

# Poverty & Equity Brief

Africa Eastern & Southern

## Lesotho

April 2023

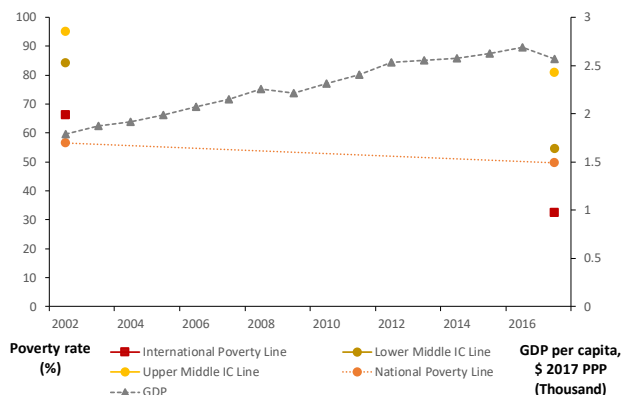
The proportion of the population living below the national poverty line fell from 56.6 percent to 49.7 percent between 2002 and 2017, a 7-percentage point reduction over a 15-year period. The main contributor was the rapid poverty reduction in urban areas, where poverty fell from 41.5 to 28.5 percent, driven by higher formal wage and self-employment income, as well as increases in educational attainment. In contrast, in rural areas, poverty levels stagnated, moving from 61.3 to 60.7 percent, widening an already large urban-rural divide. A fall in remittances from South Africa and a contraction in agricultural output due to the El Niño phenomenon drove the stagnation of rural poverty. Thus, poverty remains concentrated in rural areas, where income opportunities are limited, access to basic services and infrastructure is low, and vulnerability to environmental and economic shocks is high. Progress in reducing poverty was accompanied by improvements in shared prosperity. Consumption growth between 2002 and 2017 was inclusive for the poorest segments of the population, leading to a reduction in the Gini index of nearly 7 points to 44.9. Although Lesotho is now more equal than its neighbors, it remains among the top 20 percent of unequal countries, with the high inequality driven by a large public-private wage gap and a growing urban-rural divide.

Recent projections based on the relationship between GDP growth and poverty suggest poverty remains relatively high for a lower middle-income country: about 33.9 percent of the population is estimated to live below the US\$2.15/day (2017 PPP) international poverty line in 2023, while 56.2 percent of the population is under the lower-middle-income country poverty line (\$3.65/day, 2017 PPP). Job opportunities are scarce, with an unemployment rate of 22.5 percent in 2019 (year of the latest labor data). Economic vulnerability and food insecurity (due to high food prices and rainfall variability resulting in crop failure), remain a challenge, particularly among the rural population. Estimates suggest that between October 2022 and March 2023 an estimated 320,000 people (22 percent of the population) in rural areas will face a food insecurity crisis, an increase from 15 percent between July-September 2022. Poverty rates are expected to trend slightly downwards over the medium term amid a projected rebound in economic activity (real GDP is projected to grow by 2.6 percent and 3.1 percent in 2023 and 2024 respectively, up from 1.8 percent in 2022). Consequently, the US\$2.15/person/day (in 2017 PPP terms) poverty rate is projected to fall slightly from 34.7 percent in 2022 to 32.6 percent in 2024.

| POVERTY   | Number of Poor<br>(thousand) | Rate<br>(%) | Period    |
|---|------------------------------|-------------|-----------|
| National Poverty Line   | 1,039.4                      | 49.7        | 2017      |
| International Poverty Line<br>11.3 in Lesotho loti (2017) or US\$2.15 (2017 PPP) per day per capita             | 703.3                        | 32.4        | 2017      |
| Lower Middle Income Class Poverty Line<br>19.2 in Lesotho loti (2017) or US\$3.65 (2017 PPP) per day per capita | 1,186.2                      | 54.7        | 2017      |
| Upper Middle Income Class Poverty Line<br>36.1 in Lesotho loti (2017) or US\$6.85 (2017 PPP) per day per capita | 1,757.9                      | 81.0        | 2017      |
| Multidimensional Poverty Measure  |                              | 40.7        | 2017      |
| SHARED PROSPERITY   |                              |             |           |
| Annualized Income or Consumption Growth per capita of the bottom 40 percent                                     |                              | N/A         | N/A       |
| INEQUALITY  |                              |             |           |
| Gini Index  |                              | 44.9        | 2017      |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth  |                              | N/A         | N/A       |
| GROWTH  |                              |             |           |
| Annualized GDP per capita growth  |                              | 1.68        | 2013-2016 |
| Annualized Income or Consumption Growth per capita from Household Survey  |                              | N/A         | N/A       |
| MEDIAN INCOME   |                              |             |           |
| Growth of the annual median income/consumption per capita   |                              | N/A         | N/A       |

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.

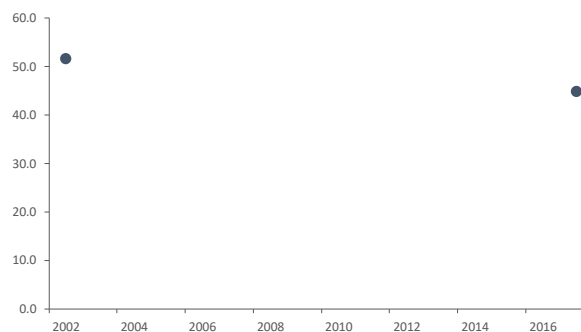
## POVERTY HEADCOUNT RATE, 2002-2017



Source: World Bank using CMSHBS/SSAPOV/GMD

## INEQUALITY TRENDS, 2002-2017

### Gini Index



Source: World Bank using CMSHBS/SSAPOV/GMD

## KEY INDICATORS

|   | International Poverty Line (%) |      | Relative group (%) |        | Multidimensional Poverty Measures: 2017                  | (% of population) |
|---|--------------------------------|------|--------------------|--------|--|-------------------|
|   | Non-Poor                       | Poor | Bottom 40          | Top 60 |  |                   |
| Urban population                        |                                |      |                    |        | <b>Monetary poverty (Consumption)</b>                    |                   |
| Rural population                        |                                |      |                    |        | Daily consumption less than US\$2.15 per person          | 32.4              |
| Males                                   |                                |      |                    |        | <b>Education</b>   |                   |
| Females                                 |                                |      |                    |        | At least one school-aged child is not enrolled in school | 4.8               |
| 0 to 14 years old                       |                                |      |                    |        | No adult has completed primary education                 | 18.1              |
| 15 to 64 years old                      |                                |      |                    |        | <b>Access to basic infrastructure</b>                    |                   |
| 65 and older                            |                                |      |                    |        | No access to limited-standard drinking water             | N/A               |
| Without education (16+)                 |                                |      |                    |        | No access to limited-standard sanitation                 | N/A               |
| Primary education (16+)                 |                                |      |                    |        | No access to electricity                                 | N/A               |
| Secondary education (16+)               |                                |      |                    |        |  |                   |
| Tertiary/post-secondary education (16+) |                                |      |                    |        |  |                   |

Source: World Bank using CMSHBS/SSAPOV/GMD

Source: World Bank using CMSHBS/SSAPOV/GMD

Notes: N/A missing value, N/A\* value removed due to less than 30 observations

## POVERTY DATA AND METHODOLOGY

The Lesotho Bureau of Statistics (BOS) administers the Household Budget Survey (HBS) which is used for both national and international poverty estimation. Six rounds of HBS have been conducted to date as follows: 1972/1973, 1986/1987, 1994/1995, 2002/2003, 2010/2011, and the most recent in 2017/18 in conjunction with the Continuous Multipurpose Household Survey (CMS).

Lesotho uses the cost-of-basic-needs (CBN) approach to determine a poverty line. This involves first estimating the monetary value of the basket of food that meets the minimum energy requirement per adult equivalent per day, set at 2,700 calories, and then adding the cost of non-food essentials such as housing and clothing. The welfare measure used is household consumption expenditure per adult equivalent, which captures differences in need by age, and economies of scale in consumption. A comprehensive Poverty Assessment was conducted in 2019 by the World Bank in close collaboration with BOS to document progress and challenges in reducing poverty. A new HBS is tentatively planned to be collected in 2024.

**Note on new global poverty lines:** Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See [pip.worldbank.org](http://pip.worldbank.org).

## HARMONIZATION

The numbers presented in this brief are based on the SSAPOV database. SSAPOV is a database of harmonized nationally representative household surveys managed by Sub-Saharan Team for Statistical Development. It contains more than 100 surveys covering 45 out of the 48 countries in the SSA region. The three countries not covered in the database are Eritrea, Equatorial Guinea, and Somalia. Terms of use of the data adhere to agreements with the original data producers.