The World Bank Group conducted face-to-face interviews with top managers and business owners of 150 enterprises in Lesotho from June 2016 through August 2016. The Enterprise Survey (ES) sample is representative of Lesotho’s formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

**Firms in Lesotho had negative labor productivity growth**

Similar to the average for Sub-Saharan African firms (“AFR30”), firms in Lesotho experienced negative annual labor productivity growth in 2016. Annual labor productivity growth rate declined from 0.5% between 2006 and 2008 to negative 3.5% between 2013 and 2015. Annual employment growth, remains positive, but has declined substantially to 4% from 12% in 2009. Smaller firms are less productive than large firms. Both small (5-20 employees) and medium (20-99 employees) firms experienced negative labor productivity growth rate (-1.8% and -9.8%, respectively) while labor productivity growth rate for large (more than 100 employees) firms was -0.2%.

**Females are more integrated in the business community in Lesotho**

Women are more likely to manage firms in Lesotho than elsewhere in the region. Of the country’s firms, 36% have a female top manager, a dramatic increase from 2009 (22%), and more than double the regional average (16%). Likewise, majority female ownership has increased to 25% from 16% in 2009, and is higher than its regional comparators at 13%. By sector, manufacturing firms in Lesotho are more likely to be managed by females than services firms. While 36 percent of manufacturing firms are managed by females, only 25 percent of services firms have female top managers.

**Large firms in Lesotho are less likely to invest in training**

The incidence of training, or the percentage of firms that offer formal training to their employees, has declined but is comparable to the regional averages. Over time, the incidence of training in Lesotho has declined from 42% in 2009 to only 31% in 2016. Medium firms are more likely to invest in training for their employees than other firms. Fifty-one percent of medium sized firms and offer training compared to only 24% of large firms and 27% percent of small firms.
Obtaining construction permits as well as operating licenses is dramatically quicker than in 2009. The wait times to obtain construction permits and operating licenses were 6 and 2 days respectively; compared with 80 and 17 days in 2009. Further, senior management of Lesotho’s private businesses spend relatively little time dealing with government regulations and obtaining licenses ("time tax"); 3% in 2016 compared to 6% in 2009. Lesotho similarly outperforms the regional averages of 51 days, 22 days and 9% for permit wait time, license wait time and the “time tax”.

**Investment financing by banks has improved**

In Lesotho, the incidence of bank financing (the percentage of firms using bank financing) has increased since 2009 and is more than twice its regional comparators. In 2016, 52% of investments were financed by banks compared to 33% in 2009, significantly above the regional average (21%). However, while more firms are using bank financing the intensity of bank financing (proportion of investment financed by banks) has slightly declined, 19% in 2016 compared to 23% in 2009 but it is still above the regional average (10%).

**Political instability, tax rates and informal competitors are the biggest obstacles to firm operation**

Among 15 areas of the business environment, firms in Lesotho are most likely to rate political instability as the biggest obstacle to their daily operations (35% of firms), followed by tax rates and informal competitors. Only a small percentage of firms see corruption, regulations, permits, or other bureaucratic issues as the biggest obstacle. The political environment in Lesotho was quite tumultuous leading up to the Enterprise Survey conducted in 2016, with the collapse of the coalition government and snap elections held in February 2015. In 2009, firms were most likely to identify access to finance, corruption, or tax rates as the single biggest obstacle to running their businesses.

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The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit [http://www.enterprisesurveys.org](http://www.enterprisesurveys.org)