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Report No: PAD1377

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 14.2 MILLION
(US\$20 MILLION EQUIVALENT)

TO THE

KINGDOM OF LESOTHO

FOR A

SOCIAL ASSISTANCE PROJECT

May 10, 2016

Social Protection and Labor Global Practice
AFRICA

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2016)

Currency Unit = Lesotho Maloti (LSL)
14.69 LSL = US\$1
1.40882 US\$ = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CBT	Community-Based Targeting
CGP	Child Grant Program
CIPS	Chartered Institute of Procurement and Supply
CMA	Common Monetary Area
CMS	Continuous Multipurpose Survey
CPAR	Country Procurement Assessment Report
DA	Designated Account
DLIs	Disbursement-Linked Indicators
EEP	Eligible Expenditure Program
EU	European Union
GDP	Gross Domestic Product
GNI	Gross National Income
GoL	Government of Lesotho
IFMIS	Integrated Financial Management Information System
IPF	Investment Project Financing
ISSN	Integrated Social Safety Nets
IWM	Integrated Watershed Management
LSAP	Lesotho Social Assistance Project
LSCB	Lesotho Standard Commercial Bank
MoDP	Ministry of Development Planning
M&E	Monitoring and Evaluation
MIS	Management Information System
MoLE	Ministry of Labor and Employment
MoLG	Ministry of Local Government
MoF	Ministry of Finance
MoSD	Ministry of Social Development
NGO	Non-Governmental Organization
NISSA	National Information System for Social Assistance

NISSA-CBT	NISSA Community Based Targeting
NMDS	National Manpower Development Secretariat
NSPS	National Social Protection Strategy
OAP	Old Age Pension
OVC	Orphan Vulnerable and Children Bursary Program
PA	Public Assistance Program
PDI	Project Development Objective Indicators
PDO	Project Development Objective
PFM	Public Financial Management
PFMA	Public Financial Management Accountability
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PMT	Proxy Means Test
PPB	Post Primary Bursary Program
RBF	Results-Based Financing
SACU	Southern African Customs Union
SCD	Systematic Country Diagnostic
UNICEF	United Nations Children's Fund
VAC	Village Assistance Committees

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LESOTHO
Social Assistance Project

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PAD DATA SHEET

Lesotho

Social Assistance Project (P151442)

PROJECT APPRAISAL DOCUMENT

AFRICA

0000009340

Report No.: PAD1377

Basic Information			
Project ID P151442	EA Category C - Not Required	Team Leader(s) Lucilla Maria Bruni, Gaston Mariano Blanco	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 01-Jul-2016	Project Implementation End Date 30-May-2020		
Expected Effectiveness Date 30-Aug-2016	Expected Closing Date 30-May-2020		
Joint IFC No			
Practice Manager/Manager Dena Ringold	Senior Global Practice Director Omar S. Arias Diaz	Country Director Guang Zhe Chen	Regional Vice President Makhtar Diop
Borrower: Government of Kingdom of Lesotho			
Responsible Agency: Ministry of Social Development			
Contact: Telephone No.:	Refuoe Pakela 26622314099	Title: Email:	Acting Principal Secretary rpakela03@gmail.com
Responsible Agency: Ministry of Finance			
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Responsible Agency: Ministry of Development Planning			
Contact: Telephone No.:	Tlohelang Aumane 26663945994	Title: Email:	Principal Secretary tlohelang@yahoo.co.uk

Project Financing Data(in USD Million)					
<input type="checkbox"/>	Loan	<input type="checkbox"/>	IDA Grant	<input type="checkbox"/>	Guarantee
<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Grant	<input type="checkbox"/>	Other
Total Project Cost:		27.00		Total Bank Financing: 20.00	
Financing Gap:		0.00			
Financing Source			Amount		
BORROWER/RECIPIENT			7.00		
International Development Association (IDA)			20.00		
IDA recommitted as a Credit			0.00		
Total			27.00		
Expected Disbursements (in USD Million)					
Fiscal Year	2017	2018	2019	2020	
Annual	5.88	5.45	4.13	4.54	
Cumulative	5.88	11.33	15.46	20.00	
Institutional Data					
Practice Area (Lead)					
Social Protection & Labor					
Contributing Practice Areas					
Cross Cutting Topics					
<input type="checkbox"/>	Climate Change				
<input type="checkbox"/>	Fragile, Conflict & Violence				
<input type="checkbox"/>	Gender				
<input type="checkbox"/>	Jobs				
<input type="checkbox"/>	Public Private Partnership				
Sectors / Climate Change					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %	
Health and other social services	Other social services	100			
Total		100			
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.					
Themes					

Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Social protection and risk management	Poverty strategy, analysis and monitoring	10
Social protection and risk management	Social Safety Nets/Social Assistance & Social Care Services	30
Social protection and risk management	Social Protection and Labor Policy & Systems	60
Total		100
Proposed Development Objective(s)		
The objective of the proposed project is to support the Government of Lesotho in improving the efficiency and equity of selected social assistance programs.		
Components		
Component Name	Cost (USD Millions)	
Component 1: Strengthening administrative efficiency and equity of the selected social assistance programs	15.00	
Component 2: Implementation Support	5.00	
Systematic Operations Risk- Rating Tool (SORT)		
Risk Category	Rating	
1. Political and Governance	Substantial	
2. Macroeconomic	Substantial	
3. Sector Strategies and Policies	Substantial	
4. Technical Design of Project or Program	Substantial	
5. Institutional Capacity for Implementation and Sustainability	Substantial	
6. Fiduciary	Substantial	
7. Environment and Social	Moderate	
8. Stakeholders	Substantial	
9. Other		
OVERALL	Substantial	
Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any waivers of Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []

Is approval for any policy waiver sought from the Board?		Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?		Yes [X]	No []
Safeguard Policies Triggered by the Project		Yes	No
Environmental Assessment OP/BP 4.01			X
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Description of Covenant			
Conditions			
Source Of Fund	Name	Type	
IDA	Project Implementation Manual, Article V, 5.01	Effectiveness	
Description of Condition			
The Recipient has adopted the Project Implementation Manual in a manner satisfactory to the Association.			
Source Of Fund	Name	Type	
IDA	Project Implementation Unit, Schedule 2, Section IV B.1 (b)	Disbursement	
Description of Condition			
No withdrawal shall be made under Category (2) unless the Recipient has established the project implementation unit (PIU) with a composition and terms of reference acceptable to the Association.			
Team Composition			
Bank Staff			
Name	Role	Title	Specialization
Lucilla Maria Bruni	Team Leader (ADM)	Economist	
			GSP01

	Responsible)			
Gaston Mariano Blanco	Team Leader	Sr Social Protection Specialist		GSP04
Chitambala John Sikazwe	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist		GGO01
Tandile Gugu Zizile Msiwa	Financial Management Specialist	Financial Management Specialist		GGO13
Ana Ocampo	Team Member	Consultant		GSP01
Jose C. Janeiro	Team Member	Senior Finance Officer		WFALA
Khurshid Banu Noorwalla	Team Member	Program Assistant		GSP01
Kristine Schwebach	Safeguards Specialist	Senior Social Development Specialist		GSU07
Melissa C. Landes	Safeguards Specialist	Natural Resources Mgmt. Spec.		GEN07
Ruxandra Costache	Counsel	Senior Counsel		LEGAM

Extended Team

Name	Title	Office Phone	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments

I. STRATEGIC CONTEXT

A. Country Context

1. **Lesotho is a lower middle-income country with per capita gross national income of US\$1,330¹.** It is a small and largely rural country of about 2 million people, landlocked in South Africa. Lesotho has an open economy, traditionally centered on trade. Its main exports are textiles, water, and diamonds. Lesotho's main trading partners are the United States and South Africa. As a member of the Common Monetary Area (CMA), its currency is pegged to the South African Rand. Lesotho is also part of the Southern African Customs Union (SACU), a union between Botswana, Lesotho, Namibia, South Africa and Swaziland by which members pool the customs duties and excise taxes they collect and redistribute the funds among the five member states.

2. **The economy grew at an annual rate of 4 percent per capita over the past decade, but is expected to slow to about 2.5 percent this year; economic growth has not been inclusive, resulting in persistent high levels of poverty and inequality.** It is estimated that 57.1 percent of the population lives below the basic needs poverty line of US\$1.08 per day, and 84 percent of the population is vulnerable to poverty.² This level of poverty is very high for its income level: Lesotho ranks as the 13th poorest country in the world, while its gross national income (GNI) per capita ranks as the 30th poorest³. Lesotho's poverty is also deep, and this depth has increased over time. The poverty gap in Lesotho is the ninth highest in the world, at 29.5 in FY2010/11; this represents an increase from FY2002/03.⁴ Inequality as measured by the Gini coefficient increased from 0.51 to 0.53 between 2003 and 2010.

3. **Human development outcomes are worse than both the rest of Southern Africa and other lower middle income countries.**⁵ It is ranked 162nd out of 187 countries in the UN's Human Development Index. Lesotho has the world's third highest prevalence of HIV/AIDS (23.4 percent)⁶. Life expectancy is 49 years and under-five mortality is at 98 per 1,000 live births; both these levels represent a worsening compared to the level held in the late 1990s.⁷ Only 41 percent of children of relevant age complete lower secondary school, and enrollment in secondary is 33.4 percent.⁸ Malnutrition is an acute problem, with a prevalence of stunting of 40 percent.⁹

4. **Lesotho faces considerable fiscal challenges, making efforts to improve the effectiveness of public spending imperative.** Lesotho's economy has shifted from an export driven economy to an economy driven by consumption and government investment in the last

¹ 2014 Atlas GNI per capita.

² World Bank (2015) Lesotho Systematic Country Diagnostic.

³ Own calculations based on PovcalNet. Data based on latest available year.

⁴ Own calculations based on PovcalNet. Data based on latest available year.

⁵ World Development Indicators.

⁶ UNAIDS (2014), Country factsheets. Lesotho. 2014: AIDSinfo.

<http://www.unaids.org/en/dataanalysis/datatools/aidsinfo>

⁷ World Development Indicators.

⁸ World Development Indicators.

⁹ 2014 World Food Program Vulnerability Assessment Committee.

decade. The wage bill, one of the highest in the world, as a percentage of gross domestic product (GDP), projected to grow further from 18.9 percent in 2012 to 23.1 percent in 2015. Since FY2011/12, public spending has remained above 62.5 percent of GDP; general government final consumption expenditure as a percentage of GDP is the second highest in the world, at 37.7 percent.¹⁰ High SACU revenues received in 2012/13-2014/5 masked the underlying deficit, but these are expected to decline to 15.5 percent in 2016/17 and to 18.6 percent of GDP in 2017/18 from 29.2 percent of GDP in 2014/15. Fiscal pressure is therefore likely to increase even further over the coming years.

B. Sectoral and Institutional Context

5. The Government of Lesotho (GoL) spends around 4.5 percent of GDP on social assistance programs, nearly three times the Sub-Saharan Africa and twice the middle income average.¹¹ Spending on social assistance averages about 1.7 percent of GDP in Sub-Saharan Africa and 2.7 for middle income countries.¹² The two largest programs in terms of spending, Old Age Pension (OAP) and School Feeding, represent 2.39 percent and 1.05 percent of GDP, respectively, and make up 76 percent of total spending on social assistance. The OAP is a universal non-contributory pension for all citizens over 70 years of age, who do not receive a civil service pension. The School Feeding provides school meals to all children attending public primary schools in the country. The remaining programs are a combination of poverty alleviation transfers programs (Public Assistance -PA), human development linked poverty targeted programs (Child Grants Program-CGP), scholarships (Orphan Vulnerable Children Bursary Program-OVC- and OVC Post Primary Bursary - PPB), and public works (Integrated Watershed Management program - IWM).¹³ Spending on the main programs has generally increased at a faster pace than inflation over the past five years.¹⁴

¹⁰ World Development Indicators for 2012 (latest available year).

¹¹ Own calculations based on World Bank (2013) LESOTHO: A Safety Net to End Extreme Poverty

¹² World Bank (2014) Reducing Poverty and Investing in People The New Role of Safety Nets in Africa

¹³ See Annex 5 for detailed program description. Main source: World Bank (2013) LESOTHO: A Safety Net to End Extreme Poverty

¹⁴ See Annex 5 for trends in spending. Main source: World Bank (2013) LESOTHO: A Safety Net to End Extreme Poverty

Table 1: Lesotho's main social assistance programs

Program	Number of Beneficiaries*	Target group	Implementing Ministry	Budget ** (in million Maloti)	% of GDP***
Old Age Pension (OAP)	85,087	Universal to all above 70 not receiving civil service pension	Finance	540.00	2.39
Child Grants Program (CGP)	24,500 (hh)	Poor households with children under 18	Social Development	50.40	0.22
OVC Bursary Program (OVC)	13,172	Orphan/vulnerable children under 18 enrolled in secondary school	Social Development	41.40	0.18
Public Assistance (PA)	11,800	Destitute under 70	Social Development	40.40	0.18
School Feeding (SF)	389,000	All primary children attending primary school	Education	236.00	1.05
Post Primary Bursary (PPB)	5,180	Orphan or vulnerable children with proven academic achievement	Economic and Development Planning	15.80	0,07
Integrated Watershed Management Public Works (IWM)	115,000	Able bodied rural people	Forestry	112.00	0.50
Total				1,036.00	4.59

Source: Own calculation based on information from World Bank (2013) and other sources.

* Latest available year; ** Actual for latest available year; ***GDP data from WDI – GDP in Current Local Country Currency

6. **Overall, the social protection system is characterized by multiple actors, lack of overall vision, weak capacity and fragmentation and inefficient delivery systems.**¹⁵ The six main programs are implemented by four different ministries.¹⁶ Until recently, no single Ministry was in charge of the social protection agenda, and the sector had no vision or framework. Programs are still implemented by a large number of ministries, some with mandates outside of social protection, such as the Ministry of Finance who runs the OAP. Poverty targeting mechanisms are unclear or highly discretionary. There are some important duplication of programs, such as the OVC run by the Ministry of Social Development (MoSD) and the Post Primary OVC bursary, run by the Ministry of Development Planning (MoDP). For categorical programs, particularly the OAP, eligibility verification processes are prone to fraud and error due to lack of cross checks and verification mechanisms; programs have no mechanism to determine whether their beneficiaries are alive or their eligibility has changed. Beneficiary records are paper based, and often unavailable. Payments are generally cash based and rely on expensive processes (including the use of armed forces for security and logistic), and reconciliation processes are weak. Systems for monitoring and evaluation (M&E) and handling case management are either weak or non-existing.¹⁷ The CGP is the only exception to these characteristics: it uses an objective poverty targeted methodology (combination of proxy means

¹⁵ World Bank (2013) LESOTHO: A Safety Net to End Extreme Poverty.

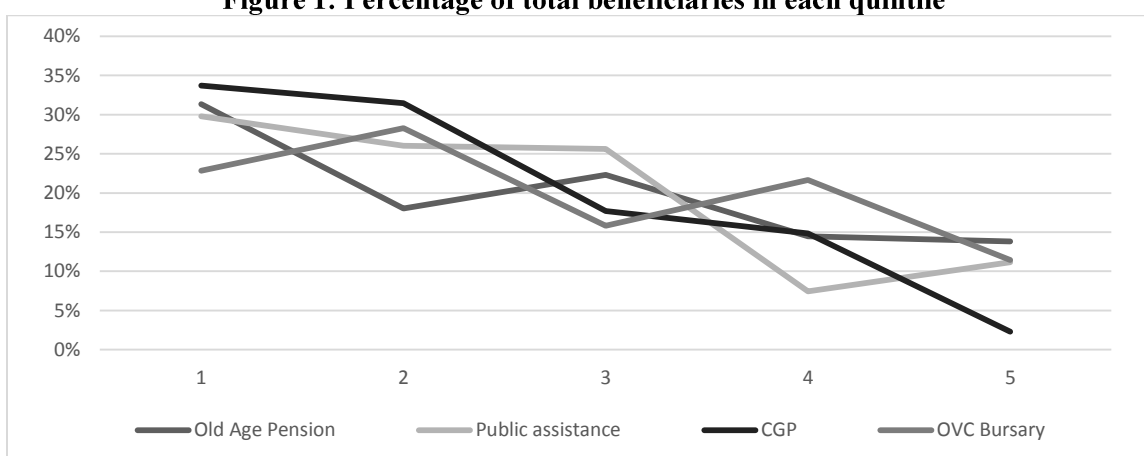
¹⁶ See Annex 5 for detailed program description.

¹⁷ World Bank (2013) LESOTHO: A Safety Net to End Extreme Poverty.

test (PMT)- and community validation) linked to an electronic database of beneficiaries; while payments are cash based it has a relatively solid reconciliation process; the CGP is also the only program whose impact has been rigorously evaluated.¹⁸

7. **Evidence shows programs vary in their effectiveness to reach the poor, and coverage of the poorest 40 percent is limited.** Recent data from the Continuous Multipurpose Survey (CMS) of 2013/14 suggest that the CGP is the most effective program at reaching the poor, with 65 percent of its beneficiaries belonging to the bottom two quintiles. Targeting outcomes of the other two main programs designed for the destitute, the PA and the OVC, are weaker than the CGP, with 56 and 51 percent, respectively. Roughly 50 percent of households in the bottom two quintiles report receiving no social assistance program at all.¹⁹

Figure 1: Percentage of total beneficiaries in each quintile



Quintile 1=poorest, 5=richest.

Source: Own calculations based on the 2013/14 CMS data.

*The quintiles are estimated using an asset index, as no consumption or income data is available in the survey

8. **Since 2012 the GoL has taken some important steps in improving the performance of the sector, creating a MoSD in charge of social protection, and adopting a National Social Protection Strategy (NSPS).** The newly established MoSD was previously the Social Welfare Department within the Ministry of Health. It runs three of the six main programs, CGP, OVC and PA. The MoSD was in charge of the elaboration of the NSPS, which was endorsed by Cabinet in December 2014 and officially launched in February 2015.

9. **The adoption of the NSPS is a fundamental stride towards developing a modern social protection system in Lesotho.** NSPS follows a life-course approach, to address the underlying causes of vulnerability during life's four crucial stages: pregnancy and early childhood; school age and youth; working age; and old age. The main proposals of NSPS are: (i) establishing coherent and progressive social protection synergies by ensuring strong positive

¹⁸ Luca Pellerano, Marta Moratti, Maja Jakobsen, Matěj Bajgar, Valentina Barca (2014) *Child Grants Programme Impact Evaluation*. Supported by UNICEF, EU and FAO.

¹⁹ Source: Own elaboration of CMS 2013/14 data. Data for the PPB and the IWM was not available in the CMS survey.

linkages with other Ministries and key stakeholders; (ii) integrating and harmonizing operational systems for the effective implementation of social protection programs; and (iii) strengthening the implementation of core social protection programs aimed at reducing vulnerabilities throughout the life-course.

10. The establishment of coherent and progressive social protection synergies will start from strengthening the coordination and management of social protection programs.²⁰

Under MoSD's current structure, social assistance programs are divided into different departments, with different program staff, creating few opportunities for synergies and savings. MoSD's strategic plan for 2014-2017 includes a new structure which would provide better coordination and increased administrative efficiency. Furthermore, the NSPS envisages new coordination mechanisms for the various ministries implementing social protection through the creation of a Social Protection Policy Committee and six technical social assistance subcommittees articulated around different stages of the life course.

11. The integration and harmonization of operational systems for the effective implementation of social protection programs will start with improving the existing administrative arrangements for selected social protection programs, namely CGP, OVC, PPB, PA, and OAP. Various assessments have found that due to multiple implementing agencies, program-specific delivery systems and especially antiquated delivery and implementation arrangements, the group of programs lacks coherence, is prone to duplication, error and fraud, and has high administration costs.²¹ In particular, delivery systems duplicate each other and rely on inadequate systems for managing information. Information is not properly recorded and managed, resulting in low accountability and control, as well as failure to accurately identify even categorically eligible beneficiaries, such as the elderly. Payment systems are manual, control mechanisms loose, contributing to high administrative costs and opportunities for error and fraud. The MoSD is testing the harmonization of delivery mechanisms of its programs through the Integrated Social Safety Nets pilot (ISSN), with support from European Union (EU) and United Nations Children's Fund (UNICEF). This pilot seeks to test out the integration of MoSD social assistance programs, through the use of common operational tools (Management Information System –MIS-, targeting, case management, payment, etc.), based on the assumption that such harmonized response would reduce operational costs and create better synergies among the MoSD programs to respond to poor and vulnerable. The Ministry of Finance (MoF), who implements the OAP, also plans to overhaul its administration, by introducing solid eligibility verification mechanisms, regular proof of life requirements as well as electronic payments and financial management procedures.

12. At the basis of harmonization of program delivery is the National Information System for Social Assistance (NISSA), which the NSPS identifies as the back bone of the social protection system. NISSA, housed in MoSD, is a social registry that contains social-economic information on households and a targeting tool for identifying poor households. NISSA was launched in tandem with the CGP, and currently has socio economic information for around

²⁰ NSPS (2015), p. 9.

²¹ World Bank (2013) LESOTHO: A Safety Net to End Extreme Poverty and World Bank (2015), A Lesotho: Review of Public Assistance and the OVC Bursary Scheme; and World Bank (2015), Lesotho Old Age Pensions Program Diagnostic.

100,000 households in the country (roughly a quarter of the population), representing the basis for targeting of the CGP. The World Bank and EU/UNICEF, carried out reviews of the NISSA, which provide evidence of the quality of the targeting tool and describes the potential of the NISSA as the basis for a harmonized mechanism for selecting poor households for all social assistance programs. Based on the recommendations of the most recent NISSA review,²² MoSD is revisiting the strategy of community-based targeting to strengthen its importance in the beneficiary selection process. MoSD plans a nationwide expansion of the NISSA by 2018.

13. Finally, strengthening of the core set of social protection programs starts with improvements to the poverty targeting and expansion of selected existing social assistance programs. The CGP currently only covers about one third of the country. From a strategic standpoint, the geographic expansion of the CGP to cover all community councils in the country is a top priority for the GoL, as it is the only program which relies on an objective poverty targeting methodology that has been found to have positive impacts on beneficiary welfare through a rigorous impact evaluation. Additionally, the MoSD vision is to expand the use of a poverty targeting methodology by NISSA for all its social assistance programs, not just the CGP, in line with the NSPS goal for the OVC and PA to adopt a solid and harmonized poverty targeting.

14. The GoL has sought World Bank support in the reform process ahead. The GoL recognizes that considerable fiscal space is already devoted to social protection. In this context, the key feature of the reform plans is to achieve fiscal savings by improving the efficiency of social assistance interventions, starting from selected social assistance programs: the CGP, OVC, PPB, PA and OAP, as well as focusing on key coordination and harmonization mechanisms. Savings can be used to increase the coverage of poverty targeted programs, thus improving the overall targeting accuracy of social protection spending. (See Economic Analysis section for further details on the fiscal impacts of the reform). It should be noted that the GoL chose the selected programs as priority given their relative size, readiness of the respective ministry to carry out the reforms, as well as the political supportability of changes to their parameters or eligibility criteria and verification methods.

C. Higher Level Objectives to which the Project Contributes

15. The Project will support the GoL in improving the efficiency and equity of selected social assistance programs. Ultimately the proposed Project seeks to contribute to the reduction of poverty and vulnerability through increased coverage of the poor.

16. The Project will contribute to the implementation of the NSPS. The strategy proposes to address the inherent risks of each stage of life through a comprehensive package of complementary programs. To maintain the current level of expenditures while also achieving improved coverage and service to the poor, GoL will need to increase the efficiency and equity of its current and planned programs, which this Project will support through Results-based financing and technical assistance.

²² Carraro, L. and Marzi, M. (2014). Review of the National Information System for Social Assistance (NISSA) in Lesotho. Analysis of NISSA and current PMT, UNCEF/EU, April 2014.

17. **This operation is fully aligned with the World Bank Country Assistance Strategy (CAS) for 2010/2014 and Country Partnership Framework (CPF) for 2016-2019, currently in draft and to be discussed by the Board of Directors in June, 2016.** The CAS recognizes that the developing social protection strategy and putting in place effective social safety net should be a key priority for Lesotho. The CPF identifies the modernization of the public sector, through improved efficiency and effectiveness, as a key development priority. This will entail, in particular, increased effectiveness of social safety nets. The CPF recognizes the need for social-protection reform, considering the magnitude and depth of poverty in Lesotho as well as its vulnerability to climate change. To ensure that the most vulnerable are protected, the CPF identifies as a strategic objective the improvement of targeting and coverage of the poorest by social assistance programs.

18. **The proposed project builds on years of engagement between the World Bank, the Government and other donors in the area of social assistance.** Over the past years, the World Bank has provided technical support to the Government via a technical assistance program in social protection that included diagnostic assessments, reports and active dialogue under the Systematic Country Diagnostic (SCD). During that period, the World Bank has also been engaged with other donors working on social assistance in Lesotho, especially UNICEF and EU. The proposed project aims to strengthen that engagement, by directly supporting the overall results of the GoL in social assistance through investment financing, in a manner that builds on and complements the support of EU and UNICEF. Since 2007 the European Union has invested 22 million Euros in the sector through the European Development Funds 9 and 10, which financed various technical assistance and investment activities administered through UNICEF. The European Union is currently elaborating the contents of its new social protection support phase under the European Development Fund 11, which will run from 2016 to 2020. This will consist of 8 million Euros technical and investment financing over the course of four years, also to be implemented through UNICEF. It will finance activities and investment related to the expansion of the registry of poor households through NISSA, including the development of capacity at community level to participate in the registration, and the testing and evaluation of harmonized procedures of service delivery of social assistance programs, and the expansion of coverage of the CGP. The World Bank team and the EU/UNICEF have been working closely to ensure complementarity and coherence in their respective support programs and the activities supported by this component. The proposed project is explicitly designed to both build on and complement areas of support of the EU/UNICEF.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

19. **The objective of the proposed project is to support the Government of Lesotho in improving the efficiency and equity of selected social assistance programs.**

20. For the purpose of the project, selected social assistance programs are the Child Grants Program (CGP), OVC Bursary Scheme (OVC), Post Primary Bursary (PPB), Public Assistance Program (PA) and Old Age Pension Program (OAP).

B. Project Beneficiaries

21. The primary beneficiaries would be low income households as well as specific vulnerable groups that would benefit from improvements in coverage and targeting of selected social assistance programs. Additionally, local welfare officers responsible for implementing existing social assistance programs will also benefit through simplification of processes and associated reduction in workload. Finally, program administrators will benefit from enhanced ability to monitor program implementation and support for policy formulation and coordination.

C. PDO Level Results Indicators

22. The achievement of the proposed Project Development Objective (PDO) will be monitored through progress in the following Project Development Indicators:

- (1) Number of non-eligible beneficiaries eliminated from OAP roster. Target: 15,000
- (2) Percentage of households receiving CGP that are in the poorest two quintiles of the population. Target: 75%
- (3) Percentage of households receiving PA that are in the poorest two quintiles of the population. Target: 65%
- (4) Direct project beneficiaries. Target: 115,000
- (5) Beneficiaries of safety nets programs (number). Target: 200,000
 - i. Beneficiaries of safety nets programs – female (number). Target: 100,000.

III. PROJECT DESCRIPTION

A. Project Components

23. To address key sector challenges and support the achievement of the PDO, the proposed project is equivalent to USD\$20 million, four-year Investment Project Financing (IPF), consisting of two inter-related components.

24. Component 1: Strengthening administrative efficiency and equity of the selected social assistance programs. This component would support the results arising from improvements in selected social assistance programs (CGP, OVC, PPB, PA and OAP). Under this component, project disbursements would be: (a) linked to defined eligible expenditure line items (comprising the “Eligible Expenditure Program” or EEP) within Lesotho’s social assistance programs; and (b) triggered by the verified achievement of agreed specific results (“Disbursement-Linked Indicators” or DLIs) for improving the administrative efficiency and equity of those programs. Under component 1, the project would reimburse a portion of expenditures comprising the EEP. Within Lesotho’s selected social assistance programs, some programs would be qualified for

EEP since the beginning of project implementation. The criteria for inclusion focus on safeguarding entry into the pooled EEP to those programs with robust fiduciary arrangements and are described in detail in Annex 3. By these criteria, two programs qualify for World Bank reimbursement at the start of the proposed project, the CGP and OVC.

25. Component 2: Implementation Support. The second component would finance select technical assistance to strengthen the Government's capacity for implementing such improvements and thereby achieving the results. The second component would also support the design and implementation of a pilot of Livelihood Enhancement Activities among beneficiaries of social assistance programs to support further household's income generating capacity in the medium and long term. This component will follow standard World Bank procedures for investment financing. Specifically, it will finance: (i) provision of consultants' services and training in supporting the achievement of results in the selected social assistance programs; (ii) the design and implementation of a pilot of livelihoods enhancement activities, in particular: (a) the design of a basic package to promote sustainable livelihoods; (b) the design and implementation of a communication strategy for program officers to support the implementation of the pilot; (c) training for MoSD program officers at district level; and (d) the monitoring and evaluation strategy.; and (iii) provision of goods, consultants' services, non-consulting services, training and operating Costs to support the Project's management, implementation, monitoring and evaluation, audit and independent verification.

26. The choice of structuring the project around DLIs with a technical assistance package is based on the existing plans of the GoL to reform the social protection sector, and stems from the relatively high fiscal space already devoted to social assistance and the need to focus attention on results towards improving efficiency and equity of social assistance. It is envisaged that the approach will help generate momentum for key policy reform actions to take place. This structure also allows building on the support provided by other development partners that are very active in social assistance, as result areas can be related to areas of technical or financial support by other development partners. This instrument was chosen over a Program for Results because of the need to finance through the project some key investment and technical assistance inputs.

Component 1 – Strengthening administrative efficiency and equity of social assistance programs (US\$15.0 million).

27. The objective of this component is to support the results in efficiency and equity of selected social assistance programs, in line with the NSPS and its implementation framework.

28. The results supported under this component are organized around two areas:
(a) Result area 1: Improved administrative efficiency of social assistance programs
(b) Result area 2: Improved equity of social assistance programs

29. The underlying architecture of this component relies on the estimation that the achievements under result area two in terms of efficiency will generate more than the necessary fiscal savings to finance the results supported under area 2, especially in terms of expansion of

coverage. A detailed fiscal analysis of improvements supported by the proposed project is presented in the Economic and Financial Analysis in Annex 5.

30. The Results Framework in Annex 1 shows how the intended Project Development Objective Indicators (PDIs) would be achieved following a logical framework. Along these results chains, some of the critical actions and outputs have been selected as DLIs. The selected DLIs are reported in Table 2 below, and are organized along the two results areas and linked to PDIs. Table 5 and Table 6 in Annex 2 present the definition of each DLI and their respective draft verification protocol.

Table 2: Disbursement-Linked Indicators (DLIs) and their linkages to the PDO indicators (PDIs)

PDO Objective	Disbursement Linked Indicators (DLIs) with indication					PDO indicator (PDIs)
	Year 0	Year 1	Year 2	Year 3	Year 4	
Improved efficiency	1. The NISSA-CBT targeting approach was designed and tested		6. Key managerial positions of the social assistance departments have been included in the MoSD payroll			(1) Number of non-eligible beneficiaries eliminated from the OAP roster.
		3. Post-primary OVC Bursary was consolidated in the OVC Bursary scheme	7. Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted	12. An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA is fully operative.		
				13. MoSD established a unified payment system for CGP and PA	17. At least 75% of payments to CGP and PA are paid through the unified payment system	
		2. Data cross matching mechanism between the OAP and the Civil Service Pensions databases was established	8. 100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster 9. 100% of ineligible OAP recipients detected June 30, 2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	14. At least 30% of payments to OAP beneficiaries are paid through the new OAP payment system	18. 100% of ineligible OAP recipients detected till June 30, 2019 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	
Improved equity		4. OVC and PA adopted harmonized targeting procedures based on NISSA-CBT and categorical filters	10. All new beneficiaries of PA and OVC entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1	15. The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country	19. 100% of existing beneficiaries (in Year 1) of OVC and PA were recertified using the harmonized targeting procedures adopted in Year 1	(2) Percentage of households receiving CGP that are in the poorest two quintiles of the population.

		5. Enrollment in CGP reached at least 30,500 households.	11. Enrollment in CGP reached at least 36,500 households.	16. Enrollment in CGP reached at least 42,500 households.	20. Enrollment in CGP reached at least 48,500 households.	(3) Percentage of households receiving PA that are in the poorest two quintiles of the population. (4) Direct project beneficiaries (5) Beneficiaries of safety nets programs
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31. **Results Area 1: Improved administrative efficiency of selected social assistance programs.** This results area aims at improving the administrative efficiency of social assistance programs, by supporting the achievements of results by the GoL in establishing sector coordination mechanisms, strengthening the capacity of the MoSD, harmonizing delivery processes of selected social assistance programs, improving the operation and the detection and remediation of fraud and errors for OAP (the results chain for this area is presented in Figure 2).

32. Improved coordination of social assistance programs. In recognition of the high fragmentation and multiple actors in the sector, the GoL is committed to establish a Social Protection Policy Committee, comprising the MoSD, Ministry of Labor and Employment (MoLE), Ministry of Finance (MF), Ministry of Planning (MP) and Ministry of Local Government (MoLG) and one representative of development partners, on a rotating basis. The Committee would discuss and approve the main decisions of six technical social sub-committees, one responsible for each stage of the life-course (pregnancy/early childhood, school age/youth; working age; old age, disability and chronic illness; and shocks). Membership of these sub-committees would be limited to ten representatives and would include key ministries, development partners and at least one relevant non-governmental organization (NGO) representative. The sub-committees would meet more frequently than the Policy Committee, with focus on technical design and implementation aspects of programs and on improving complementarities among them. Successful regular meetings of the Policy Committee and School age/Youth and Old Age Sub-committees will be critical to approve the reform path of selected social assistance

33. Strengthened institutional capacity of MoSD. The GoL is committed to improve the existing structure of the MoSD by establishing a new social assistance department and staffing its key managerial positions. The adoption of a new ministerial structure would enhance the capacity of the MoSD to design, coordinate and monitor the social assistance policies and interventions. This result would help to increase the effectiveness of the social assistance spending by helping the MoSD capacity to, inter alia: (i) improve planning and policy making; (ii) coordinate program design and implementation; (iii) manage the development of an integrated management information system (IMIS); (iv) monitor program implementation and progress; and (v) evaluate the impact of specific interventions. The GoL has already approved the creation of the new department, including the definition of job descriptions of the key managerial staff. Successful launching of the new department will now require the recruitment and inclusion in the payroll of the key managerial staff; these positions would be financed by GoL resources. One indicator was selected as DLI to monitor the appointment of the key management staff (DLI #6).

34. Harmonized delivery processes of social assistance programs of MoSD. The three social assistance programs of MoSD (CGP, OVC and PA) are delivered using separate procedures, making the system prone to duplication, error, fraud and high administrative cost. Harmonizing and rationalizing the procedures will increase the efficiency of each program, allowing for significant savings while also rationalizing the use of scarce human and material resources within MoSD. The MoSD is testing the harmonization of delivery mechanisms of its programs through the Integrated Social Safety Nets pilot (ISSN), with support from EU and UNICEF. This pilot seeks to test out the harmonization of critical delivery processes: registration, payments,

grievance and redress mechanism (in Lesotho referred to as case management) and internal oversight for the MoSD social assistance programs. By the end of the second year of the project, the GoL is committed to approve a MoSD resolution that establishes the foundations of the harmonized delivery model, including an action plan for implementation at local level. One indicator was selected as DLI to monitor the adoption of harmonized procedures (DLI#7).

35. The modernization and automation of the information management is at the basis of the harmonization of MoSD programs. As discussed in Section 1, except for some processes of CGP, MoSD social assistance programs are currently managed on paper-based or simple computation procedures, which results in inefficiencies in eligibility verification and payment list elaboration, lack of information on payments history and reduced capacity of internal oversight. Based on some recent improvements in information management of CGP, the MoSD is committed to develop an integrated Management Information System (MIS) of the three programs, with inter-related modules for registration, verification of eligibility, payments²³, monitoring and grievance. Additionally, the integrated platform would be designed to allow cross-check with databases of Home Affairs (National ID manager) and NISSA. The integrated platform will be coordinated by the Social Assistance Department, but the specific program modules will remain under responsibility of the programs coordination. One indicator was selected as DLI to monitor the deployment of the first phase of the Integrated MIS (DLI #12).

36. Increasing transparency and accountability of MoSD social assistance programs require a change in the existing payment systems. As presented in Section 1, CGP and PA are currently paid using different payment systems and providers, creating inefficiencies related to lack economies of scale and double contracting.²⁴ Additionally, almost all payments are made by delivering cash at physical pay points, even in urban areas. The MoSD is committed to establish a unified payment system for its social assistance transfers to beneficiaries. Two indicators were selected as DLIs to monitor the use of the unified payment system (DLIs #13 and 17).

37. Consolidation of the OVC Post Primary Bursary and the OVC Bursary Scheme. The GoL currently runs two very similar OVC Bursary programs: the OVC Bursary Scheme implemented by the MoSD, and the OVC Post Primary Bursary program, run by the Manpower Planning Secretariat in the Ministry of Development Planning. The two programs have the same goal (covering school fees for vulnerable children), but they run in parallel and no coordination mechanisms have been put in place to ensure synergies. Duplication of benefits is possible, as no database cross-match takes place. Parallel selection and administration processes also duplicate efforts and result in an inefficient use of scarce Government resources. Harmonizing these programs could reduce administrative costs and allow for greater budgetary allocation for transfers. The process of harmonization would be initiated supporting a cross-check the beneficiary databases to identify duplications and would finalize with the consolidation of programs through a transfer of one program budget to the other program. One indicator was selected as DLI to monitor the programs consolidation (DLI # 3).

²³ Payments will be integrated for PA and CGP. The OVC Bursary consists of a transfer from MoSD to schools, hence its payment process is separate.

²⁴ The OVC Bursary consists of a transfer from MoSD to the schools, and therefore does not entail a payment to beneficiaries.

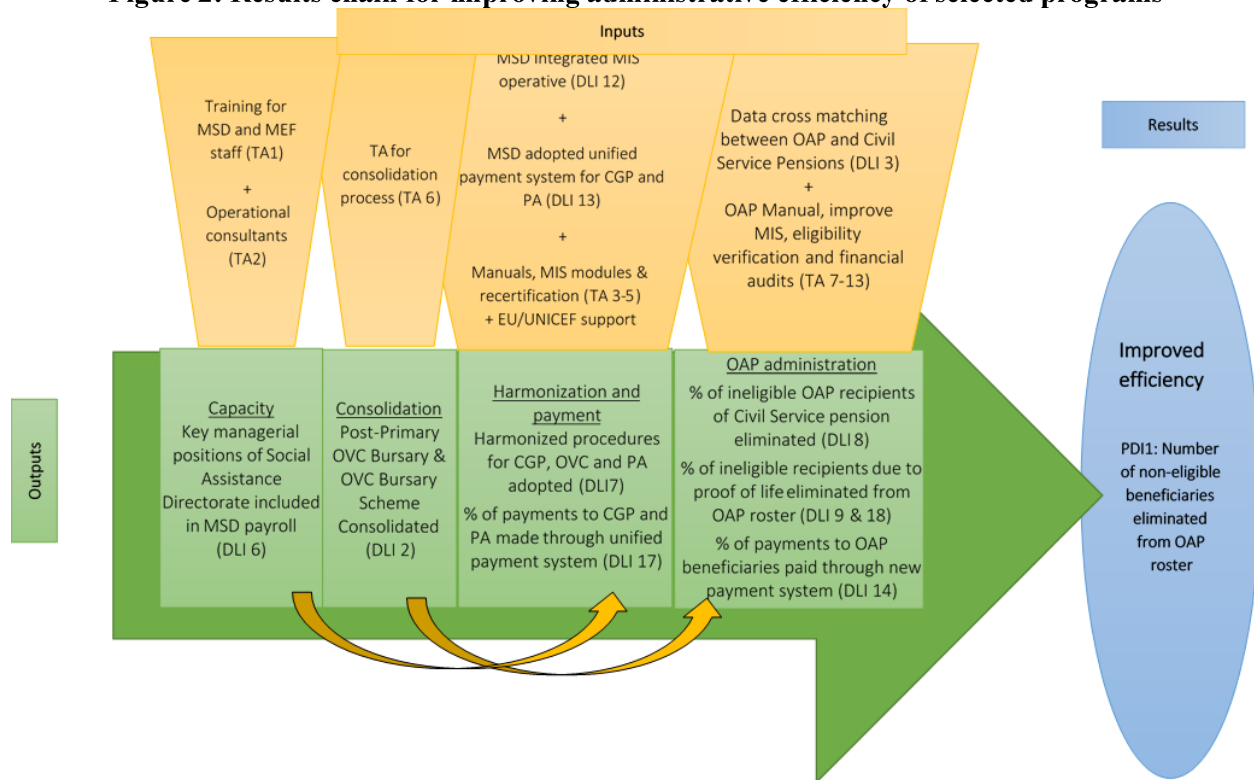
38. Improved administrative and delivery processes of the OAP. The OAP is by far the largest social assistance program in Lesotho: its transfer budget equals 2.4 percent of GDP. The number of beneficiaries of OAP has grown from about 65,000 when the pension was introduced in 2004 to 85,087 in January 2015 (about 4.4 percent of the population). Population projections for 2015 estimate there should be about 67,500 elderly persons above the age of 70 in Lesotho,²⁵ and of these about 7,000 receive a civil service pension, which should make them ineligible to receive the OAP. These figures suggest that roughly 29 percent of OAP beneficiaries might be actually ineligible. Its manual monthly payment system, which relies on the army, represents 50 percent of its administrative budget.²⁶ Improving the efficiency of the OAP is therefore paramount to improving the efficiency of social assistance in Lesotho. This will require strengthening the systems for preventing, detecting and addressing fraud and errors and improving the payment system, in particular in relation to monitoring whether beneficiaries are alive and detecting ineligible claims. The MoF has already deployed a new MIS for the OAP that could provide the base for the automatization of delivery procedures. The latter would allow the introduction of improvements in regular eligibility verification and internal oversight. The MoF is committed to: (i) create the conditions for conducting regular financial audits; (ii) adopt instruments and mechanisms to introduce regular verification of eligibility of beneficiaries through regular cross-matching databases with Home Affairs and Civil Service Pension and regular biometric proof of life verification; and (iii) implement a new electronic payment system. Given the importance of the OAP reform in the overall process, five indicators were selected as DLIs to monitor the improvement in OAP delivery (DLI#2, 8, 9, 14 and 18).

²⁵ Lesotho Bureau of Statistics.

<http://www.bos.gov.ls/New%20Folder/Copy%20of%20Demography/Population%20Projections%20Summary%20Report%20%20Agust%202010.pdf>

²⁶ See Annex 6 for a more detailed description of the OAP.

Figure 2: Results chain for improving administrative efficiency of selected programs



Source: own elaboration. For description of TA activities see Component 2 description.

39. **Results area 2: Increased equity of selected social assistance programs.** This results area aims at improving the equity of social assistance programs, by supporting the achievements of results by the GoL in expanding the geographic coverage of the registry of poor households in NISSA, improving the targeting performance of PA and OVC, and coverage expanding the geographic coverage of the CGP to cover the whole country (the results chain for this area is presented in Figure 3).

40. Expanding the registry of poor households through NISSA. The registry of poor households is currently managed by MoSD through the National Information System for Social Assistance (NISSA) Program. The GoL is committed to increase the coverage of NISSA to all areas of the country. After extensive evaluation of the current targeting methodology (a Proxy Means Test with Community Validation) under NISSA,²⁷ the GoL modified the targeting strategy. The new NISSA Community Based Targeting (NISSA-CBT) will combine two steps: first, a community identification of poor households, and second, the application of a proxy means test to selected households among those identified by the community. In order to ensure the consistency of targeting across households, the GoL will carry out the application of NISSA-CBT in all 67 community councils by the end of the project, including those councils that had already been included in the registry with the previous methodology. The GoL plans to start the rollout in 2016 and all 67 community councils will be reached by 2018. One indicator was

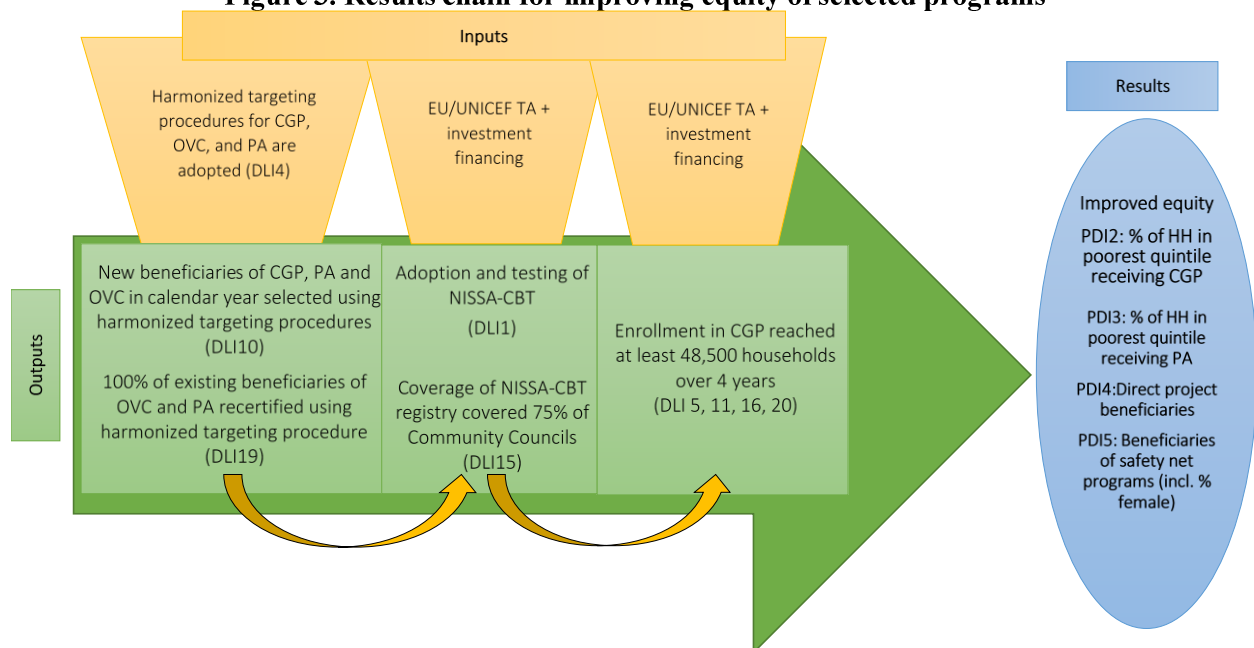
²⁷ Carraro, L. and Marzi, M. (2014). Review of the National Information System for Social Assistance (NISSA) in Lesotho. Analysis of NISSA and current PMT, UNCEF/EU, April 2014.

selected as DLI to monitor the design and testing of the new targeting methodology (DLI #1) and one indicator was selected as DLI to monitor the expansion of the NISSA-CBT (DLI#15).

41. Adoption of harmonized targeting based on NISSA-CBT for CGP, OVC and PA. MoSD is committed to create a harmonized targeting mechanism that combines the selection of poor households based on NISSA-CBT and program specific categorical criteria for OVC and PA. The CGP is currently the only program using the NISSA registry of the poor to identify beneficiaries. Despite their poverty alleviation mandate, both OVC and PA do not currently have a clearly defined poverty eligibility criteria. The use of common mechanisms for selecting poor households based on NISSA-CBT will be considered the MoSD harmonized targeting procedure. After the adoption of the MoSD harmonized targeting procedure for OVC and PA, the MoSD will initiate a processes of re-certification of eligibility of existing beneficiaries of these two programs. Three indicators were selected as DLIs to monitor and mark continuity of the improving targeting of OVC and PA (DLI# 4, 10 and 19).

42. Expansion of the coverage of the CGP. The NSPS Strategy identifies the CGP as the flagship program to alleviate poverty and increase the investment in health and education of children from poor families in Lesotho. The CGP currently only covers 21 out of 67 community councils, or less than a third of the country. Through the savings achieved by increasing efficiency in delivering the selected social assistance programs, the GoL is committed to expand CGP coverage to all 67 community councils in the country, and increase the coverage of the program by 24,000 households by the end of the project. Four indicators were selected as DLIs to monitor the increase in coverage of the CGP (DLI# 5, 11, 16 and 20)

Figure 3. Results chain for improving equity of selected programs



Source: own elaboration. For description of TA activities see Component 2 description.

Component 2 – Implementation Support (US\$5.00 million).

43. The objective of this component is to support the investment necessary to overcome the main constraints in term of capacity, implementation, monitoring and evaluation of results supported by Component 1 and to support the design and implementation of a pilot of livelihood enhancement activities among beneficiaries of social assistance programs to support further household's income generating capacity in the medium and long term.

44. Component 2 will be implemented through three sub-components: the first one (2.A) will provide direct technical assistance and investment in support of achievement of the results (DLIs and ultimately the PDIs) under Component 1; the second one (2.B) will support project implementation capacity; the third (2.C) will support project management.

45. **Sub-Component 2A: Supporting the achievement of results in selected social assistance programs. (US\$1.9 million).** Following is a brief description of the identified needs for inputs and technical assistance (if any) for each of the key results areas and DLI groups, differentiating the activities to be supported by this subcomponent and those that would be provided by other development partners. It summarizes the identified technical assistance and investment activities to be provided under the proposed project, and indicates their estimated cost.

46. The technical assistance and investment financing activities supported by this sub-component have been selected by the GoL and the World Bank team on the basis of: their strategic importance to achieve the DLIs; absence of support by other development partners, and existence of the World Bank's comparative advantage and international experience on supervising the implementation of those activities.

47. The EU has and will continue to invest significantly in strengthening the capacity of MoSD to deliver social assistance. Their assistance is mainly implemented through UNICEF and is focused on broad aspects related to CGP, NISSA, ISSN and the CGP CCT pilot. The World Bank team and the EU/UNICEF have been working closely to ensure complementarity and coherence in their respective support programs and the activities supported by this component. The proposed project is explicitly designed to both build on and complement areas of support of the EU/UNICEF.

Results area 1: Improved administrative efficiency of selected social assistance programs.

48. **Improve coordination of social assistance programs.** The NSPS sets out the operational path for the establishment of the Social Protection Policy Committee, and the GoL has already developed ToRs for each committee and defined the composition. No unmet technical assistance or investment needs are identified to support the GoL in achieving the respective DLI.

49. **Strengthened institutional capacity of MoSD.** Following the inclusion of key managerial staff of the Social Assistance Department in the payroll, the GoL and the World Bank identified the need for training on various aspects of social protection design, administration and delivery (TA1). The need for strengthening the Social Assistance Department with three to four

operational consultants that will support the Social Assistance Department management in tackling the operational and technical workload of the new Department was also identified. (TA2).

50. Harmonized delivery processes of social assistance programs of MoSD. A number of inputs will be needed for reaching the harmonization of delivery procedures, including the development of new operational manuals and processes manuals for District Welfare Offices, the development of the scope and instruments for spot checks at district levels, and the development and deployment of the integrated MIS. The GoL decided to finance most of these activities with resources from EU/UNICEF. The latter have also ensured the necessary resources for the implementation of the integrated MIS, through equipment, training and staff. Component 2 of the proposed project would support the redesign of the operational manuals of OVC and PA based on the foundations of the harmonized procedures (TA3). In addition, the proposed project will finance the adaptation of the OVC and PA modules of the IMIS based on results of the newly Operational Manuals (TA4). Proposed changes in eligibility criteria of the PA will require a re-certification of all existing beneficiaries which will also be financed under the proposed project (TA5). Finally, in terms of the MoSD harmonized payment mechanism, key inputs would be needed for defining the new payment system, including the establishment of a common schedule for the introduction of new technologies of payments for rural areas, and the development of a unified contract with payments providers. The GoL decided to finance the development and the initial deployment of the unified payment system with resources from EU/UNICEF and no further technical assistance is deemed necessary.

51. Consolidation of OVC Post Primary Bursary in OVC. The consolidation process between the two programs will require technical assistance in carrying out a cross-check of the beneficiary databases to identify duplications, as well as possible support throughout the process of transferring beneficiaries, functions and budget from one program to the other. (TA6)

52. Improved delivery process of OAP. Key technical assistance and investment inputs will be needed on various aspects: (i) one process evaluation every two years; (ii) yearly financial audits of the program; (iii) based on the results of the first process evaluation, develop new operational procedures and draft a comprehensive Operational Manual; (iv) improve the existing MIS based on the new Operational Manual, to include an electronic payment system; and (v) develop and adopt systematic eligibility verification mechanisms, including proof of life processes. All these activities will be financed under Component 2 (TA7 to TA12).

Results area 2: Increased equity of selected social assistance programs

53. Expanding the registry of poor households through NISSA. The GoL will finance necessary technical assistance and investment inputs with resources from EU/UNICEF, with the exception of the development of the interface for the exchange of information between the OAP, NISSA and the Home Affairs databases, which will be covered under the proposed project (TA 13).

54. Improving the targeting mechanisms for OVC and PA. As mentioned in the discussion of harmonization of delivery processes for MoSD, Component 2 will finance the re-design of the

two programs, and elaboration of the new Operation Manual, which will include the elaboration of the eligibility criteria and targeting strategy based on the NISSA-CBT.

55. Expansion of the coverage of the CGP. The GoL is committed to expand the geographic coverage of the CGP, including an additional 24,000 households by the end of the proposed project. The GOL will finance the expansion through its own budget; EU/UNICEF will support part of the increased administration costs due to the expansion.

56. Component 2 will also finance a communications campaign to disseminate the goals, methods and results of some of the key aspects of the proposed reforms to the general public and key affected beneficiaries (TA14); as well as the necessary TA for the inclusion of the SP module in the CMS survey (TA15) and the strengthening of analytical understanding and research in Social Protection (TA16).

Table 3: Technical assistance activities under for subcomponent 2A

Sub-Component 2A: Supporting the achievement of results in selected social assistance programs.	Amount (US\$)
TA1. Training for Social Assistance Department, OAP staff and Public Debt and Aid Office	150,000
TA2. Strengthening the Social Assistance Department with operational consultants	200,000
TA3. Consultancy to re-design the operational manuals of OVC and PA based on the foundations of the harmonized procedures	150,000
TA4. Adjustments to the PA and OVC modules of the IMIS based on results of the re-design of the programs	100,000
TA5. Consultancy to carry out the re-certification of PA beneficiaries	100,000
TA6. Support in the transition process of consolidating Post Primary Bursary and OVC Bursary	50,000
TA7. Consultancy to re-design OAP processes, elaborate new OAP guidelines and Operations Manual, and evaluate institutional arrangements for OAP.	120,000
TA8. Consultancy to improve the existing OAP MIS	100,000
TA9. Consultancy to define proof of life mechanisms for OAP	70,000
TA10. Consultancy to develop the technology for the proof of life verification mechanism	100,000
TA11. Consultancy to carry out two process evaluations for the OAP	100,000
TA12. Finance a yearly external financial audit for the OAP	200,000
TA13. Consultancy to develop the interface between OAP, NISSA and Home Affairs (civil registry and national ID) databases	70,000
TA14. Communications campaign activities for the social assistance reform process	150,000
TA15. TA for inclusion of SP module in two rounds on CMS data and analysis of data	120,000
TA16. Strengthening analytical understanding and research in Social Protection	120,000
Sub-Total	1,900,000

57. **Sub-Component 2B: Supporting the design and implementation of a pilot of livelihoods enhancement activities (US\$1.5 million)**. The project would support the MoSD to design and implement a pilot of livelihood enhancement activities among the beneficiaries of Social Assistance Programs. The pilot would contribute to bridge the gap between social assistance beneficiaries and the existing supply of programs that can help them increase their productive potential, gradually generating the necessary foundation for households' graduation from the social assistance over time. The proposed activities under the pilot would provide basic awareness and skills training to increase social capital and confidence at community and household level, promoting savings, strengthening budget management practices, and raising awareness about existing relevant livelihood opportunities. The pilot would also explore the

possibility to move towards more sustainable options with a cash bonus benefit, in-kind assets and technical support to connect them to the existing supply of productive programs in the selected district. The sub-component would support: (i) the design of a basic package to promote sustainable livelihoods, (ii) the design and implementation of a communication strategy to support the implementation of the pilot, (iii) training for MoSD program officers at district level, and (iv) a monitoring and evaluation strategy to capture results and improve the design of the component. The final design of the pilot would be included in the PIM and, if needed, a project restructuring would be considered to scale up and finance implementation of the pilot, if successful.

58. Sub-Component 2C: Supporting the project management (US\$1.6 million). Given the lack of previous experience in implementing World Bank projects, the MoSD will be supported in the implementation of the proposed project by a Project Implementation Unit (PIU), to be hosted under the Department of Planning and Information of the MoSD (for details see section on Implementation arrangements and Annex 3). Specifically, the PIU would include a Project coordinator for day to day management, a procurement specialist, a financial management specialist and two specialists responsible for the coordination of activities within MoSD and MoF. Additionally, the sub-component would finance the cost of the yearly external financial audits of the project funds and some additional operating cost (computers, rental costs, etc.). An amount of US\$200,000 has been allocated for contingency and/or to cover any other expenses that might arise as necessary during implementation.

B. Project Financing

59. The proposed project would be implemented over a period of four years with financing from IDA in an amount equivalent to US\$20 million. The proposed instrument is an Investment Project Financing (IPF), that disburses in two ways: (a) disbursements on verified achievement of results for implementation and improvements in the main social assistance programs, using a “results-based financing” (RBF) approach (Component 1); and (b) with payments against statements of expenditure for inputs associated with investment and technical assistance activities, using a traditional IPF approach (Component 2).

60. Project disbursements under Component 1 would be made on a reimbursement basis to the Ministry of Finance, to reimburse for the financing of the eligible expenditure program (See Annex 3 for further details) and triggered by verified achievement of agreed specific results (DLIs). The DLIs are grouped in two results areas: improving efficiency and increasing equity. The DLIs would be defined as measurable indicators (inputs and outputs), marking improvements in the selected social assistance programs.

61. Disbursements can be triggered by achievement of the DLIs at any time during the program period, although they are calibrated according to a tentative timetable (see Annex 3 for details) that would allow sufficient time for their achievement. This tentative timetable yields a projected schedule for the purposes of projecting disbursements and facilitating Government budget planning. However, as mentioned, the actual timing of achievement of results (DLIs) is not fixed and disbursements will be made upon verified achievement of the specified DLI at any time during the implementation period.

Project Cost and Financing

62. As shown in Table 4 below, the reimbursement under the Component 1 of the proposed project is expected to represent 75 percent of the GoL’s spending on the Eligible Expenditure.²⁸ IDA financing would also cover the full cost of specific technical assistance investments, while financing for other priority financial assistance would come from other sources not included in the project cost.

Table 4: Project cost and financing (US\$ million)

Project Components	Project cost	IDA Financing	% Financing
1. Component 1 – Strengthening the implementation of selected social assistance programs	22.00(*)	15.0	75.0
2. Component 2 – Implementation Support	5.0	5.0	100.0
Total Project Costs			
Total Financing Required	27.0	20.0	74.0

(*) Consists of annual payments to the CGP and OVC beneficiaries during the project implementation without taking into consideration future expansions in coverage.

C. Lessons Learned and Reflected in the Project Design

63. Project design reflects lessons from successful social assistance technical and operational improvements worldwide, on the importance of strong administrative, delivery and information management systems in effectively implementing cash transfer programs to the poor and vulnerable.

64. Furthermore, project design reflects lessons learned from the implementation of two phases of EU-supported SP programs in Lesotho, namely: the importance of including activities aimed at strengthening the capacity of government at central and district level to manage programs, the potential for a unified targeting approach and database during crises, and the potential positive impact of including community-based approaches in the poverty targeting methodology.

65. The World Bank and other development partners (UNICEF and EU) facilitated south-south exchanges and study visits for GoL officials to learn from the lessons of social assistance reforms in Brazil, Zambia, Kenya and Ethiopia. The conceptualization of the NISSA as the founding pillar of the management of social assistance stems from what learned observing the Kenyan, Ethiopian and Brazilian experiences.

66. The Project also draws the lessons learned from the implementation of similar results-based financing schemes as part of IPFs in social protection projects aiming at improving the

²⁸ As explained at the beginning of Section 3, initially EEP includes the cost of transfers of the CGP and OVC. For the purpose of the project cost estimation in the four years of the proposed project implementation, the projections of the cost of CGP includes the intended coverage expansion.

efficiency and equity of social assistance programs. The Project kept the DLIs to a limited number, introducing a balance in the depth of the improvements implied by each DLI to incentivize results while at the same time providing a demonstration effect through feasible DLIs. Formulation and monitoring of DLIs has been carefully designed to avoid difficulties during implementation.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

67. The MoSD would be the overall coordinator of the proposed Project. MoSD led the development of the approved Government's National Social Protection Strategy, and would coordinate its implementation. The MoSD, created in June 2012 as part of a growing emphasis on social protection in Lesotho, is responsible for the implementation of Child Grant Program (CGP), Public Assistance Program (PA) and Orphan and Vulnerable Children Program (OVC). The MoSD is also responsible for the implementation of the National Information System for Social Assistance (NISSA). The project would also involve the participation of the Ministry of Finance (MoF), who implements the Old Age Pension Program (OAP).

68. For fiduciary management of Component 2, since MoSD has no previous experience in implementing Bank-financed projects, a Project Implementation Unit (PIU) will be created under the Department of Planning and Information of the MoSD for handling the additional and specialized work generated by the Project. The PIU would also be responsible for the implementation of activities related to the OAP under the MOF. Coordination will be ensured through the recruitment of expert consultants as part of the PIU but housed within MOF's Pensions Unit, and at policy level through regular meetings of the Social Protection Policy and Technical Committees.

69. Fiduciary management of Component 1 relies on Lesotho's public financial management system (PFM). The financial management arrangements of the Proposed Project are within the responsibility of the MoSD to manage the disbursement requests according to achievement of the DLIs.

B. Results Monitoring and Evaluation

70. Results of the proposed project will be monitored through the Results Framework presented in Annex 1. Achievement of the overall PDO will be measured through five measurable PDIs, eleven intermediate indicators and twenty DLIs. The MoSD, through the PIU, will be responsible to monitor the indicators. Additionally, since disbursements under Component 1 rely on evidence of achievement of results as measured by the DLIs, the MoSD, through the PIU, will need to monitor, verify, and report on achievement of results, with the requisite protocols for each DLI, in a timely and comprehensive manner. Draft protocols are presented in Annex 2, and will be further elaborated in the Project Implementation Manual.

71. Many key aspects of the project aim to strengthen the GoLs results monitoring, including the adoption of an integrated MIS, process monitoring and financial audits of OAP, and regular cross database checks for eligibility regular verification. Finally, with World Bank support, two additional rounds of Social Protection and Shocks modules will be added to two rounds of CMS in 2017 and in 2019, to measure the evolution of the proportion of social assistance funds of selected programs going to the poor.

C. Sustainability

72. The overall direction supported by this project is towards fiscal sustainability and greater effectiveness of social spending for the medium term. This includes lowering administrative costs, consolidating programs with similar aims, and eliminating ineligible beneficiaries from program rolls. The project does not support the introduction of new programs or benefits; instead it supports improvements in efficiency and equity which are expected to lead to greater fiscal sustainability. At the same time, the project aims to use the fiscal space generated by the efficiency improvements, especially under OAP, to increase the poverty reduction impact of social assistance, by supporting the adoption of an objective poverty targeting mechanism for OVC and PA and expanding CGP coverage. The Economic and Financial Analysis section in the Appraisal Summary and in Annex 5 details the foreseen fiscal impacts of the proposed project and of the reforms it sets forth.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risk

73. The overall risk for the proposed project is identified to be Substantial.

74. The country level risks (Political and Governance, and Macroeconomic) are substantial, mostly due to the fragile political situation and the delicate fiscal framework. The outcome of the recent general elections led to a government based on a coalition of seven political parties, implying a substantial risk on government stability and room to implement sweeping reforms. The fiscal situation is delicate, exacerbated by the foreseen reduction in projected Southern African Customs Union (SACU) revenue due to the upcoming revision of the formula.

75. The risk related to sectoral policy and strategies is substantial: social protection is very fragmented, with a clear lack of coordination between Ministries, particularly at the central level. Most of the social assistance programs have been politically instrumentalized at some level during the past years, as made possible by loose guidelines and unclear eligibility criteria. This risk will be mitigated by strengthening MoSD capacity and the improving social protection sector coordination.

76. The risk related to the technical design of the project is substantial due to the innovative nature of the instrument for Lesotho (results based IPF with DLIs) and the technical and operational challenges to implement some proposed improvements. This risk is mitigated by the inclusion of key technical assistance activities in Component 2 and the creation of a PIU with

dedicated staff to track results. Furthermore, while there is strong support and urge to improve the administration of social assistance programs, the implications of some of the proposed reforms, such as re-certification and exit of existing beneficiaries might be difficult to implement and might encounter resistance. This risk will be mitigated through the inclusion of a communications campaign to disseminate the rationale of the reform and the likely consequences for non-eligible beneficiaries.

77. The institutional capacity and fiduciary risks are also substantial. MoSD is a new ministry, with a small pool of capacitated staff, which is already overstretched. Additionally, MoSD has no experience managing Bank processes in procurement and financial management. These capacity constraints might affect the pace of implementation of reforms. These risks will be mitigated through the technical assistance activities under Component 2, the creation of a PIU, a realistic selection of indicators and targets for disbursement, a clear definition of responsibilities for delivering the results, and clearly specified and feasible protocols for verification of achievement of the same.

78. The stakeholder risk is also considered substantial, given the participation of two ministries and relevant development partners in the areas supported by the proposed project. The choice of instrument, focusing most of the resources on results rather than activities aims to mitigate this risk.

Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	S
2. Macroeconomic	S
3. Sector Strategies and Policies	S
4. Technical Design of Project or Program	S
5. Institutional Capacity for Implementation and Sustainability	S
6. Fiduciary	S
7. Environment and Social	M
8. Stakeholders	S
9. Other	

OVERALL	S
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VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

79. Fiscal projections suggest the project will result in increasing annual fiscal savings throughout project implementation, starting with 0.25 percent and reaching 0.50 per cent of GDP per year in the last two years. These estimates exclude the added resources from Component 2 of the proposed project, and focus solely on government resources (taking into consideration that resources from Component 1 are reimbursements of existing government spending that are considered fiscally neutral). The fiscal analysis focuses on estimating net savings resulting from the biggest improvements in the two results areas, including the clean-up of databases, the adoption of harmonized administrative procedures, the adoption of objective targeting methods for OVC and PA, as well as increased expenditure resulting from the expansion of the registry of the poor households by NISSA and the expansion of coverage of the CGP. The largest savings will result from the cleanup of the OAP roster of beneficiaries, roughly 29 percent of which are estimated to be ghost or ineligible beneficiaries based on demographic projections and number of beneficiaries of the civil service pension (ineligible for the OAP). (See Annex 5 for further details).

80. Savings will be accompanied by positive welfare and human development impacts on the new beneficiaries of the CGP, and well as by an increased impact of the selected social assistance programs on the extent and depth of poverty through better targeting.

81. The impact evaluation of the CGP found the program contributed to: retaining children in primary school, particularly boys who would have otherwise dropped out, as well as to a reduction in the proportion of children ages 0-5 who suffered from an illness. CGP also reduced by 1.5 the number of months during which households experienced extreme food shortage, and the proportion of CGP households that did not have enough food to meet their needs at least for one month in the previous 12 months by five percentage points. Microsimulations show that an expansion of the CGP as proposed in this project will contribute to reducing the rate and depth of extreme poverty, and improvements in the targeting accuracy of both the CGP and the PA will contribute to reducing the depth of both extreme and overall poverty. While it is impossible to simulate impacts of an expanding the CGP on variables other than consumption given data limitations, it is reasonable to assume that extending access to the program throughout the country would lead to similar results on human development for the new beneficiaries as those found in the impact evaluation. (See Annex 5 for further details).

B. Technical

82. The technical preparation of the proposed project builds on various assessments of the social protection system in Lesotho, namely:

- (a) An in depth review of the social safety nets sector in Lesotho, carried out by the World Bank in 2013.

- (b) A functional review of the NISSA, carried out by the World Bank in 2013 by request of the GoL, as well as an in depth review of the targeting methodology as well as the data collection capacity under NISSA carried out in 2014 by Oxford Policy Management and financed by UNICEF/EU.
- (c) Two pieces of analytical work funded through the Rapid Social Response Trust Fund for Lesotho, namely:
 - (i) An in depth review of the Public Assistance and OVC Bursary programs, carried out by the World Bank in 2014/15 by request of the GoL.
 - (ii) A rapid diagnostic of the Old Age Pension, also carried out by the World Bank in 2015.
- (d) The collection (and consequent analysis) of social protection data in the Continuous Multipurpose Survey 2013/14 funded through the Poverty and Social Impact Analysis Trust Fund.
- (e) The impact evaluation of the Child Grants program, carried out in 2014 by Oxford Policy Management and financed by UNICEF/EU.

83. Furthermore, the technical preparation was informed by the recent SCD, finalized by the World Bank in 2015. Technical preparation also benefitted from review and inputs from participants to a Quality Enhancement Review in the Social Protection and Labor Practice.

84. The project design reflects lessons from successful social assistance reforms worldwide on the importance of strong administrative, delivery and information management systems in effectively implementing cash transfer programs to the poor and vulnerable. As mentioned in the section on Lessons Learned, the Project also draws the lessons learned from the implementation of similar results-based financing schemes as part of IPFs in social protection projects aiming at improving the efficiency and equity of social assistance programs. Furthermore, the project design also draws on from the implementation of two phases of EU/UNICEF supported SP programs. (See Section on Lessons Learned).

85. The decision to scale up the Child Grants Program is supported by both international and national evidence on the positive impacts of these types of program on poverty and human development. At the international level, the higher consumption level triggered by targeted cash transfer programs is well documented.²⁹ In general, there is evidence that food consumption increases more than the average consumption generated by the cash transfer. For example, in Brazil and Nicaragua food consumption grew between 23 and 48 percent more than total consumption as a result of the cash transfer program. In Kenya, per capita consumption and food consumption grew both about 19 percent as a result of the CT program. At the national level, a recent evaluation of the CGP finds a large array of positive impacts on the welfare, schooling, and food security of beneficiary households, compared to those not receiving the program (See Economic Analysis section above for further details)

C. Financial Management

86. The country's public financial management (PFM) system has been assessed and is found to be adequate to support the operation. As this operation relies heavily on country's PFM, the

²⁹ See Grosh et al (2008) and Fiszbein and Schady (2009).

financial management arrangements of the Proposed Project are within the responsibility of the MoSD to manage the disbursement requests according to achievement of the DLIs. The MoSD would continue to execute the monthly budget transfers related to the CGP included as EEP, through the existing channels and procedures (specific budget lines have been identified corresponding to the EEPs). The MoSD reports on the receipts of transfers, ensuring that reporting is regular, timely and is in compliance with reporting requirements.

87. The proposed project will have two different disbursement arrangements for each one of its components. Under Component 1, project disbursements would be: (i) linked to defined eligible expenditure line item or Eligible Expenditure Program (EEP); and (ii) triggered by the verified achievement of agreed specific results (DLIs). On the other hand, disbursements for Component 2 would be made through Advances to a Designated Account. Thus, two separate Withdrawal Applications would need to be submitted each time a disbursement is requested – a Reimbursement Withdrawal Application for Component 1 (attaching Interim Financial Reporting Reports - IFRs) not later than 60 days after the end of each calendar semester, and an Advance Withdrawal Application for Component 2 (attaching Statement of Expenditures and other necessary documentation). Details of disbursement arrangements by components are described in Annex 3.

88. The current auditing requirement for the GoL have been assessed and found to be adequate. Audited annual financial statements, including the auditor's opinion and a management letter, will be submitted to the Bank not later than three months after the end of each fiscal year. The audit will be conducted by the office of the Auditor General. Annex 3 details the complete auditing requirements.

89. The Project's risk in terms of financial management is rated as substantial due to lack of experience of MoSD in managing Bank processes in financial management. These risks will be mitigated through the technical assistance, the recruitment of a financial management specialist for the project and a realistic selection of indicators and targets for disbursement.

D. Procurement

90. The overall responsibility for procurement functions of the proposed projects will rest with the PIU housed in MoSD. A procurement assessment has been conducted of the proposed implementing agency. This found limited human resource availability and limited capacity to assure adherence to World Bank Procurement and Consultant Selection Guidelines. Therefore, the project's risk for procurement has been rate substantial. For this reason, the MoSD will hire a suitably qualified procurement consultant to be placed in the PIU.

91. A number of other measures will be adopted to address the capacity and availability constraints (see Annex 3 for more details). Selected contracts will be subject to prior review; the Operations Manual will clearly indicate the procurement procedures to be followed under the proposed project; furthermore, an acceptable Procurement Plan covering the first 18 months of the project will also be prepared. The procurement specialist in the PIU will also provide training

of key staff on World Bank Procurement and Consultant Selection Methods and Procedures and strengthening of procurement systems at MoSD.

92. All procurement to be financed under the project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011, revised July 2014, and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, revised July 2014, and the provisions stipulated in the Legal Agreement. The project will carry out implementation in accordance with the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD and IDA and Grants" dated October 15, 2006 and revised January 2011 (the Anti-Corruption Guidelines).

E. Social (including Safeguards)

93. The reforms and activities supported by the proposed project do not trigger any of the World Bank's social safeguards policies.

94. While the Government's reform program would deliver strong social outcomes for equity and efficiency, some people might lose benefits due to ineligibility under the reformed system. Some of the existing beneficiaries the OVC, PA and OAP programs might lose their benefits due to recertification using improved eligibility criteria and processes. However, it is expected that the implementation of improved eligibility screening and poverty targeting would allow for better focus of resources to the most poor, and remove only wealthier or ineligible beneficiaries, thus avoiding overall negative social impacts. Finally, the proposed activities and reforms are expected to be gender neutral.

F. Environment (including Safeguards)

95. The project activities will not have a physical footprint. No notable direct or indirect environmental impacts are foreseen as a result of the project implementation. Accordingly, none of the environmental safeguards has been triggered and the project is classified as Category C (Not required) for Environmental Assessment (EA) purposes.

G. World Bank Grievance Redress

96. Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of the Bank's noncompliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention and the Bank management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Country: Lesotho

Project Name: Social Assistance Project (P151442)

Results Framework

Project Development Objectives

PDO Statement

The objective of the proposed project is to support the Government of Lesotho in improving the efficiency and equity of selected social assistance programs.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	End Target
PDI 1: Number of non-eligible beneficiaries eliminated from the OAP roster. (Number)	0.00	0	5,000 (DLI)	10,000	15,000	15000
PDI 2: Percentage of households	65		70%		75%	75

receiving CGP that are in the poorest two quintiles of the population. (Percentage)						
PDI 3: Percentage of households receiving PA that are in poorest two quintiles of the population. (Percentage)	56		60%		65%	65
Direct project beneficiaries (Number) - (Core)	100000		105,000	110,000	115,000	115000
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	51		51.00	51.00	51.00	51
Beneficiaries of Safety Nets programs (number) (Number) - (Core)	185000		185,000	190,000	200,000	200000
Beneficiaries of Safety Nets programs -	92500		92,500	95,000	100,000	100000

Female (number) (Number - Sub- Type: Breakdown) - (Core)						
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (Number - Sub- Type: Breakdown) - (Core)	185,000		185,000	190,000	200,000	200000

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	End Target
Number of meetings of the Social Protection Technical Committees for Childhood and Old Age (Number)	1	2	2	2	2	2.00
Number of annual meetings of the Social Protection Policy	0.	1	1	1	1	1.00

Committee (Number)						
An Integrated Management Information System is adopted by MoSD for CGP, OVC, and PA (Text)	Pilot phase		Enacted harmonized procedures of registration, payments, grievance and redress mechanism for CGP, OVC and PA (DLI)	An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA has been deployed and is fully operative (DLI)	An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA has been deployed and is fully operative	An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA has been deployed and is fully operative
Percentage of payments to CGP and PA paid through the unified payment system (Percentage)	0.00	0%	0%	40%	75% (DLI)	75.00
Number of cross checks between OAP database and Civil Service Pension databases. (Number)	0.00	1	2	2	2	2.00
Percentage of OAP beneficiaries paid through an electronic payment system (Percentage)	0.00	0%	30%	50% (DLI)	80%	80.00
Percentage of OAP beneficiaries	0.00	50%	75%	100%	100% (DLI)	100.00

with a yearly proof of life verification (Percentage)						
Percentage of community councils in the country covered by NISSA-CBT registry (Percentage)	0.00	25%	50%	75% (DLI)	100%	100.00
Percentage of household members registered by NISSA who report the unique ID number provided by the Ministry of Home Affairs (Percentage)	0.00	15%	30%	50%	70%	70.00
Percentage of new beneficiaries of PA and OVC entered in the calendar year selected using the harmonized targeting procedures adopted in Year 1	0.00	0%	100% (DLI)	100%	100%	100.00

(Percentage)						
Percentage of existing beneficiaries (in Year 1) of OVC and PA recertified using the harmonized targeting procedures adopted in Year 1 (Percentage)	0.00	0%	50%	75%	100% (DLI)	100.00
Percentage of citizens reporting satisfaction with the administration of social assistance programs (Percentage)	N/A				50%	50.00
Percentage of beneficiaries reporting satisfaction with the administration of social assistance programs (Percentage - Sub-Type: Breakdown)					70%	70.00

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
PDI 1: Number of non-eligible beneficiaries eliminated from the OAP roster.	No description provided.	Yearly	OAP Database	MoF
PDI 2: Percentage of households receiving CGP that are in the poorest two quintiles of the population.	No description provided.	Two times during the project. YR2 and YR4	Continuous Multipurpose Survey	World Bank and Bureau of Statistics
PDI 3: Percentage of households receiving PA that are in poorest two quintiles of the population.	No description provided.	Two times during the project. YR2 and YR4	Continuous Multipurpose Survey and CGP administrative data	World Bank and Bureau of Statistics
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage) . Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.	Annual	CGP MIS	MOSD
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	No description provided.	No description provided.	No description provided.

Beneficiaries of Safety Nets programs (number)	This indicator measures the number of individual beneficiaries covered by safety nets programs supported by the Bank. Safety nets programs intend to provide social assistance (kind or cash) to poor and vulnerable individuals or families, including those to help cope with consequences of economic or other shock.	Annual	Management reports	MoSD and MOF
Beneficiaries of Safety Nets programs - Female (number)	This indicator measures female participation in SSN programs. It has the same definition as the "Beneficiaries of Safety Nets programs" but applies only to female. This indicator will yield a measure of coverage of SSN projects disaggregated by gender (in absolute numbers)	No description provided.	No description provided.	No description provided.
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)	Follows the safety nets programs' classification used in SP Atlas.	No description provided.	No description provided.	No description provided.

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Number of meetings of the Social Protection Technical Committees for Childhood and Old Age	No description provided.	Annual	Agenda and minutes of meetings	MoSD
Number of annual meetings of the Social Protection Policy Committee	No description provided.	Annual	Agenda and minutes of meetings.	MoSD
An Integrated Management Information System is adopted by	No description provided.	Annual	Management report	MoSD

MoSD for CGP, OVC, and PA				
Percentage of payments to CGP and PA paid through the unified payment system	No description provided.	Annual	MoSD IMIS report	MoSD
Number of cross checks between OAP database and Civil Service Pension databases.	No description provided.	Annual	Annual OAP Management Report with de-personalized results of cross-checking.	MOF
Percentage of OAP beneficiaries paid through an electronic payment system	No description provided.	Annual	OAP MIS Report	MOF
Percentage of OAP beneficiaries with a yearly proof of life verification	No description provided.	Annual	OAP MIS Report	MOF
Percentage of community councils in the country covered by NISSA-CBT registry	No description provided.	Annual	MoSD IMIS report	MOSD
Percentage of household members registered by NISSA who report the unique ID number provided by the Ministry of Home Affairs	No description provided.	Annual	MoSD IMIS report	MOSD
Percentage of new beneficiaries of PA and OVC entered in the calendar year selected using the harmonized targeting procedures adopted in Year 1	No description provided.	Annual	MoSD IMIS report	MOSD

Percentage of existing beneficiaries (in Year 1) of OVC and PA recertified using the harmonized targeting procedures adopted in Year 1	No description provided.	Annual	MoSD IMIS report	MOSD
Percentage of citizens reporting satisfaction with the administration of social assistance programs	No description provided.	Every two years	Continuous Multipurpose Survey	MoSD and Bureau of Statistics
Percentage of beneficiaries reporting satisfaction with the administration of social assistance programs	No description provided.	Every two years	Continuous Multipurpose Survey	MoSD and Bureau of Statistics

Annex 2: Detailed Project Description and DLI Protocols

LESOTHO: Social Assistance Project (LSAP)

1. The proposed Project Development Objective is to support the Government of Lesotho in improving the efficiency and equity of selected social assistance programs.
2. The proposed project would have two inter-related components. Component 1: Strengthening administrative efficiency and equity of the selected Social Assistance Programs would support the results arising from implementation of improvements in selected social assistance programs (CGP, OVC, PPB, PA and OAP). Under this component, project disbursements would be (a) linked to defined eligible expenditure line items (comprising the “Eligible Expenditure Program” or EEP) within Lesotho’s social assistance programs; and (b) triggered by the verified achievement of agreed specific results (“Disbursement-Linked Indicators” or DLIs) for improving the overall management, administrative efficiency and equity of those programs. Component 2: Implementation Support would finance select technical assistance to strengthen the Government’s capacity for implementing such improvements and thereby achieving the results. The second component would also support the design and implementation of a pilot of Livelihood Enhancement Activities among beneficiaries of social assistance programs to support further household’s income generating capacity in the medium and long term. This component will follow standard World Bank procedures for investment financing. Specifically, it will finance: (i) provision of consultants’ services and training in supporting the achievement of results in the selected Social Assistance Programs; (ii) support the design and implementation of a pilot of livelihoods enhancement activities, in particular: (a) the design of a basic package to promote sustainable livelihoods; (b) the design and implementation of a communication strategy for program officers to support the implementation of the pilot; (c) training for MoSD program officers at district level; and (d) a monitoring and evaluation strategy.; and (iii) provision of goods, consultants’ services, non-consulting services, Training and Operating Costs to support the Project’s management, implementation, monitoring and evaluation, audit and independent verification.
3. Following the project description presented in Section 2, this Annex presents the protocols for verifying achievement of DLIs under Component 1. These protocols will be further defined in the Operational Manual (to be finalized and approved by the Borrower with no objection from the World Bank before project effectiveness). Details on Component 2 are provided in the main section of this document.

Component 1 – Strengthening the administrative efficiency and equity of selected social assistance programs (US\$15.0 million).

4. The objective of this component is to support the results in efficiency and equity of selected social assistance programs. Under the proposed project, the World Bank would reimburse a portion of expenditures comprising the EEP. Within Lesotho’s social assistance programs, specific programs would qualify to be EEP according to specific criteria. These focus on safeguarding entry into the pooled EEP to those programs with robust fiduciary arrangements, and are described in more detail in Annex 3. By these criteria, two programs qualify for World Bank reimbursement at the start of the proposed project, the CGP and OVC.

5. Disbursements would be triggered by the verified achievement of agreed specific results for improving the administrative efficiency and equity of selected Government's social assistance programs, as defined above. The draft verification arrangements and procedures for each of the DLIs are described in Table 5, and will be further refined in the PIM. As discussed in Section 1, "results chains" for each objective illustrate how the intended objectives and PDO indicators (PDIs) would be achieved following a logical framework. Disbursements would be triggered by achievement of DLIs corresponding to the results area on improving efficiency and equity.

6. **Results Area 1: Improved administrative efficiency of selected social assistance programs.** This results area aims at improving the administrative efficiency of social assistance programs, by supporting the achievements of results by the GoL in establishing sector coordination mechanisms, strengthening the capacity of the MoSD, harmonizing delivery processes of selected social assistance programs, improving the operation and the detection and remediation of fraud and errors for OAP.

Table 5: Draft protocols for monitoring achievement of DLIs of Result Area 1: Improved efficiency

#	Disbursement Linked Indicator (DLI)	Definition of DLI	Draft Protocol to Verify achievement of the DLI	Indicative Verification arrangements
1	The NISSA-CBT targeting approach was designed and tested	This DLI will be met when a new targeting tool combining community based targeting and a proxy means test has been designed and tested.	<u>Data source:</u> CBT targeting methodology report and pilot lessons learned report <u>Procedure:</u> A copy of the methodology as well as a report drawing the lessons learned from piloting the new methodology and indicating the way forward is sent to the World Bank.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU or the Ministry directly to the World Bank.
2	Data cross matching mechanism between the OAP and the Civil Service Pensions databases was established	This DLI will be met when protocols for data cross-matching of OAP beneficiary data base with the data bases of the Civil Service Pensions to detect beneficiaries of the Civil Service pension among the beneficiaries of OAP, are defined and included in the OAP Operational Manual.	<u>Data source:</u> OAP Operational Manual <u>Procedure:</u> A copy of the OAP Operational Manual, including procedures employed for cleaning the OAP database after checking duplications of beneficiaries in the Civil Service Pension database is sent to the World Bank	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
3	Post-Primary OVC Bursary was consolidated in the OVC Bursary Scheme	This DLI will be met when the Post Primary OVC Bursary, currently under National Manpower Development Secretariat, is moved to the MoSD, including its budget.	<u>Data source:</u> Government Resolution <u>Procedure:</u> A copy of resolution of consolidation, including proof of consolidated budget and depersonalized list of beneficiaries are sent to the World Bank.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
4	Key managerial	This DLI will be met when	<u>Data source:</u> HR payroll report with	The information

	positions of the Social Assistance Department have been included in the MoSD payroll	the Director, the Manager for Social Assistance, the NISSA Manager, the Payment Manager, and the MIS Manager were included in the MoSD payroll.	the five positions. <u>Procedure:</u> A copy of the MoSD resolution, plus the ToR and the HR payroll report of the latest month are sent to the World Bank upon completion of DLI.	to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
5	Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted	This DLI will be met when: (i) OVC bursary and PA processes have been reengineered, in line with processes applied for CGP and ISSN. (ii) CGP, OVC bursary and Public Assistance, administer harmonized application, selection, and registration processes (iii) A new integrated MIS has been developed and deployed. (iv) The three programs use the integrated MIS to manage these processes. (v) Adopted new Operational Manual of OVC, and PA	<u>Data source:</u> Program operations manuals. <u>Procedures:</u> A copy of the three programs operations manuals describing harmonized procedures, along with a copy of the MoSD resolution adopting the Operational Manuals for OVC and PA describing harmonized procedures of registration, payments and redress mechanisms with the CGP Program is sent to the World Bank upon completion of DLI	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
6	100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster	This DLI will be met when MoF removes from its OAP roster all beneficiaries that are found to also be beneficiaries of the Civil Service Pension roster through the cross verification mechanism.	<u>Data source:</u> MoF report <u>Procedure:</u> OAP MIS report with the number and percentage of existing beneficiaries that passed the Civil Service pension cross-check as well as the number of people removed from the roster are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank
7	100% of ineligible OAP recipients detected till June 30, 2017 eliminated as a result of the new OAP proof of life verification requirements	DLIs will be met when: (i) new eligibility verification procedures, including the requirement of regular proof of life, are adopted for OAP and included in the OAP operational manual; (ii) the indicated percentage of OAP beneficiaries undergo at least 1 proof of eligibility in the	<u>Data source:</u> OAP MIS report <u>Procedure:</u> OAP MIS report with the number and percentage of existing beneficiaries that passed the proof of life in the calendar year as well as the number of people removed from the roster are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU, verified by a third-party agent and then

	applied to all current beneficiaries	last three years, through the newly established proof of life verification mechanism as defined in the operations manual, and (iii) the indicated percentage of beneficiaries found to be ineligible are removed from the roster.		submitted to the World Bank
8	An MoSD integrated MIS (IMIS) for the OVC, PA and CGP is fully operative.	This DLI will be met when an integrated MIS for OVC, PA and CGP has been developed and deployed. The MIS includes modules of application, selection, payments, monitoring, and case management of beneficiaries of OVC, PA and CGP.	<u>Data source:</u> MIS reports <u>Procedure:</u> MIS operational manual, and MIS reports of each module are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
9	MoSD established a unified payment system for CGP and PA	This DLI will be met when a unified payment system is established for CGP and PA. The unified payment system might entail a combination of different methods (mobile, electronic, etc.) depending on beneficiary needs and geographic requirements, but such combination will be the same for both PA and CGP.	<u>Data source:</u> OAP report. <u>Procedure:</u> The program guidelines for PA and OVC showing the characteristic of the new payment system for CGP and PA, along with the contract with the payment provider/s is sent to the World Bank upon completion of the DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
10	At least 30% of payments to OAP beneficiaries are paid through the new OAP payment system	This DLI will be met when MoSD established a new payment system for OAP and signed a contract with a payment provider	<u>Data source:</u> MoSD report <u>Procedure:</u> A report showing the characteristic of the new system, including the contract with the payment provider/s is sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank.
11	At least 75% of payments to CGP and PA are paid through the unified payment system	This DLI will be met when at least 75% of the total beneficiaries of the two programs are paid through the new unified payment system for CGP and PA.	<u>Data source:</u> MoSD IMIS report. <u>Procedure:</u> Reports of the reconciliation of payments submitted by the MoSD for 75% of payments made to beneficiaries of CGP and PA in the semester previous to the verification of the DLI are sent to the World Bank. Reconciliation reports ought to provide proof of usage of the same payment mechanism in the districts where both programs are implemented.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank
12	100% of ineligible OAP	DLIs will be met when: (i) New eligibility verification	<u>Data source:</u> OAP MIS report <u>Procedure:</u> OAP MIS report with	The information to evaluate

	recipients detected till June 30, 2019 eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	procedures, including the requirement of regular proof of life, are adopted for OAP and included in the OAP operational manual; (ii) the indicated percentage of OAP beneficiaries undergo at least 1 proof of eligibility in the last three years, through the newly established proof of life verification mechanism as defined in the operations manual, and (iii) the indicated percentage of beneficiaries found to be ineligible are removed from the roster.	the number and percentage of existing beneficiaries that passed the proof of life in the calendar year as well as the number of people removed from the roster are sent to the World Bank upon completion of DLI.	achievement of the DLI will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank
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7. **Result Area 2: Improved Equity of selected social assistance programs.** This results area aims at improving the equity of social assistance programs, by supporting the achievements of results by the GoL in expanding the registry of poor households, the targeting improvements in PA and OVC and the coverage expansion of CGP. The draft verification arrangements and procedures for each of the DLIs are described in Table 6, and will be further refined in the PIM.

Table 6: Draft protocols for monitoring achievement of DLIs of Result Area 2 Improved equity

#	Disbursement Linked Indicator (DLI)	Definition of DLI	Draft Protocol to Verify achievement of the DLI	Indicative external verification
1	OVC, and PA adopted harmonized targeting procedures based on NISSA-CBT and possible categorical filters	This DLI will be met when a Government Resolution (TBD) is enacted defining the harmonized targeting procedures for CGP, OVC and PA.	<u>Data source:</u> Government Resolution (TBD). <u>Procedure:</u> A copy of the Government Resolution of the official gazette is sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.

2	Enrollment of number of households in CGP reached at least 30,500 households	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<p><u>Data source:</u> MIS report</p> <p><u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.</p>	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank. The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.
3	All new beneficiaries of OVC and PA entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1	This DLI will be met when 100% of new entrants to OVC and PA rosters are selected using the harmonized targeting procedures.	<p><u>Data source:</u> MoSD MIS report for OVC and PA.</p> <p><u>Procedure:</u> A MoSD MIS report including depersonalized copy of the OVC and PA database, including date of first payment and results and variables used for the application of the harmonized targeting procedures adopted in Year 1 is sent to the World Bank upon completion of DLI</p>	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank

4	Enrollment of number of households in CGP reached 36,500 households	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<u>Data source:</u> MIS report <u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank. The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.
5	The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country	DLIs will be met when the data collection and the new NISSA-CBT (NISSA community based targeting) in certain percentage of the total community councils existing in the country are completed.	<u>Data source:</u> NISSA report. <u>Procedure:</u> A copy of the NISSA report with the total number of HH registered in selected number of community councils are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.

6	Enrollment of number of households in CGP reached 42,500 households	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<p><u>Data source:</u> MIS report</p> <p><u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.</p>	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank. The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.
7	100% of existing beneficiaries (in Year 1) of OVC and PA were recertified using the harmonized targeting procedures adopted in Year 1	This DLI will be met when the harmonized targeting procedures for OVC and PA were adopted and are in use; and the programs apply recertification to existing beneficiaries before the adoption of the new targeting system.	<p><u>Data source:</u> MoSD MIS report for OVC and PA.</p> <p><u>Procedure:</u> A MoSD MIS report including depersonalized copy of the OVC and PA database, including date of first payment, results and variables used for the application of the harmonized targeting procedures adopted in Year 1, is sent to the World Bank upon completion of DLI,</p>	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank

8	Enrollment of number of households in CGP reached 48,500	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<u>Data source:</u> MIS report <u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU, verified by a third-party agent and then submitted to the World Bank. The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.
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Component 2 – Implementation Support (USD 5.00 million).

8. The objective of this component is to support the investment necessary to overcome the main constrains in term of capacity, implementation, monitoring and evaluation of results supported by Component 1 and to support the design and implementation of a pilot of livelihood enhancement activities among beneficiaries of social assistance programs to support further household’s income generating capacity in the medium and long term. Component 2 will be implemented through three sub-components: the first one (2.A) will provide direct technical assistance and investment in support of achievement of the results (DLIs and ultimately the PDIs) under Component 1 (US\$ 1.9 million); the second one (2.B) will support the design and implementation of pilot of livelihoods enhancement activities (US\$ 1.5 million); and the third one (2.C) will support project implementation capacity (US\$ 1.6 million).

Annex 3: Implementation Arrangements
LESOTHO: Social Assistance Project (LSAP)

I. Project Institutional and Implementation Arrangements

1. The Project will be implemented by the MoSD. The MoSD, created in June 2012 as part of a growing emphasis on social protection in Lesotho, coordinates the implementation of the Government's National Social Protection Strategy, is responsible for the implementation of the National Information System for Social Assistance (NISSA) and also is responsible for the implementation of three out of five Selected Social Assistance Programs (CGP, PA and OVC).

2. As MoSD has no previous experience in implementing Bank-financed projects, a Project Implementation Unit (PIU) will be created under the MoSD. Specifically, the main responsibilities of the MoSD, through the PIU, will be the following:

- a. Ensuring general coordination with the Bank and MoF.
- b. Ensuring timely implementation of all Project activities, and monitoring such activities and Project related indicators.
- c. Conducting the Financial Management functions of the Project, including the preparation of requests for disbursements; help the reconciliation of bank accounts and financial resources of the project, as well as managing and accounting records of project funds.
- d. Conducting the procurement for all Project activities, following Bank rules and procedures.
- e. Preparing progress and financial reports (and other Project-related documents as the case may be), as agreed in the Financing Agreement, compiling Project information and results from different programs of MoSD and MOF. Such reports shall be in the format and content acceptable to the Bank.
- f. Coordinating with MoSD technical units the development of TORs for specific MoSD technical assistance activities, managing their contracting, and overseeing study implementation.
- g. Leading the preparation of an action plan in case a DLI is not accomplished.
- h. Hosting and facilitating Bank supervision missions and working with the Bank to optimize the Project's results and impact.

3. The MoF, through its Pension Unit, would have the following responsibilities:

- Implementing the OAP related reforms in a timely and efficient manner in order to ensure compliance with agreed Project indicators, including the disbursement-linked ones.
- Developing TORs for specific OAP technical assistance activities, coordinating their contracting with the PIU, and overseeing their implementation.
- Preparing implementation reports in accordance with Bank oversight requirements, including those related to the technical assistance component, and providing the required information to the PIU.

4. The core team of the PIU would be comprised of a Project Coordinator, a Procurement Specialist, a Financial Management Specialist, one specialist responsible for activities within MoSD and one specialist responsible to act as focal point in MOF. Terms of reference of PIU core team will be included in the Project Implementation Manual. The PIU will be established and project coordinator and financial management specialist recruited will be a condition to initiate the implementation of activities under Component 2 (legal withdrawal condition of Category 2).

5. Project Implementation Manual (PIM). A PIM is being developed to detail the functions and responsibilities for Project implementation. A draft PIM acceptable for the Bank, including relevant information for Project execution, including procurement and disbursement rules, legal covenants, flow of documents, flow of funds, forms, manuals, standard documents, and other tools for day to day activities, is an Effectiveness condition. The MoSD and the Bank agreed that the PIM may be updated from time to time in a manner acceptable to the Bank.

II. Financial Management, Disbursements and Procurement

A. Financial Management

6. The country's public financial management (PFM) system has been assessed and is found to be adequate to support the operation. The assessment covered staffing, budgeting, accounting, financial reporting, auditing and internal controls. The financial management aspects of the Project are responsibility of the MoSD and will be managed by the PIU. The conclusion of the assessment is that the financial management arrangements (when in place through the PIU) meet the Bank's minimum requirements under the OP/BP 10.00 (Financial Management). The FM risk of the proposed Project has been assessed at Substantial.

7. **Implementing Agency and Staffing.** The financial management aspects of the Project are the responsibility of the MoSD and will be managed by the PIU. The financial management specialist under the PIU would manage the various supporting FM tasks and would assure a smooth flow of information and observance of Project arrangements, reporting and disbursements. The FM specialist will receive training on Bank disbursements and reporting guidelines during the Project implementation. In order to manage Project disbursements under Category 1, the FM Specialist will rely on the country's public financial management system (PFM) which is under the responsibility of the MoSD. Monthly payments related to the EEPs will continue to be executed by the MoSD through the existing channels and procedures.

8. **Budgeting and Planning.** The financial management dimensions (budget/treasury management, reporting and monitoring) would be the responsibility of the MoSD and the operation would rely heavily on the country public financial management systems. Project execution should observe budgetary law and respective procedures. The Project annual budgeting would be based on the MoSD budget planning for Component 1 and procurement plan for Component 2, which would be regularly updated in the process of implementation. EEPs' budgets would continue to follow the existing procedures for approval, reporting (on budget execution) and monitoring.

9. **Annual Work Plans and Budgets.** No later than February 28 each year (or one month after the Effective date for the first year of Project implementation), the Recipient shall prepare and furnish to the World Bank a draft annual work plan and budget containing all the activities proposed to be included for the Part 2 of the Project during the following Fiscal Year of Project implementation.

10. For any training to be included in an Annual Work Plan and Budget, the Recipient shall, inter alia, identify: (a) particulars of the training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel, if known; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training, if known; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training., of such scope and detail as the World Bank shall have reasonably requested.

11. The Government shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out such annual work plan and budget during such subsequent calendar year as shall have been approved by the Association (“Annual Work Plan and Budget”). Only those activities included in the draft annual work plan and budget shall be eligible for financing out of the proceeds of the Credit. Annual Work Plans and Budgets may be revised as needed during Fiscal Year subject to the World Bank’s prior written approval.

12. **Accounting Policies and Procedures.** The accounting for both Project components would utilize the Government accounting system (IFMIS). While preparing accounting and financial information, transactions under both Components would be recorded as paid, and all primary supporting documentation would be maintained to facilitate ex post reviews and the annual external audits. Such documents should be maintained for a minimum period of five years. As disbursements for Component 1 of the Project would be based on a budget line representing EEPs expenditures paid during the reporting period, the accounting function will be a responsibility of the MoSD, following the existing procedures. For activities under the Component 2, the accounting function will be the responsibility of the PIU.

13. **Internal Controls.** The operation would rely upon the existing internal control framework of the MoSD (namely, financial policies and procedures which details the controls for transaction execution), described in detail in the PIM.

14. **Interim and Annual Reporting.** For financial management monitoring reasons, the PIU would prepare semi-annual IFRs (1-A - source and use of funds by category and 1-B – investment by components and subcomponents) in the local currency on a cash accounting basis and submit them to the Bank, no later than two (2) months after the end of each semester. The IFRs would state the expenditure figures by semester, accumulated for the year and accumulated for the project implementation.

15. For disbursement purposes of Component 1, an additional report (IFR 1-C) would state the percent of EEP budget execution threshold (by semester, accumulated for the year and accumulated for the project implementation) and the achievement of the agreed Disbursement-Linked Indicators (DLI). It would be jointly submitted with the other two IFRs 60 days after the

end of each calendar semester assuring prior approval by the Bank. The description of the IFRs would be included in the PIM and attached to the Disbursement Letter.

16. In agreement between the Bank and the MoSD, the reports indicated below can be adjusted during Project implementation:

- IFR 1-A: Statement of Sources and Uses of Funds, by Project category: Category 1 or EEP and Category 2 related to Component 2; for the semester; year to-date and project to date.
- IFR 1-B: Statement of Investment by Project budget by components and subcomponents; for the semester; year to-date and project to date.
- IFR 1-C: Percentage (75 percent) of aggregate EEP spent and achievement of DLIs.

17. The MoSD through the PIU would be responsible for submitting to the Bank the Interim Un-audited Financial Reports (IFRs), based on formats included in the PIM

18. **External Audit Arrangements.** The annual financial statements for the GoL are audited by the Office of the Auditor General and the office is acceptable to the Bank. If the MoSD is not in capacity to produce standalone financial statements, the PIU will elaborate a standalone financial statement for the execution of resources under Component 2. The annual financial statements (MoSD financial statement or Component 2 financial statement) will be submitted to the Office of the Auditor General for annual financial audit within two months of the end of the fiscal year. The Bank would also require that the Office of the Auditor General performs an audit of payments paid to CGP and OVC beneficiaries. Annual external audit will be conducted under terms of reference approved by the Bank. As in the other case, audits reports should be submitted to the Bank six months after the end of the financial year (end of September of each year of Project implementation).

19. In case the Project audits are not carried out by the Office of the Auditor General, such audit would be undertaken by a private independent audit firm. In the latter case, audit cost will be financed out of credit proceeds and selection will follow standard bank procedures.

20. **Supervision Plan for Financial Management.** The FM supervision would review the implementation of FM arrangements and FM performance, identify corrective actions, if necessary, and monitor fiduciary risk. Desk FM supervision will include: (i) semi-annual review of IFRs; (ii) annual review of the audit reports and follow up any issues raised by auditors in management letter; (iii) reviewing other FM relevant information; and (iv) semi-annual updating the financial management rating in the Implementation Status Report (ISR). Semi-Annual in-field implementation support will include: (i) review of overall FM operation and (ii) follow up any issues raised by auditors.

B. Disbursement

21. The Project has different disbursement arrangements for each one of its components. Under Component 1, project disbursements would be: (i) linked to defined eligible expenditure line item or Eligible Expenditure Program (EEP); and (ii) triggered by the verified achievement

of agreed specific results (Disbursement-Linked Indicators or DLIs). On the other hand, disbursements for Component 2 would be made through Advances to a Designated Account. Thus, two separate Withdrawal Applications would need to be submitted each time a disbursement is requested – a Reimbursement Withdrawal Application for Component 1 (attaching IFRs), and an Advance Withdrawal Application for Component 2 (attaching Statement of Expenditures and other necessary documentation). Details of disbursement arrangements by components are described in the following paragraphs.

22. Disbursement mechanism under the Component 1. Under Component 1, disbursements would be made according to the following mechanisms:

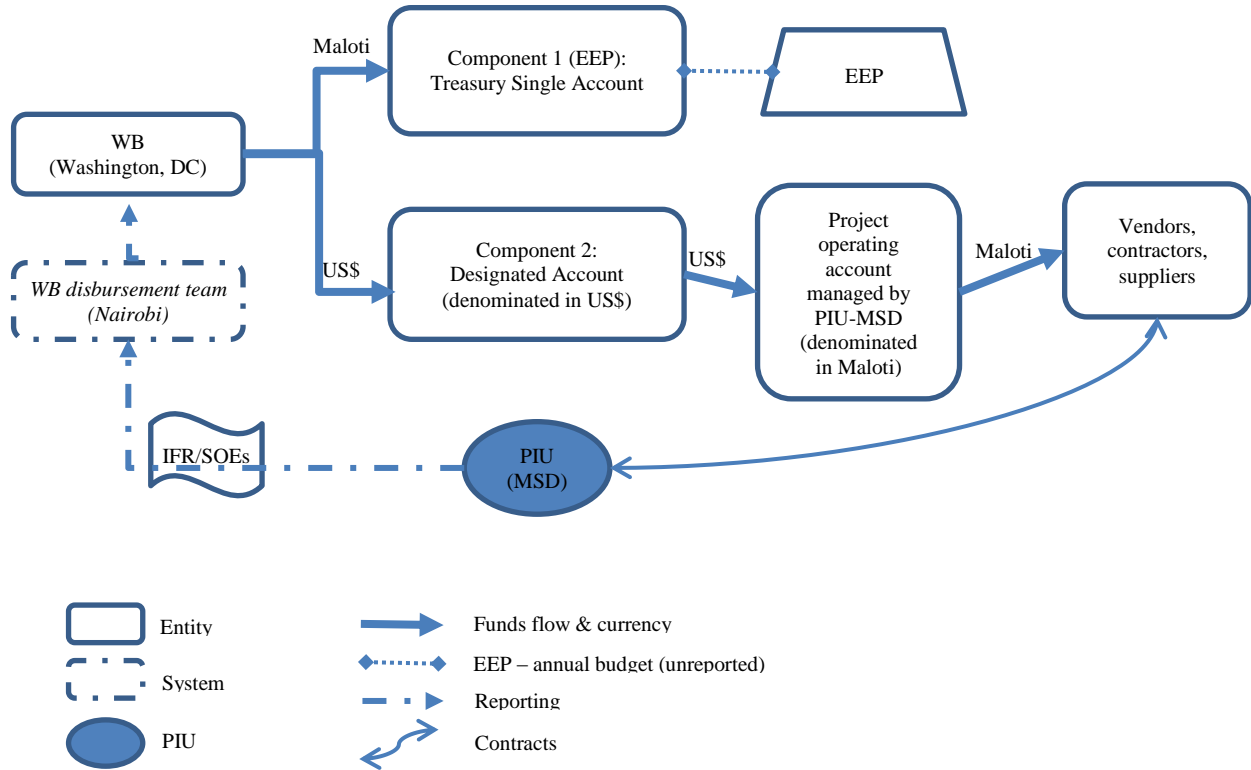
- a. Disbursements would be made against the MoSD’s pre-defined EEP, the Lesotho Child Grants Program (CGP) and Orphan and Vulnerable Children Bursary Program (OVC), at least at the beginning of the project. Programs were selected to be included as EEP because they have the following characteristics: a satisfactory accounting and reporting framework, a separation of eligibility of beneficiaries and payment functions, and a payment system that tracks amounts paid and not paid (i.e. a solid reconciliation process).
- b. The set of EEPs would be expanded to include other programs, when they meet the characteristics describe above. Over the life of the proposed Project, the EEP could be expanded in the future to include the Old Age Pension (OAP) and the Public Assistance Program (PA), once these programs (or their successors in the event of consolidation) would satisfy the above-mentioned criteria. Indeed, implementation support under the result-chain frameworks for the proposed Project does seek to strengthen the administration of these programs, so that they achieve higher fiduciary standards.
- c. Bank disbursements in respect of Component 1 will be made from the Credit account to the MoF’s Treasury single account. Disbursements would be made in 9 reimbursements for actual EEP expenditures through the submission of IFRs. The 1st reimbursement may take place after Credit Effectiveness (expected to be January 1, 2016) as retroactive financing, and, as such, would cover the period up to 12 months prior to the Financing Agreement date would not exceed US\$2 million. The following 8 reimbursements would be made in the months of July and January of each year, against actual expenditures for the EEP, incurred in the previous six-month period, defined as January to June and July to December of each year of Project implementation, except for the 2nd disbursement for which period would be from credit signing date. Table 8 presents the estimated disbursement schedule for Component 1 and the requirements and disbursement rules are described in detail below:
 - i. Disbursements (as Reimbursements) would be made against payments made to beneficiaries of the selected EEPs. The proposed project finances a percentage against the aggregate EEP expenditures. In this case, a financing percentage up to 75 percent has been agreed upon and would form the upper limit for the amount to be disbursed against aggregate EEP expenditures. Thus, to disburse an amount that represents 75 percent of the aggregate EEP expenditures, the MoSD will need to present actual EEP

payments that are 1.33 times greater than the amount to be disbursed. Supporting documentation for disbursement – i.e. IFRs - would include evidence that the payments have been made as per EEP reporting format. The Government’s financial systems would be used for purposes of tracking and reporting the payments made by EEP.

- ii. Disbursements would be conditional on achievement of Disbursement Linked Indicators (DLIs). The Government and the Association have defined a set of DLIs that consist of key results that contribute to the achievement of the PDO (Table 2). The compliance with DLIs is verified by the World Bank in collaboration with the PIU, and for selected DLIs (as identified in table 5 and 6), it will rely on a third party agent. The third party agent will be contracted by the PIU with TOR acceptable to the Bank.
- iii. Nine reimbursements have been agreed throughout project implementation, each one with a respective amount to be disbursed. Table 8 shows the number of DLIs for each reimbursement and the tentative schedule to be comply with the agreed targets. In terms of timing, the DLIs have been presented under “Target Years 0, 1, 2, 3, and 4” for purposes of projecting disbursements and facilitating Government budget planning, but their timing is indicative. Rather, disbursements will be made upon verified achievement of the specified DLI at any time during the implementation period.
- iv. The weight of each DLI over the total reimbursement amount per period is specified in the same Table 8. If a DLI target is not fully achieved, an amount proportional to the extent to which the DLI was met would be disbursed, except for the ones that do not have quantitative targets. The amount to be disbursed for partial achievement will be determined in accordance with a formula specified in the DLI matrix of the PIM. The amounts carried forward due to non-achievement of DLIs may be disbursed, only if at the time of the subsequent withdrawal: (i) the applicable DLIs have subsequently been achieved; and (ii) the MoSD has submitted documentation of EEP in the amount of at least 1.47 times the withdrawal amount requested.
- v. Disbursement on DLIs will be made on the basis of MoSD reports (Table 5 and 6) to be presented to the Bank with necessary documentation verifying that they have been satisfied (protocol detailing how the DLIs would be measured and by which sources is specified in Table 5 and Table 6). The Bank will, at its convenience and with the full assistance of the GoL and the independent verifier for those DLIs that require it, assess the validity and verify the findings presented in these reports. Should there be any discrepancy found such that the satisfaction of the indicator is not validated then the Bank will, at its discretion, determine whether none or partial compensation is justified.
- vi. The amounts carried forward due to lack of documentation of EEP in the amount of at least 1.47 times the amount requested for withdrawal, may be

disbursed at the time of the subsequent withdrawal only if such amount of EEP is then submitted.

Figure 4. Flow of funds



23. **Disbursement Mechanism under Component 2.** Disbursements will be made in accordance with procedures outlined in the Disbursement Handbook for World Bank Clients and allow for use of Advances, Reimbursements, and Direct Payment. Funds will be primarily channeled through a Designated Account (DA) that will be opened in the Ministry of Finance.

24. The DA will have a Fixed Ceiling of US\$350,000 and the frequency for reporting eligible expenditures paid from the DA will be at least quarterly. The PIU will also operate a local currency account (LSL), to finance project expenditures in local currency, where funds from the US Dollars DA will be periodically transferred (funds sufficient to cover no more than 30 days' worth of expenditures). Reporting on the use of Advances would be based on the Statements of Expenditures (SOEs) and/or Summary Sheets with Records. Reimbursements would also be documented by SOE's and/or Summary Sheets with Records. Direct Payments will be documented by Records. The Minimum Application Size for Reimbursements and Direct Payments will be US\$70,000 equivalent for Category 2. Detailed instructions with regards to the project disbursements process will be communicated to the Recipient in the Disbursement Letter.

Table 7: Allocation of loan proceeds

Category	Amount of the Loan Allocated (expressed in US\$)	Percentage of Expenditures to be financed (inclusive of taxes)
(1) Eligible Expenditure Programs under Component 1	15,000,000	75% of EEP
(2) Goods, consultants' services, non-consulting services, training, and operating costs under Component 2	5,000,000	100%
TOTAL AMOUNT	20,000,000	

Table 8: Disbursements arrangements for component 1

No.	Project Disbursement Timing	Disbursement Type	Estimated amount of disbursement		DLI	Date DLI would be measured
			% of the total amount disbursed in each disbursement	Amount (US\$ '000)		
1st DISBURSEMENT – US\$1.5 MILLION						
Actual EEP expenditures incurred and paid up in 2015, in a total amount not less than US\$ 2.20 million out of which at least US\$ 1.5 million is eligible for Bank reimbursement						
1	July 2016	1 st reimbursement of EEP expenditures (retroactive financing)	100%	1,500	The NISSA-CBT targeting approach was designed and tested (DLI 1)	June 30, 2016
2nd DISBURSEMENT – US\$1 MILLION						
Actual EEP expenditures incurred and paid in 2016 in a total amount not less than US\$ 1.47 million in which at least US\$ 1 million is eligible for Bank reimbursement						
2	September 2016	2 nd reimbursement of EEP expenditures	100%	1,000	Data cross matching mechanism between the OAP and the Civil Service Pensions databases was established (DLI 2)	August 30, 2016
3rd DISBURSEMENT – US\$2 MILLION						
Actual EEP expenditures incurred and paid in 2016, in a total amount not less than US\$2.94 million out of which at least US\$ 2 million is eligible for Bank reimbursement.						
3	January 2017	3 rd reimbursement of EEP expenditures	12.5%	250	Post-Primary OVC Bursary was consolidated in the OVC Bursary Scheme (DLI 3)	December 31, 2016
			12.5%	250	OVC, and PA adopted harmonized targeting procedures based on NISSA-CBT and possible categorical filters (DLI 4)	December 31, 2016
			75%	1,500	Enrollment in CGP reached at least 30,500 households. (DLI 5)	December 31, 2016

No.	Project Disbursement Timing	Disbursement Type	Estimated amount of disbursement		DLI	Date DLI would be measured
			% of the total amount disbursed in each disbursement	Amount (US\$ '000)		
4th DISBURSEMENT – US\$2 MILLION						
Actual EEP expenditures incurred and paid for the period from January 1, 2017 to June 30, 2017, in a total amount not less than US\$2.94 million in which at least US\$ 2 million is eligible for Bank reimbursement.						
4	July 2017	4 th reimbursement of EEP expenditures	7.5%	150	Key managerial positions of the Social Assistance Department have been included in the MoSD payroll (DLI 6)	June 30, 2017
			7.5%	150	Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted (DLI 7)	June 30, 2017
			20%	400	100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster (DLI 8)	June 30, 2017
			65%	1,300	100% of ineligible OAP recipients detected till June 30, 2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries (DLI 9)	June 30, 2017
5th DISBURSEMENT – US\$ 2 MILLION						
Actual EEP expenditures incurred and paid for the period from July 1, 2017 to December 31, 2017, in a total amount not less than US\$2.94 million out of which at least US\$ 2 million is eligible for Bank reimbursement						
5	January 2018	5 th reimbursement of EEP expenditures	25%	500	All new beneficiaries of OVC and PA entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1 (DLI 10)	December 31, 2017
			75%	1,500	Enrollment in CGP reached at least 36,500 households. (DLI 11)	December 31, 2017
6th DISBURSEMENT – US\$1 MILLION						
Actual EEP expenditures incurred and paid for the period from January 1, 2018 to June 30, 2018, in a total amount not less than US\$1.47 million in which at least US\$ 1 million is eligible for Bank reimbursement						
6	July 2018	6 th reimbursement of EEP expenditures	25%	250	An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA is fully operative (DLI 12)	June 30, 2018
			25%	250	MoSD established a unified payment system for CGP and PA (DLI 13)	June 30, 2018
			50%	500	At least 30% of payments to OAP beneficiaries are paid through the new OAP payment system (DLI 14)	June 30, 2018
7th DISBURSEMENT – US\$2 MILLION						
Actual EEP expenditures incurred and paid for the period from July 1, 2018 to December 31, 2018, in a total amount						

No.	Project Disbursement Timing	Disbursement Type	Estimated amount of disbursement		DLI	Date DLI would be measured
			% of the total amount disbursed in each disbursement	Amount (US\$ '000)		
not less than US\$2.94 million out of which at least US\$ 2 million is eligible for Bank reimbursement.						
7	January 2019	7th reimbursement of EEP expenditures	25%	500	The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country (DLI 15)	December 31, 2018
			75%	1,500	Enrollment in CGP reached at least 42,500 households (DLI 16)	December 31, 2018
8th DISBURSEMENT – US\$2 MILLION						
Actual EEP expenditures incurred and paid for the period from January 1, 2019 to June 30, 2019, in a total amount not less than US\$2.94 million in which at least US\$ 2 million is eligible for Bank reimbursement						
8	July 2019	8th reimbursement of EEP expenditures	25%	500	At least 75% of payments to CGP and PA are paid through the unified payment system (DLI 17)	June 30, 2019
			75%	1,500	100% of ineligible OAP recipients detected till June 30, 2019 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries (DLI 18)	June 30, 2019
9th DISBURSEMENT – US\$1.5 MILLION						
Actual EEP expenditures incurred and paid for the period from July 1, 2019 to December 31, 2019, in a total amount not less than US\$2.20 million out of which at least US\$ 1.5 million is eligible for Bank reimbursement						
9	January 2020	9 th reimbursement of EEP expenditures	33%	500	100% of existing beneficiaries (in Year 1) of OVC and PA were recertified using the harmonized targeting procedures adopted in Year 1 (DLI 19)	December 31, 2019
			66%	1,000	Enrollment in CGP reached at least 48,500 households (DLI 20)	December 31, 2019

* Effectiveness date expected to be June 1, 2016.

**Disbursement period assumes a 4-year loan. Periods are defined as six-month periods as Jan 1 – Jun 30 and Jul 1 – Dec 31.

C. Procurement

25. The overall responsibility for procurement functions of the proposed project will rest with the PIU housed in MoSD. The PIU will hire a suitable qualified procurement specialist who will be hosted in the PIU. The key issues concerning procurement for project implementation identified are: (a) the limited human resource capacity at MoSD; (b) limited capacity of the MoSD staff to assure adherence to World Bank Procurement and Consultant Selection Guidelines. Proposed corrective measures to mitigate the overall risks include: (a) MoSD to hire a suitably qualified Procurement Specialist; (b) the procurement specialist will provide training of key MoSD staff on World Bank Procurement and Consultant Selection Methods and Procedures and strengthening of procurement systems at MoSD; (c) selected contracts to be

subject to prior review; (d) the Operational Manual will clearly indicate the procurement procedures to be followed under the proposed project.

26. The PRAMS Risk Assessment is rated as moderate. The following actions are suggested to mitigate the procurement risk and facilitate the implementation of the project

Table 9: Procurement management action plan to mitigate procurement risk

Risk	Mitigation/Action	Responsibility	Due Date
The limited human resource capacity at MoSD and MoF	MoSD to hire a suitably qualified Procurement Specialist	MoSD	September 30, 2016
Limited capacity of the MoSD and MoF staff to assure adherence to World Bank Procurement and Consultant Selection Guidelines	Selected contracts to be subject to prior review MoSD to prepare a Procurement Manual Training of key MoSD and MoF staff on World Bank Procurement and Consultant Selection Methods and Procedures and strengthening of procurement systems at MoSD (as deemed needed during implementation)	Bank /MoSD	September 30, 2016

27. A Country Procurement Assessment Report (CPAR) for Lesotho was conducted in 2008. Public Procurement in Lesotho is regulated by the 2008 Public Procurement Regulations (PPR). The CPAR noted the considerable progress made in adopting a modern legislation to regulate public procurement. The CPAR also noted areas requiring improvement including (a) allowing for the use of different procurement procedures for projects financed by development partners; (b) harmonizing the conflict between the 2008 PPR, the 1967 Stores Regulations and the 2007 Local Government Act; (c) reviewing the provision for domestic preference so that it related to the content of the goods being provided and not to the nationality of the provider; and, (d) developing a procurement manual and accompanying bidding documents.

28. The 2008 CPAR further highlighted limited capacity of the regulator, the Procurement Policy Advisory Division (PPAD) under the MOF, of the Procurement Units at central level and of District Procurement Units at district level. Lack of specific training and experience in public procurement and weak contract management capacity were noted. The private sector reported to perceive public procurement as having limited competition, inadequate information and lengthy payment arrangements and viewed public procurement practices as detrimental to its interest and prone to corruption. Robust procurement oversight systems are still being developed with the 2008 PPR providing for a dispute resolution process managed by an Appeals Panel appointed by the PPAD which may limit its independence.

29. The Government of the Kingdom of Lesotho has started implementing some of the CPAR recommendations: the redrafting of the 2008 PPR; the finalization of the Procurement Manual and the standard bidding documents; a review of the current Chartered Institute of Procurement and Supply (CIPS) program to consider the introduction of a public procurement module; the recent introduction of the Procurement Tribunal under the Public Financial Management and Accountability (PFMA) bill to handle procurement disputes; the implementation of the Integrated Financial Management System (IFMIS). Other matters still remain to be addressed.

30. National Competitive Bidding shall follow the Government of the Lesotho procurement procedures provided that the following provisions apply (a) Use of the Banks Standard Bidding Documents; (b) Registration/classification of bidders by PPAD, Ministry of Public Works and Transport or any other body shall not be used as a condition of bidding; (c) Preferences will not be granted based on citizen degree of ownership and local content; (d) Bracketing to provide for the rejection of bids which are in excess of 15 percent of the cost estimate will not be used; (e) Award of contract must be made to the lowest evaluated tender; and (f) Award of contracts shall be publicly disclosed in media of wide circulation.

31. **Procurement of Works.** The project will not finance works.

32. **Procurement of Goods.** Goods to be procured under this project are estimated in aggregate at not more than US\$1.5 million. The procurement of goods will be done using the World Bank's SBDs for all procurement under ICB and NCB as appropriate. UN Agencies and direct contracting may also be considered with the World Bank's prior review and approval

33. **Procurement of Services (other than consultants' services).** Services (other than consultants' services) to be procured under the project estimated in aggregate at not more than US\$1.5 million will include contracts for installation and technical support of telecommunication and computerized systems among others. The project will use the World Bank's SBDs for both ICB and NCB as appropriate

34. **Selection of Consultants.** Consultants' services required for firms and individuals by the overall project are estimated in aggregate at not more than US\$ 2.5 million to cover consultancies for MIS system development; technical reviews and evaluations; studies; and project management services among others.

35. **Training.** This category would cover all costs related to the carrying out of study tours, training courses and workshops, i.e., hiring of venues and related expenses, stationery, and resources required to deliver the workshops as well as costs associated with financing the participation of community organization in short-courses, seminars and conferences including associated per diem and travel costs. Training projects would be part of the Annual Work Plan and Budget and will be included in the procurement plan. Prior review of training plans, including proposed budget, agenda, participants, location of training, and other relevant details, will be required only on annual basis.

36. **Operating Costs.** Incremental operating costs include expenditures for maintaining equipment and vehicles, fuel, office supplies, utilities, consumables, allowable travel per diems

and, allowable travel and accommodation expenses, workshop venues and materials. These will be procured using the Borrower's administrative procedures, acceptable to the World Bank.

37. **Procurement Manual.** The procurement procedures and SBDs to be used for World Bank-funded procurement will be presented in the Procurement Manual in line with the guidelines of the World Bank. The Procurement Manual would include the component descriptions, institutional arrangements, regulatory framework for procurement, approval systems, activities to be financed, procurement and selection methods, thresholds, prior review and post reviews arrangements and provisions, filing and data management and the procurement plan for the first 18 months for all project components.

38. **Assessment of the agency's capacity to implement procurement.** An assessment was done of MoSDs procurement unit which currently comprises 1 Procurement Officer and 2 assistants. The incumbent Procurement Manager had taken up an appointment in another ministry and plans were underway to fill the vacancy. The procurement unit is currently housed in one open plan office with limited office furniture and equipment and has challenges with storing procurement records. The unit is responsible for processing M17m worth of operating costs (mostly through Shopping) and M10m in capital projects. The mission was informed that MoSD has challenges in executing capital projects and a school rehabilitation project for which funds were approved 2 years ago had still not gone to tender. Issues spanned from lack of capacity in the key areas such as scoping of the work to be done, drafting bills of quantities, drawings, specifications and the bidding document. The Procurement Officer was last involved in consultant selection several years ago when he worked under Ministry of Health. Though the project will disburse most of the funds under DLIs, there may be need for technical assistance in procurement to strengthen procurement skills within MoSD and assist execute the project procurements and consultant selections

39. As per the Public Procurement Regulations of Lesotho (2007), procurement has been decentralized to procuring entities, and all procurement decisions will therefore be made at MoSD. Delays in obtaining procurement clearances at MoSD are therefore not envisaged.

40. **Procurement Plan.** The Borrower has developed a draft Procurement Plan for project implementation. The Procurement Plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

41. **Procurement Supervision.** Given the country context and the project risk indicated above, an annual Post Procurement Review will be conducted in addition to the semi-annual supervision missions by the World Bank. The annual Post Procurement Review will be carried out either by the World Bank or World Bank-appointed consultants. The frequency of procurement supervision missions will be once every six months and special procurement supervision for post procurement reviews will be carried out at least once every twelve months.

42. To enhance the transparency of the procurement process, the Recipient shall publish the award of Contracts procured under ICB procedures or selected under QCBS method, generally within two weeks of receiving the World Bank no-objection to the recommendation of award of Contract, in accordance with the Procurement and Consultant's Guidelines. Additional procedures, as elaborated in the procurement manual, will govern the disclosure under other procurement and selection methods.

43. **Details of the Procurement Arrangements for Goods and Works and Non-consulting Services.** Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement.

Table 10. Prior review threshold: good, works and non-consulting services

	Procurement Method	Procurement Method Threshold (US\$)	Prior Review Threshold (US\$)
Works			
1.	ICB	≥\$7,000,000	≥\$15,000,000
2.	NCB	>\$200,000 - <\$7,000,000	≥\$15,000,000
3..	Shopping (Small contracts)	<\$200,000	N/A
4.	Direct Contracting	N/A	ALL
Goods and Services (excluding Consultants Services)			
1.	ICB	>\$1,000,000	≥\$3,000,000
2.	NCB	>\$100,000 - <\$1,000,000	N/A
3.	Shopping	<\$100,000	N/A
4.	Direct Contracting	N/A	ALL

Table 11. Procurement packages subject to bank prior and post review with selection methods and time

1	2	3	4	5	6	7
Ref No.	Contract (Description)	Estimated Cost (US\$)	Procurement Method	Review by Bank (Prior/ Post)	Expected Bid-Opening Date	Comments
1.	Communications campaign activities for the social assistance reform process	150,000	Shopping	Post		

44. **Details of the Procurement Arrangements for Selection of Consultants.** Selection decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants.

Table 12. Prior review threshold: consultants

	Selection Method	Selection Method Threshold	Prior Review Threshold
1.	QCBS	>, = \$300,000	As per procurement plan
2.	FBS, QBS, LCS and CQS	<\$300,000	As per procurement plan
3.	Single Source (Firms)	N/A	All
4.	Individual Consultants	N/A	≥100,000
5.	Single Source (Individual Consultants)	N/A	All

QCBS = Quality- and Cost-Based Selection (Section II of the Consultants' Guidelines)

LCS = Least Cost Selection (Para 3.6, of the Guidelines)

CQS = Selection based on Consultants' Qualifications (Para 3.7 of the Guidelines)

FBS= Fixed Budget Selection (Para 3.5 of the Guidelines)

QBS = Quality Based Selection (Para 3.2 of the Guidelines)

45. Short list comprising entirely of national consultants. Short list of consultants for services, estimated to cost less than US\$ 100,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant

Guidelines. All Terms of Reference irrespective of the value of the consultancy assignment are subject to prior review.

Table 13. Consultancy assignments with selection methods and time schedule

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Review by Bank Prior/ Post	Expected Proposals Submission Date	Comments
1	Project coordinator	288,000	IC	Prior		
2	Procurement specialist	240,000	IC	Prior		
3	FM specialist	240,000	IC	Prior		
4	Technical focal point to support activities in MoSD	192,000	IC	Prior		
5	Technical focal point to support activities in MOF	192,000	IC	Prior		
6	Support in the transition process of consolidating Post Primary Bursary and OVC Bursary	35,000	IC	Post		
7	2xMoSD officer(s)	200,000	IC	Post		
8	Consultant firm to improve the existing OAP MIS	100,000	CQS	Post		
9	Consultant firm to define proof of life mechanisms for OAP	70,000	CQS	Post		
10	Consultancy to develop the technology for the proof of life verification mechanism	100,000	CQS	Post		
11	Consultancy to develop the interface between OAP, NISSA and Home Affairs (civil registry and national ID) databases	70,000	CQS	Post		
12	Consultancy to re-design the operational manuals of OVC and PA based on the foundations of the harmonized procedures	150,000	CQS	Post		
13	Consultancy to carry out two process evaluations for the OAP	100,000	CQS	Post		
14	Consultant firm to conduct external financial audit of the OAP	200,000	CQS	Prior		
15	Consultancy to carry out the re-certification of PA beneficiaries	100,000	CQS	Post		
16	Consultancy for strengthening analytical understanding and research in Social Protection	120,000	CQS	Post		
17	Consultancy for inclusion of SP module in two rounds on CMS data and analysis of data	120,000	CQS	Post		
18	Consultancy for adjustments to the the PA and OVC modules of the IMIS based on results of the re-design of the programs	100,000	CQS	Post		
19	Consultant firm to conduct	140,000	LCS	Post		

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Review by Bank Prior/ Post	Expected Proposals Submission Date	Comments
	yearly project financial audits					

Table 14. Implementing agency capacity building activities with time schedule

Ref No.	Expected outcome / Activity Description	Estimated Cost (US\$)	Estimated Duration	Start Date	Comments
1	Training for Social Assistance Department staff	150,000			

III. Environmental and Social (including safeguards)

46. **Environmental.** The project activities will not have a physical footprint. No notable direct or indirect environmental impacts are foreseen as a result of the project implementation. Accordingly, none of the environmental safeguards has been triggered and the project is classified as Category C (Not Required) for Environmental Assessment (EA) purposes.

47. **Social.** The reforms and activities supported by the proposed project do not trigger any of the World Bank's social safeguards policies. While the Government's reform program would deliver strong social outcomes for equity and efficiency, some people might lose benefits due to ineligibility under the reformed system. Some of the existing beneficiaries the PA, OVC and OAP programs might lose their benefits due to recertification using improved eligibility criteria and processes. However, it is expected that the implementation of improved eligibility screening and poverty targeting would allow for better focus of resources to the most poor, and remove only wealthier or ineligible beneficiaries, thus avoiding overall negative social impacts

IV. Monitoring and Evaluation

48. MoSD, through the PIU, would have primary responsibility for tracking progress related to Project outcomes and results. MoSD would include, inter alia, the following information in each Project Report: (a) the compliance with the DLIs; (b) the updated Procurement Plan; (c) the advances in the Result Framework. The Project reports would be submitted to the Bank twice a year prior to the respective disbursement requests, but not later than 60 days after the end of the period covered by such report.

49. The proposed project would strengthen the Government's capacity of monitoring social assistance programs. The Efficiency Results area supports the development of an integrated MIS for the main social assistance programs of MoSD that would allow authorities to have access to program indicators for program management and policy decision. In parallel, the project would support MoF to re design the existing MIS for OAP. Standardized regular reporting mechanism with core indicators for monitoring of program performance and operations on the basis of MIS data for the three MoSD and OAP would be developed. The automation of program administration will also allow for development of internal and external consistency checks on

information, risk-based profiling tools, and improved efficiency of reporting and follow-up. As discussed in Annex 2, the proposed project would finance select technical assistance activities to enhance the monitoring of the social assistance programs.

Annex 4: Implementation Support Plan
LESOTHO: Social Assistance Project (LSAP)

Strategy and Approach for Implementation Support

1. **Supporting the Government of Lesotho in the implementation of the abovementioned reforms is a core element of the proposed Project.** The results-based financing approach in particular will require strong support from the World Bank during project implementation to ensure the achievement of results and mitigate risks related to implementation.
2. **The implementation support under the proposed project includes technical, financial management and procurement support,** as follows:
 - a. **Technical:** The World Bank will provide continuous support to the Government's implementation of the two Result Areas that are part of this proposed project. Technical assistance would be provided to the central authorities (through Component 2 of the proposed project and as is explained in Main Text, combining with resources from other donors), and would be supervised by the World Bank team. The World Bank team will also maintain a sector-level dialogue about the broader social assistance reform agenda with MoSD, drawing on international expertise, as needed.
 - b. **Financial Management:** Engagement on financial management support is proposed including fiduciary strengthening of social assistance programs through the definition of harmonized procedures on internal oversight, accounting automatization, and faster payment conciliation. Financial Management implementation support would also be provided through the Component 2 with the financial management specialist under the MoSD PIU. Regular training will be provided to MoSD staff on financial management and disbursement and will be undertaken throughout the duration of the project.
 - c. **Procurement:** support will be provided regarding the procurement aspects of the technical assistance under Component 2 of the proposed Project.
3. The World Bank team will carry out implementation support missions at least twice a year, possibly complemented by more frequent and/or extended technical missions by individual staff, as needed. During implementation support missions, the task team will review overall implementation progress, covering sectoral (technical), financial management and procurement aspects, as well as reporting on monitoring of results and verification of the achievement of DLIs. They will also monitor risks, updating the risk assessment as needed.
4. A mid-term review would be conducted to take stock of the performance under the project. It would be carried out approximately half-way through implementation of the proposed project. The mid-term review would assess progress towards achieving the individual DLIs, as well as towards the Project Development Indicators and Project Development Objective. Based on the assessment of progress at the mid-point of the program, recommendations for amendments to the Project would be considered by both the Government counterparts and the

World Bank management team. The mid-term review would also review overall project implementation arrangements, making adjustments as necessary.

Annex 5: Economic and Financial Analysis
LESOTHO: Social Assistance Project (LSAP)

Fiscal Analysis

1. Fiscal projections suggest the project will result in incremental annual savings throughout the project implementation, initiating with 0.25 percent and reaching 0.50 percent of GDP per year in the last two years. (see Table 15). These estimates exclude the added resources from Component 2 of proposed project, and focus solely on government resources (taking into consideration that resources from component 1 are reimbursements of existing government spending are consider fiscally neutral). The fiscal analysis focuses on estimating net savings resulting from the biggest improvements in the two results areas, including the clean-up of databases, the adoption of harmonized administrative procedures, the adoption of objective targeting methods for OVC and PA, as well as increased expenditure resulting from the expansion of the registry of the poor households by NISSA and the expansion of coverage of the CGP. The largest savings will result from the cleanup of the OAP roster of beneficiaries, roughly 25 percent of which are estimated to be ghost or ineligible beneficiaries based on demographic projections and number of beneficiaries of the civil service pension (ineligible for the OAP).

Table 15: Projection of estimated savings resulting from key reform parameters

Projected savings (million Maloti)	Year 1	Year 2	Year 3	Year 4 onwards
Removal of ineligible beneficiaries from the Old Age Pension roster	78.02	117.03	156.04	156.04
Strengthened use of MIS automated procedures for OAP	-	3.14	3.14	3.14
Inclusion of proof of life and cross procedures in OAP (added cost)	-	(3.14)	(3.14)	(3.14)
Consolidation of OVC bursary and Post-Secondary OVC Bursary (reduction in admin costs plus removal of duplications)	-	16.55	16.55	16.55
Introduction of new payment system for OAP	(2.00)	2.00	2.00	2.00
Introduction of harmonized payment system in MoSD	(2.00)	2.00	2.00	2.00
Introduction of harmonized targeting (reduction in admin cost of separate processing)	-	4.22	4.22	4.22
Introduction of MIS for PA and OVC	-	-	6.32	6.32
Expansion of CGP	(15.12)	(36.29)	(54.43)	(72.58)
Expansion of NISSA	(2.00)	(2.00)	(2.00)	(2.00)
Total SAVINGS	57	104	131	113
Total SAVINGS as % of GDP	0.25%	0.46%	0.58%	0.50%

2. The largest savings will result from the cleanup of the OAP roster of beneficiaries, roughly 25 percent of which are estimated to be ghost or ineligible beneficiaries based on demographic projections and number of beneficiaries of the civil service pension (ineligible for the OAP). Savings from strengthening of automatized processes through the OAP MIS are assumed to balance out the increased costs due to the introduction of cross-checks and proof of life

verification. Savings from consolidating the OVC Bursary and the Post-Primary OVC bursary are estimated at a conservative 20 percent per year of the total budget of the two programs, resulting from decreased administration costs and elimination of duplicate beneficiaries. The introduction of electronic payments is estimated to half the cost of payment processes (both for OAP and MoSD)³⁰. The introduction of harmonized targeting and MIS in the MoSD are assumed to lead to a decrease by 30 percent and 20 percent respectively in the total administration cost of the main programs, from a baseline of 25 percent administration costs out of the transfer budget.

3. The cost of NISSA expansion for government is estimated at M2million per year, a conservative estimate since most of the NISSA costs will be borne by EU/UNICEF support. The cost of the expansion of the CGP is estimated at M12.6million for each 6,000 households added each year of the project (roughly a quarter of the current budget, which covers roughly 25,000 households), plus a 20 percent administration cost. The total transfer budget of the CGP will be around M101 million per year after that, doubling the current level.

Economic Analysis

4. The above savings will be accompanied by an increased impact of the selected social assistance programs on the extent and depth of poverty, as well as on long term human capital of beneficiaries. The economic analysis draws on evidence from the impact evaluation of the CGP, as well as on microsimulations of the possible impacts of expansion of the CGP and of improvements in targeting of the PA.

5. The impact evaluation of the CGP finds broad array of impacts. The program has had positive impacts in areas related to program objectives, particularly child well-being, but also in outcomes not related to original program objectives. The CGP contributed to a large increase in expenditures on schooling, school uniforms, clothing and footwear for children, including a 26 percentage point increase (from a base of 46 percent) in the share of pupils (ages 6-19) with uniforms and shoes. The impact was particularly large for young boys and girls (ages 6-12), with increases of 35 and 27 percentage points, respectively. The direct impact of the CGP on the amount spent per pupil since the beginning of the academic year was M83 (from a base of M60) for children ages 6-12. The CGP led to an increase in birth registration by 37 percentage points amongst children ages 0-6 (from a baseline of 14 percent). This is an anticipated effect of the program, as there is a requirement for beneficiary children to have a birth certificate within six months of enrolment in the CGP. The study shows no significant increase in the proportion of children (0-17) that consulted a health care provider. However, the CGP contributed to a 15 percentage point reduction (from a baseline of 39 percent) in the proportion of both boys and girls ages 0-5 who suffered from an illness (generally flu or cold) in the 30 days prior to the survey.

6. Importantly, the CGP also led to an increase in the proportion of children who are currently enrolled in school. The CGP contributed to retaining children ages 13-17 in primary school, particularly boys who would have otherwise dropped out, with enrolment rates six percentage points higher for this group. The effect seems to be concentrated on late learners who are still

³⁰ Note: current cost of payments are hard to estimate given the use of government resources (armed forces and public banks). A rough estimate is used for the purpose of these calculations.

enrolled in primary school despite being older than 13 years of age, suggesting that the CGP has had a stronger impact on the most disadvantaged.

7. Finally, the CGP improved the ability of beneficiary households to access food throughout the year. The program reduced by 1.5 the number of months during which households experienced extreme food shortage, and the proportion of CGP households that did not have enough food to meet their needs at least for one month in the previous 12 months decreased by five percentage points. This translated into food security gains for both adults and children in beneficiary households. The proportion of children aged 0-17 that had to eat smaller meals or fewer meals in the three months previous to the survey because there was not enough food decreased 11 percentage points. The proportion of adults who went to bed hungry because there was not enough food decreased seven percentage points. Given the gravity of food security in Lesotho; improvements in food security are important impacts in improving well-being of the population.

8. Microsimulations show that an expansion of the CGP by 6,000 households over four years will contribute to reducing the rate and depth of extreme poverty, and that improvements in the targeting accuracy of both the CGP and the PA will contribute to reducing the depth of extreme and overall poverty. Given the current data availability, microsimulations can help estimate the possible impact of expanding program coverage on one fundamental dimension: consumption. For this purpose, we model an expansion of the GCP as supported under component 1, by 6,000 households per year for four years to reach 24,000 new recipients, thus roughly doubling its current coverage.

9. While it is impossible to simulate impacts of expanding the CGP on variables other than consumption given data limitations, it is reasonable to assume that extending access to the program throughout the country would lead to similar results for the new beneficiaries as those found in the impact evaluation. It is also important to note that some of the impacts, namely on schooling and food security, are likely to have long term positive repercussions beyond those found in the impact evaluation, through the increased human capital of children and their families. International evidence suggest that increased enrollment in schooling, for example, can lead to increased earnings for children during their lifetime.

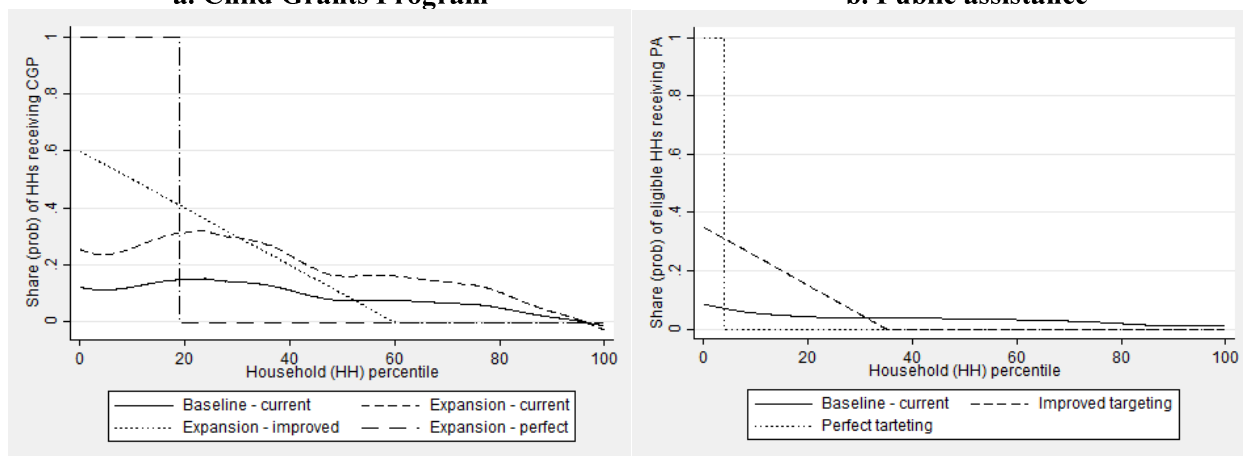
10. Data for conducting precise economic micro-simulations in Lesotho are limited and of poor quality. There are no nationally representative household surveys that have information on both consumption aggregates, household characteristics and program coverage. Moreover the most recent consumption and income survey is dated (2010/2011). However, this limitation can be overcome by combining representative household level data from the 2014 Continuous Monitoring Survey (CMS) - which covers household characteristics and program coverage - with data from the consumption distribution from the 2010/11 Household Income and Expenditure Survey (HIES). This would allow generation of the dataset which allows simulation of key impacts under the above scenarios and assumptions, in an illustrative fashion.³¹ Impacts from the

³¹ To create the dataset needed for the simulation, it is assumed that a household's rank in the asset index is a good predictor of the household's ranking in the consumption distribution. If this assumption holds, households' consumption by can be imputed in the CMS by assigning consumption levels from the HIES distribution corresponding to the household's ranking in the asset index distribution. For example, if a household is deemed at the 10th percentile by the asset index from the CMS, its consumption is imputed to be equivalent to the 10th

micro-simulations will be estimated for the two national poverty lines and for inequality measures, among recipients and among the population as a whole. The baseline poverty lines is set to match the observed poverty headcount rate for the 2010/2011 HIES, with a basic needs poverty rate of 57.1 percent and food poverty rate of 34.1 percent. Although the consumption data is from 2010/11 consumption aggregates are denominated in 2014 Malotis for the purpose of the simulation.

11. The microsimulations use three scenarios for targeting accuracy of the expansion of the CGP program: (1) Targeting with a distributional incidence similar to that of the current CGP targeting; (2) Improved targeting performance compared to the current CGP, given current government plans to revise and improve the methodology³²; (3) Perfect targeting of expansion, mostly for comparison purposes. The targeting accuracy of each of the simulation scenarios is illustrated in Figure 5.a below, showing each percentile’s probability of receiving the program. For PA, the simulations use the same scenarios above for targeting accuracy, though these refer to improvements in the targeting maintaining a constant budget for the program, not expansion; these are illustrated in Figure 5.b.

Figure 5: Targeting accuracy of each of the simulation scenarios
a. Child Grants Program **b. Public assistance**



12. The simulations suggest an expansion in CGP according to the parameters set out in the proposed project would reduce extreme poverty under both current and improved targeting by about one percentage point (Figure 6). Furthermore, the expansion would lead to a reduction in the depth of poverty (gap and gap squared – both measures of how far, on average, the poor are from the poverty line) of roughly one percentage point under current targeting and two percentage points with improved targeting.

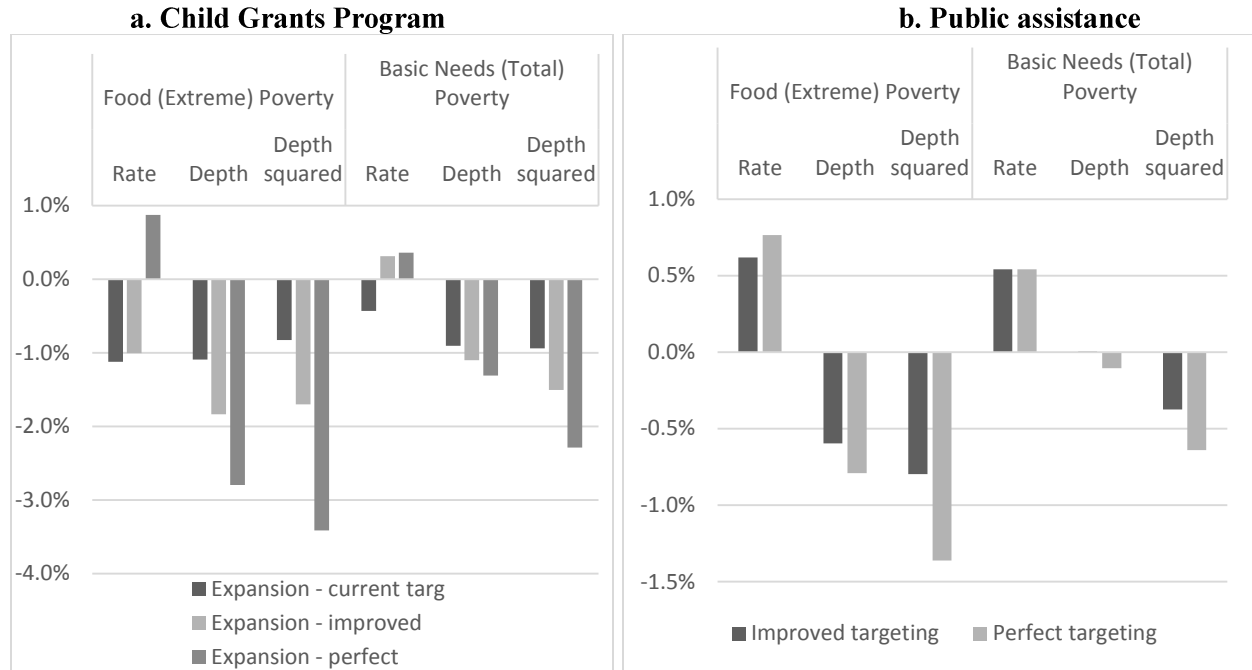
13. Improvements in the targeting of PA would, as expected, lead to an increase in the poverty rates given the redistribution of benefits from the poor near the poverty line to those far below

percentile of the consumption distributions from HIES. The resulting imputed consumption distribution will have the same distribution statistics (poverty rates, gini, etc.) as the original consumption distribution.

³² Since the targeting performance of the new methodology is not known, assumptions had to be made as to its performance. These are that the probability of being selected goes decreases linearly across the welfare scale of the target group.

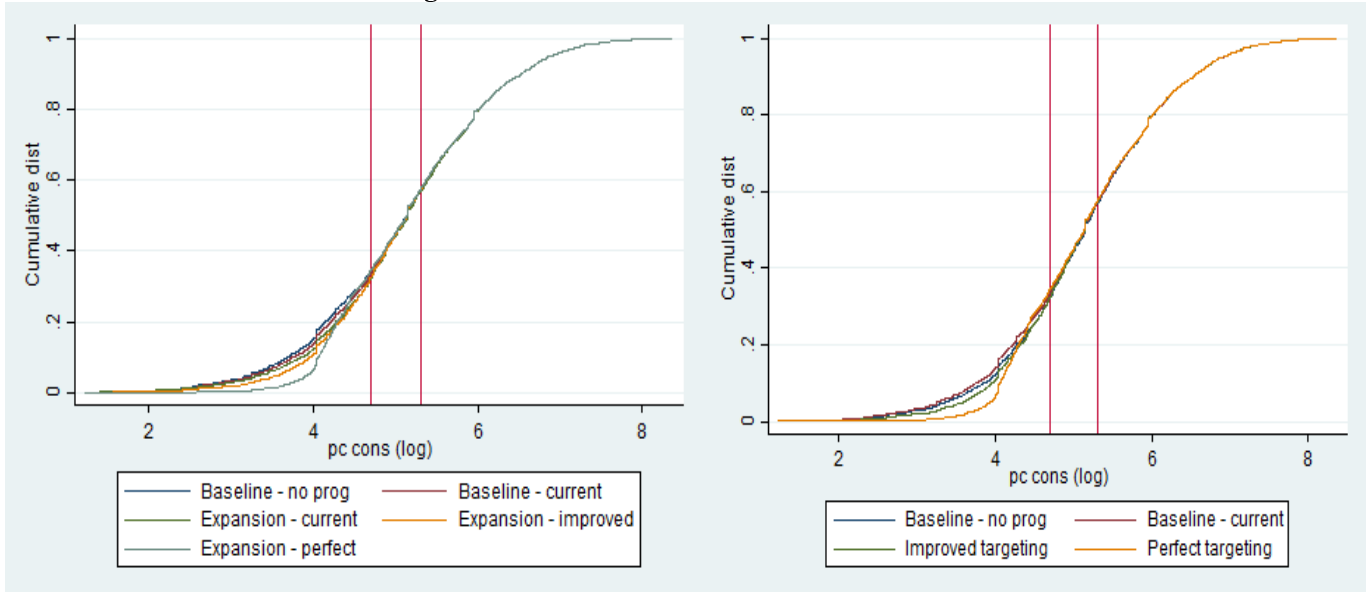
(from the just poor to the very poor). However, it would lead to a decrease in the depth of both extreme and total poverty.

Figure 6: Main results of simulations



14. As expected, the expansion and improvement in targeting accuracy would have more limited impact under the perfect targeting scenario, as the latter is defined as all of the expansion going to the poorest households, thus farthest from the poverty line and hence less likely to jump it thanks to the transfer. This is because under good targeting outcomes scenarios the main impacts of an expansion in coverage happen among the poorest households and not near the poverty line, as reflected in the poverty measures and visible in the simulated cumulative distribution functions in Figure 7. For this reason, simulated impacts of reform are strongest on extreme poverty, and on the depth rather than the incidence of poverty. Furthermore, even with the expansion, coverage of the CGP would only reach about 50,000 households, or about one quarter of poor households with children, given the vast basic needs (total) poverty rate in Lesotho (57 percent). In the long term, the GoL should expand the program further to reach a significant proportion of the poor.

Figure 7: Cumulative distribution functions under the various simulated scenarios
a. Child Grants Program **b. Public assistance**



15. Table 16 presents the complete results of the simulations of impacts. The Baseline shows estimation of poverty without the CGP/PA, as well as with the current coverage and targeting of the two programs. Poverty statistics are simulated to closely match current official estimates (from 2010/11), and also a scenario where CGP is implemented at current coverage and targeting levels, in order to illustrate the current poverty impact of CGP. The Expansion shows simulated estimates of expansion with the three targeting scenarios described above.

Table 16: Results of simulations of the under different targeting scenarios

CGP	Food (Extreme) Poverty			Basic Needs (Total) Poverty		
	Rate	Depth	Depth squared	Rate	Depth	Depth squared
Baseline - w/o CGP	33.8%	15.9%	9.7%	57.1%	29.7%	19.5%
Baseline - with CGP	32.8%	15.0%	8.9%	56.8%	29.0%	18.7%
Expansion, current CGP targeting	31.7%	13.9%	8.1%	56.3%	28.0%	17.8%
Expansion, improved targeting	31.8%	13.1%	7.2%	57.1%	27.8%	17.2%
Expansion, perfect targeting	33.7%	12.2%	5.5%	57.1%	27.6%	16.4%
PA						
Baseline - w/o PA	33.8%	15.9%	9.7%	57.1%	29.7%	19.5%
Baseline - with PA	32.9%	15.2%	9.2%	56.6%	29.0%	18.9%
Improved targeting	33.5%	14.6%	8.4%	57.1%	29.0%	18.5%
Perfect targeting	33.7%	14.4%	7.8%	57.1%	28.9%	18.2%

16. The proposed project does not introduce any new programs, but rather improves existing ones, whose core aim is to reduce vulnerabilities in the population that are either rights-based or for which the absence of a market leads to inefficient private production. For this reason, the rationale for public investment through the proposed project is clear. Some key functions under

the proposed activities (like the development of MIS, provision of payments and others) will be delegated to the private sector, as it can more efficiently and effectively provide these services.

Value added of World Bank's support

17. The Bank brings value added to the GoL efforts to address key challenges in the social protection sector through its expertise in modernizing social protection systems in various regions across the world, as well as in the design and implementation in Africa of registry and targeting systems for social protection programs, and finally in the implementation of large-scale CT programs. In particular, the Bank has extensive experience in helping countries adopt reforms that coalesce fragmented social interventions into integrated social protection systems. Furthermore, the Bank will help strengthen the MoSD's institutional capacity through the provision of TA in project management, implementation, monitoring and evaluation, and data analysis.

Annex 6: Description of Selected Social Assistance Programs
LESOTHO: Social Assistance Project (LSAP)

1. This section describes in depth the selected social assistance programs. The recent trends in annual spending on the programs are presented in Table 17.

Table 17. Trends in spending on major transfer programs (M. millions)

Program	Actual 2010/2011	Actual 2011/2012	Actual 2012/2013	Budget 2013/2014	Budget 2014/2015
Child Grants Program	n/a	n/a	n.c	37.40	50.40
OVC Bursary Scheme	41.00	52.60	54.10	31.00	41.40
Public Assistance	13.10	17.30	n.c	38.70	40.40
Old Age Pension	288.00	n/c	357.00	464.40	540.00
Total	342.10	69.90	411.10	571.50	672.20

Child Grants Program

2. CGP is a non-conditional social cash transfer program, providing support to very poor and vulnerable households with children under 18 years old³³. The program was launched on a pilot basis in 2009 with financial and technical assistance from EU/UNICEF. The program has since been expanded and, in 2013, the GoL took over the financing of the transfers cost.

3. **Coverage and Benefits.** At present the program operates in all 10 districts of the country but not all community councils (in 21 of the 64 community councils), and reaches 24,500 households. Currently the monthly benefit amount ranges from M120 for a household with 1-2 children to M250 for households with more than 5 children, payable every quarter.

4. **Implementation and Targeting.** MoSD is responsible for the overall implementation of the program, and UNICEF is providing continued technical assistance to build the ministry's capacity to independently run the CGP operations. While MoSD finances the transfer, UNICEF is still responsible for financing operating costs of CGP.

5. The CGP targets poor households that are caring for children under 18 years old. Targeting is a fairly sophisticated process, including a census-style interview to collect data from all households within a given community, feeding into the NISSA database, which thereafter categorizes households using a proxy means test (PMT). The PMT formula is used to categorize households into the following five categories (Maloti figures refer to estimate per capita monthly income): (i) NISSA 1: Ultra Poor (below 15th percentile / M.47.11); (ii) NISSA 2: Very Poor (below 30th percentile / M.81.6); (iii) NISSA 3: Poor (below 50th percentile / M.139.75); (iv) NISSA 4: Less Poor (below 70th percentile/ M.235. 20); and (v) NISSA 5: Better-off (not in any of the above categories).

³³ Although originally intended primarily to support orphans and vulnerable children the program has now expanded to cover any extremely poor households with children under 18.

6. Households in the poorest two categories are deemed to be eligible for the program. Their selection is further validated by community-level Village Assistance Committees (VAC). Pre-selected households are then invited to enroll in the program through enrollment events held at Community Council level. All of the information collected during the targeting process is entered into the management information system (MIS) of the program which is integrated with NISSA.

7. **Expenditure, Financing, and Cost-effectiveness.** The program currently serves 24,500 households (end 2014) for a budget of M50.4million (excluding operating costs) completely financed by Government. Operating costs were financed by EU and UNICEF until end of 2015, and were estimated at M.4.3 million (US\$0.35 million³⁴) in 2012 or 23 percent of program cost at that time.³⁵ Since 2015, recurring operating costs have also been absorbed by Government Budget.

8. **Financial Management.** Each quarter, the payment officer prepares the payment lists. The list contains name of Payee (member of beneficiary household designated at time of enrollment to collect payment), Unique Beneficiary Number, Payee's ID, Payment BAR CODE. The bar code contains the unique beneficiary ID as well as the amount to be paid. Together with the list the MIS generates a bar code stickers list which matches the bar codes on the payment list. Based on the list, the authorizing officer requests the appropriate amount to Treasury through a payment voucher. Treasury makes a transfer to the Ministry's account at Lesotho Standard Commercial Bank (LSCB). When the funds are available, the Chief Accountant Officer requests transfer from the Ministry's account to G4S. The money is transferred in cash to G4S. G4S is the Ministry's contractor in charge of executing the payment process. G4S delivers the cash to the paypoints and proceeds to payments to beneficiaries, based on the payment list. Beneficiaries need to present their CGP ID to collect their benefit and sign the payment list. They are not provided with a receipt in the form of a payment bar code sticker inserted in their beneficiary booklet. The payment list is made available in hard and soft copy to G4S. The soft copy with information from scanned bar codes can be uploaded in the MIS. The payment coordinator accompanies some payments, case managers and auxiliary social workers are also sometimes present. At the end of the payment cycle, based on the payment list, both the Ministry Accountants and G4S - in parallel, reconcile the payment list and the total payments. The parties agree verbally on a reconciliation report, which is then drafted jointly. The reconciliation report is drafted at least one month after payment and is co-signed by G4S and by the CGP Manager and a Ministry Director (any). The report is drafted per community council and records the number of beneficiaries to be paid and the amount disbursed to G4S; the number of beneficiaries who actually collected the payment and the total amount paid to beneficiaries; the number of beneficiaries who did not collect their payment and the amount that was not disbursed; and finally the amount to be reimbursed from G4S to the Ministry.

9. **Impact.** A rigorous impact evaluation conducted in 2013-14 by Oxford Management Policy found that the CGP had positive impact on food security, health and education. While the

³⁴ Current exchange rate.

³⁵ Kardan A., Sindou E. and Pellerano L. (2012). The historic and future costs of the CGP and its affordability. Oxford Management Policy, EU/UNICEF.

CGP is an unconditional cash transfer, in practice beneficiaries receive a very effective messaging that the cash transfer should be spent on children, which was closely followed by beneficiary households. The CGP contributed to retaining children ages 13-17 in primary school, particularly boys who would have otherwise dropped out. It contributed to a 15 percentage point reduction (from a baseline of 39 percent) in the proportion of both boys and girls ages 0-5 who suffered from an illness (generally flu or cold) in the 30 days prior to the survey. The program reduced by 1.5 the number of months during which households experienced extreme food shortage, and the proportion of CGP households that did not have enough food to meet their needs at least for one month in the previous 12 months decreased by five percentage points.³⁶ The CGP was not associated with a significant reduction in poverty rates amongst beneficiary households two years after the introduction of the pilot in the study areas, however beneficiaries' welfare has improved and trends are encouraging.

³⁶ FAO, 2014. *Policy Brief - Country Series: The Broad Range of Impacts of the Child Grant Program in Lesotho*. Food and Agriculture Organization of the United Nations, Rome, Italy.

Box 1. National Information System for Social Assistance (NISSA)

The National Information System for Social Assistance (NISSA) was launched in 2009 as a component of the Child Grants Program Pilot, to collect and manage socioeconomic information at household and individual level with the goal of targeting poor households with children.

Although it was created to initially serve one program (the CGP), NISSA is intended to serve two functions: be a single national registry for all social protection programs, and a unified system for targeting of social protection programs. It is housed within the MSD.

The single registry function of NISSA is currently being tested under the Integrated Safety Nets pilot run by the MSD with support from UNICEF and the EU. This pilot seeks to test out the integration of several social transfer programs, through the use of common operational tools (Management Information System –MIS-, targeting, case management, payment, etc.), based on the assumption that such harmonized response would reduce operational costs and create better synergies among the MSD programs to respond to poor and vulnerable. Through the pilot, beneficiaries of PA and OVC bursary are recorded in the NISSA registry, alongside those of the CGP who already populate the database.

Targeting is based on ranking of households according to a Proxy Means Testing (PMT) formula. Households are surveyed on a blanket census base prior to program roll out, the PMT is applied by the system, and based on the score each household is classified into one out of five categories. The poverty classification is validated at community level by the local Village Assistance Committee. The registry of beneficiaries is currently limited to CGP but its expansion to two other programs is currently being piloted under the Integrated Social Safety Nets program.

A review of NISSA targeting was carried out by Oxford Policy Management, which concluded that while NISSA performs well by international standards in terms of inclusion/exclusion errors, it is currently constrained by its lack of national coverage and problems with the methodology. Namely, the PMT and community validation were both effective in increasing the focus of resources on the poorest; however, there is limited overlap between the two criteria, since the PMT produces relatively high (yet standard) inclusion errors while the community validation resulted in high exclusion errors. The limitations of the PMT are mostly due to data constraints and data quality, though the modeling approach could possibly also be improved. On the other hand, the experience with Village Assistance Committees (VACs) has suffered from levels of elite capture, but also lack of understanding of the validation role, absence of standard methodology to perform the validation task, and irregularity in members' participation.

The GoL has confirmed its commitment to develop a new targeting methodology for the CGP, (and possibly for all Social Assistance programs), which will be more broadly based on community-based targeting, and in parallel expand the national beneficiary registry. It is currently redefining its strategies for both. The proposed project will support the implementation of the new targeting methodology as well as the expansion of the registry in terms of population covered and programs integrated.

OVC Bursary

10. The OVC Bursary program was established in 2000 with the objective of providing educational support to orphans and vulnerable children (OVC) to increase their access to education. The program moved from the Ministry of Education to the MoSD in 2012.

11. **Coverage and Benefits.** The program provides bursaries to about 11,458 secondary students who are identified as OVCs who live in all 10 districts of the country. This represents about 10 percent of poor children of secondary school age. The amount of the bursary varies by type of school and by grade, but follows the harmonized fees structure as defined by the MOET. The support provided covers tuition, stationery and book fees, as well as boarding fees, if applicable. The students financed under the Global Fund component also receive uniforms and hygiene kits. The average transfer per beneficiary is about M2,158 (US\$179) per student per year.³⁷

12. **Implementation and Targeting.** A student is eligible for an OVC Bursary if s/he has lost one or both parents, or has a sick, disabled or incarcerated parent, or is considered needy (for which no definition is established). Applicants submit an application to the District OVC Bursary Unit at the District Social Welfare Office.³⁸ Bursary administrators select beneficiaries on the basis of the documentation presented by applicants, and there is no home visit. Applicants must be younger than 18 years at the time of application and are required to bring the following: (i) Signed application form, stamped by the Chief; (ii) Letter from their village or area Chief confirming residency and need; (iii) Copy of birth certificate; (iv) Copy of parents' death certificates, if applicable; (v) Medical letters confirming the parent/guardian unfitness to earn a living, if applicable; (vi) Proof of school admission; (vii) Parent or guardian identification.

13. Districts are granted a quota of bursaries for each school year, and bursary administrators grant the bursary until the quota is reached. In the face of budget constraints, OVC Bursary personnel report that priority is typically given to double orphans. Allocation of quotas to districts is based on school enrollment. As part of the ISSN pilot launched in 2014 with the support of EU/UNICEF, targeting will be based on poverty incidence in the pilot areas.

14. **Expenditure, Financing, and Cost-effectiveness.** In 2014, total expenditure was M41.4 million (US\$3.4 million), for a total of 11,458 students.³⁹ Expenditures on the OVC bursary are down from a peak of M69.1 million in 2011, with the number of beneficiaries down from a high of 26,905 in 2010, when the Global Fund used to contribute to the program. Without additional Government resources, this trend is likely to continue as the Global Fund support has been phased out. Administration costs of the OVC bursary are estimated at 22 percent which seems high considering that payments are made only once a year directly to schools' accounts.

15. **Impact.** The bursary scheme is an important effort to enable deserving children to go to secondary school, but it is not necessarily targeting the poorest. Thirty three percent of the beneficiaries belong to the two richest quintiles (See Table 18 below).

³⁷ World Bank (2015), Lesotho: Review of the Public Assistance and OVC Bursary Scheme, Maseru, Lesotho.

³⁸ Some OVC Bursary Offices are still located in District Education Offices.

³⁹ MoSD, (unpublished). Bursaries report 2014, Maseru.

Table 18: Distribution of OVC beneficiaries by quintile

Q1	Q2	Q3	Q4	Q5
23%	28%	16%	22%	11%

Source: Own analysis based on data from ASPIRE analysis of the latest CMS survey conducted in 2013/14.

16. Even with the OVC Bursary, the out-of-pocket costs of secondary education (including uncovered fees, transportation and uniforms) remain high. The bursary does not cover capital development fees, some special subjects (e.g., computer fees), or school trips. Additionally, top-ups may be charged by the school to compensate for the loss of income resulting from the newly harmonized fee schedule. Transportation, uniforms, and shoes are costly for poor parents and are also not covered by this bursary. These out-of-pocket costs present a financial obstacle to enrollment among poor households.

17. The application process imposes time and travel costs on applicants. Applications are made at OVC bursary offices in the district capital only. In the absence of criteria for vulnerability, orphan status is the key determinant of eligibility, with priority given to double orphans. Some MoSD staff report that they receive pressure from Members of Parliament to accept certain applicants. The Bursaries Unit has difficulty managing the volume of bursaries, particularly applications and monitoring of enrollment.

18. **Payment.** Payments are made to schools in July (and sometimes later) although the school year begins in January. Timing of payments from MoSD to schools has been identified as an issue. This results in problems for schools, which have difficulty planning and advancing monies for purchase of supplies. Schools may therefore not use funds as intended by MOET. Some schools have responded to the new requirement to adhere to the harmonized fee structure by charging top-up fees. If the top-up is not paid, schools may withhold grades from students, impacting their ability to advance their education or enter the workforce. Other schools have responded by limiting distribution of textbooks or reducing their school lunch programs, both of which should be covered.

19. **Duplication.** The National Manpower Development Secretariat (NMDS) implements a Post Primary Bursary (PPB) for an annual budget of M15.8 million. Currently the two bursary programs run in parallel and no coordination mechanisms have been put in place to ensure synergies. Despite having similar goals, selection is based on merit and vulnerability for PPB, and solely vulnerability for the OVC; selection processes are different – list submitted by school directors and individual assessments respectively. Duplication of benefits is possible and probable, as there is no database cross-match. Parallel selection and administration processes also duplicate efforts and result in an inefficient use of scarce resources at Government level. In the recent years, the budget available at MoSD for the bursary has experienced a decreasing trend, impacted by the end of the Global Fund support. Since the cohort of vulnerable secondary students is higher than the amount of bursaries offered, it is important to rationalize the use of scarce resources. Harmonizing these programs could reduce administrative costs and allow for greater budget space for transfers

Public Assistance

20. The Public Assistance Program (PA) is Lesotho's oldest safety net program. The program has two components: Permanent Assistance and Temporary Assistance. Permanent assistance is designed to provide in cash and in-kind support on an on-going basis, while the Temporary window is designed to provide assistance for up to six months.

21. **Coverage and Benefits.** Between April 2014 and January 2015, PA served 11,800 households (permanent and temporary PA included). The cash benefit is M250 per person per month (US\$21.73) or about 87 percent of the adult equivalent poverty line.⁴⁰ The District Social Worker determines the benefit amount to each household. The regulations do not define a maximum benefit per household; and districts apply different formulae to arrive at the household total benefit for households, but districts typically allocate M250 for about half the family members as the maximum. In-kind benefits are determined on a case-by-case basis and comprise food, hygiene kits, or assistive devices for persons with disabilities.

22. **Implementation and Targeting.** Beneficiaries need to register for the PA at the district office of the Department of Social Welfare or be referred by their Village Chief. The following groups are eligible to apply for Public Assistance: 1) orphans and vulnerable children; 2) severely disabled; 3) severely ill; and 4) very elderly. Guidelines for what constitutes severely disabled, severely ill and very elderly are not given and targeting criteria are vague. The targeting assessment is then done on a case-by-case basis at the discretion of officials in the district offices using the following criteria: (i) households without a regular income; (ii) households with monthly incomes of less than M.150 (US\$12) per month; and (iii) households with livestock and/or fields or other assets that cannot generate an income of M.150 per month.

23. **Expenditure, Financing, and Cost-effectiveness.** The PA is fully funded by the government, and the approved budget for transfers is M40.4 million (US\$3.4 million) for FY2014/15 or about 0.18 percent of GDP. Expenditures between April 1, 2014 and January 2, 2015 (the 1st through 3rd quarters of FY 2014/15) are estimated at M24.1 million (USD2.1 million), or about 70 percent of the budget allocation for the fiscal year. Time-series data on expenditures on Public Assistance is not available. Administration costs of PA are estimated at M11.6 million (US\$ 0.96million) for FY 2014/15, or around 29 percent of total budget costs. This estimation does not take into account the cost associated with the use of armed forces or G4S for the delivery of cash during quarterly payments.

24. **Impact.**⁴¹ Public Assistance reaches only a small share of the poor and there is considerable leakage to the non-poor. A continuous multi-purpose survey, conducted in 2013 by the Lesotho Bureau of Statistics collected information on social protection benefits. Analysis of the survey results indicates that Public Assistance reaches only about 3 percent of households in the poorest quintile while also covering 2 percent of households in the wealthiest quintile (Table 20). More than 61 percent of beneficiaries are from the two poorest quintiles; however over a

⁴⁰ Based on 2002/03 poverty line, adjusted for inflation.

⁴¹ World Bank (2015), Lesotho: Review of Public Assistance and OVC Bursary scheme, Maseru, Lesotho.

third are from the two wealthiest quintiles (Table 20).⁴² As mentioned above, eligibility is based on categories (very old, severely ill, and severely disabled) that are not clearly defined and income thresholds are largely unverifiable.

Table 19. Coverage of public assistance by quintile

Q1	Q2	Q3	Q4	Q5
2.87%	2.47%	2.24%	1.77%	0.86%

Source: Own analysis based on data from ASPIRE analysis of the latest CMS survey conducted in 2013/14.

Table 20. Distribution of public assistance beneficiaries by quintile

Q1	Q2	Q3	Q4	Q5
30%	26%	26%	7%	11%

Source: Own analysis based on data from ASPIRE analysis of the latest CMS survey conducted in 2013/14.

25. The application process is administratively cumbersome and imposes time and travel costs for applicants. The number of requirements to apply for PA may exclude those who are most vulnerable and excluded. The Chiefs are the first point of contact and stakeholders raised concerns of collusion and corruption. The application process includes a home visit and community investigation, but resource constraints limit the number of home visits that social workers can make and this results in long waiting lists.

26. Payment in cash (including preparation of payments, transfer and disbursement of cash, and reconciliation of payments) is labor intensive and this increases administrative costs. The payment process also results in high transaction costs for beneficiaries. Beneficiaries are required to bring their benefit payment book where receipt of benefits is recorded and a photo ID to receive their payment. Beneficiaries sign the pay list when they receive their payment. Illiterate beneficiaries stamp their thumb print instead of signing the payment register. There is no way to verify signatures or thumbprints. Reconciliation processes are unclear.

27. There is no regular schedule for recertification of beneficiaries and many beneficiaries remain on the rolls for years, while eligible applicants have to be placed on a waiting list. Public Assistance does not have a systematic way of recording and managing information and cannot even provide detailed information on the number of beneficiaries. Records are paper-based and then hand prepared lists are entered in Word and Excel reports. There are inconsistencies between districts with respect to the data that they report that they maintain.

28. Accountability and control mechanisms are weak. The lack of national data on the numbers served contributes to an overall lack of accountability. In addition, there is no operations manual for Public Assistance, only outdated and vague guidelines. There is no independent appeals and complaints mechanism. The Accountant General audits the MoSD, including Public Assistance, annually; however, internal audits are conducted on an ad-hoc basis.

⁴² These are preliminary data based on initial analysis of the latest CMS survey conducted in 2013/14.

Old Age Pension

29. The largest safety net transfer in Lesotho is the Old Age Pension program (OAP). This is a universal, non-contributory pension paid to all Basotho over the age of 70 not receiving a civil service pension from the government.

30. **Coverage and Benefits.** The number of beneficiaries has grown from about 65,000 when the pension was introduced in 2004 to 85,087 in January 2015 (about 4.4 percent of the population), far more than expected based on the projected population of the elderly 70 years and older. Lesotho Bureau of Statistics population projections (medium variant) for 2015 estimate about 67,500 elderly persons above the age of 70.⁴³ Furthermore, about 7,000 elderly receive a Civil Service pension, which makes them ineligible to receive the OAP. These numbers suggest that up to 30 percent of beneficiaries may be ineligible based on age or receipt of other pension.⁴⁴ Monthly benefits were initially of M150 (US\$12) in 2004 when the program was launched and have been raised significantly over the years and by 2014 had reached M500 (US\$44) per pensioner per month.

31. **Implementation and Targeting.** The program is administered by the Pensions Division of the Ministry of Finance. The pensions are paid in cash on a monthly basis through 47 Postal Banks and over 200 pay points (including pay points that are serviced by helicopter due to poor accessibility by road). The government is exploring the possibility of adopting electronic payments and of using biometrics to help to identify beneficiaries.

32. The OAP is categorically targeted to all citizens over the age of 70 except for ex-civil servants who are receiving a government pension of a higher value. There is no restriction for retirees who are receiving pensions from the private sector.⁴⁵

33. **Expenditure, Financing, and Cost-effectiveness.** The current cost of the OAP is about M540 million (US\$45 million) annually (about 5.2 percent of total public expenditure), excluding operating costs of about M33 million per year (US\$2.7 million). At roughly 6 percent of total budget, administrative costs appear low to the international benchmark of about 10 percent for cash transfers.⁴⁶ However, these costs are underestimated as they do not take into account the human resources cost of involving the armed forces in the payment process and the actual fee (currently subsidized) that Standard Lesotho Bank would charge for their intermediation services. Additionally, about 50 percent of the administrative budget goes towards making payments.

⁴³ Lesotho Bureau of Statistics @

<http://www.bos.gov.ls/New%20Folder/Copy%20of%20Demography/Population%20Projections%20Summary%20Report%20%20August%202010.pdf>

⁴⁴ U.N. Population Division medium variant projections give the 70 and over population as 54,000, which means that the share of ineligible beneficiaries could be as high as 31 percent. U.N. Population Division @

<http://esa.un.org/unpd/wpp/unpp/p2k0data.asp>

⁴⁵ A small number of beneficiaries of the African Pioneer Corps (APC) pension scheme, which is targeted to servicemen who participated in the First and Second World Wars (or their widows), are also entitled to a pension. The APC provides a pension of M.200 per month. According to a representative of the Ministry of Finance and Development Planning, approximately 600 ex-volunteers and 3,000 widows are currently receiving the pension.

⁴⁶ Margaret Grosh, Carlo del Ninno, Emil Tesliuc, and Azedine Ouerghi (2008) For Protection and Promotion: The Design And Implementation of Effective Safety Nets, World Bank, Washington, DC.

34. **Impact.** The OAP is an important instrument to lift elderly households out of poverty and limit their vulnerability to shocks;⁴⁷ but relies on antiquated and inefficient processes and its impact is diminished by a number of operational deficiencies. While there has been no systematic assessment of the impact of the OAP on consumption and poverty, two reviews⁴⁸ identified a number of positive poverty-related effects: OAP benefits are shared within households, and there is some evidence that consumption and educational attainment of children in the household increases as a result of the pension. The same evaluations reported that the proportion of beneficiaries reporting that they never or rarely had enough food to satisfy their hunger fell from 80 percent to 40 percent after receiving the pension. Another assessment⁴⁹ noted increases in self-esteem among the elderly and indicated that a large proportion of the pension (60 percent) is being spent on food. This assessment estimated that around 20 percent is spent on dependent orphan children.

35. The current benefit is M500 (US\$44) per month, which is consistent with benefits in other lower-middle income Sub-Saharan countries. As shown in Table 21, the benefit is greater than all relevant poverty lines. The benefit is similar to that found in other lower-middle income countries in Sub-Sahara Africa. For example, in Cape Verde the benefit as a ratio of the US\$1.25 per day international poverty line is 1.82 and in Swaziland it is 1.14.⁵⁰

Table 21: Ratio of benefits to poverty line

		Ratio: Monthly Benefit over ⁽¹⁾
Poverty Line (2014) ⁽²⁾	M246/month	1.70
Food Poverty Line (2014) ⁽²⁾	M138/month	3.02
International Poverty Line PPP	US\$1.25/day	1.15

This ratio represents how large the monthly benefit is compared to the relevant poverty line 2014 poverty lines are estimated using the 2010/11 Household Budget Survey poverty line and adjusting for inflation

Source: World Bank (2015). Lesotho Old Age Pension Diagnostic, Maseru, Lesotho.

36. The Old Age Pension is clearly an integral and important part of the social safety net in Lesotho that protects a critical group of vulnerable Basotho – the elderly – from extreme poverty. However, it is estimated that an important share of the benefits accrue to the non-poor. The most recent CMS indicates that while the poor (quintiles 1 and 2) receive 49 percent of the transfer, 51 percent accrues to the non-poor (Table 22). This does not contracts with the design of the program however, which is universal in nature.

Table 22. Distribution of old age pension benefit across quintiles

Q1	Q2	Q3	Q4	Q5
31%	18%	22%	14%	14%

Source: Own calculations based on CMS 2012/13

⁴⁷ H.M. Bello; E.M Letete; M.T. Rapapa; L.L. Chokobane H.M Bello, E.M. Letete; M.T. Rapapa, L.L. Chokobane (2007) An Evaluation of the Poverty Reduction Impact of the Non-Contributory Old Age Pension Scheme in Lesotho: The Case of Manonyane, University of Pretoria, Pretoria.

⁴⁸ Croome et al (2007)

⁴⁹ Ayala Consulting (2011b)

⁵⁰ Melis Guven and Phillippe Leite (2014). The Slippery Slope: Explaining the Challenges and Effectiveness of Social Pensions to Fight Poverty in Sub-Saharan Africa, draft, World Bank, Washington, DC.

37. Increasing the efficiency of administration of the Old Age Pension would allow to make considerable savings over the short term. As mentioned above, a recent review of the Old Age Pension identified the number of “ghost” beneficiaries to at least 20 percent of the beneficiary rolls, not taking into account existing beneficiaries who do not comply with eligibility criteria (are under 70 or receive a civil pension).⁵¹ Interviews and other reports point to the fact that the presence of a large number of ghost beneficiaries is likely the result weak proof of life and eligibility certification systems, and inexistent systematic procedures to keep the rolls up-to-date. The system implies great scope for complicity between Chiefs, families and/or staff. Therefore, implementing new eligibility verification systems, to regularly verify the life status of beneficiaries, as well as regular cross-checks with the Civil Registry and the Civil Pensions data base. In addition, an additional area where efficiency gains can be made is through exploring the use of electronic ways to deliver the cash to beneficiaries.

⁵¹ World Bank (2015), Lesotho Old Age Pension Diagnostic, Maseru, Lesotho.

Table 23: Key parameters of OVC bursary, public assistance, old age pension and child grants program

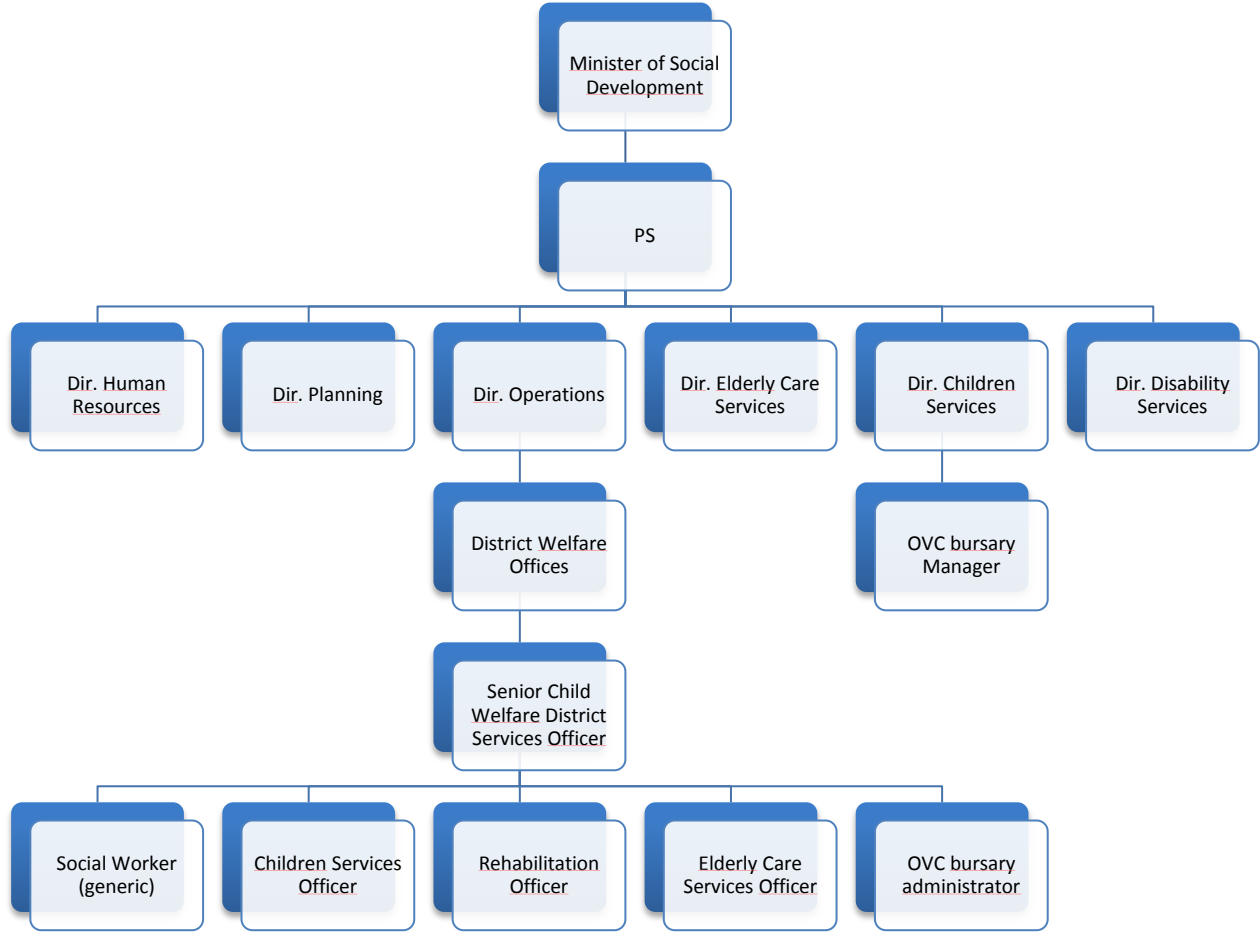
	OVC Bursary Program (1)	PPB	PA Public Assistance (1)		OAP Old Age Pension (2)	CGP Child
			Temporary	Permanent		
Number of individual beneficiaries 2014	13,172	5,180	11,800		85,087	
Number of HH beneficiaries 2014	Not available	Not Available	Not available		Not available	24,500
Benefit	Bursary for secondary education	Bursary for secondary education	Cash/in- kind transfers		Cash transfer	Cash transfer
Amount of cash benefit per person	Variable depending on secondary annual fee	Variable depending on secondary annual fee		M.250/month	M. 500/month (US\$ 40.6/month)	
Average cash benefit per HH	Same as above	Same as above		M.500/month* (US\$ 40.6/month) [* no set max benefit per HH. Occasional rule: max=M250x(HH members/2)]	Not available	M.120/month (for family with 1-2 children) M.200/month (for family with 3-4 children) M. 250/month (for family with more than 5)
Max amount of cash benefit per HH	No max	No max.	No max. No clear guideline		No max. [to be confirmed the possibility to have more than 1 benefit per HH]	M.120/month (for family with 1-2 children) M.200/month (for family with 3-4 children) M. 250/month (for family with more than 5)
Frequency of cash benefit payment	Annual payment to schools	Annual payments to School	Quarterly		Monthly	Quarterly
Payment mechanism in Maseru	Directly to school in July	Directly to schools	Post Bank in cash		Post Bank in cash	
Payment mechanism out Maseru	Directly to school in July	Directly to schools	District Welfare Office or Pay points		Post Bank and Pay points	
Length of benefit	Till the end of secondary education		Six month	Permanent till death	Permanent till death	

Point of service and eligibility decision	District level (District OVC Bursary Unit at the District Social Welfare Office)		District level (District Welfare officer or Chief)	District Level (District Administrators Office)	
Primary payment list responsible			District Welfare officer	Ministry of Finance	
Expenditure (annual) 2014/2015	M 41.4 m (US\$3.35 m)	M 15.8m (US\$ 1.31m)	M.40.4 m (US\$ 3.27 m)	M. 540 m (US\$ 43.8 m)	M. 50.4 m (US\$ 4.08 m)
Expenditure (annual) 2014/2015 as percentage of GDP (2013)	0.14%		0.14%	1.88%	0.17%
Administration cost			Not available	Not Available Payments at district level include Armed Forces which may not include in the total expenditures of the program	
Targeting method	Categorical and/or means tested	Categorical (merit) and/or means tested	Categorical and means tested or Categorical	Categorical	Categorical and means tested
Target Group (categorical targeting)	1) Orphans; 2) children with sick, disable or incarcerated parent; or 2) needy No guidelines for needy	Performing OVC students	1) Orphans; 2) vulnerable children; 3) Severely disabled; 4) Severely ill; and 5) very elderly. No guidelines for 3-5	All with 70 y/o or above except those receiving civil service pension	Poor households (NISSA 1 and 2) with children under 18
Individual targeting	For needy' s, Letter of the chief No home visit		For needy' s, Letter of the chief	No	
Geographical distribution of budget	Quota of bursaries for districts Allocation based on # of poor HH in the district is testing in ISSN		Historical distribution per district		
MIS	No MIS. Database in excel at district level with some level of consolidation at central level		No MIS. Paper based at local level	2011 MIS Difficulties to use	MIS in use
M&E	Quarterly Monitoring report. No IE.		No monitoring report. No IE	No monitoring report 2007 Impact Evaluation study	Regular monitoring 2014 Impact evaluation
Operational Manual	No OM in use for entire program.		No OM. Not procedures in place	No OM. There are general guidelines	

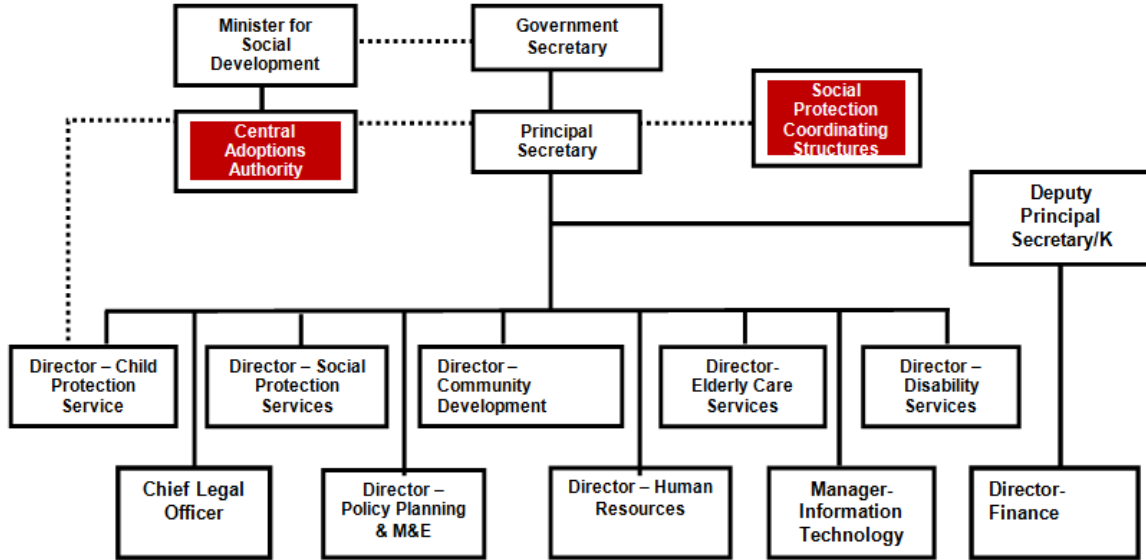
	A 2013 version is in use for ISSN			(2012)	
Targeting Accuracy (Poorest 20%) (3)	23%		30% (cash PA)	31%	34%
Targeting Accuracy (Poorest 40%) (3)	51%		56% (cash PA)	49%	65%
Recertification			Initiated in 2013, not completed		

Annex 7: Ministry of Social Development Organizational Structure

MOSD Current Organizational Structure



MOSD Proposed Organizational Structure



Legend:
 — Reporting/line management responsibility line
 Functional Line