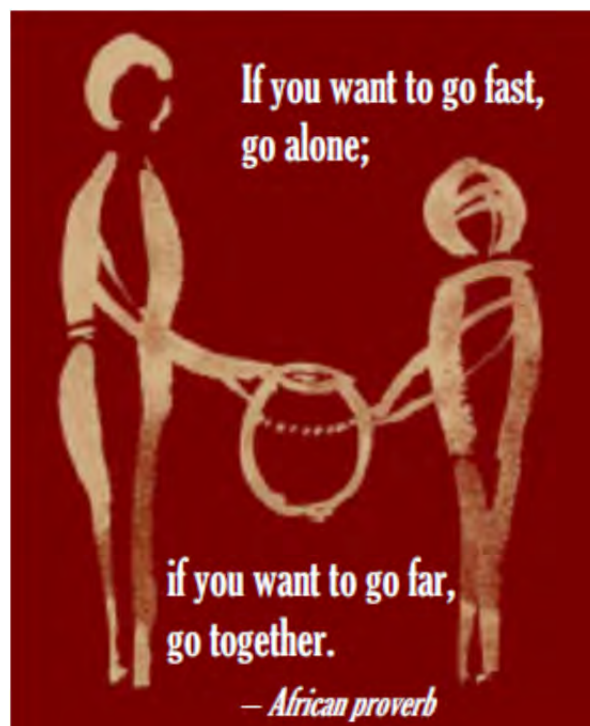




Government of the Kingdom of Lesotho

National Social Protection Strategy



2014/15 – 2018/19

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Abbreviations

AIDS	Acquired immuno-deficiency syndrome
AIF	Agricultural input fairs
ATM	Automated teller machine
CCT	Conditional cash transfer
FNCO	Food and Nutrition Coordination Office
GDP	Gross domestic product
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria
GNI	Gross national income
GoL	Government of Lesotho
HH	Household
HIV	Human immuno-deficiency virus
ICIDH	International Classification of Impairment, Disabilities and Handicaps
ILO	International Labour Organization
IMF	International Monetary Fund
ISSN	Integrated Social Safety Net
LNFOOD	Lesotho National Federation of the Disabled
LSSO	Lesotho Social Security Organisation
M	Maloti
MIS	Management information system
MoLE	Ministry of Labour and Employment
MoSD	Ministry of Social Development
M&E	Monitoring & evaluation
NGO	Non-governmental organization
NISSA	National Information System for Social Assistance
NSPS	National Social Protection Strategy
OVC	Orphans and vulnerable children
PMT	Proxy means test
ToR	Terms of reference
TVET	Technical vocational and educational training
UNICEF	United Nations Children's Fund
US\$	United States dollar
VAC	Village Assistance Committee
WFP	World Food Programme

Foreword

This National Social Protection Strategy (NSPS) implements the National Policy on Social Development (NPSD), in the medium term. The policy provides a broad framework for development and implementation of a harmonized and coordinated social protection agenda of Government to ensure that different programmes implemented by different Government and non-Government agencies are complementary to each other for sustainable development of the vulnerable.

The strategy addresses the risks and challenges across the life-course. It recognises that all citizens are exposed to different vulnerabilities through the course of their lives, and responds to these vulnerabilities. This strategy is therefore structured around four key life-course stages i.e. pregnancy and early childhood; school age and youth; working age; and old age. It also includes the two dimensions of shocks and of disability/chronic illness that may impact at any stage of the life-course.

This strategy proposes a comprehensive integrated suite of core programmes, implemented by different Ministries, to address vulnerabilities throughout the life-course. It also identifies complementary programmes in other sectors (such as school feeding, nutrition support, free primary education and healthcare, etc.) that are not core social protection but have a secondary objective of providing a degree of protection against deprivation and risk.

The immediate objectives of the NSPS are to ensure linkages of all social protection programmes for increased efficiency and effectiveness; and to integrate and harmonize operational systems for the effective implementation of the social protection programmes across Government.

The implications of coordination of the implementation of this strategy cannot be over-emphasized and the role of different stakeholders is embodied in the proposed implementation plan and institutional arrangements for coordination.

I call on all stakeholders, Government, non-Government agencies and partners, to join hands in partnership towards the realisation of this strategy and ensuring mainstreaming of the poor and marginalised into the mainstream social and economic development of Lesotho.

The Government of Lesotho is very appreciative of the financial and technical support by European Union (EU) and United Nations Children Fund (UNICEF) respectively, for their selfless support to social protection in Lesotho, and their continued commitment to the emancipation of the marginalized from poverty.

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HONOURABLE 'MATEBATSO DOTI (MRS)
MINISTER FOR SOCIAL DEVELOPMENT

Executive Summary

Governments are responsible for ensuring the well-being of their citizens, particularly of the most vulnerable. Social protection is an essential public service and a core element of any market economy. Lesotho has long recognised this. Section 26 (2) of its Constitution stipulates that “the State shall take appropriate measures in order to promote equality of opportunity for the disadvantaged groups in the society and enable them to participate fully in all spheres of public life”. With a distinguished history of traditional social support systems, the Government has more recently established itself as a pioneer, within sub-Saharan Africa, of formal social protection programmes.

Lesotho, like many countries in sub-Saharan Africa, is characterised by pervasive poverty, low life expectancy, weak economic growth and highly skewed wealth distribution. In 2010, an estimated 57% of households (representing over a million Basotho) lived below the basic needs poverty line of US\$1.08 per day, and 34% (some 650,000) lived below the food poverty line of US\$0.61 per day. Fully 84% of the population are vulnerable to poverty. The depth of poverty has barely changed over the past decade, suggesting that the poor on average are no better off, in relative terms, than in 2002/03. Furthermore the depth of food poverty has increased, suggesting that the very poorest may, in fact, be worse off now than in 2002/03. Income distribution is extremely unequal, with a Gini coefficient of 0.53 in 2010, one of the worst in the world. Child malnutrition is very high (across the wealth distribution), with 39.2% of children stunted and 14.8% severely stunted. Life expectancy has fallen to 48 years.

There is increasing evidence that social protection not only reduces poverty among direct beneficiaries and their households, and improves wealth distribution, but also that it underpins economic growth within local communities and conserves national fiscal resources. This makes comprehensive social protection an attractive policy instrument, not only from a social perspective, but also from an economic one. It also has important spin-offs in less tangible areas such as human dignity, social cohesion and political stability.

The social protection systems of most countries gradually evolve to address the risks and challenges across the life-course. This life-course approach recognises that all citizens are exposed to different vulnerabilities through the course of their lives, and that social protection has to be responsive to these differing vulnerabilities. This National Social Protection Strategy (NSPS) has therefore adopted the life-course approach as a framework, in the recognition that, whilst a focus on current destitution may address the symptoms of poverty, a focus on life-course vulnerabilities addresses its underlying causes. The NSPS is thus structured around four key life-course stages (pregnancy and early childhood; school age and youth; working age, and old age), plus the two dimensions of shocks and of disability/chronic illness that may impact at any stage of the life-course.

The vision that drives the NSPS is “a decent and dignified quality of life for all Basotho, free from poverty and hunger, that allows them to share in the benefits of national economic growth”. And its immediate objectives are the following:

- to operationalise an integrated set of core social protection programmes aimed at reducing vulnerabilities throughout the life-course;
- to establish coherent and progressive social protection synergies by ensuring strong positive linkages with other Ministries and key stakeholders;
- to integrate and harmonise operational systems for the effective implementation of social protection programmes.

To achieve this, the NSPS sets out an implementation plan (shown in greater detail in the table below) under each of the life-course stages, proposing a comprehensive integrated suite of core programmes to address vulnerabilities throughout the life-course, as follows:

- a universal infant grant of M100 per infant under 2 per month, phased in over four years, to all pregnant women and mothers with under-2s, with the transfer value indexed to inflation;
- a scaled-up, but still poverty-targeted, child grant of M100 per child per month, phased progressively to all extreme poor households with children (approximately 30% of households), with the transfer value indexed to inflation;
- first steps towards the establishment of a national seasonal employment guarantee scheme to offer public works to the working age poor who need it;
- a continuation of the universal old age pension at a fixed rate of M500 per person per month, but with the age of eligibility reduced to 68;
- a disability grant of M250 per person per month, phased in over four years, to all those with severe disabilities, with the transfer value indexed to inflation;
- a reformed discretionary public assistance grant at a fixed rate of M250 per month, to all requiring short-term, reactive, temporary support, estimated at the current level of approximately 0.5% of the population.

The NSPS also identifies complementary programmes in other sectors (such as school feeding, nutrition support, free education and healthcare, etc.) that – while not core social protection – nonetheless have a secondary objective of providing a degree of protection against deprivation and risk, and to which the NSPS should build strong linkages.

The NSPS then discusses the necessary implementation framework, in terms of (i) the institutional mechanisms for coordination at national, district and community council levels; (ii) the need for capacity building; (iii) the required legislative framework; (iv) reform and further development of the various processes that underpin social assistance (discussed under the five headings of identity, eligibility, enrolment, transactions and management information systems); and (v) the requirements for monitoring and evaluation.

The total cost of these core social protection programmes at full coverage (i.e. at the end of the first phase of the NSPS in 2018/19) is calculated as M1,275 million, representing 3.92% of GDP, essentially below the equivalent cost of social protection as calculated in 2011, but with significantly greater coherence and increased coverage (estimated at some 41% of the population rather than 23% in 2011). Assuming the continuation of the two complementary programmes (school feeding and OVC bursary) at their current levels, this would push the overall cost to M1,559 million, or 4.8% of GDP – still well below the estimated current level of 7.8% of GDP.

The NSPS process also included some micro-simulation modelling to assess the impacts of the different possible intervention scenarios on the poverty rate and poverty gap. It is calculated that the set of core social protection interventions described above (excluding the complementary programmes) would reduce Lesotho's poverty rate by nearly 15% to 51.3% and the poverty gap by an impressive 40% to 14.0% (from the current 59.9% and 23.8% without social protection respectively). Of the different combinations of programmes that were modelled, the one described above was the most cost-effective in reducing the poverty gap. The same package was also the most effective of the three packages modelled in terms of the distribution of benefits to the poorest.

Proposed Core Social Protection Implementation Plan

Life-course stage	Pregnancy & early childhood	School age & youth	Working age	Old age	Disability & chronic illness	Shocks
Core social assistance programme	Infant grant	Child grant	Seasonal employment guarantee	Old age pension	Disability grant	Public assistance grant
2014/15	Planning and design	CCT pilot; expand to all districts	Coordination and concept	Increase value of transfer	Mapping and design	Review and re-design
2015/16	Universal pilot in one district	Increase coverage to 15% of HHs w/ children	Piloting	Reduce age of eligibility to 69	Cover 25% of those with severe disability	Transfer PwDs to disability grant
2016/17	Three more districts	Increase coverage to 20% of HHs w/ children	Piloting		Cover 50% of those with severe disability	Continue PA grant as temporary safety net
2017/18	Three more districts	Increase coverage to 25% of HHs w/ children	Negotiation of funding for scale-up	Reduce age of eligibility to 68	Cover 75% of those with severe disability	Continue PA grant as temporary safety net
2018/19	Final three districts	Increase coverage to 30% of HHs w/ children	Design of national scale-up		Cover 100% of those with severe disability	Continue PA grant as temporary safety net
Situation in 2018/19	Universal infant grant to all pregnant women and mothers of under-2s	Poverty-targeted child grant to all extreme poor HHs with children (30%)	Design and funding in place for national seasonal employment guarantee scheme	Universal old age pension to all over-68	Universal disability grant to all with a severe disability	PA grant available as temporary safety net to all suffering personal/HH shocks
Cost in 2018/19	M366 million	M249 million	[not costed in Phase 1]	M497 million	M127 million	M35 million
as % of GDP in 2018/19	1.13	0.77	0.00	1.53	0.39	0.11
Vision for 2025	Universal infant grant to all pregnant women and mothers of under-2s	Poverty-targeted child grant to all poor HHs with children (50%)	National seasonal employment guarantee scheme	Universal old age pension to all over-65	Universal disability grant to all with a severe disability	PA grant available as temporary safety net to all suffering personal/HH shocks

Action Plan to 2018/19

Pregnancy & early childhood

- Assemble knowledge to build a thorough understanding of the nature of malnutrition in Lesotho.
- Map complementary programmes providing in-kind (e.g. plumpy nut, mother-baby-pack) and advisory (e.g. “nutrition corners”, “mothers-to-mothers”) support.
- Evaluate initial learning from the ongoing Conditional Cash Transfer pilot under the child grant.
- Design the implementation modalities to incentivise regular attendance at key milestone events from pregnancy through to age 2.
- Build partnerships with Ministry of Health, Ministry of Home Affairs, Food and Nutrition Coordination Office, NGOs and potentially the private sector.
- Ensure supply-side readiness of clinics and other service providers.
- Complete roll-out in a pilot district with high malnutrition rates and good supply-side service provision (e.g. clinics supported by the Millennium Challenge Account), which would allow testing of the practicalities (and different options) of linking payments to milestone events.
- Roll out to a further three districts in each subsequent year so that complete coverage is achieved by 2018/19, with ongoing monitoring and impact assessment.

School age & youth

- Continue the national roll-out of NISSA to cover the entire country, potentially with on-demand application taking the place of household surveys in Maseru and other urban areas.
- Review the option of paying transfers of the child grant on a per child basis (rather than on the current banded system of payments for 1-2 children, 3-4 children, and 5-and-above children).
- Extend coverage of the child grant programme to all rural areas, aligned with the expansion of NISSA coverage, then to urban areas; and review delivery systems.
- Review impacts of the Conditional Cash Transfer pilot on educational and nutritional outcomes.
- Review, with the Ministry of Education and Training, the costs and benefits of alternative models of school feeding.
- Critically review the targeting, costs, benefits and impacts of the OVC bursary programme; and assess potential efficiency gains from its reform, to inform the design of the next phase of the NSPS.

Working age

- Enact the necessary social security legislation, and establish the Lesotho Social Security Organization with a priority to implement short-term benefits.
- Map all existing public works opportunities, including an assessment of their coverage, wage-rates, and operational modalities.
- Work with the Ministry of Forestry, the Ministry of Agriculture, the Ministry of Public Works and the Disaster Management Authority to expand the range of public works opportunities available, considering the options for switching current budget line expenditures (e.g. for rural road maintenance) to use labour-intensive approaches.
- Liaise with humanitarian actors and development partners to consider the feasibility of establishing a common pool fund to finance a seasonal public works or employment guarantee scheme (i.e. to replace the current inefficient system of annual “emergency” appeals).
- Study the issue of the optimum wage rate, to provide a meaningful level of transfer (even when opportunity costs of participation are taken into account), while respecting minimum wage legislation.
- Negotiate with development partners over the feasibility of support to a substantial seasonal public works or employment guarantee scheme, during the succeeding phase of the NSPS.

Old age

- Agree coordination arrangements for the old age pension between MoSD and the Ministry of Finance, learning lessons from the Integrated Social Safety Net (ISSN) pilot.
- Include all current beneficiaries of the old age pension in the NISSA database, as is being done under the ISSN pilot.
- Improve delivery, administration and monitoring of the old age pension to reduce costs.
- Verify and cleanse the list of recipients to ensure that there are no “ghost” beneficiaries, again informed by experience from the ISSN pilot.
- Work with MoLE to put in place the arrangements for Tier 1 and Tier 2 for all private sector workers (in employment or self-employed); and agree on the inclusion or not of Government workers.
- Reduce the age of eligibility (i.e. as opposed to making further increases in the transfer amount), as a first step to 68.

Disability

- Undertake research to get a better understanding of the actual situation of disability and chronic illness in Lesotho, and to map existing initiatives to improve it.
- Assist the Lesotho National Federation of the Disabled (LNFOD) to publish and publicise the *National Disability Mainstreaming Plan*; and improve the capacity of frontline officers (specifically MoSD’s rehabilitation officers) to deal with issues of disability.
- Work with LNFOD to review disability grants in appropriate neighbouring countries (e.g. South Africa, Namibia, Botswana, Kenya), and extract lessons of best practice.
- Develop suitable mechanisms and procedures for the definition and classification of disabilities, based on global best practice and on international frameworks such as the World Health Organisation’s International Classification of Impairment, Disabilities and Handicaps (ICIDH).
- Register all those defined as having severe disabilities and chronic illness in the NISSA database, on an on-demand basis (where they are not already captured).
- Design and implement a disability grant to all those who are severely disabled, and who are above the age of eligibility for the infant grant and below the age of eligibility for the old age pension.
- Build linkages with other Ministries, and with NGOs that work with people with disabilities to strengthen families, deliver assistive devices, reduce barriers to access and provide vocational training.

Shocks

- Critically review public assistance with a view to restructuring it into (a) the proposed disability grant and (b) a residual “safety net of last resort”, a quick, reactive, discretionary response, to be provided on a transitory short-term basis until the household can be channelled to a more permanent long-term core programme of social assistance.
- Participate in the development of a comprehensive national disaster management and shock response framework, and work closely with the Disaster Management Authority to define and codify key linkages between social protection and disaster risk reduction and management.
- Refine the NISSA database so that it can be rapidly used to deploy additional resources in the event of a disaster.

1 Introduction

1.1 Context

Governments are responsible for ensuring the well-being of their citizens, particularly of the most vulnerable. Social protection is an essential public service and a core element of any market economy. In many developed countries, social protection represents the single biggest share of public expenditure; and it is increasingly seen as an important element of social support in developing countries.

Lesotho has long recognised this. Section 26 (2) of its Constitution stipulates that “the State shall take appropriate measures in order to promote equality of opportunity for the disadvantaged groups in the society and enable them to participate fully in all spheres of public life”. With a distinguished history of traditional social support systems, the Government has more recently established itself as a pioneer, within sub-Saharan Africa, of formal social protection programmes.

The Government’s *Vision 2020* has the goal of the country being firmly established as a mature democracy and a prosperous middle income nation by the end of the current decade. To achieve this, the *National Strategic Development Plan* for 2012-2017 includes a significant emphasis on the reduction of vulnerability through social protection. It summarises this as follows:

In reducing social vulnerability, the focus will be on (i) Consolidating social protection programmes 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.

It sets out the primary goal of social protection as being “to prevent and reduce the economic and social vulnerabilities of the most disadvantaged and socially excluded segment of the society”; and concludes that “we need to develop a social protection system that promotes prevention and reduction of exposure and enhances the management of risks and is well co-ordinated”.

The more recent *National Policy on Social Development* expands on this, and gives a clear orientation towards the promotion of social protection as a key priority to fight poverty, vulnerability and social exclusion. It envisages a “transformation from welfare to social development”, and sets out a mission “to improve the quality of life of all Basotho through interventions that address poverty, deprivation, vulnerability and inequality in a comprehensive and holistic manner”. It also recognises that the *National Policy on Social Development* is expected “to respond to needs at different points within the human life cycle”.

1.2 Rationale

Lesotho, like many countries in sub-Saharan Africa, is characterised by pervasive poverty, low life expectancy, weak economic growth and highly skewed wealth distribution. There is increasing evidence that social protection not only reduces poverty among direct beneficiaries and their households, and improves wealth distribution, but also that it underpins economic growth within local communities and conserves national fiscal resources. This makes comprehensive social protection an attractive policy instrument, not only from a social perspective, but also from an

economic one. It also has important spin-offs in less tangible areas such as human dignity, social cohesion and political stability.

It is worth emphasising that, whilst the primary objective of social protection is to raise the living standards of the poorest and most vulnerable in the most effective way possible, a comprehensive and well-designed national system, incorporating social care services, should be seen as a sound economic investment. At the household level, predictable social transfers provide more than just welfare and can positively improve the livelihoods and productivity of the poor, by encouraging them to enter the labour market or to embark on higher-risk, yet higher-return, investments. They can also increase the access of household members to education and health services, which has long term benefits and helps to break the inter-generational transmission of poverty. At community level, predictable social transfers generate demand for local goods and services, stimulate markets, create employment, build assets and foster growth. At national level, broad-based, comprehensive social protection reduces poverty, stimulates growth, encourages domestic consumption, supports social and political stability and thereby improves the investment climate. Finally redistribution through social protection can reduce high levels of inequality, which is itself recognised as being a barrier to economic growth, and can more equitably share the benefits of such growth with the most vulnerable members of society.

1.3 Scope

There is a wide diversity of definitions of social protection. Some are broad to the point of being unhelpful, encompassing everything that might be considered as social development. It is therefore important to distinguish between social protection as an objective, and social protection as a set of instruments. The objective of providing social protection might be included in a range of sectoral strategies: education, health, nutrition, security, labour markets, even infrastructure and communications. The National Social Protection Strategy (NSPS) recognises the importance of linkages with these sectoral policies to ensure that they deliver the maximum level of protection possible. But the main orientation of the NSPS is on the specific set of instruments whose primary objective is to deliver social protection. These can be categorised as social assistance, social insurance (termed “social security” in Lesotho) and social care services. This NSPS places its primary focus on social assistance (shown in red in Figure 1), but includes reference to existing plans and policies in the areas of both social security and social care services (shown in green).

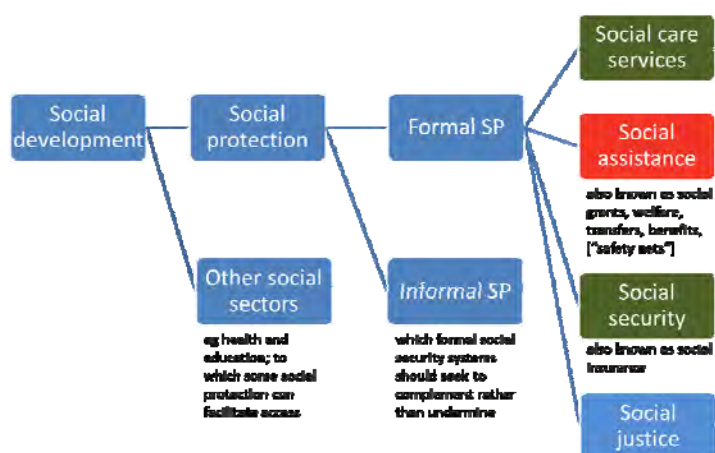


Figure 1 - Framework and scope of the NSPS

1.4 Life-course approach

Social protection systems are established not only to tackle poverty, but to provide families with protection against the challenges, shocks and crises that make them susceptible to falling into, or deeper into, poverty. Families are vulnerable to a range of such crises: some are general, and can hit at any time, such as major shocks like natural disasters or economic recessions. Others are more predictable risks faced by individuals across the life-course, from conception to old age.

The social protection systems of most countries gradually evolve to address the risks and challenges across the life-course. In essence, countries shape their social protection systems to provide support to various demographic groups, although most also have a small safety net to address unexpected shocks or situations where families need additional support. This life-course approach recognises that all citizens are exposed to different vulnerabilities through the course of their lives, and that social protection has to be responsive to these differing vulnerabilities. Figure 2 illustrates four key life-course stages, plus the two dimensions of shocks and of disability/chronic illness that may impact at any stage of the life-course.

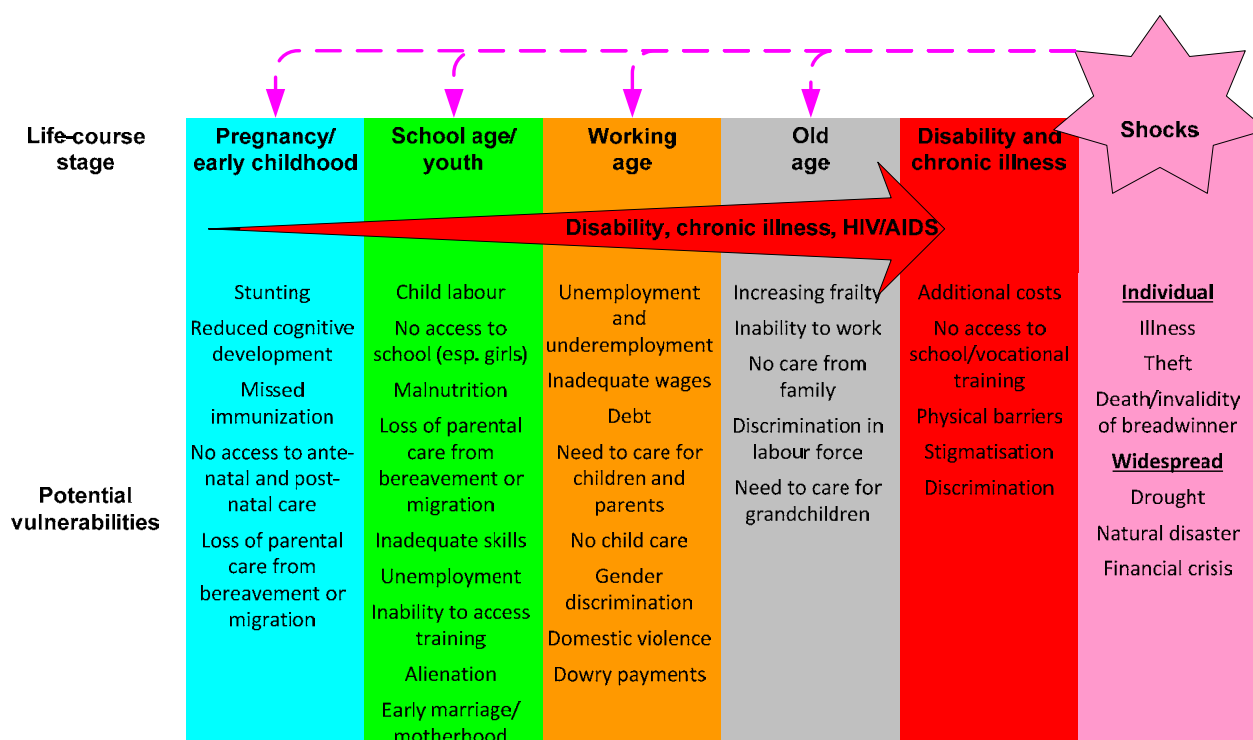


Figure 2 - Life-course vulnerabilities

Lesotho already demonstrates a commitment to the life-course approach. Its current suite of core and complementary programmes can be mapped to the different stages of the life-course. Figure 3 shows the main social assistance programmes already in existence, plus the priority social security programmes to be implemented in the short term by the Ministry of Labour & Employment (MoLE).

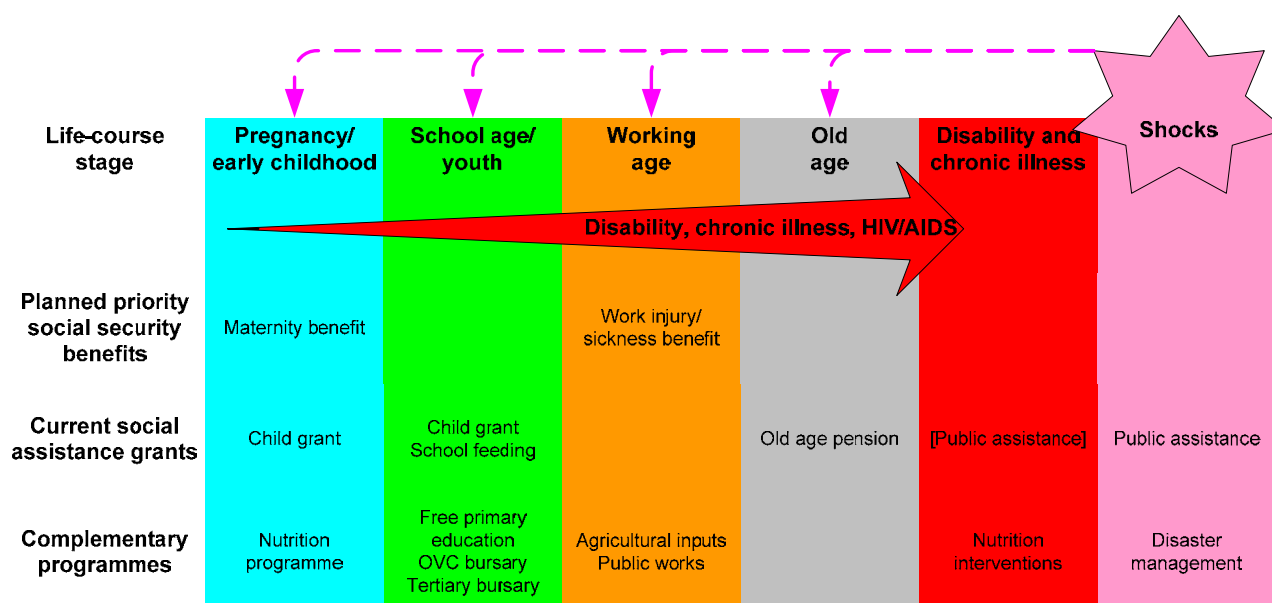


Figure 3 - Lesotho's incipient life-course approach

In addition to being intuitive and easy to understand, one of the benefits of a life-course approach is that it allows a differentiation between social protection interventions that are primarily supportive (e.g. those aimed at the very young, school-children and the elderly) and those that might aim at “graduation” of beneficiaries out of social assistance by linking them in to the labour market (e.g. those aimed at the working age population, and especially at the point of transition from school to employment).

2 Background

This Chapter provides an overview of the poverty profile in Lesotho. It then analyses the present structure of social protection programmes and reviews its adequacy in the context of changing socio-economic environment and demography.

2.1 Poverty, vulnerability & inequality

A number of recent studies have highlighted the significant challenges of poverty, vulnerability and inequality in Lesotho. Unless indicated otherwise, the references in this NSPS are drawn from the World Bank review (World Bank 2012).

Lesotho has experienced significant economic growth in the past two decades, but deep poverty remains. Between 2001 and 2011 Lesotho’s per capita GDP grew at an annual rate of 2.6%, reaching US\$1,332 by 2011, and – after falling back slightly in both 2012 and 2013 – is projected to continue to rise at a similar pace over the coming years. The engines of growth have been textile exports, mining and public sector investment. However, agriculture, the sector on which many of the poor depend for their livelihoods, has lagged behind; and a substantial minority of households has not benefited from growth.

In 2010, an estimated 57% of households (representing over a million Basotho) lived below the basic needs poverty line of US\$1.08 per day, and 34% (some 650,000) lived below the food poverty line of US\$0.61 per day. But these figures are under-estimates of true poverty and

vulnerability: poverty is dynamic, and poverty lines are abstract. Raising the poverty line by 1.5 times would mean that 75% of the population would fall below it, and doubling it (i.e. to only just over the internationally accepted minimum of US\$2.00 a day) would have fully 84% of Basotho categorised as being poor – see Figure 4. It is this that justifies Lesotho’s more universal approach.

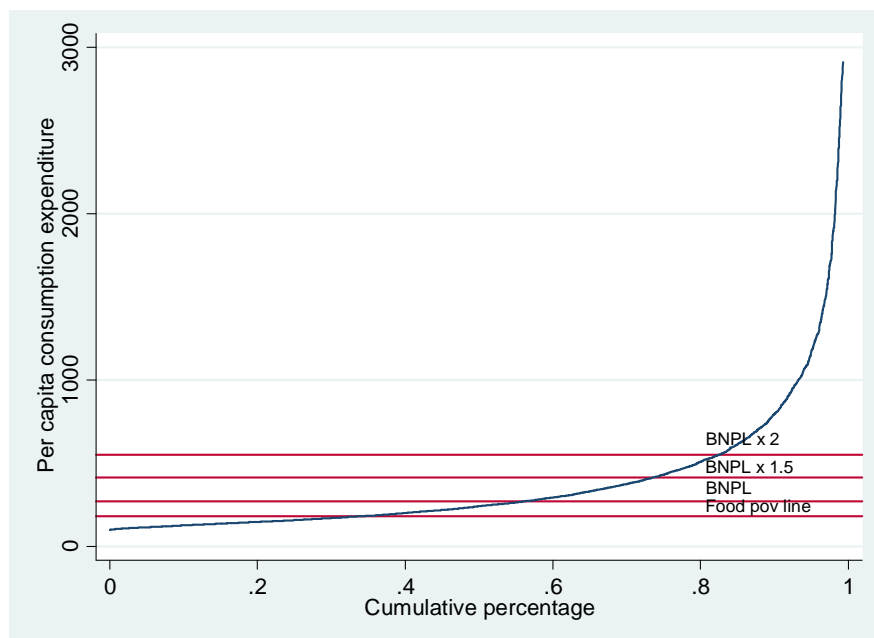


Figure 4 - Cumulative distribution of consumption in Lesotho (M/person/month)

The depth of poverty has barely changed over the past decade, suggesting that the poor on average are no better off, in relative terms, than in 2002/03. Furthermore the depth of food poverty has increased, suggesting that the very poorest may, in fact, be worse off now than in 2002/03.

Income distribution is extremely unequal in Lesotho, which had a Gini coefficient of 0.53 in 2010, one of the worst in the world. Inequality is so high partly because of the existence of two very different economies: one that consists of those who participate in the cash economy through wage employment, outmigration, and remittances and another that consists of those who do not.

Poverty is predominantly a rural phenomenon, with poverty rates in rural areas about double that of urban areas. Poverty is concentrated more or less evenly across the four distinct rural zones in Lesotho (mountain, foothills, lowland and Senqu River valley), where 88% of the extreme poor live.

2.2 Existing social protection

Three recent reviews (UNICEF 2011, World Bank 2012, ILO 2013), have mapped and assessed in considerable detail the social protection programmes that currently operate in Lesotho. All these reviews contain excellent research and technical analysis; this NSPS attempts to contextualise their findings and recommendations within the current political economy of Lesotho.

2.2.1 Social security

In terms of social security, a comprehensive study by the ILO (ILO 2013), reviewed the existing systems in place, and came up with a number of important recommendations, and a draft policy document that forms the basis for the presentation of social security in this NSPS.

The challenges in the social security system, as identified by the ILO policy brief, are summarised as follows:

“Basotho workers in the private sector lack adequate, equitable and gender-fair social protection. The current legal provisions regarding the coverage of social security risks such as occupational and industrial injuries, sickness, and maternity protection are outdated according to international and regional standards and practices. The current social security provision represents an undue burden on employers and on the economy. There is no mandatory social insurance pension system, and consequently the majority of the workforce in Lesotho are not covered by a contributory pension scheme providing adequate income protection during retirement. To remedy this situation, the *National Strategic Development Plan* called on the Government to examine the options to establish a comprehensive social security scheme.”

The proposed reforms contained in the ILO policy brief, which are reflected in this NSPS, will resolve these concerns progressively over the next few years by implementing:

- a comprehensive and inclusive national social security system based on sound social insurance principles, allowing for risks to be pooled and promoting solidarity – aimed at better protection of workers and their families;
- instituting greater self-reliance and a sustainable contributory system, for a reduced burden on general government revenue;
- a more comprehensive coverage through new and improved benefits, keeping up with inflation, in line with international standards and principles;
- achieving greater access to social security and inclusiveness in line with current labour market realities;
- addressing forms of discrimination, gender and other equity concerns inherent in the existing arrangements; and
- enhancing cost effectiveness through economies of scale in operations and an effective legal, administrative and regulatory framework.

The draft National Social Security Act envisages a comprehensive legal coverage of benefits for workers. It contemplates a progressive roll-out in terms of the covered population and benefits. This incremental approach would allow covering a wider range of benefits and working population over time, which is accepted and reflected in this NSPS.

2.2.2 Social assistance

Lesotho has very significant strengths in the area of social protection. First and foremost, it has demonstrated its clear commitment to a comprehensive, inclusive approach through its school feeding programme (linked to free primary education and health-care for all) and its old age

pension, offered on a universal basis to all qualifying citizens. In assuming responsibility for all transfers under the more recent child grant programme, it has again expanded this to cover every district in the country. Adoption by the Government of this child grant programme is itself a notable achievement: it represents a unique case in Africa of the Government taking over (and scaling up) a donor-initiated pilot, within the space of only a few years of operation. Equally, the National Information System for Social Assistance (NISSA), which began as a tool of the child grant programme, has the potential to become a single registry for all social assistance (and social security) programmes.

The level of fiscal commitment by Government is unparalleled in sub-Saharan Africa: the World Bank review calculated that 9% of GDP (or 16% of Government expenditure) was spent on social transfers in 2011, the most recent year for which a complete dataset is available¹. Even excluding non-core “secondary” programmes, the Government spent over 4% of GDP (or 7%-9% of Government expenditure) on core social protection instruments; and over 7% of GDP if the tertiary bursary is included – see Table 1. This compares favourably with just over 2% of GDP in Swaziland and Botswana, and just over 3% of GDP in South Africa, which is generally reckoned to have one of the most comprehensive systems of social protection in Africa. So the potential for Lesotho to increase the impact of its social protection within the same (or even a reduced) budget envelope is huge.

Core SP programmes	Direct beneficiaries (annual)	Average transfer per beneficiary	Cost (million)		Cost share (%)	Unit cost (including overhead)
			Maloti	USD		
(A)	(C)	(D)	(E)	(F)	(G)	(H)= E/C/12*
Nutrition support programme	85,000	n.a.	47.0	6.3	3.6	46.1
Child grant programme	30,000	120 / household / month	16.5	2.2	1.3	45.8
School feeding programme	389,000	One meal per day 180 days/year	236.0	31.5	18.1	101.1
OVC bursary programme	20,000	2381 / year	48.0	6.4	3.7	200.0
Tertiary bursary scheme	16,200	30,560 / year	575.0	76.7	44.0	2957.8
Public assistance	9,600	100 / month	13.0	1.7	1.0	112.8
Old age pension	83,000	350 / month	371.0	49.5	28.4	372.5
Total			1,307	174	100.0	248.4
Cost as % of 2011 GDP			7.2	7.2		

Note: * For the school feeding programme the formula is $H = E/C/6$

Table 1 - Cost of core social protection programmes in 2011 (World Bank 2012)

Since 2011, some of these programmes (for example the nutrition support programme) have reduced in scope, but others have expanded: the child grant now benefits some 60,000 children in nearly 20,000 households, with an increased average payment per household; the value of the public assistance transfer has increased from M100/month to M250/month; and the value of the old age pension from M350/month to M450/month, with a further increase to M500/month in

¹The World Bank review recognises that it has included a number of programmes that, while they can be described as social transfers, are not strictly speaking social protection instruments. This would include the tertiary bursary scheme, and the agricultural input subsidy and input fairs. The social protection objectives of such programmes are secondary, at best; yet there is an argument for including them in the analysis, because reforming them in a way that makes them more cost-efficient (while ensuring their continued contributions to the wider economy) might free up resources that could be used for core social protection interventions.

the pipeline. Overall Government expenditure on core social protection in 2014 has risen to an estimated 7.8% of GDP in 2013.

In terms of challenges, by far the most significant is that of exclusion – in other words, of people who need social protection not getting it. There are two main reasons for this. The first reason is the obvious one, of coverage: if programmes are small, and are aimed at only a small proportion of the population, then – in a country where 57% of the population are living below the basic needs poverty line and many others are vulnerable to falling into poverty² – a very significant number of the needy will be excluded. The second reason is that the smaller the coverage of a programme, the more difficult it is to target it accurately – this is discussed further in section 5.3.2.

In both cases, the best solution is to expand the coverage of programmes: not only will more people benefit from them, but also the targeting becomes relatively more accurate. It is more important, especially in contexts like Lesotho where up to 84% of the population may be considered poor or highly vulnerable to poverty, for social protection programmes to maximise inclusion and minimise exclusion: high programme coverage is the best solution. Interestingly Lesotho seems instinctively to have recognised this: as discussed above, it has adopted a universal approach in other social sectors (e.g. free primary education and health care for all), and for two of its flagship social protection programmes (school feeding and the old age pension).

A second key challenge is that of the value of transfers, which are relatively low in some programmes: for example, the approximate size of the transfer per child under the child grant programme is only around M50 per child per month (US\$4.50). Again, perhaps counter-intuitively, international experience suggests that one of the best ways to increase the value of a transfer is to increase the coverage of the programme: the greater the number of beneficiaries, the more popular the programme; the more popular the programme, the more politically important it becomes; and the more politically important it becomes, the more resources are allocated to it.

As a real-life manifestation of this sound political economy theory, the evolution of Lesotho's old age pension is compelling. This has only been running for ten years, but it is offered universally to all over-70s, and – as a result – it has huge political appeal and has seen its value rise from M100 to M450 per month, with a further increase to M500 per month announced in the recent 2014/15 budget speech. This underlines that affordability is more an issue of political will than of fiscal resources; and, as Amartya Sen has observed, “benefits aimed exclusively at the poor often end up being poor benefits” (Sen 1995).

2.2.3 Social care services

Finally, Lesotho is comparatively well-placed in the availability and qualifications of its front-line social care services. It has some fifty qualified social workers (approximately five per district, with each district having at least: one senior child welfare officer, one child welfare officer, one social welfare officer, one social worker and one rehabilitation officer), with many of them having graduated through the social welfare course offered at the National University of Lesotho. It is also

² Very little is known about how frequently households in Lesotho move in and out of poverty (otherwise known as “churning”). One study that looked at a small panel of households over the period 1993-2002 found that fully 28% of households changed from being non-poor to poor during the period, suggesting a relatively high degree of “churn”.

in the process of increasing the number of auxiliary social welfare officers from around 35 to some 75, with the aim of having one auxiliary responsible for each community council in the country. This represents a significant frontline delivery potential, especially if such workers can be gradually relieved of their current burden of mundane administrative duties (e.g. by automating processes and subcontracting more elements of the payments system), so that they can concentrate on their areas of professional expertise.

3 Strategic framework

3.1 Vision

A decent and dignified quality of life for all Basotho, free from poverty and hunger, that allows them to share in the benefits of national economic growth.

3.2 Goal

To provide comprehensive inclusive social protection that reduces poverty, vulnerability and inequality, increases resilience to risks and shocks, promotes access to services and to the labour market, and stimulates economic growth and social stability.

3.3 Overall objective

The overall objective of the NSPS is to provide support to those that are unable to construct a viable livelihood; to protect the assets and improve the resilience of poor and vulnerable households; and to increase the productive capacity and asset base of those households.

3.4 Immediate objectives

The immediate objectives of the NSPS over the period to 2018/19 are to:

- operationalise an integrated set of core social protection programmes aimed at reducing vulnerabilities throughout the life-course;
- establish coherent and progressive social protection synergies by ensuring strong positive linkages with other Ministries and key stakeholders;
- integrate and harmonise operational systems for the effective implementation of social protection programmes.

3.5 Principles

- Partnership – Strong government ownership and leadership at all levels (national, district and community) should provide for the coordination and alignment of other stakeholders (development partners, NGOs, private sector, etc.) in areas where they have comparative advantage.
- Needs- and evidence-based – Social protection must be based on evidence and analysis of who needs what type of assistance, when (and for how long), where and why. The programmes have to be driven by needs, not by instruments; and should include an analysis of the cost-effectiveness of alternative interventions within the political and fiscal context.

- Beneficiary preferences prioritised – Beneficiaries should be consulted and closely involved in the design, planning and implementation of social protection interventions.
- Protection and promotion of secure livelihoods – Social protection should encompass provision for the poorest, as well as protection and promotion that aim to help the poor to graduate out of poverty, and to reduce the vulnerability of all the poor to risks and livelihood shocks – thus transforming their lives.
- Tackling social exclusion and marginalisation – Social protection should address social as well as economic vulnerabilities, by protecting disempowered individuals such as vulnerable women and children, people with disabilities, and households affected by TB, HIV and AIDS against discrimination and exploitation.
- Timely, equitable and reliable transfers – Social protection interventions should be delivered in a timely, reliable, equitable, well-coordinated and sustainable manner.
- Rights-based – Social protection should promote the progressive realisation of human rights as articulated in Lesotho’s constitution and other relevant national and international legal instruments.
- Accountable and transparent – Social protection should be transparent, incorporating principles of accurate and timely dissemination of information; publicity of instances involving abuse of the system; disclosure of the contract terms and unit costs of Government, NGO or private agencies; effective and accessible grievance redress systems; and transparency in eligibility and implementation. Any targeting must be fair, and seen to be fair.
- Common systems – Government agencies and partners involved in social protection should commit to a common set of financial management, audit, progress, monitoring and evaluation and reporting processes, consistent with national and international guidelines and indicators.
- Sustainable, long-term funding – Government should provide predictable and institutionalised on-budget funding to social protection, sustainable over the long term, with development partners providing support as appropriate.

4 Implementation plan

This implementation plan is structured around the life-course approach. For each stage in the life-course, it presents first of all the current situation, then a vision of where Lesotho wants to be in 2025, aligned to the draft *National Policy on Social Development*. It then discusses in more detail (the primary focus of this NSPS) a strategic implementation plan for the next four years to 2018/19, corresponding roughly to the period covered by the current *National Strategic Development Plan*. Each section presents the cost and the benefits, both over the next four years and when operating at full scale. Finally, each section discusses complementary programmes in other sectors that – while not core social protection – nonetheless have a secondary objective of providing a degree of protection against deprivation and risk, and to which the NSPS should build strong linkages.

Thus, along with spending on social protection, the Government will continue to invest in other public services – such as health, education, agriculture, and water and sanitation – to enhance their quality and provide greater access for all citizens of Lesotho. The Government will also

ensure that reforms to the social protection system facilitate, rather than hinder, the engagement of families in the labour market, since providing families with work is the best means to reduce poverty.

The current situation is shown in Figure 3. By 2025, Lesotho intends to have evolved to a situation represented by Figure 5.

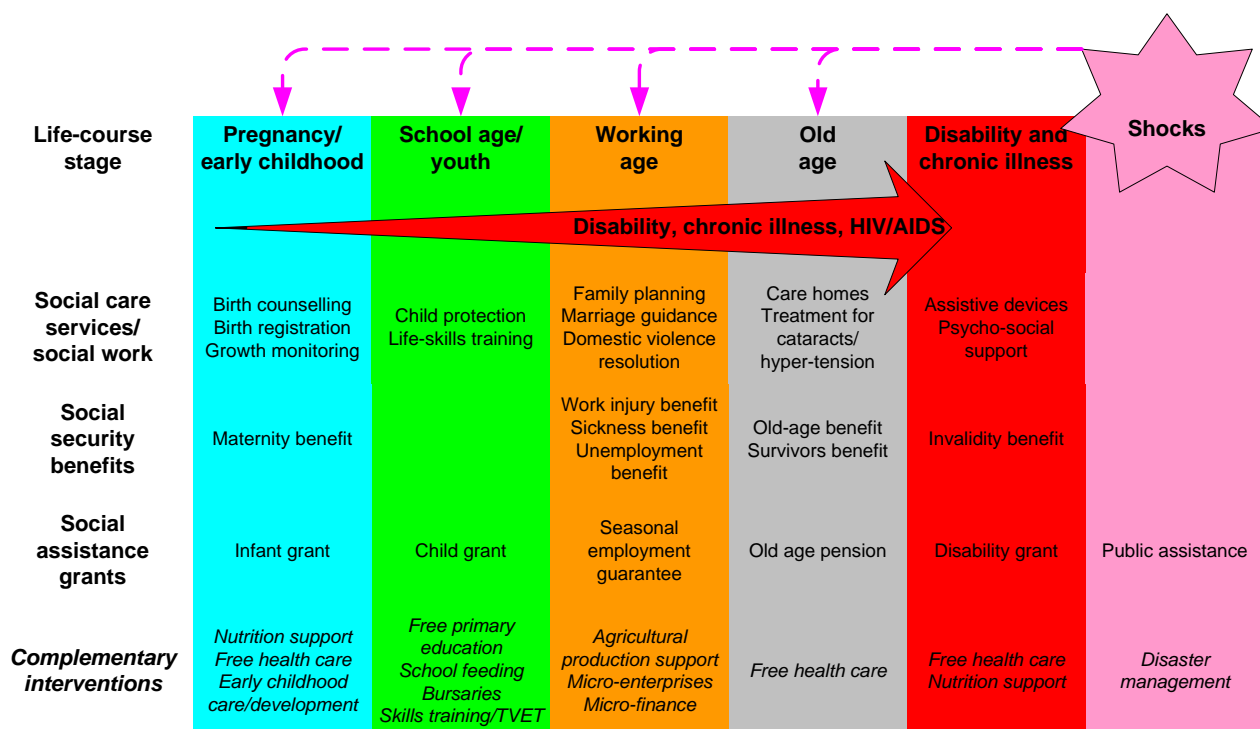


Figure 5 - Lesotho's life-course approach in 2025

The implications of this, and the implementation plan for the next four years, are presented in the sections that follow for each stage of the life-course.

4.1 Pregnancy and early childhood

Lesotho suffers from very high levels of child malnutrition for a country at its income level, with 39.2% of children stunted (and 14.8% severely stunted). Since most of the damage caused by malnutrition between conception and a child's second birthday (the "first 1000 days") is irreversible, this has lifelong effects on health, educational achievement, productivity, well-being and future income. It also increases the likelihood of obesity (and associated "life-style diseases" such as diabetes and hyper-tension) in later life: already 50% of Basotho over the age of 15 are overweight or obese. Interestingly, while stunting declines slightly as wealth increases, it remains a serious problem even in wealthier households: over 28% of children in the two wealthiest deciles are stunted, a level which is extremely high even by African standards; and wasting is actually higher among children in the wealthiest quintile than in the middle three wealth quintiles.

The under-five mortality rate in 2012 was 100 deaths per 1,000 live births, an increase from 86 deaths per 1,000 live births in 1990, with 40% of such deaths occurring between 0 and 28 days, due to weak health care and poor family and community health practices. Infant mortality has risen from 74 per 1,000 live births in 1996, to 91 in 2009 and 94 in 2011. The major causes of

deaths amongst children are HIV-related diseases, diarrhoea, pneumonia, malnutrition and neonatal conditions. Maternal mortality has also risen substantially (from 419 per 100,000 live births in 2001 to 1,155 per 100,000 live births in 2009), though it seems to have stagnated at 1,143 per 100,000 live births in 2011. Only 42% of mothers receive post-natal care; and rates of anaemia are very high at 47%, in all probability suggesting high levels of deficiency of other micronutrients.

4.1.1 Current situation

Maternity benefit exists for a very limited number of employees in the formal sector. But this is largely discretionary, and is open to abuse and exploitation.

The child grant is currently available to a (very small) number of pregnant mothers and infants, who are classified as being in NISSA 1 or 2 category and are validated by the community – fewer than 3000 in this age group at present. This is wholly insufficient coverage at such a crucial stage of the life-course: as we have seen above, child malnutrition in Lesotho is unacceptably high, and it is unacceptably high across the entire wealth distribution – see Figure 6. The “first 1000 days” are absolutely critical to a child’s development and any damage done at this stage will be largely irreversible, so it is essential that a much greater number of pregnant women and infants receive a social transfer and are incentivised through this to better feed, nourish and nurture their children.

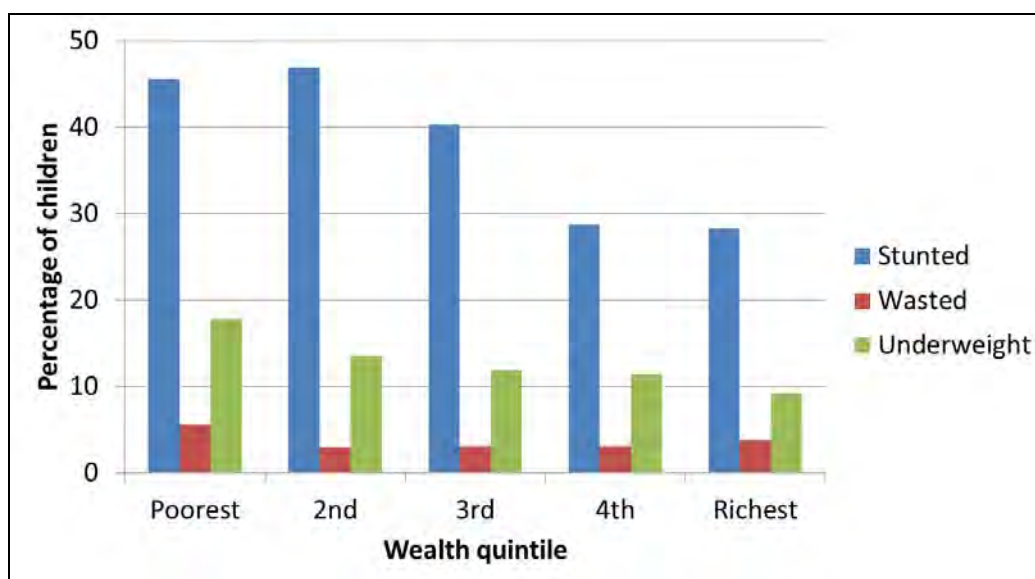


Figure 6 - Nutritional status of children

4.1.2 Vision for 2025

All women in formal employment should have the entitlement to benefit from a legally mandated, standardised maternity benefit, funded from the Lesotho Social Security Organisation (LSSO).

All pregnant women and mothers of children under the age of 2 should receive an infant grant, as a nutrition-focussed complement to the current child grant, but offered on a universal basis and linked to particular milestone events to provide an incentive for attendance at birth counselling, facility-supervised birth, birth registration, regular growth monitoring, vaccination, and health care. The *National Strategic Development Plan* envisaged just such a universal approach to improving nutrition when it recommended “Provide quality free universal primary education and

nutrition”. And this was re-emphasised in the 2014/15 budget speech which aims “to reduce child and maternal mortality by at least 25% by 2017”.

4.1.3 Action plan to 2018/19

Implementation of the maternity benefit is already planned as a priority activity of the proposed social security reforms. It should be fully operational by 2018.

A nutritionally oriented complement to the current child grant, called the infant grant, should be rolled out progressively on a universal basis to a broader horizontal target group of all pregnant women and all mothers with children under the age of 2. Administratively and operationally, the infant grant would be operated alongside the child grant: it would use the same database, case management, MIS, transfer amount, payment systems, and so on. But conceptually it would be different: its objective is a specific focus on improving nutrition over the first 1000 days.

In terms of the overlap between the infant grant and child grant, the household of every pregnant woman and child under 2 would receive the infant grant. But, once the child turned 2, a household would continue on to get the child grant only on the condition that it was selected as being an eligible household for the child grant. What this would mean in practice is the following:

- For a household that is eligible for the child grant (i.e. extreme poor), it would receive the monthly transfer amount for each child under 18 (and each pregnant woman) in the household.
- For a household that is not eligible for the child grant (i.e. not extreme poor), it would receive the monthly transfer amount only for each child under 2 (and each pregnant woman) in the household.

Specific activities will include:

- Assemble knowledge to build a thorough understanding of the nature of malnutrition in Lesotho.
- Map complementary programmes providing in-kind (e.g. plumpy nut, mother-baby-pack) and advisory (e.g. “nutrition corners”, “mothers-to-mothers”) support.
- Evaluate initial learning from the ongoing Conditional Cash Transfer pilot under the child grant.
- Design the implementation modalities to incentivise regular attendance at key milestone events from pregnancy through to age 2.
- Build partnerships with Ministry of Health, Ministry of Home Affairs, Food and Nutrition Coordination Office (FNCO), NGOs and potentially the private sector.
- Ensure supply-side readiness of clinics and other service providers.
- Complete roll-out in a pilot district with high malnutrition rates and good supply-side service provision (e.g. clinics supported by the Millennium Challenge Account), which would allow testing of the practicalities (and different options) of linking payments to milestone events.
- Roll out to a further three districts in each subsequent year so that complete coverage is achieved by 2018/19, with ongoing monitoring and impact assessment.

4.1.4 Costs and benefits

The cost of the maternity benefit for the formal sector will be fully covered by contributions from employers and employees (including the Government if it wishes to become involved).

The cost of the universal infant grant for all under-2s at full coverage (starting at M100 per child per month, and indexed to inflation thereafter) will be M366million per year, or 1.13% of GDP. Set against this, improved nutrition during the first 1000 days will potentially have a huge long-term impact on Lesotho's future prosperity: estimates by the Lancet have calculated that countries currently lose between 5% and 8% of GDP as a result of malnutrition. It should also be noted that the number of infants is projected (by Lesotho's Bureau of Statistics) to decrease each year from 2012 onwards, and with it the overall cost of such a programme.

It is also highly likely that a universal infant grant, even if initially targeted only at pregnant women and under-2s, will quickly gain popular and political appeal – like the old age pension – and that there will be a natural tendency to increase the value of its transfer or the age limit of eligibility over the period after 2018³. Careful monitoring of the nutritional (and subsequent educational) impacts of the infant grant would help to underpin such support.

4.1.5 Complementary programmes

A cash transfer on its own will not solve the problems of malnutrition and children's vulnerabilities. But it will provide the incentives on which to "hook" other important interventions. Key complementary programmes for pregnant women and infants include nutrition guidance and surveillance, free access to primary health and post-natal care, provision of micronutrients, and early childhood care and development. In addition, early contact with, and testing of, pregnant mothers will facilitate existing efforts to eliminate mother-to-child transmission of HIV. And it will also allow early access to birth registration and the national identity system (since identity itself is an important human right for children). This will require coordination with the Ministry of Health and FNCO. Key development partners will include the European Union, USAID, UNICEF and WFP. There are important roles for NGOs, and there may be potential for partnerships with the private sector. It is essential to maximise coordination with these complementary interventions, in order to leverage the full potential of the infant grant.

4.2 School age and youth

Primary school has been free, universal and compulsory since 2000, with a resultant increase in enrolment, which currently stands at 83% of primary school aged children (with near gender parity). There has also been an increase in opportunities for early childhood development.

Although secondary enrolment rates have increased from 21% in 2001 to almost 37% in 2012, only 11% of children from the poorest quintile attended secondary school in 2009, while 61% from the richest quintile did so. Dropout rates amongst the poorer pupils (especially boys) are high: above 5% in the lowest quintile in 2004 as opposed to below 1% for the richest quintile. Attendance rates by boys in the lowest quintiles are particularly low in the rural areas.

³This is what has happened in South Africa, where the age limit of eligibility for the child support grant has gradually increased from 7 years when it began as a primarily nutritional intervention, to 18 years now.

Some 28% of children under the age of 18 have lost either one or both parents, and about 8%, or approximately 32,000 children, have lost both. 3.4% of children live in a household headed by an isolated elderly caregiver and approximately 0.3% live in child-headed households.

Only 1% of students from the poorest quintile gain access to tertiary education. Some 60% of male youths not attending school claim that school fees are the main reason, while lack of education services in remote regions and poor parental literacy levels are given as secondary reasons. Early marriage is another issue for both boys and girls; with underage pregnancy an additional problem for girls. Rape and violence against young women and girls are reported to be on the increase, with further negative implications for the spread of HIV/AIDS.

4.2.1 Current situation

School feeding is offered universally to all children at primary school. This appears to have positive impacts on attendance and on educational performance and possibly some nutritional benefits (though these cannot compensate for any damage done by earlier exposure to malnutrition, so earlier interventions are preferable from a strictly nutritional perspective). But it is an expensive intervention, costing some US\$65 per student per year (while the international benchmark would be around half that amount).

The OVC bursary is offered to a small selection of students at secondary school. But, because the full amount of this is transferred direct to the school rather than to the household, it cannot really be seen as core social protection. It also suffers from problems of transparency, and the criteria for selection, especially of “vulnerable children”, need to be more clearly articulated.

Finally, the child grant is offered to a limited number of poor households containing children (of any age): current coverage is around 60,000 children, representing less than 10% of children under 18. This represents significant under-coverage: the Government’s 2011 *Situation Analysis of Orphans and other Vulnerable Children* estimated that fully “52% of all Basotho children were living in absolute deprivation”.

4.2.2 Vision for 2025

All households with children below the poverty line (i.e. some 50% of households) should receive the child grant on a per child basis, for each child still attending school (or tertiary education). Children in these categories would transition seamlessly from the infant grant.

4.2.3 Action plan to 2018/19

It is suggested that a realistic target for this initial phase of the NSPS would be to extend coverage of the child grant progressively to all extreme poor households with children, representing about 30% of the total.

Specific activities will include:

- Continue the national roll-out of NISSA to cover the entire country, potentially with on-demand application taking the place of household surveys in Maseru and other urban areas.
- Review the option of paying transfers of the child grant on a per child basis (rather than on the current banded system of payments for 1-2 children, 3-4 children, and 5-and-above children).

- Extend coverage of the child grant programme to all rural areas, aligned with the expansion of NISSA coverage, then to urban areas; and review delivery systems.
- Review impacts of the Conditional Cash Transfer pilot on educational and nutritional outcomes.
- Critically review the targeting, costs, benefits and impacts of the OVC bursary programme; and assess potential efficiency gains from its reform, to inform the design of the next phase of the NSPS.

4.2.4 Costs and benefits

The cost of the expanded child grant (based on a per child transfer of M100 per month, indexed to inflation) will be M249 million per year, or 0.77% of GDP, once it covers all the extreme poor households with children (30%). But this might be compensated by potential savings from reform of, and increased efficiencies in, the OVC programme.

Direct cash transfers to households can have very similar impacts on attendance and educational performance (even when they are not conditioned on this) to the provision of school meals, and often at much lower cost. They can also be more effective in terms of nutritional impacts, especially if, as is proposed for Lesotho, they are coupled to an infant grant that incentivises better nutrition at the even more crucial earlier age.

Again, careful monitoring and impact evaluation will be required to generate the supporting evidence on this.

4.2.5 Complementary programmes

The Ministry of Education & Training will be a key partner at this stage of the life-course. In addition to the coordination of any potential reforms to the OVC bursary programme, it is the Ministry that will be responsible for maintaining free access to education, and possibly extending it, to facilitate the important transition from primary to secondary school.

There will also be a requirement for skills building and technical vocational and educational training (TVET) to properly equip school-leavers and unemployed youth for accessing the labour market – this is also the responsibility of the Ministry of Education & Training. Linkages will also be necessary with the Ministry of Gender & Youth, Sport & Recreation, which offers entrepreneurship and vocational skills training, and funding against business plans. Finally, the Ministry of Social Development (MoSD) will need to coordinate over any reformed scheme for tertiary bursaries or student loans – this is currently the responsibility of the Ministry of Planning.

Again, key development partners at this stage of the life-course would include the European Union, UNICEF, ILO and WFP.

4.3 Working age

The poorest in Lesotho still tend to rely more on agriculture than the non-poor, although, unlike in most of the rest of sub-Saharan Africa, they are not overwhelmingly subsistence farmers: according to the 2009 Labour Force Survey, only 14% of the economically active populations are listed as subsistence farmers. About 27% are employed in the cash economy, 11% are casual workers, 12% are either self-employed or work without pay within their family, and the remainder

are unemployed – though it is likely that many of those in all these categories rely to some extent on agriculture. The poor inevitably engage in multiple activities to compensate for the limited opportunities and under-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% of their incomes, and the daily wage rates for such work have remained stagnant for the past several years.

There is thus a distinct seasonality to the cycle of rural poverty in Lesotho. Inadequate resources during the planting and growing seasons lead to insufficient food production, a very short season of plentiful supply, and inevitable food shortages. As the lean season establishes itself, maize especially become scarce, prices rise, and households are unable to meet consumption costs. Such seasonal food shortages tend to coincide with a scarcity of casual labour opportunities during the lean season, due to a flooding of the job market by those seeking cash for food. This seasonal “shock” occurs annually and is a significant component of extreme poverty, with the number of people in need of seasonal humanitarian assistance estimated to have fluctuated between 200,000 and 500,000 over the last few years.

The HIV/AIDS epidemic has had a particularly serious impact on the working population. Any interventions should be sensitive and responsive to the particular needs of households impacted by HIV/AIDS.

4.3.1 Current situation

Only a very small number of formal workers in the Government and private sectors have guaranteed social security benefits. But the legal provisions for the coverage of social security risks such as occupational and industrial injuries and sickness are outdated according to international and regional standards and practices. The current social security provision represents an undue burden on employers and on the economy.

For those in the informal sector, the availability of employment opportunities to the working-age poor is very limited: either, for those with land and labour, there is the possibility of access to free or subsidised agricultural inputs; or, for those without, there is a very limited set of public works opportunities offered by the Ministry of Forestry.

4.3.2 Vision for 2025

The planned social security reforms envisage the progressive introduction of a range of employment-linked benefits. By 2025, in addition to maternity, invalidity and retirement benefits (which are discussed elsewhere in this NSPS) these would be expected to include the following:

- **Survivors’ benefit:** The contingency covered is the loss of support suffered by the widow or children as a result of the death of the breadwinner.
- **Sickness benefit:** The contingency covered includes incapacity for work resulting from a morbid condition and involving suspension of earnings.
- **Employment injury benefit:** The contingencies covered include a morbid condition, incapacity for work, invalidity or a loss of faculty due to an industrial accident or a prescribed occupational disease.

- Unemployment benefit: The contingency covered includes suspension or loss of earnings due to inability to obtain suitable employment.

In terms of social assistance, as identified in the World Bank review, there is scope for expanding employment opportunities for the poor. This could best be achieved through an employment guarantee scheme (along the lines of India's Mahatma Gandhi National Rural Employment Guarantee Act, which assures up to 100 days work per year to anyone who wants it). This could be offered on a seasonal basis (e.g. for four to six months of the year between January and June), when the lean season is at its peak, and when there is less demand for on-farm labour. Options for such employment might include: forestry and environmental conservation (as now), rural road maintenance (as proposed by the World Bank), and (much-needed) soil and water conservation at community level.

4.3.3 Action plan to 2018/19

The priority social security benefits to be introduced in the period to 2018 (in addition to maternity benefit, discussed in section 4.1.3) are employment injury and sickness benefits.

In order to initiate the creation of a national seasonal employment guarantee scheme, it will be essential first for Lesotho to expand its limited labour-intensive public works programmes. Realistically, this is likely to take a number of years. So the NSPS does not envisage the introduction of any substantial social assistance programme specifically targeted at the working age during the period to 2018/19, although it should be emphasised that the proposed introduction of an infant grant and the reforms and expansion of the child grant and old age pensions will all impact positively on the ability of households to re-engage with the labour market.

Rather, activities during this first phase of the NSPS will focus on collaboration, knowledge-building and piloting:

- Enact the necessary social security legislation, and establish the Lesotho Social Security Organization with a priority to implement short-term benefits.
- Map all existing public works opportunities, including an assessment of their coverage, wage-rates, and operational modalities.
- Work with the Ministry of Forestry, the Ministry of Agriculture, the Ministry of Public Works and the Disaster Management Authority to expand the range of public works opportunities available, considering the options for switching current budget line expenditures (e.g. for rural road maintenance) to use labour-intensive approaches.
- Liaise with humanitarian actors and development partners to consider the feasibility of establishing a common pool fund to finance a seasonal public works or employment guarantee scheme (i.e. to replace the current inefficient system of annual "emergency" appeals).
- Study the issue of the optimum wage rate to provide a meaningful level of transfer (even when opportunity costs of participation are taken into account), while respecting minimum wage legislation (e.g. perhaps through payment on a piece-work basis).
- Negotiate with development partners over the feasibility of support to a substantial seasonal public works or employment guarantee scheme, during the succeeding phase of the NSPS.

4.3.4 Costs and benefits

No incremental costs for this stage of the life-course are included for the first phase of the NSPS, to 2018/19. Labour-intensive public works programmes are an expensive way of making social transfers. It typically costs US\$2 to US\$3, and sometimes as much as US\$7, to transfer US\$1 in benefits, compared with between 10 and 50 US cents to make a direct cash transfer of US\$1. So it is essential that the assets created through such public works are sufficiently useful, valuable and sustainable to offset this much greater cost of delivery (which is not always the case in global experience).

4.3.5 Complementary programmes

As described above, the Ministries of Forestry, Agriculture and Public Works, and the Disaster Management Authority, will be important partners in developing capacity to operate a seasonal employment guarantee programme. The other critical complementary programmes for working age adults in Lesotho are those that promote smallholder agriculture in one form or another: agricultural input fairs, input and fertiliser subsidies, extension services, share-cropping, etc. These are the responsibility of the Ministry of Agriculture. Many of these programmes are targeted at particular categories of the poor, so there would be significant benefit in coordinating approaches to beneficiary selection, to ensure that those of the poor with land and labour capacity were targeted for “productive” agricultural interventions; while those without would benefit rather from core social protection.

Key development partners would include World Bank and WFP on the labour-intensive public works aspects, FAO on the agricultural interventions, and Irish Aid and ILO with the social security reforms.

4.4 Old age

The proportion of elderly people is higher in Lesotho than in other sub-Saharan African countries, reflecting the outmigration of young people and the recent demographic impact of the HIV/AIDS pandemic. In Lesotho, 8.3% of the population (about 165,000 people) are over the age of 65, and 4.1%, or some 82,000 people, are over the age of 70. Poor households tend to have more elderly members in them than average; the average age of the household head is slightly higher in poor families than in non-poor families (55 compared to 50); and the estimated food poverty rate in households containing people over age 59 (39.3%) is higher than in the population as a whole (34.2%). Worryingly, 8% of households in rural areas consist only of elderly people and/or elderly people and children (such as grandparent-headed households).

4.4.1 Current situation

Whilst there is a comprehensive (and expensive) pension scheme for the public sector, there is no mandatory pension for non-Government workers under the social security system, and consequently the majority of the workforce in Lesotho are not covered by a contributory pension scheme providing adequate income protection during retirement. This means that many non-Government workers, even those in the formal sector, are reliant on the non-contributory old age pension, which is only available from the relatively high age of 70 years. The old age pension, despite its high age of eligibility, has nonetheless had significant impacts in reducing the poverty of

both the elderly themselves and the many OVCs that are in their care as a result of the HIV/AIDS pandemic.

4.4.2 Vision for 2025

By 2025, a three-tier pension system should be in place for all Basotho over the age of 65 years. This would comprise the following:

- Tier 0 (foundation tier) – a universal non-contributory citizens pension;
- Tier 1 – a mandated (compulsory) contributory old-age benefit funded through the social security system of the LSSO, for all those in the formal sector, and potentially all those in Government;
- Tier 2 – a voluntary top-up pension for those who wish to make additional savings for their old age.

Such systems are relatively common, and are becoming increasingly more so in sub-Saharan Africa. The structure is presented schematically in Figure 7.

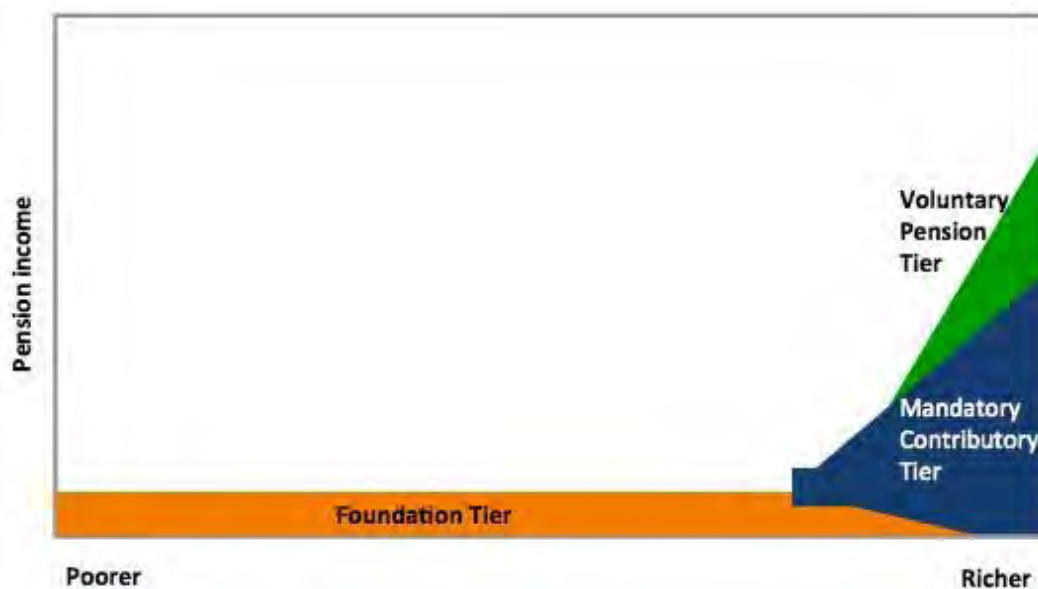


Figure 7 - Pension tiers

The (optional) tapering of the non-contributory pension (so that it remains nonetheless near-universal) does not present any perverse disincentives for wealthier individuals and those in formal employment to save for old age (which is a serious risk with means-tested social pensions): because whatever savings they make through mandatory or voluntary contributions will be additional to the basic social pension.

4.4.3 Action plan to 2018/19

The old age pension is well established and robust. There are nonetheless a number of practical activities that will need to be undertaken over the next four years to move the pension towards the vision of a three-tier universal pension for all those aged over 65 (rather than 70 now), including an initial reduction in the age of eligibility to 68.

These will include:

- Agree coordination arrangements for the old age pension between MoSD and the Ministry of Finance, learning lessons from the Integrated Social Safety Net (ISSN) pilot.
- Include all current beneficiaries of the old age pension in the NISSA database, as is being done under the ISSN pilot.
- Improve delivery, administration and monitoring of the old age pension to reduce costs.
- Verify and cleanse the list of recipients to ensure that there are no “ghost” beneficiaries, again informed by experience from the ISSN pilot.
- Work with MoLE to put in place the arrangements for Tier 1 and Tier 2 for all private sector workers (in employment or self-employed); and agree on the inclusion or not of Government workers.
- Reduce the age of eligibility (i.e. as opposed to making further increases in the transfer amount⁴), as a first step to 68.

4.4.4 Costs and benefits

The social security components of the old age pension will be fully funded from contributions, either compulsory (Tier 1) or voluntary (Tier 2).

Reducing the pension age of the universal basic old age pension to 68(as a first step) would significantly increase its coverage. At the recently-announced rate of benefit (M500 per month), this would increase the cost from M436 million to M513 million per year. But, for demographic reasons, the costs of both options would decrease to M418 million and M497 million per year respectively by 2018/19 (and will continue to decrease further until 2035)⁵.

As proposed under the draft social security policy, the new pension fund would not require the transfer of funds from existing pension arrangements, but would open the option to do so voluntarily. Private pension funds would continue to operate and thrive as supplementary voluntary “top up” Tier 2 schemes (essentially for higher earners). Only those uncovered and newcomers to the labour market would be required to contribute on a mandatory basis from the onset. Those who are over 45 years old would not be required to join the new scheme, unless they change employment. Those under 45 years old could join voluntarily or would be required to do so at the first change of employment. This would prevent de-saving in current private pension plans for current private pension fund holders.

One option for the social (foundation tier) pension, which would have the twin benefits of reducing its overall cost and of providing an incentive to care for the elderly, would be to increment the monthly transfer amount as the beneficiary’s age increases. On the one hand, this

⁴ This reduction in the age of eligibility was the option preferred in the *National Strategic Development Plan*, which recommended explicitly to “expand coverage of the Old Age Pension scheme in line with the performance of the economy” (ie to “expand coverage” rather than increasing the value of the transfer).

⁵ Interestingly, and unusually for sub-Saharan Africa, the proportion of elderly people in the population is set to fall over the coming decades, which has positive implications for the future cost of the old age pension. In 2010, those over the age of 60 represented 6.3% of the population. That figure will fall to 5.7% in 2025, and to 5.4% in 2035, before starting to rise again.

would allow a lower level of pension to be paid (at least initially) to the 68-70 age group (this could be, for example 50% of the normal transfer level, or M250 per month at current rates), which would still be politically popular, but which would cut by half the additional cost of reducing the age of eligibility. And, on the other hand, it would allow a higher rate to be paid to beneficiaries over the age of 80 (or 90) years, with a special bonus to those that attain 100 years – as is done for example in Mauritius – which would positively incentivise the care of the elderly, without having a significant impact on overall costs since numbers are relatively small.

4.4.5 Complementary programmes

The main complementary programme for the elderly is free access to health care, with the Ministry of Health as a key partner. But linkages with the Ministries of Agriculture and Trade are also important: many elderly citizens continue to be active in agriculture and commerce. It is also worth mentioning that, as a result of the ravages of HIV/AIDS, a number of elderly people will benefit from the child (and infant) grants, as the carers of young children.

4.5 Disability and chronic illness

In 2006 it was estimated that about 69,000 people in Lesotho were disabled, representing about 3.7% of the population: of these, most either suffered from mobility problems or were partially or fully blind. The more recent 2011 Demographic Survey put its overall estimate lower, at 2.6%. These are almost certainly under-estimates, though they may correspond to the number with a severe disability.

While there is limited information on the poverty status of the disabled, the Census results show that about half of all disabled adults are married; their education levels tend to be somewhat lower than those of the population as a whole; and, not surprisingly, they are less economically active than average. The 2011 Demographic Survey found that school attendance was significantly lower for children with disabilities: “the differences were more pronounced for disabled persons between ages 6 and 13 years where in most cases the figures were, on average, 20 percentage points lower than those of non-disabled persons”.

Lesotho has the third highest HIV adult prevalence rate in the world at 23.0% (after Swaziland at 25.9% and Botswana with 24.8%). In 2008 an estimated 280,000 people were living with HIV, of whom 21,000 were children. Partly as a result, life expectancy at birth has declined drastically in Lesotho from 60 years in 1991 to 48 in 2011.

4.5.1 Current situation

Lesotho has no invalidity benefit, and no social assistance grant explicitly aimed at people with disabilities, which represents a serious gap in its social protection armoury. It seems likely that some of the households that benefit from the current public assistance programme are in fact dealing with some level of disability within the household, but this is not an explicit criterion for selection. It should be, since people with disabilities often have higher health costs that impact negatively on their wellbeing, while discrimination against them is common. Some also require additional care support, which can mean that other household members have to either not seek employment or only work part-time, which reduces household incomes. Finally, people with disabilities face significant additional costs in accessing education, health care and the labour market, and face incremental hardship in conducting their daily lives and livelihoods; whereas a

small investment in helping them to integrate into the labour force can bring valuable economic dividends.

4.5.2 Vision for 2025

Lesotho should have in place, by 2025, both an invalidity benefit as part of its social security system, and a specific disability grant for all citizens with severe disabilities. The disability grant could be differentiated across the life-course, such that, for example, infants and the elderly with disabilities would already be supported through the infant grant and old age pension respectively, and children with disabilities could be prioritised for the child grant, so that only those of working age with disabilities would be eligible for the specific disability grant.

4.5.3 Action plan to 2018/19

Priority activities during the first phase of the NSPS will include:

- Undertake research to get a better understanding of the actual situation of disability and chronic illness in Lesotho, and to map existing initiatives to improve it.
- Assist the Lesotho National Federation of the Disabled (LNFOD) to publish and publicise the *National Disability Mainstreaming Plan*; and improve the capacity of frontline officers (specifically MoSD's rehabilitation officers) to deal with issues of disability.
- Work with LNFOD to review disability grants in appropriate neighbouring countries (e.g. South Africa, Namibia, Botswana, Kenya), and extract lessons of best practice.
- Develop suitable mechanisms and procedures for the definition and classification of disabilities, based on global best practice and on international frameworks such as the World Health Organisation's International Classification of Impairment, Disabilities and Handicaps (ICIDH).
- Register all those defined as having severe disabilities and chronic illness in the NISSA database, on an on-demand basis (where they are not already captured).
- Design and implement a disability grant to all those who are severely disabled, and who are above the age of eligibility for the infant grant and below the age of eligibility for the old age pension.
- Build linkages with other Ministries, and with NGOs that work with people with disabilities to strengthen families, deliver assistive devices, reduce barriers to access and provide vocational training (e.g. *Ithuseng* Vocational Rehabilitation Centre).

4.5.4 Costs and benefits

When doing the costing for a disability grant it should be borne in mind that disability increases with age, so it is likely that a significant proportion of those with disabilities will be elderly, and therefore recipients of the old age pension. The cost of a disability grant to those of below pension age with severe disabilities and chronic illnesses is estimated at M127 million or 0.39% of GDP, based on an initial transfer of M250 per month, indexed to inflation.

4.5.5 Complementary programmes

Important complementary programmes for those with disabilities and chronic illnesses are free access to health care and, for people living with HIV/AIDS, to counselling, anti-retroviral drugs and nutritional support: here the Ministry of Health is a key partner. But people with disabilities also face a range of challenges across the life-course: for example, children with disabilities find it difficult to access school; youths (especially girls) with disabilities face challenges entering the labour market or accessing mainstream vocational training; and a particular challenge faced by many older people is that their disability is often not recognised: they are frequently regarded as just “being old”. All of these require close MoSD collaboration with different partners in Government; with LNFOD and its constituent member associations representing those with different types of disability; and with the private sector as potential suppliers of assistive devices.

4.6 Shocks

The poor, and in fact all Basotho, are exposed to multiple shocks, including theft (primarily of livestock), unemployment, and health shocks such as illness and death due to disease or accident. In Lesotho’s rain-fed agrarian economy, the Basotho face regular shocks due to weather, such as drought, pests and floods. For example, floods in 2010 resulted in estimated declines in crop output of 25% to 80% fuelling further consumption drops and food price increases. This was exacerbated by further poor rains and harvest in the 2011/12 season, resulting in a short-term food production crisis.

While Lesotho is somewhat less susceptible to wild fluctuations in domestic food prices than other countries due to its close market integration with South Africa, it has nonetheless been hit by the same large increases in global prices that have affected the poor elsewhere. There was substantial inflation in 2007 to 2009, during which time the prices of basic foodstuffs increased by an average of 37%. The openness of its economy also leaves Lesotho prone to exogenous shocks that can quickly undermine the consumption of the poor: examples include the recent loss of employment opportunities in garment manufacturing, the reduction in revenues from the South African Customs Union, and the decline of employment in South Africa’s mines.

4.6.1 Current situation

The citizens of Lesotho thus face a range of risks, which can essentially be divided between individual shocks, and more generalised crises which affect large numbers of households at the same time. Currently, the former are addressed through discretionary social assistance programmes, in particular public assistance; and the latter are addressed through disaster management responses.

4.6.2 Vision for 2025

It is essential that the social protection system is used to build the resilience of Basotho families and to provide support in the face of shocks.

As social protection expands (as described above), the need for *ad hoc*, reactive, emergency response will be significantly reduced. Once the Government implements the proposals in this Chapter, a high proportion of the citizens will be much more resilient than at present. By expanding the coverage and value of transfers of core programmes, a significant majority of the

population, especially those belonging to the poor and vulnerable groups, will be in a significantly stronger position, with an important and reliable buffer against shocks.

By 2025, Lesotho will be well on the way to providing an integrated, effective and comprehensive social protection and disaster relief system, with improvements happening year on year.

4.6.3 Action plan to 2018/19

While the Government cannot promise to provide effective cover to everyone in the case of a major crisis, it is confident that, by 2018, a majority of the citizens – in particular the most vulnerable – will be in a much stronger position than at present to withstand any such crises. Nonetheless, there will continue to be the need for a residual safety net to catch those who fall through the (now much narrower) gaps in the social protection floor.

Priority activities over the first phase of the NSPS will include:

- Critically review public assistance with a view to restructuring it into (a) the proposed disability grant and (b) a residual “safety net of last resort”, a quick, reactive, discretionary response, to be provided on a transitory short-term basis until the household can be channelled to a more permanent long-term core programme of social assistance.
- Participate in the development of a comprehensive national disaster management and shock response framework, and work closely with the Disaster Management Authority to define and codify key linkages between social protection and disaster risk reduction and management.
- Refine the NISSA database so that it can be rapidly used to deploy additional resources in the event of a disaster.

4.6.4 Costs and benefits

The expansion of social protection and the resultant increase in resilience, especially of the poor and vulnerable, will significantly reduce the future cost of emergency response. Donors are regularly called upon to provide “humanitarian” assistance to Lesotho, to deal with a problem that is essentially one of chronic poverty and vulnerability. By reducing that poverty and vulnerability in an effective pre-emptive manner, the inflated cost of rushed emergency reaction will be greatly diminished. Donors would then be able to channel their resources more productively into initiatives that will strengthen and reinforce social protection, such as improved delivery systems, effective M&E, credible impact assessments, and so on.

Assuming the need to maintain a safety net of last resort, this would mean a continuation of discretionary public assistance. It has been assumed for costing purposes that this will continue at more or less the same level of coverage and value of transfer – i.e. a cost of M35 million per year, or 0.11% of GDP.

4.6.5 Complementary programmes

In terms of extensive shocks, MoSD will work closely with the Disaster Management Authority and donors to produce proposals for integrated mechanisms linking social protection and disaster management responses. In terms of individual shocks, the key to success will lie in strengthening service delivery and administration at the district and community council levels: the key partner here is the Ministry of Local Government, with support to it provided by GIZ.

5 Implementation framework

Proper implementation arrangements are critical for ensuring the effectiveness of any social protection system. Even the best designed and adequately funded systems may fail to deliver the projected results owing to inappropriate implementation arrangements. This is a particular challenge for a developing country like Lesotho that faces major capacity problems and various governance issues. The implementation arrangements themselves are influenced by the shape of the NSPS: a strategy that avoids an excessive number of programmes and is relatively easy to administer based on an automated transaction system will be more effective than a system that does not have these features.

5.1 Institutional framework

MoLE and MoSD have distinct and clearly demarcated mandates for social security and social assistance respectively. MoLE already has a draft policy for social security over the next ten years, which has been reflected in this Strategy document. What is critical is that the two Ministries liaise on a regular basis to ensure that both are fully aware of what the other is doing.

In terms of social assistance, the establishment of a dedicated MoSD in 2012 (through spinning off the Department of Social Welfare which had been attached to numerous ministries in the past, most recently the Ministry of Health) is a very significant positive development. So is the subsequent rationalising within MoSD of a number of core social protection programmes (child grant, OVC bursary and public assistance). As pointed out in the 2013/2014 budget speech: “The re-grouping of social benefits under one administration, the Ministry of Social Development, is expected to ease the administration costs of providing the benefits”. MoSD must be given the necessary administrative capacity to execute the operations involved in managing social assistance institutionally and financially. Its staff should be adequately trained, and operations should progressively be consolidated under the Ministerial remit.

However, even with the core life-course social assistance programmes under one main roof, it is essential that MoSD spearheads coordination with other key stakeholders, especially those responsible for the programmes that are identified as being complementary in Chapter 4. The next sections look at the issue of coordination at national and district levels.

5.1.1 National level coordination

The linkages to secondary programmes can also be categorised according to life-course stages. Indeed, doing this would facilitate coordination because it would be possible to identify a manageable number of key collaborators, both in Government and among development partners and NGOs whose focal areas correspond to each life-course stage. At national level, coordination would be facilitated by permitting coordinating committees to operate independently across each stage of the life-course. Thus, rather than having one single committee with a cumbersome multitude of members, it would be possible to have multiple sub-committees with just a few relevant ministries and development partners involved.

What this would suggest is to have one overarching social protection policy committee, responsible for approval and delivery of the NSPS. This should comprise – at the very least – MoSD, MoLE, Ministry of Finance, Ministry of Planning, Ministry of Local Government, and perhaps one representative from the development partners, on a rotating basis. The full social

protection policy committee would meet regularly on a six-monthly basis, with *ad hoc* meetings on demand.

Under this policy committee, and reporting to it, would be six technical social assistance working sub-committees, one responsible for each stage of the life-course. Membership of these would be limited to ten representatives, and would include the key ministries and development partners listed under each life-course stage in Figure 8, plus at least one relevant NGO representative. The sub-committees would meet more frequently, on a two-monthly basis, with a focus on technical design and implementation aspects of the core programmes, and – in particular – on ensuring linkages and complementarities with secondary programmes.

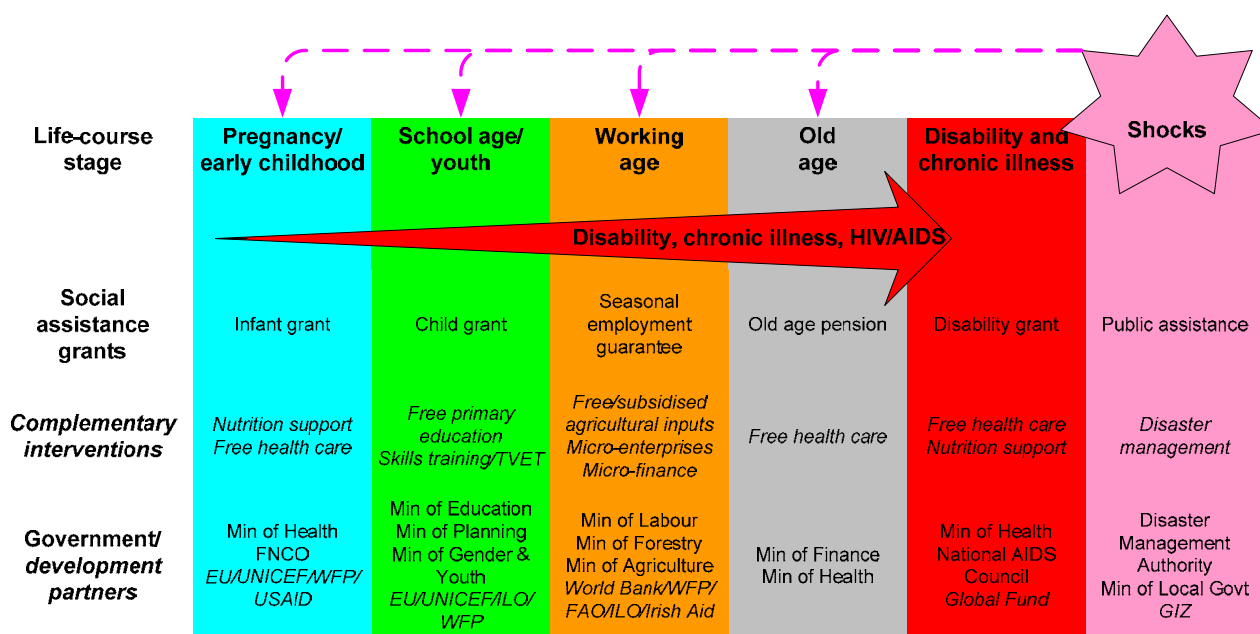


Figure 8 - Institutional coordination across the life-course

A priority activity under the first phase of the NSPS is to develop ToRs, define the composition and convene these committees and sub-committees.

5.1.2 Sub-national level coordination

At sub-national level, the district social welfare officers, their staff and auxiliaries will have an important role to play as a focal point for coordination between local government agencies, potentially acting as a “one-stop shop” providing referrals and information on entitlements, not only to social protection schemes, but also to other sectoral programmes. Having well-qualified professional staff at sub-national level is also one of the best ways to improve targeting performance. MoSD has an excellent cadre of staff, both nationally and at district level. They will need to work closely with the district councils and with local government entities at district level.

MoSD is also one of the pioneer ministries in terms of placing members of staff, in its case the auxiliary social welfare officers, at community council level. This is a very positive step, linking the placement of staff to the provision of a clear function. Properly capacitated, these auxiliaries will be able to play an important role on the front line: verifying beneficiaries, resolving issues, identifying problems, and providing advice on access to wider benefits.

5.1.3 Building capacity

There is a substantial need for staff training at all levels. First, there is a call for formal training in social protection for more senior staff (which could be combined with some advocacy and awareness-raising among key policy-makers such as parliamentarians, Cabinet, senior government staff). Then there is need for staff, especially at district and community council levels, to be better enabled to have a full understanding of existing opportunities and available services and support, so that they can assure liaison between government departments at district and community levels. This will require close collaboration with the Ministry of Local Government; and there is the potential for support from GIZ with their focus on assisting with the process of decentralisation.

5.2 Legislative framework

As in South Africa and Mozambique, as neighbouring examples, Lesotho's rights-based social protection framework should be grounded in a national legislative framework. This follows Recommendation 202 of the ILO on national social protection floors. As with the draft National Social Security Act, a National Social Protection Act for Lesotho should establish the necessary regulations – specifying, for example, the range, qualifying conditions and levels of benefits – to give legislative effect to the programme guarantees. Systems should be in place to ensure compliance with the national legal framework.

5.3 Processes

A number of operational weaknesses were identified in the earlier reviews of social assistance. Many of these are already being addressed. Indeed, Lesotho continues to be highly innovative in the development of the various processes that underpin social assistance (discussed below under the five headings of identity, eligibility, enrolment, transactions and MIS). Of particular note is the integrated approach that is being piloted this year, with the attempt to coordinate and harmonise processes across all the existing core social assistance programmes (child grant, OVC bursary, old age pension and public assistance) in a number of pilot districts. This is an approach that has huge potential for increased efficiency and operational economies of scale, and should provide valuable lessons for scale-up and replication.

5.3.1 Identity

NISSA, which has been developed in conjunction with the child grant programme, already includes some 25% of households, and is continually expanding its coverage. Whether or not it is used for targeting, this represents a significant step on the road towards the establishment of a central database of all beneficiaries of social assistance – and potentially of social security – programmes. Furthermore, the concurrent development, through the Ministry of Home Affairs, of the national identity system (the rollout of which is meant to be completed by 2016) means that it will be possible to link NISSA directly with other information systems, such as health records, tax receipts and other sectoral programmes. It is also expected that the national identity system will directly interface with the civil registry, which will in turn allow NISSA to be directly integrated with updates to the registry (e.g. births, marriages and – importantly for the old age pension – deaths).

Over the first phase of the NSPS, to 2018/19 it is proposed that the NISSA database will be rolled out to cover all rural households on the current survey basis; and that it will be extended to urban households on an on-demand basis (and to include existing programme beneficiaries). It should

also be linked to the national identity system and, through that, to the civil registry and other sectoral databases. Finally, plans should be put in place for updating NISSA, on a dynamic basis through linkages to other such databases and through case management processes, and on an ongoing periodic basis.

5.3.2 Eligibility

Establishing eligibility for programmes is an important component of social assistance. Where programmes are universal, such as the old age pension and the proposed infant grant, this is (comparatively) straightforward, since eligibility is based on the simple indicators of age or pregnancy. The planned seasonal employment guarantee scheme will rely on self-selection: only those wanting to work for the wages on offer will choose to do so. But, in other cases, establishing eligibility can be more complex. It will be necessary, for example, to develop clear criteria for establishing disability, before the proposed disability grant can be introduced.

But the most complex is always establishing eligibility based on poverty targeting, as will continue to be necessary for the child grant. It is essential here to recognise that such targeting will never be accurate: as the World Bank review judiciously cautioned: “A Proxy Means Test (PMT) presents challenges in a context like Lesotho of uniform poverty (the divergence between the potential beneficiaries selected by the PMT and by the VACs seems to confirm this)”.

As discussed in section 2.2.2, the best way to reduce exclusion errors is to increase the coverage of programmes: not only will more people benefit from them, but also the targeting becomes relatively more accurate. It is also to be hoped that the ongoing review of NISSA and of its use for targeting will come up with practical recommendations for improvements to the system. However, it is essential to recognise, and to honestly convey the realistic message to policy-makers, that no type of poverty targeting, in isolation or in combination, will accurately identify the poorest: but it can serve as a mechanism for rationing.

5.3.3 Enrolment

Building on the ISSN pilot, MoSD should move towards the use of common systems, for enrolment and case management across all core social assistance programmes. Having NISSA as the central database will facilitate this; but there are also prerequisites in terms of both systems and personnel. In terms of systems, it will be necessary to harmonise forms, systems and procedures: a good start has already been made on this through the development of operational manuals and systems documentation. In terms of personnel, there is a need to train all MoSD staff in the operation of all the different programmes, so that they have a clear understanding not only of how each one works but also of how they combine within the overall comprehensive life-course approach.

In particular, the staff of MoSD at district and community council level will have an important role to play, at the front line, in terms of enrolment, grievances and appeals, referrals and case management. MoSD will also establish and operate a telephone hotline for enquiries about all the core programmes, building from the prototype of this that exists for the child grant programme.

5.3.4 Transactions

With the arrival of Vodacom’s M-PESA and EcoNet’s *Spache-fono* services, allowing money transfer via mobile phone, there is significant potential for Lesotho to harness such technologies

to improve the delivery of social transfer payments. Such developments are also likely to spur the traditional banks and post office network towards greater innovation, which should open up further delivery channels at much lower costs per transaction.

The ISSN pilot will further explore these options, but it is likely that payment of benefits will continue to require a multi-channel approach in terrain as challenging as Lesotho's, using different service providers in areas where they demonstrate comparative advantage. This might include, for example, the continued use of banks in urban areas, the introduction of M-PESA and its wide network of agents in accessible urban and semi-urban areas, the partnership of EcoNet and the post office in areas accessible to towns, and the continued reliance on G4S (or similar) for physical cash delivery to remote rural locations.

5.3.5 Management information systems

The drive towards greater automation underscores the importance of a well-developed Management Information System (MIS) for successful implementation, an aspect where Lesotho, through NISSA, has a significant head-start. An information system that maintains and regularly updates the list of beneficiaries by programme categories, and which transfers payments online can vastly simplify implementation, leverage economies of scale, lower transaction costs, and minimize corruption.

Such an MIS can also be exploited to serve policy-makers and inform the evolution of programme design. It could be used to generate coverage and density maps, and to assess the coverage of different programmes within the same household.

Another important aspect of information management, is that of disseminating information about entitlements. The NSPS should include a significant information and education campaign, at all levels, to increase public awareness of the different components of the system, and of individual's rights to access them. A first step towards this might be a national forum on social protection, timed to coincide with the adoption of the NSPS.

5.4 Monitoring & evaluation

Once the implementation of the NSPS is underway, an ongoing process of monitoring and evaluation (M&E) will be needed to improve delivery processes, document results, inform policymakers about the effectiveness of alternative approaches, and mobilise political support for sustainability and expansion of the programmes that comprise the Strategy.

Monitoring is the process of identifying and tracking performance indicators and reviewing implementation over the life of the programme, and can be defined as a continuing process of collecting and reviewing data on performance indicators in order to inform managers (and other stakeholders) about the progress and achievement of objectives of the programme. Evaluation goes one step further, by linking causes to outcomes, assessing impacts after components of the Strategy (or distinct programmes within them) have been completed: evaluation of the NSPS will involve the objective and systematic assessment of the design, implementation and results of the strategy.

M&E of the NSPS will be required at three distinct levels

- Monitoring of individual programmes

- Monitoring of the SP strategy process
- Evaluation of impact of the SP system

Within the framework of a results-based approach, a number of indicators will be identified at each of these levels, targets established for each one, and M&E undertaken to track the achievement of results against each target. Examples and potential tools for this are discussed in the three sections that follow, which correspond to the three levels outlined above.

5.4.1 Monitoring individual programmes

Monitoring of individual programmes within the NSPS will aim to collect, and aggregate, information on performance indicators such as:

- Number of clients served
- Number of benefits paid
- Average benefit per recipient
- Actual benefit value as percentage of household or per capita income
- Cost to transfer a unit of value (e.g. \$1)

They will also track immediate effects of the programme, under different general headings such as economic and social effects, but also – in some cases – under more specific headings such as, for example, educational effects (for the child grant programme) or nutritional effects (for the proposed infant grant).

Another important M&E tool in monitoring individual programmes will be the use of independent and impartial spot-checks to verify the integrity of the data being generated

5.4.2 Monitoring the NSPS

The second area that will require monitoring is the implementation of the overall NSPS itself. M&E in this area will try to answer questions such as:

- Does the strategy reach the intended beneficiaries?
- Does the strategy generate the desired outcomes?
- What is the impact on the rest of the population?
- Are there better ways to design the components of the strategy?
- Can the strategy be managed more efficiently?
- Are the allocated resources being spent efficiently?
- Is financial performance as per the strategy design?

This will require indicators that allow the monitoring of financial, operational and institutional aspects of the strategy. It is recommended that such monitoring informs a complete review of the strategy in 2015/16, and contributes to the design of the next phase of the NSPS from 2018/19 onwards.

5.4.3 Evaluating impact

Finally, perhaps the most important area under the NSPS is that of evaluating the overall impact of the social protection system. Again, this would look at operational issues such as the effectiveness and efficiency of the NSPS in achieving its objectives, and at longer-term impacts in different areas such as economic, social, educational and nutritional.

The main tool for evaluation of the impacts of the NSPS will be periodic quantitative surveys. To some extent, these will be able to rely on existing surveys, such as the Household Budget Survey (HBS), run by the Bureau of Statistics. But it is suggested that the HBS should be supplemented by an annual panel survey, to enable a more in-depth understanding of vulnerability and poverty dynamics while also providing government with a means of monitoring the impacts of its social protection strategy on an annual basis.

It is generally recognised that some combination of qualitative and quantitative methods of data collection is important in any evaluation in particular when the programme is operating in a complex social environment. Thus, within the M&E of NSPS, equal attention should be given to qualitative analysis during impact evaluation to improve the richness of quantitative analysis and delve into dimensions not feasible through quantitative methods, such as changes in social dynamics, decision making, gender norms, community relations; processes of interaction with programme institutions; implications of economic, social and cultural attributes on participation and outcomes; people's understanding, views, and opinions. A mixed method approach would provide greater triangulation of findings, assist in changing perspectives, attitude and norms, provide explanation to observed variability, and help in robust analysis of lessons and experiences generated. These are all crucial for facilitating the adoption and acceptance of policy decisions; and are all areas where development partner funding may have an important role to play.

6 Costs and benefits

The costs of various different combinations and levels of core social protection interventions were modelled as part of the NSPS process. The figures presented in Chapter 4 and summarised in Table 2 represent the chosen combination at the end of the first phase, as follows:

- a universal infant grant of M100 per infant under 2 per month, phased in over four years, to all pregnant women and mothers with under-2s, with the transfer value indexed to inflation;
- a poverty-targeted child grant of M100 per child per month, phased progressively to all extreme poor households with children (approximately 30% of households), with the transfer value indexed to inflation;
- an universal old age pension at a fixed rate of M500 per person per month, to all over the age of 68;
- a disability grant of M250 per person per month, phased in over four years, to all those with severe disabilities, with the transfer value indexed to inflation;

- a discretionary public assistance grant at a fixed rate of M250 per month, to all requiring short-term, reactive, temporary support, estimated at the current level of approximately 0.5% of the population.

All transfer amounts include an estimated overhead for administrative costs. This is calculated on the basis of 10% of total transfer costs for universal programmes and 20% for poverty-targeted programmes.

Table 2 indicates the total cost of the core social protection programmes at full coverage (i.e. at the end of the first phase of the NSPS in 2018/19) of M1,275 million, representing 3.92% of GDP, essentially below the equivalent cost as calculated in 2011, but with significantly greater coherence and increased coverage (estimated at some 41% of the population rather than 23% in 2011). Assuming the continuation of the two complementary programmes (school feeding and OVC bursary) at their current levels, this would push the overall cost to M1,559million, or 4.8% of GDP – still well below the estimated current level of 7.8% of GDP.

Proposed programmes	2015-16	2016-17	2017-18	2018-19	As % of GDP
A. Infant grant (universal; phased over 4 years)					
Monthly transfer (indexed to inflation and 10% overhead)	110.0	126.4	145.3	167.1	
Programme cost (million Maloti)	151.2	178.8	225.2	365.8	1.13
B. Child grant (household-targeted - extreme poverty 30%; phased over 4 years)					
Monthly transfer (indexed to inflation and 20% overhead)	120.0	150.5	188.7	236.6	
Programme cost (million Maloti)	46.1	62.8	118.7	249.4	0.77
C. Seasonal employment guarantee scheme					
[not costed in phase 1]					
D. Old age pension 68+ (universal)					
Monthly transfer (fixed at M500 and 10% overhead)	550.0	550.0	550.0	550.0	
Programme cost (million Maloti)	512.6	506.3	501.2	497.4	1.53
E. Disability grant (1.3% of population; universal; phased over 4 years)					
Monthly transfer (indexed to inflation and 10% overhead)	275.0	316.1	363.4	417.7	
Programme cost (million Maloti)	16.5	38.1	66.0	127.2	0.39
F. Public assistance grant (targeted at 0.5 % of the population)					
Monthly transfer (fixed at M250 and 20% overhead)	300.0	300.0	300.0	300.0	
Programme cost (million Maloti)	34.64	34.79	34.95	35.13	0.11
All proposed core SP programmes	761.1	820.9	946.2	1,274.9	3.92
As % of GDP	3.10	3.05	3.20	3.92	
School feeding programme					
Monthly transfer	101.1	101.1	101.1	101.1	
Programme cost (million Maloti)	236.0	236.0	236.0	236.0	0.73
OVC bursary programme					
Monthly transfer	200.0	200.0	200.0	200.0	
Programme cost (million Maloti)	48.0	48.0	48.0	48.0	0.15
Complementary programmes (million Maloti)	284.00	284.00	284.00	284.00	0.87
Total cost (core SP + complementary SP) (million Maloti)	1,045.08	1,104.88	1,230.15	1,558.88	4.80
As % of GDP	4.26	4.10	4.16	4.80	
GDP at purchasers price	24,535	26,954	29,545	32,500	
Beneficiary coverage (% of population)	27.8	28.5	32.0	40.9	

Table 2 - Cost estimates of proposed core life-course programmes

The levels of basic social security guarantees and social assistance payments should be regularly reviewed through a transparent procedure that is established by national laws, regulations or practice, as appropriate. The country could define benchmarks at national level to assess the

adequacy of benefits and assess progress towards those benchmarks in a participatory way. Nationally defined minimum levels of income may correspond to the monetary value of a set of necessary goods and services, national poverty lines, income thresholds for social assistance or other comparable thresholds established by national law or practice.

The NSPS process also included some micro-simulation modelling to assess the impacts of the different possible intervention scenarios on the poverty rate and poverty gap⁶. It is calculated that the set of core social protection interventions described above (excluding the complementary programmes) would reduce Lesotho's poverty rate by nearly 15% to 51.3% and the poverty gap by an impressive 40% to 14.0% (from the current 59.9% and 23.8% without social protection respectively). Of the different combinations of programmes that were modelled, the one described above was the most cost-effective⁷ in reducing the poverty gap. The same package was also the most effective of the three packages modelled in terms of the distribution of benefits to the poorest.

⁶The headcount poverty rate is defined as the percentage of the population whose living standards (typically proxied by consumption) lie below a given threshold referred to as the "poverty line". The poverty gap is the difference between the income (or expenditure) of the poor and the poverty line.

⁷The cost-benefit ratio is equal to the cost divided by the percentage point change in the head count poverty rate. The number equals the percentage of GDP that would be needed to achieve a 1 percentage point fall in the poverty rate.

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