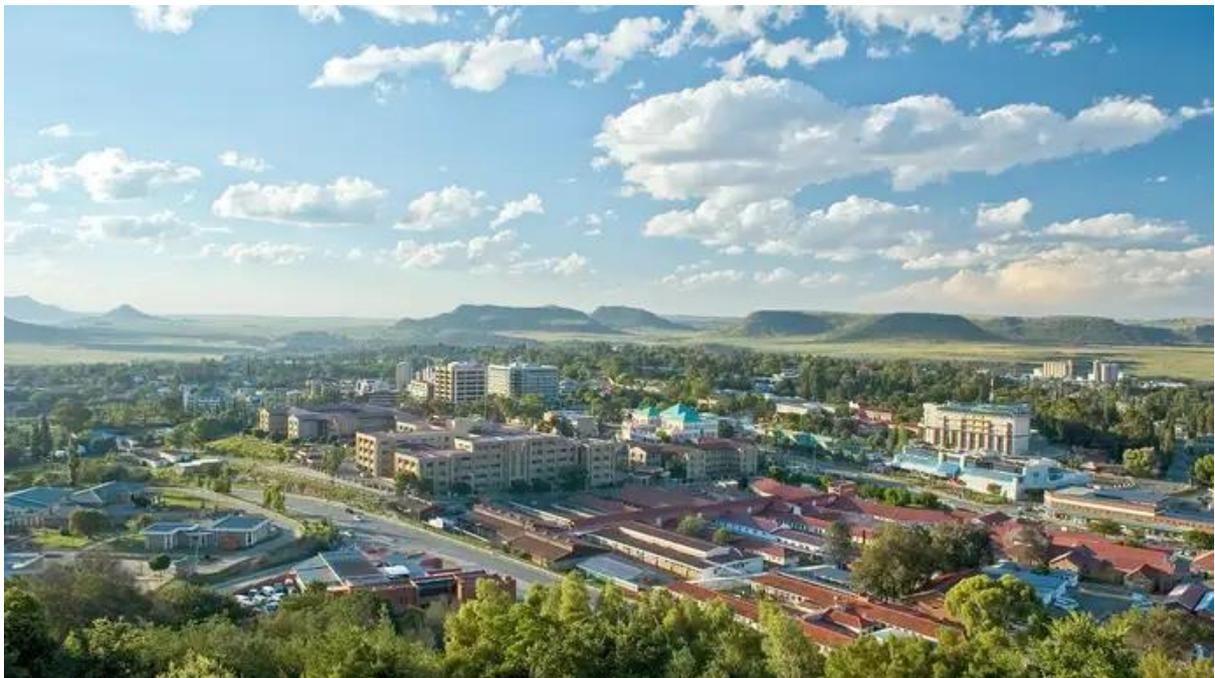


CONSTRUCTION OF MASERU CITY GROSS DOMESTIC PRODUCT



Final Report

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FOREWORD

Lesotho Bureau of Statistics (BOS) collaborated with the United Nations Economic Commission for Africa (UNECA) to estimate the Gross Domestic Product (GDP) for Maseru city, in order to assess its share in the total economy. This exercise is part of UNECA's ongoing initiative to support city-level disaggregation of statistics in Africa.

Cities GDP is a vital well-being economic indicator, and its estimation is envisaged to help global leaders to understand the forces contributing to the global economy. The city of Maseru is among the cities in Africa for which the pilot programme is being undertaken.

This report contributes to objective of UNECA to prepare a regional guide on City GDP measurement based on the experiences of these pilot cities. This exercise also marks an important milestone in the area of economic statistics, since measurement of the size of city economies is an important component of development planning. Estimates produced in this report are vital for various government stakeholders such as city administration, ministry of development planning and ministry of finance, to formulate and monitor economic policy and for effective allocation of resources.

The analysis in this report is based on the data that are already available within the framework of the national accounts, merging and joining the datasets that already exist in the economy. The report also draws from the analytical review of measuring City GDP globally and as part of the broader exercise to strengthen urban data and statistics.

You will recall that BOS has been compiling annual GDP since the early 1960s with the aim of providing information that is useful in economic analysis and formulation of macroeconomic policy. The recent development for BOS is a compilation of quarterly GDP, which also aims to provide a comprehensive and consistent set of high frequency statistics that allows economists and other analysts to undertake detailed assessments of the recent performance of the economy. The annual and quarterly GDP, however, do not provide detailed local-level data for cities, even though cities are at the apex of the sustainable development agenda.

We may well be aware that the global development dialogue has become increasingly focused on the importance of cities in boosting economic growth. Evidence shows that we are living in an urban world where half of the world's population already lives in cities, generating more than eighty percent of global GDP. It has been cited that cities are key drivers of structural transformation and industrialisation to create productive jobs. This is because a large share of population, private and public institutions as well as infrastructure are found in cities. The contents of this report confirm that Maseru City is not an exception to the notion that contribution of cities to national income is greater than their share of national population.

I therefore urge policy makers, development partners, researchers, Civil Society Organisations and the public at large to make use of this evidence-based analysis and enhance reporting of the SDGs, inform policy-making and come up with interventions that will address challenges that come with increasing city population in Lesotho.

The Bureau of Statistics wishes to express its sincere gratitude to UNECA for their immeasurable support in providing technical assistance for the successful execution of this exercise. BOS appreciates the dedication of all participants in the project activities, all having assisted in different ways, from the BOS staff, data providers, line ministries and stakeholders. A special

word of appreciation to all the stakeholders who devoted their time and participated in validation of the results of this report by providing insights and recommendations.



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Mr. Selete Molete
Maseru City Council Town Clerk

BASIC PROJECT INFORMATION

Project title	Construction of City Gross Domestic Product (GDP) measurement and urban data piloting in Maseru City
Category	Economic and Social Affairs
Department/Office	Urbanization and Development Section
Organisational Unit	Gender, Poverty and Social Policy Division, UN Economic Commission for Africa
Supervisor	Chief, Urbanization and Development Section
Service Provider	Team of consultants: Mamello Nchake and Jan Redeby
Project starting date	January 2022
Project end date	August 2022

LIST OF ACRONYMS

AGOA	African Growth Opportunity Act
APS	Annual Agricultural Production Survey
BOS	Bureau of Statistics
CHAL	Christian Health Association of Lesotho
CPI	Consumer Price Index
EC	Economic Census
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GVA	Gross value added
HBS	Household Budget Survey
LEC	Lesotho Electricity Company
LFS	Labour Force Survey
LHDA	Lesotho Highlands Development Authority
LRA	Lesotho Revenue Authority
MCC	Maseru City Council
NADABAS	National Accounts Database System
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
PHC	Population and Housing Census
SNA	System of National Accounts
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNDP	United Nations Development Programme
VAT	Value Added Tax
WASCO	Water And Sewerage Company

EXECUTIVE SUMMARY

The importance of cities globally and in Africa cannot be over-emphasised. In recent times, it has become increasingly important to obtain urban GDP estimates which are compiled regularly. Such estimates are critical for evidence-based decision making. Globally, various institutions and researchers have attempted to measure city GDP. This exercise to measure city GDP in Africa has been initiated by United Nations Economic Commission for Africa to prepare a regional report on city GDP measurement based on the experiences of selected African cities. The data used in this exercise are assessed by the respective National Statistical Offices (NSOs) to ensure that they are fully compliant with the code of practice for national and sub-national statistics. The city of Maseru is among the cities in Africa for which the pilot programme is being undertaken.

The demarcation for the estimates is based on the boundaries of Maseru City Council, which is the local administration authority of Maseru City. The city is demarcated into 10 constituencies. Its geographical boundary covers an area of 143.37 square kilometres with a population of over 300 000, which was approximately 16 percent of the total population in 2016 and projected at 18 percent in 2020.

Lesotho's Bureau of Statistics compiles GDP by the production and expenditure approaches. The production approach measures GDP as the sum of the gross value added (GVA) of all economic activities *plus* taxes on products. The estimates of city GDP are also compiled using the production approach. Twenty economic activities are specified, although the estimation level is somewhat more detailed. **The top-down approach is applied, where various indicators are used to estimate Maseru's share of the national totals.** Data sources include: VAT-data (data on sales reported to Lesotho Revenue Authority); the 2017/18 Household Budget Survey; and the 2019 Labour Force Survey

City GDP has been compiled for the years 2016-2020. The results show that Maseru's GDP is about 50 percent of the national total, while the growth rate has been slightly better in Maseru.

The City's share of Lesotho's population was about 17 percent in 2019, while its share of GDP was about 50 percent of the national GDP estimates, **suggesting a huge discrepancy in GDP per capita between Maseru and the rest of the country.**

Overall, Lesotho's economic performance has been declining in the past five years, where GDP has been shrinking from 2016 to 2020, which is also the case with Maseru GDP. However, there was a slight increase in 2017 and 2018 but again a large contraction in 2020 due to COVID-19 related restrictions and low external demand.

At an aggregate level, the GDP estimates are grouped into primary, secondary and tertiary sectors as is with the national estimates. **The tertiary sector, which is mainly services, is the main contributor to both Maseru and national GDP,** while the primary sector, consisting of agriculture, mining, and quarrying, is the least contributor, particularly in Maseru's share of GDP.

National and Maseru GDP estimates are also grouped into 18 industries **where manufacturing was the largest contributor of Lesotho's economy,** accounting for 27.8 percent Maseru GDP and 15.9 percent of national GDP in 2020. The services sector, particularly wholesale and retail trade, financial and insurance, and public administration and defence, also had a significant contribution to Maseru GDP and national estimates. Other industries recorded negative

growth rates between 2019 and 2020, also reflecting the **adverse effects of COVID-19 restrictions and significant drop in global demand experienced in 2020**.

The second part of the report presents detailed descriptions of the results and methodology in 21 sub-sections for the 20 industries.

The ranking of Maseru's share of GVA by economic activity show that **manufacturing, administrative and professional services, and account for more than 70 percent**. However, the share of mining and agriculture is at the minimum of about five percent.

Under manufacturing of food products and beverages, processing and preserving of meat contributed 75 percent of Maseru City GDP, beverages and bakery products contributed 95 percent of GVA of the city and grain mills products contributed more than 75 percent of the city GVA. **In the manufacturing of textiles, clothing and footwear, large enterprises contributed the largest share of Maseru's GVA** while household enterprises contributed only less than one percent. Moreover, in leather and footwear sector, same as clothing and footwear largest corporations contributed large portion of the city GVA while the household enterprises account about one percent.

Maseru GVA for **electricity supply** from LEC is divided into domestic and all other customers based on sales data while excluding the supply provided by LHDA as it is not based in Maseru. For **water supply** and sewerage, the GVA share for Maseru was computed as 22 percent. **Construction** is problematic to estimate due to lack of appropriate data sources. Only employment data are available.

In **wholesale and retail trade**, household enterprises contribute about five percent to the GVA of Trade in and repair of motor vehicles and about eight percent of All other wholesale and retail trade.

The Maseru GVA estimates for **accommodation and food service activities** are estimated based on VAT-sales for the formal sector, which is relatively higher than that of the informal sector. Interestingly, Maseru's share of the informal sector in food service activities increased substantially in 2020 mainly due to COVID-19 related restrictions.

In the **education sector**, Maseru's share of GVA is largest for public schools while parastatals mainly include tertiary institutions. The GVA share for private education is however based on guess estimates due to lack of data.

The health sector estimates are based on government hospitals and clinics, non-profit

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