

## Lesotho

*The Old Age Pension (OAP) is a tax-based scheme for all older persons. This non-contributory social pension also benefits other household members, particularly children.*

With more than 4 per cent of its population above the age of 70, Lesotho has a larger share of older people than many countries in sub-Saharan Africa. All citizens of Lesotho over 70 years of age are entitled to a monthly pension benefit of 550 Lesotho Maloti (LSL), equivalent to US\$40. The OAP was introduced to lift older persons out of poverty and is the largest regular cash transfer in Lesotho, covering about 83,000 persons (4.5 per cent of the population). While coverage of eligible persons is approximately 100 per cent, it is estimated that many more benefit indirectly.

Prior to the OAP's introduction, only war veterans and civil servants received a pension, covering less than 3 per cent of older persons in Lesotho.

National social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons.

185 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), an approach to achieve universal social protection.

This note presents a successful country experience of expanding social protection.



### Main lessons learned

- The high prevalence of HIV/AIDS in Lesotho often leads older persons to become the main caregivers for their orphaned grandchildren. In such cases, the Old Age Pension also benefits children.
- Lesotho's implementation of the Old Age Pension shows that high coverage is possible even in difficult geographic conditions.
- The OAP has always been fully funded and administered by the Government, which is proof that even a country with limited financial resources can afford a universal programme.
- Regular adjustments in benefit amounts indicate the continued commitment from the Government.
- The OAP in Lesotho demonstrates that in the initial years, the administration of a non-contributory pension scheme can be done manually.
- Lesotho's OAP experience shows that a universal social protection scheme which has high coverage can help garner political support among people and can be a key factor in the re-election of a government.

## 1. Why is the OAP needed?

Lesotho's share of elderly people is larger than in other sub-Saharan African countries. This can mainly be attributed to outmigration of young people and decreased longevity due to HIV/AIDS. The HIV/AIDS prevalence rate is 23.4 per cent and has significantly reshaped the country's demographics. Life expectancy is only 48 years and an estimated 360,000 children have lost either one or both parents to the HIV epidemic. Often, older Basotho become the primary caretakers of their grandchildren. In rural areas, 8 per cent of households are skip-generation households.

Furthermore, the incidence of poverty is high with 56.2 per cent of 1.9 million Basotho living on less than \$1.25 a day. Households with people above 59 years of age experience higher food poverty than the general population (39.3 per cent compared to 34.2 per cent).

Against this backdrop, the Government of Lesotho introduced the OAP in 2004 to provide a basic income guarantee for older persons with the ultimate objective of lifting them out of poverty. In doing so, Lesotho became a pioneer in the provision of universal benefits for older citizens in sub-Saharan Africa.

From the beginning, the OAP has been an entirely national effort. The main drivers behind the OAP are the political will and commitment of the Government. The OAP played a significant role in the election outcome in 2007. In post-election surveys, voters indicated that the introduction of the old-age pension was a strong motivation to vote for the then governing party.

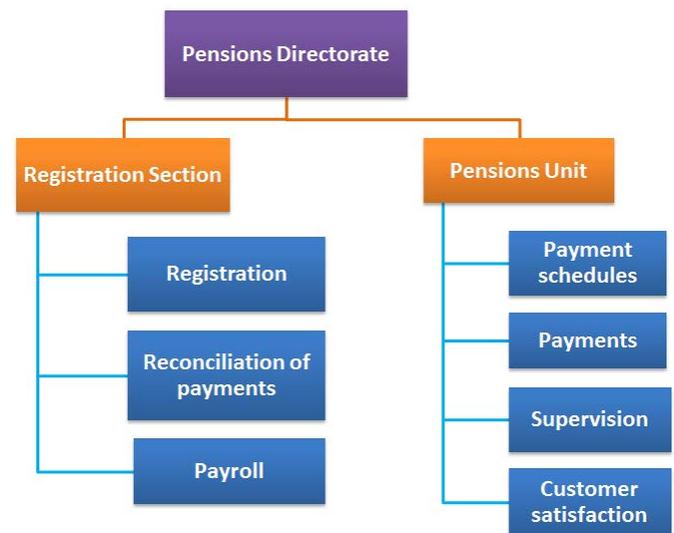
## 2. How is the OAP implemented?

Upon registration, pensioners receive a monthly payment of LSL550 (\$40). The amount is announced in the annual budget by the Ministry of Finance.

At the outset of the OAP, a village-by-village registration and sensitization of communities was carried out by the District Administration, traditional village chiefs, and Members of Parliament. Following this initial registration process, new applicants now have to submit completed application forms at local government offices.

**Payment process:** Application forms are available at local government offices. Applicants must provide official proof of identity (national identity card, passport, or voter card). Applications are then sent to the Registration Section in the Pensions Directorate in the Ministry of Finance. The Registration Section approves the applications and enters the details of successful applicants into the payroll on a monthly basis.

Figure 1. Overview of the OAP institutional set-up



The Pensions Unit in the same Directorate transfers funds to 300 payment points across the country on a monthly basis. These funds are physically carried by the army to the payment points. Successful applicants are paid monthly at their preferred payment point. They are identified and verified based on their identity card and signature or thumbprint. Payment points are mostly located in buildings of the national post.

On a few occasions, remote payment points were served by helicopter because of weak road infrastructure. The national army provides security at service points and while transferring the money.

Random checks of payment points are conducted on a regular basis to ensure beneficiary satisfaction with service delivery. Due to the rudimentary information system, the systematic identification of ghost pensioners has so far been a challenge. It is suspected that the OAP is given to many ghost pensioners who are often created by under-reporting deaths of beneficiaries.

Reconciliation of payments is done manually against the payroll. Because this process is cumbersome there are some doubts as to whether it takes place systematically at the end of each month.

The management system for the OAP is manual. Beneficiary data and application forms are stored on paper only and the process is not well-coordinated. Currently, there is no regular monitoring and evaluation being done.



**Financing:** The OAP is financed by general taxation, which largely comes from revenues of the Southern African Customs Union. The total cost is about 1.7 per cent of GDP. Although OAP utilizes existing structures and government actors, the administrative costs are estimated to be quite high at around 20 per cent.

**Complementary services and transfers** provided as part of the national social protection system include subsidized or free primary health care at government health centres and government hospitals, free anti-retroviral treatment medication for HIV/AIDS patients, as well as a cash grant administered by local government for those deemed “needy” which OAP beneficiaries can receive too.

### 3. What is the OAP’s impact on people?

The OAP not only benefits older persons, but also their grandchildren in numerous skip-generation households. Studies estimate that beneficiaries spend as much as 20 per cent of the benefit amount on dependent and orphaned children.

A large portion of the pension is spent on food, which has had a positive effect on food security. The number of beneficiaries who say they rarely or never had enough food declined from 20 per cent to 10 per cent after the introduction of the OAP.

Beneficiaries also reported spending on heating material, clothes, and education-related costs, such as school uniforms, shoes, and books (Thulo and Croome, 2006). Beneficiaries are also able to make purchases on credit from local merchants using future OAP payments as guarantees.

Finally, the OAP has contributed to empowering older persons by improving their financial status in the household and giving them a feeling of dignity (Wahenga, 2007).

### 4. What’s next?

Lesotho has made considerable progress in building its national SPF. However, there is room for improvement.

- The eligibility age for the OAP should be lowered.
- Regular auditing of the OAP would be instrumental in identifying and removing ghost pensioners from the list of eligible beneficiaries.
- Coordination between implementing agencies could be improved, such as between the Ministry of Social Development and the Pensions Directorate. Improved coordination could also facilitate case management and referral of OAP beneficiaries to other government services. This could be done by initiating a social protection coordination committee.
- All OAP beneficiaries could in the future be included in the National Information System for Social Assistance (NISSA) in order to improve the application, verification, and payment processes.

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## Building Social Protection Floors

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