



► Social Protection in Action: Building Social Protection Floors for All

2022

Lesotho: Providing universal old-age pensions

Summary

The Old Age Pension (OAP) is a non-contributory, tax-funded and universal pension targeted to all citizens over the age of 70. The OAP 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, with the exception of retirees from the Civil Service, are entitled to a monthly pension benefit of 850 Lesotho Maloti, equivalent to US\$55. 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 elderly persons is approximately 100 per cent, the OAP programme benefits more people 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.

Lesotho's efforts to provide a universal old-age pension is in line with key principles of the Social Protection Floors

Recommendation, 2012 (No. 202), including the universality of protection based on social solidarity as well as ensuring transparent, accountable and sound financial management and administration.

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 it is possible to cover a whole age group even when part of the population lives in remote areas.
- 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 to improve adequacy of benefits.

Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

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

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

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

- The OAP in Lesotho demonstrates that in the initial years, the administration of a universal 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.

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 the impact of the HIV/AIDS pandemic on the working age population. The HIV/AIDS prevalence rate is 21.1 per cent and has significantly reshaped the country's demographics. Life expectancy is only 55 years and an estimated 130,000 children have lost their 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 49.9 per cent of the population living on less than US\$1.90 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 established the OAP in 2004 under the Lesotho Old Age Pension Act No. 3. The OAP provides 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 a nationally driven 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.

How is the OAP implemented?

The OAP is administered by the Ministry of Social Development (MOSD), whilst the benefit amount is announced in the annual budget by the Ministry of Finance. Currently, pensioners receive a monthly payment of 850 Maloti (US\$55).

At the outset of the OAP, a village-by-village registration and sensitization exercise of local communities was carried out by the District Administration, traditional village chiefs, and Members of Parliament.

Payment process: New applicants must now approach the Auxiliary Social Welfare Officers of the MOSD or Community Council Offices to register. Applicants are required to provide proof of identity (national identity card, passport, or voter card). These applications are then sent to the MOSD Central Office for entry into the OAP's management information system, as well as cross-verification with other national government records.

MOSD transfers OAP benefit funds to multiple payment points across the country on a monthly basis. These funds are physically carried by the army to the payment points, which are mostly located in buildings of the national post. Successfully registered beneficiaries receive a monthly pension, which they collect from their preferred payment point. To confirm eligibility, the identity cards of beneficiaries are scanned at the pay points using a mobile application which contains information on the amounts due to each beneficiary. Beneficiaries may also elect a representative to collect their pension on their behalf.

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

MOSD Central Office and District Management staff conduct random checks of payment points regularly to ensure beneficiary satisfaction with the OAP service delivery. They also record any complaints and queries arising during these checks and provide feedback on actions taken to address previously raised concerns. Service queries are usually handled at the district level, although some cases may be escalated to the Central Office.

The OAP has gradually improved its operations from a paper-based system to introduce a centralized management information system (MIS) called the Government of Lesotho Social Assistance Benefits System (GOLSABS). The MIS enhancement has allowed for the systematic identification and removal of 'ghost' pensioners, through linkages to other national data bases, which had so far been a challenge.

The OAP GOLSABS management information system has also enhanced the efficiency and accuracy of payment reconciliations, facilitated by the scanning of beneficiary IDs at the respective pay points. Previously, all payroll payment reconciliations were done manually, a cumbersome process, which was prone to errors.

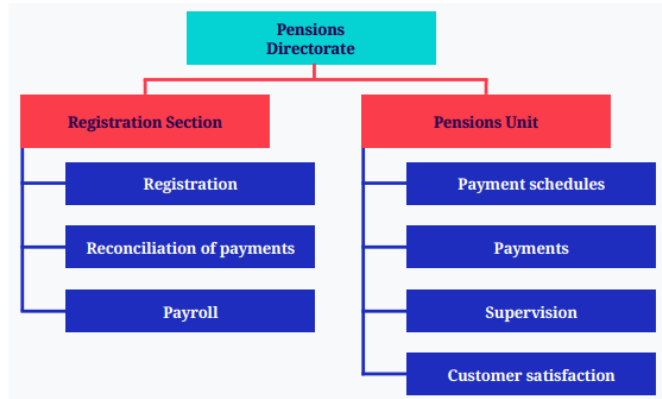
A review undertaken by the World Bank has highlighted residual weaknesses in the OAP payment systems. Of note is OAP's heavy reliance on cash payments, recommending a shift to more secure and cheaper digital payment methods. The MOSD is piloting mobile payments in nine pay points.

Financing: The OAP is financed by general taxation, which largely comes from revenues of the Southern African Customs Union. The total cost is about 2.0 per cent of GDP or 4.5 per cent of total government spending. The Government has pledged to increase benefit amounts on an annual basis. Although OAP utilizes existing structures and government actors, the administrative costs are quite high, estimated at around 20 per cent of the total OAP budget.

Complementary services and transfers provided as part of the wider national social protection system include free primary health care at government health facilities and free anti-retroviral treatment medication for HIV/AIDS patients. MOSD also provides additional support services to the elderly, such as hearing aids or other assistive devices.

Figure shows the institutional set up of OAP.

Figure. Institutional set up of Lesotho's old-age pension



► Source: Authors' elaboration.

What is the OAP's impact on people?

In addition to the elderly, the OAP has benefitted 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).

What's next?

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

- Expanding the use of digital payments.
- Lowering the eligibility age for the OAP.
- Regular auditing and timely removal of the deceased.
- Improving case management and referral mechanisms to complementary services for the elderly, and their households. This can be achieved through the integration of the OAP management information system and the National Information System for Social Assistance (NISSA) which administers other MOSD social protection programmes geared towards the poor and vulnerable.

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