



POLICY OPTIONS FOR THE LESOTHO CHILD GRANTS PROGRAMME

THE PROGRAMME

The Lesotho Child Grants Programme (CGP) is an unconditional social cash transfer targeted to poor and vulnerable households. The objective of the CGP is to improve the living standards of Orphans and Vulnerable Children (OVC) so as to reduce malnutrition, improve health status and increase school enrolment among OVC. Households are selected through a combination of proxy means testing and community validation and registered in the National Information System for Social Assistance (NISSA).

The programme is run by the Ministry of Social Development, with financial support from the European Commission and technical support from UNICEF-Lesotho. As of March 2014, the CGP reached 19 800 households and provided benefits for approximately 65 000 children across 10 districts in Lesotho. Households currently receive quarterly a transfer indexed to their number of children, ranging from M360 for households with 1-2 children, M600 for households with 3-4 children, to M750 for households with 5 children or more.

RESULTS SO FAR

Since 2009 the nature of the CGP has been transformed. From an exclusively donor-supported pilot, the CGP has developed institutional and operational systems for roll-out at a national scale. Funding has been taken over by the government, which is now considering nationwide expansion of the CGP and the NISSA, with the latter serving as a platform for better harmonizing social protection interventions in the country.

A mixed methods impact evaluation, including a randomized control trial, found that the CGP has led to a broad array of impacts. The programme has had positive impacts in areas related to programme objectives, particularly on child wellbeing. CGP households concentrated spending on children, especially in terms of purchasing school uniforms, clothes and shoes.

The CGP also led to a large increase in birth registration, a decrease in morbidity among small children, and an increase in school enrolment.

The programme has also increased protection against food insecurity. While the programme did not appear to have an impact on food consumption and dietary diversity, indicating an inability among households to smooth consumption over the quarterly time frame of payments, the CGP did improve the ability of households to access food over the course of the year.

The CGP also had economic impacts. The programme, in combination with the Food Emergency Grant, led to increased spending on crop activities, leading to increased output. The CGP had a significant impact on reducing negative risk coping strategies and strengthening informal risk sharing

arrangements. Moreover, the LEWIE general equilibrium simulation model showed that, if the transfers are regular and predictable, each Loti transferred by the CGP has the potential to raise local income by M2.23

COST AND AFFORDABILITY

Assessment of current and future costs of the programme suggest the CGP to be affordable under the current macroeconomic framework in the medium term (2014/15 – 2017/18) and in the years beyond that (2018/19 – 2020/21). The likely costs of the programme in the future were explored under a number of scenarios and estimated at M50-M58 million in 2014/15, increasing to M91-M311 in 2020/21. These costs represent 0.2 percent GDP in 2014/15 and 0.2-0.8 percent of GDP in 2020/21.



POLICY OPTIONS FOR THE FUTURE

While the CGP is deemed fiscally sustainable as a standalone programme, the affordability of the overall package of social protection interventions is less clear. Existing evidence suggests a relatively high proportion of government expenditure allocated to social protection, indicating a need for rationalisation of all existing social assistance and safety net programmes. The role and importance of the CGP and its affordability should be assessed within the Government's Social Protection Strategy currently under development. The CGP was originally conceived as social protection mechanism with the implicit aim of mitigating the impact of the HIV/AIDS and OVCs. The role the CGP could play in a strengthened social protection system depends on the overarching vision that will emerge from the new social protection strategy.

The decision to move away from the categorical definition of OVCs and target on the basis of poverty acknowledges that vulnerability is complex and hits transversally across demographic categories. At the same time it implies that the programme is currently targeting heterogeneous groups of households. At least three possible scenarios emerge, each with different policy implications.

First, if the main focus on children is confirmed, the CGP could be turned into a sharper instrument to protect and incentivise investment in human capital. While adding explicit conditions may not be feasible at this point—given the challenges in monitoring and in the access and quality of supply of public education services—the CGP has proven able to increase school expenditures and enrolment through messaging. Further emphasis would be given to reducing barriers that prevent children from accessing education and health services, as well as combined actions to improve the quality of supply. Stronger inter-institutional coordination would be required to strengthen the linkages between social protection and other government social sectors.

At a second level the CGP has the potential to be turned into a protection scheme for the extreme and chronically poor, particularly households with limited labour capacity. Such a transfer could be conceived as a measure of last resort to provide a minimum living standard to households who would otherwise only rely on family and community support, particularly protecting children's well-being. In this case the priority focus would be on refining the targeting approach and strengthening linkages and messaging around food security.

In a third scenario the CGP could evolve into a program which is primarily aimed at graduating households from poverty. The transfer could be considered as a means to protect and increase physical and human assets, so as to stimulate further productive investment in the future, strengthen coping mechanisms and reduce vulnerability to shock. In this case the priority would be on selecting households with higher potential to sustainably achieve self-reliance, building linkages with productivity enhancing and asset building complementary interventions, including access to financial markets. For example the transfer component could be coupled with specific capacity building dimensions (financial literacy, money management) and coordinated with other interventions as it has been in the case of the Food Emergency Grant, e.g. projects aimed at improving livestock and agriculture productivity.

A final consideration regards expansion into urban areas. In this case it would be necessary to reflect on the CGP's potential role and the design adaptations that would be required to tackle vulnerabilities specific to the urban poor. This includes high youth unemployment, large levels of informality in the labour market and lack of options for private and social insurance for the majority of workers.

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