



Photography: © UNICEF Lesotho/2017/Scherbrucker

# LESOTHO SOCIAL ASSISTANCE BUDGET BRIEF

1 NOVEMBER 2017

This budget brief is one of four that explores the extent to which the national budget addresses the needs of vulnerable population through social assistance programmes. This brief analyses the size and composition of budget allocations for different social assistance programmes implemented by different ministries in the fiscal year 2017/18, and offers insights into the efficiency, equity and adequacy of past spending. The main objectives of the brief are firstly, to synthesise complex budget information so that it can be easily understood by all stakeholders, and secondly, to put forth key messages which can inform policy and budgeting decision-making processes.



unicef   
for every child

## HEADLINE MESSAGES

- **The Government of Lesotho is strongly committed towards building a social protection system to provide all Basotho with a decent and dignified quality of life, freeing them from poverty and hunger; but this undertaking is yet to be fully realised.** For the system to be entirely operational, the Government needs to implement all the planned life-cycle-based programmes; strengthen coordination and the targeting and delivery mechanism; enhance accountability relationship through a functional monitoring and evaluation framework (M&E); and strengthen the capacity of the Ministry of Social Development and the Disaster Management Authority (DMA) to address chronic vulnerabilities and emergency.
- **Poverty, inequality and vulnerability remain a pervasive reality in Lesotho. Basotho, who are living in poverty are severely deprived of basic social services and children epitomise this reality most significantly.** Thus strengthening the social protection system is crucial, and can be achieved, by (1) implementing the planned interventions to address social and economic vulnerabilities, (2) strengthening the policies to address shocks and chronic vulnerabilities, (3) updating the administrative tools to target and register beneficiaries and (4) by having a multi-sector approach and coordination to address multiple and compounding risks and vulnerabilities across the life-cycle. The level of poverty and inequality in Lesotho will only be reduced significantly if all these aspects of strengthening the social protection system are put into effect.
- **Despite having a high level of poverty and inequality driven by the high prevalence of HIV, the high level of unemployment and periodic floods and droughts, the investment in social assistance, as a percentage of gross domestic product (GDP), has continually been decreasing.** During economic downturn, the Social Protection budget was mostly affected with a negative growth. This trend has to be reversed to reduce poverty sustainably and to realise the potential of children to be productive citizens.
- **Although overall social assistance expenditure in Lesotho, as a proportion of GDP, is relatively higher than that of the neighbouring countries, the expenditure in implementation of core social assistance programmes is far below the 2018/19 commitment (3.9% of GDP).** Infant grant and disability grant programmes committed in the social protection strategy are yet to be introduced and implemented. The Government needs to launch these two programmes so that its commitment to the two most vulnerable groups of people in the country can be addressed.
- **The benefit costs of social assistance in Lesotho are yet to be adjusted with inflation;** the inaction to index inflation has eroded the value of the transfer of the child grant programme by about 30 per cent over a period of five years. This erosion of value has certainly affected the buying capacity of vulnerable families with children. Thus, Government should adjust the benefit costs with inflation to reduce the erosion of benefits.
- **Social Assistance programmes in Lesotho are not yet fully child sensitive as they are currently dominated by Old Age Pension and Tertiary Bursary programmes.** The programmes that directly benefit children receive only 16 per cent of the social assistance budget, while constituting 38 per cent of the Lesotho population. The largest child grant programme covers approximately 18 per cent of the eligible children. Lesotho's social assistance budget is dominated by Old Age Pension and Tertiary Bursary programmes. These benefit about 85,000 persons aged 70 and over, and 16,000 tertiary students, but there is virtually no programme for pregnancy, childhood, disability and chronic illness. Therefore, acknowledging that children hold the key to development, Government needs to enhance its investment in children through efficient allocation to different programmes.
- **The credibility of the social assistance budget and recurrent budget of the Ministry of Social Development is high; and the rate of execution of social assistance budget is poor.** But there is room to enhance budget credibility by improving aggregate fiscal discipline. In doing so, the national budgets should be delivered as planned, with effective systems for ensuring financial compliance by all staff engaged in PFM activities.
- **Recurrent budget is fully financed by the Government. The development budget is mainly financed through loans.** Given the high level of poverty in the country (57 per cent), the Government needs to invest more in social protection. In doing so, creating an enabling environment to attract donor grants is a prerequisite. The Government can also increase its investment in social protection and assistance by (1) increasing sin tax; (2) supporting greater growth in tourism, by attracting international tourists; (4) assisting mining industries to meet global demands of commodities from Lesotho and (5) enhancing efficiency in public sector administration and social protection programme management.

# 1. INTRODUCTION

## Social Protection Context

**Addressing poverty, inequality and vulnerability of Basotho populations is a Constitutional obligation of the Government of Lesotho.** Section 26 (2) of the Lesotho 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'.

**The Government of Lesotho is strongly committed towards a social protection system to provide the Basotho with a decent and dignified quality of life, freeing them from poverty and hunger.** Recognising the Constitutional obligation and the role of social protection in addressing chronic poverty and inequality, periodic shocks, and emergencies; guaranteeing human rights; promoting human development and economic growth, the Government has been working to strengthen the social protection system that includes strengthening policies, programmes, administration and coordination.

**The Government adopted the National Social Protection Strategy (NSPS) on 4 February 2015, following the adoption of the National Policy on Social Development 2014/2015–2024/2025 and the National Strategic Development Plan (NSDP - 2012-2017).** The NSPS defines social protection as a collection of '... all public and private initiatives that provide income and or consumption transfers to the poor; protect the vulnerable against livelihood risks; and enhance the social status and rights of the marginalised, with the overall objective of reducing the economic and social vulnerability of the poor, vulnerable, and marginalised groups.' The NSPS aims to put into operation, an integrated set of core social protection programmes in order to reduce vulnerabilities throughout the life-course of the citizens of Lesotho; establish coherent and progressive social protection synergies by ensuring strong positive linkages with other Ministries and key stakeholders; and integrate and harmonise operational systems for the effective implementation of social protection programmes.

**The NSPS, based on vulnerabilities Basotho face at different stages of life, proposed a comprehensive and an integrated set of social protection programmes, but the plan still has to be fully realised.** The NSPS focused on a specific set of social protection instruments whose primary objective is to deliver social protection. The social protection instruments, in the NSPS, have been categorised into social assistance, social insurance (termed 'social security' in Lesotho) and social care services. The strategy placed its primary focus on six

life-cycle-based core social assistance programmes - infant grant, child grant, seasonal employment guarantee scheme, old age pension, disability grant and public assistance; and proposed to implement those by 2018-2019. Of the six core interventions, two interventions; infant grant and disability grant; of which neither has started, nor are there plans to implement them in the short term. The Child Grant Programme has so far covered 27,000 families out of the planned 161,237 households (30% of the 537,457 households) by 2019.

**The Government has created the Ministry of Social Development with clear mandates but it is yet to be fully empowered.** The Ministry of Social Development has been given the responsibilities of only a number of core social protection programmes - child grant, Orphans and Vulnerable Children (OVC) bursary and public assistance. The Ministry is not fully staffed with trained personnel. To make the social protection programmes efficient and effective, the programmes need to be brought under the Ministry of Social Development with necessary administrative support and adequately trained staff.

**Recognising the role of common administrative tools for efficient and effective management of social protection programmes, the Ministry is establishing a single national registry, called the National Information System for Social Assistance (NISSA) but the implementation remains slow.** NISSA is a web-based database or single registry for storing and processing socio-economic information for all households in Lesotho, to identify vulnerable populations and target beneficiaries eligible for different social protection programmes. It is implemented by relevant ministries and civil society organisations. Not all households in the country are yet registered in the NISSA.

**Although the Ministry of Social Development is mandated to undertake social protection programmes in Lesotho, this mandate is implemented by a number of other Ministries.** Child Grant, Public Assistance, and OVC Bursary programmes are managed by the Ministry of Social Development; Tertiary Bursary by the Ministry of Development Planning; Old Age Pension by the Ministry of Finance; Public works by the Ministry of Forestry, School Feeding by the Ministry of Education, and so on.

**The Government has developed a coordination framework to strengthen an effective coordination mechanism to address multiple and compounding risks and vulnerabilities across the life-cycle of**

**Lesotho population; however, the framework is yet to be fully operational at national and sub-national levels.** Following the coordination framework, the Ministry of Social Development has established three committees: cabinet committee, Secretary Committee and technical committee; and five life-cycle-based sub-committees at national level but the committees are yet to be fully operational. Social Protection committees at district levels need to be established and urgently made functional jointly with Disaster Management Authority (DMA).

**The DMA is mandated to oversee the coordination of disaster responses but owing to inadequate capacity, it was not able to demonstrate its performance during the last emergency.** The DMA was not able to make ready the preparedness measures due to its weak capacity in terms of finance, human resources and technical skills. The coordination between the DMA and the social protection sectors during

emergency was found weak. The Government created a Disaster Management Fund (DMF) which did have adequate funds to use during the last emergency. Thus DMA's capacity needs to be strengthened to perform its role.

### Poverty, inequality and deprivation

**Social protection is highly relevant in Lesotho. Despite relatively high economic growth, poverty and inequality remain a pervasive reality in the country and children are particularly affected.** Lesotho is one of the poorest countries in Sub-Saharan Africa with over a million of the population living in poverty. Inequality is one of the highest in the world with a Gini of 0.53. Children are the most affected victims of poverty and deprivation. In Lesotho, about 52 per cent of the children are deprived of basic social services (Table1).

TABLE 1: Socio-economic development indicators at a Glance, Lesotho

Lesotho at a Glance			
Total Population [1]	2,007,201	Rank on Human Development Index [4]	160/188
Population < 18 years [1]	765,614	Human Development Index [4]	0.497
Children as a % of population [1]	38.1	Poverty Rate (%) [5]	57.1
% Stunted Children < 5 [2]	33	Extreme Poverty Rate (%) [5]	34
Life Expectancy (years) [1]	50	Gini Index [4]	0.53
Female	53.7	Under five mortality rate per for 1000 children [2]	85
Males	47.1	Access to Water (%) [1]	85
Infant mortality rate per 1000 live births [2]	59	Open Defecation Rate (%) [1]	19.6
Maternal mortality rate per 100,000 births [2]	1024	Under-5 mortality rate per for 1000 children [2]	85
Net intake ratio in primary education (% of official school-age population) [3]	61.6	Secondary School Net Attendance Rate (NAR) (%) [2]	42.4
Primary School Net Attendance Rate (NAR) (%) [2]	93.6	Education attainment [8]	8.1

Sources: [1] Global Health Data Exchange: <http://www.healthdata.org/Lesotho>; [2] Lesotho Demographic Health Survey (2014); [3] UNESCO Institute for Statistics (2016); [4] Human Development Report (2013, 2016, 2017); [5] World Bank (2017); [6] Corruption Perception Index (2016); [7] Q1 2014/15 Continuous Multipurpose Survey; [8] Global Health Data Exchange: <http://www.healthdata.org/lesotho>.

**People living in poverty are severely deprived of basic social services; and the performance of social indicators is poor when compared with that of neighbouring countries.** Maternal, infant and under-5 mortalities are exceptionally high at 1,024 per 100,000 live births, 59 and 85 per 1000 respectively. Among children under five years of age, 10 per cent are under weight and 33 per cent are stunted. In terms of school enrolment rates, 41.8 per cent of eligible primary school-age children have never enrolled at school<sup>1</sup>. Maternal and child mortality rates in Lesotho are the highest in the region (Table 2).

TABLE 2: Selected Social Indicators for Lesotho and its Regional Neighbours

	Botswana	Lesotho	Namibia	South Africa	Swaziland
Maternal Mortality Rate (per 100000 live births) [4]	129	487	265	138	389
Under-5 Mortality Rate (per 1,000 live births) [4]	43.60	85.00	45.40	40.50	60.70

Sources: [1] World Development Indicators (2016); [2] Lesotho Population and Household Census (2016); [3] AfDB (2015 and 2016), <http://dataportal.opendataforafrica.org/dzhrexg/comparative-socio-economic-indicators-on-african-countries-june-2017>; [4] Lesotho Demographic Health Survey (2014); [5] Human Development Report (2017).

## TAKEAWAYS

- The Government of Lesotho is highly committed to strengthening the social protection system to provide the Basotho with a decent and dignified quality of life, freeing them from poverty and hunger.
- The NSPS, based on life-cycle vulnerabilities Basotho people face, proposed a comprehensive and an integrated set of social protection programmes with particular focus on life-cycle-based core social assistance programmes; two of the core social protection programmes – infant, and disability grants - planned in the NSPS, have not yet been implemented.
- The Government has created the Ministry of Social Development with clear mandates but it is not yet fully empowered with administrative support and trained human resources.
- The implementation of the NISSA for the efficient and effective management of social protection needs to be expedited.
- The Coordination framework, developed to strengthen an effective coordination mechanism to address multiple and compounding risks and vulnerabilities across the life-cycle, needs to be fully implemented at national and sub-national levels.
- The capacity of the DMA needs to be strengthened to address emergency situations.
- Poverty, deprivation and inequality remain a structural issue that justifies the importance of strengthening the social protection system in Lesotho.

1. Lesotho Demographic and Health Survey (LDHS 2014)

## 2. SOCIAL PROTECTION SPENDING TRENDS

### Size of Public Spending

**Expenditure in Social Assistance<sup>2</sup> as a share of total national budget steadily increased during the last three years but varied in absolute amount because of economic downturn.** The overall Social Assistance expenditure rose from about 10.1 per cent in 2013/14 to 13.3 per cent in 2014/15 (Figure 1) but it fell again to 9.9 per cent in 2015/16. However, from 2015/16 to 2017/18 (budget), the proportion of allocation consistently increased from 9.9 per cent to 12.0 per cent. In absolute amount, the expenditure in social protection steadily increased from M733.4 million in 2013/14 to M876.5 million in 2015/16 but again fell to M851.8 million in 2016/17. However, in 2017/18, the amount allocated was M110.1 million higher than that of 2016/17.

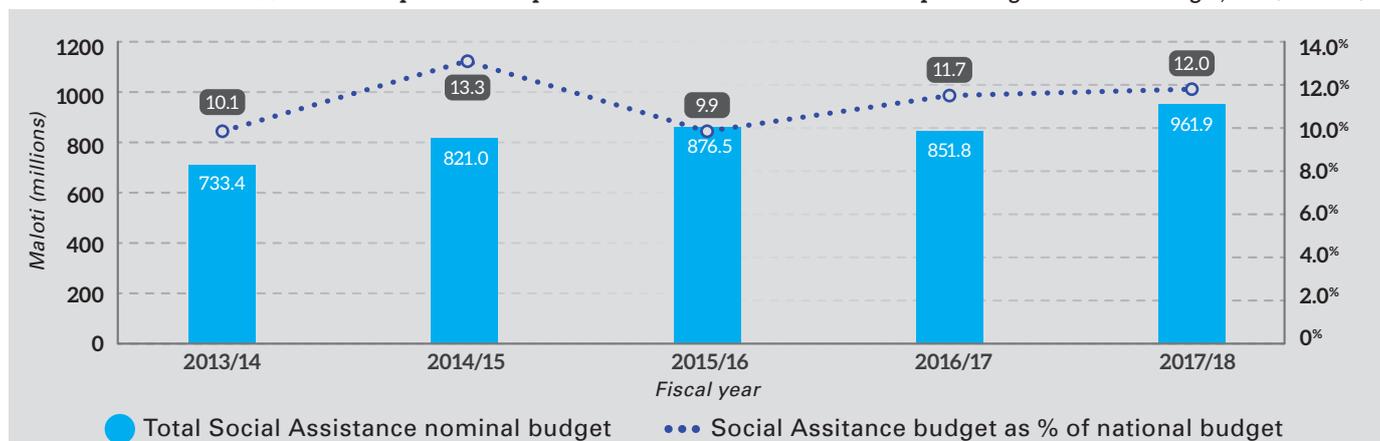
**Social Assistance expenditure, as a proportion of GDP, has consistently decreased over the last four years; and per capita nominal expenditure is slowly but consistently increasing.** From 2013/14 to 2014/15, Social

Assistance budget as a proportion of GDP increased from 6.5 per cent to 6.7 per cent; and since then the budget has consistently and significantly decreased until the current fiscal year, at 5.7 per cent (Figure 2). Per capita nominal Social Assistance spending has increased to M942 or US\$70 in 2017/18, from M730 in 2013/14 (Figure 2).

### Social Assistance public spending changes

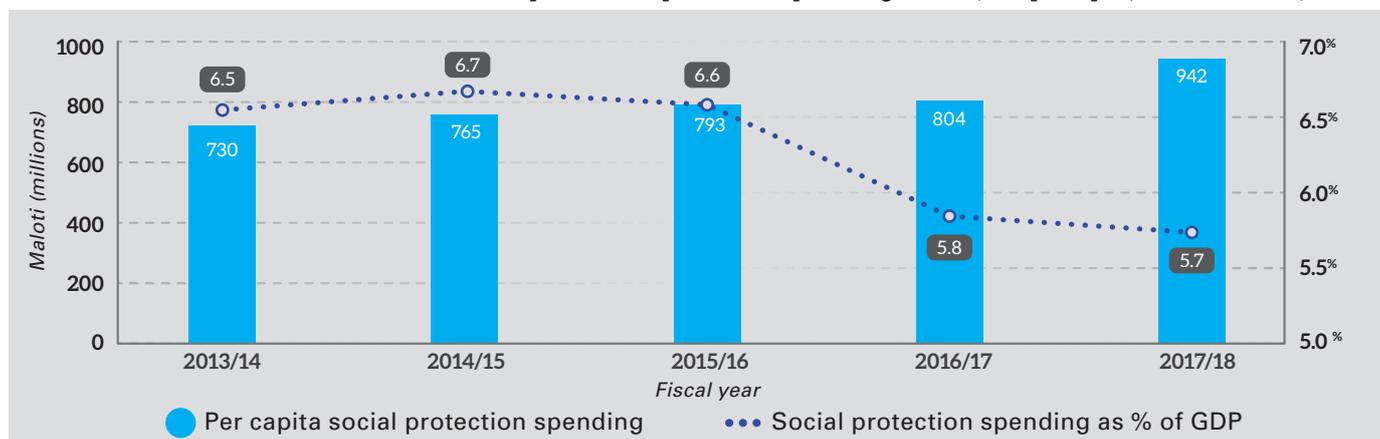
**Annual growth of the Social Assistance budget, both in nominal and real terms, steadily decreased until the current fiscal year, indicating that economic downturn seriously affected the Social Assistance budget.** Nominal growth has significantly fallen between 2014/15 and 2015/16 from about 12 per cent to 7 per cent and became negative in 2016/17 with a value of -2.8 per cent. Real growth has also fallen from about 6 per cent to 3 per cent with a significant real negative growth of about -9 per cent. The growth was negative in 2016/17 because of declined SACU revenue in 2016/17, indicating that the Government was not able to maintain the investment in social protection during downturn. However, the 2017/18 budget indicated higher nominal and real growths of 12.9 per cent and 5.8 per cent respectively.

FIGURE 1: Social protection expenditure in absolute amount and as a percentage of national budget, 2012/13-2017/18.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

FIGURE 2: Social protection expenditure as percentage of GDP; and per capita, 2013/14-2017/18, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

2. Social Assistance programmes here in the analyses include 7 programmes -Child Grant, Old Age Pension, Public Assistance, Seasonal Employment Grant, School Feeding, OVC Bursary and Tertiary Bursary. The first four programmes are termed as Core Social Assistance and the remaining three are complementary. The analyses focused on the budget of the programmes; but the budget of the Ministry of Social Development, mandated for the implementation of social assistance, was used for analyses where the information was not available.

## Priority of social assistance

**The Ministry of Social Development, although mandated to administer Social Assistance, is not the only Ministry to implement social assistance; thus it receives one of the lowest amounts as a proportion of national budget.**

In terms of allocation, the Ministry of Education is at the top. It was allocated 13.8 per cent of the national budget, followed by the Ministry of Health which received 12 per cent. The Ministry of Social Development is at the bottom with 1.4 per cent of the national budget, after the Ministry of Energy and Meteorology with 1.7 per cent of the budget (Figure 4).

## Social Assistance expenditure against commitment

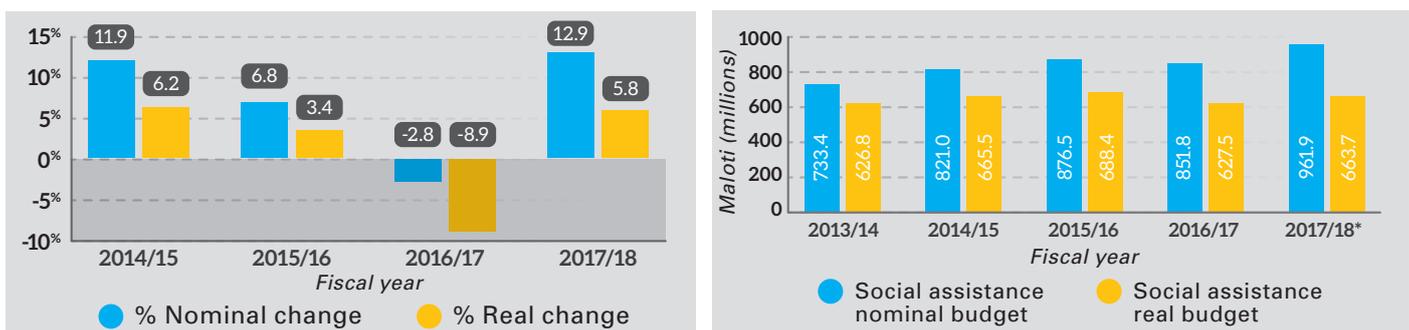
**Overall investment in core social assistance expenditure in Lesotho, as a proportion of GDP, is far below the 2018/19 commitment.** As per the social protection strategy, the Government is supposed to implement all six key social assistance programmes by spending 3.92 per cent of its GDP by 2018/19. Currently, the figure is only about 2.9 per cent of its GDP on core social assistance programmes. It

spent 2.4 per cent in 2013/14 (Figure 5). The Government is not implementing the infant grant and disability grant programmes at all, although the commitment to do so is written into the social protection strategy document. As per the commitment, by 2018/19, an estimated 161,237 households (30 per cent of the 537,457 households), should be covered by the child grant programme; but currently the programme cover only 27,000 households; 17 per cent of the intended households.

## Lesotho's social spending against other countries

**Lesotho's social assistance expenditure is one of the highest in Sub-Saharan African countries but it is not enough to address the extent of its poverty and inequality.** The Lesotho Government spends 5.7 per cent of its GDP on key social assistance programmes which is almost double that of Namibia and South Africa and five times higher than that of Botswana (Figure 6). Given the level of poverty, inequality and deprivation in the country, the expenditure on social protection needs to be increased, and improved efficiency in programme management needs to be strengthened.

FIGURE 3: Nominal and real changes in Social Assistance spending both as a proportion and an absolute amount, 2013/14-2017/18, Lesotho.

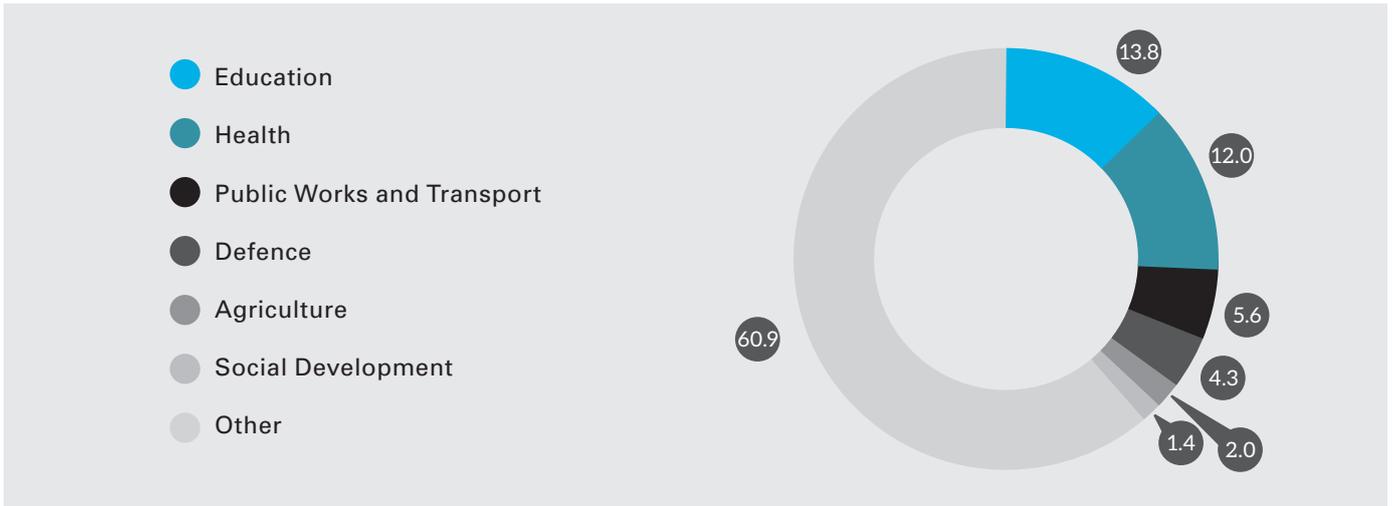


Source: Calculated using World Bank Boost Database (2017), and GoL National Budget 2017/18 (2017).

## TAKEAWAYS

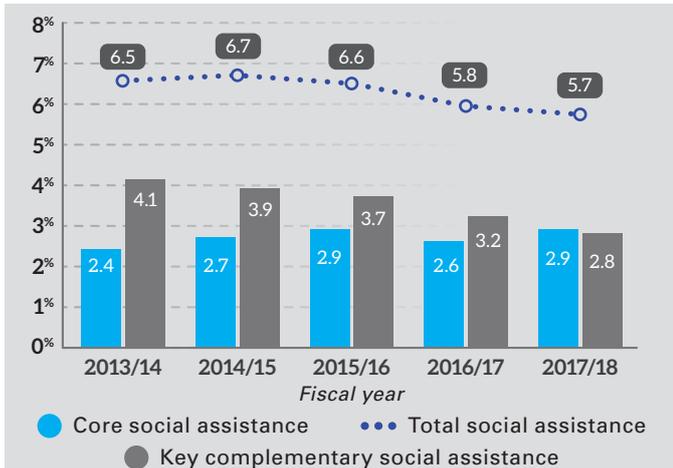
- Expenditure on social assistance as a share of total national budget steadily increased from about 10 per cent in 2015/16 to 12 per cent in 2017/18; but in absolute numbers, it fell in 2016/17 and slightly increased by about 110 million Maloti in 2017/18.
- The expenditure, as a percentage of GDP, has decreased consistently over the last five years from 6.5 per cent to 5.7 per cent.
- Annual growth of the Social Assistance budget, both in nominal and real terms, steadily decreased with a negative growth in 2016/17 due to economic downturn, but regained in 2017/18 by about 13 and 6 per cent respectively.
- The Ministry of Social Development, although mandated to administer social assistance programmes, receives one of the lowest amounts as a proportion of national budget.
- Although overall social assistance expenditure in Lesotho, as a proportion of GDP, is relatively higher than that of the neighbouring countries, the expenditure in four core social assistance programmes is far below the 2018/19 commitment of 3.9 per cent of GDP.
- Lesotho's social assistance expenditure is one of the highest expenditures in Sub-Saharan African countries yet it is not enough to address the extent of poverty and inequality in the country because of inefficient programme management.

FIGURE 4: Allocation to different ministries as a proportion of national budget in 2017/18.



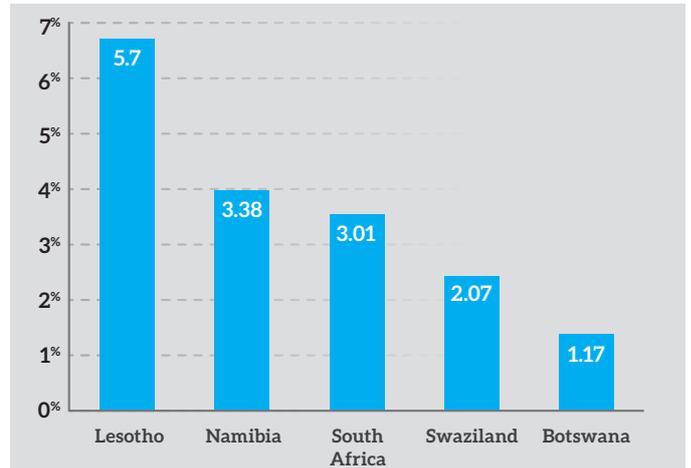
Source: Estimated using World Bank Boost Database (2017) and Government of Lesotho National Budget 2017/18 (2017).

FIGURE 5: Social Protection expenditure as a proportion of GDP, 2013/14-2017/18, Lesotho.



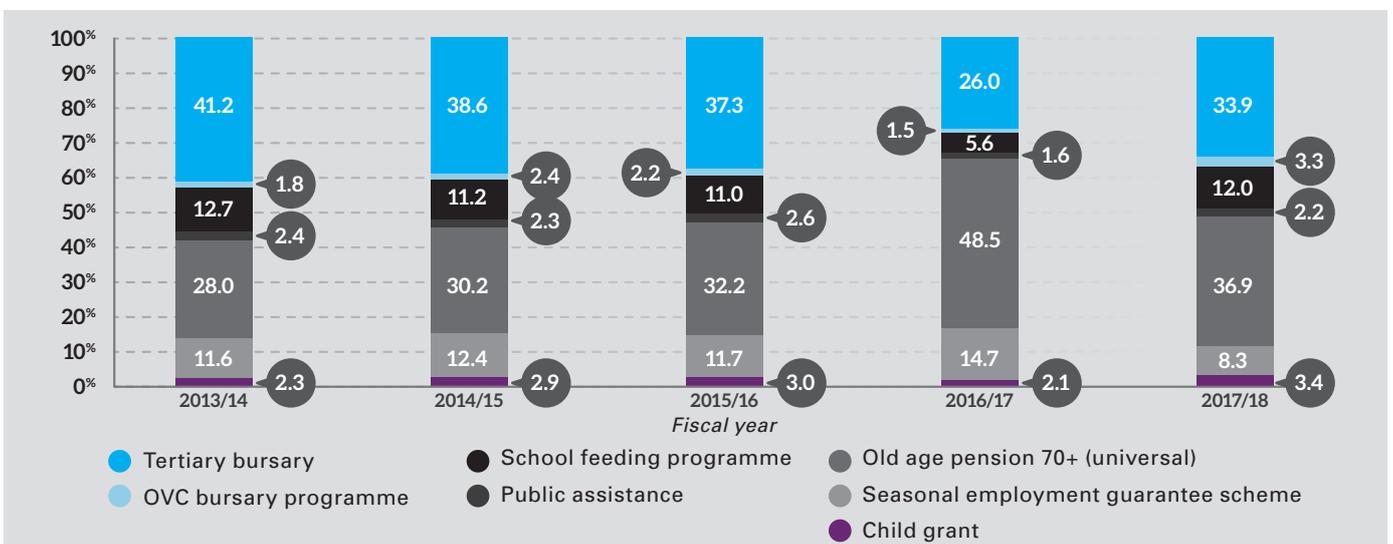
Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

FIGURE 6: Social protection spending as percentage of GDP in Lesotho and other neighbouring countries.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

FIGURE 7: Composition of Social Assistance Spending.



Source: Estimation using World Bank Boost Database (2017), GoL National Budget 2017/18 (2017).

### 3. COMPOSITION OF SOCIAL ASSISTANCE SPENDING

**The Lesotho Social Assistance budget is not fully child sensitive. It is dominated by Old Age Pension followed by Tertiary Bursary programmes.** In 2017/18, about 37 per cent of the Social Assistance budget was allocated to the Old Age Pension programme for a total beneficiary of about 85,087 people, 70 years and over. The budget in the programme consistently increased from 2013/14 to 2016/17 but decreased in 2017/18. Interestingly, while all other social assistance programmes were affected by the economic downturn in 2016/17, the budget of the programme was not affected. In 2017/18, the second highest proportion of budget was allocated to the Tertiary Bursary programme for about 16,200 students. The universal school feeding programme with a total beneficiary of 389,000, was allocated about 12 per cent of the Social Assistance budget. The Child Grant programme was allocated the second lowest proportion, 3.4 per cent in 2017/18, to cover about 27,000 vulnerable families with about 80,000 children. The number of families that benefited was far below the number of eligible families.

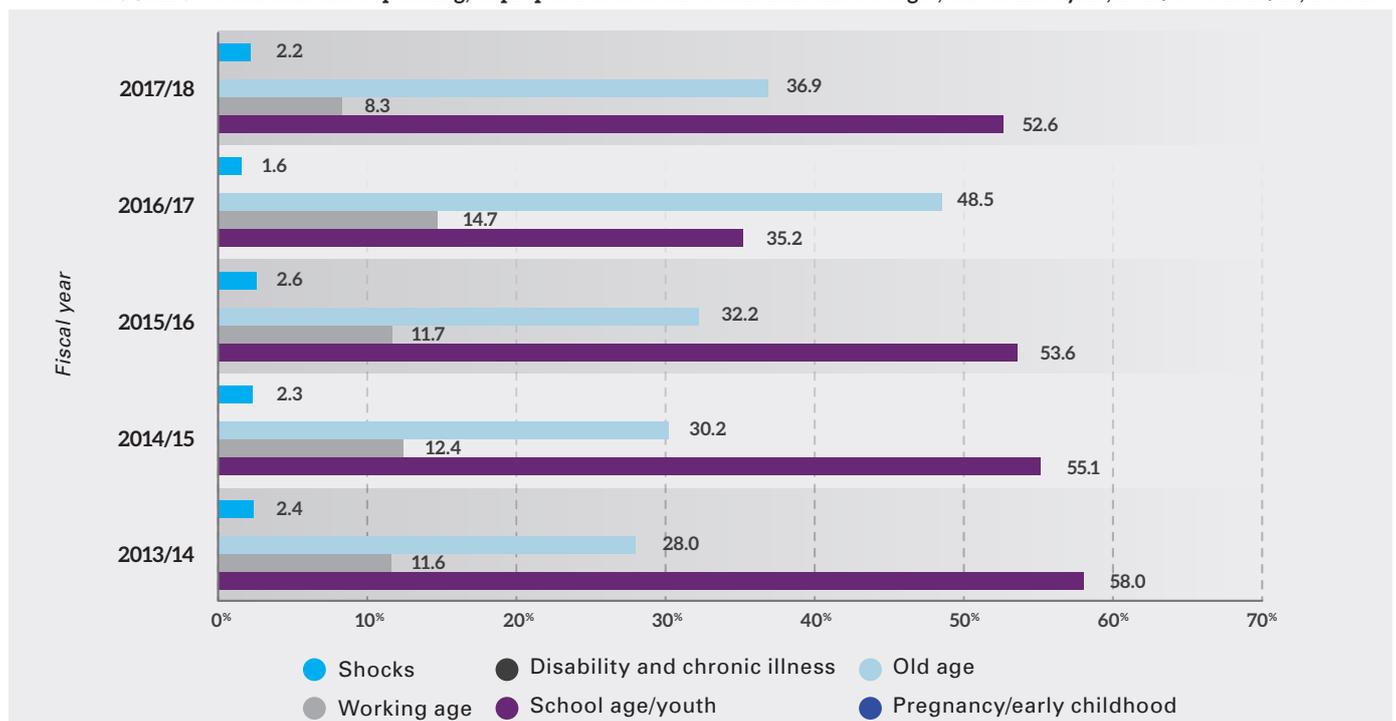
**There is no social assistance programme to address the vulnerabilities during pregnancy and early childhood; or for disability and chronic illness.** The Government committed to implementing a universal infant grant of M100 per month, for infants under 2, phased in over four years, to all pregnant women and mothers with under-2s, with the transfer value

indexed to inflation; and 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; but none of the committed programmes has been launched yet.

Across the life-cycle, the highest proportion of budget, about 53 per cent in 2017/18, was allocated to school-age youth for four programmes - Child Grant, School Feeding, OVC Bursary, and Tertiary Bursary (Figure 8). The second highest proportion of the Social Assistance budget was allocated to old age through the Old Age Pension programme; and the lowest proportion of budget was allocated for shocks, about 2.2 per cent in 2017/18. Allocation for working-age population was about 8 per cent.

**The Social Assistance budget for children is disproportionately low in Lesotho.** Although children constitute about 38 per cent of the country's total population and are severely deprived of basic social services, only 18.7 per cent of the social protection budget was allocated to the programme for children in 2017/18. Only three programmes – Child Grant, School Feeding and OVC Bursary – directly benefit children. However, the budget was significantly curtailed, from 16 per cent in 2015/16 to 9 per cent in 2016/17, as a fiscal austerity measure, which is detrimental for a country's long-term development (Figure 9). Poverty in childhood is the root cause of poverty in

FIGURE 8: Social assistance spending, as proportion of total Social Assistance budget, across life-cycle, 2013/14 to 2017/18, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

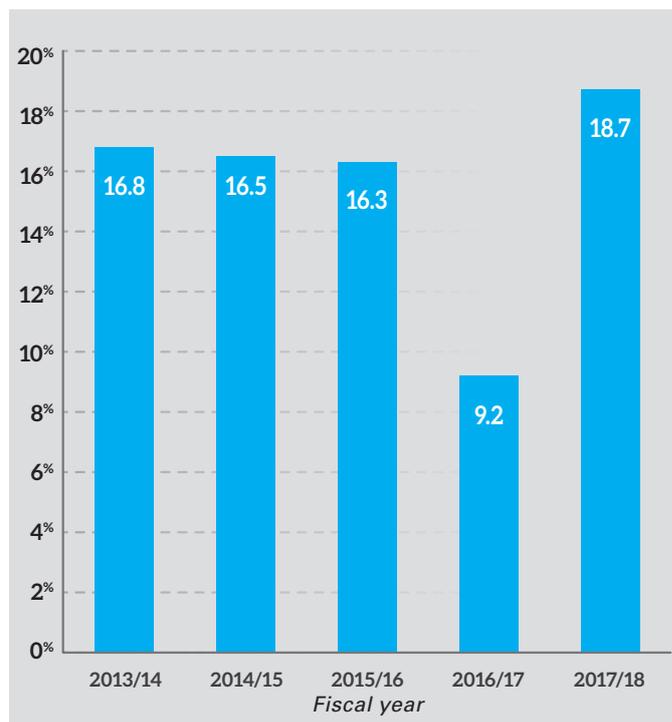
adulthood. Many development economists, like Jan Vandemoortele (2012), argue that children hold the key to development.

**Social assistance transfer is not inflation adjusted; thus inflation is reducing the value of transfer which affects the buying power of vulnerable families with children.** The Government is committed to index the inflation of Social Assistance budget but it is yet to be realized. Inflation has reduced the value of transfer social assistance. The beneficiaries of child grant programme, for example, receive M360 for 1-2 children, M600 for 3-4 children and M760 for 5+ children. The real value of the amounts in 2012/13, due to inflation, have fallen to Maloti 485, Maloti 415 and M250 (Figure 10). The rate of value erosion is more than 30 per cent over the five years. Thus, the Government needs to adjust social assistance budget by inflation on an annual basis.

### Recurrent and capital spending of the Ministry of Social Development<sup>3</sup>

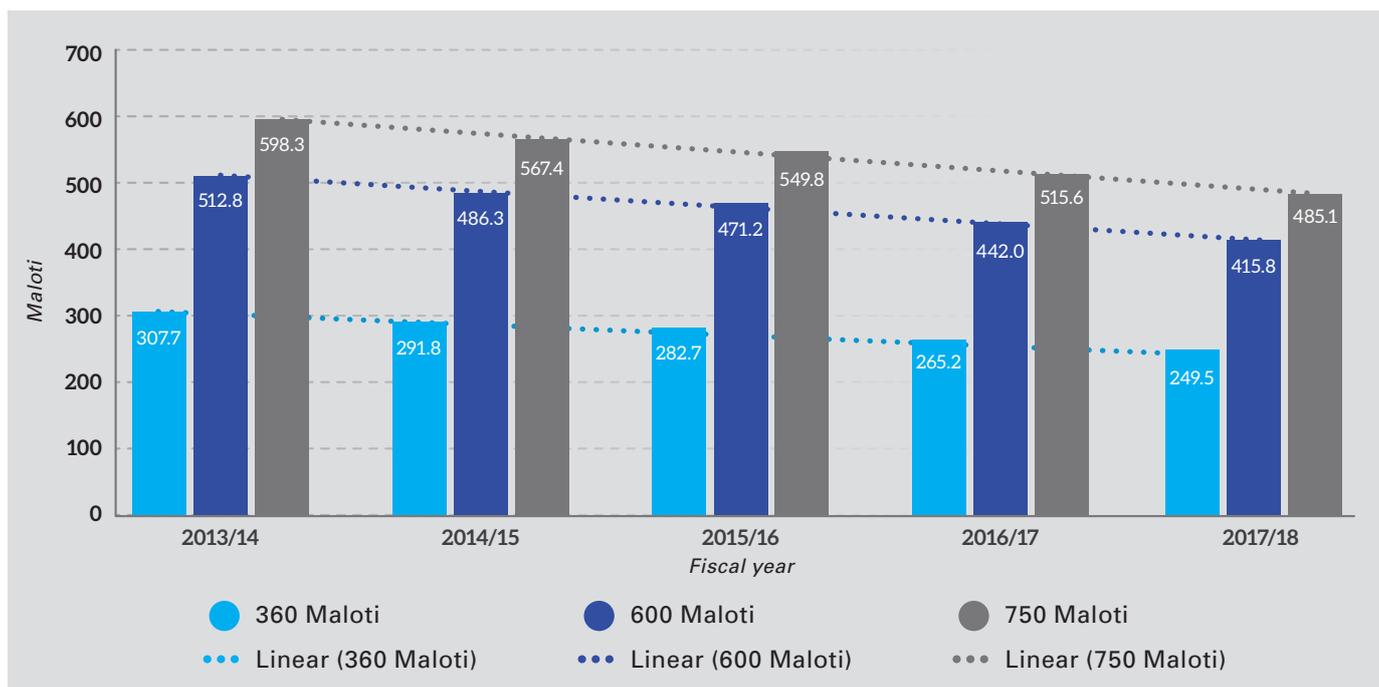
**The proportion of recurrent and development budget of the Ministry of Social Development has significantly reduced in the current year.** Until 2017/18, the proportion of the recurrent budget as a percentage of the total budget ranged from 96-99 per cent. Benefit cost is provided from recurrent budget. In the current fiscal year, the proportion of recurrent budget has fallen to 54 per cent (Figure 11). Within the recurrent budget, the wages and salaries cost about 16 per cent. About 74 per cent allocated to transfer amount in 2017/18 (Figure 12).

FIGURE 9: Social Assistance budget for children, 2013/14 to 2017/18, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

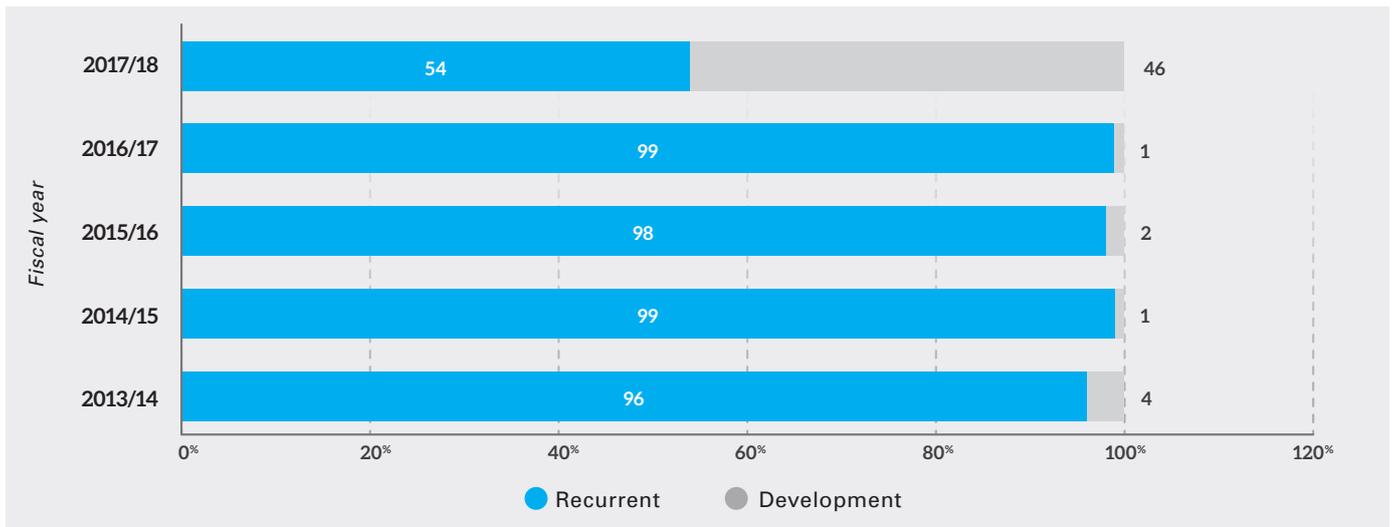
FIGURE 10: Real value of different child grant amounts in different years, 2013/14 to 2017/18, Lesotho.



Source: Estimation based on World Bank Boost Database (2017), GoL National Budget 2017/18 (2017).

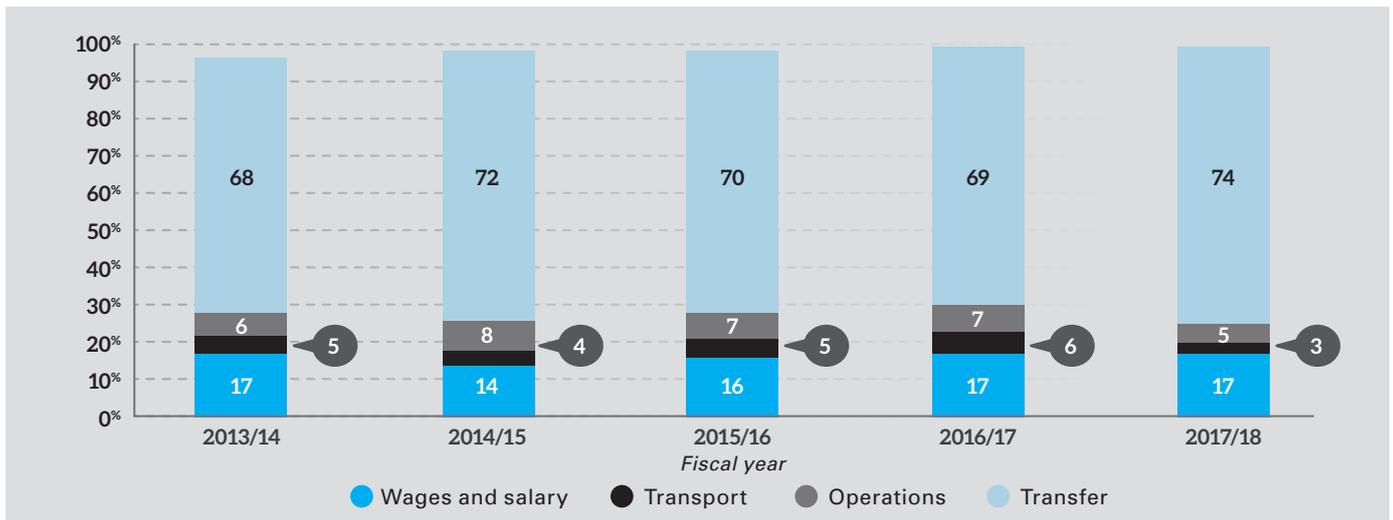
3. As the social assistance programmes are implemented by different Ministries, disaggregated data are not available; thus the budget of the Ministry of Social Development is used as a proxy.

FIGURE 11: Recurrent versus development expenditure, 2013/14 to 2017/18, Ministry of Social Development Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

FIGURE 12: Composition of recurrent expenditure, 2013/14 to 2017/18, Ministry of Social Development; Lesotho.



## TAKEAWAYS

- Lesotho social assistance budget is dominated by Old Age pension followed by Tertiary Bursary programme.
- There is no social assistance programme yet to address the vulnerabilities during pregnancy and early childhood; and to disability and chronic illness. (Life-cycle)
- Social assistance budget for children is disproportionately low in Lesotho.
- Inflation is reducing the value of transfer which affects the buying capacity of vulnerable families with children.
- The proportionate gap between recurrent and development budget of the Ministry of Social Development has significantly reduced in the current year. The composition of the recurrent budget also has a good balance, only 17 per cent allocated for wages and salaries.

## 4. BUDGET CREDIBILITY AND EXECUTION

### Budget Credibility

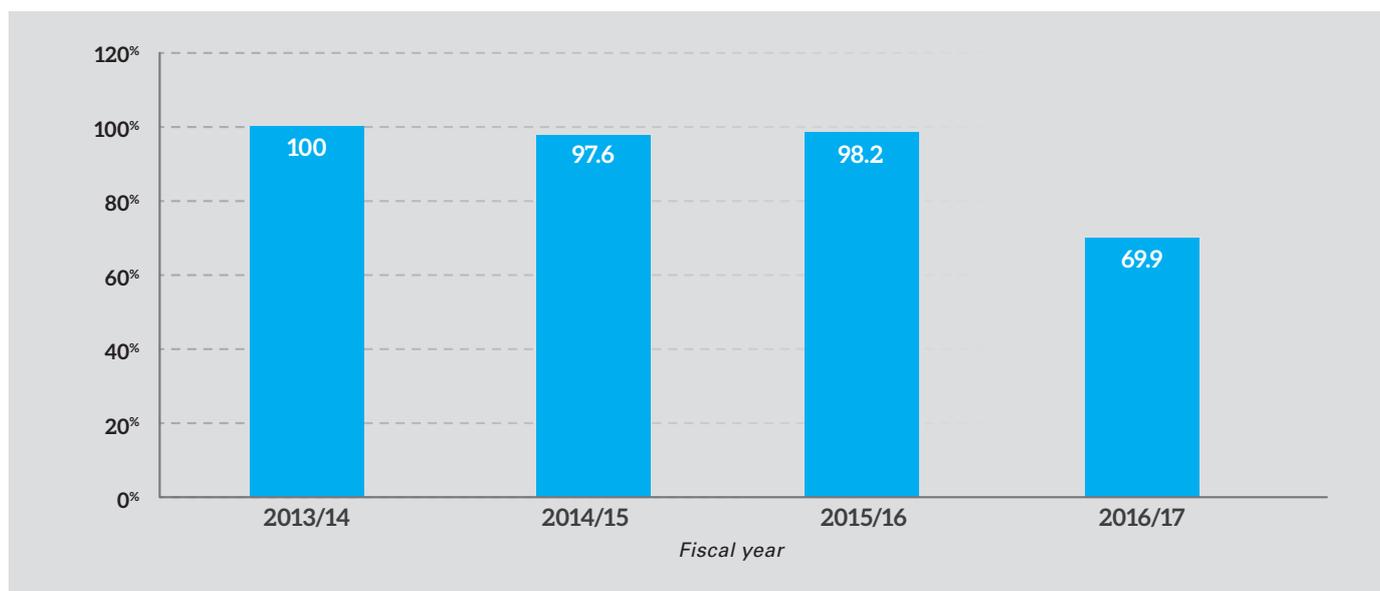
**Budget credibility<sup>4</sup>, in general, is high for social assistance programmes. The proportion of actual released against commitment between 2013/14 and 2016/17 ranged from 96 per cent to 100 per cent (Figure 13).** However, in 2016/17, the overall credibility fell to 70 per cent driven by economic downturn. Budget credibility for three complementary programmes-school feeding, OVC bursary and tertiary bursary was further lower. In 2016/17, the credibility fallen to 47 per cent.

**The credibility of the recurrent budget of the Ministry of Social Development is also high but for development budget it is significantly low.** The proportion of recurrent budget as proportion of the commitments ranged from 114 to 119 per cent (Figure 13). The proportion of development budget as the proportion of commitment ranged from 8 to 23 percent. This situation needs to be reversed to make the social assistance programmes efficient and effective.

### Budget Execution

**Overall execution rate of social assistance budget has consistently been decreased.** The execution rate has fallen from 114 per cent in 2013/14 to 60 per cent in 2016/17. But disaggregated expenditure shows that the budget of the four core social assistance programmes; child grant, public assistance, seasonal employment and old age pension; was over performed by more than 25 per cent for the FY 2013/14 to 2015/16 whereas it was under-executed by 72.2 per cent in 2016/17 (Figure 14). Complementary Programmes also exhibit wide variation in execution rates with good performance for 2013/14 and 2014/15 at 100 and 99 per cent respectively. On the other hand performance has declined significantly for 2015/16 and 2016/7 at 63.2 per cent and 47 per cent respectively.

FIGURE 13: Actual social assistance budget released as proportion of the commitment, 2013/14 to 2017/18, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

## TAKEAWAYS

- **Budget credibility, in general, is high for all social assistance programmes and the recurrent budget of the Ministry of Social Development. But the credibility of development budget of the Ministry of Social Development is very low due to the significant shortfall of government revenue in 2016/17.**
- **Overall social assistance budget execution rates have shown a decreasing trends from 114 per cent in 2013/14 to 60 per cent in 2016/16. This deserves particular attention of the Government to explore weaknesses in accountability link to expedite budget execution for development.**

4. Budget credibility is assessed through the gap between budget commitment and actual budget released. Credibility increases with the decrease of the gap.

FIGURE 14: Credibility of the Social Development Ministry Budget, 2013/14 to 2016/16, Lesotho.

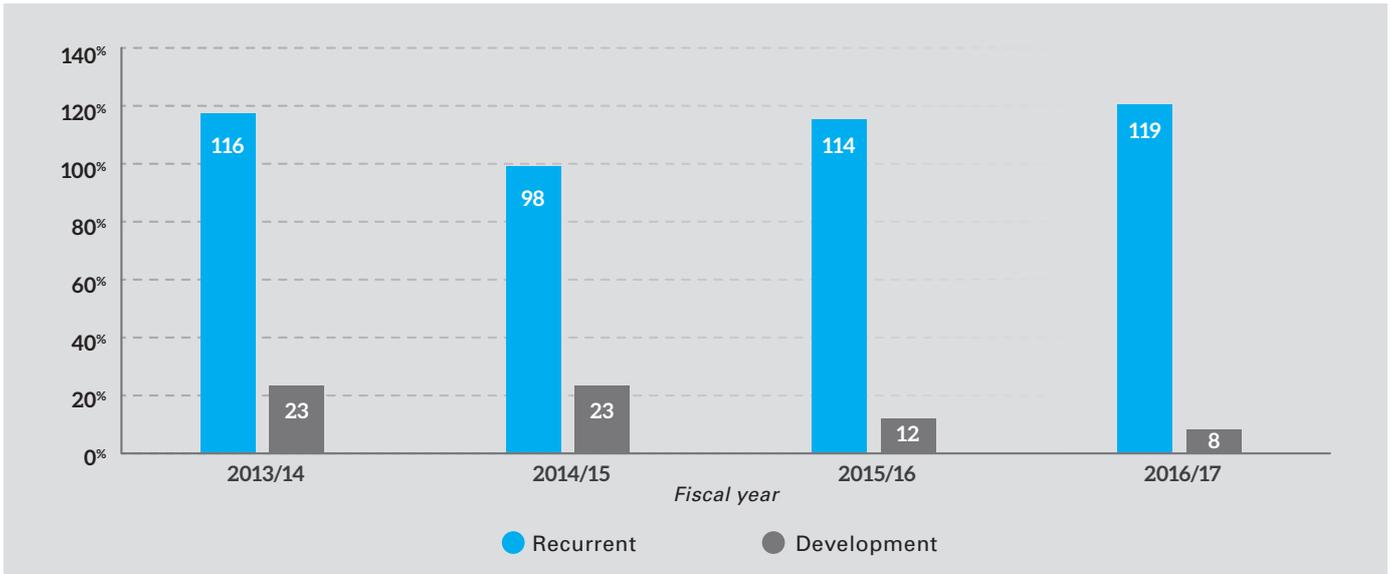
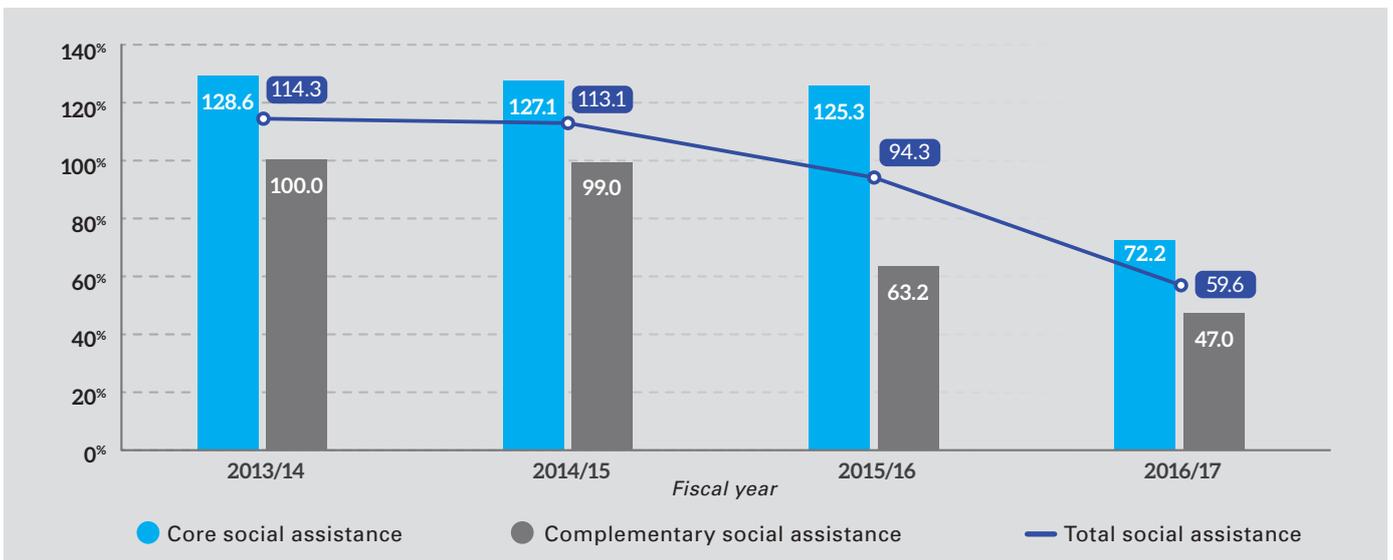


FIGURE 15: Proportion of social assistance budget execution, 2013/14 to 2017/18, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).



## 7. FINANCING THE SOCIAL ASSISTANCE PROGRAMMES

**Recurrent budget is fully finance by the Government but the development budget is mainly financed from loans and grants which have significantly decreased in the current fiscal year<sup>5</sup>.** The total budget of the Ministry of Social Development in 2017/18 was M421.3 million of which M228.1 million was recurrent and M193.2 million was capital budget. The recurrent budget of the Ministry of Social Development as fully financed from revenue. While the development budget of about 67 per cent are financed through loans and about 30 per cent through grants. The loans and grants as proportion of the total social development budget were 30 per cent and 14 per cent respectively.

### Options to expand fiscal space for social assistance

**A fiscal space analysis conducted jointly by the Ministry of Finance and UNICEF in 2017 revealed that the Government can increase its investment to social assistance. The study recommended** adopting three measures (1) increasing tax on sin products such as alcohol and tobacco products; (2) supporting greater growth in tourism by attracting international tourists and mining industries to meet global demands of commodities from Lesotho; and (3) enhancing efficiency in public sector administration and social protection programme management. For example, increasing efficiency in one programme (Old Age Pension), the Government can save 0.86 per cent of GDP with which all families in Lesotho with vulnerable children can be covered through child grant programme (Figure 16). Currently the Old Age Pension is covering about 56 per cent of ‘ghost’ pensioners which burden the fiscal capacity by 0.86 per cent of GDP. On the other hand, the child grant programme<sup>6</sup> is covering only 18.5 per cent of the eligible beneficiaries. By spending 1.19 per cent of its GDP, the Government can provide 481,656 children with child grant,



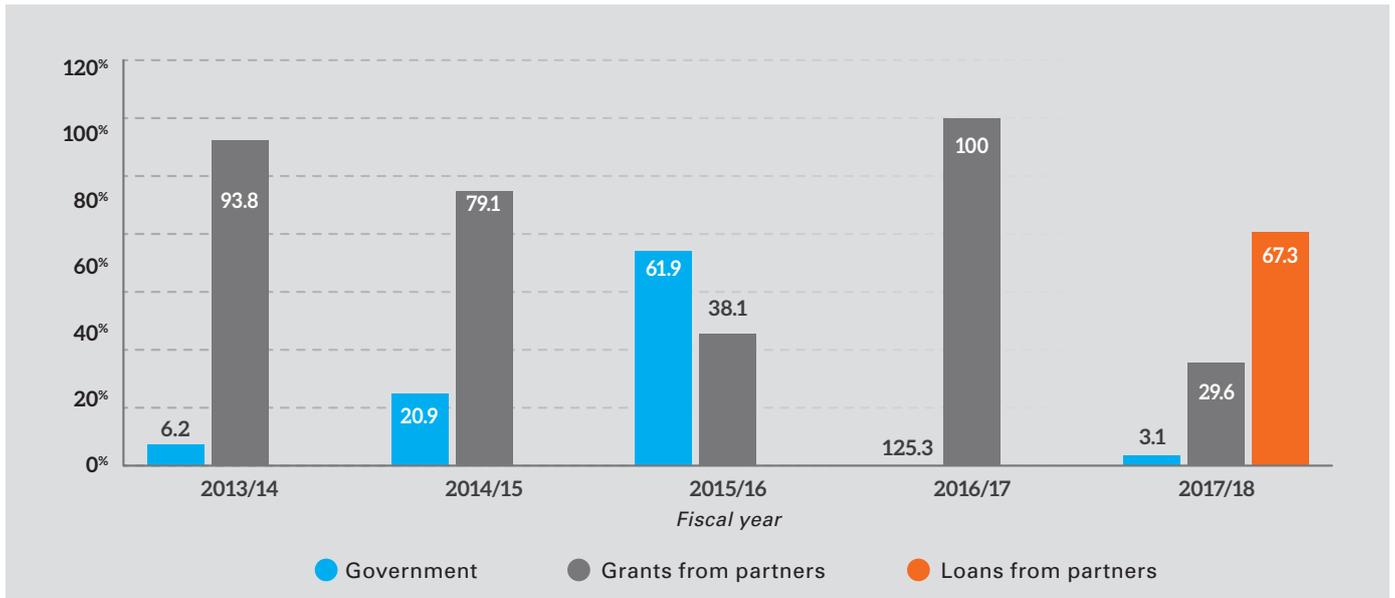
## TAKEAWAYS

- **Recurrent budget of the Ministry of Social Development is fully financed from revenue, loans and grants in the development budget which has decreased, most probably due to a volatile political situation.**
- **The Government of Lesotho can create fiscal space for social assistance programmes by increasing sin tax, investing in tourism and mining, and increasing efficiency in public administration and programme management.**

5. Social assistance programmes are mostly financed by the Government

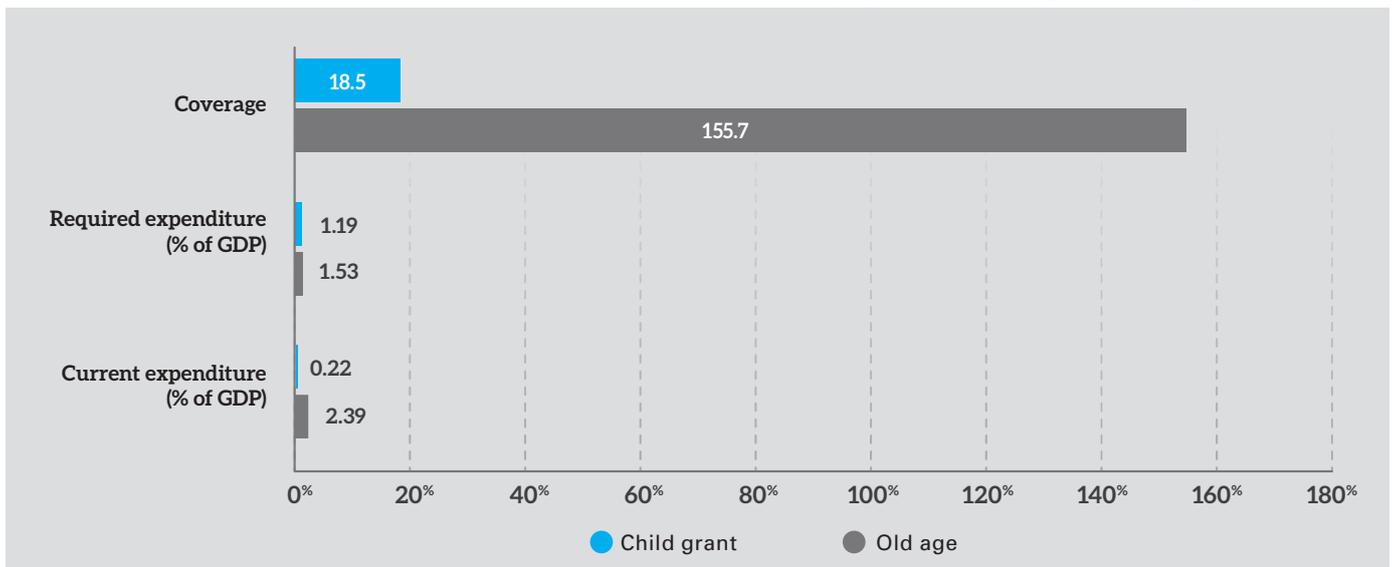
6. ESARO Rapid Analysis for Lesotho (2012). Data show that the Government is spending nearly USD13 million each year on pensioners who do not exist. Thus by improving efficiencies within the Social Welfare System and eliminating ‘ghost’ pensioners there is enough resources to provide universal child grant.

FIGURE 16: Sources of development budget, Ministry of Social Development, 2013/14 to 2017/17, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

FIGURE 17: Space of efficiency gains in Old Age Pension, Lesotho.



Source: UNDESA, 2015; it was assumed that 52% of the children are poor.





Chief Budget Officer  
Budget Department  
Ministry of Finance  
Tel: +266 2232 5920  
Email: lekomolas@hotmail.com

Social Policy Section  
United Nations Children's Fund (UNICEF)  
13 United Nations Road  
United Nations House (2nd floor)  
Private Bag A171  
Maseru 100, Lesotho

Tel: +266 22 315801  
Email: maseru@unicef.org



unicef   
for every child