

# Assessment of the Socio-Economic Impact of COVID-19 on the Kingdom of Lesotho

June 2020



**WORLD BANK GROUP**

THE WORLD BANK  
IBRD • IDA

**IFC**

International  
Finance Corporation



**UNITED NATIONS  
LESOTHO**





**Assessment of the Socio-Economic  
Impact of COVID-19 on the  
Kingdom of Lesotho**

June 2020

Copyright © UNDP, 2020



United Nations Development Programme  
3<sup>rd</sup> Floor United Nations House  
UN Road  
Maseru, Lesotho

**UNDP is working under the leadership of the UN RCO as a technical lead for socio-economic recovery to the COVID-19.**

*Disclaimer.* This report was produced with technical leadership and financial support from UNDP. The views in this report cannot be taken to represent opinion of UNDP solely, but of all the agencies participant in this study.

*All rights reserved.* No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by means, electronic, mechanical, photocopying, recording or otherwise, without prior permission.

*Photos*

Cover: Marcin Szymczak/Shutterstock.com, Dendenal/Shutterstock.com, Gil.K/Shutterstock.com, creativeneko/Shutterstock.com, Gil.K/Shutterstock.com

Page x: sfriessner/Shutterstock.com

Page 9: Gil.K/Shutterstock.com

Page 10: Dendenal/Shutterstock.com

Page 20: Gil.K/Shutterstock.com

*Design* by Lushomo [www.lushomo.net](http://www.lushomo.net)

# Contents

<b>Abstract</b>	<b>iv</b>
<b>Foreword</b>	<b>v</b>
<b>Overview of Lesotho's COVID-19 Situation</b>	<b>viii</b>
<b>The Economic Impact of COVID-19</b>	<b>1</b>
<hr/>	
Economic Growth and Performance	2
SACU and Tax Revenues	2
Agriculture and Food Security	3
Migration and Remittances	4
Travel and Tourism	5
Manufacturing Sector	5
Wholesale and Retail Sectors	6
Mining Sector	7
Unemployment and Livelihoods	8
<b>The Social Impact of COVID-19</b>	<b>11</b>
<hr/>	
Poverty and Vulnerability	13
Health Care Sector	14
Vulnerable Groups	15
Education Sector	16
Social Protection	17
Water and Sanitation Sector	17
Gender Equality and Other Cross-Cutting Issues	18
Social Cohesion and Community Engagement	19
<b>Recommendations</b>	<b>21</b>
<hr/>	

# Abstract

This report attempts to provide an assessment of the socio-economic impact of COVID-19 on the Kingdom of Lesotho and to outline recommendations to address its adverse impacts. As envisaged in the United Nations (UN) Secretary-General's Shared Responsibility, Global Solidarity Report, COVID-19 is an unprecedented crisis with deep-rooted health, humanitarian and socio-economic impact. Adopting the UN and World Bank Group (WBG) Framework for the immediate socio-economic response to COVID-19, this assessment has been undertaken along the lines of (1) Health First; (2) Protecting People; (3) Economic Responses and Recovery; (4) Macroeconomic Response and Multilateral Collaboration; and (5) Social Cohesion and Community Resilience.

The report is prepared as part of the wider response strategies of the United Nations Country Team in Lesotho and is intended to be an assessment based on existing data cognizant of the fast and evolving situation.

*"Let's not forget this is essentially a human crisis.  
Most fundamentally, we need to focus on people – the most vulnerable."*

António Guterres, United Nations Secretary-General  
Secretary-General's Call for Solidarity

# Foreword

COVID-19 has affected millions of people around the world. Across Africa, shuttered schools have put many children at risk of going hungry. Disruptions of supply chains and closure of businesses have left workers without income – many of these include vulnerable segments of society. And while locking down our economy was crucial for saving lives, it has had tremendous and lasting consequences for the poor. In the face of a challenging national response, insufficient data, and inadequate amounts of protective gear and testing, we need an effective strategy to support the country navigate and build resilience to the pandemic, and to “Build Back Better”.

The pandemic continues to challenge our societies and ourselves, presenting a colossal test of leadership and humanity. Lesotho recorded four (4) confirmed positive cases of COVID-19 as of 15 June 2020, and by 5 July 2020, this had increased to 91 cases. The transmission of infections is expected to continue to grow exponentially due to Lesotho's fragile health system, community and social interactions, and the geographic and socio-economic linkages between Lesotho and South Africa.

The COVID-19 pandemic is not only painfully displaying the gaps in health systems and infrastructure, but also the high levels of vulnerabilities of individuals, families, and the whole economy. The GDP growth projection has been revised to fall from 1.4 percent prior to COVID-19 to negative 5.1 percent in 2020/21. In 2018/2019, recoveries seen in the diamond and textile sectors resulted in growth of around 3 percent of GDP, but this is bound to decline in 2020/21 due to the pandemic and response measures. The Southern African Customs Union (SACU) revenues, which make up almost 40 percent of the government revenue, will also decline substantially due to COVID-19. All these are expected to have devastating impacts on the economy and livelihoods in Lesotho.

Most poor and vulnerable people in the country have limited means to cope with the economic, social and health impacts of the pandemic. Containment measures, disruption of supply and value chains, and lack of clean water and sanitation are all factors that threaten the well-being and livelihoods of families and groups that are already left

behind. It is expected that multidimensional poverty and inequality will significantly increase, reversing the hard-won progress toward achieving the Sustainable Development Goals (SDGs) so far. In fact, it is reported that “Global human development – which can be measured as a combination of the world’s education, health and living standards – could decline this year for the first time since the concept was introduced in 1990. The decline in the index – reflecting the narrowing of capabilities – would be equivalent to erasing all the progress in human development of the past six years”.<sup>a</sup> This possibility will have a high impact on the potential for achieving the national development priorities and the SDGs in Lesotho.

This socio-economic impact assessment, developed under the umbrella of the Government of the Kingdom of Lesotho, has benefitted from the broad participation of experts and efforts of the United Nations (UN), the African Development Bank (AfDB), and the International Monetary Fund (IMF), builds on prior work by the World Bank in Lesotho, and is based on available evidence and existing knowledge on various sectors. This assessment is essential for an effective response and recovery, but also to ensure that we Build Back Better. The assessment is in line with the *UN Framework for the Immediate Socio-economic response to COVID-19* and the *World Bank Africa Region Framework for Operational Response to the COVID-19 Pandemic and Global Crisis*. Based on these, the assessment focuses on: the socio-economic impact of COVID-19 relative to national development priorities with a specific focus on the key development and growth creating sectors; the impact of the pandemic on Lesotho’s people, including vulnerable groups; identifying key transmission channels; and providing recommendations to support the country’s recovery plans.

Given the multidimensional nature of the pandemic, the recommendations in this paper adopt a triple nexus approach – health, humanitarian, and socio-economic – to ensure that we Build Back Better. These will require some difficult and immediate decisions to balance demands of the COVID-19 response, maintaining continuity of critical services and protecting jobs and livelihoods. In the context of the high level of uncertainty and volatility of conditions in this period, as well as gaps in data, we offer this contribution as a preliminary analysis and projection of possibilities. We believe that in-depth sector-based impact assessments of COVID-19 would be necessary

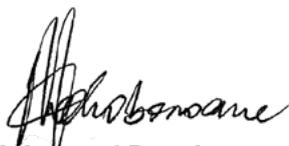
---

<sup>a</sup> COVID-19 and Human Development: Assessing the crisis, Envisioning the Recovery, 2020

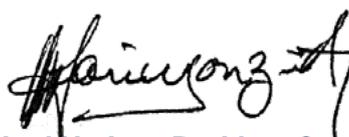
to help strengthen the response and map out the recovery strategies. Multidimensional poverty and poverty mapping are critical to assist in proper intervention policies in social protection. Additionally, regular food insecurity evaluations and mapping of real-time vulnerability are important to monitor changes and target the most vulnerable households, with sex-disaggregated data necessary to monitor gender issues. As a follow-up to this rapid assessment several issue papers will be produced including on social cohesion and community resilience among others.

We appreciate the technical leadership and coordination of UNDP as the UN's technical lead globally on the socio-economic response to COVID-19, the foundational and analytical work of the World Bank, and the collaboration from all the UN resident and non-resident agencies – FAO, ILO, IOM, UNICEF, WHO, UNAIDS, WFP, UNEP, UNECA, UNESCO, IFAD – in this initial work.

We hope you will find this assessment valuable and useful to all as a start for a Response and Recovery path for Lesotho.



**Minister of Development Planning**



**United Nations Resident Coordinator**

# Overview of Lesotho's COVID-19 Situation

As of 15 June 2020, there were four (4) confirmed Coronavirus disease 2019 (COVID-19) cases in Lesotho. Given the rapidly developing COVID-19 situation globally and in the sub-region, especially in South Africa, the Government of Lesotho took decisive action to control the spread of the virus by establishing preventive measures. For national response planning and preparedness, the Government established the National Emergency Command and Emergency Operation Centre led by a Cabinet sub-committee and the Ministry of Health. The command center has developed a contingency plan outlining the key interventions and investments necessary to help the country to manage a possible outbreak. The Government declared a national emergency on 18 March 2020 followed by a compulsory lockdown for all non-essential services from 29 March 2020. The lockdown was relaxed on 19 May 2020, to be reviewed on a fortnightly basis while retaining rules on compulsory use of masks in public spaces and restrictions in high risk sectors such as tourism, sit-in restaurants, entertainment and assemblies of more than 50 people.

Lesotho is vulnerable to COVID-19 due to its proximity to South Africa, the socio-economic linkages between the two countries, Lesotho's fragile health system and based on the Infectious Disease Vulnerability Index (at or below 40). The country already has structural, macroeconomic and social challenges which have been exacerbated over time by environment-related shocks, political instability and decelerated economic growth. COVID-19 is likely to have devastating socio-economic impacts on the country, including sharp increases in unemployment, vulnerability and poverty.

This report provides an assessment of the social and economic impacts of the COVID-19 on Lesotho. The assessment is based on the *UN Framework for Immediate Socio-economic Response to COVID-19* (Figure 1) and the *World Bank - Africa Region Framework for Operational Response to the COVID-19 Pandemic and Global Crisis* (Figure 2). It assesses the overall impact of the pandemic on Lesotho's people including vulnerable groups, identifies key transmission channels, and provides recommendations to support the country's recovery, including the prevention and mitigation of crises of similar nature in the future. The assessment focuses on the socio-economic impact of COVID-19 relative to national development priorities with a specific focus on the key development and growth creating sectors.

This assessment is a joint effort of the United Nations (UN), the World Bank and International Monetary Fund (IMF). It is prepared as part of broader development support to Lesotho and contribution to the to the national response to COVID-19.<sup>1</sup>

**Figure 1: The UN Framework for Immediate Socio-economic Response to COVID-19**



**Figure 2: A Three-pronged World Bank Framework for the Response to the COVID-19 Pandemic**



<sup>1</sup> Participating agencies: United Nations Development Programme (UNDP), United Nations Children’s Fund (UNICEF), Joint United Nations Programme on HIV/AIDS (UNAIDS), World Food Programme (WFP), International Organization for Migration (IOM), Food and Agriculture Organization (FAO), World Health Organization (WHO), International Labour Organization (ILO), United Nations Environment Programme (UNEP), United Nations Economic Commission for Africa (UNECA), World Bank, International Monetary Fund (IMF), United Nations Educational, Scientific and Cultural Organization (UNESCO), African Development Bank (AfDB) and International Fund for Agricultural Development (IFAD).





# The Economic Impact of COVID-19

Lesotho is a landlocked country with a small domestic market and private sector. The Government is the main driver of economic activities as reflected in public spending estimated at around 60 percent of GDP.<sup>2</sup> In the last decade, capital intensive projects and government consumption have driven economic growth.<sup>3</sup> In 2018/19, recoveries seen in the diamond and textile sectors resulted in growth of around 3 percent of GDP.<sup>4</sup> The government has been facing dwindling revenue sources. Revenue from the Southern African Customs Union (SACU), which constitutes almost 40 percent of government revenue, has been volatile, largely due to subdued growth in South Africa.<sup>5</sup> Fiscal consolidation helped to reduce the budget deficit from 6.9 percent in 2018 to 4.5 percent in 2019.<sup>6</sup> The country depends on South Africa for more than 90 percent of its consumer goods and services.<sup>7</sup>

---

<sup>2</sup> 2018/19-2022/23 National Strategic Development Plan (Zero Draft)

<sup>3</sup> IMF Staff Report for the 2019 Article IV Consultation

<sup>4</sup> Op cit 3

<sup>5</sup> Op cit 3

<sup>6</sup> WDI Macro Poverty Outlook, 2020

<sup>7</sup> Country Diagnosis Report, 2018



## Economic Growth and Performance

The country's growth rate in 2019/20 was estimated at 1.4 percent as of February 2020 before the COVID-19 crisis.<sup>8</sup> This sluggish growth is attributed to poor performance in every sector of the economy, particularly in manufacturing, which recorded a lower growth rate of 7.6 percent compared to a growth rate of 12.4 percent in 2018/19.<sup>9</sup> Textile production contracted due to the decline in orders from the United States of America (USA) and South Africa, which are the major destinations for Lesotho's exports. Conditions also remain less encouraging for diamond exports following the growth of synthetic diamonds and the low global growth exacerbated by the tension in US-China trade relations.

Prior to COVID-19, the GDP growth rate was projected to decelerate from 1.4 percent in 2019/20 to 0.4 percent in

2020/21. The growth projection was revised downwards in May 2020 to -5.1 percent, in 2020/21<sup>10</sup> due to the impact of COVID-19. Lesotho's risk of external debt distress has been revised from low in the 2017 Article IV Consultations to 'moderate,' which reflected weaker GDP growth projections, expanded debt coverage, larger deficits and the inclusion of large contingent liabilities.

According to the Second National Strategic Development Plan (2018/2019-2022/2023), the required average growth rate to sustain poverty reduction and realize planned objectives for achieving inclusive economic growth and jobs creation is 4.9 percent. However, the Lesotho Voluntary National Review (VNR 2019) observed that since the adoption of the SDGs in 2015, Lesotho has not been able to achieve the set target annual growth rates.

### Transmission Channel

Lesotho's agricultural output is expected to be subdued, although it is recovering and expected to grow by 0.3 percent in 2020/21. Industry and services are also predicted to contract by 8.2 percent and by 4.3 percent respectively.

A decline in global demand and the subsequent drop in the manufacturing and diamond industries will reduce Lesotho's export earnings and further depress the economy, worsening the country's

fiscal position. The current account deficit is expected to widen from 7.6 percent of GDP in 2019/20 to 9.5 percent in 2020/21.<sup>11</sup>

With COVID-19, government expenditure is bound to increase to offset the impact of the pandemic on the productive sectors. This will worsen the fiscal deficit and it is expected to widen from 4.7 percent of GDP in 2019 to 5.9 percent of GDP in 2020.



## SACU and Tax Revenues

Lesotho is in a precarious fiscal position characterized by unstable revenue sources, which include unpredictable SACU revenue and domestic tax collection, and high government expenditure.<sup>12</sup>

The Government had projected that in 2020/21, the SACU receipts would recover by about 44.3 percent

relative to 2019/20.<sup>13</sup> The pre-COVID-19 share of SACU revenues was estimated to total M8.9 billion against the projected M6.53 billion.<sup>14</sup> However, following the outbreak, the South African Reserve Bank (SARB) revised the growth forecast to -7.0 percent for 2020 from the 1.2 percent projection made in January 2020. The SARB Monetary Policy review

<sup>8</sup> 2020-21 Budget Speech, Minister of Finance as presented to Parliament of the Kingdom of Lesotho on 26 February 2020

<sup>9</sup> Op cit 7

<sup>10</sup> World Bank Lesotho Macroeconomic Outlook

<sup>11</sup> World Bank Global Economic Outlook, June 2020

<sup>12</sup> Public Expenditure Review, Kingdom of Lesotho, 2018

<sup>13</sup> Op cit 7

<sup>14</sup> Op cit 7

states that half this revision downwards resulted from the advent of COVID-19 implying that even without the pandemic growth forecasts would have been lower. However, with COVID-19 the decline is a certainty, with negative implications on SACU revenue. The SACU revenue is largely expected to decline with SACU projecting a loss of R7.0 billion in customs every month for member states, on the account of COVID-19 impact.<sup>15</sup>

The Government also expected an improvement in domestic tax collection, following the below target collection for 2019/20. The Lesotho Revenue Authority (LRA) collected M7.0 billion against the projected M7.6 billion, which was attributed to decelerated global economic activity and the onset of the coronavirus in the developed economies.<sup>16</sup> The pronounced deferment for filing and payment of income tax and VAT returns may likely affect the 2020/21 collection targets.



## Agriculture and Food Security

In the 2020/21 budget speech, the Minister of Finance indicated that production in the agricultural sector was bound to decline even further due to climate change. Food production had already declined by 76 percent between 2018 and 2019 as a result of unfavorable weather conditions, particularly drought, which affected the production of major grains and staples including maize, sorghum and beans. Erratic rainfall and above average temperatures between December 2019 and March 2020 have further increased the likelihood of a reduced harvest in 2020. Consequently, it is estimated that the 2019/20 total cereal imports will amount to 272,000 tonnes, being 150,000 tonnes maize imports and 90,000 tonnes wheat imports.<sup>17</sup>

The impact of adverse weather on agricultural production placed over more than 700,000 people in food insecurity in 2015/16 and over 200,000 people needed humanitarian assistance in 2017. In May 2020, 500,000 people (of which 85 percent were in rural areas) were at risk of food insecurity due to drought.<sup>18</sup> A significant proportion of the rural population in the country, particularly small-scale farmers and households whose livelihoods are based on agriculture, are most affected. The drought is more severe in the lowlands and foothills, which are the main cereal production areas. The sector is expected to rebound modestly by 0.3 percent in 2020/21 partly due to increased levels of activity in response to the COVID-19 outbreak.

### Transmission Channel

About 70 percent of food consumed in Lesotho is imported from South Africa.<sup>19</sup> Consequently, the current COVID-19 situation in South Africa and its subsequent lockdown measures have a direct implication for food security in Lesotho.

In addition, the 58 percent of the population who reside in the rural areas and are mostly dependent on subsistence farming for survival<sup>20</sup> are expected to be affected by below average rainfall, which is expected to further exacerbate food insecurity.

The Lesotho Vulnerability Assessment Committee (LVAC) in March/April 2020 projected that from April to September 2020, the number of food insecure households will rise to 180,000 households as a result of COVID-19, which constitutes about 900,000 (43 percent of the population) people. This will further undermine the livelihoods of agriculturally dependent households that have already had their own coping capacities severely compromised as a result of two consecutive years of drought.

<sup>15</sup> <https://www.msn.com/en-za/news/other/sacu-COVID-19-costing-members-states-r7bn-in-revenue-every-month/ar-BB13pkPp>

<sup>16</sup> Lesotho: LRA Misses Revenue Target Amid COVID-19 Economic Impact, 20 April 2020; <https://allafrica.com/stories/202004220526.html>

<sup>17</sup> 2019 Lesotho Vulnerability Assessment Committee (LVAC)

<sup>18</sup> Op cit 16

<sup>19</sup> Lesotho Bureau of Statistics

<sup>20</sup> Op cit 2

Due to the disruption of supply chains and the lockdowns in South Africa and Lesotho, the supply and distribution of inputs for winter cropping by individual farmers and cooperatives have also been a challenge and will likely lead to further reductions in yield.

Similarly, productivity in the livestock sector and access to markets are likely to be adversely affected by limited access to medicines and vaccines owing to the lockdown. This has implications for the sale and quality of wool and mohair produced in Lesotho, which is a key source of livelihood for most rural households.



## Migration and Remittances

With the onset of COVID-19, South Africa closed most of the border with Lesotho. However, given the fluidity of borders between Lesotho and South Africa, Basotho continue crossing through unofficial community border crossing points which makes managing human mobility difficult especially in the southern districts of the country<sup>21</sup>.

The lockdown in South Africa and closing of the border points have a further knock-on effect on remittances destined for Lesotho. The LVAC (March/April 2020)

indicated that 17 percent of households in Lesotho depend on remittances for household income.<sup>22</sup> In 2018, both formal and informal remittances from South Africa stood at US\$440 million (equivalent to 15.5 percent of GDP).<sup>23</sup> There are 420,000 Basotho working in South Africa, which include, 97,000 Basotho in the unskilled and semi-skilled workers category holding Lesotho Special Permits and an unknown number of irregular migrants (estimated at 100,000)<sup>24</sup> found in the mining and corporate sectors, on farms, in domestic work and other informal sector jobs.

### Transmission Channel

As a result of COVID-19, Lesotho received 93,000 returnee migrants from South Africa including mineworkers and contract workers.<sup>25</sup> This will add pressure on the already weak health care sector in the case of an outbreak and exert pressure on the economy.

Conversely, IOM indicates that over 200,000 of the Basotho remaining in South Africa have become stranded or destitute or have been evicted during the COVID-19 lockdown and they do not have access to sufficient and responsive social protection and other basic services in South Africa.<sup>26</sup>

Non-bank remittances, which are mainly in the form of cash transfers carried out by agents, have dramatically declined because of the COVID-19 pandemic with the Lesotho corridor accounting for a 38 percent drop in volumes between March and April 2020.<sup>27</sup>

Data from Shoprite Money transfers reflect a decline of almost US\$2 million received in remittances to Lesotho in March and April 2020.<sup>28</sup>

<sup>21</sup> Lesotho: LRA Misses Revenue Target Amid COVID-19 Economic Impact; 20 April 2020, <https://allafrica.com/stories/202004220526.html>

<sup>22</sup> 2020 March Lesotho Vulnerability Assessment Committee

<sup>23</sup> 2020 May, FinMark Trust: SADC Remittance Values and Volumes, 2018

<sup>24</sup> Lesotho National Labour Migration Management Assessment, IOM, 2018

<sup>25</sup> <https://ewn.co.za/2020/04/15/COVID-19-exclusive-lesotho-s-majoro-pleads-with-basotho-not-to-return-home>

<sup>26</sup> Rapid Assessment on Basotho Vulnerable Migrants in South Africa, IOM, May 2020

<sup>27</sup> 2020 FinMark Trust Findings on Cross-border Remittances from South Africa to Rest of SADC

<sup>28</sup> Shoprite Money Transfer Data March/April 2020



## Travel and Tourism

The lockdowns across the world have also affected the travel and tourism industry. In 2018, Lesotho received over 1 million international tourists, with total receipts estimated at US\$24 million.<sup>29</sup> While the sector is predominantly informal, it provides formal employment to over 20,000<sup>30</sup> people, with the majority being women and youth. According to the Lesotho Tourism Development Corporation, no revenues were

generated in the sector during the months of March and April due to the COVID-19 response measures. Other industries that depend on this sector and have been affected include the public transport system, logistics and accommodation, crafts, entertainment and food industries. Many tourists to Lesotho originate from the SADC region and are largely from South Africa.

### Transmission Channel

The lockdowns across the region and within the country have meant a complete halt to tourism related activities which translates into a significant loss of revenue. With the travel and tourism sector contributing 12.6 percent of total employment,<sup>31</sup> it is facing a substantial task of maintaining these jobs under the pandemic.

The transport and logistics sector also suffered a huge set back due to the lockdown and the stay at home measures. Due to the reduced operating

capacities and economic activity, public transport operators lost an average revenue estimated at US\$1,000 per month per taxi, affecting the livelihoods of those dependent on the sector.<sup>32</sup>

Other businesses that are dependent on the travel and tourism industry are also expected to have irrecoverable losses. The lockdown and restricted movement measures have resulted in a loss of livelihood for business owners, pushing most of them into vulnerability due to spoiled stocks.



## Manufacturing Sector

In 2019, the manufacturing sector contributed 14.2 percent to GDP and made up 16.4 percent of all formal jobs.<sup>33</sup> The manufacturing industry is the second largest formal employer, after the Government, with approximately 46,500 workers.<sup>34</sup> Almost 10 percent of the local Micro, Small and Medium-sized Enterprises (MSMEs) are in the manufacturing sector, with

69 percent of them engaged in brick-making, furniture and homecrafts. The manufacturing sector helped Lesotho to access the US market under the African Growth and Opportunity Act (AGOA) and Generalized Systems of Preferences (GSP), which provided duty free access to the US market for Lesotho's exports.

<sup>29</sup> Lesotho Tourism Development Corporation

<sup>30</sup> Country Diagnostic Report, 2018

<sup>31</sup> World Travel and Tourism Council 2020 Annual Research (Lesotho) <https://wttc.org/Research/Economic-Impact>

<sup>32</sup> <https://menafn.com/1100194798/Lesotho-COVID-19-restrictions-bite-taxi-operators>

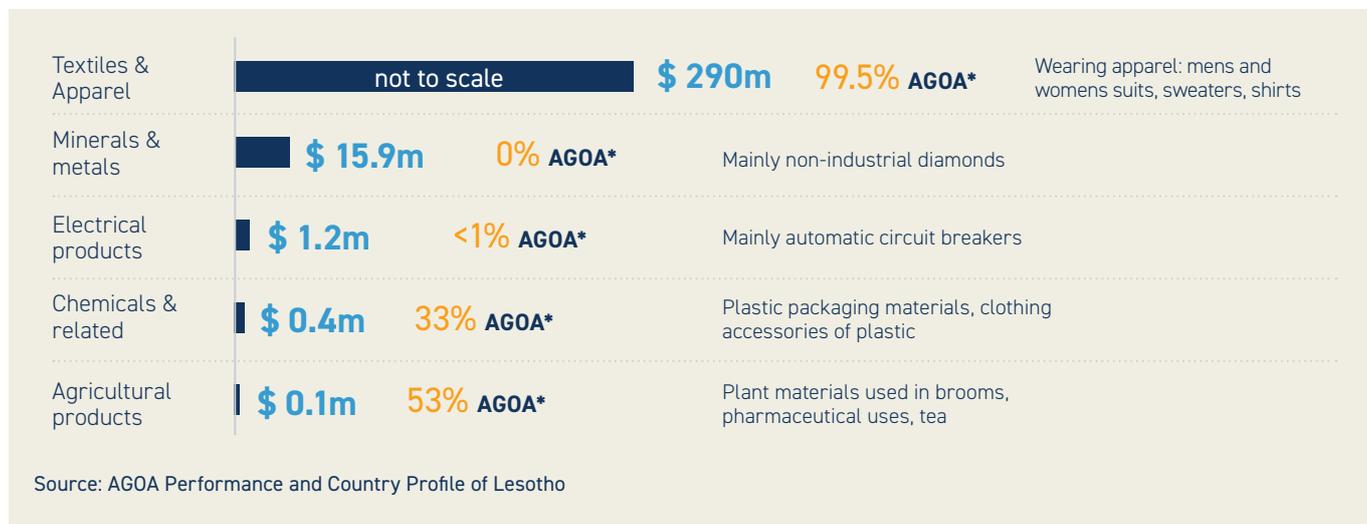
<sup>33</sup> 2020 UNCTAD Statistics Handbook

<sup>34</sup> Ministry of Trade and Industry

### Figure 3: Exports from Lesotho to USA

Leading exports from Lesotho to the United States in 2017, by sector

% values denote share that entered the US under AGOA in 2017. Remaining trade is mostly duty-free



#### Transmission Channel

Lesotho’s textile and apparel factories rely on China, Zimbabwe, Zambia, South Africa, Mozambique and Malawi for supplies of raw materials.<sup>35</sup> Lockdowns imposed due to COVID-19 have disrupted these supply chains and created impediments to the full realization of the benefits under the AGOA and GSP.

The slowdown of activities in textile and apparel factories creates compounded risks to the people

employed in the sector as well as the MSMEs linked to the sector.

Reduction in factory activity will also lead to cost-cutting measures such as layoffs, which will exacerbate the already high unemployment rate in Lesotho.



## Wholesale and Retail Sectors

The wholesale and retail sectors contributed 12 percent to Lesotho’s GDP in 2019<sup>36</sup> and employs 41 percent of the total labour force. Although predominantly informal, the sector comprises 76 percent of all business activities, with 30 percent operating as MSMEs. Many enterprises in the sector source their merchandise from South Africa, which is sold to local consumers with little to no value addition. Most of the enterprises operate at subsistence level and are likely to be unregistered. With

closure of the borders and the continuing lockdown owing to COVID-19, many of these enterprises face supply chain disruptions and loss of stock and revenue. Given the low level of operations for many, it is unlikely that these businesses had cash reserves to cushion the shock resulting from the coronavirus prevention mechanisms in place and will face challenges to their business continuity.

<sup>35</sup> 2017 Ministry of Trade and Industry, Lesotho’s Textiles, Apparel and Footwear Manufacturing Industry Synopsis

<sup>36</sup> Quarterly GDP Publication, Lesotho Bureau of Statistics, 2019

## Transmission Channel

The COVID-19 pandemic is expected to induce price increases of merchandise due to disruptions to business operations due to limited stock and the non-availability of alternative supply sources. The Lesotho Bureau of Statistics has reported an increase of 0.5 percent in the consumer price index in April 2020.

The closure of borders has also prevented small-scale operators from sourcing merchandise from South Africa. Most MSMEs that depend on South

Africa for inputs may not survive the disruption in their supply chains as it is almost impossible to switch sources or suppliers in the Lesotho context.

Informality in the business sector compounds the challenge of dealing with the pandemic. Over 80 percent of business in Lesotho are not registered<sup>37</sup> with Government, making it difficult to access the support measures in place, including wage subsidies and income support.



## Mining Sector

Mining is one of the key streams of revenue for the economy. It contributes 14.4 percent to the country's GDP and about 12.6 percent of all formal jobs are in the sector.<sup>38</sup> Global factors such as the US-China trade relations will affect the sector, as Lesotho's diamonds are auctioned in Belgium; cut and polished in India; sold to China for further processing; and the US is the major consumer.<sup>39</sup> The COVID-19 pandemic further compounds this complex global value-chain because of the ongoing lockdowns these countries. Furthermore, local diamond mines are reportedly under pressure due

to the pandemic with two large companies announcing temporary closures and retrenching workers.<sup>40</sup>

Many Basotho are also employed in the South African mines. Out of the 19,000 Basotho mineworkers in South Africa, about 15,000 returned in March 2020.<sup>41</sup> A continued lockdown not only causes risks to regaining jobs but also increases food insecurity owing to the lack of reliable alternative sources of income and the reduced amount of remittances by the mine workers.

## Transmission Channel

Global lockdowns induced by COVID-19 will have a significant impact on the balance sheets of companies operating in the country resulting in higher unemployment rates due to layoffs.

Lesotho's diamond value chain involves countries currently facing the brunt of COVID-19 including the US and China. This is bound affect the Lesotho

diamond value chain. Current trade relation problems between China and US are expected to further exacerbate the situation.

The lockdown in South Africa has already caused an outflow of labour which is expected to increase unemployment rates in country.

<sup>37</sup> Finscope SMME, 2016

<sup>38</sup> International Labour Union 2020 ILOSTAT explorer

<sup>39</sup> Op cit 7

<sup>40</sup> Lesotho Times: Mining Sector Reeling from COVID-19 Impact. <https://lestimes.com/mining-sector-reeling-from-COVID-19-impact/>

<sup>41</sup> Interview with Ministry of Labour and Employment, TEBA Ltd., May 2020



## Unemployment and Livelihoods

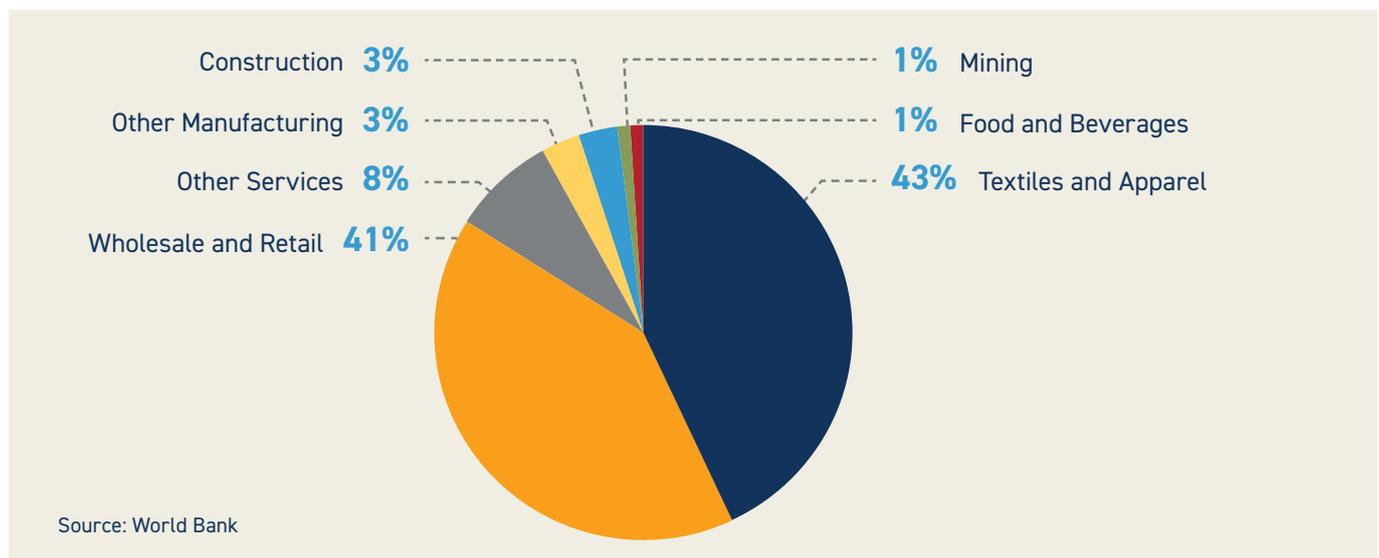
Unemployment is high and persistent. It is estimated at 32.8 percent.<sup>42</sup> It is even higher among youths aged 15 to 24, at 43.2 percent.<sup>43</sup> Agriculture dominates employment in the private sector with two-thirds of Basotho working in the sector, followed by services (23 percent) and industry (10 percent). The textile and apparel, and wholesale and retail sectors account for more than 80 percent of total employment in the services and industry sector (Figure 4). MSMEs account for 76 percent of the private sector economic activities largely in the informal sector.<sup>44</sup> Self-employment is also a dominant form of employment in MSMEs and the informal economy. MSMEs provide

jobs to 118,130 Basotho of whom 59 percent are women and 83 percent are self-employed owners.

Seasonal work in the farms of South Africa also provides an important source of employment to the communities in rural Lesotho with almost 10,000 employed annually in the farms of Eastern Cape, South Africa.

Overall, working conditions and incomes are low, and as a result it is estimated that 39.7 percent<sup>45</sup> of employed Basotho live on less than US\$1.90 a day (38.8 percent women, 40.4 percent male and 46.6 percent for those aged 15–24).<sup>46</sup>

**Figure 4: Distribution of Formal, Non-agricultural Employment in Lesotho in 2019**



### Transmission Channel

The performance of the textile and apparel industry is contingent on external supply chains, which have been disrupted by the COVID-19 pandemic. This has limited the ability of the sector to sustain its current activity and employment levels. Across each sector, informal businesses and workers are

particularly vulnerable to job and income losses. This will result in increased poverty as business owners and workers will be without an income or will lose their employment entirely. Potential job losses will most likely exacerbate overall poverty rates in the country.

<sup>42</sup> Lesotho Bureau of Statistics

<sup>43</sup> 2019 World Bank, Lesotho Poverty Assessment Report

<sup>44</sup> Lesotho Bureau of Statistics, Business Register 2014

<sup>45</sup> The figures are not overall poverty rates, but working poverty rates, referring to people who are employed and still poor at the same time.

<sup>46</sup> ILOSTAT, 2019

Due to the nature of the agriculture sector, most people are employed as casual workers. Many agricultural and non-agricultural casual workers have been affected by low crop production over time, making it difficult to absorb the potential impact of the coronavirus outbreak.

Many enterprises in this sector operate informally. Due to this factor, the targeting and delivery of supportive interventions including salary subsidies have been limited. This will worsen the impact of the virus on the sectors, businesses and livelihoods.

The lack of safety nets including unemployment insurance will exacerbate the impact of the crisis on the health and economic wellbeing of those falling out of employment as a result of the coronavirus.

In addition, the seasonal migration to South African farms (for the harvest) during May/June for the people in the southern and eastern part of the country (especially in Quthing and Qacha's Nek) will be affected by the restrictions on movement due to COVID-19 causing a cut in their seasonal earnings and livelihoods.







# The Social Impact of COVID-19

The Human Development Index (HDI) – measured as a combination of education, health and living standards – could decline this year for the first time since the concept was introduced in 1990 as a result of the COVID-19. A massive setback in education because of school closures (affecting almost 9 in 10 students globally) and deep recessions in many economies (including a 4 percent drop in GNI per capita worldwide) are expected. The decline in the index – reflecting the narrowing of capabilities – would be equivalent to erasing all the progress recorded in global human development in the past six years.<sup>47</sup>

Lesotho is classified as a low human development country, with an HDI of 0.518 (2018). Furthermore, the HDI falls to 0.350, a loss of 32.5 percent, when discounted for inequality.<sup>48</sup> A Gini Coefficient of 44.6 places Lesotho among the 20 percent most unequal countries globally. Existing inequality in the country together with the closure of schools and low growth rates will most likely drag the HDI downwards.

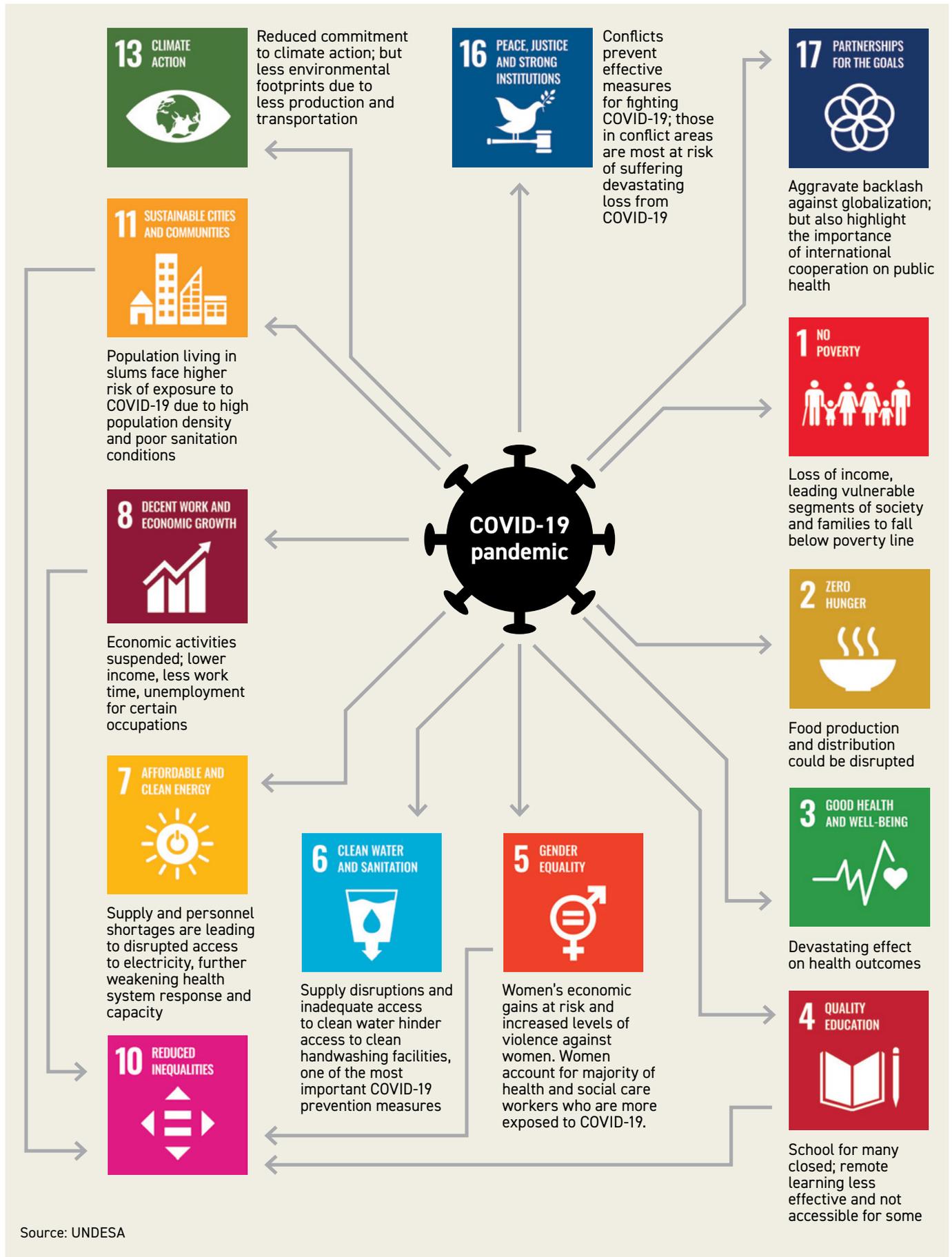
In the context of the unfinished business of the Millennium Development Goals (MDG), Lesotho is required to strengthen its performance on goals related to poverty reduction, health and HIV and AIDS. The impact of COVID-19 on Lesotho's progress will be far reaching, threatening reversals on the little progress already attained in key Sustainable Development Goals (SDG) targets including education and gender equality. Safeguarding development milestones in the context of SDGs will be critical (Figure 5) but challenging.

---

<sup>47</sup> COVID-19 and Human Development: Assessing the crisis, Envisioning the Recovery, 2020

<sup>48</sup> Human Development Report, 2019

**Figure 5. Impact of COVID-19 on SDGs**





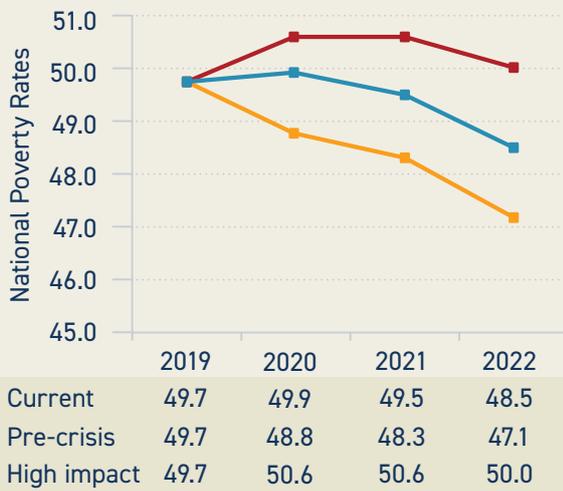
# Poverty and Vulnerability

For this assessment, the effect of the COVID-19 pandemic was measured in two ways. First, the poverty loss estimates based on the change in the poverty rate before and after the pandemic. Second, poverty loss estimated as the difference between the hypothetical poverty rates for the pandemic year which is estimated based on non-pandemic macroeconomic projections and the actual poverty rates.

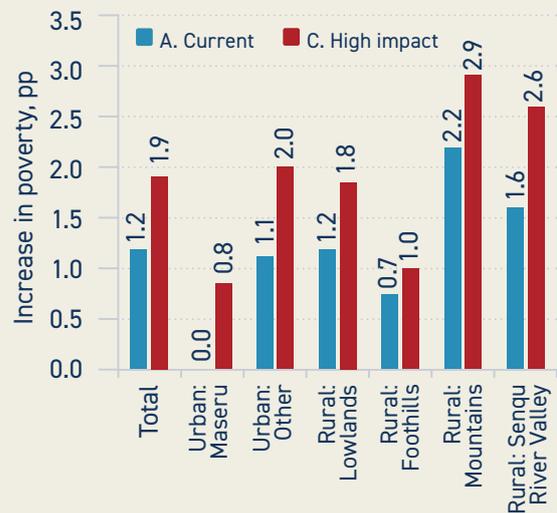
To estimate the impact of the pandemic on poverty, hypothetical scenarios are constructed based on three economic growth assumptions. The first scenario (Scenario A) is based on the current growth projections aligned with the IMF and World Bank's estimates. The second scenario (Scenario B) is based on the pre-crisis GDP projections, and the third scenario (Scenario C) presents a high-impact scenario.

## Box 1. Impact of COVID-19 - Poverty Projections (2020 - 2022)

### a. Impact on national poverty rates



### b. Poverty increase comparing to pre-crisis scenario, by region



Source: World Bank Lesotho Macroeconomic Poverty Outlook, May 2020 estimation based on microsimulation methodology.

Note: The lines are the estimated poverty rates based on microsimulations of three main scenarios. The results of microsimulations are based on the GDP per capita projections from the Macroeconomic Poverty Outlook 2020.

The scenario can be summarized as follows:

- **Scenario A** (baseline scenario) is factual data based on a 2017/8 survey and on projected poverty for 2019-2022. For the latter period, the projections are based on the World Bank's GDP per capita growth projections as of 27 March 2020 (2020: -0.8 percent, 2021: 1 percent, 2022: 3.2 percent).

- **Scenario B** is the counterfactual scenario assuming that the COVID-19 crisis would not have happened and thus the GDP per capita growth had a positive or higher growth rate (2020: 2 percent, 2021: 2 percent, 2022: 3.2 percent).
- **Scenario C** is the worst-case scenario assuming that the COVID-19 crisis would have a stronger impact on economic growth (2020: -2.5 percent, 2021: 0 percent, 2022: 1.6 percent).

The COVID-19 crisis is expected to increase the poverty rate by between 0.2 to 0.9 percentage points in 2020. As illustrated in the baseline Scenario A (current growth projections), the poverty rates are expected to increase marginally from 49.7 percent to 49.9 percent in 2020 followed by a recovery in poverty reduction in 2021 through to 2022. In the worst-case Scenario C, the poverty rate will increase from 49.7 percent to 50.6 percent in 2020 and thereafter decline slowly, reaching 50 percent in 2022.

The crisis is predicted to have an even greater toll when current projections are compared to the pre-crisis poverty projection, resulting in an increase of between 1.2 percent to 1.9 percentage points. As described above, an alternative way to look at the increase in poverty by measuring loss in terms of the potential of poverty reduction, is by comparing currently projected poverty rates with the pre-crisis poverty projections. Accordingly, in 2020, 1.2 percent (25,000 people) of the population will not be able to escape poverty and in the

worst-case scenario, 1.9 percent (39,900) will be unable to escape poverty. The cumulative increase in poverty in 2022 is even higher – 1.4 percent points – based on the current scenario and 2.9 percentage points in the worst-case scenario.

While poverty is expected to increase across the whole country, the most significant increase in poverty in 2020 is expected in the Senqu region and in mountainous areas where poverty is expected to rise by 2.6 and 2.9 percentage points, respectively, in comparison to pre-crisis projections (Box 1). The impact will be higher on already vulnerable groups than on the general population, with the increase expected to be higher in rural areas and to disproportionately affect women. The falling per capita income among those affected by lockdowns and layoffs, including the textile sector and migrant labourer, will have a stronger impact on rural households and will reverse gains made in poverty reduction, human security and social development.



## Health Care Sector

Although Lesotho has identified four positive cases, the potential impact of COVID-19 on nation's health is imminent due to the fragile health system. The health system is already overburdened and lacks the requisite infrastructure as it traditionally relies on South Africa to provide complementary secondary and tertiary health care. Lesotho spends 10.6 percent of GDP on the health sector, although with low health outcomes. The incidence of HIV (1.1%) and TB (611/100 000) are among the highest in the world,<sup>49</sup> 33% of children under 5 are stunted.<sup>50</sup> The maternal mortality rate (MMR), infant mortality rate (IMR), and neonatal mortality rate (NMR) are also high.

Lesotho has a three-tier public health delivery system; the first tier is composed of 211 health centres; the second tier with two specialized hospitals, 18 general

hospitals and four primary hospitals; and the tertiary tier having one hospital. The system also includes a network of over 6,000 village health workers, each serving about 40 households.<sup>51</sup> However, the health system suffers from an acute shortage of human resources, with only six nurses, one physician and a pharmacist per 10,000 people.<sup>52</sup> Although there is improved health infrastructure and user fees are highly subsidized, access to health services is difficult for many people, especially in rural areas due to the distance to the health facilities. Furthermore, medical and health laboratory services are limited. With the limited outreach and capacity of the health services, the coronavirus will affect different population groups disproportionately and perpetuate transmissions at community level.

<sup>49</sup> Lesotho Public Health Sector Expenditure Review, 2017

<sup>50</sup> UNICEF Data

<sup>51</sup> Lesotho Health Sector Strategic Plan, 2018

<sup>52</sup> Op cit 39



## Vulnerable Groups

### ***Sex Workers and LGBTIQ***

Sex workers and lesbian, gay, bisexual, transgender/transsexual, intersex and queer/questioning (LGBTIQ) have been disproportionately affected by the pandemic as some of the regular services for HIV prevention and Sexual and Reproductive Health and Rights (SRHR) were suspended to enable streamlining and readiness of the health sector for the COVID-19 response. The Key Populations Friendly Drop-in Centres have not been fully operational since the onset of the COVID-19 response. Further, due to the social distancing measures in place, sex workers have lost their revenue and source of livelihood, increasing household and individual vulnerabilities.

### ***Adolescents and Young People (AYP)***

HIV prevalence is high in Lesotho with the highest incidences being among adolescents and young people, estimated at an average of 7 percent for both male and female aged 15-24,<sup>53</sup> due to a range of factors including limited comprehensive knowledge of HIV prevention, and poor access to prevention services due to structural

barriers and socio-normative factors. Due to COVID 19 lockdown measures, adolescents and young people could be more vulnerable to sexual and gender-based violence, early and unwanted pregnancies and child marriage. The risk of HIV and of unplanned pregnancies is heightened by the absence of supportive services and education programmes as these have not been considered critical under the pandemic. This threatens to escalate the teenage pregnancy rate which increased from about 88.216 births per 1,000 girls to 93 between 2010 and 2017.

### ***Persons with Disabilities***

People with disabilities make up at least 3 percent of the population with only a few of them found in formal employment. Persons with disabilities (particularly girls and women) are at a higher risk of exposure to COVID-19, because of their limited access to information on prevention and assistance, structural stigma and discrimination, and barriers to accessing health services and water, sanitation and hygiene (WASH) facilities.

### **Transmission Channel**

The disruption in the supply chain could have an impact on the delivery of antiretrovirals in the country. The potential shortage of antiretrovirals could lead to high treatment default among people living with HIV, and even death.

The low-quality care system will increase the vulnerability of people with disabilities to COVID-19 and result in increased fatalities, also due to other diseases, and morbidity, especially due to HIV and AIDS. The lockdown will also make access to specialist health care services in South Africa impossible, leading to mortalities.

Anecdotal data from implementing partners monitoring HIV programmes in the country suggests that access to sexual reproductive health

services, including to sanitary towels were suspended due to the lockdown. Any disruptions in ART services during this time are expected to increase HIV-related mortality rates in the country.

Returning labour migrants coming through unofficial borders could also increase the risk of infection within rural communities. This risk is compounded by the limited capacity to effect quarantines in Lesotho and by challenges in contact tracing.

Persons with disabilities are likely to be severely impacted by the pandemic owing to stigma and discrimination, to lack of access to information, basic services, remote or distance-learning options, and pre-existing isolation and marginalization.

<sup>53</sup> Lesotho Population-Based HIV Impact Assessment (LePHIA), 2018



## Education Sector

The declaration of a national emergency on 18 March 2020 and the closure of all schools and Early Childhood Development (ECD) centres affected approximately 511,000 learners,<sup>54</sup> most of whom are in the rural areas. Currently, access to primary school is almost universal and completion rates are improving, although secondary school education has a high percentage of dropouts particularly at the level of junior secondary, especially among boys.<sup>55</sup> During the lockdown, only a few private schools and tertiary institutions have continued learning using on-line platforms. The Government, in collaboration with UNICEF, also introduced television-based learning programmes for selected subjects and classes.

As part of the National School Feeding Strategy, all children in ECD centres and in primary schools receive a meal financed by the Government and WFP. The programme feeds at least 320,000 learners in public primary schools and 60,000 children in pre-schools in Lesotho. Vulnerable children make up 19 percent of children in pre-primary and primary schools and the closure of schools also meant termination of their feeding programme. The programme has recently resumed and the most disadvantaged families take home monthly rations.

In addition, school closures and lockdowns are disrupting children's routines and social support

systems. Children and families who are already vulnerable to socio-economic exclusion are particularly vulnerable to children protection risks including increased risks of sexual exploitation, neglect, child abuse and domestic violence and have an increased need for mental health and psychosocial support.

Lesotho has been suffering from a shrinking fiscal space and the total education budget has declined by 1.4 percent in nominal terms and 6.9 percent in real terms between 2018/19 and 2019/20.<sup>56</sup> The current education expenditure in Lesotho is not enough to cater for the large number of children eligible to participate in the education system. Using the 2017/18 Continuous Multipurpose Household Survey and Household Budget Survey,<sup>57</sup> the Government of Lesotho has estimated that 49 percent of public education expenditure is absorbed by post-secondary students (tertiary) who represent only 15 percent of the learners' population, with 51 percent of the education expenditure benefiting 85 percent of learners (primary and secondary). With the advent of the COVID-19 pandemic, the relatively modest public spending, which maintains children's inclusion to primary and secondary education, is clearly under severe threat due to competing needs in other social and economic sectors and the dwindling fiscal space, including expenditure on the health sector.

### Transmission Channel

The COVID pandemic will affect young people in number of ways. With the nationwide school closures, access to formal and non-formal education opportunities is severely hampered, depriving children of their right to education as well as from social engagement with their peers and educators.

With prolonged school closures, some young people may not be able to return to school. Many families

that rely on herding cattle and farming for their survival, income or both, may compromise the participation of boys in education.

Prolonged periods of closures and restrictions on movement may also lead to additional emotional unrest and anxieties among young people.

The impact of COVID-19 will increase vulnerabilities in children who have already

<sup>54</sup> Education Management Information System enrolment data, 2019

<sup>55</sup> UNICEF, Education Sector Analysis, 2019

<sup>56</sup> Education Budget Brief 2019/20, UNICEF Lesotho

<sup>57</sup> Ministry of Education and Training of the Kingdom of Lesotho, 'Draft Education Sector Analysis', September 2019

been facing high levels of multidimensional vulnerabilities in the pre-COVID context.

The pandemic is likely to increase inequalities in the education sector as continuing learning through

digital technology solutions may not be widely available and accessible to all learners, households and geographic areas.



## Social Protection

To address increasing poverty and vulnerability, the Government is building a strong shock-responsive social protection system. Currently, Lesotho spends about 4.6 percent of GDP on social support, which is well above the 1-2 percent spent by most developing countries. Over the last five years, the Government has expanded social protection systems through the provision of regular and predictable cash transfer programmes<sup>58</sup> financed by general government revenues. According to the National

Information System for Social Assistance (NISSA), 101,820 families (468,372 individuals) in rural areas are living in poverty and 70,519 of these families are families with children (324,387 individuals).<sup>59</sup> According to LVAC (2019), which assessed the impact of the drought on households, 508,125 people (433,410 in rural areas and 74,715 in urban areas) were affected by the prolonged drought and were food insecure.<sup>60</sup>

### Transmission Channel

A recent review suggests that COVID-19 has increased the number of vulnerable households by almost 50 percent to 899,000 (179,000 in urban and 720,000 in rural areas)<sup>61</sup> due to factors such as loss of employment and income sources including remittances and the loss of productive assets. These include those who are already poor and vulnerable in pre-COVID-19, workers in the textile and tourism industry, migrant workers and street vendors among others.

The adverse impact of COVID-19 will increase the need for greater coverage of vulnerable populations by social protection systems. This will put additional pressure on the government budget for increasing coverage of the current social protection programmes, as there are no safety nets for informal sector employees.



## Water and Sanitation Sector

The COVID-19 pandemic is predicted to cause detrimental impact on WASH service provision and sustainability. This is more so as the country is emerging from drought which extensively affected water supplies. Access to WASH is a key to preventing the spread of COVID-19 and a principal public health recommendation for infection prevention and control. Despite this, only

55 percent of health care facilities in least-developed countries have a basic water service and globally 43 percent of health care facilities lack hand hygiene at the point of care.<sup>62</sup> COVID-19 poses a threat as the practice of hand hygiene in Lesotho is very limited; only 18 percent of the population in Lesotho frequently wash their hands with soap and water.<sup>63</sup> More investment is required in

<sup>58</sup> CGP, OVC Bursary, Public Assistance and Old Age Pensions

<sup>59</sup> National Information System for Social Assistance, Ministry of Social Development.

<sup>60</sup> LVAC 2019 and United Nations Lesotho: HCT Response Plan 2019-2020

<sup>61</sup> Government of Lesotho policy document on COVID-19 response

<sup>62</sup> WaterAid - COVID-19 and Hygiene; <https://washmatters.wateraid.org/water-and-hygiene-against-coronavirus>

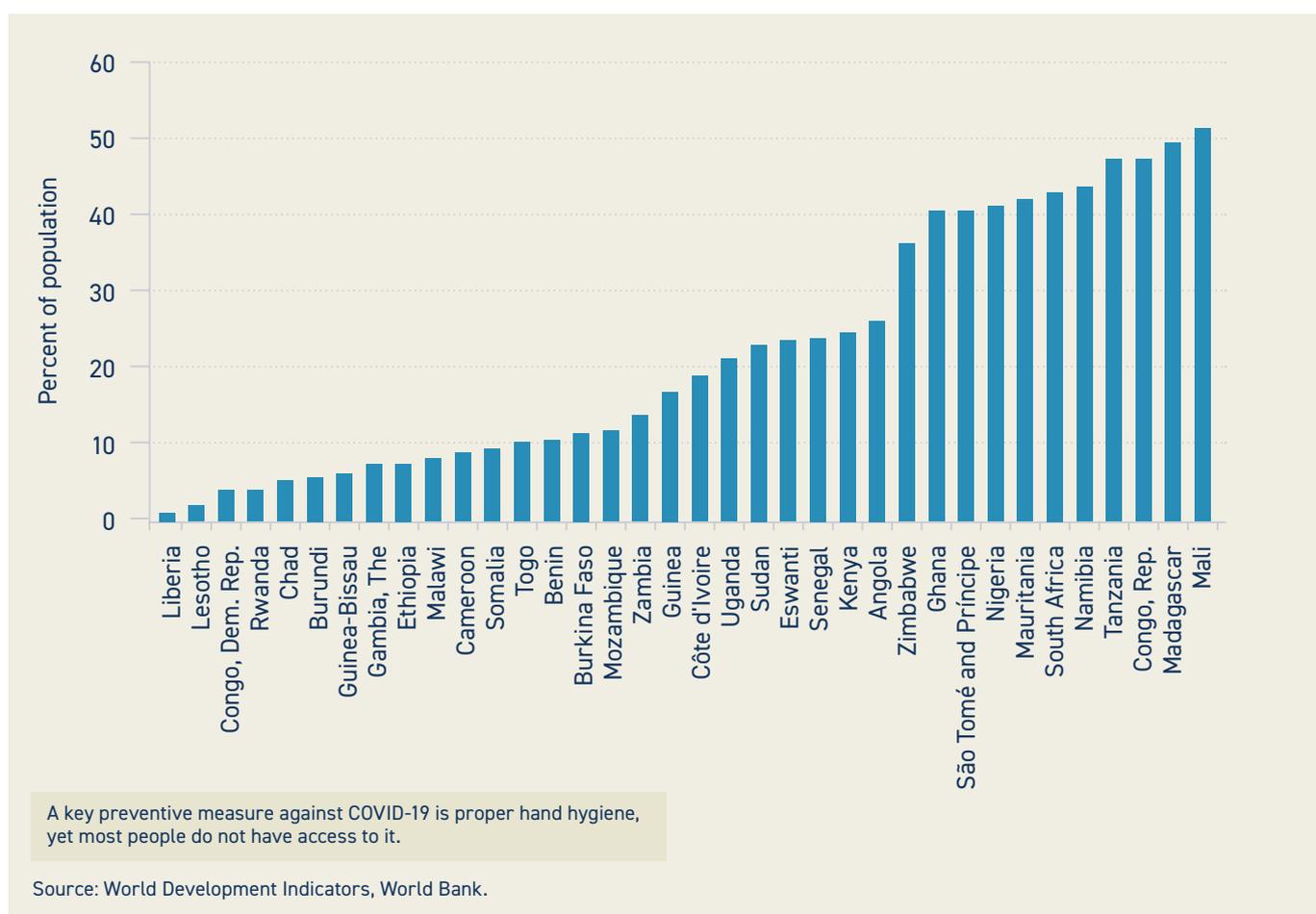
<sup>63</sup> Multiple Indicator Cluster Survey (MICS), 2019

the WASH sector to ensure a continued supply of water and to accelerate access to hand washing facilities and supplies. This is more so as the country is emerging from drought which extensively affected water supplies. According to the World Bank, less than 5 percent of Basotho (Figure 6) have basic hand washing facilities.<sup>64</sup>

With more people seeking health care due to COVID-19, WASH services in health care facilities will be over-stretched. Similarly, massive investments are

needed in schools, to provide critical water and hygiene services and supplies, to enable schools to re-open and learners have safe learning environments. This service provision is further affected by restricted movement in the country brought by the COVID-19 lockdown. As economic activities have been affected, there is an anticipated reduction on revenues in the sector from tariffs, due to people's inability to pay for WASH services, which could also affect service delivery.

**Figure 6: People with Hand Washing Facilities, Including Soap and Water in Sub-Saharan Africa (2017)**



## Gender Equality and Other Cross-Cutting Issues

Women comprise 51 percent of the total population and are more likely to be unemployed or found in low-paying or unpaid care work. Social norms which relegate women to subordinate status have remained rigid, even as women took over most household management tasks with heavy male migration in the 1990s and 2000s. Women make

59 percent of the total ownership of MSMEs and are overrepresented in the sectors affected by COVID-19 including textiles and clothing, tourism and retail. Increased female migration to urban centres and abroad has improved the economic standing of women only slightly; it continues to be a survival strategy as opposed

<sup>64</sup> April 2020, Africa Pulse Volume 21 – Assessing the Economic Impact of COVID-19 and Policy responses in Sub-Saharan Africa

to a means of getting ahead.<sup>65</sup> As a result, about 61 percent of stranded migrants in South Africa as a result of the lockdown are women. They also bear a disproportionate burden of the high prevalence of HIV and AIDS, with the rate of infection among girls 15-24 more than twice as high as that of young men of the same age group.<sup>66</sup>

Lesotho has a high rate of gender-based violence (GBV). Evidence from the 2019 drought assessment, indicates that there was a recorded increase in domestic violence, sexual assault and petty crimes, especially in the areas hit hardest by food shortages.<sup>67</sup>

### Transmission Channel

With the outbreak of COVID-19, women, particularly those employed in local MSMEs and domestic work are most likely to be negatively impacted due to lockdowns and job losses. More women are found in informal economic activities and hold unsecured jobs which exposes them to the effects of the coronavirus pandemic. Women play a pivotal role as primary care providers in many families and lockdowns increase the vulnerability of these families.

The long-term consequences of the pandemic could lead to an acute increase in forced and child marriages, unplanned teenage pregnancies and a higher risk of contracting HIV.

During the lockdown, adolescents and young people are at high risk of domestic violence, non-decent wage employment, child labour and GBV, as well as online harassment and cybercrime.

Women, especially young women in rural areas, are already at risk of engaging in negative coping behaviours such as transactional sex, foregoing meals or medical care and dropping out of school. These behaviours result in further adverse effects and risks, including exposure to HIV, violence and early pregnancy among others.



## Social Cohesion and Community Engagement

Due to the low infection rates, and the limited period of the lockdown so far, the impact of COVID-19 on social cohesion and communal resilience is yet to be visible. However, the impact on economic performance and gender-based trends globally indicate the need for continued monitoring of the events that impact on social cohesion and community resilience.

In light of the ‘International Covenant on Economic, Social and Cultural Rights’ to which the Kingdom of Lesotho is a party, COVID-19 has demonstrated that the socio-economic rights of the Basotho have not been fully addressed and the state and citizens find themselves even

more unable to fulfil those rights – including the rights to health care and water and sanitation.

The situation has shown that that the country has limited state capacity – among others – to identify, test for, trace and treat COVID-19. It also has limitations on the provision of water and sanitation services, which are crucial as precautionary measures to prevent the spread of the pandemic. These socio-economic implications underpin the importance of building state capacity and strengthening state-society engagements to address the socio-economic rights of people including the socio-economic impacts of COVID-19.

<sup>65</sup> Botea, Ioana Alexandra; Compernelle, Nell; Chakravarty, Shubha. 2018. Female migration in Lesotho: determinants and opportunities (English). Policy Research working paper; no. WPS 8307. Washington, D.C.: World Bank Group.

<sup>66</sup> UNAIDS, 2018

<sup>67</sup> Lesotho Humanitarian Emergency Study, UNFPA, 2016.





# Recommendations

The impact of COVID-19 is multidimensional and unprecedented and, therefore, the response needs to be multidimensional in nature. Building Back Better will require adopting a nexus, Health-Humanitarian-Socioeconomic, approach. Both the World Bank and the UN pillars of the framework for the immediate socio-economic response to COVID-19 provide a comprehensive guide for multidimensional response which involves management of, and response and recovery from immediate health and economic shocks. It involves making difficult decisions to balance the demands of responding directly to COVID-19, while maintaining essential health service delivery to mitigate the risk of system collapse and creating foundations for the future.

Therefore, this crisis offers an unparalleled opportunity to review past government practices and priorities. As the world transits to a post-COVID-19 era, Lesotho should seize the opportunity to outline more equitable ways of managing resources and tackle systemic risks and development shortfalls exposed by the pandemic. The time to start Building Back Better starts now.



## Health First

*Focus on the identified needs of the health sector with a priority on health personnel:* Enough personal protective equipment and a supplementary wage subsidy for health care workers fighting COVID-19 should be examined. It is important to ensure that there is a continuity of essential health services by having essential medicines, a health workforce and the equipment required for reproductive, maternal new-born, child and adolescent health care, nutrition as well as management of chronic diseases such as malaria, HIV, tuberculosis and those in need of maternal and child health care and adequate sanitation. If that continuity is lost, we may save a few and lose many others. Funding should therefore be supplementary instead of crowding out other important medical services.

It is necessary to adopt innovative mechanisms to reduce the risk of an outbreak by promoting community engagement to enable mutual accountability and foster inclusive response *Intensifying testing tracing preventing and treating mechanisms* established through community involvement along the country's porous borders to ensure adherence to the established national and district-based protocols and decisions on the COVID-19 pandemic. This will promote community-based prevention and reduce transmissions at community level. Additionally, *intensifying investigation of cases and clusters as well as COVID-19 surveillance is needed*. When clusters become large, it is critical that testing of suspected cases continues so that cases can be isolated, contacts quarantined, and chains of transmission broken.

*Strengthen the health system* preparedness and response focusing on primary health care and universal health coverage for potential cases of COVID-19 in the country regardless of nationality and immigration status. It will be necessary to also *regularize testing of frontline health workers* and others who are in essential services including non-clinical staff to protect them.

The country must ensure *continuity of on-demand health services* to reduce potential stress on the system in the case of a breakout, and in view of disease morbidity, especially for people with HIV and AIDS and other non-communicable diseases and on women. The country's dependence on South Africa for specialist care and services requires strategies to ensure continuity and access to health services for those patients needing such services.

Mobilize *multi-stakeholder partnerships*, including development partners, UN, private sector, civil society and academia to strengthen the health delivery system and accelerate learning and knowledge creation on COVID-19. Collaboration with civil society and community-based organizations is required to increase advocacy and awareness in the general population on *hand hygiene and the wearing of masks* as preventive measures. Rural communities and high-risk areas with water scarcity and more entrenched cultural practices should be prioritized.



## Protecting People

It is important that consultation with different population groups is undertaken to be able to design and tailor support to suit their needs, including people with disabilities, people living with HIV, remote and rural areas dwellers etc. The risk of not targeting prevention and response planning is that these groups *will be left behind and may experience extreme deprivation during the COVID-19 pandemic*.

*Expand access to social services and social protection* programmes to include people that fall into the unemployment and extreme poverty brackets.

Ensuring inclusion of the rights of persons with disabilities in the recovery response to COVID-19, tackling their access to information, to health care services, to education and to civic participation is essential. Scale up specific cash transfer programs especially for the vulnerable including the, PWD, women, youth and children and the elderly. Adopt modern digital technologies, artificial intelligence, and analytics to facilitate real-time assessment and updating of the status of vulnerability in affected communities as the pandemic unfolds.

In order to *mitigate the impact and prevent increase in the existing inequalities*, safety net measures should go hand in hand with financial inclusion initiatives to expand reach and facilitate a quick recovery by, targeting the poor, gender disparities, the informal sector, and food-insecure regions. Some viable options to consider include emergency cash transfers via mobile money networks to vulnerable households and women-headed, a waiver of transaction costs on cash transfers to beneficiaries. Additionally, in-kind food assistance and provision of agricultural inputs and storage facilities to vulnerable farmers should be ensured to alleviate the immediate negative impact on food security, to support them during the hunger season and improve farm productivity.

Develop a targeted and *shock-responsive social protection strategy* especially for those experiencing losses of job and livelihoods and, women and children to reduce and accommodate the larger numbers of people to be pushed into destitution due to the pandemic. As many elderly people have lost relatives' support due to

layoffs, many of whom are household breadwinners, it is recommended that food parcels to supplement their social welfare grants be considered.

Accelerate adoption of *digital technologies and innovative solutions* for learning at all education levels including for children in rural communities. Facilitate development of simple learning digital applications and platforms that may be accessible to those with limited exposure and access to technology. Develop and strengthen remote interactive community-based radio learning to support the most marginalized, rural and out of school children focusing on technical and adaptive capacities for teachers to effectively deliver alternative and distance learning approaches.

Support *reintegration of learners* back into school, ensuring readiness and safety of the school environment and the education system. Re-opening support will include enhancing teachers' capacity to contribute to behaviour changes that sustain good health practices.



## Economic Response and Recovery

Agriculture as a sector has shown some degree of resilience in comparison to the manufacturing and services sectors which are projected to contract. In light of this, *strategies to move the country from being net importer of food needs* to be taken up as part of the Building Back Better efforts. Similarly, with textile and apparel as a dominant sector driving the manufacturing industry, making investments to building supply chains within the country as opposed to the over reliance on import of supplies will be key to Building Back Better.

Undertake a rapid assessment of the *local food supply chain and supply capabilities* to determine the adequacy of available food supplies to mitigate immediate food needs of the population. Establish localized food supply chain networks by focusing on locally available food supplies and local markets.

Food insecurity, malnutrition and poverty can be mitigated by diversifying local food production. *Improving the national food self-sufficiency ratio* by giving smallholder farmers support to enhance their productivity and invest in basic market infrastructure and promoting inclusive local agribusiness models

present more sustainable solutions. This is not only critical for safeguarding rural livelihoods and incomes but it's also key to minimizing the country's vulnerability to trade-related disruptions in food supplies.

Review *supply chain regulations and protocols* to ensure timely and safe supply of inputs for key sectors (including textile, agriculture) and maintain operations in related businesses at appropriate levels of employment and turn-over to ensure jobs are kept, food can be produced, and commodities delivered to markets and consumers.

Adopt and implement public sector labour intensive employment programmes through investments that adhere to the COVID-19 regional and national protocols to create buffers for job loss and social protection. Prioritize support to protect and promote new businesses that started in response to the COVID-19 crisis (producers of hand sanitizers, facemasks and some level of health protective clothing and other innovative products). Policy options that protect the resilience of primary sector need to be taken up as a priority as they directly impact the ability to bring back growth, mitigate poverty trends and strengthen food security.

Develop strategies to enable *diversification of the drivers of growth* to build economic resilience and minimize dependence on food imports and exposure to commodity market shocks. Current efforts in diversification associated with AGOA and GSP need to be extended. The emphasis should be on investments and policies that are able to stimulate employment-intensive sectors.

In view of social distancing measures in place, and consistent to trends in economic development, it will be strategic mainstream and adopt *digital technology solutions* across economic sectors to maintain functionality, improve systemic resilience and prevent the spread of the coronavirus. This will include support and mentorship to youth social innovators with potential to lead to sustainable and decent self-employment.

These may have a lasting impact beyond the COVID-19 and will further improve the business environment and economic competitiveness, as well as increase the potential to protect jobs and create new employment opportunities.

Adopt a three-phased programme to support *micro and small enterprises (MSEs)* through a) immediate relief measures to resuscitate business activities following the lockdown; b) re-activation of business activity once the virus is contained; and c) recovery of economic growth and rethinking new ways of doing business taking into account technological, financial and access solutions in order to make MSEs and the informal economy more resilient to potential future shocks.



## Macroeconomic Issues

Undertaking an *in-depth assessment of the response* to quantify the spending requirements necessary to contain the adverse socio-economic impact of the crisis and spearhead economic recovery. As pointed out by the UN Secretary General, economic recovery is about protecting jobs and workers, ensuring decent work and protecting productive assets, productive units and productive networks during the pandemic and decisively promoting employment creation and decent work.

The country should focus on a *green stimulus package* necessary for protecting the economy through a well-coordinated monetary and fiscal policy response strategy developed with the involvement of all key stakeholders and ensuring that fiscal stimulus packages do not worsen the country's indebtedness. Some countries have set aside a certain percentage of GDP along with a host of institutional and structural

measures to support economic recovery for the purpose of safeguarding employment for business owners and their workers. The focus of the economic stimulus must be on people and balancing health, education, livelihood and employment.

Ensure enough *liquidity in banking systems and employment measures* such as lowering interest rates to encourage businesses to borrow while cognizant of the accommodative and expansionary stance on the balance sheets of the Central Bank of Lesotho and of commercial banks in the country.

Strengthening *regional cooperation* to ensure sound Building Back Better efforts as SACU revenues are key to economic survival. COVID-19 has exposed the country's vulnerability to regional issues and therefore building resilience to these weaknesses is a central element of Building Back Better.



## Social Cohesion and Community Engagement

Through a process of *social dialogue*, engage with all national and regional stakeholders – including workers organizations and the business community – to develop strategies to Build Back Better through broader social consensus and the key revenue generation value chains of the economy.

During a crisis with many unknowns, an open dialogue between politics, science, ethics and law is especially necessary<sup>68</sup>. To this end, it will be key to set up a *National Ethics and Bioethics Committee* – either as a standalone institution or under an existing institution – to ensure that the ethical frameworks are addressed in advising policy makers on enhancing health services and systems.

Strengthening *social cohesion and community resilience* to address the adverse effects of the pandemic at the national, local government and community level should include efforts to build social capital in terms of re-building trust, norms of social reciprocity and formal and informal networks that increase the tendency for collective action to bring positive societal change. The

impact of COVID-19 will be extensive on vulnerable segments of the society who rely on their social capital and social cohesion to survive on a day-to-day basis. *Dialogue and engagement* will be critical to ensuring that the social fabric of society – its social cohesion and resilience – is not eroded by the COVID-19 crisis.

Recognizing that epidemics influence an increase in gender-based violence and conditions of hardship for women, it is recommended that in anticipation of displaced victims of gender-based violence, *safety shelters for abused people* should be developed and existing ones improved.

It will be critical to *build partnerships* to bring together all stakeholders including representatives of state institutions and non-state actors such as civil society leaders, women and youth leaders, representatives of migrants and diaspora, faith-based organizations, the business community, trade unions, academia and development partners to develop holistic recovery strategies.



## Building Back Better: Internalize lessons learnt and inform resilience, sustainability and preparedness

Review the *social protection policy and the social protection framework* for the country to manage the effects of future crises and implement a nationally defined well-financed social protection system that guarantees access to health care and basic level of income security including investment in health systems and infrastructure.

Develop a *real time monitoring system* that ensures the inclusion of vulnerable people in planning and invests in systematic and structured ways to capture impacts and lessons learnt and to determine effective ways of applying them for effective and sustainable early recovery, resilience and disaster preparedness.

*Better data for better policy advice:* Lesotho needs timely data to allow for better policymaking. An in-depth multisector impact assessment of COVID-19 is necessary to help strengthen the response. Multidimensional poverty mapping is critical for assisting in developing proper intervention policies in social protection. Additionally, regular food insecurity evaluations and mapping of real time vulnerability are important to monitor changes and to target the most vulnerable households. Data should be sex-disaggregated to be able to monitor gender issues.

Regional interfaces are critical for development but strategies to shield from regional vulnerabilities also need to be developed.

<sup>68</sup> UNESCO, Statement on COVID-19: Ethical Considerations from a Global Perspective, Statement of the UNESCO International Bioethics Committee (IBC) and the UNESCO World Commission on the Ethics of Scientific Knowledge and Technology (COMEST), 26 March 2020, article 1, <https://unesdoc.unesco.org/ark:/48223/pf0000373115>; and WHO: <https://www.who.int/ethics/topics/outbreaks-emergencies/COVID-19/en/index1.html>



## Issue Papers

As a follow-up to this assessment, several comprehensive papers will be produced to generate knowledge and document the country experience and lessons learnt from the COVID-19 response to inform recovery strategies. The following will be included:

- a. a conflict, peace and gender context assessment that covers the impact of COVID-19 on social cohesion and community resilience, among others;
- b. an assessment of the feasibility of establishing and building a domestic industrial base to promote economic resilience and domestic entrepreneurship;
- c. an assessment of the impact of the coronavirus on employment and economic productivity, focusing on the key growth sectors of Lesotho's economy;
- d. an assessment of the COVID-19 pandemic's impact on the Leaving No One Behind strategy and of the inequalities emerging from the pandemic;
- e. an assessment of the pandemic's impact on gender equality and women's empowerment; and
- f. an assessment of the impact of COVID-19 on MSMEs.



## Resource Mobilization for Development

- On April 20 the World Bank, IMF and IFC in collaboration with the G7 agreed on broad measures to support the disaster response of African countries including cancelling debt for the least developed countries and concessional funding. It is essential to explore this initiative.
- Development of innovative financing instruments to expand Lesotho's access to the global pool of capital should be encouraged e.g. impact financing, SDG Investment mapping and green bonds.
- Accelerate development of digital connectivity to support competitive industries and development of ecommerce, e governance e financial services.
- Adopt solutions to best track, monitor and synchronize all sources of financing aimed at COVID-19 response and recovery. This means ensuring that such resources – public, private, domestic and international – are captured in one single platform or dashboard, to track the way that resources are allocated, spent and leveraged to respond strategically in a coherent and coordinated manner to the initial effects of COVID-19.
- A comprehensive recovery strategy should be developed to quantify required resources and establish policy and strategies to enable the country to Build Back Better.



# Participating agencies



Published by



United Nations Development Programme  
3<sup>rd</sup> Floor United Nations House  
UN Road  
Maseru, Lesotho  
Tel: +266 22228000

[www.ls.undp.org](http://www.ls.undp.org)