ISS | AFRICAN FUTURES

Lesotho

Lesotho: Current Path

Alize le Roux

Last updated 13 December 2023 using IFs v7.63

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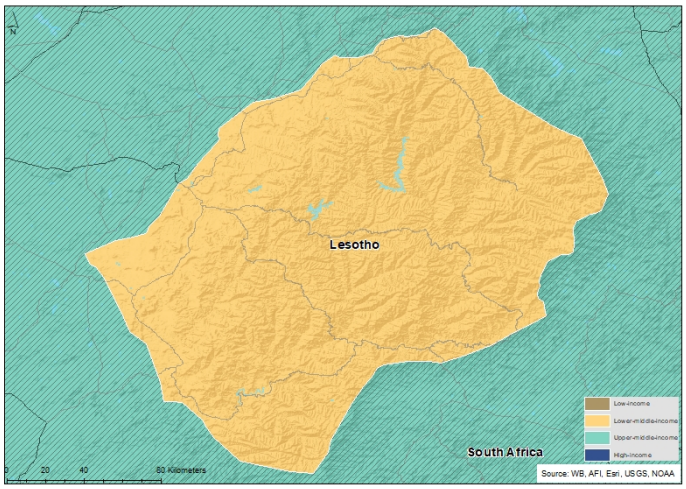
Lesotho: Current Path

Lesotho: Current Path forecast

Chart 1: Political map of Lesotho



This page provides an overview of the key characteristics of Lesotho along its likely (or Current Path) development trajectory. The Current Path forecast from the International Futures forecasting (IFs) platform is a dynamic scenario that imitates the continuation of current policies and environmental conditions. The Current Path is therefore in congruence with historical patterns and produces a series of dynamic forecasts endogenised in relationships across crucial global systems. We use 2019 as a standard reference year and the forecasts generally extend to 2043 to coincide with the end of the third ten-year implementation plan of the African Union's Agenda 2063 long-term development vision.

The Kingdom of Lesotho is a landlocked country surrounded solely by South Africa. It is a member of the Southern African Customs Union (SACU) and the Southern African Development Community (SADC) and is one of 23 lower middle-income countries according to the World Bank's income classification.

Even though it is located in the subtropical zone between the latitudes of 28° S and 30° S, its high altitude causes the country to experience cooler conditions, and it claims the spot as the coldest African country. Lesotho is home to the highest mountain ranges in Southern Africa and boasts mineral-rich soils. However, the rugged topography and subsistence farming practices subject the country to severe soil erosion.

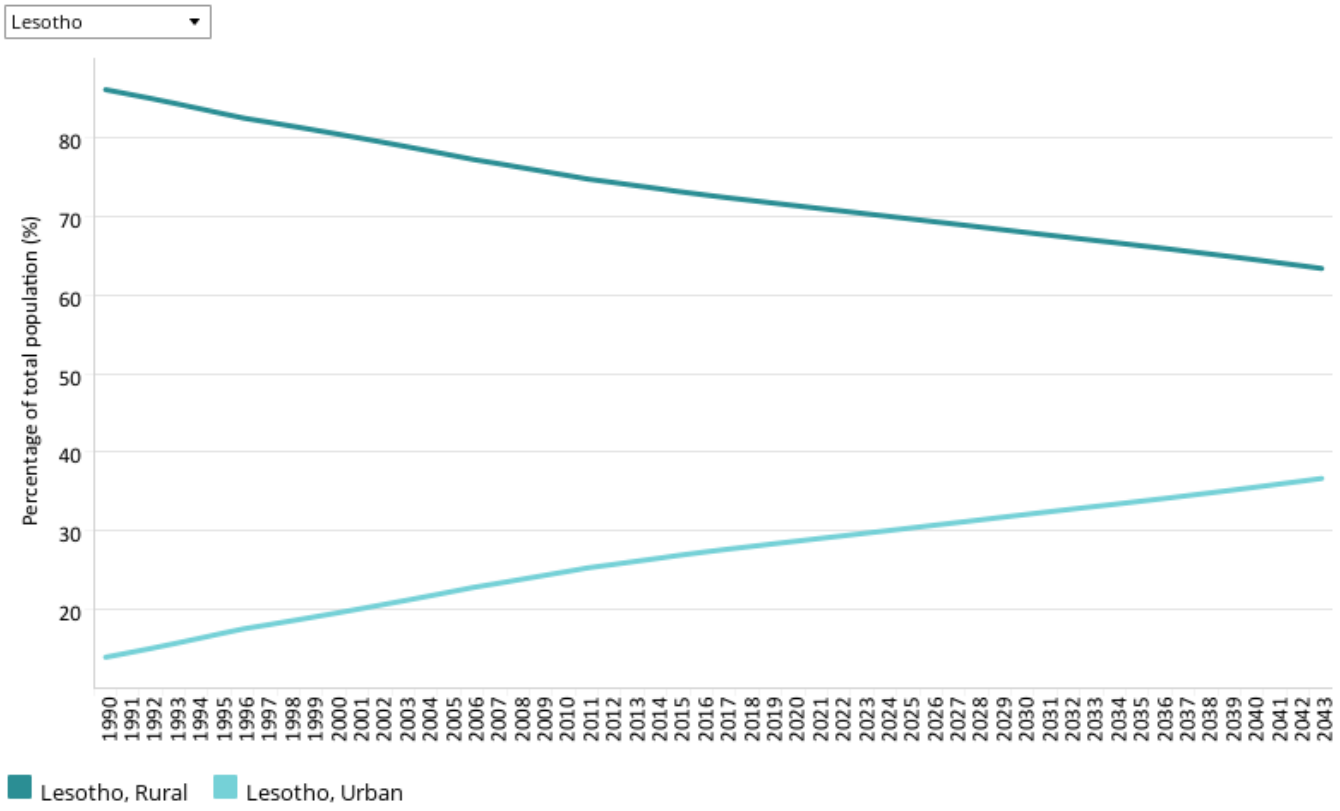
Lesotho has abundant natural water resources and shares the Orange-Senqu River basin with South Africa. It therefore plays a critical role in the complex bulk water supply infrastructure system of South Africa. The bi-national Lesotho Highlands Water Project (LHWP) between Lesotho and South Africa significantly shaped Lesotho's physical road infrastructure at the beginning of the century, opening up the highlands and making it much more accessible and

reachable. The LHWP has also significantly altered the water storage landscape within the country, was the initial catalyst in decreasing the country's energy dependency on South Africa, and has been pivotal in securing water for South Africa's economic heartland, Gauteng.

Its troubled political history and current infighting however are likely to expose the country to ongoing and vast development challenges in the years ahead. Lesotho's development prospects are unpacked in more detail in the subsequent charts.

Demographics: Current Path

Chart 3: Urban and rural population in CP, 1990–2043
% of population



Source: IFs 7.63 initialising from UN World Urbanization Prospects estimate

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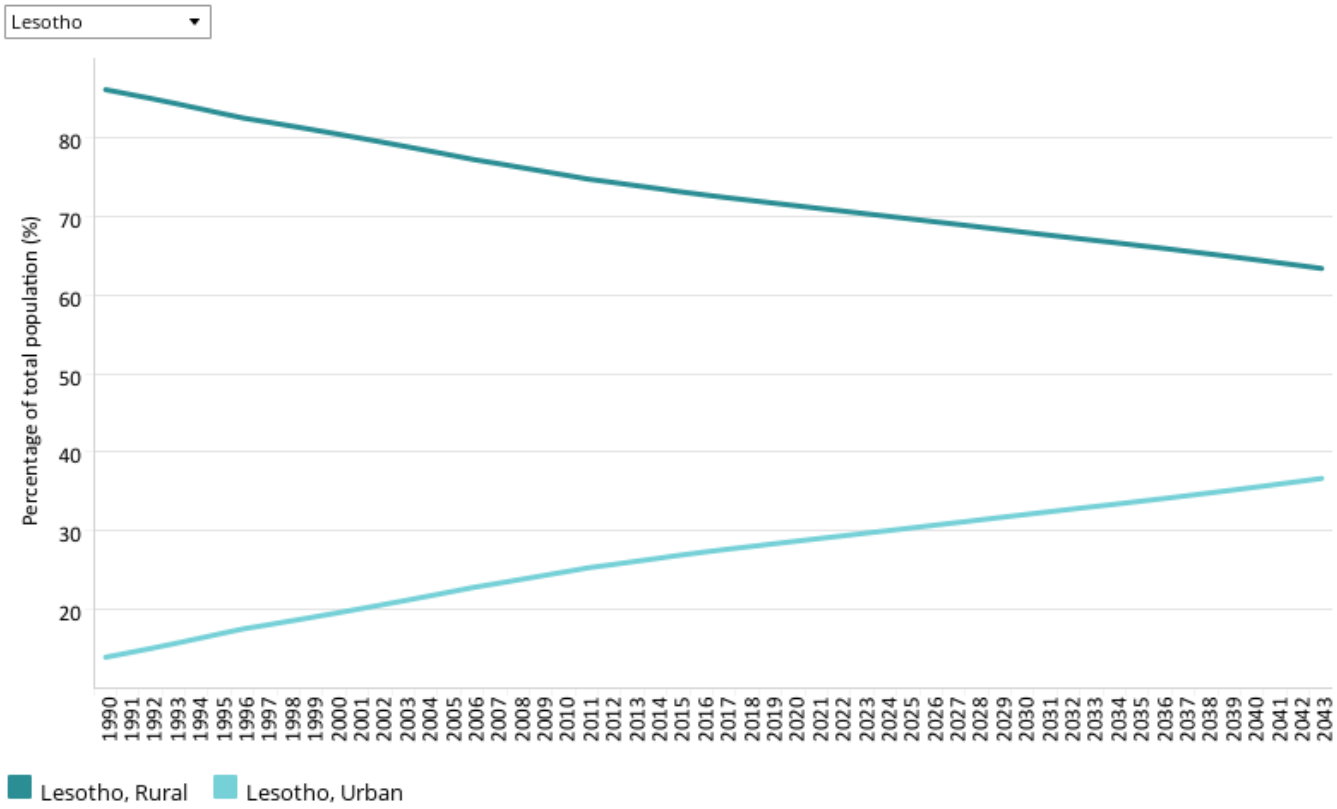
Lesotho's population of 2.1 million in 2019 makes it the tenth smallest country in Africa. The country's ethnicity is homogenous with the vast majority of people belonging to the Basotho (Sotho) ethnic group. The total fertility rate has dropped significantly in the past three decades in Lesotho, down from 5 births per woman in 1990 to just over 3.1 in 2019. This has resulted in Lesotho's population growing at a slower rate compared to the average for low middle-income African countries that had a fertility rate of 4.2 births per woman in 2019. In the Current Path forecast, the population is expected to reach only 2.5 million people by 2043, growth of about 19% in the population, equivalent to 400 000 people in the next 24 years.

This significant drop in fertility rates has and continues to alter the age structure of the country with the median age expected to increase from 23.2 years in 2019 to 27 years by 2043. The country has a small elderly population with fewer than 100 000 people in 2019 aged 65 and over representing 5% of the population. This figure will remain low with 129 000 elderly expected in 2043. The absolute number of young people (aged below 15 years) will decline in the Current Path forecast from 713 000 in 2019 to 675 000 by 2043. This will result in the percentage of the working-age population (aged 15–64) growing from 62% in 2019 to 68.2% in 2043.

Prior to the start of the COVID-19 pandemic in 2019, the country was on the cusp of a demographic dividend window. It is expected that in the Current Path forecast the country is likely to reap the benefits of a demographic dividend by 2030 with the labour force increasing from 977 000 people in 2019 to 1.3 million by 2043. To reap the benefits of this

demographic window, Lesotho will have to create thorough social policies, grow employment opportunities in labour-intensive sectors and foster a sound economic investment environment.

Chart 3: Urban and rural population in CP, 1990–2043
% of population



Source: IFs 7.63 initialising from UN World Urbanization Prospects estimate

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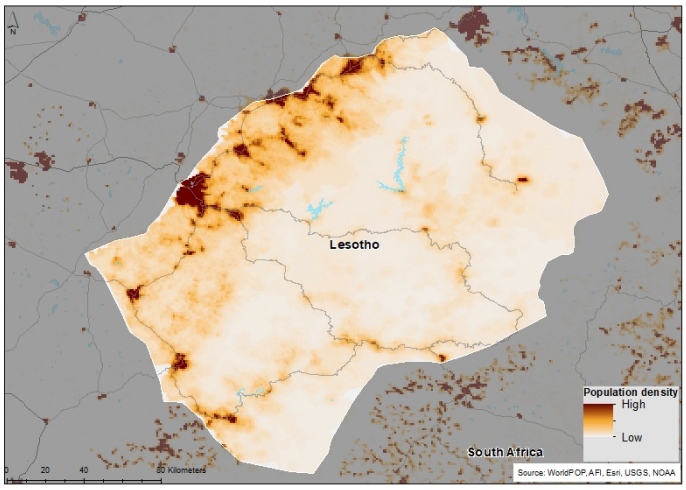
Lesotho is a predominantly rural country with 72% of its population in 2019 living in rural spaces — the third highest rural percentage for low middle-income Africa. More than 50% of Lesotho's 605 000 urban population lives in the capital of Maseru and the rest is located through a small network of towns and villages (see Chart 4). Even with a sustained urbanisation rate, the country will urbanise much slower than its income peers. In 2043, Lesotho will have an urbanisation rate of close to 37%, 22 percentage points below the average for lower middle-income African countries. It remains imperative, however, that the country addresses urbanisation sustainably to avoid and to tackle the growing informal housing trend in its capital, Maseru.

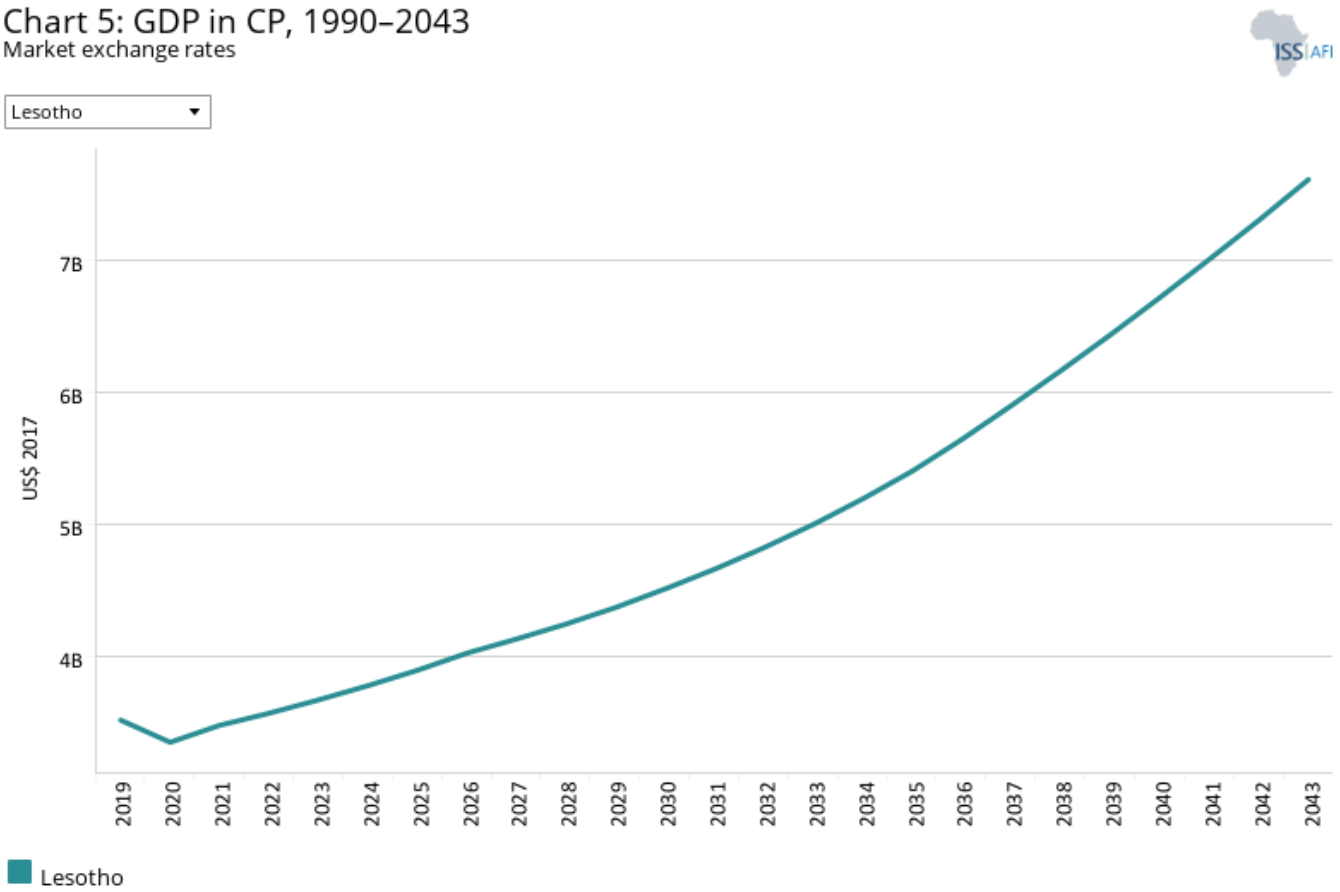
Chart 4: Population density map for 2019



Lesotho's population distribution reflects its mountainous geography. The vast majority of the population is located in the warmer western plains below the 2 000 m altitude mark. Small pockets of rural clusters can also be observed throughout the mountainous highlands but within the valleys next to the meandering rivers where altitudes drop below 2 000 m. The highlands and mountainous peaks are sparsely populated and much of the subsistence agricultural practices take part in the various valleys and river beds.

The country is just over 30 500 km2 with an average density of 0.7 people per hectare. The density however ranges from 36.7 in densely built up areas in Maseru to almost uninhabitable areas on the various mountain peaks. The western lowlands are characterised by more densely populated croplands with an average density of 9.7 people per hectare. In the Current Path forecast, population density is likely to increase to 0.8 people per hectare by 2043 with the croplands increasing densities to 11.2 people per hectare.

Economics: Current Path



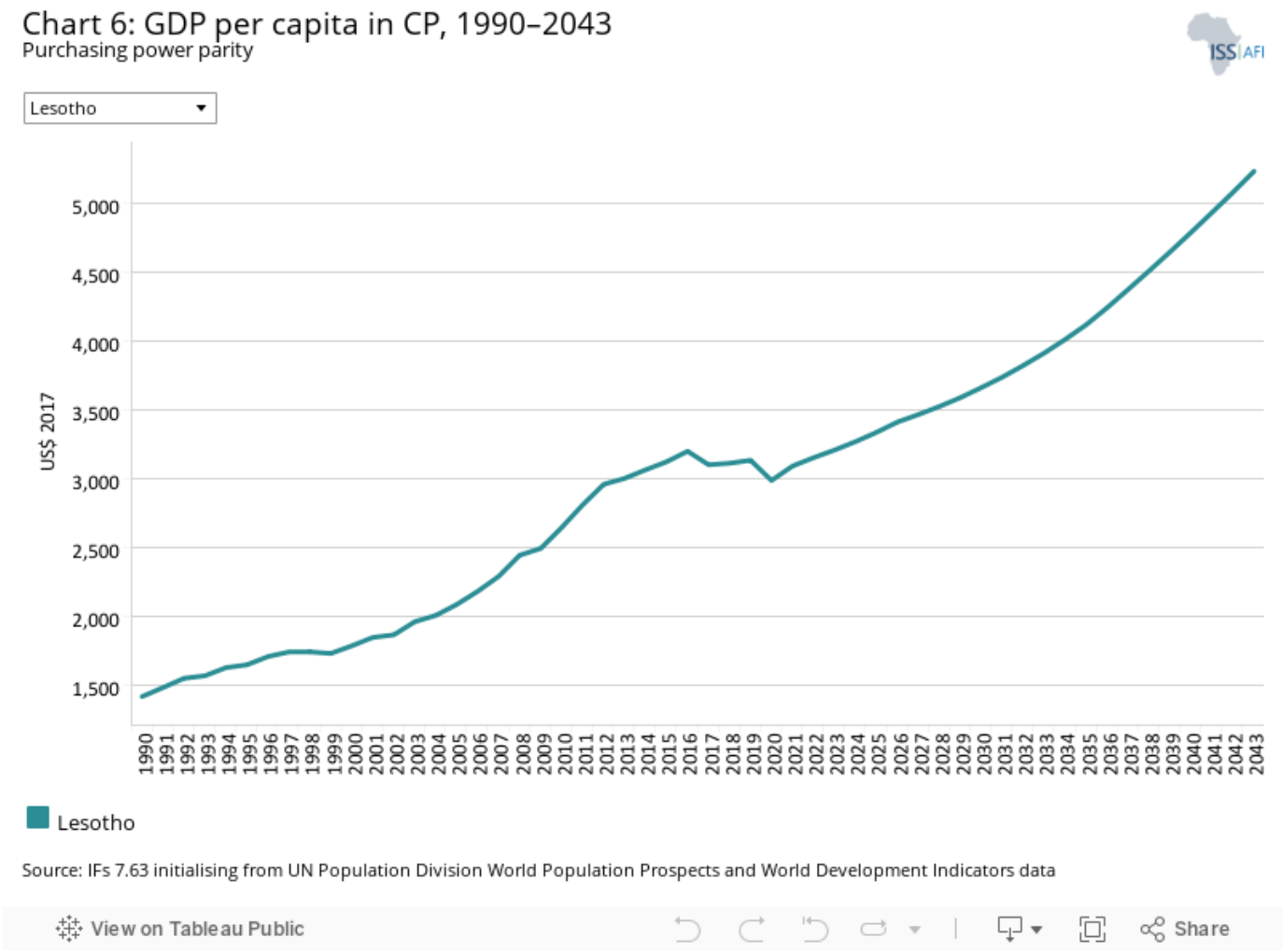
Lesotho's enclaved nature within South Africa makes it inseparable from the economic landscape thereof. Its small economy is based on remittances from labour workers employed in South Africa, SACU revenue inflows, subsistence agriculture, diamond mining, small-scale industries (textiles), construction related to the various phases of the LHWP and limited tourism. South Africa also pays royalties to Lesotho for its water imports as part of the LHWP Phase 1.[1] Aside from abundant water resources and diamond mining within the highlands, the country is poor in natural resources and depends heavily on imports of goods and foodstuffs.

The 1970s saw GDP growth rates reaching 8% due to SACU revenues, remittances from labour workers in South Africa, external aid inflows, a booming agriculture sector and increased diamond mining. In the 1980s and 1990s, GDP growth was sustained at around 4% with a boost from the construction sector as the LHWP took off. The early part of the century saw growth in manufacturing and a thriving textile export industry.

The country has however experienced a retraction in its economy since 2016, the result of turbulent political infighting, slow economic growth in South African, diminishing revenues from remittances from migrant workers and SACU inflows and the textile industry struggling to compete with Asia.[2]

In 2019, Lesotho's small economy ranked fifth smallest among its income peers at US$3.5 billion. In the Current Path forecast, GDP will grow to US$7.6 billion by 2043, with growth rates above 4% from 2035 onwards. Even with a sustained

growth rate Lesotho will remain among the five smallest low middle-income economies in Africa in 2043.



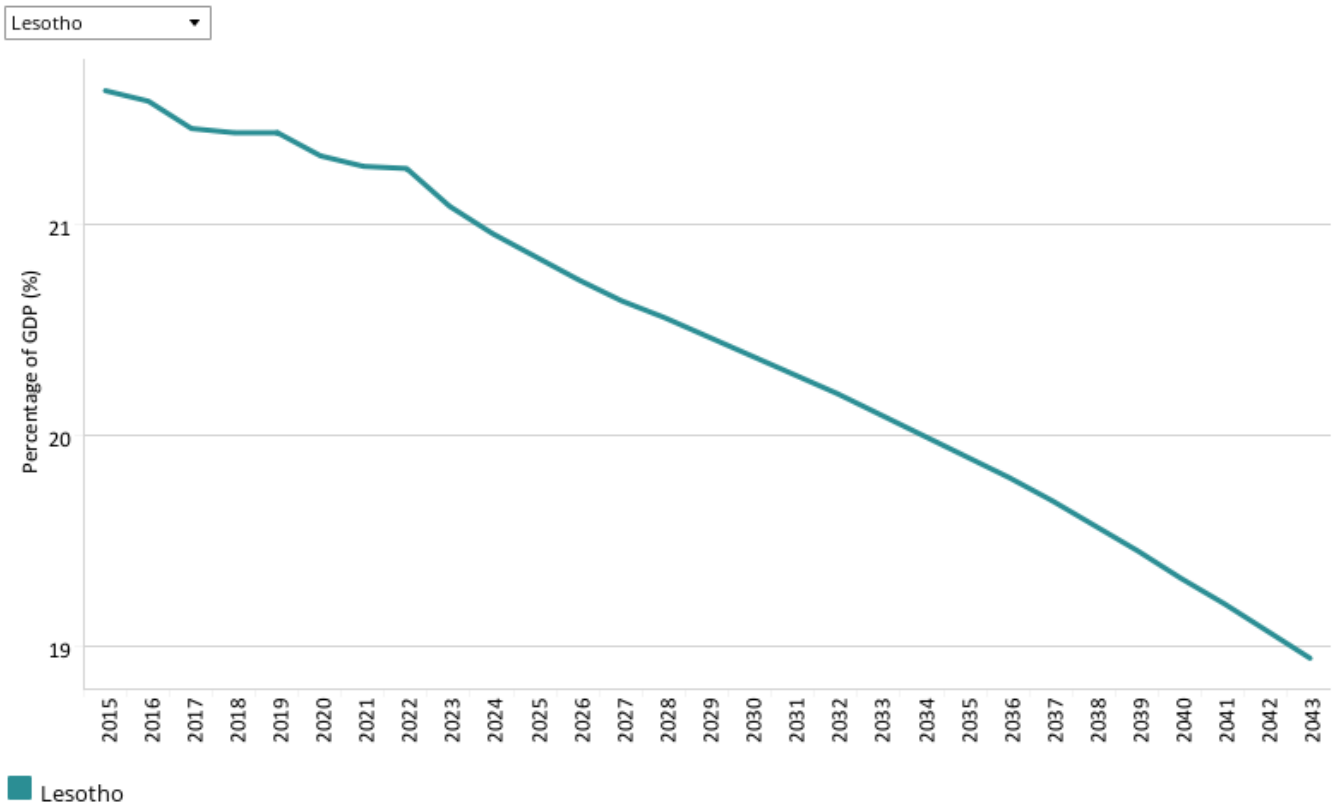
Although many of the charts in the sectoral scenarios also include GDP per capita, this overview is an essential point of departure for interpreting the general economic outlook of Lesotho.

In 1990, Lesotho was the worst performing in regard to GDP per capita among the 23 lower middle-income African countries with an estimated GDP per capita of US$1 416. The country has improved this position, ranking 19th in 2019 with a value of US$3 136, but this is still US$1 819 below the average for Africa and less than half the average for lower middle-income Africa at US$6 989. Lesotho's income gap to lower middle-income Africa has persistently increased from US$3 007 in 1990 to US$3 853 in 2019.

In the Current Path forecast, the country is expected to remain in 19th position by 2043 among lower middle-income countries in Africa with a GDP per capita of US$5 240. The gap to lower middle-income Africa will grow to US$4 102 in 2043.

Chart 7: Informal sector value in CP, 2015–2043

% of GDP



Source: IFs 7.63 initialising from UN Economic Commission for Europe [2008]; Elgin and Oztunali [2012]; Schneider and Enste [2012]

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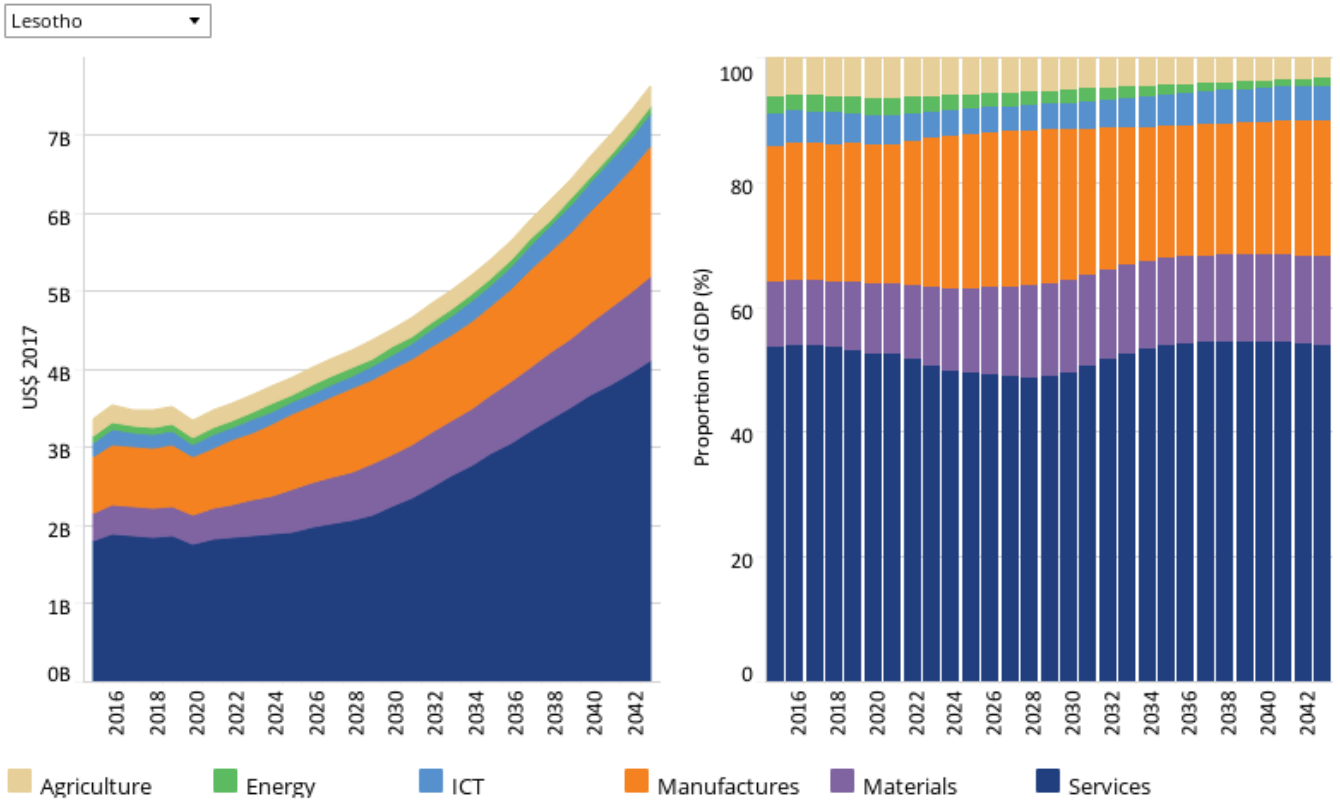
Lesotho has a small informal sector compared to the rest of Africa and lower middle-income Africa. In 2019, the size of the informal economy was estimated at 21.4% of GDP, amounting to a value of US$692 million. This is 4.5 percentage points lower than the average for Africa and 7.8 percentage points lower than the average for lower middle-income economies in Africa.

In 2019, 34% of Lesotho's labour force worked in the informal economy. In the Current Path forecast, this value is projected to decrease more, dropping to 29% by 2043. It is also forecast that the value of the informal sector as a per cent of GDP will decline to 18.9% by 2043. This will amount to an informal economy to a value of US$1.3 billion, 7.5 percentage points lower than its African income peers.

Chart 8: Value added by sector in CP, 2015–2043

Billions US$ 2017 and % of GDP



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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The IFs platform uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufacturing, service and information and communication technologies (ICT). Most other sources use a threefold distinction between only agriculture, industry and services with the result that data may differ.

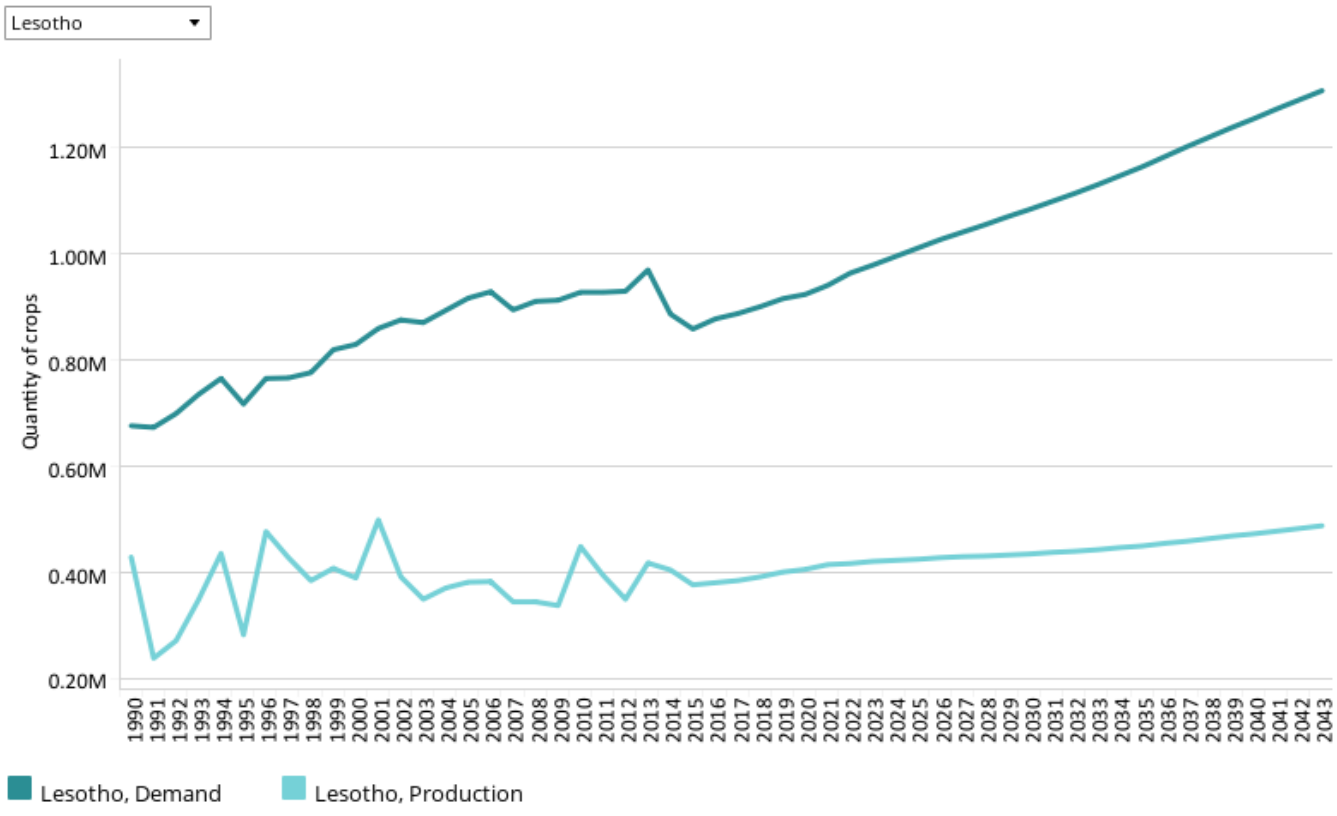
Lesotho's economic structure has changed from an economy dominated by agriculture, real estate and government services in the 1980s to one of manufacturing, retail and services.[3] The country has a small economic base that is interwoven with that of South Africa and on the Current Path the structure is likely to remain the same throughout the forecast horizon.

At 53.1% (US$1.9 billion) in 2019, the service sector makes up the largest percentage of GDP contribution by sector, and it is projected to remain the dominant contributor at 53.9% (valued at US$4.1 billion) by 2043. The manufacturing sector is currently the second largest contributor to the economy at 22.2% (valued at US$800 million) in 2019 and is forecast to decline to 21.8% (valued at US$1.7 billion) by 2043.

The materials sector is expected to grow by 3.2 percentage point from 10.9% in 2019 to 14.1% by 2043, expanding the GDP contribution of this sector from US$400 million to US$1.1 billion. In the Current Path forecast, the agriculture sector is expected to continue declining to 2043, shrinking from 6.3% in 2019 to 3.4% in 2043.

Chart 9: Agriculture production/demand in CP, 1990–2043

Crops million tons



Source: IFs 7.63 initialising from Food and Agriculture Organization Food Balance Sheets

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The data on agricultural production and demand in the IFs forecasting platform initialises from data provided on food balances by the Food and Agriculture Organization (FAO). IFs contains data on numerous types of agriculture but aggregates its forecast into crops, meat and fish, presented in million metric tons. Chart 9 shows agricultural production and demand as a total of all three categories.

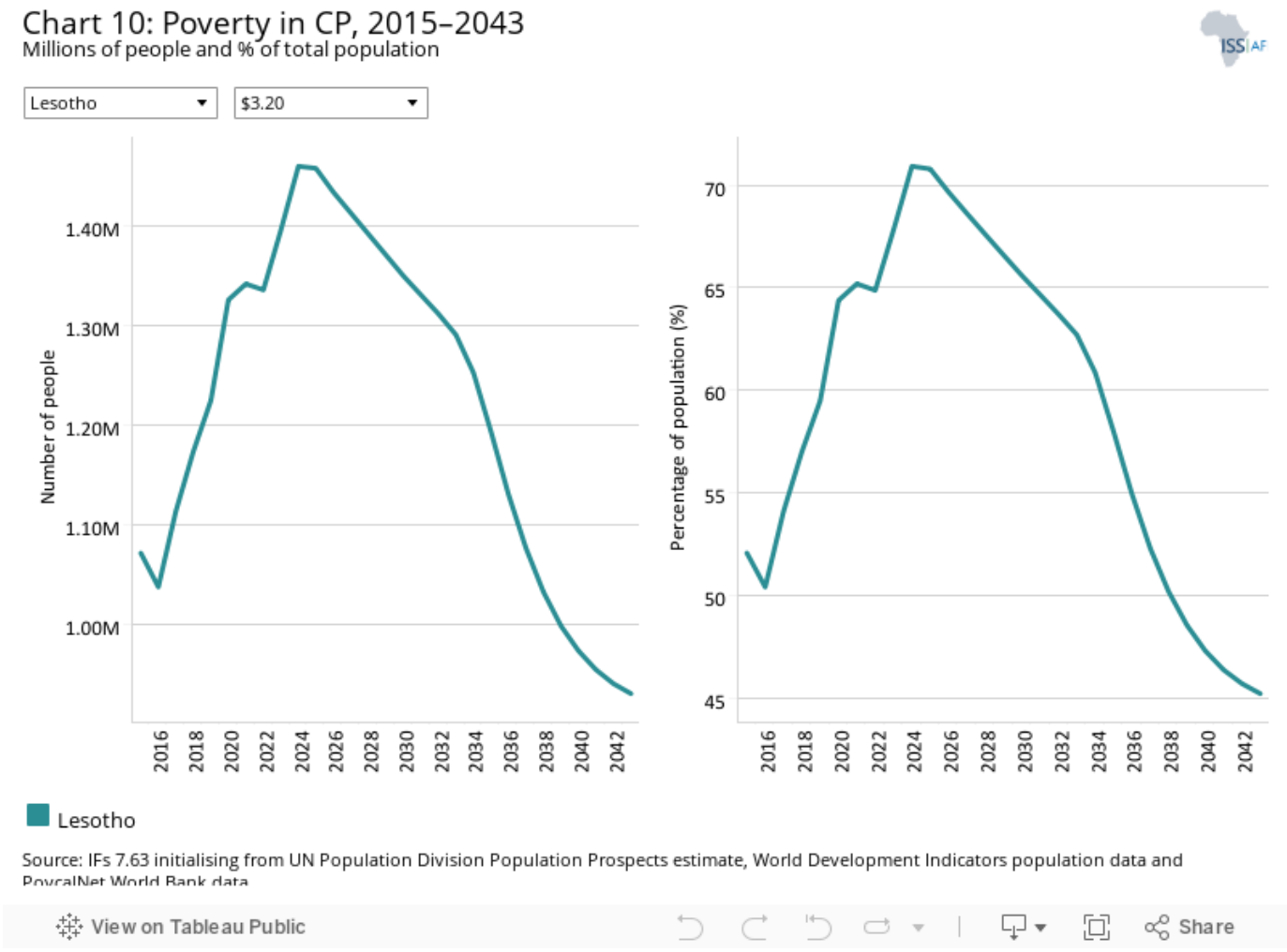
Lesotho's agriculture sector is dominated by subsistence rain-fed agriculture and animal husbandry, which serve as the main source of income to rural populations. Only 9% of land[4] is deemed arable due to the mountainous and high-altitude nature of the country. The majority of croplands are located in the more densely populated western lowlands (below 2 000 m altitude) and limited land in the various river valleys on the highlands. The sector has seen a dramatic decline over the past few decades, with significant declines in crop production and productivity. This has resulted in food insecurity and a heavy importation bill from South Africa for basic foodstuffs.

Agricultural production has not increased in the past three decades. In 1990, agricultural production stood at 430 000 metric tons and by 2019 this had declined to 400 000 metric tons, while demand increased from 680 000 metric tons to 920 000 metric tons. As a result, the food import dependency in the country more than doubled from 250 000 metric tons in 1990 to 520 000 metric tons in 2019. Contributing to this decline are a growing population, later than normal onset rains (brought about by a shifting climate), frequent droughts within the region, and soil erosion due to poor land practices and overgrazing.

This production and demand gap is expected to increase in the Current Path forecast. By 2043, agricultural production is forecast to be 490 000 metric tons and demand would exceed 1.3 million metric tons, translating to a food import

dependency valued at 820 000 metric tons. This paints a picture of growing food insecurity in a country already experiencing the devastating effects thereof.

Poverty: Current Path



There are numerous methodologies for and approaches to defining poverty. We measure income poverty and use GDP per capita as a proxy. In 2015, the World Bank adopted the measure of US$1.90 per person per day (in 2011 international prices), also used to measure progress towards the achievement of Sustainable Development Goal (SDG) 1 of eradicating extreme poverty. To account for extreme poverty in richer countries occurring at slightly higher levels of income than in poor countries, the World Bank introduced three additional poverty lines in 2017:

- US$3.20 for lower middle-income countries
- US$5.50 for upper middle-income countries
- US$22.70 for high-income countries.

Poverty is an endemic problem in Lesotho that has burdened communities, especially in rural areas, for decades. More recently, a growing urban poor population has emerged as those migrating to cities and towns have been met with severe lack of housing and employment opportunities. Poverty declined in the early part of the century when Lesotho's economy was growing, especially in the labour-intensive textile industry, and the country received inflows of aid and remittances from labour workers in South Africa.[5]

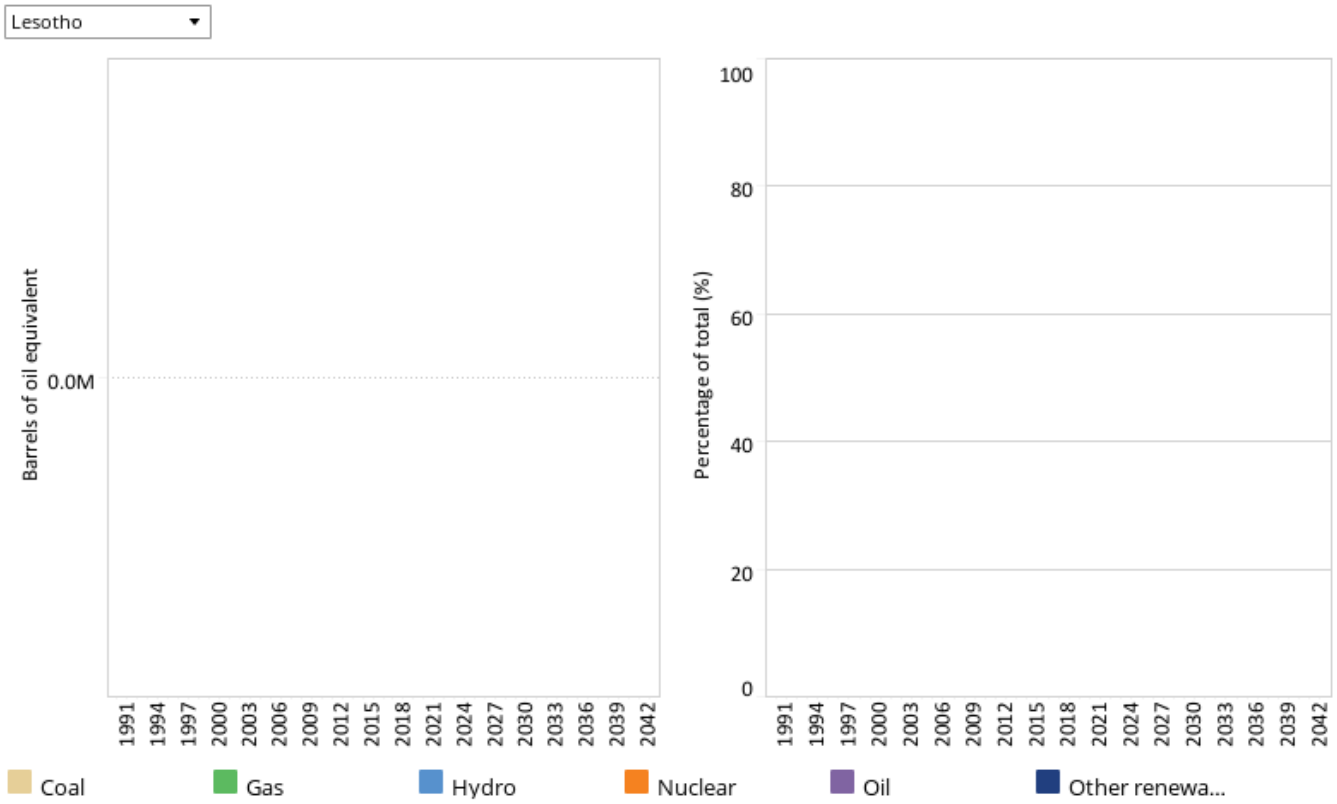
However, since 2016 poverty has started increasing again, the result of slower economic growth in South Africa, increased unemployment, political infighting and turbulence in its political structures, unmet urbanisation needs, declining food production and a struggling agriculture sector. Lesotho has a high poverty burden at 59.5%, equivalent to 1.2 million people, in 2019, almost 10 percentage points above the average for lower middle-income economies in Africa (using the US$3.20 poverty measure).

The continued stagnation of domestic food production together with a growing population, declines in remittances and revenue inflows and the impact of the COVID-19 pandemic have resulted in worsening food insecurity in the country. On the Current Path, the extreme poverty rate is projected to continue an upward trend peaking at 70.8% in 2025. Afterwards, poverty rates are forecast to decline as the country recovers and reach 45.2% in 2043, still 7 percentage points above the average for its African income peers.

Carbon Emissions/Energy: Current Path

Chart 11: Energy production by type in CP, 1990–2043

Barrels of oil equivalent and % of energy production



Source: IFs 7.63 initialising from World Energy Outlook data

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The IFs platform forecasts six types of energy, namely oil, gas, coal, hydro, nuclear and other renewables. To allow comparisons between different types of energy, the data is converted into billion barrels of oil equivalent (BBOE). The energy contained in a barrel of oil is approximately 5.8 million British thermal units (MBTUs) or 1 700 kilowatt-hours (kWh) of energy.

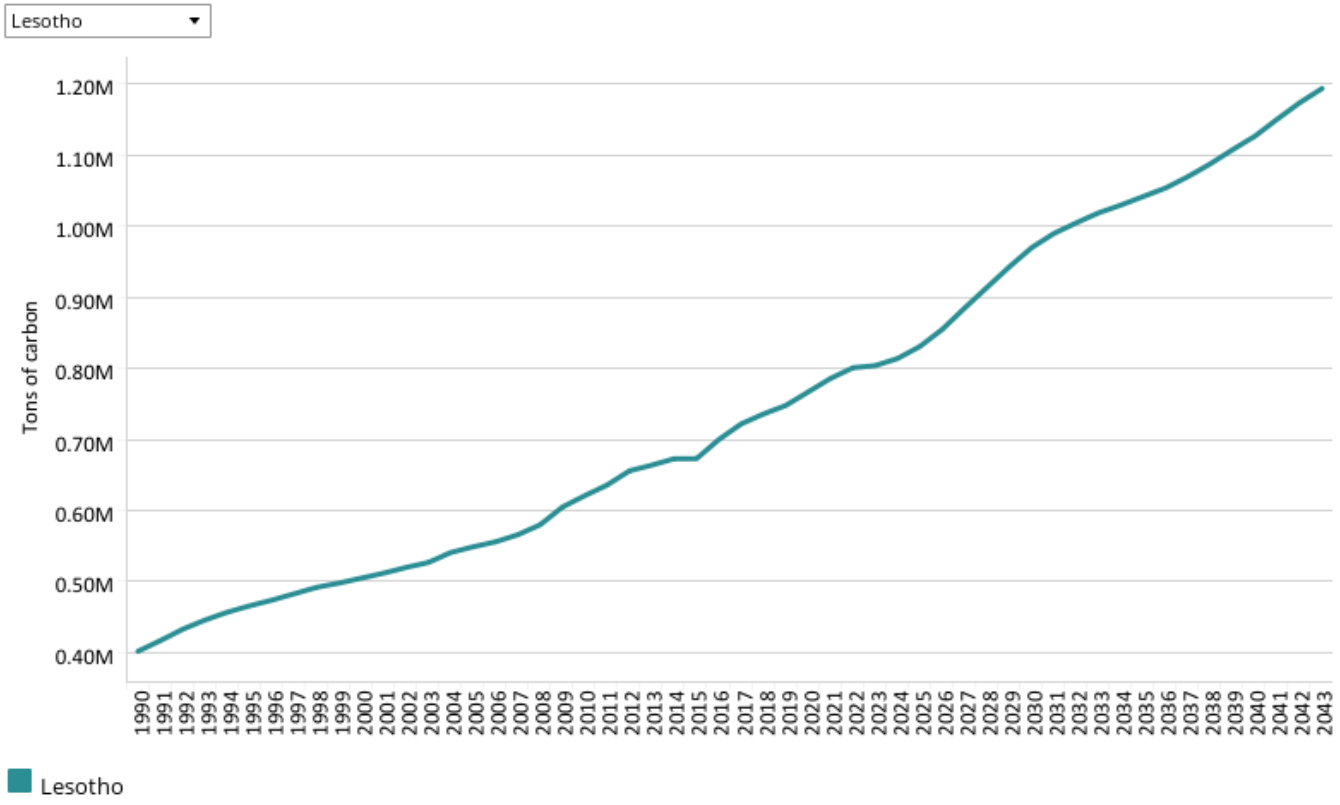
Lesotho has great renewable energy potential but is poor in fossil fuel reserves and is a net importer of electricity from South Africa and Mozambique. Since the construction of the LHWP Phase 1, the country has been able to generate 72 MW (around 50% of peak energy demand) through the Muela hydropower station located at Katse dam.

Even with the installed hydropower capacity the country still relies very heavily on imported energy from its neighbours to meet demand. Much of the rural communities are still disconnected from the electricity grid and low access rates force many rural households to utilise biomass fuels in the forms of wood, animal dung, imported coal and petroleum to meet their household heating and cooking needs.

While energy demand has steadily increased, local generation supply has been consistent at 72 MW with a slow uptake of other renewable energy production methods.[6] For economic growth to take off the country needs to urgently address the supply gap together with the access rates to rural households in particular.

Chart 12: Carbon emissions in CP, 1990–2043

Million tons of carbon (note, not CO_2 equivalent)



Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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Carbon is released in many ways, but the three most important contributors to greenhouse gases are carbon dioxide (CO2), carbon monoxide (CO) and methane (CH4). Since each has a different molecular weight, IFs uses carbon. Many other sites and calculations use CO2 equivalent.

Lesotho is a low carbon emitter with carbon emissions of 700 000 tons in 2019. It is dwarfed by carbon emissions from South Africa yet reliant on energy export thereof to meet its needs. In 2019, Lesotho's emissions placed it in 35th position in Africa and 144th in the world, and among lower middle-income countries in Africa it ranked sixth lowest.

In the Current Path forecast, carbon emissions are likely to increase to 1.2 million tons by 2043. The country has great hydro potential and wind and solar are additional viable options. Rural access to sustainable electricity will have to be addressed to break the dependence on fossil fuel burning for household needs.

Endnotes

1. Government of Lesotho, Lesotho economy, 2018
2. Government of Lesotho, National vision document
3. Government of Lesotho, National Strategic Development Plan II 2018/19–2022/23
4. Government of Lesotho, National vision document
5. R Molapo, Exploring the experiences of food insecurity among urban poor households in Maseru: A case study of Thibella settlement, master's dissertation, Stellenbosch University, 2022
6. UNDP, Lesotho – Energy and the poor, 2020

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Cite this research

Alize le Roux (2024) Lesotho. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/geographic/countries/lesotho/ [Online Resource] Updated 13 December 2023.

About the authors

Ms Alize le Roux joined the AFI in May 2021 as a senior researcher. Before joining the ISS, she worked as a principal geo-informatics researcher at the CSIR, supporting various local and national policy- and decision-makers with long-term planning support. Alize has 14 years of experience in spatial data analysis, disaster risk reduction and urban and regional modelling. She has a master's degree in geographical sciences from the University of Utrecht, specialising in multi-hazard risk assessments and spatial decision support systems.

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