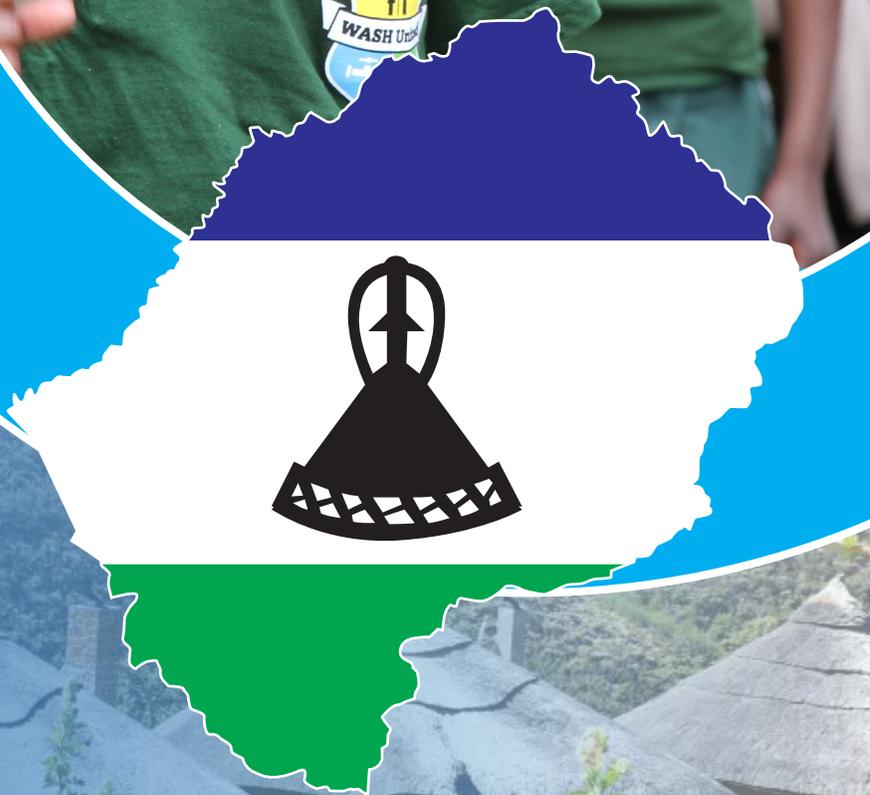


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LESOTHO

Social Protection Programs and Systems Review

Authorized for Publication



Foreword

I am pleased to launch this Social Protection Program and Systems Review for Lesotho, which takes stock of the current performance of Lesotho's social protection policies and programs and their appropriateness in the face of the poverty and vulnerability profile of the country.

To be effective, social protection systems need to be tailored to the social, economic, fiscal and policy contours of a country, which may change over time. In the context of Lesotho that would mean to provide support to households and vulnerable individuals to protect them from poverty and food-insecurity, shocks coming from frequent droughts, the consequences of the global Covid-19 pandemic. It would also mean providing support to poor and vulnerable individuals to help them improve their livelihoods and invest in their children's human capital.

Lesotho has made significant investments in developing social protection programs as part of the Government's commitment to protecting vulnerable groups. Over the last two decades, Lesotho has put in place and scaled up a lifecycle approach to social protection systems. Lesotho has a developed social protection system that makes regular transfers to its beneficiaries, covering vulnerabilities throughout the life cycle. As a result, Lesotho now spends 6.4 percent of Gross Domestic Product (GDP) on social protection. This is a considerable share compared to most other countries regionally and globally.

While several social assistance programs in Lesotho are found to be effective, whether measured by impact or spending effectiveness, cost-effectiveness varies. Most of the overall social protection spending goes to old-age pensions, school feeding, and tertiary bursaries. In contrast, the poverty targeted programs which have higher cost-effectiveness are very small in scale and provide very low benefits.

It is my sincere hope that the analysis of this report will be helpful for the next steps in Lesotho's quest to strengthen social protection systems and furthering its commitment to protecting vulnerable groups.

Marie Françoise Marie-Nelly

World Bank Country Director

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Three core World Bank documents which are referred to as background papers are:

- 2019 World Bank Lesotho Poverty Assessment;
- 2020 World Bank social protection public expenditure review by Boko, J, Raju, D., and S. Younger. “Welfare, Shocks and Government Spending on Social Protection Programs in Lesotho”;
- 2016 World Bank youth employment review by Troiano, S., Santos, I., and J. Rigolini. “Youth Employment Programs in Lesotho - The Policy Gaps (and Overlaps)”.

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Government Fiscal Year: April 1-March 31

Currency Equivalents

Currency Unit: Lesotho Loti (Maloti) (LSL)

LSL 16.81 = US\$1.00



ABBREVIATIONS AND ACRONYMS

AF	Additional Financing	MoET	Ministry of Education and Training
CBT	Community-based Targeting	MoFRSC	Ministry of Forestry, Range, and Soil Conservation
CGP	Child Grants Program	MoSD	Ministry of Social Development
CERC	Contingent Emergency Response Component	MoGYSR	Ministry of Gender, Youth, Sports and Recreation
COVID-19	Coronavirus 19	NGO	Non-Governmental Organisation
CRW	Crisis Response Window (CRW)	NISSA	National Information System for Social Assistance
DHS	Demographic and Health Survey	NMDS	National Manpower Development Secretariat
DMA	Disaster Management Authority	NSDP	National Strategic Development Plan
EU	European Union	NSPCC	National Social Protection Cabinet Committee
EWS	Early Warning System	NSPPC	National Social Protection Policy Committee
FAO	Food and Agriculture Organization	NSPS	National Social Protection Strategy
FPL	Food poverty line	NSPTC	National Social Protection Technical Committee
GDP	Gross Domestic Product	OAP	Old Age Pension
GRS	Grievance Redress Service	OVC	Orphans and Vulnerable Children
HCT	Humanitarian Country Team	PAP	Public Assistance Programme
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Human Immunodeficiency Syndrome	PMT	Proxy Means Testing
IMF	International Monetary Fund	PPP	Purchasing Power Parity
ISSN	Integrated Social Safety Net	SACU	Southern Africa Customs Union
LFSSP	Linking Food Security to Social Protection Programme	SADP	Smallholder Agriculture Development Project
LSL	Lesotho Maloti	SPRINGS	Sustainable Poverty Reduction through Government Service Support (SPRINGS)
LVAC	Lesotho Vulnerability Assessment Committee	TA	Technical Assistance
MICS	Multiple Indicator Cluster Survey	UN	United Nations
MIS	Management Information System	UNICEF	United Nations Children’s Fund
		VAC	Village Assistance Committee
		WMP	Watershed Management Programme



Introduction

A. Context

Lesotho, a high-altitude, landlocked country of 2.1 million people encircled by South Africa, has made gains in poverty reduction over the last decade but challenges of shared prosperity remain. With a gross national income per capita of \$1,390, Lesotho is classified as a lower middle-income country. However, poverty remains higher than neighbouring countries and Lesotho faces frequent shocks. These include the devastating impact of widespread HIV/AIDS in the early 2000s, as well as frequent and severe draughts which put a significant portion of the population at risk of food insecurity.

The country has made significant investments in developing social protection programs as part of the Government's commitment to protecting vulnerable groups. Over the last 20 years Lesotho has sought to develop and scale up a lifecycle approach to social protection programming. As a result, Lesotho now ranks highest among spending on social protection as a share of Gross Domestic Product (GDP) of any African country and twice that of its neighbours – 6.4 percent. The Government also organized and deploy social assistance measures in response to significant shocks, the most recent of which is the current coronavirus pandemic (COVID-19).

In sum, while several social assistance programs in Lesotho are found to be effective, whether measured by impact or spending effectiveness, spending on social protection is very high and cost-effectiveness varies. Most overall social protection spending goes to old age pension, school feeding, and tertiary bursaries. These programs enjoy strong popular and political support, but have low cost-effectiveness. Tertiary bursaries are even regressive in nature. In contrast, the poverty targeted programs which have higher cost-effectiveness are very small in scale and provide very low benefits. This assessment recommends that the Government reviews the allocation of spending across the social protection programs with a view to improve value for money.

With the ongoing COVID-19 crisis, social protection is critical to protect households from poverty, food-insecurity and loss of assets, investments, and human capital. This report was prepared as the global COVID-19 pandemic was spreading across the globe and in Lesotho. Hence, the report does not aim to assess the final impacts nor evaluate the response of the social protection system in Lesotho. The impacts of COVID-19 in Lesotho are compounded by the previous year's drought which had already increased the level of food insecurity for large numbers of rural households. Given that COVID-19 worsened unemployment, reduced

remittances, closed schools, and further increased food-insecurity, the social protection system in Lesotho was faced with a large challenge to respond to.

B. Objective of the Assessment

Providing social protection that is effective and equitable, as well as fiscally affordable is a challenge for many countries. Social protection programs and tools can help the poor and most vulnerable mitigate economic and fiscal shocks, but also ensure greater equality of opportunity. While simulations worldwide show that without these programs poverty incidence would be much higher, there is almost always room to improve efficiency and efficacy of social protection programs, as well as better integrate them with other services. Moreover, increasingly tight fiscal space makes the need to enhance social protection programs efficiency and sustainability ever more urgent.

The main objective of this report is to take stock of the current performance of Lesotho's social protection policies and programs and their appropriateness for the main development challenges facing the country. Specifically, the fit of programs in the face of the vulnerability profile of the country will be reviewed, both in terms of chronically poor and vulnerable groups, as well as those exposed to shocks. Program mix, coverage performance, and efficiency are reviewed. The report assesses how the overall systems, individual programs, and backbone delivery functions could be adjusted to better achieve objectives of shock responsiveness, economic inclusion, and human development outcomes.

C. Scope of the Report

This report covers non-contributory social assistance and selected labor market programs and policies. Contributory social insurance programs, including civil service and other contributory public pensions are not included in this report. Contributory pensions are an instrument largely used by better off households.¹ Active labour market programs are reviewed with a specific emphasis on youth unemployment. Therefore, this report focuses on a sub-set of the social protection landscape, in particular programs more closely oriented towards addressing the more vulnerable populations. The focus on social assistance and youth employment encompasses the lions' share of social protection programs and government expenditures.

¹ The social insurance pillar is relatively limited in the Southern African Customs Union (SACU) countries, as they mainly rely on non-contributory pensions to address risks related to old age. Most SACU countries have old-age social pensions as the main component of their pension systems with small contributory programs (mostly for civil servants and/or voluntary schemes).



The review draws on already available material prepared by the World Bank and others. It seeks to integrate recent assessments of poverty and vulnerability in Lesotho, public expenditure reviews of social protection, and program performance reviews and impact assessments principally.² Updated data is drawn from the World Development Indicators, PovcalNet, ASPIRE, and other available databases. The experiences of the World Bank supported Social Assistance Project in terms of strengthening the backbone delivery systems, and improving the equity, efficiency, and shock responsiveness of the social protection system also serve as a bases of this report.

The report presents the following main areas of analysis:

- Chapter 1 presents a poverty and vulnerability profile that identifies the key challenges facing the nation’s social protection system.

² A list of documents serving as the basis for this analysis is provided in the Bibliography. Key documents include:

2019 World Bank Lesotho Poverty Assessment;

2020 World Bank social protection public expenditure review by Boko, J, Raju, D., and S. Younger. "Welfare, Shocks and Government Spending on Social Protection Programs in Lesotho";

2016 World Bank youth employment review by Troiano, S., Santos, I., and J. Rigolini. "Youth Employment Programs in Lesotho - The Policy Gaps (and Overlaps)".

- Chapter 2 provides an overview of social assistance and labour market policies and programs, including backbone systems of targeting, administration, payments, case management and monitoring and evaluation that can serve as essential implementation platforms for such programs.
- Chapter 3 analyses social assistance spending including overall spending levels, program budgets and options for improving expenditure efficiencies.
- Chapter 4 assesses social assistance program performance in relation to poverty and inequality and their determinants.
- Chapter 5 analyses social assistance program performance in relation to buffering shocks.
- Chapter 6 provides additional information on labor market programs oriented to youth unemployment.
- Chapter 7 summarises the overall appropriateness of the current configuration of Lesotho’s social protection system.
- Chapter 8 presents recommendations for program and system improvements.





Chapter 1 – Poverty and Vulnerability in Lesotho

A nation’s social protection system should be defined by the underlying risks and vulnerabilities of its population and complement other social and economic policies and programs. This chapter looks at the conditions in Lesotho that should shape its social protection policies and priorities, including: (a) the scope, incidence and determinants of poverty and income inequality in the country; (b) underlying human capital and access to basic services and economic opportunity; and (c) the types and severity of risks and shocks to which the population is exposed.

A. Profile of poverty and inequality

Half (49.7 percent) of Lesotho’s population lives below the national poverty line and about one quarter (24.1 percent) lives in extreme poverty. Lesotho’s national poverty rate is measured at the national poverty line of Lesotho Maloti (LSL) 648.88 (2017 prices) per adult equivalent per month.³ In absolute terms, this translates to 994,000 people living below the poverty line and 484,000 living in extreme poverty (most recent estimate). Therefore, one million Basotho do not live at a basic level of consumption sufficient to easily weather shocks, and half a million live at an extreme level of vulnerability.⁴

3 Lesotho’s national poverty line is a consumption-based measure using the cost-of-basic-needs method based on a food basket required to achieve the minimum daily calorie requirement (2,700 kilocalories per adult equivalent per day) plus basic non-food consumption items. The food poverty line (FPL) is used to determine extreme poverty, is defined as the level of consumption per adult equivalent that individuals need to purchase enough food for an adequate diet.

4 Data from this chapter is drawn from the recent Lesotho Poverty Assessment (World Bank 2019b) unless otherwise noted.

Lesotho’s poverty levels are relatively high for a SACU and lower middle-income country, but low for Sub-Saharan Africa. Using the cross-country comparable international poverty line of US\$1.90/day (in 2011 PPP terms), 27.3 percent of Basotho were poor in 2017 compared with 14.2 percent for lower middle-income countries in 2015. Within Sub-Saharan Africa, however, 42.3 percent of the population was under the international poverty line. Within the Southern Africa Customs Union (SACU) neighboring countries, Lesotho’s poverty rate is among the highest.

Lesotho’s success at lowering the poverty rate over the last 15 years has been modest, with greater relative success in urban areas, but larger impact in numbers of people in rural areas. Lesotho’s poverty rate fell by 7 percentage points over the period from 2002 to 2017, from 56.6 percent to 49.7 percent. This translated into about 47,000 Basotho escaping poverty over this 15-year period, with triple that number escaping extreme poverty. The overall poverty rate changed most in urban areas, which fell from 41.5 to 28.5 percent over this period versus a relatively stagnant performance in rural areas, where poverty went from 61.3 to 60.7 percent over the same period. The extreme poverty rate decreased by 10 points from 34.1 to 24.1 percent. It halved in urban areas, going from 22.2 percent to 11.2 percent, and declined in rural areas from 37.7 percent to 30.8 percent. However, given different population growth and urbanisation rates, the largest decrease in the absolute number of poor and extreme poor has been in the rural areas (Table 1). In fact, there are more people in urban areas living in poverty in 2017 than there were in 2002.

Table 1: Evolution of population in poverty and extreme poverty in Lesotho

	2017	2002	Net change	2017 Urban	2002 Urban	Net change	2017 Rural	2002 Rural	Net change
Population under the national poverty line	997,000	1,044,000	-47,000	196,000	180,000	16,000	801,000	864,000	-63,000
Population under the national extreme (food poverty) poverty line	484,000	628,000	-144,000	77,000	96,000	-19,000	407,000	532,000	-125,000

Source: Lesotho Poverty Assessment, 2019 World Bank.

As shown in Table 1, poverty is geographically differentiated in Lesotho. Eighty percent of Lesotho’s poor and 84 percent of the extreme poor live in rural areas. Not only do Basotho living in rural areas face higher risks of being in poverty, but their poverty also tends to

be more intense and severe than their counterparts in urban areas. Looking beyond the rural-urban divide, in Lesotho’s six regions, four saw declines in their poverty rates in the 2002-2017 period, including both urban regions as well as the rural Lowlands and Rural Foothills



regions (Table 2). Two regions, Rural Mountains and Rural Senqu River Valley saw increases in the poverty rate and now have the highest regional poverty rates in Lesotho. Even among rural regions there is significant differences in infrastructure access, the impact of weather shocks and proximity to South Africa that result in these different poverty trajectories. Further, in

Table 2, given the concentration of population and the poverty rate, the Rural Foothills has the highest absolute number of the nation's poor, accounting for about one-third of Lesotho's poor, with the lowest number of poor are found in the Rural Senqu River Valley, despite its high poverty rate.

Table 2: Population in poverty and extreme poverty by region, 2002-2017

Region	Poverty rate 2002	Poverty rate 2017	Percentage point change	Percent of total national poor 2017	Number of poor 2017
Maseru Urban	33.7	24.7	-9.0	10	99,700
Other Urban	46.3	31.4	-14.9	22.7	226,319
Rural Lowlands	62.4	54.4	-8.0	12.5	124,625
Rural Foothills	66.8	63.6	-3.2	35.3	351,941
Rural Mountains	59.6	67.8	8.2	12.3	122,631
Rural Senqu River Valley	55.5	67.9	12.4	7.3	72,781

Source: Lesotho Poverty Assessment 2019.

This regional disaggregation disguises a great deal of heterogeneity within regions, with pockets of both wealth and extreme poverty within the country's districts, local councils, and electoral constituencies.⁵ For instance, Maseru's urban district contains seven of the 10 constituencies with the lowest poverty rates and two of the 10 constituencies with the highest poverty rate. In general, the higher poverty constituencies are towards the interior of the country, with lower poverty constituencies closer to the border with South Africa, reflecting greater trade and economic opportunities.

Beyond where they live, demographic and household characteristics help identify those more likely to live in poverty in Lesotho. Key distinguishing features include:

- a) **Household size:** The larger the size of the household, the greater the likelihood of poverty, with a two-person household poverty incidence of 28.3 percent versus 67.1 percent for households of 7 or more. Households with over 3 children have a poverty rate of 71.6 percent.
- b) **Household structure:** Changes in household structure through death of a spouse has the highest poverty rate at 59.8 percent, with married or divorced households having a similar rate at 46 percent, and never-married households lowest at 35.8 percent.
- c) **Gender:** Female-headed households have a 10 percentage point higher poverty rate than

their male-headed counterparts. While females outperform males in terms of education levels, their earnings are systematically lower.

- d) **Age:** Children are the age group most at risk of living in poverty. In 2017, children aged 6-14 had a poverty rate of 60.9 percent, the age cohort with the largest share of Lesotho's poor. Children aged 0-5 had a headcount rate of 53.2 percent. Child poverty is a particular concern given the lifelong impacts of growing up in poverty. Moreover, 27 percent of Lesotho children under age 18 are orphans, meaning that one or both of their parents are deceased, a legacy of the high HIV/AIDS infection rate. The proportion of orphaned children increases rapidly with age, rising from 6 percent of children under age 2 to 48 percent of children age 15-17.⁶
- e) **Household dependency ratio:** The ratio of non-working age individuals to working age individuals measures the extent to which the working members must sustain the non-working members (elderly and children). A ratio above 0.75 is linked to poverty rates above 60 percent.
- f) **Employment:** Employment is associated with lower poverty rates, but poverty rates are relatively high even among the employed. In 2017, the poverty rate was 40.1 percent among individuals living in households headed by an employed person, 22.4 percentage points lower than the rate (62.5 percent) for households with unemployed heads. Poverty rates are also high among seasonal, casual, and temporary workers

⁵ Local government in Lesotho is comprised of 10 district councils as the upper tier and 64 community councils as the lower tier. The capital Maseru has its own single-tier authority, the city council. The number of community councils have been reduced from 128 to 64, to align with the national parliamentary constituencies, following which 11 urban councils were established.

⁶ Government of the Kingdom of Lesotho 2016.



compared to those with permanent and contract jobs.

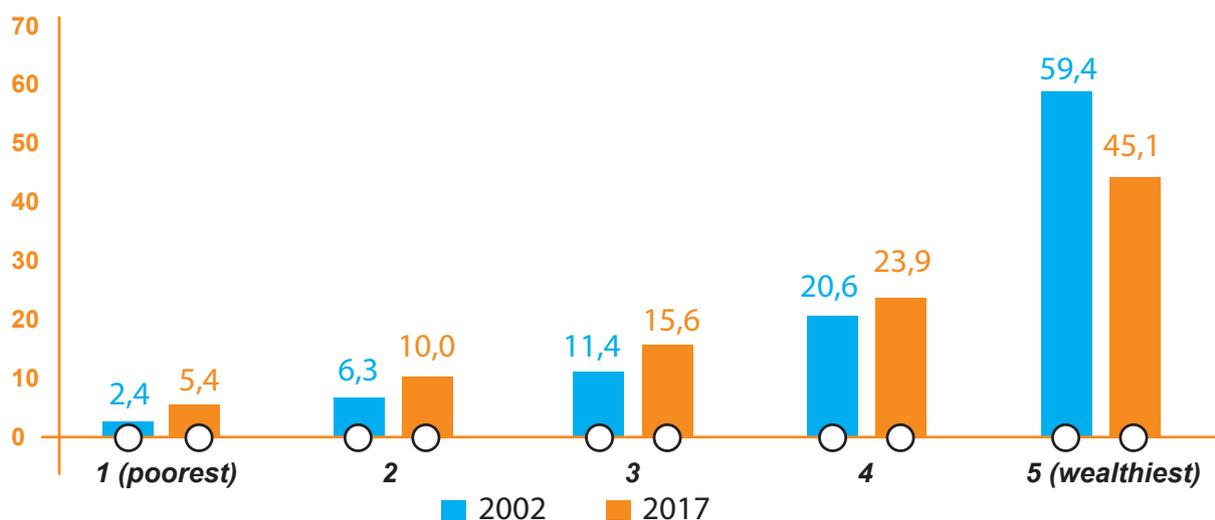
- g) **Households reliant on agriculture:** The higher poverty rates in rural areas largely reflect the reliance on small-holder agriculture in Lesotho. If a household head is employed in agriculture, the poverty rate was 62.1 percent in 2017 versus 33.9 percent in industry and 33.4 percent of the service sector.

The modest decline in the national poverty rate over the last 15 years masks a notable decline in extreme poverty and inequality. Depth of poverty as measured by the poverty gap (the average shortfall of the total population from the poverty line) declined from 29.0 percent to 21.9 percent, with a decline of 8.3 in urban areas and 4.3 in rural areas. This decline occurred because the fastest consumption growth was at the bottom of the income distribution. The poorest

decile grew at an annual rate of 4 percent over the period 2002-2017, while median consumption grew at 1 percent. In addition, part of the overall reduction in inequality was due to a reduction in consumption of the top ten percent.

Consumption growth at the bottom is particularly important in the avoidance of destitution and building of greater resilience. Between 2002 and 2017, consumption grew more equal (Figure 1), with the largest gains among the lower consumption quintiles. This relative consumption growth at the bottom boosted shared prosperity. The difference between the growth of the bottom 40 percent and the mean, known as the shared prosperity premium, was 1.9 percentage points for Lesotho in 2002-2017. Lesotho was one of only 14 out of 93 countries with data that experienced both shared prosperity and a shared prosperity premium over that period.

Figure 1: Changes in distribution of consumption by quintile, 2002-2017 (%)



Source: Lesotho Poverty Assessment, 2019.

Asset and income measures of inequality show a similar progression. The bottom quintile's incomes grew many times faster than the top half. While income inequality improved, Lesotho remains one of the 20 percent most unequal countries in the world with a Gini coefficient of 44.9 percent in 2017. However, Lesotho is the least unequal country among its Southern African neighbors with a GINI over 10 percentage points lower than South Africa or Namibia.

Determinants of inequality are similar to the determinants of poverty. Almost half of inequality is due to factors outside of an individual's control, including the districts where individuals grow up, human capital

acquired during childhood, serious health problems and environmental shocks. Differences in educational achievement during childhood are the most important contributor to unequal opportunities.

B. Human capital and access to services

Lesotho's human capital base, including the underlying education and health status and access to essential services, is a critical asset for people to move out of poverty as well as to be better able to cope with a broad range of potential shocks to their wellbeing.



Human development outcomes in Lesotho are far below average for the region and its income level.⁷

Using the World Bank's Human Capital Index (HCI) which measures 5 key health and education outcomes (child and adult survival, malnutrition, expected years of schooling, and educational test scores), Lesotho

⁷ Similarly, in 2018, Lesotho ranked 164 out of 187 countries on the UN Development Programme Human Development Index. Lesotho's index was 0.518 compared to an average of 0.541 for Sub-Saharan Africa and puts it in the category of countries with low human development.

ranked 143 among 157 nations in 2018, lower than the average for its region and income level (Figure 2). Figure 3 shows how Lesotho's HCI is adversely affected by its comparatively low health outcomes in terms of child and adult survival rates. Children born in Lesotho in 2020 will be 40 percent as productive when they grow up as they could be if they enjoyed complete education and full health.⁸

⁸ The 2020 data are not comparable with 2018 HCI data.

Table 3: Human Capital Index 2020 and 2018: Lesotho and Benchmarks

Indicator	2020			2018		
	Lesotho	Sub-Saharan Africa	Low Income	Lower Middle Income	Upper Middle Income	High Income
	Male + Female	Male + Female	Male + Female	Male + Female	Male + Female	Male + Female
HCI Component 1: Survival						
Probability of Survival to Age 5	0.919	0.934	0.929	0.961	0.983	0.995
HCI Component 2: School						
Expected Years of School	10	8.1	7.8	10.4	11.7	13.3
Harmonized Test Scores	393	374	363	391	428	506
HCI Component 3: Health						
Survival Rate from Age 15-60	0.523	0.732	0.745	0.807	0.863	0.923
Fraction of Children Under 5 Not Stunted	0.654	0.684	0.658	0.730	0.869	0.935
Human Capital Index (HCI)	0.40	0.40	0.38	0.48	0.58	0.74

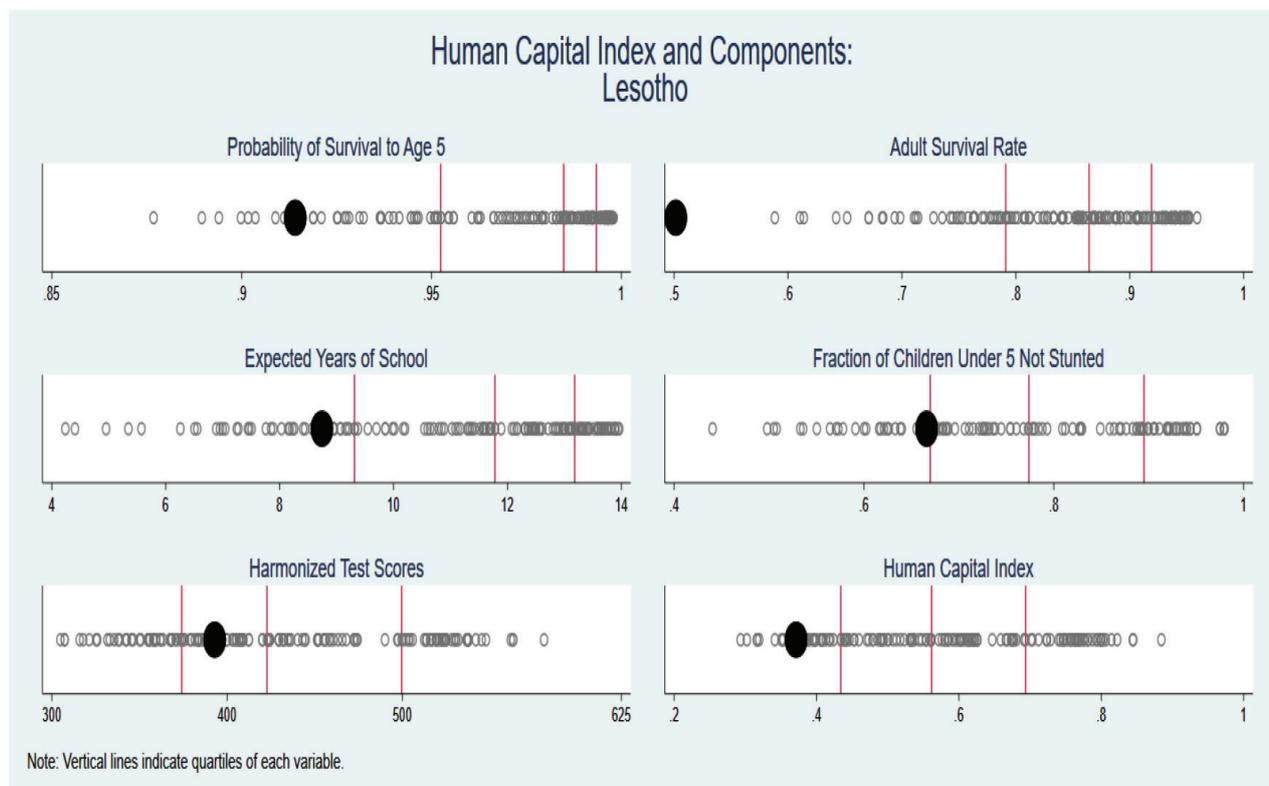
Source: Human Capital Index database 2018, World Bank





Figure 2: Lesotho's Comparative Human Capital Index Components

Human Capital Index and Components: Graphs
Database Version September 21, 2018
Country: Lesotho



Source: Human Capital Index database 2018, World Bank

On educational attainment, the picture is mixed. Lesotho has one of the higher literacy rates in Africa, with about 77 percent of the adult population literate as of 2014 versus 64 percent for Sub-Saharan Africa, though this has decreased from 86 percent in 2000. Unlike most countries, Lesotho has a higher female literacy rate than male literacy rate. In terms of school enrollment, in 2000 the Government adopted a Free Primary Education policy which resulted in an immediate jump in the net primary enrollment rate growing from 59 percent to 80 percent in 2000, rising to 93 percent in 2017 with gender parity.⁹

Nearly all children start out attending school in Grade 1, and approximately 80 percent of children complete primary school (Grade 7), up from 41 percent in 2006.¹⁰

However, there are large inequalities in primary schooling with lower completion rates for boys (69 percent), rural children (74 percent) and children in the lowest income quintile (58 percent). At the secondary level, completion rates drop drastically to 44 percent (lower secondary) and 32 percent (upper secondary).¹¹

9 UNESCO Education database

10 MICS data 2018, "Statistical Snapshots: Key Survey Findings 2018", October 2019.

11 MICS data 2018, "Statistical Snapshots: key Survey Findings 2018", October 2019.

Secondary education attendance is particularly low for boys living in the poorest families and in rural areas. Unlike most African countries that struggle with education access for girls, Lesotho has higher access rates for girls mainly because of the economic and cultural practice of herding among boys.

Despite this progress, Lesotho has stagnant primary net enrollment and poor learning outcomes compared to other countries.

The quality of primary education is low, with Lesotho lagging behind the regional average in learning outcomes for reading and mathematics. These education outcomes are weak in particular when compared to the level of education spending at 6.3 percent of GDP and 13.8 percent of total government spending (2018), highlighting low efficiency of the education system.¹² Taking into account the level of economic development and the share of rural population, Lesotho spends an estimated 40 percent more than the 16 comparator countries near Lesotho to provide comparable educational coverage.¹³

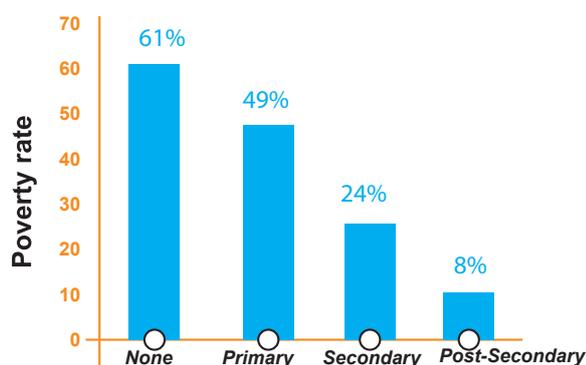
12 Lesotho Poverty Assessment, 2019

13 World Bank 2017



The poor have lower educational attainment, particularly in post-primary. Educational attainment by poor students falls precipitously after the primary level (Figure 3). Certain characteristics such as gender (male), economic status, and geography put students at a higher risk of dropping out. Fee policies and lack of secondary schools in remote rural areas contribute to limited demand for and access to secondary school, particularly among the poor. Sixty-nine percent of girls ages 13-17 cited 'too expensive' as the reason for dropping out of secondary school.

Figure 3: Poverty Rate by Educational Attainment of Household Head, 2017/18



Source: Lesotho Poverty Assessment, 2019

There is a strong correlation between a rising level of education and a decrease in the poverty rate of households, with 61.3 percent of households with no education living below the poverty line, falling to only 8.4 percent for those with post-secondary education, with the largest drop between primary and secondary education levels (48.9 percent versus 24.4 percent).¹⁴

Household income increases with educational attainment. Thirty percent of women in the wealthiest households have completed secondary school or beyond, compared with less than 1 percent of women in the poorest households. Girls and boys in the highest wealth quintile are 3 and 10 times more likely to attend secondary school, respectively, than those in the lowest wealth quintile.

One of the challenges to raising educational attainment to lift households out of poverty is the already high level of Government spending on education. In 2018/19, Lesotho spent 8.9 percent of GDP on education compared to 4.6 percent for Sub-Saharan Africa and lower middle-income countries. Fifty-six percent of expenditure goes to free and compulsory primary education. Due to a combination of high salaries and low student-teacher ratios, the salary bill is extraordinarily large for a country at Lesotho's level of socio-economic development.

¹⁴ Government of the Kingdom of Lesotho 2016.

In terms of health status, Lesotho lags behind countries of similar economic status.

Lesotho's life expectancy at birth in 2018 was 53.7 years compared to 60.9 for Sub-Saharan Africa and 68.3 for lower middle-income countries. The country's life expectancy was greatly affected by the human immunodeficiency virus and acquired immunodeficiency syndrome (HIV/AIDS) crisis, reaching a low point in life expectancy of 42.6 years in 2006 and improving thereafter. High levels of mortality and morbidity increase vulnerability through several paths. Loss of ability to work, higher health care costs, depletion of assets, children orphaned, and lower economic productivity among others is linked to higher levels of poverty both in the short-term and inter-generationally.

Lesotho has the world's second highest prevalence of adult HIV/AIDS at approximately 23.6 percent.

Around half of women under 40 have HIV in urban areas. HIV/AIDS is further complicated by a high incidence of tuberculosis (852 cases per 100,000 people). The high prevalence of these diseases affects morbidity, mortality, and economic productivity. Mainly because of the high HIV/AIDS prevalence, adult survival is the HCI indicator where Lesotho performs worst, as Figure 3 indicated.

Lesotho has one of the highest rates of maternal mortality in the world, though significant progress has been made in service delivery over the past decade.

Current levels of fertility and mortality indicate that 1 in 32 women will die from pregnancy or childbearing (Demographic and Health Survey (DHS) 2014). Lesotho's maternal mortality rate was estimated at 1,024 deaths per 100,000 live births in 2014, with no significant change over the last decade. However, since the rate is based on a preceding seven-year average, as measured by the Demographic and Health Survey, there is a lag in seeing the impact of improved services. In 2018 the proportion of births delivered by a skilled health professional stood at 87 percent and the proportion of women who delivered in a health facility was 89 percent.¹⁵

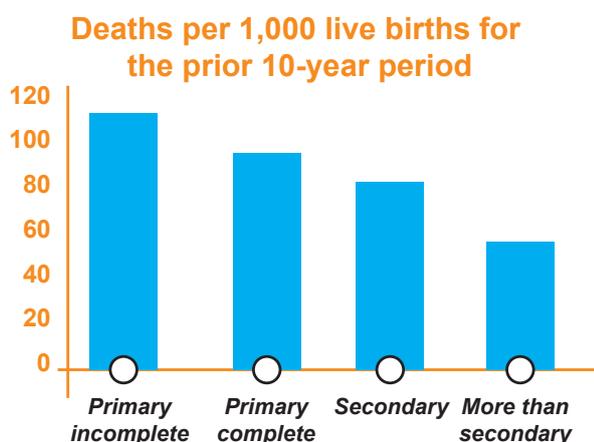
In terms of child health, Lesotho's children suffer from high morbidity and mortality levels.

Infant mortality at 65.7 per 1,000 live births in 2018 is higher than the Sub-Sahara and lower middle-income country averages. Under-5 mortality declines with the level of education of the mother (Figure 4). Similarly, under-5 mortality generally decreases with household wealth, from 120 deaths per 1,000 in the poorest quintile to 70 deaths per 1,000 in the wealthiest quintile.

¹⁵ MICS data 2018, "Statistical Snapshots: Key Survey Findings 2018", October 2019.



Figure 4: Under-5 Mortality by Level of Mother's Education



Source: Demographic and Health Survey 2014.

Food insecurity is a serious problem in Lesotho, which ranked 78th among 119 qualifying countries on the Global Hunger Index (GHI). Over one-third of children under 5 years old display evidence of long-term malnutrition (stunting). Lesotho's stunting rates are among the highest in the SACU region.¹⁶ The prevalence of undernourishment (wasting) is however low at 2 percent. Child malnutrition has impacts throughout a

¹⁶ MICS data 2018, "Statistical Snapshots: Key Survey Findings 2018", October 2019

child's life in terms of cognitive development and overall health outcomes.

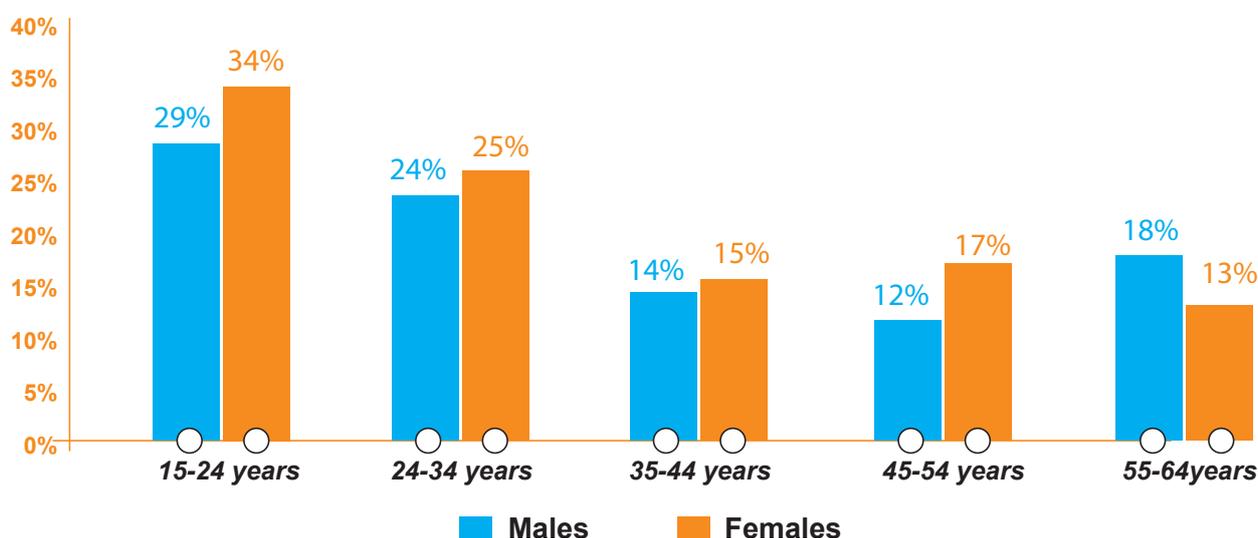
Access to health services and low coverage of essential public health services disproportionately affects the poor and rural residents. Nationally, one third of Basotho lack access to a health care facility. With rural residents, that rate rises to 46 percent. Ninety-four percent of the wealthiest quintile had births assisted by a skilled provider versus 60 percent for the lowest quintile.¹⁷

C. Economic factors driving poverty

Basotho suffer from both high inactivity and unemployment. Uncommonly in Sub-Saharan Africa, the labour force participation rate is very low in Lesotho. Half of the working age population is not participating in the labour market (does not have a job nor is looking for one), constituting a huge untapped potential for economic growth. Despite a relatively low number of people actively looking for a job, approximately a quarter of the labour force is unemployed, with youth being disproportionately affected by joblessness (Figure 5). The lower the level of education, the lower the probability of being in employed. Employment statistics have recently worsened in Lesotho due to the COVID-19 pandemic and economic impacts.

¹⁷ Demographic and Health Survey 2014.

Figure 5: Unemployment Rate by Age Group and Gender%



Source: CMIS (2015)

The Lesotho labour market is characterised by slow job growth and a prevalence of low-productivity jobs. Pre-COVID-19, during the last decade, job growth was on average only 1 percent per year, less than half of the annual growth rate of the working age population. Lesotho lags behind other countries in Southern Africa in terms of structural transformation of the economy, with 67 percent of employment still concentrated in

low-productivity jobs in agriculture (versus 15 percent in the rest of SACU countries). Opportunities for wage employment are limited, and slow private sector development has resulted in the Government being the formal sector's largest employer. The majority of the workforce engage in self-employment in agriculture or domestic work.



Wages and employment are key factors in determining whether a household is poor and/or rises out of poverty overtime.

Over the 15-year period of 2002-2017, the poorest segments of society saw increases in wage income. While wages accounted for only one-quarter of total income in 2002, this share grew to one half in 2017, reflecting urbanisation and increasing formal sector employment, both public and private. World Bank estimates that an increase in wage income led to a 3.3 percentage point decline in rural poverty and a 2.2 percentage point decline in urban poverty.¹⁸ In fact, increased wages were one of the primary drivers of poverty reduction.

Low productivity in agriculture contributes to low incomes and high poverty of farming households.

Half of agricultural workers are engaged in subsistence agriculture, and 56 percent of agricultural workers were under the poverty line in 2017. Seasonal workers have the highest share of poverty by type of job (61 percent). Poor rural households engage in various activities to compensate for the limited opportunities and under¹⁹ employment in farming, which is highly seasonal and often does not require labour for much of the year. Rural households classified as “poor” or “very poor” rely on casual labour for up to 40 percent of their incomes, and the daily wage rates for such work have remained stagnant for the past several years.

Labour and economic outcomes have historically relied on cross-border opportunities.

Fifteen percent of Basotho work outside of the country – a number which was reduced significantly during the COVID-19 crisis. Labour migration to South Africa, particularly to the mining sector, has provided the bulk of these higher paying jobs. Most migrant workers historically have been men, though an increasing number of women migrants over the last twenty years to work as domestics or seasonal farm labour. As a result, remittances have provided important income stabilisation, supporting 19 percent of households in Lesotho pre-COVID-19. Urban dwellers tend to receive higher remittances than rural households. With the decline of the migrant labour economy in the 1990s (for example the mining sector in SA has started to shed workers mainly because of automation, rather than absorbing employment), many people in Lesotho lost their primary source of income: wage remittances from family members working over the border.

As a result, remittances have fallen from 54 percent of GDP in 2000 to about 15 percent of GDP in 2018, but collapsed in 2020 due to the COVID-19 induced economic crisis in South Africa.

18 Lesotho Poverty Assessment, World Bank 2019

19 IMF 2019.

Remittances are both a source of vulnerability and economic stabilisation.

The main transmission path of HIV-AIDS and tuberculosis has been through links via migrant labourers. In addition, the exposure to shocks in the South African mining sector and the resulting drop in remittances has created a drag on poverty reduction in Lesotho. Nonetheless, without remittances, poverty and inequality would be significantly higher. World Bank estimates that households that received remittances would have been 13 percentage points poorer had they not received any remittances and the Gini index would be higher by 2 points.²⁰ In general, the poorer the constituency, the more reliant households are on remittances. The exception is the mountainous constituencies, which do not rely much on remittances despite high poverty levels. Remittances provide critical basic needs support, with most remittance spending on food and clothing followed by education.

D. Vulnerability in Lesotho

Effective social protection systems are crucial to safeguarding the poor and vulnerable when a crisis hits. The general poverty, inequality, economic conditions and human capital discussed in the preceding sections create the underlying asset base of the country’s population. Without adverse events, poverty reduction would be more linear, a straightforward process of accumulation of assets including human capital. For example, World Bank estimates that rural poverty would have declined by 6 additional percentage points if rainfall had been normal.²¹ This section assesses the scope and severity of the risks to adverse outcomes facing the population.

Understanding the risk and vulnerability profile of Lesotho is an important basis for assessing the country’s current social protection system.

There are several relevant aspects to assessing risks and shocks, including the likelihood of adverse events occurring, who they occur to, and the impact on wellbeing. These shocks are typically classified into covariate shocks, affecting groups of household, communities, regions or even entire countries, and idiosyncratic shocks affecting the individual or household. Covariate shocks tend to reduce the ability of informal safety nets like family and friends to respond and tend to require a larger governmental response, typically beyond a “usual” level of support. Idiosyncratic shocks provide a greater likelihood of being able to provide social protection through programs well targeted at the household level.

20 Lesotho Poverty Assessment, World Bank 2019.

21 Lesotho Poverty Assessment, World Bank 2019.



Frequency, scale, and intensity of shocks vary across the Lesotho population. Many of these shocks are well-known and can be anticipated, and in cases prevented or mitigated, like livestock, crop disease, and pests. Others such as drought, have been experienced cyclically, though the severity and timing are difficult to predict. And still others are unexpected, such as when HIV/AIDS hit the Lesotho population in the early 1990s. At the time of writing this report, the coronavirus pandemic had recently spread to Africa. The main risks in Lesotho can be classified into environmental, economic, and health risks.

Environmental shocks have had significant impacts, particularly on Lesotho's rural population.

Drought is the most significant environmental risk due to reliance on rain-fed agriculture and increasingly recurrent rainfall disruptions. In the two most recent El Nino affected drought occurrences, 2015/2016 and 2019/2020, grain production decreased by 60 percent. The food insecure population reached 500,000-700,000. In the 2015/2016 event, 477,000 Basotho were classified as having a "survival deficit" or inability to meet basic food and non-food needs. Droughts' effect extends beyond food production, including malnutrition and distressed sale of assets, which can have lasting and even irreversible impacts.

Other environmental risks include flooding, hailstorms, loss/death of livestock and crop diseases/pests. Though drought has been the most recent concern, Lesotho is historically prone to flash flooding. Localised flooding in 2018 resulted in death, crop loss, and infrastructure damage. In addition, thirty-five percent of farming households experience livestock loss and 30 percent crop disease or pests. Increasing incidence of livestock disease leads to livestock loss and declining household assets.

The main economic shocks are food price increases and economic shocks due to trade and labour movements with neighbouring countries. Food price increases are often the result of or exacerbated by drought, with food price increases of 300 percent in the 2016 drought. These price increases affect the whole population and have significant impact. For example, a recent FAO study identified that in order to maintain cereal consumption in vulnerable households in Lesotho, every percentage increase in the price of cereals would have to be matched by a 0.4 percent increase in total income. The share of food in total household consumption expenditure of the poorest 40 is 73 percent, making their wellbeing highly vulnerable to food price changes. Other economic shocks transmit across the border, for instance, a period of slow growth

in South Africa has led to falling Southern Africa Customs Union (SACU) revenues, or changes in the South African mining sector and the steady decline in remittances.

Health risks can be both idiosyncratic or covariate (as in the case of the recent COVID-19 pandemic), affecting a significant portion of the population.

Household-level shocks of illness, death of a spouse or wage earner, and maternal mortality have devastating effects. HIV/AIDS has had a heavy toll on Lesotho both in terms of health status and poverty outcomes. The high rate of orphans has transmitted poverty effects across generations. And, the COVID-19 pandemic, though a health shock, will have dramatic economic effects due to closed borders and paralysis of economic activity. Lesotho has a very weak COVID-19 testing capacity possibly masking large number of infections.

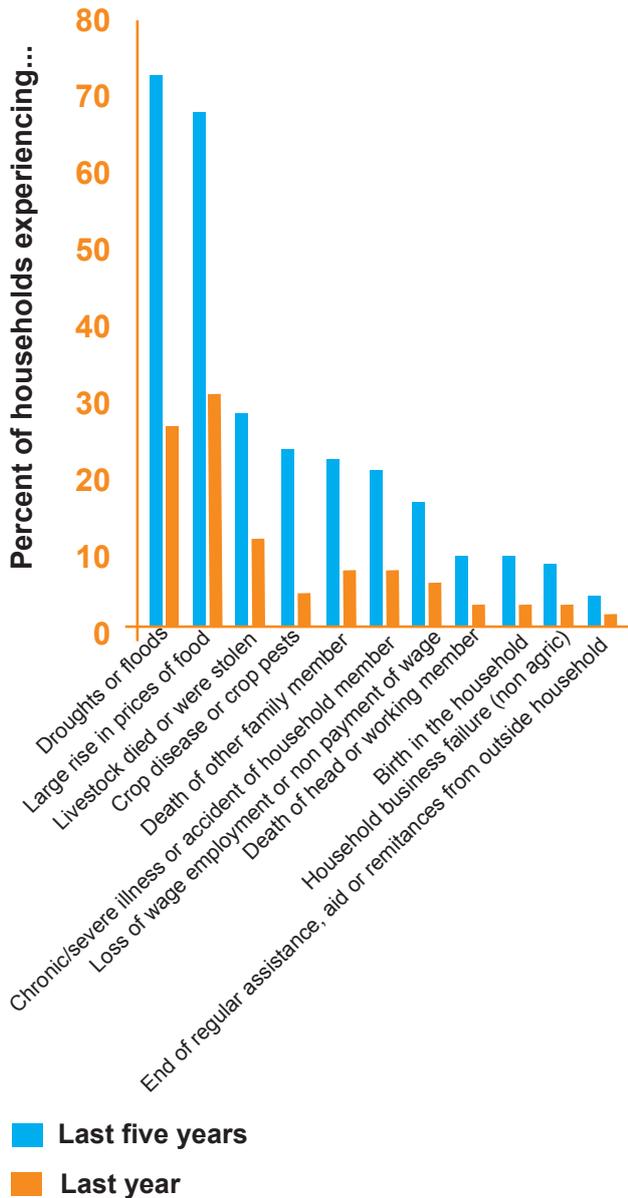
The incidence of shocks across the population vary by poverty level and place of residence (Figure 6). Drought and food price increases are the most widespread risks the majority of Basotho have faced over the last 5 years.

While poor households and rural residents are more likely to be affected by drought, urban households also report being widely impacted.²² Large food price increases also affect a large number of households, with urban households reporting slightly more frequently that they are affected. Poor households are also 6 percent more likely to report loss of livestock, while non-poor households are 7 percent more likely to report the failure of a household business. Idiosyncratic shocks like death or illness are not significantly different between poor and non-poor or rural versus urban. The most severe shocks are those that affect both assets and income. Using this measure, the most severe shocks were the loss of the household head and the death of other working members of the household.

22 Lesotho Poverty Assessment, World Bank 2019



Figure 6: Share of Lesotho households affected by shocks (%)



Coping ability varies by income level. Changes in consumption level are critical indicators of impact of shocks. The very poor and poor are far more likely to reduce overall consumption and eat less food in the face of a shock. Given the low pre-existing consumption levels these shocks put the poor and extreme poor at great risk for worsening malnutrition. Consumption of households with no education drops by 38 percent in the face of a bad shock, compared to 11 percent for households with a secondary education or above. Households with migrants in the year prior to the survey were also better able to withstand shocks. And, poor households are less likely than other households to act to manage shocks – three-quarters of poor households report doing nothing in response to a shock. Less than 5 percent of households, poor or non-poor alike, report receiving help from the Government or NGOs.

This integrated view of poverty and vulnerability creates a profile of those at most risk in Lesotho.

Underlying conditions of households are an important determinant in the ultimate impact of future wellbeing. From poverty analysis, households with low education, large numbers of children, orphaned children, reliant on rain-fed agriculture, or engaged in seasonal or temporary jobs will suffer more potentially devastating impacts from a shock than households without those characteristics. For example, the impact of rainfall shocks varied from 38 consumption loss for households with no education to 25 percent for those with primary education. And, poorer households have longer time frame to recover from shocks, sometime across generations due to asset depletion and impacts on human capital.

Source: Calculations based on the 2017/18 CMS/HBS as presented in Lesotho Poverty Assessment, World Bank 2019.

Vulnerability is further increased when facing multiple shocks or a conflation of factors.

Poor households are often hit with multiple shocks, further depleting assets and reinforcing their poverty status. Between 2016 and 2018, households in Lesotho experienced both weather and food-price shocks. In early 2020, delayed rains had affected harvests and food insecurity at the same time the COVID-19 crisis caused border closures. Households typically have multiple sources of vulnerability, with certain shocks increasing likelihood and/or severity of others. For example, drought increases risks of livestock disease and human malnutrition. At the household level, an illness often leads to loss of a job or other income.



Chapter 2 – Overview of Social Protection policy and programs

A. Overall social protection goals, policy, and strategies

The historical context of social assistance in Lesotho traces its development from a social welfare approach to a more integrated and comprehensive social protection strategy. Over the last fifty years since independence, societal and economic transformations in Lesotho have resulted in a weakening of traditional systems of solidarity and the launching of social welfare systems, initially provided through charitable religious institutions and voluntary organisations, and increasingly with the Government taking on responsibilities for managing social problems and providing social benefits.²³

Initially, the Government’s social welfare focus was concentrated on children’s welfare and protection, as well as the destitute and people with disabilities.

Early social assistance efforts grew out of a social welfare services approach with the creation of the Department of Social Welfare and its Public Assistance Program (PA) in 1976 to address individual cases of destitution among the most vulnerable. Subsequent policy development resulted in the National Social Welfare Policy in 2003 and the National Orphans and Vulnerable Children Policy in 2005.

Lesotho’s National Strategic Development Plan I (NSDP I, 2012/13 – 2016/17) introduced the need for a more comprehensive social protection policy.

The NSDP I sought to achieve the National Vision 2020 goals to reduce poverty and achieve sustainable development by: (i) pursuing high, shared and employment creating economic growth; (ii) developing key infrastructure; (iii) enhancing the skills base, technology adoption and foundation for innovation; (iv) improving health, combat HIV/AIDS and reduce vulnerability; (v) reversing environmental degradation and adapt to climate change and (vi) promoting peace, democratic governance and build effective institutions. The NSDP’s aim to reduce social vulnerability focused on: (i) consolidating social protection programs and improving their efficiency and coverage; (ii) providing support to vulnerable able-bodied persons to adopt sustainable livelihood strategies and reviewing and implementing the strategy for social security scheme development; (iii) promoting work safety and easing job search; and (iv) strengthening capacity for disaster risk management.

The country’s first National Social Protection Strategy (NSPS) 2014/15–2018/19 was developed to implement the goals of the NSDP I. The NSPS adopted a life cycle approach recognising that all citizens are exposed to different vulnerabilities through the course of their lives. Social protection systems were to be

developed or strengthened to provide support to specific demographic groups, along with a small safety net to address unexpected shocks where families would need additional support (Box 1).

Box 1: Programmatic Objectives of the National Social Protection Strategy 2014/15–2018/19

The National Social Protection Strategy called for a series of programmatic interventions to provide financial support to selected vulnerable groups using the lifecycle approach. These included:

- a) a universal infant grant, phased in over four years, to all pregnant women and mothers with under 2 year-olds, linked to a range of complementary health and nutrition interventions;
- b) a scaled-up, but still poverty-targeted, child grant, phased progressively to all extreme poor households with children (approximately 30 percent of households);
- c) first steps towards the implementation of a national seasonal employment guarantee scheme to offer public works to the working age poor who need it, and establishment of a basic set of social security benefits for those in the formal sector;
- d) a continuation of the universal old age pension, though with a reduced age of eligibility, integrated with a mandated contributory pension for all those in formal employment and a voluntary top-up pension for those who wish to make additional savings for their old age;
- e) a disability grant, phased in over four years, to all those with severe disabilities;
- f) a reformed discretionary public assistance grant to vulnerable households requiring short-term, reactive, temporary support, for which coverage was estimated at approximately 0.5 percent of the population.

The cost of these core social protection programs was projected at 3.9 percent of GDP, covering an estimated 41 percent of the population. Priority activities over the first phase were identified as a review and restructuring of the Public Assistance Program to develop a more permanent long-term core program of social assistance, development of a comprehensive national disaster management, and shock response framework to address the high exposure to weather-related shocks. It will also further develop backbone targeting systems to be used to harmonise programs and to deploy additional resources in the event of a natural disaster.

Lesotho’s National Strategic Development Plan II (NSDP II, 2018/19–2022/23) recognised that economic growth had not contributed to significant gains in employment. Despite progress in many areas, the country still faced significant challenges including high unemployment, poverty and inequality, and the long-term impacts of HIV/AIDS that continued to affect Lesotho’s most productive labor force. The overall target of NSDP II was employment creation and achievement of inclusive economic growth. The achievement of macro targets was believed would ultimately lead to poverty reduction and social inclusion in the country.

NSDP II sought to further improve the efficiency of the social protection systems with the primary goal to make programs more targeted and better coordinated. Social protection and labor market goals were identified at three general levels: (a) preventive social

23 Manyeli 2007



protection programs which basically compose measures to avert poverty and food insecurity; (b) promotional income enhancement social protection measures, which are measures targeted at skills promoting, vocational, and agriculture training to ensure graduation of social protection beneficiaries to self-reliance that increase and promote the ability of people to secure a livelihood, and (c) transformative social protection measures targeted at addressing inequality and social. The NSDP II represents a broadening from the life-cycle approach initially orienting social assistance to a more complex mix of goals to provide protection to vulnerable groups and promote poverty reducing impacts of social protection interventions.

Specific priorities center on harmonised targeting, integration and coordination tools for social assistance, linking social protection programs with other sustainable livelihoods programs, and stronger coordination and institutional capacity.

To improve the efficiency of the Social Protection System, the Government would facilitate the completion and implementation of a National Information System for Social Assistance (NISSA) to improve efficiency and effectiveness of social protection programs. It would also seek to strengthen social protection for emergency responsiveness by finding synergies between social protection and Disaster Risk Management and integrating them in contingency planning to respond to shocks. Further, the NSDP II aims to improve periodical evaluation and impact assessments of social protection, as well as strengthen institutional capacity for social protection program design, resource mobilisation, and service delivery.

Given the importance of employment and income to household vulnerability, the evolution of labour market policies informs the social protection landscape.

The NSDP I identified the high unemployment rate at 24 percent and the 71 percent of the working age population engaged in informal activities, including family agriculture, as a significant source of economic vulnerability. Growth drivers such as Lesotho Highlands Water Project I and diamond mining had limited linkages to the rest of the economy and created very few permanent jobs. At the same time, opportunities for well-paid work on the South African mines was declining. Overall, while most of the employment is created by the informal sector, the rate of formal employment creation lagged behind the growth in the labour force, creating a drag on poverty reduction. Labour market strategies focused on skills development and formal sector job creation through private sector growth.

NSDP II revisited Lesotho's employment challenges, recognising that the country continues to experience high rates of unemployment. Contrary to the expectation that private sector employment

would rise by 10,000 jobs per year and public sector employment would come down, the opposite occurred. Despite sustained economic growth, Lesotho's economy has not been able to create jobs in more productive and higher paying activities. The NSDP II points out that Lesotho ranks among the twelve worst countries in the world in terms of unemployment. As a consequence, the country needs to find diversified sources of economic growth that will yield productive jobs. Based on Lesotho's demographic pyramid, the youth population bulge presents a concentrated challenge of youth unemployment. Under the NSDP II, the Government seeks to reform its education system and finalise a skills development strategy to help the education system become more responsible to emerging labour markets demands.

B. Institutional framework for social protection

The current social protection institutional framework builds on Lesotho's historic approach and evolution of policies and programs to address the needs of vulnerable groups.

The colonial period (1868-1966) disrupted and disintegrated most traditional extended family-based forms of social welfare. In the post-colonial era, social welfare approaches were built on the Western European model of social welfare institutions coming into play when the family and community networks or the private market and normal systems fail to deliver, associated with minimal state intervention in the provision and financing (Box 2).

Box 2: Historical Context of Social Assistance in Lesotho

Early social assistance programs grew out of social welfare services approach and later structured along the life-cycle approach. In 1976, the Department of Social Welfare was created along with its Public Assistance Program to address individual cases of destitution among the most vulnerable. This served as the main vehicle for social assistance, with limited scope and impact.

In the 2000s, facing impacts of HIV/AIDS epidemic and growing poverty, larger programs were established aimed at vulnerable elderly and children, including:

- a) Orphans and Vulnerable Children (OVC) Bursary program established in 2000;
- b) Old Age Pension (OAP) initiated in 2004
- c) Child Grant Program (CGP) launched in 2009,

These programs reflect the evolving life-cycle view of vulnerability among selected demographic groups depending on their age/stage in life. UNICEF and the EU have played a large role in supporting the establishment of the key social assistance programs in Lesotho.

Earlier programs were also continued to specific vulnerable groups. Lesotho's school meal program first reached national coverage as early as 1965. The national school feeding program was transformed from local inputs and production to the School Feeding Program in support of the Compulsory Free Primary Education for all children aged 6 to 12 years phased-in between 2000 and 2006. In addition, seasonal public works programs focusing on soil conservation were initiated over fifty years ago, known as 'fato fato' (dig-dig) projects, which provided important injections of cash for rural labourers.



The Ministry of Social Development (MoSD) is responsible for coordination of all social protection interventions and policy formulation, with a focus on consolidating social protection programs and improving their efficiency and coverage. In 2012, a dedicated MoSD was created by spinning off the Department of Social Welfare from the Ministry of Health. The MoSD has been given responsibility for a number of core social protection programs and is tasked with coordinating all other social protection interventions implemented by other ministries.

Social protection and labour market programs remain spread across several ministries (Table 4). The MoSD leads on social protection policy but some of the largest program are managed under other ministries. This creates institutional coordination challenges and at times objectives that lie beyond the framework of social protection, for example rural infrastructure creation and educational outcomes.

Table 4: Ministries involved in social protection programming

Ministry of Social Development (MoSD)	Ministry of Education and Training (MoET)	Ministry of Forestry, Range, and Soil Conversation	Ministry of Finance (MOF) and Ministry of Development Planning (MoDP)	Disaster Management Authority (DMA)	Ministry of Gender, Youth, Sports, and Recreation
<ul style="list-style-type: none"> Child grant program Public assistance program Orphans and vulnerable children bursary 	<ul style="list-style-type: none"> Subsidies for students School feeding 	<ul style="list-style-type: none"> Labour-intensive public works in rural areas 	<ul style="list-style-type: none"> Non-contributory social insurance (old age pension) (MoF) Price subsidies in response to shocks (MoF) Tertiary bursaries (MoDP) 	<ul style="list-style-type: none"> Lead agency for managing covariate shocks, coordinates emergency response/ disaster assistance (ad hoc disaster-related social assistance) 	<ul style="list-style-type: none"> Implements a number of ALMPs but other public and private sector agencies are also involved

Note: The Ministry of Agriculture also plays a role in terms of food security. ALMPs are discussed further in Chapter 6.

Active Labour Market Programs (ALMPs) are implemented across a range of Government and private sector providers. The Ministry of Gender, Youth, Sports, and Recreation plays an important role in coordination and implements a number of ALMPs targeted to youth, but other implementers including Ministries of Education and Training, Labour, and Employment, and Small Businesses also run active programs. There is no coherent strategy for ALMPs. Private sector actors are also engaged in supporting youth employment schemes including the Basotho Enterprises Development Corporation, the Maluti Mountain Brewery, Vodacom Foundation and Catholic Relief Services. The specifics around the implementation and coordination of ALMPs are laid out in Chapter 6 while the remainder of this chapter focuses more on social assistance programs.

Coordination mechanisms for social protection have been established, with uneven performance. As established in the NSPS, the National Social Protection Cabinet Committee (NSPCC) is responsible for the implementation and monitoring of the NSPS. The NSPPC or Cabinet Sub-Committee at Principal Secretary level is chaired by the Principal Secretary of the MoSD and is responsible for the overall coordination and effective

design and implementation of social protection programs. The National Social Protection Technical Committee (NSPTC) at the director level is chaired by the Director of Planning in the MoSD and serves as the technical secretariat of the NSPPC. However, these committees rarely meet. Similarly, the NSPS has established six technical working groups in the following areas: pregnancy/early childhood, school age/youth, working age, old age, disability/chronic illness, and shocks. A Social Protection Strategy Implementation Plan, along with an M&E framework, was developed to support implementation, coordination and monitoring of social protection interventions.

Only the group focusing on shocks, chaired by the Disaster Management Authority (DMA), is operational as it is based on a pre-existing coordination mechanism. This piggybacks on longstanding organisation of disaster management. The Lesotho Vulnerability Assessment Committee (LVAC) was established in 2002. It is a government led multidisciplinary committee within the Office of the Prime Minister with membership by representatives of government ministries (including the DMA), UN agencies, NGOs and the private sector. The LVAC carries



out vulnerability analysis and needs assessments with the aim of providing timely analysis for emergency interventions, as well as medium to long-term programming.

Institutional arrangements rely on the overall government structures of central and local roles and responsibilities. While policies are developed at the central level, implementation of programs often relies on local level structures. Some programs are managed centrally (for example the CGP and OVC) and some are highly decentralised (for example PA). Separate program implementation structures and consultation mechanisms tend to be set up at the local levels. There has been some progress in strengthening the social protection system at the local level. MoSD established district social protection coordination committees in 10 districts. However, in general, there is a lack of clear communication and reporting lines between the central and local level.²⁴

The MoSD is well staffed but capacity weaknesses exist, especially in IT and data management and M&E. The MoSD currently has 374 staff (including at the district level) and plan to recruit 62 more to fill identified vacancies. In addition to the governing structure (minister, principal secretary, deputy principal secretary, finance department, planning department, and human resource department), the MoSD has 5 operational departments as well as support services such as IT, information, and administration. The operational departments are: child protection, elderly care services, disability services, community development, and social assistance. The main social assistance programs (OVC-Bursary, CGP and PA) sit under the department of social assistance as does the NISSA. The social assistance department has a limited number of technical staff. There is only one full-time payments manager and the NISSA unit only has one technical staff. At the district level (10 districts) there is a social development manager, a social development officer, as well as officers each for elderly care, disability, community development and child protection. In addition, there are 2 auxiliary social workers in each rural and urban community council (76 in Lesotho). IT and data management in the department is especially weak. Most data are entered in Maseru from papers formats. Currently, the IT department only has 3 positions in addition to data clerks who manually collect and process data in the districts. To extract data from the NISSA database the ministry has to rely on externally funded short-term consultants. In order for the social assistance programs to harmonise targeting and payments and become more efficiently managed, capacity would need to be improved in several functional areas including MIS, NISSA, and centralized data management; grievance redress; and digital payments management. M&E

²⁴ Qualitative assessments of institutional arrangements drawn from EPRI 2020, among others.

staffing is also weak which impact the ability to maintain up to date information about program performance and impact. UNICEF has been instrumental in providing technical assistance to the ministry for a long time.

Development Partners are involved in selected areas of the social protection agenda. The European Union (EU) and United Nations Children Fund (UNICEF) were instrumental in launching the Child Grant Program, as well as in the creation of NISSA. They have also provided integral support to strengthening of the social protection system as a whole for over a number of years. This includes the development of the national social protection plan and the Government coordination mechanisms, program targeting procedures and criteria, the establishment and expansion of the NISSA, the redevelopment and strengthening of the MIS system, expansion of the CGP, the ISSN pilot, the community development model and the SPRINGS program, as well as building shock responsive systems. The World Food Programme (WFP) provides critical support to the national school feeding program and in responding to food insecurity resulting from natural disasters. The Food and Agriculture Organisation (FAO) and international NGOs have been actively in agricultural and environmental conservation efforts and livelihoods support complementary to social assistance objectives. Other international NGOs such as Red Cross and World Vision are also active. The World Bank has funded, since 2016, a Social Assistance Project with the objective of improving the efficiency, equity, and shock responsiveness of selected social assistance programs by building institutional capacity as well as direct funding to scale up programs. UNICEF also continues to support the MoSD. The ability of the Government, led by the DMA and the MoSD mainly, in coordinating development partners around a common vision and strategy for social protection is not sufficiently strong. Development partners often react faster than Government actors, especially for responding to shocks.

C. Description of Key Social Assistance Programs

This review identifies six key social assistance programs for inclusion in the analysis (Table 5) ²⁵ :

- 1) **Child Grant Program (CGP)** sits under the MoSD. As an unconditional cash transfer program the CGP aims to improve the living standards of orphans and vulnerable children (reduce malnutrition, improve health status, and increase school enrolment). The CGP started as a donor

²⁵ Program coverage varies by the year. Unless otherwise noted, this report uses data on coverage and spending by social assistance programs taken from the social protection expenditure review (Boko et al, World Bank 2020) reflecting FY 2017/2018 and using a common methodology for calculating spending and coverage. Therefore, the coverage figures in the table above may not be the most recent. For example, CGP coverage has increased to 50,000 households now and over 120,000 children in late 2020.



funded program in 2009 originally conceived with the implicit aim of mitigating the impact of the HIV/AIDS on OVCs. Continued advocacy and demonstration of results influenced the Government of Lesotho to take over the responsibility for CGP in 2013 and increasing the coverage. UNICEF played a large role in supporting the Government on the developments of the CGP.

- 2) **Public Assistance Program (PA)** sits under the MoSD. The PA's objective is to prevent destitution among the most vulnerable. This is the oldest social assistance program in Lesotho, initiated in the early days of the inception of the Department of Social Welfare. The Public Assistance Program has two components: Permanent Assistance and Temporary Assistance.
- 3) **Orphans and Vulnerable Children Bursary (OVC-B)** sits under the MoSD. The OVC Bursary supports access to education, especially secondary education, for orphans and vulnerable children. The OVC Bursary program makes an annual payment in the name of each bursary student directly to secondary schools. This is intended to cover tuition, registration, books and supplies, and fees.
- 4) **Old Age Pension program (OAP)** through the Ministry of Finance, is a non-contributory universal pension to prevent destitution among the elderly. The social pension was developed in part as a response to the HIV/AIDS crisis to replace support previously provided by adult children. It also builds on the regional tradition of social pensions in the southern Africa region to raise the living standard of older people. All Basotho 70 years old and over who are not receiving civil service pensions are eligible.
- 5) **Seasonal employment/public works (Fato Fato program)** through the Ministry of Forestry, Range, and Soil Conservation (MoFRSC) supports environmental conservation and income support through the cash-for-work. MoFRSC's flagship program is the Watershed Management Programme (WMP), also referred to as the Integrated Catchment Management Programme, but most commonly known as Fato Fato. This

program consists of building anti-soil erosion infrastructure and tree-planting, largely through unskilled labour. The program provides up to 20 days of season labour per participant.

- 6) **National School Feeding Program** through the Ministry of Education and Training (MoET) aims to provide better nutrition for children and retention and improved school outcomes. In 1965 the WFP started operations in Lesotho and expanded school feeding to all 10 districts. Since 1990, the Government has successively taken on responsibility to expansion to a universal program. The Ministry provides school meals to two-thirds of the schools in the country, while WFP provides one-third mainly to the more remote mountainous communities. In addition, there is an early childhood component funded by WFP in selected pre-schools. The Government operated school meals were severely impacted by the COVID-19 school closures with the long-term impact on children's health and learning yet to be fully determined.

These programs were chosen for their centrality to social assistance in Lesotho, with several caveats.

Excluded from the review are Lesotho's contributory pension programs so it is not a full review of all social protection instruments in Lesotho. Moreover, the scope of programs included as social protection or social assistance vary between assessments. For instance, educational scholarships (bursaries) may or may not be applicable as social assistance measures. This analysis includes the OVC-Bursary program for secondary students due to its explicit targeting of a vulnerable group as well as the Post-Secondary (tertiary) level bursaries even though the latter are not targeted and do not have any compensatory social assistance objectives. The tertiary bursary scheme for university and TVET students is supposed to function like a revolving loan fund but repayment rates are very low and bursaries function more like grants rather than loans. The scheme is managed by the National Manpower Development Secretariat (NMDS) in the Ministry of Finance. In addition, ad-hoc social assistance efforts, although not formal programs, are also discussed in the subsequent chapters assessing Lesotho's response to shocks, including food price subsidies and food aid in response to weather-related shocks.



Table 5: Key Features of Main Social Assistance Programs

Program	Target population	How selected?	Benefit system	Coverage	Transfer value
Child Grant Program (CGP)	Households with children below the age of 18 and classified as ultra-poor or poor in NISSA	Community targeting and proxy means test based on NISSA	Benefits are disbursed on a quarterly basis	26,681 households (est. 80,000 children) in 2017/18, expanded to 50,000 households (est. over 120,000 children) in 2020	Monthly benefit of M120-360 depending on household size
Public Assistance Program (PA)	Destitute individual (OVC, the severely disabled, severely ill and elderly)	Self-targeting, identification by social workers, selection by district managers	Benefit delivery is done at the district level by social welfare officers	12,000 beneficiaries	Quarterly benefit between M250 and M500
OVC bursary	Students who have lost one or both parents; have a sick, disabled or incarcerated parent; or are considered needy	New targeting method: Community targeting and proxy means test based on NISSA and application review	Payments made to secondary schools (fees, books, tuition).	23,000 beneficiaries	n.a.
Seasonal employment/ public works	Public works program employing able-bodied individuals living in rural areas	The program is self-targeted and not restricted to the poor; first-come, first-served basis	Works selected through MoFRSC, labor recruited locally	80,500 people	M960 (US\$70) per month for maximum one month per year and on a rotational basis
School feeding	Children in early education and primary school	Universal: covers all public primary schools and early childhood care and development (ECCD) centers	In-kind nutritional support distributed at schools	400,000 children	Provides one or two meals at school
Old Age Pension (OAP)	Any Lesotho citizen over the age of 70 and not receiving civil service pension	Categorical targeting, universal coverage. Apply through local government offices	Disbursed by Ministry of Finance payment officers through 293 pay points	83,751 persons (2017/18)	Monthly cash grant of M800
Post-secondary (tertiary) bursaries	Basotho enrolled in tertiary education (university or TVET) in Lesotho or abroad	Categorical targeting and based on good academic performance	Loan but social assistance in effect, electronic transfer to schools (for tuition) or student bank account (for other expenses)	Varies by type of school or program in which enrolled. No clear guideline on caps	Yearly, loans range from M7,000 (Lesotho) to M40,000 (South Africa)



Overall, Lesotho has a relatively significant package of social assistance interventions, particularly in the African context.

Built from the Government's intention to protect vulnerable groups and its evolving social protection strategy, there is a relatively wide coverage of support (although coverage of the poorest is low) and attention to specific targeted vulnerable groups. Different targeting mechanisms are used, with potential overlap among beneficiaries. For example, orphans and vulnerable children are targeted through several programs, including the CGP, the PA and the OVC-Bursary program, as well as being assisted through the universal School Feeding Program. In addition, families could benefit from several programs simultaneously, for example with an elder receiving the old age pension, a working age adult engaged in the *fato fato* employment program and children receiving assistance from several sources. There are multiple programs targeted to OVCs each with its own targeting and separate administrative systems resulting in fragmentation and increased administrative costs. Chapters 3, 4 and 5 review various aspects of program performance, expenditures, efficiency and impact of these social assistance programs. Labour market programs are reviewed separately in Chapter 6.

D. Backbone delivery systems

Creating a more integrated social assistance system requires moving beyond a group of isolated programs to developing cross-cutting operational delivery systems and platforms that foster coordination and reduce duplication. Key backbone systems include: targeting, administration (including MIS and NISSA), payments, case management, early warning systems, and monitoring and evaluation. The current status of these key systems is summarised below.

Targeting mechanisms vary by program, supported by the creation of a national proxy means test system for household-level targeting.

There are two universal programs of social assistance, the National School Feeding Program and the Old Age Pension, both identifying categories of recipients (school-aged children and people over 70 not receiving civil service pensions). Targeted social assistance programs in Lesotho use a variety of techniques, the most common of which are categorical targeting, community-based targeting, proxy means tests and self-targeting, and often a combination of these techniques:

- a) Categorical targeting identifies vulnerable groups, particularly orphans and vulnerable children (OVC Bursaries, Child Grant Program).
- b) Community-based targeting uses community-level targeting processes to bring local knowledge, acceptance and transparency to the selection of program beneficiaries. Households are assigned to one of 4 poverty levels (NISSA 1 to

4 – ultra poor, poor, moderate, non-poor). This is used primarily by the CGP and the PA in terms of identification by local social workers.

- c) Proxy means test formulas have been developed using national household survey data. A PMT score is developed using consumption expenditure estimated on the basis of assets and demographic composition. Today the PMT is applied after the community targeting classification to correct errors. Today the only program that uses the PMT is the CGP although the MoSD plans to also introduce it for the OVC Bursaries and the PA as new beneficiaries are entered into these programs.
- d) Self-targeting based on low wages paid for casual labour is used in the seasonal public works program.

The introduction of the CGP's poverty targeting design was a first attempt to structure a poverty targeting process that could be applied and replicated at a national scale.

Lesotho's National Information System for Social Assistance (NISSA), begun with CGP, and is slowly being developed to become a single registry for all social assistance programs. NISSA's targeting approach "NISSA-CBT" (Community-Based targeting combined with PMT) is designed to identify the chronically poor. Starting from a pilot of rural communities under the CGP, NISSA has been scaled up to cover all rural community councils and an extension to urban areas is scheduled to be completed in late 2020. Box 3 describes this process in greater depth. Although the development of a national PMT mechanism has introduced transparent targeting to social assistance, there are limitations. The PMT model is estimated on nationally representative data and is not designed to reflect local differences in the poverty profile and, as a static tool, cannot capture recent shocks to households that would make previously ineligible households now eligible.

There is room to improve the performance of the PMT relative to the performance of models observed in several other countries.

This is largely because of the nature of the consumption distribution around relevant cutoffs and the very flat income distribution. Globally, programs such as PA, which rely on local official determination for assignment of benefits, often perform just as well as PMT-based targeting (coupled with community-based targeting) in terms of identifying the poorest. Going forward, there needs to be careful examination of the relative performance of community-based, local official-based, and PMT-based targeting. Current information does not reveal any strong advantage to the use of PMT-based targeting, at least not the currently formula, in identifying the poor.



Administrative systems to support social assistance programs remain largely manual though MoSD has been working on integration of the administrative mechanisms of all social safety nets. Currently, program enrollments are managed at different Governmental levels. For instance, most PA beneficiaries apply at the district office, where they fill in an application form, accompanied by a referral letter of the village chief. Old Age Pension applicants submit through local government offices of the Ministry of Finance. Selected beneficiaries are enrolled in CGP on an annual basis at a central point within the Community Council²⁶. Most programs lack digital MIS systems or have limited capacity for updating at decentralised levels. An integrated MIS needs to be developed and tested for all MoSD programs that links central and district offices, with electronic entry of client application information and client documents.

Box 3: Evolution of NISSA Targeting System

The National Information System for Social Assistance (NISSA) launched in tandem with the CGP, is a targeting tool for identifying poor households based on combination of community selection and a Proxy Means Targeting formula. The targeting methodology is meant to support multiple programs, not just the CGP. This ultimately provides the basis for a unified registry of beneficiaries of all social protection programs in Lesotho. This targeting system is intended to be linked to the national identity system in the future.

CGP households are selected by a combination of proxy means testing and community validation and registered. In the past the PMT was applied first followed by a community validation process. Today the community categorisation takes place first and the PMT is used to correct errors.

First, a community categorisation of poverty status is conducted by a local Village Assistance Committee (VAC) comprised of the village chief, community councilors and community representatives. Only households NISSA 1 or 2 and validated by the VAC and have at least one child 0-17 are enrolled in the CGP. Community-level categorisation considers the sources of income, food security, participation in farming, if households have livestock and ability to take children to school, clothe, and feed them.

Second, households are ranked according to a PMT which predicts consumption expenditure on the basis of assets and demographic composition. The PMT model was developed based on the 2002/03 national Household Budget Survey. Households are assigned to one of 4 poverty levels (NISSA 1 to 4). Census data are collected for all households prior to program roll-out through house to house visits which in recent years has included the use of spatial imaging to identify all houses. Mobile phone/tablets are used for data collection directly from field.

The first round of NISSA data collection started with a 2010 pilot in 3 community councils and in 2016 expanded to 10 community councils covering 55,895 households. Successive expansions in 2017-2019 has now expanded the NISSA coverage to close to all rural households. NISSA is currently only covering rural community councils (64 councils) but is in the process of being expanded to all urban councils. The field work for the urban councils is currently underway in 2020 and by 2021 Lesotho should have a NISSA which covers all of the country – urban and rural. All data collected is synchronized through the NISSA MIS after thorough quality assurance. While NISSA provides a powerful tool for targeting and development of a national registry, there is no formal strategy to maintain and update the system. The Ministry with support for ECHO/UNICEF is currently developing a method for keeping the data updated.

For most programs, there is no regular schedule for recertification of beneficiaries and many beneficiaries remain on the rolls for years. Until recently, there was no systematic proof of life verification by the OAP administration, with exits relying on a certificate from the village chief in case the elderly does not collect the payment in person. This practice led to considerable suspect ghost beneficiaries, estimated at 20-25 percent of total beneficiaries for a total loss of over M150 million (roughly US\$10 million dollars) per year. There was an extensive proof of life exercise for the OAP done in 2019-20 (Box 4).

Box 4: Old Age Pensions - Recent Administrative Improvements and Proof of Life Project

Since 2017, the Pensions Department in the Ministry of Finance has made changes to OAP administration to address payments to people who are not eligible. Payments to those who receive Civil Service Pensions (CSP) and who are therefore ineligible for OAP have been reduced by automatically verifying the OAP payroll against the Resource Link CSP module. Payments to deceased pensioners have been reduced by requiring all new applicants to have a valid National Identity Card, and to show the card when collecting payment. The Department works with the Ministry of Home Affairs to ensure that all OAP pensioners have National ID Cards.

The objective of the OAP Proof of Life project was to verify the existence of each OAP pensioner and, where relevant, the "proxy" nominated by the pensioners to collect the pension each month. Secondary objectives were to clean the OAP database, which has had significant data quality and correctness issues, and to identify pensioners who did not yet have a National Identity Card and provide that list to the Ministry of Home Affairs for follow up directly with those pensioners.

- Phase 1 took place during November 2019 at all OAP Pay Points. Phase 2 took place in January 2020 and involved home visits to pensioners who had sent a proxy in November.
- The two phases verified 69,523 pensioners, against an OAP payroll for November 2019 of 82,098, leaving 12,575 potentially ineligible (with varying degrees of certainty) people on the payroll.
- The Pensions Department is investigating the discrepancies and in June 2020 began ceasing payments to ineligible people. By the September 2020, the Department would have finished this work and the bulk of the 12,575 unverified pensioners will have been removed from the payroll.

Moving forward, the OAP has built into its system that all pensioners have to be seen once a year to continue to receive benefits so it should be automated going forward. In addition, a new Management Information System (MIS) will automate some tasks that are now manual, provide better interoperability with other social assistance systems, and improve program integrity by, for instance, requiring a pensioner to collect the pension in person at least once each year. A Payments Pilot Project will be implemented in August and September 2020, to offer pensioners the option of receiving OAP e-payments, and to enhance the current cash payment system to reduce leakage and greatly improve financial reconciliation of OAP payments.

26 Administrative division of Lesotho.



Payment systems for social protection programs in Lesotho work with different providers and are reliant on cash in transit.

Through district offices and G4S security company cash in transit services, and even by helicopter to remote regions, social assistance payments are predominately cash-based. As such these remain relatively expensive, in part as a result of Lesotho's topography, which includes hard-to-reach areas, and limited penetration of rural banking. In 2017, only 46 percent of the population ages 15 and over had an account at a financial institution or access to mobile money. CGP piloted mobile payments through Vodacom M-Pesa and Ecocash in several districts. PA works with Post Bank in Maseru and with district officers protected by armed forces to deliver cash to beneficiaries outside Maseru but has piloted the use

G4S for delivering payments. Evaluations found that the costs of cash in transit are 1.5 to 7 times higher than the costs of mobile payment deliveries.²⁷ Table 6 provides a comparison of payment methods under CGP and PA, with mobile transfers providing the greatest potential efficiencies, though given program size, there would significant savings in transferring PA payments from using district and armed forces personnel to G4S cash in transit services. Beyond payment costs, some payments are often late, for example OVC Bursaries often arrive well after the school year has started, putting strains on school finances. To improve the efficiency of payment mechanisms, programs are increasingly looking to move from cash to electronic payments, and to ensure transfer of funds on a predictable and agreed schedule.

²⁷ Economic Policy Research Institute, 2020.

Table 6: Payment costs for Public Assistance and Child Grants Programme in 2019

Social Assistance Programs	Payment provider	Estimated cost per payment	Estimated cost per payment (%)	No. of grant recipients 2019	Total estimated costs 2019
Public Assistance	Postbank in cash	M17.4	2.3%	2,974	207.24
	District officers and armed forces	M75	10.0%	9,726	2,913.914
Child Grant Program	G4S cash in transit	M24.2	4.5%	33,186	3,219.032
	Mpesa and Ecocash	M6.15	1.4%	6,325	155.112

Source: EPRI 2020.

Grievance mechanisms are important transparency and accountability tools and can bring awareness of other programs to vulnerable households.

Implementation of grievance response systems has been weak for most social assistance programs. Grievance systems are designed to provide redress for those who are eligible but excluded and other complaints and requests for reconsideration. Issues range from names of beneficiary households omitted from lists to incorrect payment amounts. During an Integrated Social Safety Net (ISSN) review in 2016, participants were unaware of how to put forward any grievances.²⁸ Currently, most grievances are brought on an ad-hoc basis to auxiliary social workers, community councils, and district offices and may not be officially recorded or brought to the attention of central offices. The MoSD is considering putting a place a call center to complement the social workers' grievance channel although a strategic vision for how an overall Grievance Redress System would look like is not yet developed.

Beyond grievances, case management systems can both provide support for participant performance, as well as orientation to other available social assistance services and programs.

For example, in the case of OVC bursaries, case management could track student attendance and performance to spot difficulties

and prevent drop-out. Case management is also typically used to link households to other complementary programs available locally. The ISSN review conducted in 2016 showed that community sensitisation of social assistance programs was poor and implemented separately for the different programs.²⁹ Only CGP makes use of case management today although system are weak. Members of more urbanised communities tend to be more informed about different programs and services available, than their rural counterparts, who typically are not aware of existent services and programs. Village Assistance Committees and local auxiliary social workers can play a role in community awareness raising and case management provided they are given clear lines of responsibilities and reporting and sufficient resources to operate. Currently, because of the underdeveloped MIS and the lack of unique ID numbers linking program beneficiaries in the system it is not possible (or would be a tedious manual process) to identify which children in the CGP program also benefit from OVC Bursaries and vice versa. The ministry plans to draw on the child helpline 'Karabo ea Bophelo' project to train social workers on case management and develop referral mechanisms although a clear care management system across the various social programs of the Government is not developed.

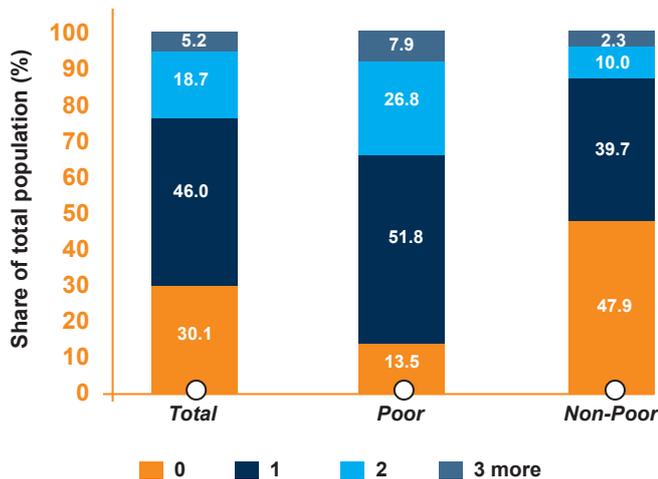
²⁸ Ibid.

²⁹ Economic Policy Research Institute, 2020.



There are significant gaps caused by system fragmentation and program design. The issue that deserves attention is that 13.5 percent of the poor report not receiving any transfers. The fact that the CGP program only covers 50,000 households and the PA only around 12,000 leaves out a large number of poor households. In Lesotho households frequently benefit from several programs and the overlap is not monitored. Figure 7 presents the transfers frequency in total population and by poor and non-poor population. The multitude of programs is a good feature of the Lesotho's social protection system as different programs have different objectives. Some households might indeed need multiple support and should not be excluded from programs only because they may be supported by another program. Also, some programs, such as school feeding, or OAP are universal as they pertain to all children and all elderly.

Figure 7: Lesotho transfer frequency in each population group, percent



Source: Sulla et al. 2020, calculations based on Lesotho 2017/18 CMS/HBS.

Monitoring and evaluation of social assistance programs is uneven. For most social assistance programs, there is little consistent measurement of results and impacts, with program performance largely based on reporting of numbers of people served and amounts spent. Some of the challenges comes from the weaknesses in data collection whereby data are not captured systematically and electronically in the districts but are subject to human error. Links to the ID and birth registration databases are also weak. There is a lack of consistent indicators identified and collected to measure the effectiveness of social assistance programs in responding to the vulnerabilities associated with different stages in the life cycle. There are several notable exceptions. To support its scale up from a pilot to a national scale program, rigorous and multi-faceted impact evaluation was carried out on the CGP starting in 2010 which built an empirical basis of program results.

Other process reviews and program evaluations have been carried out on a spot basis of other programs, sufficient to identify ways to improve the programs, but falling short of robust results measurement.

Early warning and surveillance systems are critical in dimensioning effective disaster relief. Disaster early warning systems are vital in developing a timely and effective response. Disaster response often requires mobilising international assistance and may include in-kind distribution of food and other necessities that need to be in place in a timely fashion to forestall hunger and distressed sale of assets. The Lesotho Disaster Management Agency, through technical support by the World Bank and WFP and funding from the EU, established an Early Warning System (EWS) in 2015. The EWS provides timely access to information to improve preparedness and response, through inter-sectoral information sharing and active participation of the local communities. Lesotho also participates in FEWS Net, a Famine Early Warning System, which tracks weather hazards, food prices and food assistance needs.

There is limited integration of the operational delivery systems across programs. All of the programs use their own procedures and protocols for targeting, enrolment, payment, case management, grievances and monitoring and evaluation. Each program has its own operational manual, often outdated and failing to identify ways of integrating with other program platforms. This causes duplication and inefficiencies. Community-level activities of program awareness raising, beneficiary screening, enrolment and case management are not brought together into a coherent package of services and local coordination, leaving local stakeholders and citizens often unaware of programs or procedures. Lack of a common monitoring and evaluation framework makes it difficult to assess the overall outcomes. There have been initial Integrated Social Safety Net (ISSN) Pilot seeking to integrate the three main programs under the MoSD, namely PA, CGP and OVC, including integrated targeting through the NISSA, common enrolment and payment events, which have improved integration and should be scaled up and include other programs (see Box 5).

Towards harmonisation of social assistance programs and systems. Building on the ISSN pilot, in 2019/2020 UNICEF commissioned an ISSN Harmonisation Strategy for the MoSD to guide the program and system integration. It sets the guidelines for how the main social assistance would work together in a complementary manner and make use of common payment, targeting (NISSA-CBT), and MIS systems. It also proposes to restructure the PA program to become a short-term shock responsive program to protect households against both idiosyncratic and systemic shocks. The timeline for when this strategy would be adopted by the Government is not known and if there



is even political will to do so. Updating the delivery systems to properly serve and coordinate the programs in an effective manner is a large task however. Some key investments would have to include:

- a) **Unique identification as a basis for coordination.** A social assistance system based on unique ID numbers for all beneficiaries (and non-beneficiaries registered in the NISSA) is the basis for program coordination, case management of beneficiaries, and reduction of overlap and identification of new households and individuals to be supported. With a relatively well-developed national ID system in Lesotho lead by the Ministry of Home Affairs, it would be possible to base the social assistance identification in Lesotho on the national ID cards/numbers.
- b) **Upgrading and expanding the MISs and making use of it by all programs.** The MIS of the MoSD needs updating to include modules for the PA program should it be reformed to a central shock responsive program per the recommendations of the draft ISSN Harmonisation Strategy. In addition, with a separate MIS for the OAP in the MoF, features need to be developed to make the two MISs interoperable and to make it possible to identify households and individuals across both the OAP and other social assistance programs.
- c) **Updating NISSA and applying it to poverty targeted programs. NISSA data currently used by the CGP were collected in the 64 rural community councils through a census done in 2016.** Data on household characteristics are hence four years old. To keep the targeting relevant a method for how to regularly update the data with household changes is needed. The PMT formula itself is also based on old survey data from 2002/03. The OVC-Bursary and the PA programs should start using the NISSA for selecting beneficiaries and reviewing the list of current beneficiary households.
- d) **Scaling up digital payments.** To improve the security, efficiency and transparency of payments Lesotho needs to scale up digital (bank and/or mobile) payments and shift out of cash only payments and the over-reliance on the G4S payment provider who currently handles the payments of the entire CGP program as well as starting to take over the PA payments.

Box 5: A Road map for integrating social assistance programs

Lesotho's Integrated Social Safety Net (ISSN) Pilot was designed in late 2014. The ISSN pilot would include Lesotho's four main safety net cash transfer programs: the CGP, OVC-B, OAP and PA programs, with OAP. These specific programs were chosen as they share similarities in design, all essentially seeking to transfer cash to pre-identified vulnerable households. Objectives of the ISSN Pilot were to: i) establish, test and demonstrate the capacity and the ability of the Government to deliver social safety nets; ii) develop the tools needed for integration; and iii) increase the efficiency of each program to reduce costs, improve coverage, and foster transparency.

The ISSN process cycle is composed of four main phases: Beneficiary Selection, Enrolment, Payments and Case Management, consolidated for all four programs into one set of operational procedures.

Selection: Community-based targeting and proxy means test targeting using the NISSA categories 1 and 2 serve as the basis for identifying potential beneficiaries in the CGP, OVC-B and PA programs, with OAP identifying those over 70 years old and not receiving a civil service pension. Following the development of these lists, a community validation process is carried out locally whereby trained VACs identify eligible HHs based on their personal knowledge of the household. Only those households that are identified as eligible by both NISSA and the community are called for Enrolment.

Enrolment: The objective of enrolment is to familiarise beneficiaries with each ISSN program and to officially enroll beneficiaries into the Pilot, as well as update, verify, and/or correct household member information. An Enrolment Event is held locally. After Enrolment is complete, the data collected is exported to a central server and then imported to the MIS electronically.

Payments: Payments will be coordinated between the four programs, with disbursements made quarterly for beneficiaries of CGP, OVC-B and PA, and monthly for beneficiaries of OAP. Beneficiary households must attend a local Payment Event in order to receive their cash payments.

Integrated Grievance Mechanisms/Case management: Beneficiary households will be able to submit appeals, complaints, claims, and updates in person at the District Office, Central Office, or at the Payment Events. Forms are entered into the MIS at the District level and resolved by both District and Central level, depending on the type of case and its severity.

The Pilot focused during its first phase on the integration of the three programs under the MoSD, namely, CGP, OVC-Bursary and PA. Periodic process evaluations have been carried out. Institutional and bureaucratic rigidities have delayed full implementation of the intended integration. Community sensitisation, case management, grievance response and monitoring and evaluation remain weak, particularly implementation at the local level and digitalisation of the processes. Payments are still largely cash-based, with limited uptake of mobile phone systems.

Source: EPRI, 2020.



Chapter 3 – Analysis of Social Assistance Spending

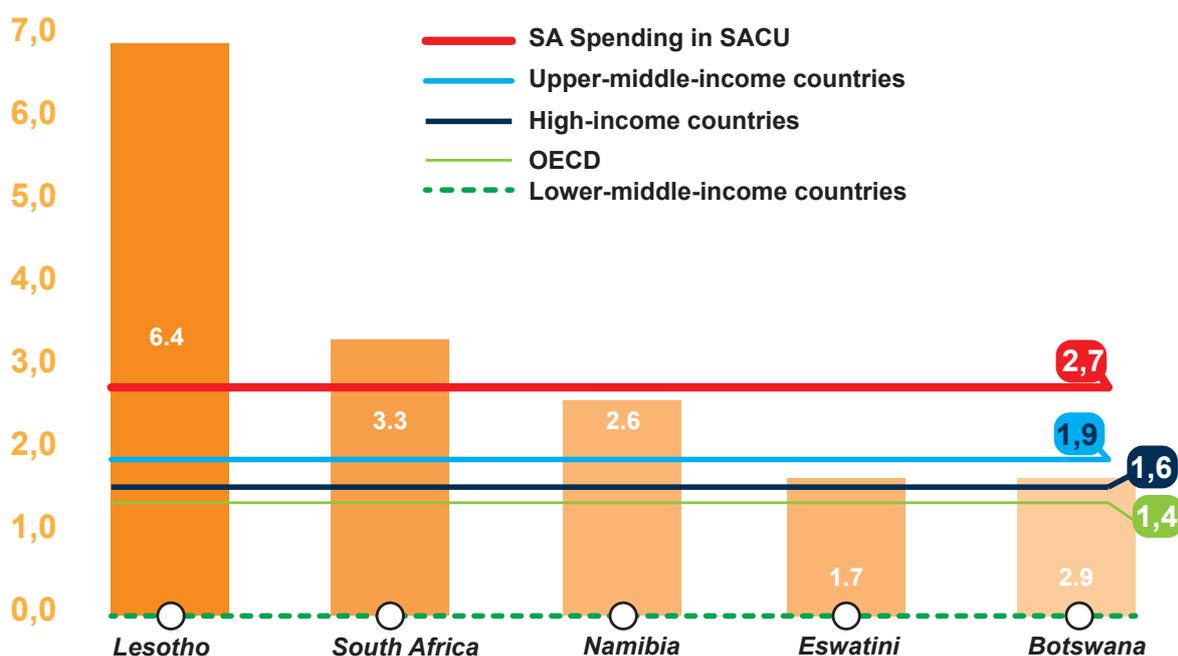
A. Overall social assistance expenditure levels

At 6.4 percent of GDP, social protection spending is very high in Lesotho versus comparators.³⁰

Developing countries spend on average 1.5 percent of GDP on social safety net programs. The worldwide average is 1.5 percent of GDP largely because the higher

spending in developed countries is through contributory pensions and other social insurance programs. Lower middle-income countries spend 1.4 percent of GDP. In general, the Southern Africa Region displays higher spending on social safety net programs largely because of the tradition in the region of universal old age pensions. Lesotho spends over twice the percentage of GDP as its neighbors (Figure 8).³¹

Figure 8: SACU social protection program spending, as a % of GDP



Source: ASPIRE database and Sulla et al. (2020), based on 2017/18 CMS data.

Note: Spending data are from latest available years in ASPIRE database (based on administrative data): 2014-2016 for Botswana, 2010-11 for eSwatini, 2014-17 for Lesotho and 2015 for South Africa. Spending for Namibia are based on the SP note - for the year 2018. Regional averages come from the State of SSN, WB 2018. Data for OECD countries refer to 2013 and are based on the Social expenditure database. Economies are divided among income groups according to 2016 gross national income per capita, calculated using the World Bank atlas method. The groups are as follows: low-income, US\$1,005 or less; lower-middle-income, US\$1,006–3,955; upper-middle-income, US\$3,956–12,235; and high-income, US\$12,236 or more.

Social assistance spending claims significant fiscal space in Lesotho. Overall spending on social protection represents roughly 14.3 percent of total government spending, equivalent to 6.4 percent of GDP (FY2017/2018) (Table 7).³² These data exclude labour market programs and administrative costs. Social assistance (non-

contributory but not always poverty targeted) spending accounts for 11.5 percent of government spending and 5.1 percent of GDP. Old age pensions accounts for 2.0 percent of GDP and 4.5 percent of total government spending. Tertiary bursaries which predominantly go to the non-poor is the second highest with 1.8 percent of GDP. The National School Feeding Program has the third highest budget but reaches a far greater number of beneficiaries than other safety net programs, with the lowest value of benefit person. As presented in the table, the six core social assistance programs analysed in the previous chapter only represent about half of overall government spending on social protection. The other social protection programs include public sector pensions mainly.

30 Using ASPIRE data from 2017/18 for consistency. The 2019/20 budget brief estimates for social protection and social assistance spending were 6.7 percent and 5.6 percent of GDP respectively.

31 Data in this chapter is drawn from the Lesotho Poverty Assessment (World Bank 2019) and Boko, J, Raju, D., and Younger, S. "Welfare, Shocks and Government Spending on Social Protection Programs in Lesotho." World Bank, 2020, unless otherwise noted.

32 Using ASPIRE data from 2017/18 for consistency. The 2019/20 budget brief estimates for social protection and social assistance spending were 6.7 percent and 5.6 percent of GDP respectively.



Table 7: Social assistance and social protection spending (fiscal year 2017/2018)

Programs	Spending (maloti)	Spending/GDP (%)	Spending/total gov. spending (%)
Child grants	57,593,829	0.15	0.34
School feeding	194,491,384	0.56	1.25
Cash-for-work assistance	98,220,000	0.28	0.63
Public assistance	38,000,000	0.11	0.24
Old age pensions	707,195,200	2.03	4.54
OVC bursaries	57,259,851	0.16	0.37
Tertiary bursaries	641,146,319	1.84	4.12
Sub-total social assistance	1,766,906,583	5.13	11.49
Other social protection	491,186,641	1.24	2.77
Total social protection	2,258,093,224	6.37	14.26

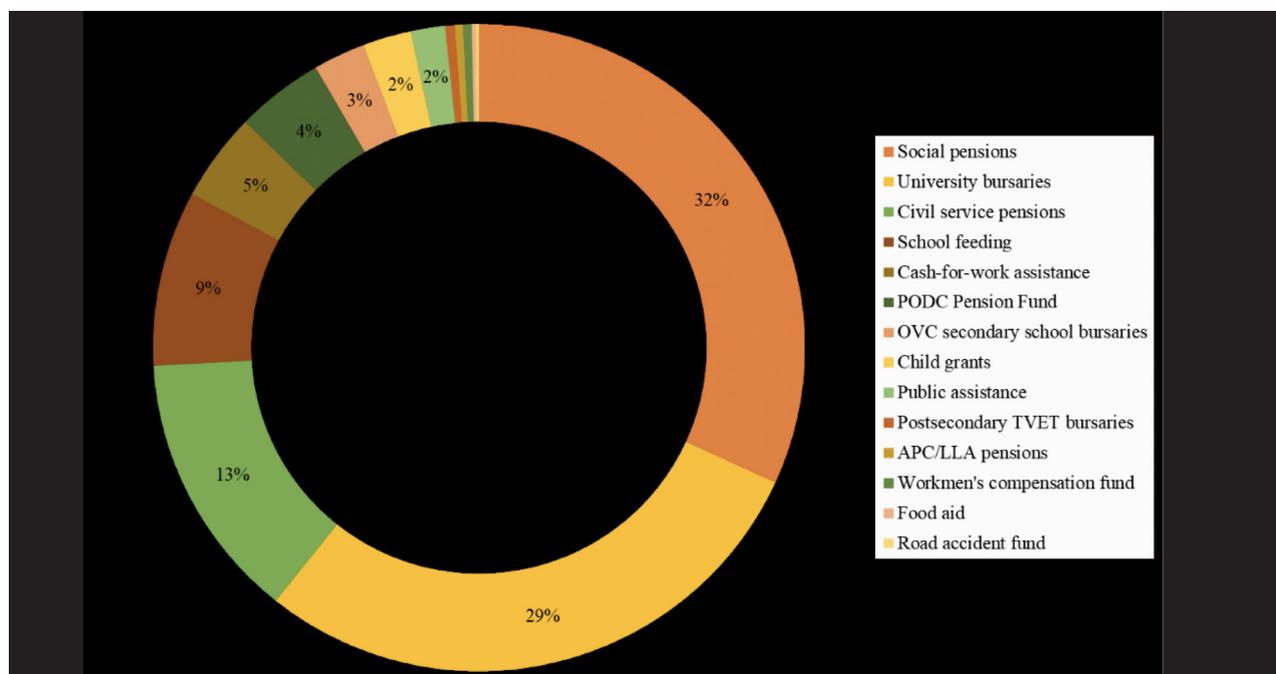
Source: Boko et al. 2020. "Other social protection" includes civil service and other public pensions (Public Officers Defined Contribution, African Pioneer Corps, Lesotho Liberation Army); technical and vocational education and training, women's compensation and the road accident compensation fund.

Note: These numbers exclude program administrative costs. Labour market programs are also excluded.

Looking at the composition of social safety net spending, the lion's share goes to social pensions, tertiary bursaries, and civil service pensions (Figure 9). The universal old age pensions alone account for 40 percent of social assistance spending (32 percent of social protection spending) covering some 83,000

pensioners. Tertiary bursaries, which is a regressive program and does not benefit the poor or contribute to the reduction in poverty and inequality account for 36 percent of social assistance spending and 29 percent of social protection spending.

Figure 9: Public spending on social assistance, as % of GDP in Lesotho



Source: Boko et al. 2020. Government spending by social protection program for fiscal 2017/18 obtained from various government ministries.

Note: PODC = Public Officers Defined Contribution; OVC = orphans and vulnerable children; TVET = technical and vocational education and training; APC = African Pioneer Corps; LLA = Lesotho Liberation Army.

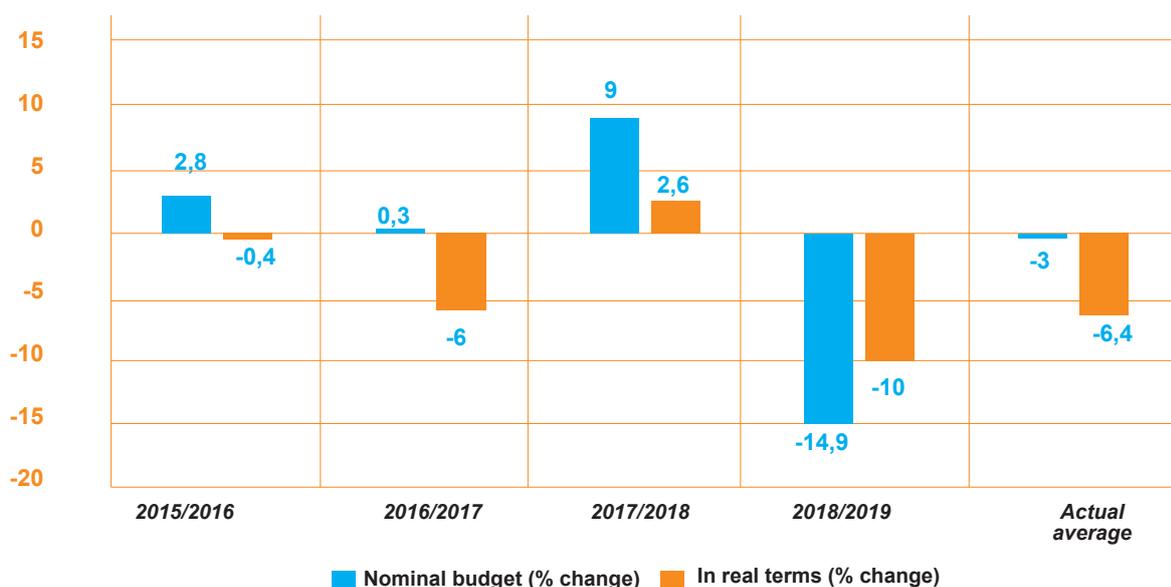


In contrast, very little is spent on programs which reach and support the poorest. The Child Grant Program (CGP) only account for 0.15 percent of GDP as coverage of the program is relatively small and benefit levels are low. In 2017 CGP covered only 11 percent of the targeted poor population with children under the age of 18 although program coverage has increased from 26,681 in 2017 to around 50,000 households in 2020 and the program plans to expand up to 70,000 households eventually. Coverage rates are discussed further in Chapter 4. Similarly, the Public Assistance program, which also aims

to support the poorest is a very small program reaching only around 12,000 people.

Although spending is significant for social assistance, it has declined in recent years. Nominal expenditures for the approved budget for social assistance were essentially flat over the period 2014/15 to 2018/19 despite a sharp and temporary increase in 2017/2018 (Figure 10). However, social assistance spending has not kept pace with inflation, with an average annual decrease in real terms of 6.4 percent over the last 4 years.

Figure 10: Changes in Government spending on social assistance 2014/15 - 2018/19



Source: UNICEF 2018.

B. Future social assistance spending perspectives

Lesotho's current fiscal situation is constrained, limiting further expansion of social protection spending. A fiscal deficit of 5.2 percent of GDP in 2018 is being addressed through constraints on the public wage bill and increases in taxation, among others.³³ Expenditure restraint is expected over the medium-term.

Since transfers are not pegged to inflation, there is a risk of erosion in real values. There is no specific method by which benefit values are determined but vary by program. Currently, cash assistance programs in Lesotho are not inflation adjusted. However, OAP benefits have been periodically increased since 2004. Using 2012/13 as the base year and taking inflation into consideration, transfer values for the Child Grant Program (CGP), for

instance, have decreased by 29 per cent in real terms. Over time, this erodes the protective value of the safety net. For transfers to keep pace with the rising cost of living in a fiscally constrained environment, additional sources of funding will need to be found. This is equally true for any eventual expansion in coverage or introduction of new programs (such as the envisaged infant and disability grants).

The most immediate opportunity to contain spending is to leverage internal efficiencies. Table 8 presents previous World Bank estimates of internal savings from direct efficiency measures. The largest savings would 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 (hence ineligible for the OAP). Consolidation and list cleaning of bursary programs would generate almost 17

³³ IMF 2019.



million maloti per year in freed up resources. Opportunities from administrative efficiencies in payment, targeting and MIS systems would generate savings of about 17 million maloti per year once investments are made. For example, the introduction of electronic payments is estimated to half the cost of payment processes. Even accounting for additional investments needed in NISSA

and the planned expansion of the poverty targeted CGP which would double from the current budget, these savings would free up an additional 113 million maloti, or 0.5 percent of GDP of the administrative budget. If realized, such a level of saved resources should be reprogrammed to top up existing programs (e.g. the CGP) or fund gap programs.

Table 8: Estimated savings/costs of various social assistance system investments

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 harmonised 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%

Source: World Bank 2016. Project Appraisal Document - Lesotho Social Assistance Project.

* The cost of the expansion of the CGP is estimated at M12.6million for each 6,000 households added to the program. The program plans to expand from its current 50,000 households to 70,000 households in the next few years.

Reprioritisation of expenditures away from poorly targeted programs should be considered.

Tertiary bursaries subsidize almost exclusively students from better-off households and transfer a high level of benefits. Most households who can afford to invest in post-secondary education are non-poor. For example, 6.4 percent of the non-poor of post-secondary school age receive bursaries vs. only 0.8 percent of the poor in the same age group.³⁴ The National Manpower Development Secretariat (NMDS) who manages the tertiary bursary loan fund are currently in the process of assessing to what extent the program could introduce a poverty targeting formula such as applying the NISSA PMT in determining who receives full bursaries. Recent World Bank simulations found that if tertiary bursaries were retained only for poorer students with savings reallocated to a transfer targeted to poorer households through the government's existing PMT formula, this

alternative would reduce the national poverty rate by 1.4 percentage points at the upper poverty line and by 3.2 percentage points at the food poverty line, and reduce the Gini coefficient by 2.4 percentage points.³⁵ Moreover, the recent Proof-of-Life exercise has shown that there is a potential of removing up to 22,000 ineligible people from the OAP program, reducing the payroll by around a 20-25 percent. More efficient short-term income transfers, for example using mobile phone technology for rapid disaster response payments, would save money in responding to large-scale shocks.

Savings from reforms of the non-poverty targeted programs should be reallocated to programs who reach the poorest.

The savings obtained from reforms in the tertiary bursary program and the OAP could be significant. If allocated to the CGP the program could be expanded significantly and benefit levels could be

34 Boko et al. World Bank 2020.

35 Boko et al. World Bank 2020.



increased to more adequate levels needed by households with children. An expanded CGP, given that 70 percent of its beneficiaries are poor or extreme poor, would have the potential of significantly reducing poverty, and especially child poverty levels, and contribute more strongly to improving equity in human development outcomes. More detailed simulations would be needed to generate specific estimates of the gains in efficiency of poverty reduction for specific reallocations of spending.

Long-range trends will influence fiscal space for and level of need of social protection. Lesotho's medium-term expenditure frameworks will help build the fiscal foundation for planning future social protection expenditures. The needs for increased domestic resource mobilisation are important for long-term sustainability of social protection financing. Longer-term demographic

trends, urbanisation rates, and the changes in private sector growth and rural resilience can significantly shift the projected caseload numbers and hence funding needs. For example, by 2050 it is expected that 47 percent of Lesotho's population will live in urban areas, versus 27 percent at present. This will reduce the vulnerability to weather shocks, but may increase vulnerabilities in other areas, as evidenced by the COVID-19 shock, while altering program targeting and delivery methods more to an urban context. Lowered fertility would also put less pressure on program expansion needs for social assistance oriented to protecting orphans and vulnerable children. Success in more inclusive economic growth will reduce caseloads. However, in the post-COVID-19 world, the potential gains made through economic growth, urbanisation and reduced fertility are likely offset.





Chapter 4 – Analysis of Social Assistance Program Performance vs. Poverty and Inequality

This chapter assesses how well the existing social assistance programs affect poverty and inequality.

Program effectiveness is based on several factors: (a) how well a program covers its target population, (b) targeting performance in terms of the leakage of benefits to the non-poor, (c) how protective the level of transfers are for vulnerable households, (d) impact on levels of poverty and inequality, and (d) program's impact on the determinants of poverty including impacts on human capital outcomes and productivity and resilience.

A. Program coverage

Table 9: Share of total households covered by social protection programs

Region/Program	%
World	44%
Lower-Middle Income	24%
Sub-Saharan Africa	41%
Lesotho – All social protection	71%
Old Age Pension	15.5%
Child Grant Program	9.1%*
OVC-Bursary	1.5%
Public Assistance	0.8%
School Feeding	59.8%
Cash for work	13.5%
Tertiary bursaries	3.0%

Source: ASPIRE

* Calculated based on 2017 coverage

The overall coverage of social protection programs is high in Lesotho -- driven largely by the national School Feeding program.

To be effective, a safety net program must reach a sufficient portion of its intended population. Universal programs provide scale but often benefit a significant share of the non-poor, raising program costs above what a targeted approach would be. In total, almost 71 percent of the population lives in a household with at least one member who benefits from a social protection program, far higher than international comparators (Table 9). The two largest social assistance programs, the School Feeding Program and the Old Age Pension, provide universal coverage and hence have more coverage.

Coverage of intended groups varies. Targeted programs reach a relatively small share of the groups they are meant to cover.

The CGP has been successively scaling up over time. In 2017 it covered only 11 percent of the target population (Table 10) but the number of households covered has increased from around 26,000 in 2017 to 50,000 in October 2020 to coverage of the intended group is also increased. Coverage of the CGP has been scalable during disasters. NISSA was used to identify new poor households during the 2019/20 drought. In response to the 2016 drought, 75 percent of the people on a food survival deficit due to the drought were estimated to have received cash assistance through a range of channels (discussed later in the report).

Table 10: Coverage of main social assistance programs

Program	Number of beneficiaries	Percent of target group	Target group
Old Age Pension	83,751	>100	70+ year olds without civil service pensions
Child Grant Program	65,000 (children)*	11*	Children living under the poverty line
OVC-Bursary	23,000	11	Secondary students
Public Assistance	12,000	6	Households in extreme poverty
School Feeding	400,000	100	Primary students
Cash for work	80,000	20	Rural adults 20-44 yrs old
Tertiary bursaries	Varies, around 23,000	4	Ages 19-22

Source: ASPIRE

* Calculated based on 2017 coverage. In late 2020 the CGP expanded to around 50,000 households covering over 120,000 children.

** Coverage of bursaries for university students was 84% and 53% for post-secondary TVET students



B. Targeting performance

Poor households benefit more than non-poor households with one exception, though relative performance varies between programs.

In five of the six programs included in this assessment, poor households were more likely to benefit than non-poor (Table 11). The only case where non-poor were more likely to benefit was with the OVC-Bursary program.³⁶ Of the three programs which aim to target the poorest (CGP, OVC-Bursary and the PA) neither the OVC-Bursary nor the PA program currently use the NISSA (community categorisation plus PMT) for selecting new beneficiaries although that is the plan in the near future according to the MoSD. Looking at the overall scale of leakage to the non-poor, the largest effect is from the National School Feeding Program that reaches all children in the

36 Although not included in this review the National Loan Bursary program for tertiary education is highly regressive and mainly benefit the non-poor who send their children for tertiary education in Lesotho and other countries such as South Africa.

country. The seasonal public works program and the Old Age Pension do not attempt to screen out the non-poor at entrance. The public works program is self-targeted, providing wages for unskilled labour, and the social pension is provided to anyone over 70 who does not receive a civil service pension. In terms of coverage of the poorest households, the Old Age Pension program reaches 35 percent of the households in the poorest quintile versus a developing country average of 20 percent. Of course, not all poor households include people over 70 years old. The school feeding program reaches 76 percent of the households in the lowest quintile versus 37 percent average for developing countries. The CGP reaches 17 percent of households in the poorest quintile (11 percent of poor households with children which is the target group). This is slightly below the average of 23 percent for developing countries for unconditional cash transfer programs.³⁷

37 Data derived from the ASPIRE database and the World Bank Review of Safety Nets 2018.

Table 11: Percent of households receiving social assistance in Lesotho, by quintile and poverty status

Program	Total	Q1	Q2	Q3	Q4	Q5	Poor	Non-poor
All social protection	70.5	92.1	85.4	74.4	61.5	39.1	86.8	52.3
Old Age Pension	15.5	35.4	16.0	11.7	9.8	4.5	22.4	8.0
Child Grant Program*	9.1	17.4	11.4	8.4	5.8	2.8	13.1	4.9
OVC-Bursary	1.5	0.9	1.2	2.5	2.3	0.6	1.4	1.6
Public Assistance	0.8	1.4	0.8	0.8	0.7	0.2	1.1	0.5
School Feeding	59.8	75.8	76.6	64.0	51.6	31.3	74.8	43.8
Cash for work	13.5	16.8	18.9	15.1	10.9	5.9	17.8	8.8

Source: As reported in the Lesotho Poverty Assessment (World Bank 2019).

* Analysis was undertaken using the 2017 household survey data and does hence not capture the level of targeting of the household added since 2017 and selected using the NISSA.

Table 12: Assessment of pro-poor social assistance programs

Program	Percent of program HH in bottom 40%
Old Age Pension	66
Child Grant Program*	64
OVC-Bursary	28
Public Assistance	56
School Feeding	51
Cash for work	53
Tertiary bursaries**	1

Source: Lesotho Poverty Assessment, World Bank, 2019

* Analysis was undertaken using the 2017 household survey data and does hence not capture the level of targeting of the household added since 2017 and selected using the NISSA.

** Boko, et al. (World Bank 2020)

Analysis by poverty quintile gives a more detailed perspective on targeting performance.

Programs are often classified as pro-poor if more than 40 percent of beneficiary households are in the bottom two quintiles of consumption. Five of the six social assistance programs are pro-poor (Table 12). The most pro-poor programs are the Old Age Pension and CGP. However, a large share of the benefits for these programs still accrue to the non-poor. Again, the OVC-Bursary and tertiary bursary programs would be considered not pro-poor.

Simulations show limitations of the benefits of further extension of the proxy means test tool.

Recent World Bank analysis compares the effectiveness of actual social protection program spending and simulated spending with PMT-based targeting. Results were that the effectiveness of actual and PMT-targeted social protection program spending is about the same.



While there is a strong correlation between the PMT score and household consumption spending per adult equivalent, the tool is imperfect. Twenty percent of the ultra-poor have PMT scores above the 57th percentile, while 34 percent of the non-poor have PMT scores below it. Simulations that further added a layer of geographic targeting or started with universal coverage and exclusions based on household characteristics also resulted in no significant improvements to targeting results. In theory, community-based targeting can be an important tool to making local-level adjustments in improved targeting. Overall, it appears there are more gains to be made in reorienting programs that are not pro-poor, like OVC bursaries and the tertiary bursaries, than in marginal adjustments to programs that are already pro-poor. At least until the PMT formula can be improved to better identify the poor.

C. Value of transfers

The effectiveness of social assistance programs is influenced by the benefit levels. Programs that reach many households but provide meager benefits do not provide a level of protection to mitigate shocks and

prevent negative coping behaviors. On the other hand, safety net programs are rarely structured for the transfers in themselves to be sufficient to lift all households out of poverty.

The most generous program in Lesotho is the Old Age Pension program, with its goal of creating a subsistence floor for the elderly (Table 13). For these social pensions, per beneficiary spending is slightly higher than the upper poverty line. The other programs have a per-beneficiary spending well below the food poverty line, at levels ranging from a high of 71 percent of the poverty line (public assistance) to a low of 4 percent (school feeding). The Child Grant Program which provides between M1,440-3,000 per year depending on household size is diluted when calculated on a per person basis. This is the equivalent of 13 percent of the average monthly household consumption. Cash for work program provides supplemental income to working households during peak moments of vulnerability rather than consistent payments throughout the year.

Table 13: Value of transfers of social assistance programs (fiscal year 2017/2018)

Programs	Spending (maloti)	Beneficiaries	Spending per beneficiary (maloti)
Child Grant Program	57,593,829	26,681 hhs	753
School feeding	194,491,384	295,723	658
Cash-for-work	98,220,000	80,500	1,220
Public Assistance	38,000,000	12,741 hhs	2,982
Old age pensions	707,195,200	83,751	8,444
OVC-Bursaries	57,259,851	21,304	2,688
Tertiary bursaries	641,146,319 (university), 10,220,693 (TVET)	19,524 (university), 1,013 (TVET)	32,839 (university), 10,090 (TVET)

Source: Boko, et.al. (World Bank 2020) Table A6.1. Social protection program spending and beneficiary numbers for fiscal 2017/18.

Cumulative social assistance transfers account for almost half of the consumption of the poorest 20 percent of the population. Without these transfers, extreme poverty would increase dramatically. Government transfer programs account for almost 14 percent of the average households' total consumption, with social assistance concentrated in the lower two quintiles while contributory social insurance accounts for most of the transfers to the highest quintile. Since cash assistance programs in Lesotho are not inflation-adjusted, their protective effect is at risk of eroding over time. For example, the real value of the child grant has declined by about a third over the last six years.

D. Impacts on poverty and inequality

Spending on social protection programs in Lesotho substantially reduces poverty and inequality. World Bank estimates social assistance transfers reduced the poverty headcount rate by an estimated 6.5 percent (a 3.1 percentage point reduction) and the poverty gap by 21.9 percent (a 5.3 percentage point reduction).³⁸ Social transfers reduced Lesotho's Gini coefficient by an estimated 7.8 percent. Old Age Pensions had the most significant impact on both poverty and inequality given the high level of benefit transferred and the relatively large coverage (Table 14). School feeding was second largely due to the high level of coverage. CGP had a stronger impact on inequality due to its targeting but the benefit level is insufficient for the poorest households to cross the poverty line.

³⁸ Simulations of poverty and inequality impacts drawn from Boko et. al. (World Bank 2020).



Table 14: Simulated Poverty Impact Associated with Social Protection Programs, percent

Program	Reduction in poverty (percentage points)	Reduction in inequality (percentage points)
Old Age Pension	3.5	4.4
School Feeding	1.9	1.8
Seasonal employment (<i>fato-fato</i>)	0.5	0.5
Child Grant Program	0.2	0.5
Public Assistance	0.1	0.1
OVC-Bursary	0.1	0.1
Tertiary bursaries	0.0	0.0

Source: Boko, et. al. (World Bank 2020).

These programs are relatively effective at reducing poverty and inequality. World Bank estimates of the impact effectiveness and spending effectiveness of social assistance programs (Table 15).³⁹ For both measures, values closer to one indicate greater effectiveness and values closer to zero indicate lower effectiveness. Child grants, public assistance, school feeding, cash-for-work assistance, and social pensions all have positive impacts on poverty and inequality, whether measured by impact or spending effectiveness. These impacts are from programs with either broader coverage, better targeting of or larger amounts of transfers to the poor. OVC bursaries are less effective in reducing inequality or poverty; however, this does not take into effect the long-run impacts of completing secondary school. The table includes some programs which do not have an objective to reduce poverty to show the contrast of spending with little to no impact on poverty or inequality, as is the case with higher education bursaries and civil service pensions.

³⁹ Impact effectiveness is defined as the ratio between the inequality or poverty reduction that a program achieves and the inequality or poverty reduction that it could achieve if all its budget were distributed in the most progressive way possible. The calculation of spending effectiveness holds the inequality or poverty measure constant and asks how much less could be spent and still attain that inequality or poverty measure achieving the perfect distribution of program benefits (PER).

Table 15: Effectiveness of social assistance programs on inequality and poverty reduction (concentration coefficients)

Program	Poverty (poverty gap)	Inequality	
	Impact/spending effectiveness	Impact effectiveness	Spending effectiveness
Child grants	0.70	0.53	0.52
Public assistance	0.67	0.49	0.49
School feeding	0.65	0.50	0.48
Old age pensions	0.65	0.54	0.50
Cash-for-work	0.64	0.44	0.43
OVC-Bursaries	0.43	0.30	0.29
Other programs not aiming to reduce poverty			
Civil service pensions	0.12	n.a.	0.00
Tertiary university bursaries	0.01	n.a.	0.00
Tertiary TVET bursaries	0.02	n.a.	0.00

Source: Boko, et. al. (World Bank 2019)

In sum, five programs—child grants, public assistance, school feeding, cash-for-work assistance, and old age pensions—are found to be effective, whether measured by impact or spending effectiveness. Most of overall social protection spending goes to the old age pension, school feeding, and tertiary bursaries. These programs enjoy strong popular and political support.

E. Impact on determinants of poverty

Social assistance programs often have additional objectives and/or impacts beyond immediate resource transfers to protect consumption. In the face of shocks and extreme poverty, immediate consumption smoothing is a primary objective. For programs that provide on-going benefits, there are often expectations, whether explicit or implicit, that they will build human capital and household resilience. These impacts will provide more lasting benefits. Overall, there is a dearth of robust measurement of these kinds of outcomes. For the few programs where there have been more in-depth evaluations, there is some evidence of impacts.



Human capital effects are observed in several programs.

The only program with robust impact evaluations, the CGP elicited improvements in food security by reducing the number of months during which households experience extreme shortage of food over the past 12 months by 1.7 months, with expected effects on nutrition.⁴⁰ The CGP contributed to a large increase in expenditures on schooling, school uniforms, clothing and footwear for children, including a 26 percentage point increase in the share of pupils ages 6-19 with uniforms and shoes. Additionally, in health, there was a 15 percentage point reduction in morbidity among children 0-5. Although there is no robust data available, given the high HIV/AIDS incidence contributing to over a quarter of Lesotho's children being orphans, the Old Age Pension serves to stabilize not only the elderly, but all members of households headed by a grandparent.⁴¹ Evidence suggests that Lesotho's National School Feeding Program provides an incentive for children to attend school, thereby supporting enrolment, attendance and transition. And, although no impact evaluation has been done, the OVC bursary program aims to improve secondary education attainment among the poor. Given that the cost of secondary studies is the most often cited reason for drop out, providing for school fees and expenses must prevent some level of drop-out.

There is scope to strengthen the role of child-targeted programs in improving human development.

Global evidence indicate that programs targeted to children, such as Lesotho's CGP, may be able to increase their impacts on human capital outcomes if they would be more explicitly designed with human capital outcomes in mind. The challenge for countries with rights-based social protection systems like Lesotho and other countries in Southern Africa, with strong social contracts between the state and the citizens, is how to build-in nudges for beneficiaries of unconditional cash transfers to invest in their children's schooling and learning, nutrition, and health status. Given that the CGP reaches poor rural households with children ages 0-18 there is scope for the program to build in links to the schooling and health outreach systems at the community level to strengthen and coordinate the package of human capital service delivery. Providing grants to pregnant mothers associated with pre- and post-natal health check-ups and (such as the proposed infant grant) may also be a way of improving the ability of social assistance to improve child and maternal health, nutrition, and development. How to do this best in the unique context in Lesotho requires additional research

40 Pellerano et al. (Oxford Policy Management 2014).

41 In South Africa under a similar program, one-quarter of households with children also have a recipient of their old age pension. Findings from Kenya suggest that 40% of OAP beneficiaries in that country re-allocate some or all of the cash received to broader family needs.

and feasibility assessments but there are many global lessons to learn from.

Rural productivity and resilience may also be positively impacted through social assistance programs.

For example, there have been efforts to link CGP transfers with pilots to increase household food production. A pilot initiative in 2013, the Linking Food Security to Social Protection Programme (LFSSP) sought to improve food security among poor and vulnerable households by providing vegetable seeds and training on homestead gardening to CGP beneficiaries. An evaluation of the pilot found a positive impact of the transfers on households' ability to produce food, both through increasing the frequency of the harvest from their garden plots, as well as increasing the total production of main staples. The evaluation further found that this positive impact of the transfer on food production was associated with a higher proportion of households' spending money on agricultural inputs and assets. Based on these results, a more comprehensive livelihood program was initiated in 2015 called the Sustainable Poverty Reduction through Government Service Support (SPRINGS), and found positive and significant impacts:⁴²

- a) Per capita non-food consumption increased by 24 percent with respect to the comparison mean, while the poverty gap index decreased by 12 percent.
- b) Both CGP alone and CGPplus-SPRINGS increased the consumption of dark green leafy vegetables (13 and 27 percentage points, respectively, for CGP and CGPplus-SPRINGS), vitamin A rich fruits and vegetables (12 and 24 percentage point increase), and organ meat (20 and 21 percentage point increase).
- c) The CGPplus-SPRINGS treatment group had an increase of the value of sales of fruits and vegetables, an increase in household expenses on seeds and chemical fertilizers and an increase in the use of tractors, as well as a decrease in the number of hours worked by children (-2.5 hours per week).
- d) Children in the CGPplus-SPRINGS group report a larger number of completed years of schooling (0.27) and a 4 percentage point reduction of the illiteracy rate.
- e) Children living in CGPplus-SPRINGS households experienced improved nutrition in relation to moderate and severe wasting.
- f) The findings show a large significant increase in the number of households saving and borrowing in the year prior to the survey.

42 FAO and UNICEF 2014.



On the other hand, these types of productive inclusion and resilience building programs, often implemented by NGOs, may not be sustainable and difficult to scale. While programs often show immediate large effects, after NGO leaves systems may be difficult to continue by the community.

Strengthening the link of cash-transfer programs to human capital outcomes or productive and economic inclusion requires significant intergovernmental collaboration. While the technical changes required for cash transfer programs

to enhance other development impacts (in addition to channeling funds to poor households to improve their consumption and reduce poverty levels) are not complex and can be inspired by designs of other programs in Africa and elsewhere, it would require a certain level of intergovernmental coordination. Several ministries such as social development, health, education, and agriculture would have to coordinate to deliver different parts of the program at central and local levels and collect data to monitor performance. In the current political context in Lesotho, such level of operational coordination and collaboration may be challenging.





Chapter 5 – Analysis of Social Assistance Program Performance vs. Shocks

A. Overall performance

Social assistance programs have been important tools in responding to shocks. Weather-related shocks and natural disasters often push those already living in poverty into destitution and the near poor and vulnerable into poverty and hardship. Putting social assistance programs in service of shock response is particularly important given the frequency and severity of weather-related shocks and large portion of the population exposed to such shocks. Rural households in Lesotho are more likely to report drought or floods or a large food price increase as a shock. Poorer households were also more likely to report drought or floods.⁴³ In addition, the HIV/AIDS crisis, a widespread health shock, was the context for the creation of the Child Grant Program to provide essential consumption support to households affected by this covariate shock. In addition, in countries characterized by widespread poverty and with extremely limited fiscal capacity, the scope for using safety nets as structural poverty reduction instruments are somewhat limited. By contrast, particularly when collective crises hit, such as droughts or a pandemic such as COVID-19, a much larger share of the population risks falling into poverty with some irreversible impact (for example if they are forced to sell their assets to cope with the crisis). In those circumstances, even in countries with extremely low fiscal capacity social safety nets ought to play a prominent role in mitigating the impact of the crisis. That is why developing systems that allow the government to scale up rapidly their safety net programs in time of crises is of paramount importance.

Lesotho still has a long way to go to create shock-responsive safety nets. At present, social assistance programs are more likely to benefit those households who have suffered shocks, but the buffering effect is small. For programs including child grants, school feeding, cash-for-work assistance, public assistance, and social pensions, the receipt of benefits appears to be associated with a higher likelihood of reporting a shock. World Bank estimates suggest that in the face of a rainfall shock like the one experienced in 2016, recipients of social protection programs would experience a per adult equivalent loss of consumption of about 125 maloti versus almost 200 for those not covered by social protection programs. Social protection transfers reduced the impact of rainfall shocks on beneficiaries but did not eliminate the impact.

However, a significant share of households remains uncovered in the case of large shocks.

Most households reported receiving no assistance after experiencing a shock (Table 16). Conditional on reporting a shock, 0–6 percent of households reported receiving government assistance across the shocks examined. Religious organizations and NGOs did not fare better. Most often when households reported receiving assistance it was from family or friends. This informal safety net is less effective in the cases of covariate shocks or shocks occurring among poorer communities.

It is worth noting that these results do not match the reported actual responses reported by Government. This may in part be due to timing of household survey data collection versus shocks. For instance, the food price subsidy was not in effect during the survey period for the 2017/18 CMS/HBS. It also may reflect a lack of household knowledge of where support is coming from. On-going social assistance programs may not be perceived as part of a shock response, like cash transfers and social pensions. Nonetheless, it is clear the population does not perceive support in the face of shocks.

43 Data on shocks in this section taken from Boko et. al (World Bank 2020)

Table 16: Self-reported assistance received by households in response to a shock

Type of shock	Share of HHs experiencing shock	Source of assistance received (of those reporting a shock)			
		No help	Family or friends	NGOs or religious orgs	Government
Any shock	58.4%	81.5%	16.9%	0.6%	1.0%
Drought or flood	24.2%	92.9%	6.2%	0.6%	0.4%
Large food price increase	31.1%	92.8%	6.2%	0.4%	0.6%
Death, illness or injury	9.4%	67.3%	32.1%	0.6%	6.1%
Livestock loss	8.8%	96.2%	3.5%	0.1%	0.2%
Other shock	24.1%	76.4%	22.1%	0.4%	1.1%

Source: As reported in World Bank 2019 based on data from the 2017/18 Continuous Multipurpose Household Survey and Household Budget Survey (CMS/HBS).



In the case of large shocks, existing platforms provide opportunities for scaling up. In particular, the targeting and payment mechanisms of the CGP have been effectively used to both top up payments and to increase number of beneficiaries in response to threats to food insecurity. Linking social protection with emergency support, during the 2016 emergency, UNICEF in collaboration with the MoSD supported over 26,000 households with cash. The existing NISSA system was used to target beneficiary households. Top-up payments to around 28,000 households and an expansion to 10,000 new CGP households was also used in response to the drought 2019/20.

To address large scale shocks, Lesotho must generate funding from the development partner community which can delay response time. It is estimated that the cost of failing to get a response in place in time to meet the consumption needs of those suffering from drought in Lesotho is 3.9 percent lower income per capita in the long run.⁴⁴ The gain from an emergency response that is one month quicker represents 0.8 percent of income per capita in the long run.

⁴⁴ Hill, Ruth V., Zlatko Nikoloski, and Tao Tao. 2019. "Assessing sources of vulnerability to poverty in Lesotho." Background paper for the Lesotho Poverty Assessment.

B. Lessons from the El-Niño-induced drought and food insecurity of 2015–16:

One of the largest shocks to recently affect Lesotho was the El Nino induced drought of 2015/2016.

The late onset and uneven distribution of rain caused a poor planting season in 2015, resulting in a decrease of 34 percent in the area being planted.⁴⁵ Compounded by a subsequent frost on late planted crops, this weather shock caused a 61 percent decline in maize production. A drought emergency was declared on December 22, 2015. By May 2016, 477,000 Basotho were classified as being in "survival deficit" or facing large food-energy deficits.

A multi-faceted response was mounted to address this high risk of food insecurity. A national response plan was formulated that estimated the resources required at M584 million (around US\$43 million), of which the government pledged M155 million (US\$10 million). The size of the required response exceeded the Government's institutional and budget capacity. The remainder was sought through an international appeal in January 2016. The Humanitarian Country Team (HCT) comprising United Nations agencies and NGOs estimated a higher level of funding needs at US\$58.2 million, and a resource gap between US\$25 and US\$30 million. The Disaster Management Agency was in charge of coordinating the drought response within Government and with development partners.

⁴⁵ Lesotho Vulnerability Assessment Committee situational report, 2016.





Although a scalable safety net system was not in place, some social protection programs and delivery systems were used to respond to the El Niño shock. Several mechanisms were selected for response:

- a) **Vertical expansion via cash top-ups to the existing Child Grant Program amounts** for all 26,681 CGP households. The first direct cash and in-kind support to households started in February 2016 from NGOs and UN agencies. UNICEF provided M500 (US\$37) quarterly top ups to all CGP beneficiaries during 2016.
- b) **Complementary packages to reduce food insecurity in conjunction with cash transfers.** Piggybacking on CGP's beneficiary list, programs sought to distribute seeds, promote home gardening and nutrition complementary packages.
- c) **Expansion of the NISSA database to incorporate more beneficiaries.** Thirty-three of the country's 64 community councils were registered on NISSA under the original method ('old NISSA'). At the time of the crisis in 2016, a revised NISSA registration procedure ('new NISSA') had been rolled out in three additional community councils, leaving 28 community councils unreachable.
- d) **Government introduction of a food subsidy.** The food subsidy began on June 1, 2016. The universal subsidy was designed to reduce the price of maize meal, sugar beans, and split peas by 30 percent for a period of one year. Government announced an allocation of over M162 million (US\$10 million) to support the subsidy. Impacts of the subsidy are unknown.

These responses built on instruments that had been used before. Food subsidies had been put in place to address food insecurity in 2007/08. The CGP had been scaled up once before in response to a food security crisis in 2012. And, the FAO had successfully piloted complementary support to CGP beneficiaries in 2013 as a development intervention. Expansion in the NISSA database used to target social assistance programs was already a goal, with drought response moving up the timetable.

Adjustments were made mid-stream. Crises can be opportunities to strengthen systems to respond better in the future. To harmonize the provision of emergency assistance, in September 2016 the DMA issued new guidelines on the amount of cash and food assistance to be provided, based on the survival deficit. The DMA

also developed, together with development partners a revised targeting methodology to select beneficiaries, overlaying geographic targeting using vulnerability assessments and community targeting. Following these guidelines, other development partners and NGOs provided cash transfers of M120 per person per month to poor and vulnerable households not covered by other social assistance program. On November 2016, the World Bank approved Additional Financing of US\$20 million through its Social Assistance Project to support drought response: (a) US\$15 million to address the financing gap in current emergency response including additional rounds of emergency top ups to the 26,681 households who are current beneficiaries of the CGP; and (b) US\$5 million to provide technical assistance including helping NISSA to reach 75 percent of the rural councils in the country as well as funding to implement the livelihood enhancement activities among beneficiaries of social assistance programs to bolster households' income generating and food production capacity.

Disbursements were initially slow but by March 2017 an estimated 462,000 people had been reached with cash or in-kind assistance to address food insecurity. By July 2016, the Government had disbursed only about 1 percent of commitments. By November 2016, a new LVAC assessment estimated that the number of households still facing a survival deficit by that date was some 90 percent lower than it had been six months earlier, at around 47,000 compared with 477,000. Despite delays in funding, impacts were substantial. The World Bank estimates that reductions in consumption from the 2015-2016 El Niño increased poverty rates by 5 percentage points.⁴⁶

There were several challenges in implementing the response that have lessons for future shocks:

- a) **Institutional coordination.** Although each have a key role to play, social protection and DRM sectors operate largely independently of each other. Overall leadership in the face of a shock is diluted across multiple agencies. Donors tend to funnel humanitarian response through the ministries or programs with which they have pre-existing relationships.
- b) **Delays in mobilizing resources, though in the end funding targets were met.** The Government mobilized US\$21 million through budget reallocation, from which US\$10 million were used for sectoral response and an additional US\$11 million for the food price subsidy. More than US\$40 million was raised from humanitarian partners. In

⁴⁶ World Bank 2019.



addition, the World Bank mobilized US\$20 million through the Crisis Response Window (CRW) and US\$1.4 million through the Contingent Emergency Response Component (CERC) under the Smallholder Agriculture Development Project (SADP). These resources far surpassed initial funding requirement estimates, reflecting the deeper impact of the crisis and the added cost of the food price subsidy.

- c) **Difficulties in identifying affected households.** There were debates about the relative merits of using the CGP to extend to new recipients or provide top-ups for existing recipients. An assessment of the drought response found that some government representatives felt that CGP households should not be prioritized as they already received assistance.⁴⁷ Development partners argued that CGP recipients were known to be poor, a mechanism for paying them existed, and expanding to new recipients would be time-consuming. However, the CGP, with its coverage of about 26,681 households at the time, reached no more than 25 percent of those in need. Most needy people still had to be reached through alternative routes. DMA's approach to assessing need and identifying households is based at the district level. However, districts lacked staff and resources to complete that in a timely fashion.
- d) **Determination of transfer values:** Initially, WFP provided M1,000 per household per month (plus M60 for transport), corresponding to the minimum food requirement of 2,100 kcal per day for a family of five. This was reduced to M500 following the introduction of the food subsidy. The top-up to CGP households was only M166 per month (M500 per quarter). Even with the typical transfer of M360–M750, CGP households received substantially less than those receiving other emergency assistance. As a result, households in the same community or at similar poverty levels may have received widely different amounts.
- e) **Drawbacks of using NISSA for disaster response were apparent.** As a proxy means test instrument, NISSA is better at identifying the chronic poor and only covers the rural community councils in the country its effectiveness in the face of such a wide-scale shock. The MoSD (with the support of UNICEF) plans to expand the NISSA to also cover urban councils by late 2020.
- f) **Recourse to price subsidies resulted in poor targeting.** Price subsidies benefitted poor and non-poor and created incentives for speculation and intermediation. The actual subsidy (13 percent of staple food costs versus the original intention of

30 percent) was found to have a modest effect on inequality and poverty, reducing the Gini coefficient by 0.2 percentage points and the poverty rate by 0.3 percentage points.⁴⁸ The subsidy spending was less effective at reducing poverty or inequality than spending under several social protection programs where benefits are more concentrated among poorer households.

Much of the system and implementation challenges remained in 2019/20 when the next drought occurred.

While NISSA had expanded to cover all rural Community Councils in Lesotho by 2019 many of the same difficulties in how the delivery systems could respond remained. With the support of the World Bank Social Assistance Project which could quickly make around US\$7 million available the Government decided to respond to the 2019 drought by again scaling up the CGP. Top ups were provided to the CGP households in the six northern districts starting in March 2020 (WFP planned to cover the four southern districts). While this time the program was also able to expand horizontally and add 10,000 new poor drought affected households using the NISSA database for targeting, the process of identification, enrollment, and payment for new households took over seven months and the new households only received their first drought response payment in July 2020.

C. The next shock: social protection implications of the COVID-19 pandemic⁴⁹

The COVID-19 crisis had a slow onset in Lesotho. As of July, the number of reported cases of COVID-19 in Lesotho was relatively low but numbers increased from August 2020. In response to the early onset of the pandemic, and the threat of infections from South Africa mainly, the country went into lockdown March 29 - May 5. Borders were closed, businesses and schools shut, and stay at home orders were put into effect. On May 6, businesses, public services and state companies resumed operations, and church services for up to 50 people opened. All schools still remained closed impacting the ability of school feeding programs. At the time, only economic shocks were anticipated and the opening up exposed transmission risks to a population with limited hospital access and high rates of underlying health risks and morbidity. The contagion risk was unknown given growing rates in South Africa and linkages between the two countries. Lesotho has a low urbanization rate at 28.15 percent of the total population in 2018 or a ranking of 169 out of 194 countries, and its only international air link is with South Africa, both of which serve as protective factors.

⁴⁸ Boko et. al. (World Bank 2020).

⁴⁹ This review was prepared during the COVID-19 crisis and hence does not attempt to lay out the full impact nor assess the response of the social protection system.

⁴⁷ FAO 2018.



In April to June, economic, health and security-related impacts were expected, concentrated largely in urban areas.

The economy is projected to contract significantly due to COVID-19. The immediate impacts were not caused from the pandemic itself but rather from the five week-long lock down causing the economy to halt temporarily. Employment and income losses among private sector and informal trade workers were a fact due to closures, as well as a reduction in cross-border trade were immediate. The first effects were especially felt in urban areas and among formal and informal workers. In addition, Lesotho's annual international tourist receipts of US\$24 million suffered. Longer-term unemployment can be expected due to business closures leading to permanent job shedding. The usual migrant labor patterns were disrupted due to economic dislocations in South Africa. As a result, remittances declined (19 percent of households receive remittances). Other non-economic impacts such as the lockdown and economic disruptions may aggravate gender-based violence, already high. And, people on ARVs who live in South Africa and normally come home to refill will be affected because borders were closed.

The COVID-19 crisis is exacerbated by the drought-induced food insecurity especially in rural areas.

In late 2019 the country experienced drought coinciding with the lowland planting season. Only farmers with resources were able to cultivate. LVAC conducted a rapid assessment in March 2020. More than 90 percent of rural households had depleted their food stocks and depended largely on food purchases. Since Lesotho imports most of its food from South Africa, continued lockdown in South Africa implied possibility of shortage and supply disruptions. Despite the high number of farmers in subsistence agriculture, markets have contributed more than 70 percent of annual requirements of country's food needs in most years. There is significant risk of food price spikes in the current situation. Traders will have to travel long distances or be forced to buy from single source market.

Food insecurity will transmit through several avenues:

(a) reduced production due to drought, (b) trade and market disruptions which will affect availability and prices, (c) lack of food buying power by loss of livelihoods purchasing power, especially among urban and private sector workers, and (d) disruption in the school feeding program due to school closures. The potential food-insecure population is estimated at 899,287 or 43 percent of population, of which 720,000 are rural, including around 104,000 migrants from South Africa to rural settlements, and 179,287 are urban population. This is a larger urban population than typically seen in drought response due to the significance of COVID-19 impacts in urban areas, including 20,000 street vendors, 40,000 factory workers, and 44,572 migrants from South Africa back to urban areas. Food requirements

for 6 months are estimated at M1,134,072,329 (US\$61.4 million). Each household is estimated to need M831 (US\$45) per month for food & non-food items.

The initial estimate by Ministry of Finance is M2-3 billion (US\$100-160 million) to deal with the impact of COVID-19 by the end of the financial year.

The Government allocated an initial US\$54 million to COVID-19 response. A little more than half of that amount would go into a contributory fund, requesting donor funding for the gap. The Government has prioritized food security and has mobilized the traditional drought response agencies/funders. US\$11 million will be spent on agriculture for food production. According to the Government's Social Protection and Humanitarian Response Plan as of June 2020, the cash benefit amount of the CGP and PA programs would be topped up and expanded to new households. The school feeding program would provide monthly rations to vulnerable children as identified by schools and communities. Vulnerable groups, including the elderly and informal traders, will receive grants. However, the response plan suffers from a large financing gap and the Government has no clear strategy of how to fill it. Moreover, the Government would pay textile workers a subsidy of US\$430 monthly for three months and fund business rentals in May and defer business and employee tax until September 2020.

Mobilizing domestic funding for such an expansive social and economic response package proved difficult and slow.

As of September 2020, the planned scale up of the PA and CGP programs have not yet taken place. Some food handouts have been delivered including for returning migrants. The WFP has implemented a program similar to the PA in urban areas and transferred M831 to 8,000 households and plan to expand. The MoF recently approved the MoSD's budget request and for M226 million (around US\$13 million) which would be used for an expansion of the CGP and the PA programs, support to people aged 60-69 years old, and to care facilities. The implementation of these activities is only planned to last for 3 months and may start in October 2020 at the earliest. The EU may also support the CGP scale up response by around €5.5 million.

Such a large covariate and unanticipated shock presents new challenges to the existing social protection system in Lesotho:

- a) **COVID-19 presents a different configuration of vulnerable and affected populations.** Early on, those most affected by the economic closures, included textile and other manufacturing workers, commercial and trading activities, and urban informal sector workers. These groups have not typically been those targeted by social protection



interventions. This urban focus may raise new issues, such as loss of housing through inability to pay rent, constraints on markets and public transport that require new configurations of urban services to avoid virus transmission, and so forth.

- b) **Direct impacts on important traditional buffering systems.** Remittances and labor migrations have been a traditional strategy for households to manage risk, both of which will continue to be affected for the medium term.
- c) **Exacerbation of growing youth unemployment challenges.** Youth unemployment in Lesotho is among the highest in the world, and three times higher than the average rate observed in other lower-middle-income countries. COVID-19 impacts on employment will further exacerbate this.

The COVID-19 response has potential implications for social assistance delivery systems. There is a need for quicker targeting mechanisms to direct to hard hit populations that would not have appeared in the current database. The challenge is how to adapt NISSA proxy means test to newly-affected populations especially in urban areas where NISSA is not yet available. OAP and other cash transfer programs that require in person delivery of payments, including queuing, for most at-risk populations will need to be reconfigured should community transmission take hold. The Government operated school meals were severely impacted by the COVID-19 school closures with the long-term impact on children's health and learning yet to be fully determined. Mechanisms for community distribution of school feeding nutritional support will need to be installed across the country to prevent similar situations in the future. Each program will need to assess how best to respond to the new challenges presented by COVID-19.





Chapter 6 – Review of Labor Market Policies and Youth Employment Programs

Employment and entrepreneurship programs (or active labor market policies, ALMPs) represent an important pillar of the social protection system.

Especially when targeting the most vulnerable, these policies have the potential to increase employment and labor earnings and reduce dependency from social assistance. ALMPs and social assistance programs may sometimes be complementary tools to respond to shocks, for instance through cash-for-work programs that support households in coping with temporary loss of income. While most of this report focuses on social assistance, this chapter briefly reviews employment policies in Lesotho in light of their implications for the broader social protection system and discusses the linkages (or lack of them) with social assistance programs.

Most ALMPs have a specific focus on youth employment.⁵⁰

High youth unemployment creates a specific vulnerable group not typically captured in lifecycle perspectives on social assistance. Almost 31 percent of adolescents aged 15-24 and 24 percent of young adults aged 25-34 are unemployed (Figure 5). Lack of productive employment results in high vulnerability to poverty, with approximately half of the youth living below the poverty line. The employment challenge is more severe among Basotho living in rural areas, those with low levels of education, and young women. Sixty-three percent of young Basotho live in rural areas, and 72 percent have not completed secondary education. Young Basotho living in rural areas have less access to

job opportunities with respect to youth living in urban areas and when employed they are less likely to end up in wage employment, usually associated with better-quality jobs. Only 21 percent of employed youth in rural areas is in wage employment, versus 54 percent among urban youth. Labor outcomes among youth are also positively correlated with educational attainment. Youth with incomplete primary education earn a fraction (26 percent) of the income earned by those with at least completed secondary education. Finally, although women in Lesotho tend to have better education outcomes, this is not translated to the labor market, with unemployment being significantly higher among women than men.

There is a disconnect between the policy response and the constraints it aims to address.

A review of employment and entrepreneurship programs⁵¹ conducted in 2016 revealed that despite low job creation, less than one third of these programs (accounting for only 12 percent of the resources invested) target productive self-employment and entrepreneurship. Instead, 87 percent of resources are spent on bursaries for tertiary education or skills training programs oriented towards finding a wage employment that may simply not be there.

50 The Lesotho Ministry of Gender & Youth, Sports & Recreation defines youth as aged 15-35 years old, split into 15-25 (youth) and 25-35 (young adults).

51 Youth Employment Review, World Bank, 2016 covering 16 programs encompassing public works, entrepreneurship, bursaries for higher education, technical training, other skills training, information, intermediation, and livelihood programs (see Annex 2 for the full list of programs and their main features).





Table 17: Youth Employment Programs in Lesotho

Program	Ministry/Agency	Number of beneficiaries	Annual Budget	Cost per beneficiary
Job Creation				
Integrated Watershed Management Public Works (fato-fato)	Ministry of Forestry, Range and Soil Conservation (MoFRSC)	96,000	M157 million	M960
Social Compact (Capital for entrepreneurship)	Ministry of Gender & Youth, Sports & Recreation (MoGYSR)	70	M3 million	Grants up to M40,000
Kickstart (entrepreneurship)	Maluti Mountain Brewery	60 youth trained, 7 receive capital support	M1 million	Grants up to M100,000
Bacha Entrepreneurial Project	Basotho Enterprises Development Corporation (BEDCO)	25 youth trained, but only 3 receive capital support	M500,000	Loans up to M165,000
The Vodacom Innovation Park	Vodacom Foundation	6 participants per year	M1.2 million (2016)	M200,000
Employability				
Lesotho Distance Teaching Centre (LDTC)	Ministry of Education and Training	5,000 (Literacy) + 3,459 (Open and Distance Learning)	M12 million	Average M1,419
Tertiary Bursaries (NMDS)	Ministry of Development Planning	23,000 beneficiaries per year (16,200 government-funded)	M660 million	Loans range from M7,000 (Lesotho) to M40,000 (South Africa)
Vocational Youth Training Centers	Technical and Vocational Education Division (TVD) (Ministry of Education and Training)	4,223 enrolled students per year	M40 million	Cost of training ranges from M5,000 to M15,000 per student, per year
Ntlafatso Skills Training Centre	Ministry of Labor and Employment	320	M3 million	M9,375
Youth Employment Program (YEP)	Ministry of Gender & Youth, Sports & Recreation	1200	M130,000	M108
Student Training for Entrepreneurial Promotion (STEP)	Lesotho National Commission for UNESCO (Ministry of Education)	150	M280,000	M1,867
Lesotho National Youth Volunteer Corp Project (LYVCP)	Ministry of Gender & Youth, Sports & Recreation	108	M3.5 million	M32,407
Information				
Youth Entrepreneurship Program	Ministry of Small Business	2,000	M450,000	M225
Comprehensive				
Youth Resource Centers	Ministry of Gender & Youth, Sports & Recreation	23,500	M100,000	M4
CRS Restoring Ecosystem	Catholic Relief Services (CRS)	1,670	M 6 million	M3,593

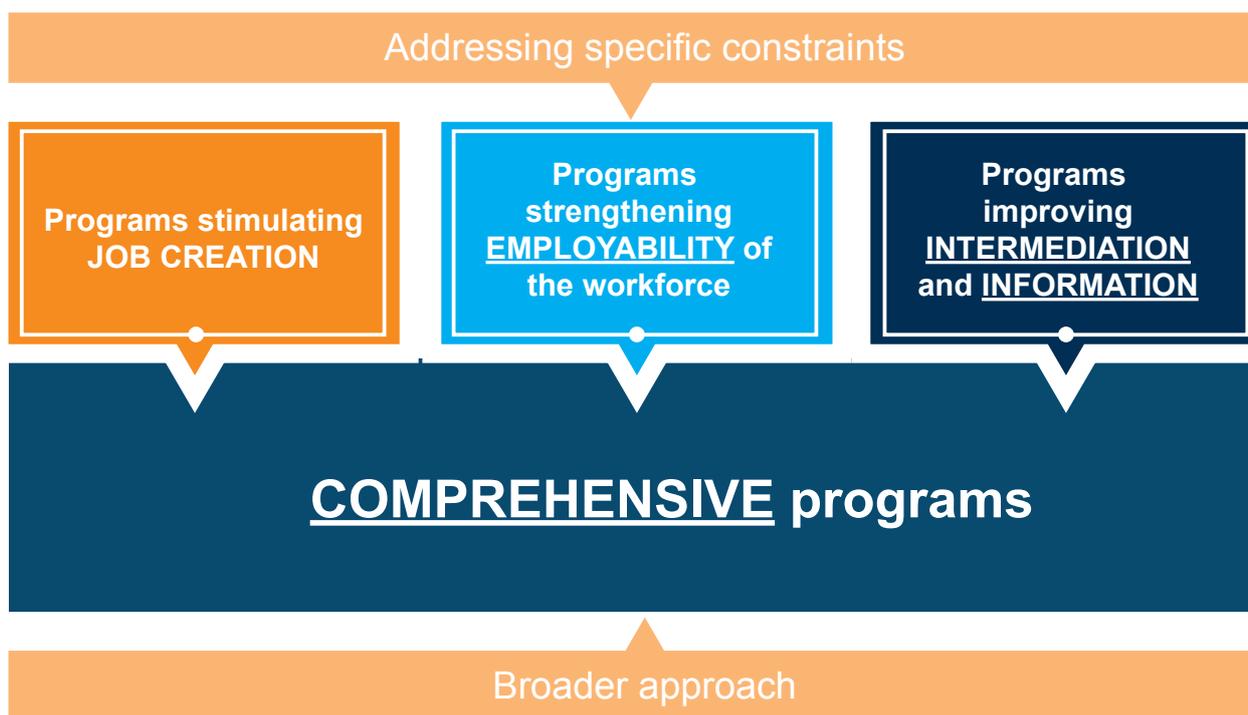
Source: Troiano et. al. 2016

Box 6: Youth Employment Programs: What Works?

There are several types of employment programs: which of them is more suitable will depend on the specific constraints to address (Figure 11). Programs may be targeting either job creation, employability of the workforce, or information asymmetries. Comprehensive or integrated programs adopt a broader approach focusing on different constraints at the same time, often trying to stimulate both job demand and supply recognizing that youth, especially the most vulnerable ones, may face multiple constraints at the same time.



Figure 11: Different policy options to tackle different constraints



Source: Rigolini, Santos and Troiano, 2016

There is growing international evidence on the effectiveness of each type of employment programs in different settings. Recent reviews of impact evaluations and meta-analyses⁵² of youth programs suggest that: (i) among programs stimulating job-creation, public works have no impact on labor market outcomes on the long run,⁵³ while entrepreneurship or self-employment programs seem more promising;⁵⁴ (ii) among programs strengthening employability of the workforce, in-class technical training offer some potential only when combined with other interventions (e.g. on-the-job training),⁵⁵ and when targeting unskilled, long-term unemployed youth;⁵⁶ (iii) intermediation and information services cost-effective, but useful only in times when there is enough demand for work;⁵⁷ (iv) comprehensive programs seem to be

52 Rigolini, Santos and Troiano (2016). What we know (and don't know) about youth employment. Levy Yeyati, Montane and Sartorio (2019). What Works for Active Labor Market Policies? McKenzie (2017). How Effective Are Active Labor Market. Policies in Developing Countries?
53 Card et al. (2015). What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations.
54 Kluve et al. (2019). Do youth employment programs improve labor market outcomes? A quantitative review. Levy Yeyati, Montane and Sartorio (2019). Ibid.
55 Honorati (2015). The Impact of Private Sector Internship and Training on Urban Youth in Kenya.
56 Card et al. (2015). What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations.
57 Kluve et al. (2019). Ibid.

the most adequate response to increase earnings and productivity among most vulnerable youth, who face multiple barriers to productive employment.⁵⁸ Finally, all reviews acknowledge that there is huge variation in these programs' impact depending on the specific design (i.e. target group, intensity, and other parameters) and the quality of implementation by the service delivery agents.

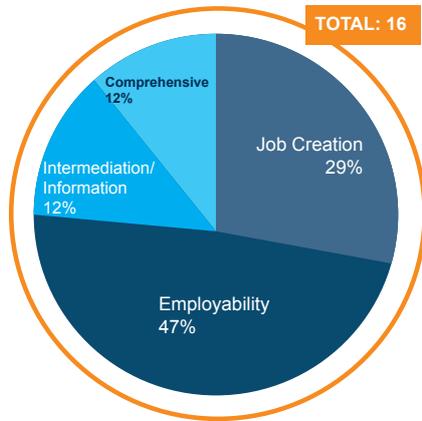
Most young Basotho are vulnerable, yet most resources are invested to support high-skilled youth. While most of the youth live in rural areas and have poor opportunities for human capital accumulation, most of the resources target the employability of the better-off youth, mostly living in urban areas, with easier access to services. Approximately half of youth employment programs have requirements in place that make them accessible only to youth with completed secondary education, or with an explicit focus on graduates. On the contrary, programs accessible to low-educated youth account for only 12 percent of total investment (Figure 12). While there may be valid considerations behind this strategy, this unbalance raises equity considerations about the youth left behind.

58 Cho and Honorati (2014). Entrepreneurship programs in developing countries: A meta regression analysis. Kluve et al., 2019. Do youth employment programs improve labor market outcomes? A quantitative review.

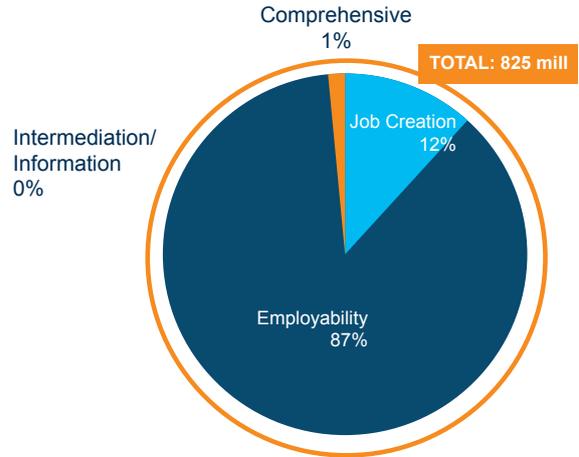


Figure 12: Most resources are invested in strengthening skills ...

Number of programs relevant to youth employment

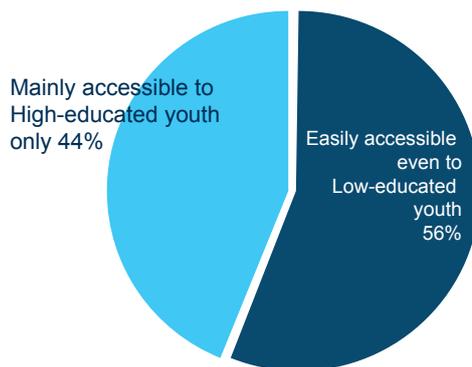


RESOURCES spent on programs relevant to youth employment

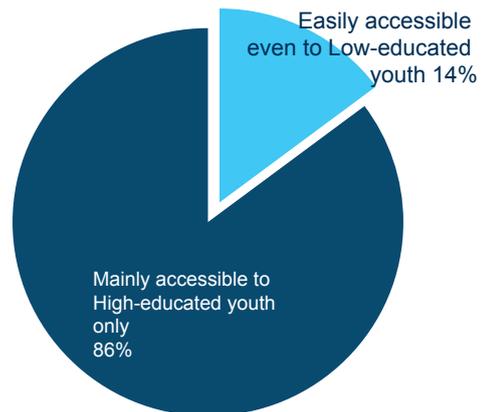


... targeting youth who are already skilled...

NUMBER OF PROGRAMS, by level of education

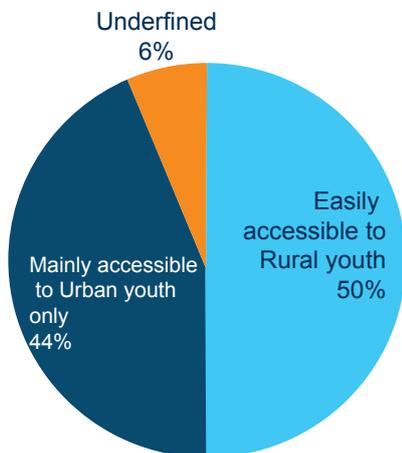


RESOURCES spent, by level of education

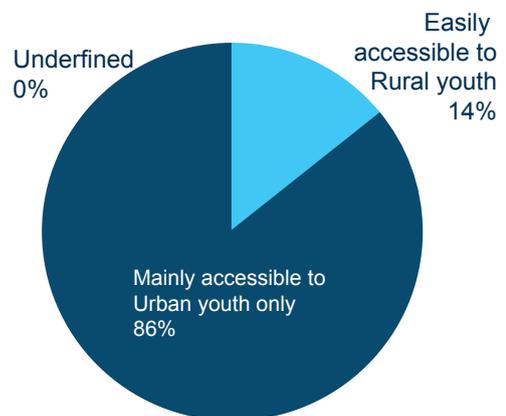


...while low-skilled, rural youth access only 14% of the resources

NUMBER OF PROGRAMS, by area of residence



RESOURCES spent, by area of residence



Source: Troiano, Santos and Rigolini, 2016



There is a large dispersion of efforts. With a few exceptions,⁵⁹ most programs are very small in scale (reaching between 6 and 1,000 beneficiaries per year). Lack of coordination results in some of the interventions overlapping, while potential synergies and complementarity among programs are rarely identified or exploited. As an illustrative example, the Ministry of Gender, Youth, Sports and Recreation (MoGYSR) is implementing three different initiatives serving the same target population but not tapping the synergies amongst them. The Youth Employment Program provide business training, the Social Compact Program provides inputs and equipment with a focus on farming and crafts, while the Youth Resource Centers provided complementary information to youth on education, health and employment services. Improved coordination and linkages amongst the three programs could lead to a more comprehensive response and better outcomes for vulnerable youth.

There are no linkages between employment programs and the social assistance system. The public works program implemented by the Ministry of Forestry, Range and Soil Conservation (MoFRSC), one of the few programs able to reach a significant number of beneficiaries, operates completely independently from the cash grant programs managed by the MoSD. The MoFRSC recognizes the need to reform the program and has initiated inter-ministerial discussions to improve service delivery around the provision of cash for work, in the attempt of transitioning towards a more integrated, livelihood approach. These attempts for reform, however, seem to have stalled recently. There are also untapped opportunities to expand the coverage of the social registry, by leveraging the list of current beneficiaries of youth employment programs (particularly those targeting the most vulnerable youth by design) and coordinating for applying the NISSA targeting instruments to incoming beneficiaries. The ongoing COVID-19 crisis has highlighted how the expansion of NISSA to cover informal workers, particularly in urban areas, is a key element to cope with this type of shock. Overall, better coordination between ALMPs and social assistance would increase these programs' potential for impact.

Heterogenous implementation and lack of evidence on results hinder scaling for sustainability. The quality of implementation is extremely heterogeneous (even within the same program, across ecological zones and districts), and there is a dearth of evidence of successful implementation on the ground. Almost none of the programs has a system to track beneficiaries, or to conduct monitoring and evaluation. In absence of

evidence on impact, results, or efficiency of processes, all these initiatives struggle to make a case for sustainability and scale-up.

The current scale and mix of active labor market programs are insufficient to have a meaningful impact on youth unemployment. To become an effective force for longer-term reductions in youth unemployment, these programs will require:

- a) A more coherent, overarching youth employment policy and strategy which anchors these programs in the overall goals of the labor market;
- b) A rationalization of efforts to reduce dispersion and development of more integrated programs that combine different aspects of youth employment approaches;
- c) Investments in monitoring and evaluation to better assess impact;
- d) The development of priority program platforms that support the most promising programs being scaled up to have a more significant impact; and
- e) A closer integration of social protection and youth employment to ensure vulnerable youth are appropriately targeted and synergies created between objectives. This will be particularly relevant as Lesotho's response to the unfolding COVID-19 crisis seeks to identify active labor market interventions to address the economic dislocations from the shut-downs.

⁵⁹ The public works and the tertiary bursaries programs.



Chapter 7: Overall Appropriateness of the Social Protection System

To be effective, social protection systems need to be tailored to the social, economic, fiscal and policy contours of a country, which may change over time. Based on the more detailed analysis in the previous chapters, this section summarizes the fit of social assistance and labor market programs with Lesotho's current profile of poverty and vulnerability. It assesses the policy and institutional framework and overall system integration, the appropriateness of the current portfolio of key programs in terms of design, coverage, efficiency and impact as well as the overall expenditure framework.

The National Social Protection Policy, implemented over the last 5 years, set out an ambitious scale-up agenda based on a lifecycle approach (Table 18). One of the challenges of using this approach has been the conception of a different program for each age group or vulnerable population. Several of the new program areas proposed have not yet been launched. The package of programs adopts more of a rights-based approach based on categories of Basotho than a social risk management approach based on poverty and vulnerability.

Table 18: Status of Core Social Assistance Program reform within the NSPS

Proposed Core Programs/reforms	Status
A universal infant grant, phased in over four years, to all pregnant women and mothers with under 2 year-olds, linked to a range of complementary health and nutrition interventions	Not implemented
A scaled-up, but still poverty-targeted, child grant, phased progressively to all extreme poor households with children (approximately 30 percent of households)	Modest scale up, below target
Implementation of a national seasonal employment guarantee scheme to offer public works to the working age poor who need it	Continuation of fato-fato, not yet implemented
A continuation of the universal old age pension, though with a reduced age of eligibility	No change in age of eligibility
A disability grant, phased in over four years, to all those with severe disabilities	Not implemented
A reformed discretionary Public Assistance grant to vulnerable households requiring short-term, reactive, temporary support, estimated at the current level of approximately 0.5 percent of the population	Limited reform of the PA started

A. Matching needs with programming

Lesotho has a developed social protection system that makes regular transfers to its beneficiaries, covering vulnerabilities throughout the life cycle.

In general, social assistance programs target the most poor and vulnerable groups (Table 19), but this fact is

largely driven by the school feeding. A large share of the social assistance funds goes to non-poor households. At times this focus on discreet vulnerable groups, like children, the elderly, the destitute or rural residents has resulted in overlapping coverage or multiple programs attempting to assist the same group or household.

Table 19: Matching of High Needs Areas with Programming

High vulnerability area	Program response
» Eighty percent of Lesotho's poor and 84 percent of the extreme poor live in rural areas	» Rural residents more likely to benefit from social assistance programs although the coverage of programs such as CGP is still low in rural areas
» Life cycle risks identify children and elderly as most at risk of poverty	» Largest coverage for programs targeting children and elderly
» High secondary dropout rate due to inability to pay school expenses	» Targeted OVC-Bursary for secondary school but most benefit the non-poor

One of the main challenges is that the poverty targeted programs have a very low overall coverage of the poor. With the exception of the Old Age Pensions and school feeding programs, coverage of social assistance programs does not extend beyond

20 percent of the target population, which is low by international standards. The issue that deserves attention is that 13.5 percent of the poor report not receiving any transfers. Especially, the CGP only reaches around 50,000 households and would be expected



to have a better poverty targeting given that poverty in rural areas is very high. Currently 65 percent of CGP beneficiary households fall in the bottom 40 percent of the income distribution. Moreover, benefit levels are very low between M120-360 per household per month. As a reminder, despite progress in reducing poverty, one quarter of the population lives in extreme poverty, one half in poverty, and three quarters are vulnerable to poverty – figures that get worse periodically in the face of natural or economic shocks.

There are some gaps in the social protection response (Table 20). In terms of gaps in response,

overall economic growth has not generated consistent employment gains. Youth, particularly in rural areas and with lower education attainment, have limited opportunities. Youth employment is a growing issue with little in the way of effective program response. Social protection programs are mainly designed to address chronic poverty, then to address shocks. The COVID-19 pandemic has revealed gaps in the social protection system when facing a new threat. Private and informal sector workers, urban populations and migrants are categories adversely affected who are not typically identified among the most vulnerable.

Table 20: Gaps in social protection response

High vulnerability area	Limited response
» Very high youth unemployment	» Multiple low coverage, boutique programs among multiple implementing agencies. No coordinated response.
» Large number of poor households especially in rural areas	» Limited coverage of the CGP program with low benefit levels
» Lesotho is highly vulnerability to weather shocks	» Drought early warning system, use of social assistance platforms to respond, rural cash for work
» Urban poverty	» Although rural poverty is higher, over twenty percent of the poor live in urban areas, with the share of urban population rising.
» Those exposed to the new COVID shock	» The early onset (lockdown) hit hardest the sectors not previously targeted by social assistance, like formal sector and industrial workers, remittance receiving households, informal sector traders. Secondary effects coming from reduced remittances, and returning migrant workers affected rural areas.

B. Improving overall effectiveness by reallocating SP spending

The Government has shown commitment in building in core social assistance program expenditures into the national budget. The vast majority of social protection expenditures are funded from national resources. Even the CGP, initiated as a donor-funded pilot, was scaled up and incorporated into the national funding framework. External resources have been called upon in the face of large-scale shocks, like drought and COVID 19. However, these are more difficult to mobilize quickly and tend to be oriented to areas of donor preference or experience.

Spending is high, leaving little fiscal space for further expansion. Social protection spending is very high (6.4 percent of GDP and 14.3 percent of government spending)⁶⁰; it has reduced poverty and inequality in Lesotho, but cost-effectiveness is low, and most resources go to the non-poor. Current social protection program spending reduces the poverty rate by 3.4 percentage points at the upper poverty line and

by 6.5 percentage points at the food poverty line and reduces inequality by 4.1 percentage points (a pre-transfer effect)⁶¹. Five programs—child grants, public assistance, school feeding, cash-for-work assistance, and old age pensions—were found to be effective, whether measured by impact or spending effectiveness. Most of overall social protection spending goes to the old age pension, school feeding, and tertiary bursaries. These programs enjoy strong popular and political support.

However, for such high spending, amongst the highest in developing countries, results on poverty and inequality reduction and human development outcomes would be expected to be much higher.

The poverty reducing impact of both the school feeding and the Old Age Pensions program mainly come from the fact that they are covering a large number of recipients. The Old Age Pensions program has a relatively large benefit amount (M800/month) and is not poverty targeted. The tertiary loan bursary scheme is regressive and mainly benefits the better offs with university students. To be more effective in strengthening human capital for the poorest it would need to introduce some mean-testing formula. For the universal school feeding

60 Excluding tertiary bursaries SP spending drops to 3.3% of GDP and 6.9% of Government spending.

61 World Bank (2019) Poverty Assessment.



program, 43.8 percent of non-poor households benefit, and cumulatively only 12 percent of all households benefit from the three cash transfer programs (CGP, PA, OAP). A much smaller share of the spending goes to poverty targeted programs.

Savings from regressive and cost-inefficient programs should be reallocated to poverty targeted programs. With a tight fiscal situation facing Lesotho in the medium term, to increase coverage and impact, difficult choices will have to be made. Savings from needed reforms of the OAP and tertiary bursary programs could usefully be reallocated to the CGP so that more poor households with children could be supported with more adequate benefit levels.

There is some evidence of impacts in areas beyond immediate consumption reinforcing durable outcomes, but linkages to human capital and productive inclusion are weak. The prime focus of the main social protection programs has been on financial transfers to households to stabilize consumption. Specific program level impact evaluations have been unevenly applied the portfolio and result are not formally measured. Other programs have not benefitted from rigorous evaluations. An impact evaluation of the CGP found significant effects on food security and human capital indicators. However, for a program which aims to improve human capital of the poorest children, its impacts on outcomes such as nutrition could potentially be strengthened by focusing its design more squarely on pregnant and lactating mothers, and children under five years of age and linking poor households to essential health and nutrition community services. The CGP found significant effects on food security and human capital indicators. Other programs have not benefitted from impact evaluation.

Building complementary programming around social assistance has shown promise for deepening longer-term impacts. Complementary agricultural and livelihood investments have shown promise in heightening productive impacts of rural child grants and public works. The Government has taken increasing interest in developing a 'graduation' agenda to not only stabilize vulnerable households for today but to find a package of services that will build the conditions to move out of poverty over the medium term. This package of complimentary services could combine cash transfers with incorporation of livelihoods investments, vocational and technical training, financial literacy, linkages to existing or newly formed savings groups/ village savings and loan associations, referrals to critical health services, and life skills training.⁶²

The evidence suggests that government social

⁶² An example of this is the design work carried out by BRAC USA for the Ministry of Social Development in 2018 to identify a Graduation CDM pilot.

protection programs are more responsive to the chronic poor through on-going social assistance programs than in moments of shocks. Lesotho's social protection system has been able to scale up in times of shocks— either through new crisis-specific programs, or through designs that allow existing programs to include the newly eligible because of the shock or provide larger benefits. When covariate shocks come, they come at a high cost. The major shocks that Lesotho has experienced have had significant negative effects on poverty and have elicited expensive response efforts, like the food price subsidy. A five percentage point increase in the poverty rate during the 2015-2016 El Nino drought effectively erased gains made over the same period by social protection investments. The estimated cost of the response was 80 percent of the annual social assistance budget absent that shock. Given Lesotho's high vulnerability to climate change shocks safety net programs and their delivery systems need to build in emergency procedures and mechanisms to be able to respond flexibly and quickly to shocks.

To become an effective force for longer-term reductions in youth unemployment, ALMPs programs will require a coherent strategy, a priority program platform to guide scale up of impactful approaches, and integration of social assistance and youth employment initiatives to ensure continuous support of the most vulnerable young people.

C. Further development and harmonization of backbone delivery systems

Over the last ten years, Lesotho has made initial steps in developing the basic operational delivery systems that support social assistance programs including:

- a) Common targeting mechanisms and platforms are being developed based on NISSA and community-based targeting mechanisms that exist. There is a tension between identification of the transient poor versus the chronic poor. NISSA is not yet available in urban areas.
- b) A new MIS has been developed for OAP but has yet to be launched and used. A cleanup of ineligible beneficiaries for the OAP program is ongoing.
- c) Case management support at the local level can link vulnerable families with a broader array of support beyond an appeals and grievance mechanism.
- d) Improved ability to monitor, evaluate and adapt based on results. The CGP program has benefited from some impact evaluation that has allowed for understanding of program impacts. This same lens should be applied across all social assistance programs not only to justify expenditures but to identify areas of improvement.



But further strengthening is needed for higher administrative efficiency, transparency, targeting, payment security, and grievance redress. The backbone operational systems of Lesotho's social assistance programs have been strengthened through the introduction of the NISSA social registry and the ongoing reforms to clean up the beneficiary lists of the OAP program removing ineligible pensioners. However, the NISSA remains underused and should be updated with more recent data and shared with other social sectors for maximum impact; the vast majority of payments are made in cash (non-digital) without proper control and reconciliation systems; and few programs are rigorously evaluated to assess their impact and effectiveness. Payment systems rely heavily on cash and need to shift to digital more secure and cheaper modalities allowing for higher security and faster and more transparent reconciliation. There is not yet a formulated strategy for how to receive, address and follow-up grievances beyond contacting social workers.

Overall M&E is very weak and large knowledge gaps exist. For example, the PA program operates entirely without M&E, with much unknown about implementation, beneficiaries, and effectiveness. There are few systematic and robust assessments of the multiple youth employment programs. The public works program's contribution to poverty reduction and food-insecurity is unknown. In addition, there is a need to assess the effectiveness of NISSA-CBT and its contribution on targeting effectiveness as well as explore alternative targeting modalities for multiple vulnerabilities including

seasonal food-insecurity and shocks that create newly vulnerable households.

D. Program and ID system integration

There have been some advances in system integration, but in general programs still operate in isolation. For example, the same household may receive support from multiple sources. The amount of the transfer from PA is higher than the CGP even where eligibility criteria are the same, creating an incentive to access one program over another. OAP benefit levels are close to four times as high as for the CGP. Beneficiary selection for the PA occurs at the district or central levels although an effort is now being made to use the NISSA-CBT for any new PA enrolments. Case management procedures vary by program though they deal with the same population. The NISSA system would be able to serve as an integrated registry but it is currently only used by the CGP program and national IDs are not yet used as unique identifiers despite the large coverage of IDs in Lesotho. Efforts are ongoing, in collaboration with the Ministry of Home Affairs, for the OAP, CGP, and OVC-Bursary programs to identify the share of beneficiaries who have national IDs (or birth certificates with ID numbers for children) and roll out IDs to all those who do not yet have them. Further efficiencies can be found through better integration between programs to ensure that programs that impact similar groups and risks can be harmonized.





Chapter 8. Conclusions and Recommendations

With the national social protection strategy coming to a close, the country should prioritize developing a clear set of priorities and strategies for the short as well for the longer term. The goal is to ensure policy coherence between national development and social protection strategies, as well as across the entire portfolio of social protection and labor programs. Revising the strategy should incorporate lessons learned, attuned to the current realities in Lesotho, seek to improve integration and coordination across programs and backbone functions, and establish a sustainable overall financing framework. Many of the priorities of the first NSPS still hold. Using the World Bank's guidance for "smart" social protection and labor systems, components should have these aspects:

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- **Synchronized:** Connecting tools and programs with overall policy coordination, including coordination across actors and functions of resilience, equity and opportunity supports a dynamic system, encouraging movement out of poverty and responding to different needs.
- **Measurable:** Monitored, evaluated and adapted on basis of results.
- **Affordable:** Cost-effective and fiscally sustainable, targeting specific groups or interventions and then progressively expanding to other groups or risks as resources and capacity increase.
- **Responsive:** Able to react counter-cyclically to crises. The system's program portfolio and financial structure needs to be able to scale up in times of shocks— either through new crisis-specific programs, or through designs that allow existing programs to include the newly eligible because of the shock.
- **Transparent and accountable:** Well-governed, with clear rules, roles and controls. A systemic approach delineates clear rules of the game, defined roles for the various agencies and individuals delivering services, and tight controls to redress any departures from the rules and roles.

In order to strengthen the social protection system in Lesotho to respond better to poverty and vulnerability challenges; increase impacts on human development and productive inclusion; become more effective and cost-efficient; and strengthen its shock-responsiveness a number of policy measures are recommended (Box 7).

Some technical actions that are needed are already ongoing, should be achievable within a 2-year period and should be politically feasible. Others, which require

reallocating budgets away from programs with strong political support towards those that reach the poorest who generally have a weaker voice, are more difficult to achieve in the short-term and need political champions and will to move forward and therefore take more time.

Box 7: Summary of priorities for SP policies and operational reforms

Short term technical actions

Continue program harmonization and system integration

- a) Finalize ongoing harmonization of targeting, payment, MIS systems of the Public Assistance, OVC-Bursary, and CGP
- b) Harmonize benefit levels between social assistance programs to increase the poverty-reducing impact of poverty-targeted programs
- c) Continue to clean up the OAP beneficiary list and move OAP from MoF to MoSD to harmonize with other social assistance programs

Further develop IT/MIS systems and digital platforms

- d) Speed up investments in integrated registration platforms, building on national IDs as identifiers, will help further integrate social assistance programs
- e) Shift payments from cash to digital payment (including mobile money)

Longer term policy reform

Reorient spending towards the poorest

- f) Reorientation of expenditures provides opportunities for better targeting of resources. Reallocate spending away from regressive programs (Tertiary Bursary Program) and programs with limited cost effectiveness (Old Age Pensions) towards poverty targeted programs (e.g. the CGP)
- g) Apply poverty targeting system (NISSA) for Tertiary Bursaries to reduce cost and increase equity, or retain as actual loan scheme

Strengthen shock responsiveness of SP system

- h) Develop shock-responsiveness framework for the overall SP system, not just the CGP program
- i) Public Assistance and Public Works Programs to become programs to address short term shock response program
- j) A more responsive system will need to build contingency funding mechanisms to more quickly mobilize resources in times of shocks

Strengthen impact of programs on durable development outcomes

- k) Introduce "Cash Plus" measures to link social assistance beneficiaries to productive activities, economic inclusion, and link child grants to better investments in human capital
- l) Build complementarities between SP programs and ALMPs should be strengthened to heighten impact for the poorest
- m) Investment in monitoring and evaluation will be crucial to scale up what works. This dimension is currently particularly weak among employment programs



A. Short term recommendations

The proposed ISSN Harmonization Strategy sets the basis for program integration. A set of program specific recommendations for some of the core social assistance programs are laid out in Table 21.

Table 21: Program specific recommendations – key social assistance programs

Program	Recommendations
Child Grant Programme	<ul style="list-style-type: none"> Expand the coverage and increase benefit levels (dependent on fiscal savings from other programs) Scale up digital payments Build links to health, education and nutrition delivery at the local levels Develop integrated grievance systems (for all programs)
Public Assistance	<ul style="list-style-type: none"> Consider redesigning and implementing as short-term shock response program Centralize some management functions such as targeting and use NISSA for selecting and new households and reassessing existing lists Introduce digital payments Develop modules for integration into central MIS
OVC Bursary	<ul style="list-style-type: none"> Use NISSA for selecting new students/children and recertifying existing students/children
Old Age Pensions	<ul style="list-style-type: none"> Continue clean-up and removal of ineligible beneficiaries (can generate significant fiscal savings) Introduce digital payments
Tertiary Bursaries	<ul style="list-style-type: none"> Introduce means testing mechanism by linking to NISSA (can generate significant fiscal savings)

Expansions of the poverty targeted CGP and PA are likely to lead to stronger impacts on poverty and inequality reduction and other social outcomes – especially for children in the CGP. That means increasing the number of poor households with children who receive the support, up from the current <20 percent of the poorest, and increasing the benefit amount to more adequate levels. The 2020 LVAC showed that the food gap in rural areas is around M831/household/month while the CGP currently only transfers M120/child/month. While it may not be the role of safety nets to fill the entire food gap, CGP benefit amounts need to be increased and could gradually be scaled up to levels closer to the OAP program monthly pensions (M800/month in 2020). At the same time, the targeting efficiency of these programs needs to be closely monitored and NISSA needs to be updated to ensure that the beneficiaries are truly the poorest households. Both programs would benefit from moving to digital payments.

The PA program should be revamped as a short-term emergency response program for poor households with working age individuals. While MoSD is currently slowly transitioning the PA towards using the enhanced cash payments as well as selecting new households using the NISSA-CBT, the program needs to be integrated into the MIS and identification and payment lists need to be generated from the system and not transferred to and from districts on

paper or via excel. Operational parameters with eligibility requirements, duration for how long households can stay on the program, and exit/graduation requirements need to be defined and put in use.

Moreover, the investments in integrated platforms will need to be scaled up in the short term. These platform improvements will help further integrate social assistance programs. At the national level, finalization and updating of NISSA's PMT platform and further development of an integrated beneficiary registry across programs should be complemented with investments in district level community-based targeting. The MIS systems for the CGP, PA and OVC-Bursary programs need to be updated with payments modules who can handle large volumes of digital payments, automated procedures for updating household data digitally in the districts, automatic links to the NICR for ID numbers, births and deaths, etc. The district-level local platform would also serve to improve the case management and grievance mechanisms and is the best focal point to improve communications and awareness raising to the population.

B. Longer term and broader reforms

Given the high level of current social protection spending, greater efficiencies must be prioritized in the longer term. There will be limited space in the short term for significant increases in social assistance expenditures, particularly given increasing signals of



fiscal constraint and the macroeconomic effects of the COVID-19 pandemic. Greater resource mobilization for financing social protection expenditures is needed. There have been multiple analyses done by the Government and donors of potential sources of greater efficiency. However, the progress towards those efficiencies has been modest and slow to implement. Currently, the Old Age Pension program is cleaning its administrative rolls to ensure that there is no double counting with civil service pensions or deceased receiving benefits. Cash transfers have been slow to convert to mobile phones despite the lower cost of transfers and greater convenience for most recipients. There is also an immediate need to increase domestic resource mobilization to sustain the needed spending levels for social sectors, social protection spending in particular.

Reorientation of expenditures provides opportunities for better targeting of resources but often bears political costs. Subsidies for tertiary education are difficult to scale back, though a first attempt to scale back was made in 2019/2020 when the Government cut the budget of this program by half. Similarly, a large number of Basotho households have been benefitting from the OAP pensions every month even though they may not include any elderly pensioners. Path dependence makes change difficult, for example by adding targeting criteria to universal programs. The greater challenge is not to identify potential expenditure reorientation but to facilitate its effective implementation. This can be done best within the Government's overall medium-term expenditure framework.

Significant fiscal savings and efficiencies could be made by reducing spending on the Old Age Pensions and tertiary bursary programs and reallocating them towards the better targeted Child Grant Program for instance. The OAP is a dynamic program, new entrants join as they turn 70 and exist as they pass away. But with the backlog of diseased people remaining on the program for several years the program has been paying pensions to too many people, more than there are eligible living individuals in Lesotho over the age of 70. As a result of the proof-of-life exercise, data cleaning, and linkages to the NICR database it is expected that up to 22,000 of the current approximately 83,000 accounts may be ineligible and could be removed from payroll (accompanied by an appeals mechanism whereby people incorrectly removed could be reinstated). This could lead to savings of around 20-25 percent of the programs annual cost or about 0.5 percent

of CGP.⁶³ Given that the CGP only costs around 0.15 percent of GDP in total per year (2017), these funds could be effectively allocated to scale up this program – both its coverage and benefit level – as well as investments in systems such as the NISSA and integrated MIS. This may increase the impact of poverty and inequality of social protection programs in a significant way. Similarly, recent World Bank simulations found that if tertiary bursaries were retained only for poorer students with savings reallocated to a transfer targeted to poorer households through the government's existing PMT formula, this alternative would reduce the national poverty rate by 1.4 percentage points at the upper poverty line and by 3.2 percentage points at the food poverty line, and reduce the Gini coefficient by 2.4 percentage points.⁶⁴

Moreover, to increase longer-term contribution to poverty reduction, complementarity between social protection programs and other sectoral investments should be strengthened. Ensuring complementarity between social assistance and complementary support programs, such as access to public works, nutrition surveillance, community lending and savings groups or agricultural activities, can significantly increase the impact of both. Youth employment programs that are more comprehensive in design are more effective than those that focus on a single aspect of the issue. This social protection 'plus' type programming can strengthen resilience and promote human capital outcomes beyond any stand-alone program.

Lesotho has made a significant effort in building a social protection system targeting vulnerable groups and increasingly able to scale up in times of large shocks. As the country moves into its better address next phase, it will need to hone policies and programs to improve system performance and better buffer the population from shocks. As such, social protection and labor market interventions will be able to make a significant contribution to poverty reduction and reduced inequality in Lesotho in the future. The CGP program has proven its ability to scale up in times of shocks but a more comprehensive shock-responsiveness framework is needed to guide government actors, headed by the DMA, and partners to action. The PA program should be revamped to a short-term shock responsive program for working age adults with clear parameters for how eligibility is determined, based on NISSA and other vulnerability factors, as well as when and how a household is discontinued from a program.

63 Total OAP cost per year is 2.03 percent of GDP or 4.54 percent of total Government spending.

64 Boko et al. World Bank 2020.



A more responsive system will need to build contingency funding mechanisms to more quickly mobilize resources in times of shocks. Timely access to funding is critical to avert household's adopting negative coping strategies. Dedicated contingency funding with clear rules for replenishment and disbursement, including access to a contingent line of credit, can provide a more efficient response to covariate shocks.

Further efficiencies can be found through better integration between programs to ensure that programs that impact similar groups and risks can be harmonized. In the long run, establishing a unified cash transfer system could provide extensive coverage and greatly improve efficiency beyond those gained by simply harmonizing delivery systems

across grants. International experience suggests that a unified cash transfer system with different windows of eligibility for children, the elderly, the disabled, and perhaps other adult poor experiencing shocks, but one application and enrolment process, can provide an effective and efficient alternative to separate grants. This is particularly important in responding to large weather-related shocks through better collaboration between disaster management, emergency response, and social assistance.





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