

2021/2022

Social Protection Budget Brief



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01 KEY MESSAGES AND RECOMMENDATIONS

KEY MESSAGES AND RECOMMENDATIONS

The political and financial commitment to social protection in Lesotho is high. Social protection can reduce poverty and inequality among its direct beneficiaries, promote economic growth within local communities, improve social cohesion and promote the endorsement of human rights. To achieve this wide-ranging impact, the social protection system needs to extend beyond providing direct relief from deprivation (protect). It needs to include measures that avert deprivation (prevent); that promote real capabilities and income (promote); that address concerns of social equity and exclusion (transform) that can easily respond to shocks (shock-response).

- A robust resource mobilization plan is required for revision and sustainability of child grants as they have been eroded by inflation.
- School enrolment and progression for children from poor households should be enhanced through the strengthening of existing community ECCD centres.
- Social protection spending should be more child focused. Specifically, it recommends that Child Grants be paid on a per-child basis, at the rate of M120.00 per child per month.
- The OVC Bursary Programme should be expanded by providing all Child Grants beneficiaries with OVC bursaries to cover all costs associated with their enrolment in secondary schools, such as school meals.
- The tertiary loan bursary should be awarded based on financial need. Thus, poverty status should take precedence over merit when awarding bursaries.
- A contingency fund should be established to deal with covariate shocks and stressors only.
- Government has reviewed the first National Social Protection Strategy (NSPS I) and published NSPS II in January 2021 to supplement the shortfalls of the previous strategy
- Disability grants have been introduced since 2021 piloted in the districts of Leribe and Butha-Buthe. This program is for people with disabilities and chronic illnesses from poor backgrounds who cannot be employed.
- Donor financing in social protection programs captured in the national budget must be improved, both in terms of size and composition, through innovative partnerships assuring value for money for invested funds.

02 INTRODUCTION

The Government's first National Strategic Development Plan (NSDP I) introduced social protection as a key priority in the fight against poverty, vulnerability and social exclusion. The NSDP II covering the period 2019-2023 reiterates the importance of social protection, while stressing the need to move beyond the provision of protection and improve the preventive, promotive and transformative capabilities of social protection that can strengthen resilience, enhance capabilities and livelihoods, and address concerns of social equity and exclusion.

To achieve its goals, the government developed a costed ten-year National Social Protection Strategy (NSPS I) covering the period 2014/15 - 2018/19 and in 2021 published the second National Social Protection Strategy (NSPS II) 2021-2031. The NSPS II reviewed the life cycle approach adopted by the NSPS. The NSPS II defines social protection as a "set of policies and programmes aimed at preventing, reducing and eliminating economic and social vulnerabilities to poverty and deprivation". It seeks to improve the living standards of the poor and vulnerable by extending Lesotho's social protection system beyond providing cash or material resources to a comprehensive system that includes:

1. Social security packages (e.g., contributory pensions) that guard beneficiaries against life-course contingencies (e.g., old age) or work-related contingencies (e.g., employment injury) through regular/lump-sum payments;
2. Livelihood promotion measures, which empower beneficiaries to be economically self-sufficient;
3. Measures that fight social exclusion and improve social equity through legislation, policies, and institutions; and
4. Measures that can "easily respond to shocks" such as droughts and heavy rains.

The NSPS II focuses on a specific set of social protection instruments. These instruments have been categorized into: (i) social assistance; (ii) social insurance (termed 'social security'); and (iii) social care services. The strategy places its primary focus on social assistance (Figure 1) but includes references to existing social security and social care plans and policies. The NSPS also adopts a comprehensive integrated suite of core programmes across the life cycle (Annex 1). Social assistance commits to covering six core programmes, as well as complementary programmes.

The core programmes include: (i) the infant grant; (ii) the child grant; (iii) a seasonal employment guarantee scheme; (iv) the old age pension; (v) the disability grant; and (vi) public assistance. The infant grant has been approved but is yet to be implemented. The Disability Grant Programme for persons with disabilities and chronic illnesses from poor backgrounds was introduced and piloted in 2021 with 221 beneficiaries. The seasonal employment scheme, which provides seasonal employment for vulnerable persons received M32,520,310 allocation in the 2021/22 approved budget.

Complementary programmes include school feeding, the orphans and vulnerable children (OVC) bursary, the tertiary bursary and additional pension outlays (which are not targeted).

TABLE 1: KEY SOCIAL ASSISTANCE PROGRAMMES IN LESOTHO, 2021

Social Assistance Programmes	Administrative responsibility	Eligibility Criteria	Coverage	Transfer Value
CORE				
Child Grant Program (CGP)	Social Development	Poor and vulnerable households with children aged 0–18 classified as ultra-poor or poor by NISSA	50,000 households, covering about 120,000 children	Paid quarterly. Amount of cash varies by number of children. A family with 1–2 children get M360; with 3–4 children M600; and with 5 or more children M750.
Old Age Pension	Social Development	Any Lesotho citizen over the age of 70 and not receiving civil service pension	80,000	M700 per month
Public Assistance Program (PA)	Social Development) Destitute individual (OVC, the severely disabled, severely ill and elderly)	12,710	Monthly cash transfer, food package, medical fee exemption and other in-kind benefits for destitute households and individuals. Amount determined by social workers. Temporary cash benefit is M250 (US\$18) per person per month for six months.
Seasonal employment/ public works/watershed management	Forestry	Public works programme employing able-bodied individuals living in rural areas for conservation related activities (not poverty-targeted)	Estimated 58,000–115,000 individuals a year (first come, first served)	M960 (US\$70) per month for a maximum of one month per year and on a rotational basis.
Disability Grants	Social Development	The Disability Grant Programme for persons with disabilities and chronic illnesses from poor backgrounds	222 individuals	M400 per month, paid quarterly
COMPLEMENTARY				
School Feeding	Education and Training	1–2 free meals daily to all children attending primary schools offering free education (1,450 schools) and some pre-schools	360,000 primary school children, 50,000 in pre-school	M3.50 per head per day
OVC bursary (OVC under 18 enrolled in secondary school)	Social Development	Students who have lost one or both parents; have a sick, disabled, or incarcerated parent; or are considered needy	23,304 children	Bursary varies by grade and type of school but usually includes tuition fees, examination fees, registration cost, stationery, books, special subject fees (e.g., science fees and boarding fees)
Tertiary bursary (NMDS)	Development Planning	Basotho enrolled in tertiary education (university or TVET) in Lesotho or abroad	Varies by type of school or program in which enrolled. No clear guideline on caps	Yearly, loans for Fees, boarding and allowance ranging from M7,000 (Lesotho) to M40,000 (South Africa)

2.1 COORDINATION OF PROGRAMS

The Ministry of Social Development leads and coordinates the implementation of relevant social protection activities, including its shock-responsive component. It has established committees both at the national and subnational levels. At the national level, it has established three committees: (i) the Cabinet Committee; (ii) the Principal Secretaries Committee; and (iii) the Technical Committee. At the subnational level, a district coordination committee has been established in each of the ten districts. Although the committees are in place, the mechanism is not yet fully operational at either level.

Some aspects of social protection coordination mechanisms were improved in the review of the NSPS in November 2019. The technical coordination committee held meetings at the national level, and the profiles of ongoing social protection interventions have been updated. District coordination committee members were trained on the social protection system. The Government is now addressing the challenges of fragmentation and lack of coordination, which are undermining the current payment system to beneficiaries. Furthermore, it is shifting from the manual to the digital method of paying grants for accountability and payment regularity.

The Ministry is responsible for the implementation of child grants, OVC bursaries, disability grants and public assistance, while the Disaster Management Authority (DMA) is responsible for the coordination of social protection during emergency and humanitarian situations.

The National Information System for Social Assistance (NISSA) has been established and allows for identification and verification of beneficiaries of social assistance programs and to facilitate harmonized implementation of social assistance interventions from various stakeholders. NISSA has been rolled out and covers urban households throughout the country. Currently under preparation, the interface between NISSA with the National Identity and Civil Registry (NICR) will support continuous updating of registered household profiles. Financial and human resource constraints have limited the Ministry's capacity to fulfill its mandate of coordinating several social protection programmes implemented by other ministries and integrating social assistance programs for efficiency and effectiveness.

2.2 POVERTY AND VULNERABILITY

Lesotho remains one of the most unequal countries in the world. Almost half of the population of Lesotho is poor (49.7 percent) and almost one quarter (24.1 percent) is extremely poor, living below the food poverty line. Of the poor, one in three are extremely poor, living below the national food poverty line of M138 (or about US\$10) per adult per month. Health and education are less accessible for poor households living in rural areas. Poverty and inequality are exacerbated by HIV, which affects 25 percent of adults; high unemployment, including one in three youths; and food insecurity caused by the effects of climate change, including droughts and floods. Lesotho is highly vulnerable to shocks, such as droughts, food price increases and the recent COVID-19 pandemic. The ability of households to cope with shocks varies according to their level of poverty and the vulnerabilities they face.

TABLE 2: SOCIOECONOMIC INDICATORS, LESOTHO

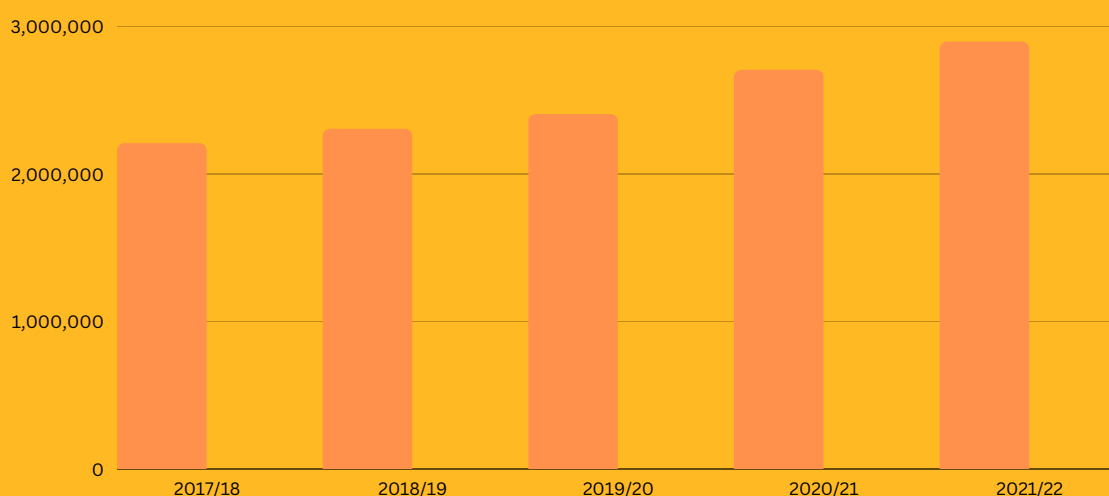
INDICATOR	VALUE	SOURCE	INDICATOR	VALUE	SOURCE
Total population	2,007,201	1	Rank on Human Development Index	160/188	3
Population < 18 years	765,614	1	Poverty rate (%)	49.7	4
Children as a percentage of population	38.1	1	Extreme poverty rate (%)	21.9	4
Demographic growth	0.68	1	Gini Index	0.53	4
Percentage stunted children < 5	33	2	Open defecation rate (%)	19.6	1
Life expectancy (years)	56	1	Overall unemployment rate (%)	33	5
Infant mortality rate per 1,000 live births	62.4	5	Under-five mortality rate per 1,000 children	80.2	5
Maternal mortality rate per 100,000 births	1,024	2	Access to water (%)	83.1	5

03 SOCIAL PROTECTION SPENDING TRENDS

3.1 SIZE OF SOCIAL PROTECTION SPENDING

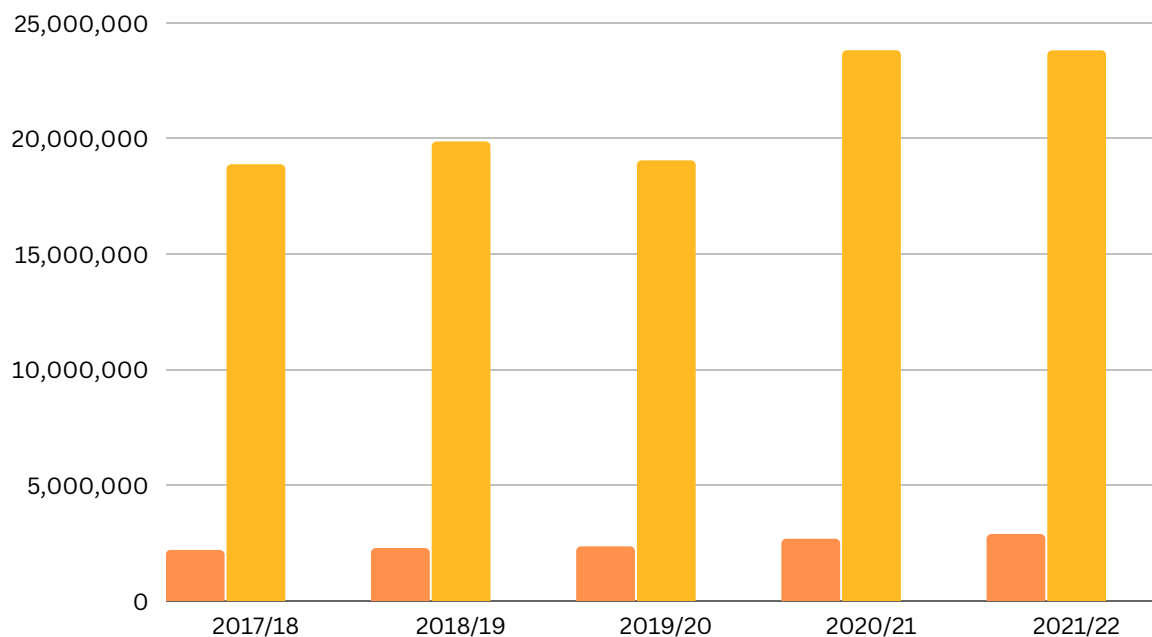
Social Protection as a share of the total national budget steadily increased during the last five years. Spending on social protection increased from M2,203.0 million in 2017/18 to M2,891.4 million in 2021/22. Although the social protection spending has increased nominally, in real terms the social protection budget has declined as the social transfers are not adjusted for annual inflation. Hence, the purchasing power of beneficiaries is affected, particularly due to recent food price increases due to COVID-19 (Figure 1).

Figure 1: Nominal vs Real Social Protection Budget.



The national total budget in 2021/22 slightly declined from M23,774 million to M23,769 million, while the social protection allocation has increased from 11.7 percent of the national budget in 2017/18 reaching a maximum of 12.4 percent in 2019/20 and a deterioration of 11.3 percent as COVID-19 slowly declining in 2020/21 to increase considerably in 2021/22 to 12.2 percent due to introduction of some new programmes. Since 2017/18, the social protection share of the national budget has been on the rise despite volatile total revenue collection, experiencing a disruption only in 2020/21 due to COVID-19 (Figure 2). This shows a strong commitment of the Government to address poverty and inequality through targeted safety net programs.

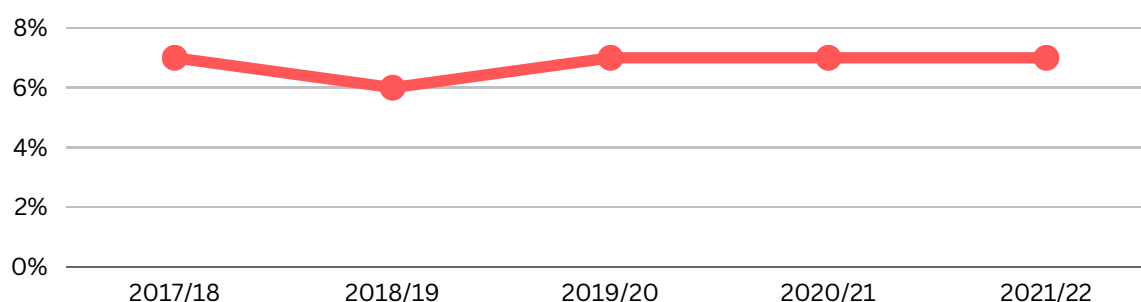
FIGURE 2: SOCIAL PROTECTION AS PERCENT OF NATIONAL BUDGET



3.2 Social Protection Spending as a Proportion of GDP

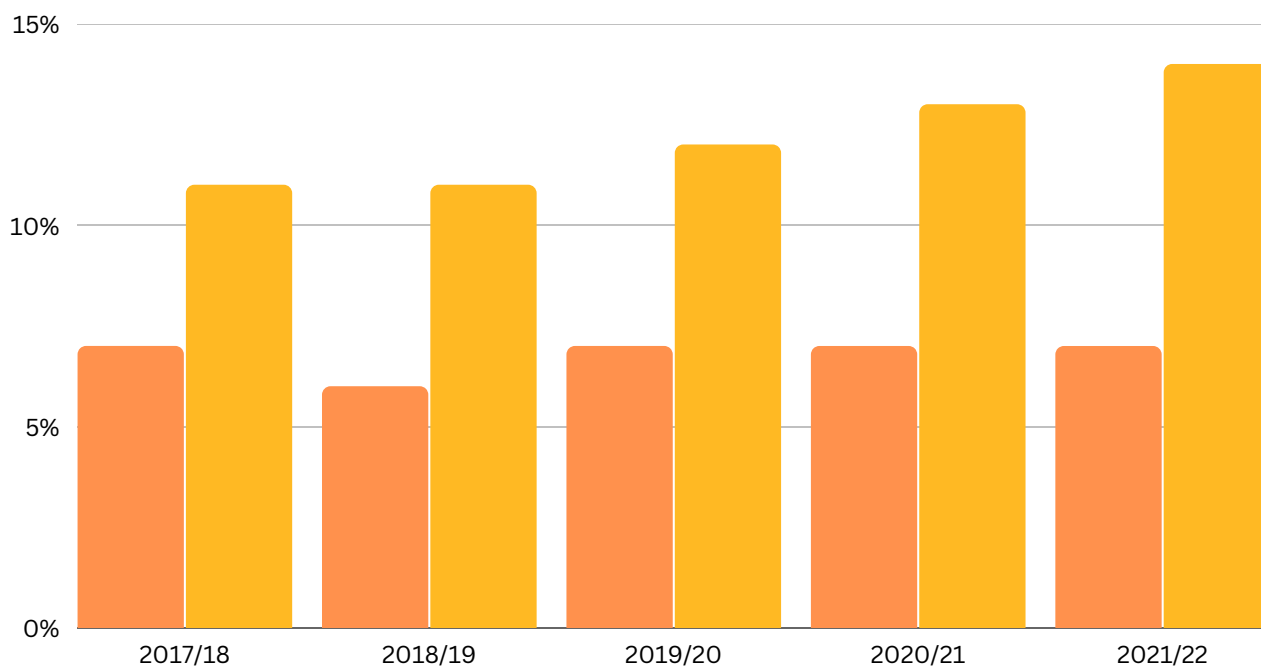
Social protection spending as a proportion of GDP has remained at 7 percent since 2017/18, declined slightly to 6 percent in 2018/19 then progressively stayed at 7 percent into 2021/22. The per capita nominal income has steadily increased from 1.1 percent in 2017/18 to 1.4 percent in 2021/22.

Figure 3: Social Protection as % of GDP



Social assistance takes up a large proportion of the social protection budget. As a proportion of GDP, social assistance has been increasing from 5 percent to 6 percent; and since then, the budget has consistently and significantly increased into 2021/22 fiscal year, (Figure 3).

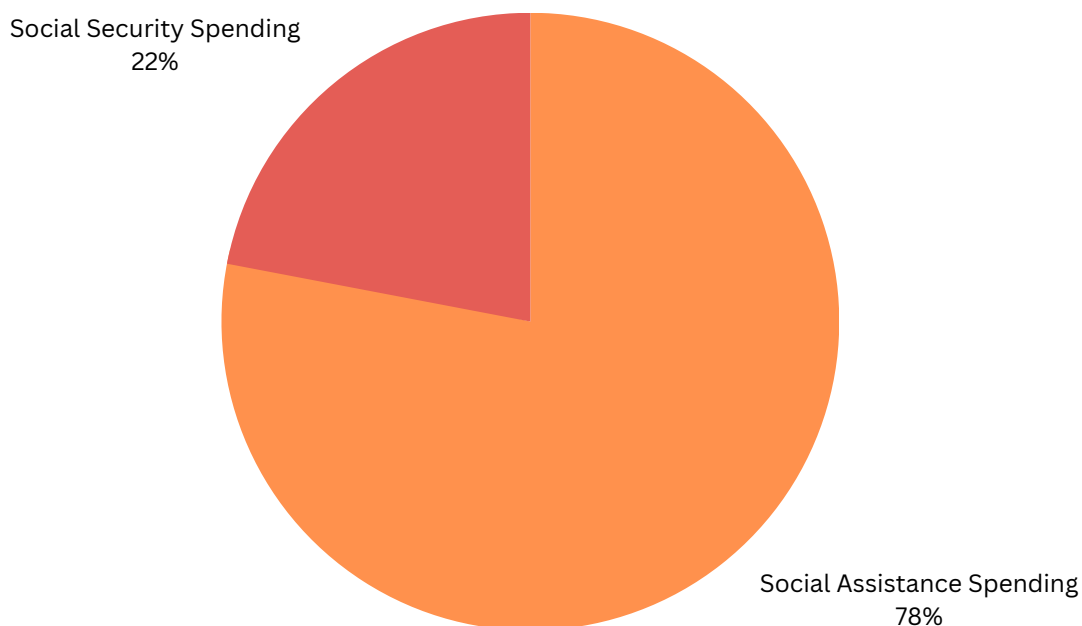
Figure 4: Social Protection As % of GDP and Per Capita Spending



3.3 Components of the Social Protection

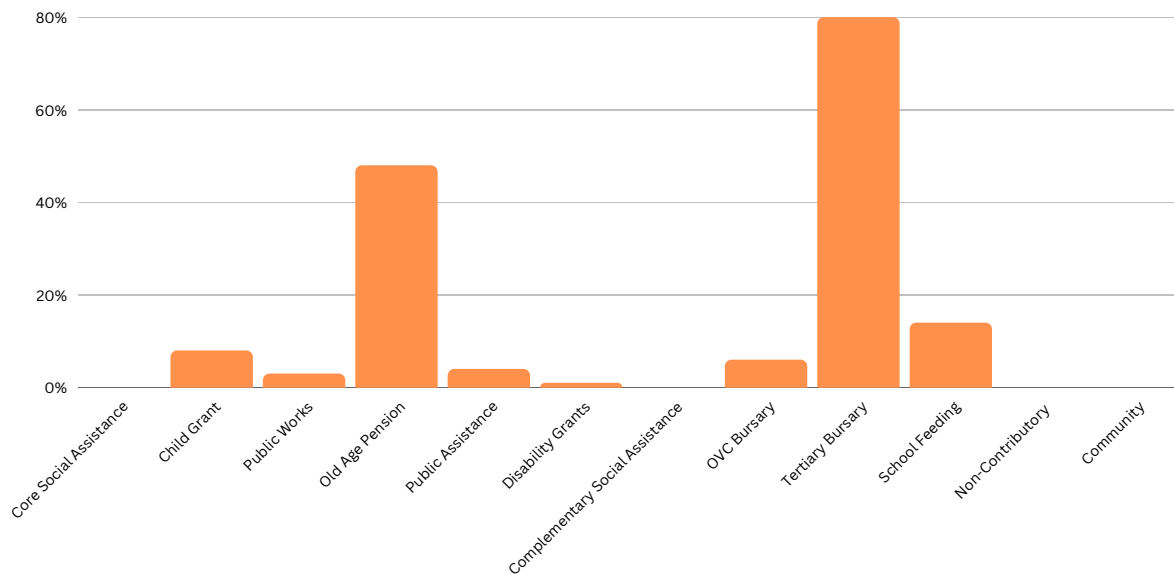
While Social protection budget remains an important priority of the Government's public policy, social assistance is the major component of the social protection, attracting 78 percent of the budget and social security covers 22 percent of the budget.

Figure 5: Percentage of Social Assistance Vs Social Security Spending



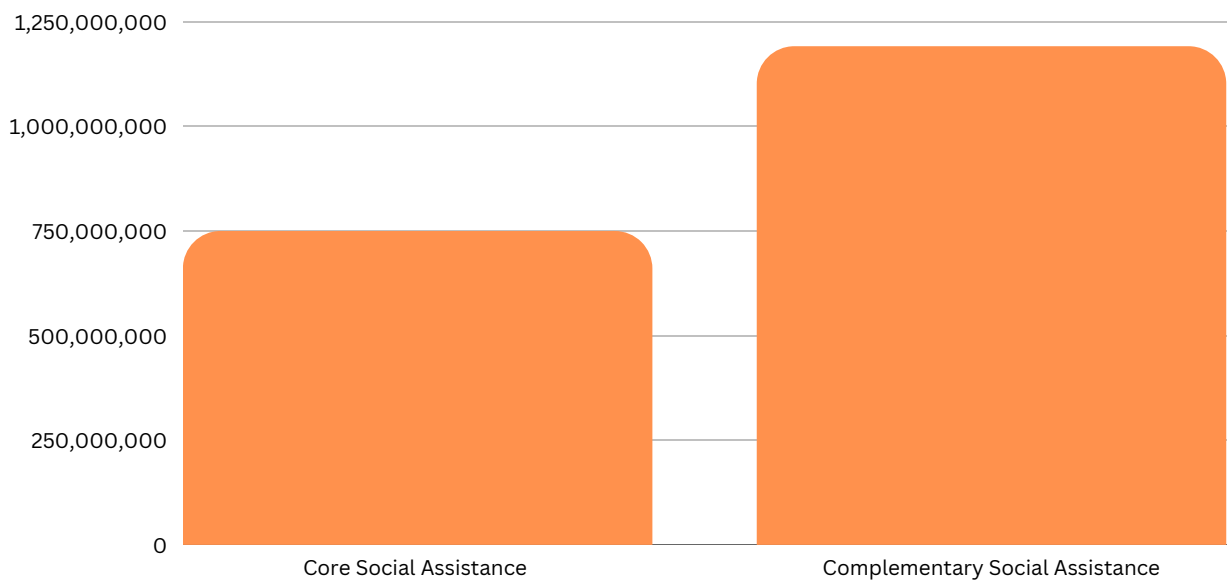
3.4 Components of the Social Assistance

Figure 6: Components Of Social Assistance Programs



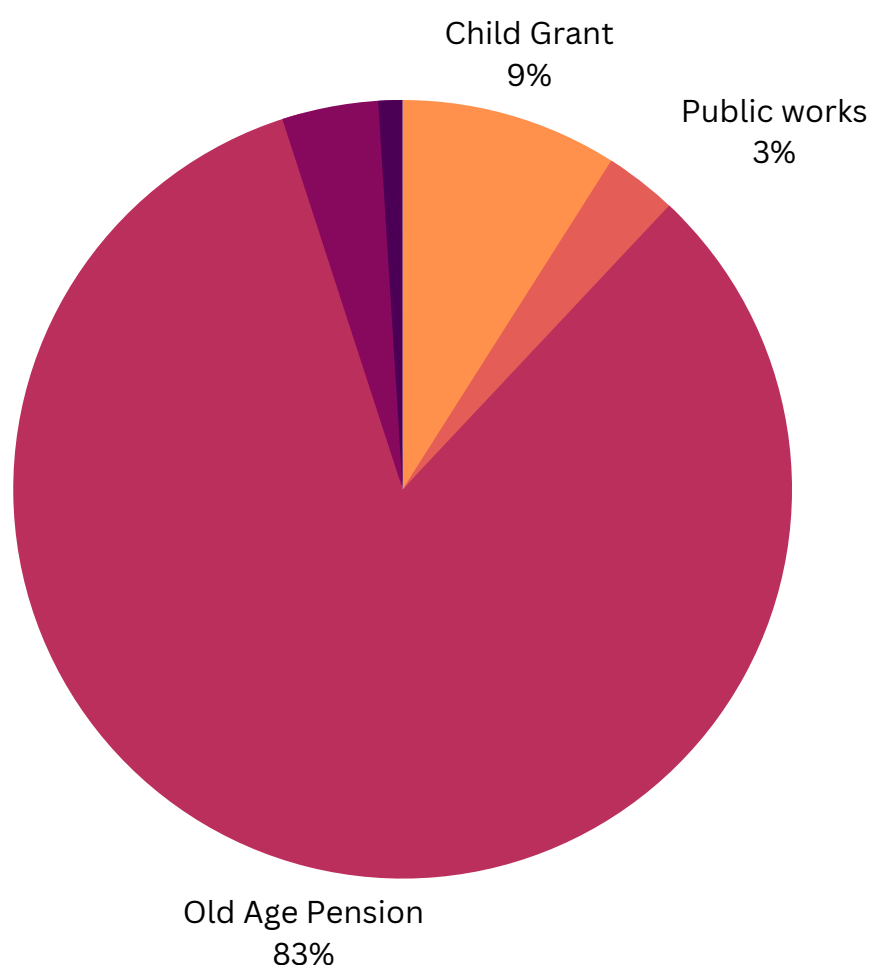
The complementary social assistance dominated the social assistance programs of social protection, attracting 61 percent of social assistance budget while the core social assistance received 39 percent of the total approved social assistance budget.

Figure 7: Share of Core and Complementary Social Assistance



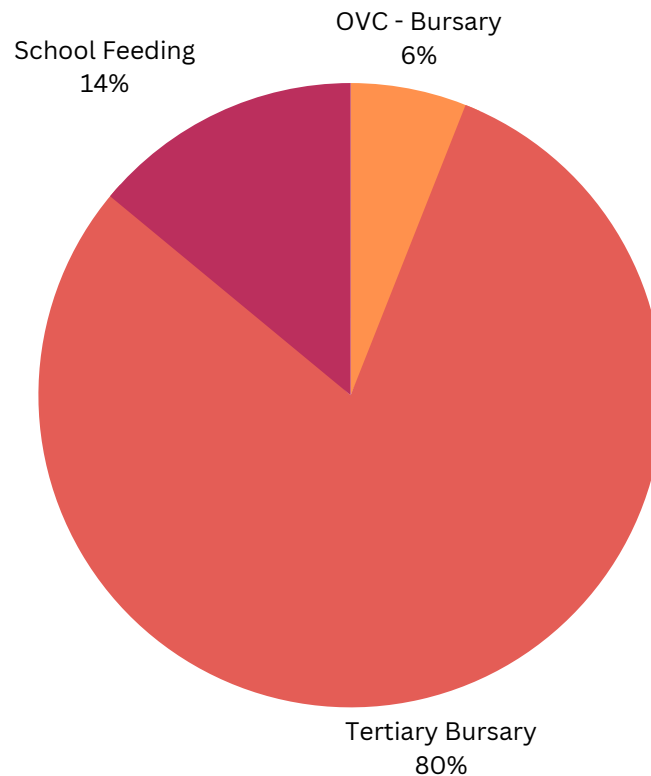
The budget for core social assistance does not adequately address child poverty, but efforts are being made in that direction as child grants have been steadily growing since 2017/18 and take up only 9 percent of the core programs. This amount has improved from 8 percent in 2020/21. The increase also includes the introduction of the new program (Disability Grant) to help vulnerable persons with disabilities who cannot take up employment, and it has already taken up 1 percent of the core social assistance budget. The core social assistance is dominated by Old-Age Pensions, taking up 83 percent followed by child Grants and Public Assistance at 9 percent and 4 percent, respectively. The Public Assistance program has substantially been fluctuating throughout the period and decreased by 6 percent (M0.042 billion) in 2021/22, from 12 percent (M0.058 billion) in 2020/21.

Figure 8: Composition of Core Social Assistance Budgets



The budget for complementary social assistance takes up an enormous portion of social assistance, and it is dominated by tertiary bursaries at 80 percent, followed by school feeding taking up 14 percent of the 2021/22 budget, the highest since 2017/18.

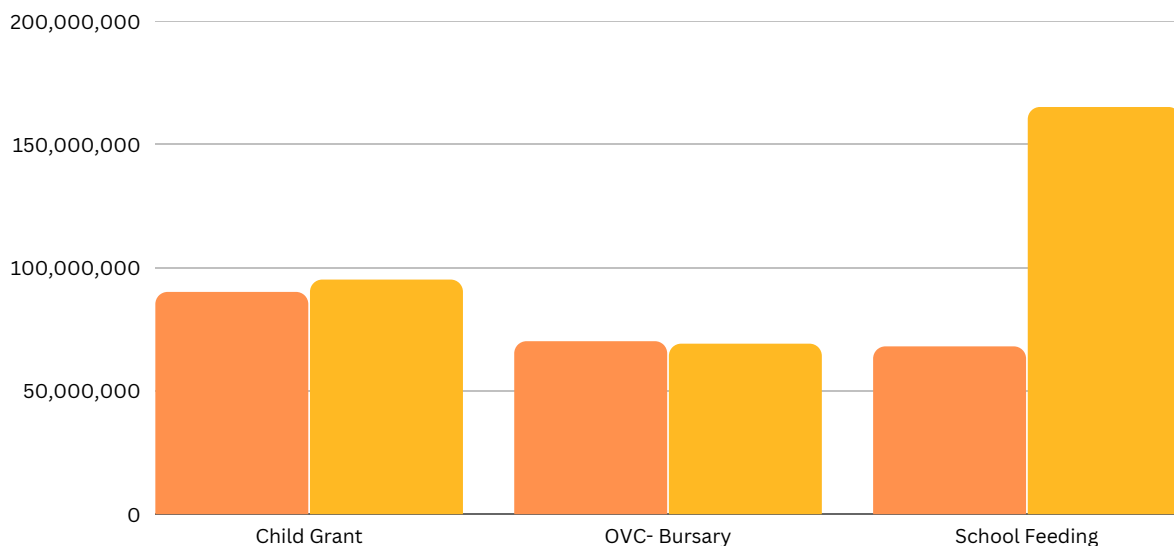
Figure 9: Components of Social Assistance Programs



3.5 Child Focused Social Protection Spending

Child focused social assistance comprises child grants, OVC bursaries and school feeding. In 2021/22 the school feeding budget increased considerably by 139.2 percent followed by a slight increase of 0.7 percent on child grant and a decline of 2.3 percent for the OVC program. This is an increase in their aggregate share of the budget of social assistance from a low 16.0 percent in 2020/21 to a high of 40 percent in 2021/22 due to drastic revision of the school feeding budget. The overall budget allocations to child-focused programs increased to M0.326 billion in 2021/22, from M0.231 billion in 2020/21.

Figure: 10 Child Focused Program Spending

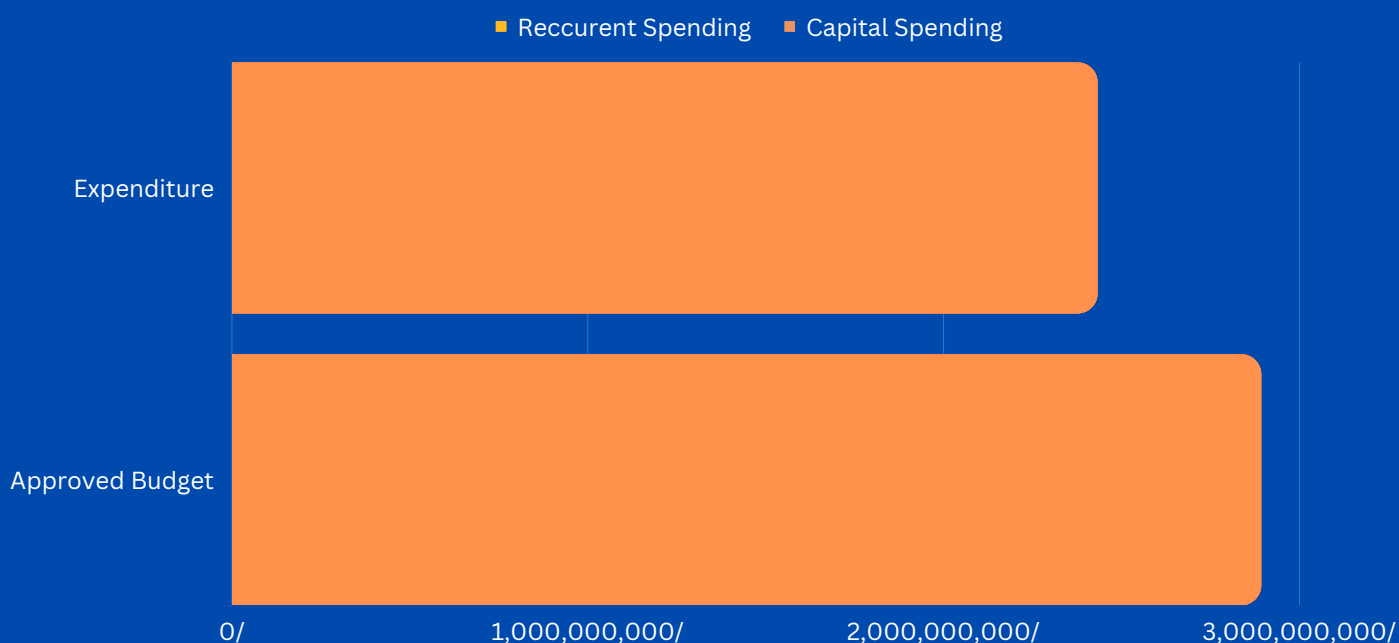


04 SOCIAL PROTECTION BUDGET EXECUTION

4.1 EXECUTION RATES

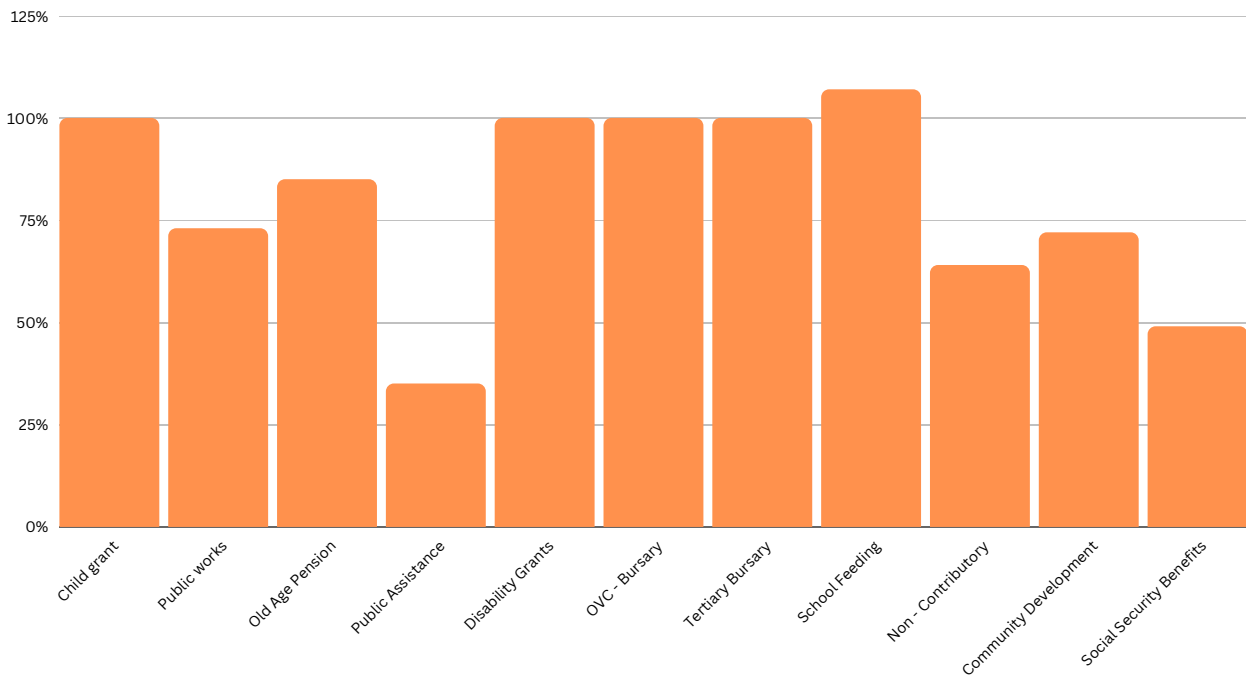
In the period under review, the total social protection budget has been financially executed very well, recording increasing performances each year. In 2021/22 the execution rate was 84 percent of the total approved social protection budget.

Figure 11: Social Protection Expenditure



The social assistance which is the largest portion of the budget expenditure has overspent the allocated budget by 107 percent due to the over expenditure on the school feeding program. The social security expenditure took 49 percent, while public assistance, social security benefits and non-contributory execution rates were slightly lower by 35 percent, 49 percent, and 64 percent, respectively. This led to the lower overall performance of social protection at 83 percent, which was lower than the 2020/21 execution rate. Most of the programs in social assistance have performed well, exhausting 100 percent of their allocated budgets.

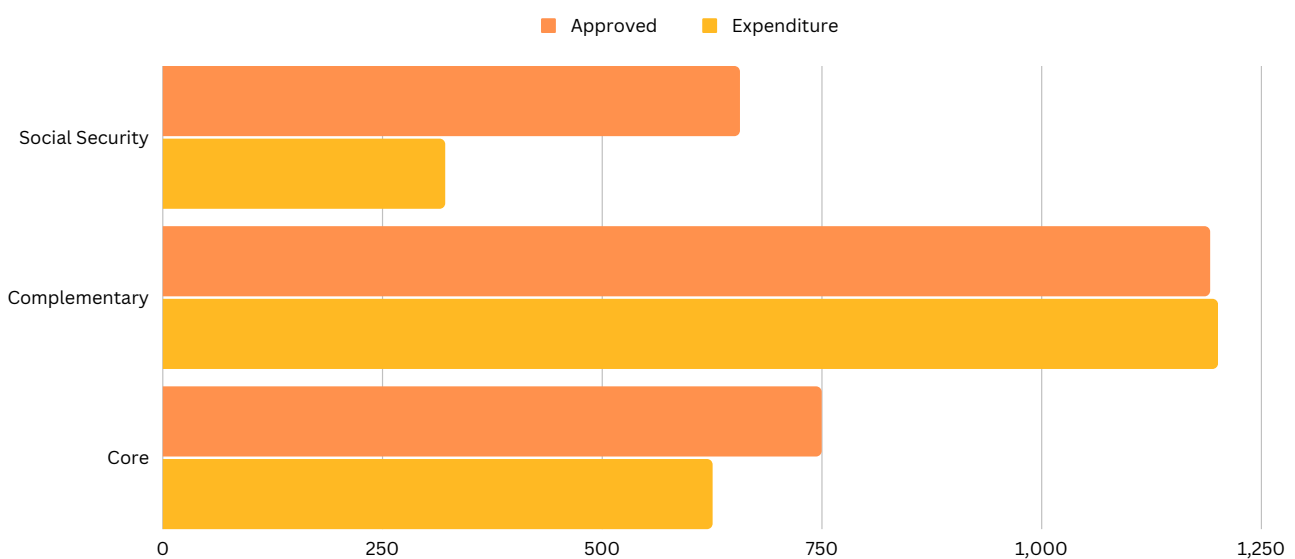
Figure 12: Percentage Expenditure by Components of Social Protection



4.2 Social Assistance Expenditures

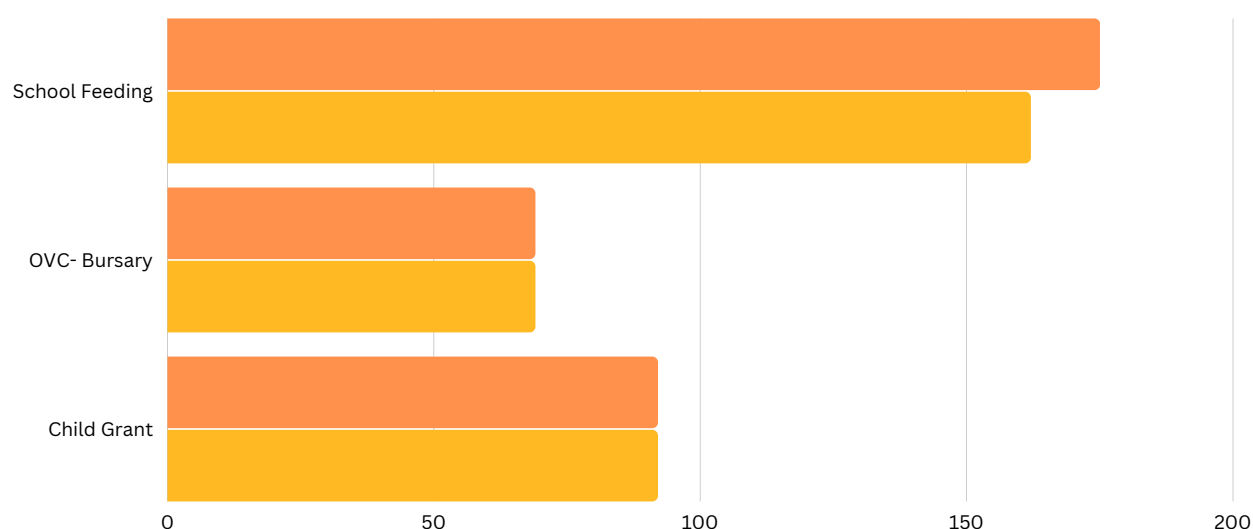
Lesotho's social protection expenditure goes mainly to social assistance. Complementary social assistance programs over-spent the largest share of the social assistance budget, which accomplished 101 percent (M1.2 billion) in 2021/22, an increase from 20 percent (M2.1 billion) in 2020/21 (Figure 12). Core social assistance programs achieved 83 percent (M0.624 billion), including the newly introduced disability grants for individuals from poor backgrounds with disability and suffering chronic illnesses, while social security programs execution rate stands at 49 percent (M0.655 billion) of the approved budget.

Figure 13: Social Assistance Execution Rate (in Billions of Maloti)



The child focused execution showed over-expenditure of 103 percent caused by excessive spending on the school feeding program. Both the OVC-Bursary and the child grants have exhausted 100 percent of their allocated budget.

Figure 14: Child-Focused Social Assistance Expenditures Budget



Government faces a challenge of maintaining the buying power of child-targeted social transfers. The flagship child grant program has never been adjusted for inflation nor any nominal increases since the start of this program in 2009/10. The shrinking budgets add more pressure on the purchasing power rendering it difficult to bridge the inequality gap and further spreading vulnerability. With support from the European Union, about 16,000 additional households received child grants since early 2021 and inflation adjustment continues to be a challenge for social protection. The Government intends to adjust quarterly transfers based on updated estimates of the monthly food basket for Lesotho, which was estimated at M831 in October 2020.

05 FINANCING OF SOCIAL PROTECTION

5.1 FINANCING SOURCES

In 2021/22, 99 percent of the budget amounting to M1,205 million was financed by the government. Donor loans and grants covered the remaining 1 percent. The recurrent budget totaling M1,194.4 million was fully financed by the government. The development budget of M8.0 million was financed from donor grants, while donor loans covered M3.5 million of the total social development budget of 2021/22 financial year.