%
   c. 61-70%
   d. 71-80%
   e. 81-90%
   f. 91-100%
   g. Don’t know
1.7 **Staffing**

C3. Number of employees in the beginning of July 2022:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour_____________________

C4. Number of employees in the beginning of July 2021:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour_____________________

C5. Number of employees in the beginning of July 2020:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour_____________________

C6. Number of employees in the beginning of July 2019:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour_____________________

C7. Do you currently have any plans for increasing or decreasing staff numbers in the coming 6 months?
   a. Significantly increase
   b. Moderately increase
   c. No change planned
   d. Moderately decrease
   e. Significantly decrease

1.8 **Sales turnover**

C8. In what currency do you report sales:
   a. National currency
   b. USD
   c. Other: (specify) _____________________

C9. Estimated sales turnover for the financial year ending in the following years:
   a. 2022 (expected)____________________
   b. 2021_____________________________
   c. 2020_____________________________
   d. 2019_____________________________

1.9 **International trade**

C10. Does this Enterprise/Firm export, import or both?
   a. Both exports and imports
   b. Export only
c. Import only (skip to C15)


d. Firm does not import nor export

e. Don’t know

C11. In what currency do you report export sales:

a. National currency
b. USD

c. Other: (specify) ____________________

C12. Estimated exports for financial years ending in the following years

a. 2022 (expected)____________________
b. 2021_____________________________
c. 2020_____________________________
d. 2019_____________________________

C13. Over the past year, which countries did the enterprise export to?

a. Southern Africa
b. Rest of Africa
c. Europe
d. Asia & Oceania
e. North America
f. South America

C14. If “a.” to C13, to which countries? (Tick those that apply)

a. Angola
b. Botswana
c. Eswatini
d. Lesotho
e. Malawi
f. Mauritius
g. Mozambique
h. Namibia
i. South Africa
j. Zambia
k. Zimbabwe

C15. Over the past year, which countries did the enterprise import from?

a. Southern Africa
b. Rest of Africa
c. Europe
d. Asia & Oceania
e. North America
C16. Over the past year, what type of imports did the enterprise buy from foreign suppliers?
   a. Intermediate goods
   b. Finished goods
   c. Services
   d. Others: (specify)____________________

D. Business Challenges and Policy Response

1.10 Challenges in general

D1. What are currently the main challenges for the business? (tick the 3 most relevant)
   a. Low demand for goods and services
   b. Accessing capital
   c. High interest rates
   d. Devalued currency
   e. Price of inputs
   f. Supply chain disruptions
   g. Regulations
   h. Corruption
   i. Access to skilled labour
   j. High taxes
   k. Others: (specify)____________________

For each selected, specify the issue (loop):

D2. If challenge a selected:
   a. Specify________________________________________________________

D3. If challenge b selected:
   a. Specify________________________________________________________

D4. If challenge c selected:
   a. Specify________________________________________________________

D5. If challenge d selected:
   a. Specify________________________________________________________

D6. If challenge e selected:
   a. Specify________________________________________________________

D7. If challenge f selected:
   a. Specify________________________________________________________

D8. If challenge g selected:
   a. Specify________________________________________________________

D9. If challenge h selected:
   a. Specify________________________________________________________

D10. If challenge i selected:
   a. Specify________________________________________________________
D11. If challenge j selected:
   a. Specify________________________________________________________

D12. If challenge k selected:
   a. Specify________________________________________________________

1.11 Impact of COVID-19 pandemic 2020-2022

D13. How did the COVID-19 pandemic impact your business during 2020 and 2021?
   a. Highly positive impact
   b. Moderately positive impact
   c. No impact
   d. Moderately negative impact
   e. Highly negative impact

D14. What was the impact on your business in the following parameters? (Tick your rating)

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<thead>
<tr>
<th>Parameter</th>
<th>Very Low</th>
<th>Low</th>
<th>No Change</th>
<th>High</th>
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<td>f. Stock of finished goods</td>
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<td>g. Access to supplies to operate the business</td>
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<td>h. Ability to pay salaries</td>
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<td>j. Ability to pay back loans</td>
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<td>k. Imports</td>
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D15. If positive impact (a or b to D13), in what way did the pandemic have a positive impact on your business?
   a. Increased profit margins from higher prices
   b. Less competition in the market
   c. Improved access to skilled labour
   d. Increased use of technology
   e. Increased use of local raw materials
   f. Other: (specify)_________________________

D16. How did your business respond to the pandemic 2020-22? (select those that apply)
   a. Stopped operating
   b. Stopped paying staff
   c. Laying off staff
d. Lowering production
e. Found new domestic suppliers
f. Found new foreign suppliers
g. Invested in new technologies
h. Taken new loans to bridge the crisis
i. Started working more online and from home
j. Increased e-commerce focus/capabilities
k. Deferring planned investments
l. Found new external markets
m. Focused more on domestic market
n. New customer/go to market strategy
o. Created new organizational structure
p. Other: (specify)_________________________

D17. Since the outbreak of COVID-19 in 2020, has this establishment benefited from support measures issued in response to the crisis?
a. Yes
b. No

D18. If no to 17, what of the follow options best describe the reason why this establishment did not receive any national or local government measures issued in response to the crisis?
a. We were not aware
b. Too difficult to apply
c. We were not eligible
d. We applied but did not receive it
e. Corruption is preventing us to access
f. Other: (specify)_________________________

D19. If yes to D17, what kind of support? (tick those that apply)
a. Cash transfer
d. Deferral of credit payments
d. Suspension of interest payments
e. Rollover of debt
g. Access to new credit
h. Fiscal exemptions or reductions
i. Tax deferral
j. Wage subsidies
k. Suspension of membership fees
l. Personal Protection Equipment (PPE)
m. Hand washing stations or hand sanitizer
n. Health and Safety guidelines on social distancing in the workplace

D20. Who provided the support?
a. Landlord
b. Commercial bank
c. The Government
d. Family
e. Suppliers
f. Buyers
g. Business Association
h. Other: (specify)_________________________

D21. To what extent was the support useful for the business?
     a. Very useful
     b. Useful
     c. Not very useful
     d. No effect
     e. Negative effect

D22. By mid-2022, to what extent was the business still impacted by the COVID-19 pandemic?
     a. Now a highly negative impact
     b. Now a moderately negative impact
     c. No impact any more
     d. Now a moderate positive impact
     e. Now a highly positive impact

1.12 Impact of Russia-Ukraine war since February 2022

D23. How is the Russia-Ukraine war since February 24th impacting your business?
     a. Highly negative impact
     b. Moderate negative impact
     c. No impact
     d. Moderate positive impact
     e. Highly positive impact

D24. What was the impact on your business in the following parameters? (Tick your rating)  

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k. Imports
c. We were not eligible

D29. If yes to D17, what kind of support? (tick those that apply)
   a. Cash transfer
   b. Deferral of rent, mortgage or utilities
   c. Deferral of credit payments
   d. Suspension of interest payments
   e. Rollover of debt
   f. Access to new credit
   g. Loans with subsidized interest rates
   h. Fiscal exemptions or reductions
   i. Tax deferral
   j. Wage subsidies
   k. Suspension of membership fees
   l. In-kind contribution of inputs/raw materials
   m. Other: (specify)_________________________

D30. Who provided the support?
   a. Landlord
   b. Commercial bank
   c. The Government
   d. Family
   e. Suppliers
   f. Buyers
   g. Business Association
   h. Other: (specify)_________________________

D31. To what extent was the support useful for the business?
   a. Very useful
   b. Useful
   c. Not very useful
   d. No effect
   e. Negative effect

1.13 Desired Policy response

D32. To what extent do you think the current Government policies are positive for the business environment in Lesotho?
   a. Extremely positive
   b. Very positive
   c. Moderately positive
   d. Moderately negative
D33. What measures would be needed to improve the business environment in the current situation? (pick maximum 2)
   a. Prefer as little government interventions as possible
   b. Loan guarantee facilities
   c. Trade agreements with improved market access
   d. Tax deferral
   e. Wage subsidies
   f. Subsidies on inputs
   g. Cash transfers
   h. Other: (specify)____________________________

E. Trade Agreements

E1. Does the Ukraine crisis have any impact on your ability to trade?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E2. As of today, does the COVID-19 pandemic still impact your ability to trade internationally?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E3. What hurdles are you currently facing related to exporting?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
   d. Not competitive in foreign markets
   e. Technology
   f. High transport costs
   g. Corruption
   h. Lack of knowledge how to export
   i. Home market is large enough
   j. Other (specify)____________________________

E4. In your view, what could government do to improve your ability to export?
E5. What hurdles are you currently facing related to importing?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
   d. Not competitive in foreign markets
   e. Technology
   f. High transport costs
   g. Corruption
   h. Lack of knowledge how to import
   i. Home market is large enough
   j. Other (specify)_________________________

E6. In your view, what could government do to improve your ability to import?
   a. Specify________________________________

E7. To your knowledge, which of these trade agreements is your country signatory to?
   a. AfCFTA
   b. SADC
   c. COMESA
   d. AGOA
   e. Others (specify)_________________________

E8. In your perception, what is the main objective of the AfCFTA?
   a. Specify_______________________________

E9. Are you planning to take advantage of new opportunities in AfCFTA?
   a. Yes
   b. No

E10. What will be the impact of AfCFTA on your business?
    a. Very positive impact
    b. Positive impact
    c. No impact
    d. Negative impact
    e. Very negative impact

E11. If positive impact, how does the business benefit? (tick maximum 2)
    a. New market access on the company
    b. Improved access to suppliers and inputs
    c. Improved access to skilled labour
d. Improved access to investing in other countries

E12. If negative impact, how is the business impacted? (tick)
   a. Increased competition in our home market
   b. Others (specify) ________________________

E.13. What do you think will be the top 3 most significant challenges for your enterprise to be able to trade under the AfCFTA and benefit?
   a. Specify_______________________________
   b. Specify_______________________________
   c. Specify_______________________________

F. Use of Technology

F1. For which of the following business functions has this establishment started using or increased the use of internet, online social media, specialized Apps or digital platforms in response to COVID-19 outbreak? Choose all options that apply
   a. Communicating with employees
   b. Communication with clients and suppliers
   c. Supply chain management
   d. Marketing
   e. Sales and bookings
   f. Payment methods
   g. Service delivery
   h. Other: (specify)_________________________

F2. Has the use of technology in the business increased or decreased in response to COVID-19?
   a. Increased a lot
   b. Increased a little
   c. No change as a result of COVID-19
   d. Decreased a little
   e. Decreased a lot

F3. Does your business use any of the following to market your business or sell your products or services?
   a. A website
   b. Facebook
   c. An online shop
   d. Youtube
   e. Instagram
   f. Whatsapp
g. Twitter
h. None of the above
i. Other (specify) ___________________________

F4. If any to the above, what is the share of sales generated using the external digital platforms?
   a. Less than 10%
   b. Between 11%-25%
   c. Between 26%-50%
   d. More than 50%
   e. Don’t know

F5. Has the focus on using digital platforms for sales increased or decreased as a result of COVID-19?
   a. Increased a lot
   b. Increased a little
   c. No change
   d. Decreased a little
   e. Decreased a lot

F6. In the year ahead, do you plan to invest in new technologies for your business operations or sales?
   a. Yes
   b. No

F7. If yes, in what?
   a. Specify _______________________________

F8. What is the motivation for investing?
   a. Demanded by clients
   b. Responding to competitors
   c. To lower costs
   d. To access new markets
   e. Others (specify) ________________________

F9. If No, why not?
   a. Too expensive
   b. Don’t know what to invest in
   c. Cannot find a product/supplier
   d. No need

F10. What kind of support would you need from Government in order to invest in new technologies?
    a. Specify ______________________________