

***Analysis of the LVAC updated livelihood  
baselines  
in support of the development of a  
National Social Protection Framework for  
Lesotho.***

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## ***Abbreviations***

BOS	Bureau of Statistics
CIESIN	
FTH	Foothills
HBS	Household Budget Survey
HEA	Household Economy Analysis
HIV/AIDS	Human Immuno-Deficiency Virus
LVAC	Lesotho Vulnerability Assessment Committee
LZ	Livelihood Zone
MTN	Mountains
NLL	Northern Lowlands
PRS	Poverty Reduction Strategy
PUR	Peri-Urban
SLL	Southern Lowlands
SRV	Senqu River Valley
UNDP HDR	UN Development Programme - Human Development Report

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## **Background and purpose**

The LVAC Household Economy Analysis (HEA) livelihood baselines developed in 2003 had major gaps in them including the lack of detailed data on expenditure and income by wealth group. Moreover the existing profiles had defined only three broad wealth groups and it was therefore not possible to differentiate the needs of a near destitute group of 'very poor' from the 'poor'. To remedy these deficiencies, and to be able to better address the needs and issues of the 'ultra poor', LVAC undertook a new baseline development exercise in January-February 2006. Within each livelihood zone community leaders took part in the redefinition of a four-way breakdown of wealth groups including the 'Very Poor', 'Poor', 'Middle' and 'Better Off'. Revised summary livelihood profiles, including summary data on expenditure and income, were published in July 2006.

In response to a growing interest in social protection the LVAC commissioned this study to more fully analyse the nature and extent of chronic poverty and hunger as recorded in the new profiles. The analysis below comparatively identifies and maps the livelihood-based differences that distinguish the 'transiently poor and vulnerable' from the 'chronically poor and vulnerable', identifying the need for a range of social protection and programming options.

By default, the household-level approach adopted here does not adequately address the various categories of society associated with poverty and vulnerability such as the elderly, the disabled, children or other specialist groups such as orphans, people living with HIV/AIDS or exploited workers. This is a serious limitation and it highlights the need to link these HEA findings with evidence emerging from other approaches and methods that better capture the situation and picture of these groups. Despite this limitation we hope that the paper makes a useful contribution to the development of Social Protection thinking in Lesotho.

## **Introduction**

*“Chronic food insecurity results from structural problems and as such cannot be overcome by periodic interventions using food aid. Instead, programs aimed at identifying and conquering the underlying reasons for the population’s inability to produce sufficient food or other tradable outputs are needed. ...*

*Transitory hunger associated with short-term crises represents a relatively small share of hunger worldwide, with estimates ranging from 10 to 25 percent. Most malnutrition in the world arises owing to chronic deprivation and vulnerability.”<sup>i</sup>*

As part of a fundamental reappraisal of how to best tackle chronic poverty and hunger there is a growing interest in developing and strengthening national social protection programmes. What is needed is an overall approach that provides for and protects the poor and hungry but also seeks to promote them out of poverty<sup>ii</sup>. The economic arguments supporting social protection rest on its potential to reduce poverty, promote equity, stimulate growth and conserve fiscal resources. Models of the impacts of social transfers on the economy and poverty suggest that while initial levels of social grant spending may go up, the overall rate of economic growth accelerates. Moreover, after a few years of investment, necessary levels of social

protection spending decline along with the poverty gap and levels of vulnerability. In this sense social protection is a long-term commitment with high benefits.

As is expected for education and health, social protection is increasingly viewed as an essential public service<sup>iii</sup>. It is argued that authorities should provide direct support to people to help them deal with risk, vulnerability, exclusion, hunger and poverty. In fact social transfers are often put in place to secure that the ultra poor get access to basic minimum health and education services. To be able to respond to this agenda, Governments urgently need to be able locate and identify which sub-populations face what kinds of risk, vulnerability or exclusion and to match them with cost effective means of social protection. Differing sources of vulnerability and the relative accessibility of 'at risk' groups are likely to affect choices between alternative social transfer instruments and their use in combination.

In 2005 the Government of Lesotho took a bold step in this direction and established a non-contributory old age pension scheme. It represents a significant national initiative to address aspects of chronic poverty and vulnerability<sup>iv</sup>. Two years later it serves as a leading example of a predictable social transfer programme that other countries in the region might want to emulate. Among its many noteworthy features, it was government controlled and led, established without donor assistance and it remains fully funded from the national budget. It responded to glaring shortfalls in the basic needs of the elderly and recognized, given the scale of the HIV/AIDS epidemic, that many old Basotho have become a generation of caregivers. This scheme has however raised a much wider agenda: How and why might the Government of Lesotho broaden and diversify its initiatives in social protection? Can and should it do more? What might be the best package of risk reducing social transfers for Lesotho? How and why might it be better to promote one instrument over another etc.?

To begin to address these issues, a consultative process has been outlined that will enable the Government of Lesotho and its partners to more fully develop a national social protection framework. This will, in turn, guide the development of a national social protection policy and programme. From the outset it is important to clearly state that social protection is not a substitute for pro-poor development. It is therefore vital to identify and exploit all potential linkages between social policy, economic policy and disaster risk reduction for growth and development. The emerging social protection programme should work hand-in-hand with longer-term measures to provide development pathways for the poor and vulnerable.

Household Economy Analysis (HEA) provides some useful tools in fleshing out aggregate 'national pictures' of poverty and vulnerability. By disaggregating livelihood information by area and wealth / asset holding groups, it helps in answering the basic questions of *which* households need *what* type of assistance, *when* (and for how long), *where* and *why*? In the process it can be used to secure needs-driven and evidence-based social protection. This paper has been developed to describe the current levels of poverty in Lesotho according to LVAC livelihood zone and livelihood profiles. The objective is to inform decision makers and feed information into the development of a social protection framework.

### ***Chronic and transitory poverty***

Historically, narrow definitions have led to the articulation of a limited range of policies, strategies and interventions in promoting food security and (sometimes) the

provision of other basic needs. By default, policy has tended to alternate between promoting food availability or disaster response as humanitarian assistance – principally food aid.

However, rather than conceptualizing poverty solely as a consequence of periods of acute food stress on 'viable' livelihoods, there is strong evidence highlighting the presence of both widespread 'chronic' and 'transitory' dimensions of poverty and vulnerability<sup>v</sup>. Some groups are chronically poor and vulnerable and others are transitorily poor. We should therefore expect to have to respond to both and also address issues of adequate access to a broader range of basic social services and needs. In many circumstances we are looking at 'failing' (or even failed) livelihoods.

A growing body of evidence suggests that while providing emergency short-term relief to victims of disaster staves off immediate catastrophe, in the context of chronic poverty and vulnerability, it often fails to provide any protective defence against the next stress. In these circumstances, recurrent, short-term relief has become a never-ending, and unproductive, flow of resources. In contrast, it is argued that the alternative provision of predictable risk-reducing social protection transfers can provide the means for chronically poor and vulnerable people to shield themselves against unforeseeable events, to enable them to plan, to invest, to save and to help them regain control over their lives at the same time providing an exit out of dependency into self-reliance.

Policy-making is rarely a simple question of responding to a life-threatening emergency or not. Social protection programming needs a range of information to be able to:

- *provide* for those who are unable to provide for themselves;
- *prevent* poverty shocks from devastating households; and
- *promote* households by helping them to lift themselves out of poverty.

To date there has been relatively little policy focus on vulnerability reduction, i.e. policies and programmes that increase the capacity of populations to withstand the impacts of natural or human induced disasters. Yet in the long term, investments in vulnerability reduction measures are thought to be cheaper and produce higher payoffs than financing short-term emergency operations. The concept of risk management promotes a focus on actions taken prior to the disaster to decrease vulnerability and increase mitigation capacities. The approach is to reduce both the social and financial costs of disasters to households and the state. Disaster Risk Management is best implemented in close coordination with enhanced social protection initiatives.

## **Some Indicators of poverty in Lesotho**

While the evidence on poverty in Lesotho is limited by the availability of current accurate data, it is widely recognised to be severe and widespread. Lesotho falls into the 'Low Human development' group being ranked 149th out of 159 nations in the 2006 UNDP HDR. The Government's 2004/2005 – 2006/2007 Poverty Reduction Strategy document provides the most accessible overview of poverty trends. It uses the data collected by the Bureau of Statistics as part of its Household Budget

Surveys (HBS) in 1986/7 and 1994/5. This provided the basis for the analysis of national poverty trends between these two points in time<sup>1</sup>. The PRS concluded that:

***"Approximately 58% of the population was poor in both survey years, but the percent of households that was ultra-poor increased from 35% to 39%. Taking population growth into account, ... the number of poor people increased from 850,000 to 950,000 while the number of ultra-poor people grew from 500,000 to 600,000."*** (Lesotho PRS).

Basically a high proportion of the population has been 'poor' for a long period of time and that the already high proportion of 'ultra poor' had increased. These boldly flagged figures serve as a benchmark for policy and the PRS. It can be inferred from these figures, that the estimated total population of Lesotho in 1986/7 was approximately 1,466,000 and 1,638,000 in 1994/5. NB.

These 'ball-park' figures and trends are compared below with the 2006 LVAC findings. The latter are however based on a larger 2006 population of approximately 1,881,000. Some cautious inference can be drawn from this type of comparison – given that they are based on completely different techniques. Critically the BOS analyses refer to the national picture while the LVAC refers to the rural population. It does however provide a useful exercise in triangulation. While there is clearly a lot of scope for debate about exact numbers, the LVAC data and analysis confirms the 'big picture' and arguably provides much additional insight in places. The 1986/7 and 1994/5 HBS evidence has been recently supplemented with the publication of the findings of the most recent 2002/03 HBS. Clearly in-depth comparisons between 1994/95 and 2002/03 should be made extend the trend analysis using more strictly comparable data sets.

Since the mid 1990's, a range of sources and studies has provided further insight into the evolution of poverty and vulnerability over the past 12 years:

- While life expectancy and income per capita grew between 1975 and 1991, life expectancy has fallen spectacularly from around 57 years in 1992 to about 35 years in 2004 - largely as a consequence of the HIV/AIDS epidemic and economic growth has slowed down.
- HIV prevalence is high at around 30% and the number of orphans is now estimated to be between 88,000 - 110,000 or about 5% of the population (UNAIDS 2006).
- As predicted by various HIV/AIDS modeling exercises, in the wake of higher morbidity and mortality, the rates of growth in income per capita has significantly slowed down since the mid 1990's. It is difficult however, to attribute exactly what proportion of this decline is likely to be due to HIV/AIDS.
- In the past 20 years the levels of child mortality per 1000 born has not declined much despite the growth in per capita income. After a long period of marginal decline, child mortality statistics have begun to increase since the mid 1990's – reversing 10-15 years of slow progress<sup>vi</sup>.

<sup>1</sup> Establishing Lesotho's poverty line involved converting expenditure on 30 items of food and 10 own-produced consumption items into quantities and calories. The minimum expenditure on food necessary to meet the internationally accepted threshold of 2,200 kilo-calories required for a healthy and active life was then calculated, based on the cost per calorie actually incurred by Basotho families. By including an amount based on actual expenditure incurred on non-food items by households from the more deprived segments of the population, a per capita "poverty line" (in constant 2002 prices) of M146 per person per month was calculated. Half this level was defined as the "ultra poverty line". Source: Kingdom of Lesotho Poverty Reduction Strategy

- High levels of inequality and economic isolation suggest that segments of the society may have seen very limited benefit from the national economic growth that has been achieved.
- Nutritional reviews of the available evidence since the mid 1970's demonstrate that stunting remains the most significant form of under nutrition in the country. While rates were highest in 2000 and declined in 2002 there was a sharp increase in levels of stunting to 38.2% in 2004. Sub-nationally the figures for the Mountains (45.0%) and Senqu River Valley (44.6%) are clearly alarming<sup>vii</sup>

While this type of evidence can be cited as proof of 'chronic' poverty in Lesotho one needs to be aware of hundreds of thousands of people who are vulnerable, 'living on the edge' and 'at risk' of becoming poorer.

## ***Main Findings coming out of the 2006 LVAC Baseline***

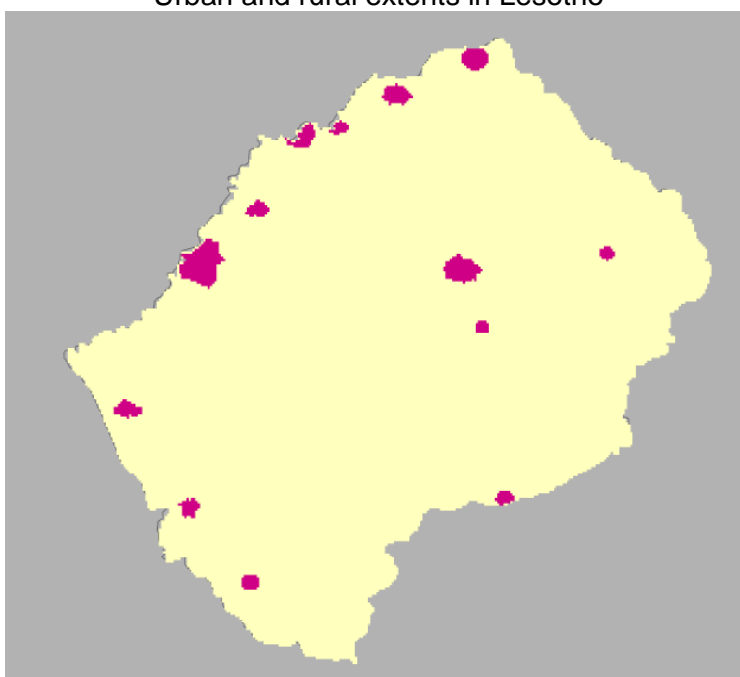
### **Background information**

Through livelihood profiling, the LVAC Household Economy Analysis (HEA) work provides an alternative approach to generating useable and policy relevant information for both social protection and wider pro-poor development programming. It makes use of rapid participatory interviewing techniques (focus group discussions) in combination with a system of spatial and socio-economic stratification of the population.

In 2006 the LVAC upgraded its baselines, profiling four wealth / asset groups ('Very Poor', 'Poor', 'Middle' and 'Better Off') in each of six Livelihood zones. This has generated 24 typical rural livelihood profiles that include detailed estimates of household incomes, expenditures and patterns of food access<sup>viii</sup>. This information is typically used to model shocks on livelihoods to provide early warning but is examined below to assess the extent to which there is evidence of chronic poverty and to elaborate the nature of vulnerabilities associated with differing livelihoods. To facilitate comparison with established poverty lines household level data has been converted into per capita values.

An important limitation of the current LVAC data is that it does not address urban poverty and vulnerability. Map 1 defines the main urban and rural extents in Lesotho. No poverty or vulnerability assessment is made for the urban population.

**Map 1.**  
Urban and rural extents in Lesotho



Source: CIESIN Colombia University

The latest 2006 census figures for Lesotho are presented in Table 1. They suggest that pre-existing projections for the total population (in some sources) have tended to be too high<sup>ix</sup>. Currently the national picture is one of 76.2% rural and 23.8% urban. This suggests a breakdown of the total population into 1,433,064 rural dwellers and 447,597 urban inhabitants and a national total of 1,880,661. (NB. There are 28 peri-urban settlements that fall within the rural population. These are incorporated as a distinct livelihood profile within the LVAC baseline).

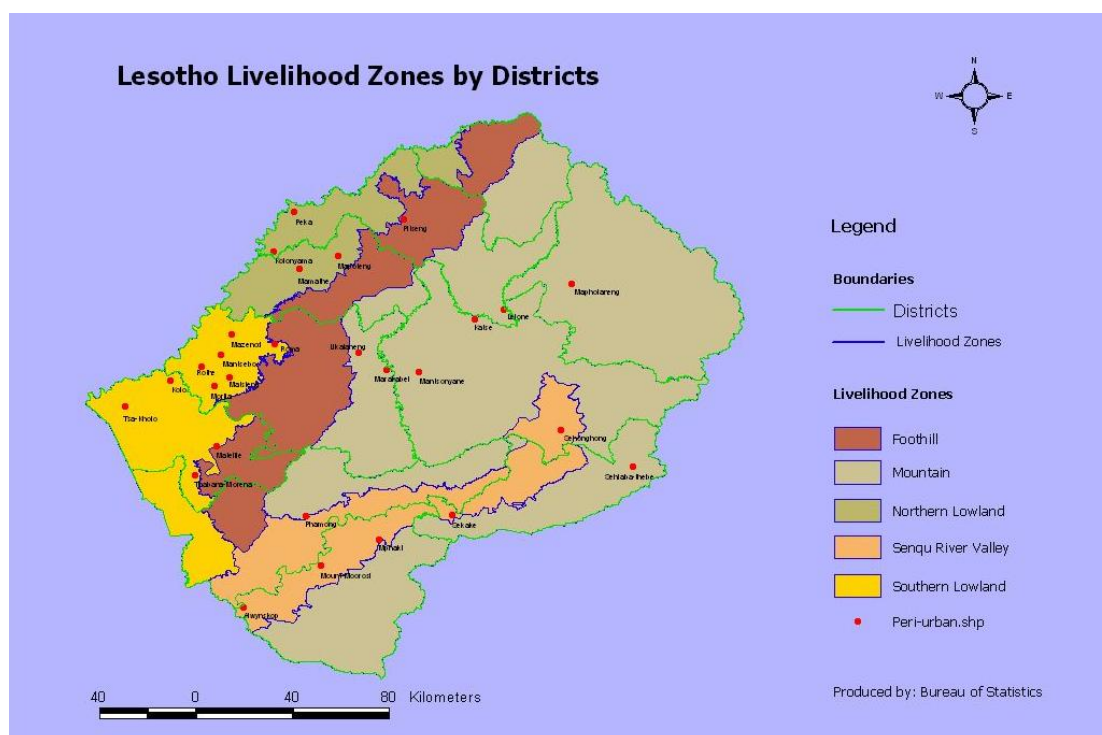
**Table 1.**  
District Populations (Rural + Urban)

District	Population	% share of tot
Butha-Buthe	109 529	5,8%
Leribe	298 352	15,9%
Berea	256 496	13,6%
Maseru	429 823	22,9%
Mafeteng	193 682	10,3%
Mohale's Hoek	174 924	9,3%
Quithing	120 502	6,4%
Quacha's Nek	71 876	3,8%
Mokhotlong	96 340	5,1%
Thaba - Tseka	129 137	6,9%
	<b>1 880 661</b>	<b>100,0%</b>

Source: Preliminary results of the 2006 Lesotho Census of Population and Housing

Given the substantial variations between earlier population projections and the preliminary 2006 population results, the LVAC has adjusted its estimates of livelihood zone populations (See **Table 2** below)

**Map 2.**  
Livelihood Zones and Districts



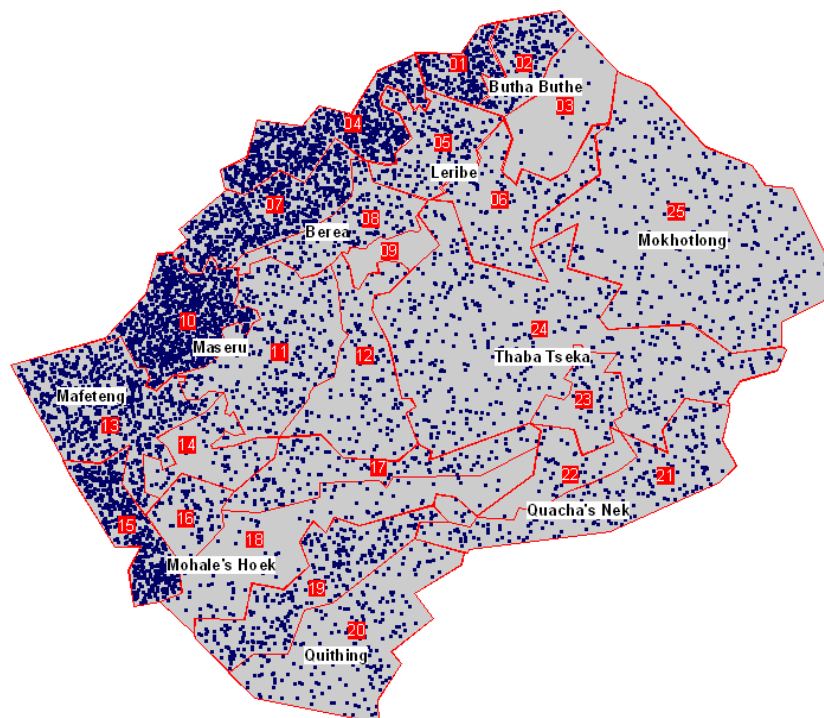
Source: BOS

**Table 2.**  
Adjusted rural population estimates by district and by livelihood zone  
as @ September 2007<sup>x</sup>.

District	Total	LZ					
		FTH	MTN	NLL	PUR	SLL	SRV
Butha-Buthe	89278	36455	5054	47769			
Leribe	220236	35005	17380	155452	12399		
Berea	162383	29067		127524	5791		
Maseru	315452	53179	25107		20938	216227	
Mafeteng	160719	12120			9639	138960	
Mohale's Hoek	165366	14735	27395		1918	103443	17874
Quthing	100181		34956		8589		56636
Qacha's Nek	56280		41321		6031		8927
Mokhotlong	66193		64010		2183		
Thaba-Tseka	96431		81217		4433		10781
<b>Totals</b>	<b>1432518</b>	<b>180561</b>	<b>296441</b>	<b>330745</b>	<b>71922</b>	<b>458630</b>	<b>94218</b>
Percentage	100%	12.6%	20.7%	23.1%	5.0%	32.0%	6.6%

By combining the spatial units in Map 2 and the figures in Table 2, it has been possible to produce a basic picture of population distribution – Map 3<sup>xi</sup>. The map approximates how rural population density varies across the country.

**Map 3**  
Population Distribution / Density



(Each dot represents 200 people)

The Northern and Southern Lowlands support a large proportion of the total population (55.1%). (This is also true for the urban populations with eight out of the 13 main urban areas located in these two zones - see Map 1). Rural population densities are highest in Southern Lowlands around Maseru (the capital) and Mohale's Hoek. While the Mountains region supports 20.7% of the total, its population is scattered over a large area of often remote and isolated terrain. In combination with the data from the livelihood profiles this information provides the basis of a method to locate and identify which populations face what kind of risks and their likely size etc. The livelihood profiles can be used to generate inference about patterns of vulnerability and to estimate the likely numbers of people at risk.

### **A Per Capita Analysis of LVAC data<sup>xii</sup>**

#### **LVAC Income and Expenditure Estimates and Impacts on Food Access**

Appendices 1 to 4 present all the evidence for the analysis which follows. The assessment is guided by a number of related sub-questions and issues:

- How well does the LVAC assessment confirm the poverty expectations as set out in the above mentioned PRS and earlier BOS estimates?
- What are the main pillars to the rural livelihoods of Lesotho?
- What are the main vulnerabilities and how do they vary across wealth groups and livelihood zones?
- What does the LVAC 2006 baseline data tell us about how we might respond to poverty and ultra poverty?

## Comparing LVAC data with national poverty assessments

Table 3 and Figure 1 below summarise the information on per capita Income presented more fully in Appendix 1. As can be seen below the LVAC 2006 assessment measured a wide range of income levels across the six livelihood zones and wealth / asset groups (See Appendix 2). Assessed incomes per capita have been compared to the poverty lines established in the PRS and HBS documents. This has clarified which of the LVAC livelihood profiles fall into the 'poor' and 'ultra poor' categories<sup>xiii</sup>. Eleven of the 24 defined livelihood profiles had per capita incomes above (or considerably above) the poverty line - in the Range M1996...6847. Thirteen of the 24 fell below the poverty line, 12 of which are below the ultra poverty line – in the range M690...188. NB. All the 'Very Poor' and the "Poor" wealth groups defined by the communities who participated in the LVAC assessment described incomes that fell below the ultra poverty line. In addition, one middle-income group, that of the Foothills, fell below the poverty datum line.

**Table 3**  
Mean Per capita Incomes 2004/05 (Maloti)  
by Livelihood Zone by Wealth Groups

	Very Poor	Poor	Middle	B/Off
MTS	213	258	1996	2471
SLL	294	447	2053	2881
FTH	347	690	1604	3429
SRV	423	653	2519	5490
PU	188	342	2582	5933
NLL	337	455	3765	6874

Beige shaded cells fall below the Poverty and Ultra Poverty Line.  
Green shaded cells fall between the Poverty Line and Ultra Poverty line.  
Pink shaded cells are 'at risk' of falling below the poverty line.

Figure 1 below presents the same information as in Table 3 but it serves to highlight a number of additional points:

i) the extent of inequality within the livelihood zones is completely consistent with a country Gini coefficient of 63.2 – one of the highest in the southern African region. (The degree of inequality in the Northern Lowlands is much more marked than say the Mountains);

ii) the nature of the wealth categories as defined during the participatory assessments with community representatives are relative. (While the differences in per capita incomes across the 'poor' and 'very poor' are not so marked, the 'better off' in the Mountains have considerably lower per capita income than the same group in the Northern Lowlands);

iii) A more significant observation is that three out of the 12 'middle' and 'better off' groups have per capita incomes that are only marginally above the poverty datum line. This sub-grouping of livelihoods can therefore be considered to be 'living on the edge' and 'at risk' of falling into poverty (E.g. A M750 shock / loss in per capita income would push these three groups below the poverty line); and

iv) Eight out of the 24 livelihoods can therefore be considered to be 'reasonably secure to secure'.

**Figure 1**  
Mean Per capita Incomes (Maloti) 2004/05 by Livelihood Zone by Wealth Groups

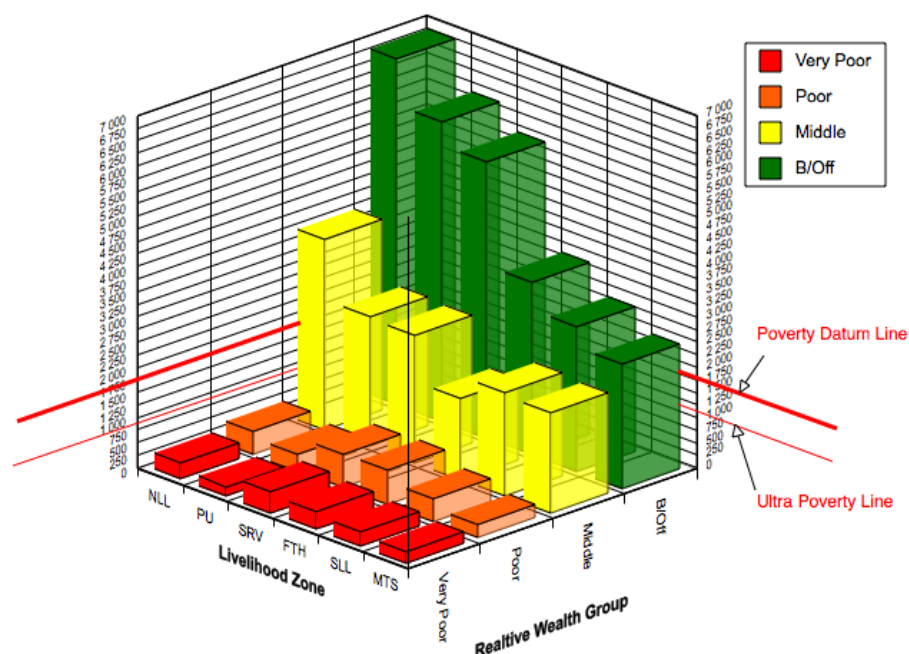


Table 4 below presents the estimated numbers of people associated with each typical livelihood. In combination with the classing of livelihoods as presented in Table 3, It is possible to calculate an LVAC estimate of the percentage shares and absolute numbers of 'poor and 'ultra poor' as at 2006.

The analysis defines 717,743 people as 'ultra poor' plus a further 82,468 people who fall below the poverty line but have incomes above the ultra poverty line. This gives rise to a total population of 800,211 'poor and ultra poor' (i.e. all people below the poverty line). As many as a further 261,077 people could be considered to be 'at risk' of falling into poverty.

**Table 4**  
Percentage and Absolute Numbers of Ultra Poor and Poor  
by Livelihood Zone by Wealth Groups

	Very Poor	Poor	Middle	B/Off	Total
Mountains	45 131	120 350	75 219	60 175	300 875
S Lowlands	93 098	153 612	125 683	93 098	465 491
Foothills	23 824	51 314	82 468	27 489	185 095
Senqu R valley	14 344	33 470	38 251	9 563	95 628
Peri Urban	12 410	29 199	19 709	11 680	72 998
N Lowlands	57 068	83 923	134 277	60 425	335 693
<b>Total</b>	<b>245 875</b>	<b>471 868</b>	<b>475 607</b>	<b>262 430</b>	<b>1 455 780</b>
% Ultra Poor	16,9%	32,4%	0,0%	0,0%	<b>49,3%</b>
% Poor			5,7%	0,0%	<b>+5,7%</b>
% Poor + Ultra Poor					<b>55,0%</b>
No. Ultra Poor	245 875	471 868			<b>717 743</b>
No. Poor			82 468		<b>+82 468</b>
No. Poor + Ultra Poor					<b>800 211</b>
No. 'at risk' of becoming poor			200 902	60 175	<b>261 077</b>

Beige shaded cells fall below the Poverty and Ultra Poverty Line.  
Green shaded cells fall between the Poverty Line and Ultra Poverty line.

Pink shaded cells are 'at risk' of falling below the poverty line.

Though not strictly comparable Table 5 triangulates the results from the HBS poverty trend analysis and these LVAC 2006 estimates of numbers of rural 'poor' and 'ultra poor'. In the absence of equivalent urban data, it is not possible to extend the LVAC analysis into a national estimate. These results indicate that the LVAC assessment (55% poor and ultra poor) largely confirms the poverty expectations as set out in the PRS and earlier derived BOS estimates of 58%. The higher estimated prevalence of 'ultra poor' by the LVAC (49.3%) could be a 'true' reflection of increasing levels of chronic poverty over the past eight years or it may be explained by measurement failures in estimating incomes. Equally, it could well be a combination of both. Moreover, It is generally expected to encounter a higher prevalence of chronic poverty in the rural sub-sectors of the national economy. Overall the LVAC 2006 rural figure of approximately 800,000 seems a realistic estimate, falling into 'ball-park' of what one might expect to see as the incidence of rural poverty as at 2006. Its congruence with earlier BOS estimates should lend considerable weight to the credibility of the LVAC baselines.

**Table 5**  
Comparison of HBS 1986/87, 1994/96 and 2002/03 and  
LVAC 2006 Rural Poor and Ultra Poor estimates

	HBS 1986/87 National	HBS 1994/95 National	HBS 2002/03 National	LVAC 2006 Rural
% Ultra Poor	35,0%	38,0%	00,0%	49,3%
% Poor	23,0%	20,0%	00,0%	5,7%
% Poor + Ultra Poor	58,0%	58,0%	00,0%	55,0%
No. Ultra Poor	500 000	600 000	000 000	717 743
No. Poor	350 000	350 000	000 000	82 468
<b>No. Poor + Ultra Poor</b>	<b>850 000</b>	<b>950 000</b>	<b>000 000</b>	<b>800 211</b>

## Pillars of Rural Livelihoods

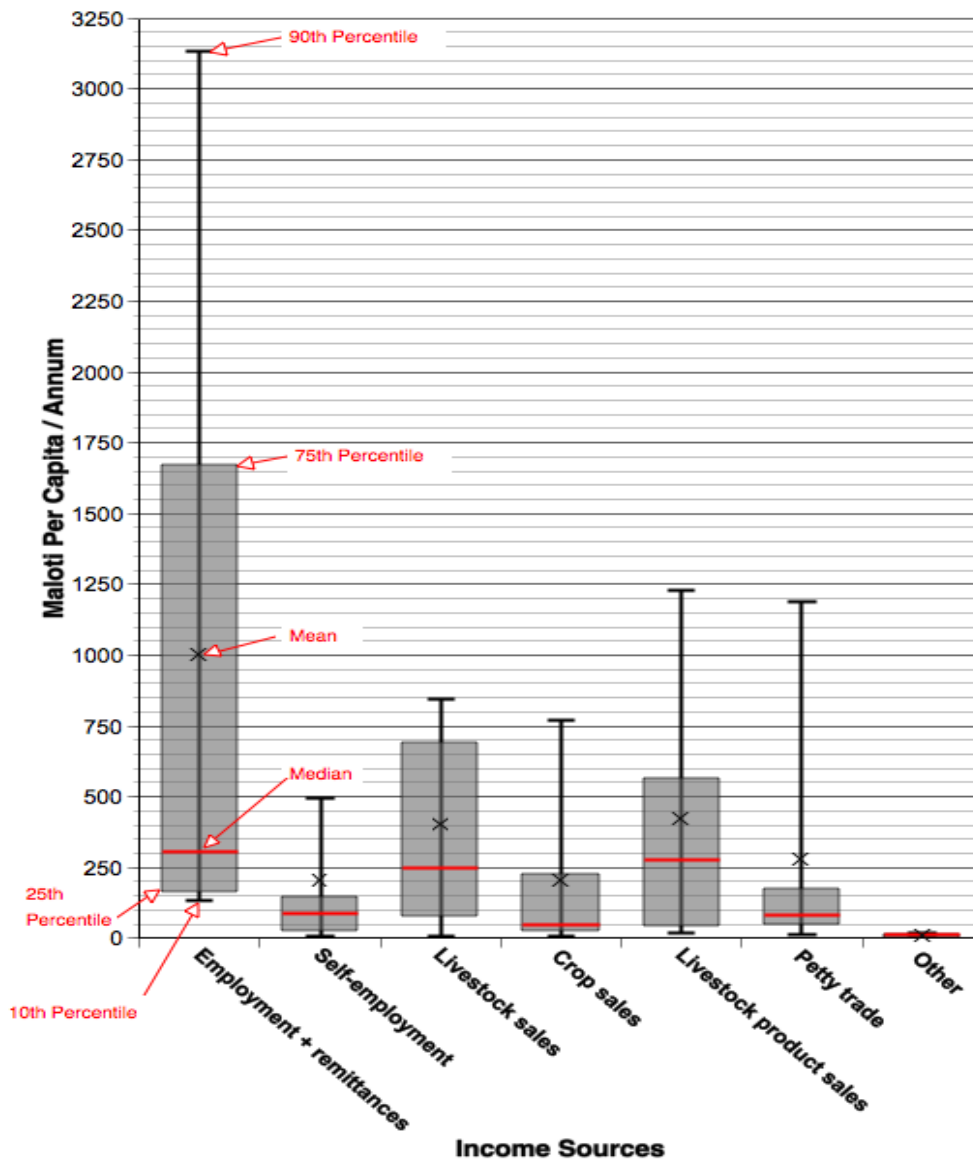
For each wealth group in each livelihood zone, Appendix 2a maps out the per capita contributions of seven different sources of income (Crop sales, Livestock Product Sales, Livestock Sales, Employment and Remittances, Self Employment, Petty Trade and Other). The 24 livelihood profiles have been arranged, in descending order according to the total annual per capita income. Livelihoods are typically made up of two to five components of income. It is significant that 25% of the 'ultra poor' have only two sources of income. A combination of four to five sources of income and high levels of income generally secures a much higher overall level of welfare.

Table 6 ranks the seven income components (for all zones and wealth groups) in terms of the numbers of livelihoods benefiting from the source. This ranking is further elaborated in Figure 2. A box plot graphic presents the comparative spread of the income levels from each of the seven main activities. Together these provide a picture of the economic pillars of Lesotho rural livelihoods.

**Table 6**  
Rank order and importance of sources rural income Lesotho

	Employ and Remit	Self - Employ	Livestock Sales	Crop Sales	Livestock Product Sales	Petty Trade	Other
Rank	1	2	3	4	5	6	7
Frequency of occurrence	23/24	19/24	18/24	15/24	10/24	6/24	2/24
% Livelihoods with source	95.8%	79.2%	75%	62.5%	41.6%	25%	8.3%

**Figure 2 - Box Plot Chart<sup>2</sup>**  
Comparative spread of income across the seven main activities – n = 24 livelihoods



<sup>2</sup> This Box and Whisker Plot Graphic provides six different pieces of information. The 'top', 'bottom' and 'middle' lines of the box correspond to the 75<sup>th</sup> percentile (top quartile), 25<sup>th</sup> percentile (bottom quartile) and the 50<sup>th</sup> percentile (the median) respectively. The whiskers on the bottom extend from the 10<sup>th</sup> percentile (bottom decile) and top from the 90<sup>th</sup> percentile (top decile). The Xs locate the mean value.

'Employment and remittances' is the most important source of livelihood with 23/24 of the assessed livelihoods gaining some income here. While the mean income is the highest of the seven categories at about M1000 per capita, Figure 2 illustrates a very wide spread in the range of revenues derived from this source. Between the 10<sup>th</sup> and 50<sup>th</sup> percentile proceeds range between M130 to a little over M300. Between the 50<sup>th</sup> and 90<sup>th</sup> percentile the income ranges between just over M300 and M3140. There is therefore a very big range of incomes associated with the Lesotho rural wage-skills hierarchy which probably spans local community level employment for neighbours, to national and South African labour markets.

While 'Self employment' is the second most open source of income, with 19/24 livelihoods registering it as means of income, it generates very low incomes. Between the 25<sup>th</sup> and 75<sup>th</sup> percentiles incomes are in the range of M35 to M150. The revenue at the 90<sup>th</sup> percentile is only about M500 per capita. However it is important for the 'poor' and 'ultra poor' groups with 12/13 registering small returns from this source.

'Livestock sales' is the third most used source of income with 18/24 livelihoods registering it as a means of revenue. It is the second most important pillar of rural livelihoods in Lesotho. Mean per capita income from this source is just over M400. Between the 10<sup>th</sup> and 90<sup>th</sup> percentiles the proceeds fall in the range M10 to M850. Twenty five percent of the livelihood profiles (6/24) do not have any livestock sales incomes.

'Crop sales' is the fourth most used source of income with 15/24 registering crop sales. Income levels are generally low. While the mean income level is a little over M200 income levels below the 50<sup>th</sup> percentile are less than M50 per capita. Thirty three percent of the livelihood profiles (9/24) do not register any crop sales.

'Livestock product sales' is the fifth most open source of income, but with only 10/24 livelihoods registering this means of income. I.e. about 58% of livelihoods do not profit from livestock product sales. The mean income per capita is about M450. Between the 10<sup>th</sup> and 90<sup>th</sup> percentiles the incomes fall in the range M10 to M1225

'Petty trade' comes sixth with 6/24 livelihoods registering it as a source of income. While the 75<sup>th</sup> percentile secures an income of about M575, the median income is about M75. Seventy five percent of the livelihoods did not register petty trade incomes.

'Other' was only registered by two livelihoods and the per capita incomes were very low M21 and M11.

### **Clusters of Livelihoods**

Appendix 2a clusters the livelihoods into three approximate groups: the 'Relatively Secure', those 'At Risk of Becoming Poor' and the 'Poor and Ultra Poor'. The descriptions below draw on information presented in Appendices 2a, 2b, 3a, 3b and 4.

The 'relatively secure' are made up of five 'better off' and three 'middle' income group as defined by the LVAC assessment. The livelihood stance of the top five in this group illustrates of what mix and proportions of incomes contribute to their relative security. Based on solid employment and remittances and livestock sales that account for 58-92% of their total high levels of income, this elite group invests 21-38% of their total cash expenditures in crop, livestock and self-employment

inputs. They therefore gain some of the highest per capita incomes from crop sales, livestock product sales and self-employment activities. As a consequence they secure between 58-70% of their staple food access from their own crops and plus an additional 15-16% of food access from their own livestock products. They therefore use a small share 7-13% of total cash expenditure budget on staple and non-staple foods. Per capita incomes are in the range of M3400-6900. Per capita expenditures on social services are 10-20 times higher than those of the 'poor' and 'ultra poor'. For this group the balance of income less expenditure leaves a cash surplus in the range of M1000-3000 per capita. They therefore have significant cash reserves to draw upon in times of shock or distress and are comparatively asset rich – especially in livestock holding.

The cluster of livelihoods 'at risk of becoming poor' is comprised of two 'middle' and one 'better-off' livelihood. Their livelihood patterns broadly replicates the strategies of the 'relatively secure', but realise lower per capita levels of income. The total revenue of this non-poor group comes from employment and remittances (or petty trade and livestock product sales) plus livestock sales. These combinations account and account for 89-97% of their total revenue. They too invest in crop, livestock and self-employment inputs – at 13-20% of their total expenditures. They however secure a much lower share of their staple food access from their own crops, between 42-58%, and an additional 2-11% from their own livestock products. They therefore tend use a larger share of total cash expenditure on staple and non-staple foods 21-40%. Per capita incomes are in the range of M2000-2500 with expenditures on social services being 4-6 times higher than those of the 'poor' and 'ultra poor'. For this group the balance of income less expenditure leaves a cash surplus of M440-1020 per capita. They therefore have some cash reserves to draw upon in times of shock or distress

The 'poor and ultra poor' are made up of six 'very poor', six 'poor' and one 'middle' wealth group. Their livelihoods tend to be narrowly dependent on two principal sources of income. Employment and remittances plus self-employment account for 64-100% of their total revenues. Only two out of these 13 'poor' and 'ultra poor' livelihood groups made investments in productive inputs. These were insignificant being 5.6% and 2.4% of their much lower levels of expenditure. Only six out of the 13 livelihoods registered crops sales (essentially tiny surpluses coming out of 'subsistence' production). These yielded very low levels of per capita incomes in the range M7-M52. Moreover, only two out of the 13 livelihoods registered livestock product sales while six registered livestock sales. However both these revenue sources secured low levels of per capita earnings. As their self-provisioning of staple foods is weak and incomes are low, the 'poor' and 'ultra poor' use a very large share of total assessed cash expenditure on staple and non-staple foods – between 31-62%. Despite the high use of cash for food purchases the 'poor' and 'ultra poor' also depend on in-kind payments for 14-23% and food aid for 11-36% of their total food access. For three of the 13 'poor' and 'ultra poor' livelihoods, food aid is their single most important source of staples. Per capita incomes are by definition 'ultra poor' (being below the ultra poverty line) in the range of M180-690. Per capita expenditures on social services are very low at M18-180 per capita per annum. Cash savings are effectively nil or extremely low. As a group they have limited ability to deal with shocks when they occur. Moreover, they are largely unable through their own efforts (given structural problems of unemployment and underemployment) to lift themselves into a more secure livelihood position, from which they would be better able to cope with variations in livelihood outcomes. As such they arguably fall into the category chronically poor and vulnerable.

## **Conclusion - Responding to Chronic and Transitory Poverty and Vulnerability**

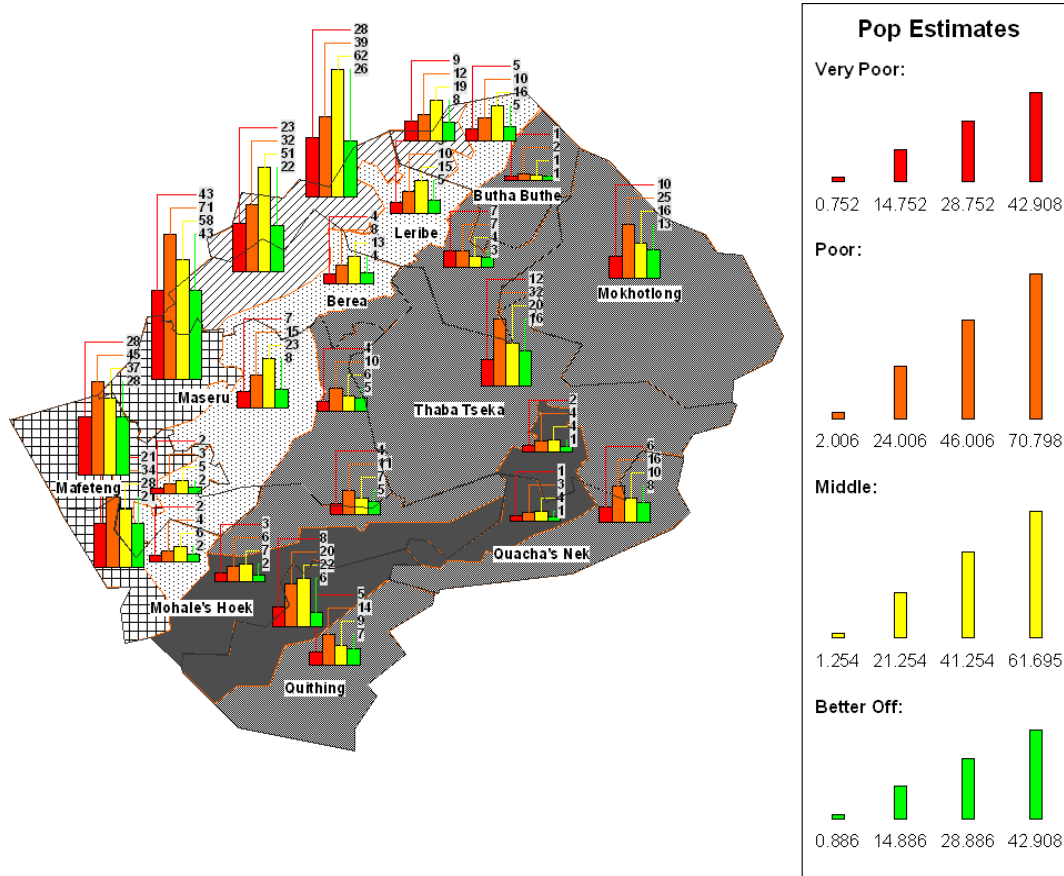
### **Who needs assistance?**

As is verified in the above analysis, the LVAC livelihood profiles generate per capita income results for the 'poor' and 'very poor' that are more or less congruent with the separate BOS money metric definitions of 'poor' and 'ultra poor' as presented in the PRS and HBS documents. (The one exception is the case of the middle wealth group in the Foothills whose per capita income also fell below the BOS poverty datum line). The 2006 LVAC Baseline profiles therefore provide a solid answer to the question – *which household needs assistance?* These profiles should therefore be used in developing any household-based targeting criteria. Identifying *which* households does however fall short of defining *who*, within households, might be specifically targeted. The household-level approach adopted here cannot adequately address the more specific needs of the disabled, children or other specialist groups such as orphans, people living with HIV/AIDS or exploited workers. This highlights the need to link household economy analyses of vulnerability with evidence emerging from other approaches and methods that better capture the situation and picture of these groups. Arguably, livelihoods / wealth stratified analyses of vulnerability should be the starting point from which to pursue more indepth analyses.

### **Where is the assistance required?**

Where: On the assumption that the assessed LVAC distribution of wealth groups within the livelihood zones as a whole are valid at the sub-zone level, Map 4 presents a picture of the likely distribution of wealth groups by livelihood zone and district.

**Map 4**  
Assumed population distribution of LVAC wealth groups  
by Livelihood Zone and by District - in 000's



The LVAC information therefore also provides a fairly reliable answer to the question – *where is the assistance required?* The high degree of inequalities associated with the livelihoods within each livelihood zone means that the ‘ultra poor’ and ‘poor’ are present in each sub location. However, their incidence and absolute numbers vary in relation to livelihoods and rural population density. As initially suggested in Map 3, the Northern and Southern Lowlands and the districts associated with these two livelihood zones carry a high proportion of these groups – see tables 7 and 8 below.

Appendix 5a provides a breakdown of the information used to construct Map 4. Appendices 5b and 5c present the same data with sub totals by district and Livelihood zone. Table 7 and 8 present a picture of the national incidence of the ‘very poor’ and ‘poor’ broken down by district and livelihood zone. NB. While the total incidence of the ‘very poor’ (17,3%) and the ‘poor’ (32,5%) sums to 49,8% the addition of the Foothills middle wealth group adds an addition 5,5% making for a grand total of 55,3%

**Table 7**  
The incidence of the ‘very poor’ and ‘poor’ by district

District	District Population	Very Poor	%	Poor	%
Maseru	315452	58111	23,5%	104664	22,5%
Leribe	220236	37618	15,2%	60575	13,0%
Mafeteng	160719	31295	12,6%	53105	11,4%
Mohale's Hoek	165366	29777	12,0%	56244	12,1%
Berea	162383	27891	11,3%	42336	9,1%

Quthing	100181	15456	6,2%	37240	8,0%
Thaba-Tseka	96431	14686	5,9%	38034	8,2%
Butha Buthe	89278	14095	5,7%	24172	5,2%
Mokhotlong	66193	10038	4,1%	26477	5,7%
Quacha's Nek	56280	8744	3,5%	22065	4,7%
<b>Total</b>	<b>1432518</b>	<b>247712</b>	<b>17,3%</b>	<b>464913</b>	<b>32,5%</b>

**Table 8**

The incidence of the 'very poor' and 'poor' by Livelihood Zone

Livelihood Zone	Sub Zone Population	Very Poor	%	Poor	%
S. Lowlands	458630	91727	37,0%	151349	32,6%
N. Lowlands	330745	59534	24,0%	82686	17,8%
Mountains	296441	44461	17,9%	118576	25,5%
Foothills	180561	23472	9,5%	50558	10,9%
Peri Urban	71922	14384	5,8%	28769	6,2%
Senqu R Valley	94218	14133	5,7%	32977	7,1%
<b>Total</b>	<b>1432518</b>	<b>247712</b>	<b>17,3%</b>	<b>464913</b>	<b>32,5%</b>

Clearly, while the above figures indicate a need for a national response, the vast bulk of any rural social protection resource allocation is likely to be best focused on the S & N lowlands and Mountain regions.

## What - and for how long and why?

The following suggestions draw on the information presented above. They are indicative. It is not the intention of this paper to be too prescriptive but to map out possible areas where social transfers and wider social protection measures might play a role<sup>xiv</sup>.

There appears to be two broad groups needing somewhat different packages of assistance and support:

The first is composed of approximately 800,000 ultra poor and the poor. The chronic causes underlying their poverty and vulnerability (slow economic growth, low agricultural productivity, high unemployment / underemployment and the HIV / AIDS pandemic) define the need for long-term support. As the BOS trend analysis and the LVAC 2006 baseline assessment has verified, the total numbers of this group has been fairly predictable over a long period of time. This predictability should allow the problems of this group to be tackled in a structured and multi-annual way.

As described above the two main pillars to the livelihoods of 'poor' and 'ultra poor' are employment & remittances plus self-employment surrounded by some marginal crop and livestock production activities that are largely for own consumption. Some of the livelihoods in this group include petty trade. This group is therefore vulnerable to the uncertainties and shocks that may affect the labour markets on which they largely depend for their living. They are also vulnerable to shifts in the demand for the products and services that they provide through self-employment activities. NB. In the rural areas, availability of employment (and demand for rural services) often fluctuates directly in relation to climatic shocks. Wider national and regional employment trends will also affect remittance levels. Given the high proportion of total expenditure allocated foods, the group is particularly vulnerable to changes in their real wages and/or to food price hikes. Inefficiencies in local food markets is likely to affect them adversely. Generally

provision of enhanced access to expanded incomes, food access, education and health services will reduce levels of poverty in this group.

In addition to wider development of rural labour markets to promote their functioning and efficiency, public works programmes can provide some guarantee to employment in times of stress for this highly wage dependent group. Direct household income support (cash transfer) is also a possibility. However this group is large comprised of about 140,000+ households suggesting the need for more targeted interventions such as child benefits, school feeding and/or school/health fee waivers<sup>xv</sup>.

(Peter can you model through the xls spread sheets the total cost of providing education and health services at a minimum basic level access for all the very poor and the poor using say the mean level of consumption secured by the middle income group? This data could be used to predict a 'ball-park' total cost of school and health fee waiver scheme. It would be good if we could put some illustrative data in here).

Predictable targeted agricultural inputs - principally for production for home consumption - could also play an important role in expanding the share of own crops and livestock products in the poor's and ultra poor's total food access. It could help to mobilize underutilised labour and land, reduce the crippling high levels of expenditures on staple and non-staple foods and serve to more solidly diversify their livelihoods.

However, whatever package is considered best in each livelihood context, the predictability of a guaranteed and regular support (no matter how small) often allows the beneficiaries to plan and invest, to save and therefore gain some control over their future. It is significant that virtually all the poor and ultra poor are involved in some form of self-employment. While redressing immediate levels of deprivation social transfers (across tens of thousands of households), can trigger shifts in economic activities that accumulate to reduce poverty, promote equity and stimulate growth.

The second is a group is made up of about 400,000 'non-poor' who, subject to the levels of shocks and stresses, are at risk of becoming poor. Social protection here is much more likely to be focused on preventing deprivation or destitution before it happens. The possibilities and potentials for various risk mitigating insurance mechanisms covering crops, livestock, possibly unemployment benefits and other risk reduction / livelihood promotions activities need to be considered and developed as and when appropriate.

(Peter what does your latest round of modeling suggest for this group? A couple of insightful paragraphs would be appropriate here)

## **Sources**

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Wikipedia (September 2007), Lesotho <http://en.wikipedia.org/wiki/Lesotho>

## End Notes

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<sup>i</sup> Surviving Shocks in Ethiopia: The Role of Social Protection for Food Security By: Annick Hiensch CASE STUDY #4-2 OF THE PROGRAM: "FOOD POLICY FOR DEVELOPING COUNTRIES : THE ROLE OF GOVERNMENT IN THE GLOBAL FOOD SYSTEM" 2007 Edited by: Per Pinstrup- Andersen (globalfoodsystem@cornell.edu) and Fuzhi Cheng Cornell University In collaboration with: Søren E. Frandsen, FOI, University of Copenhagen Arie Kuyvenhoven, Wageningen University Joachim von Braun, International Food Policy Research Institute.

<sup>ii</sup> See [http://www.wahenga.net/index.php/advocacy/policy\\_briefs/](http://www.wahenga.net/index.php/advocacy/policy_briefs/) the Wahenga RHVP Policy Briefs.

<sup>iii</sup> DFID (2007), Social Protection as an Essential Public Service.

<sup>iv</sup> The Lesotho Old Age Pension provides a monthly grant of M200 (US\$30). This is equivalent to oft quoted dollar / day poverty threshold. It exists as a non-contributory entitlement for 74,000 citizens over the age of 70 years. Delivered through the post office system the operating and delivery costs are estimated to be as low as 6%. In 2006 the total cost of the programme including the grants was about M135 million (US\$20.5 million) or an impressive 1.54% of the 2004 GDP estimate of 1,300 million US\$.

<sup>v</sup> Poverty and vulnerability are often mentioned together. Clearly the persistence of poverty in Lesotho is a major concern. Poor populations may also have become more vulnerable over time. While poverty refers to the failure to attain a minimum acceptable consumption level of food and basic needs, vulnerability refers to the risk of shocks occurring to people's livelihoods, and their inability to deal with such shocks when they occur. Rising vulnerability implies both an increase in the likelihood of shocks taking place and / or a declining ability to overcome shocks without experiencing livelihood collapse. Vulnerability is referred to as chronic when people are unable through their own efforts to lift themselves into a more secure livelihood position, from which they would be better able to cope with variations in livelihood outcomes. The chronically poor are defined by their lack of assets, high dependency ratios, and residence in remote locations, low-return occupations, chronic illness, and social barriers. It is assumed that significant long-term transfers are required to enable this group to cross crucial thresholds, such as investing in productive assets, and thereby make it possible for them to switch to positive growth trajectories that can carry them out of persistent poverty (Barrett, C., and D. Maxwell. 2005. Food aid after fifty years: Recasting its role. New York: Routledge).

<sup>vi</sup> See <http://tools.google.com/gapminder>. This tool helps to graphically illustrate how southern Africa lies at the epicenter of the global HIV/AIDS epidemic. It is the only region in the world where average national life expectancies have fallen so dramatically.

<sup>vii</sup> See - 2006 Nutrition Survey, LVAC with technical support from FNCO, MoHSW & WFP 2006.

<sup>viii</sup> See the LVAC July 2006 Lesotho Livelihood Profile Report. Separate Excel data files contain the full record of the evidence collected and the summary livelihood profiles

<sup>ix</sup> The U.S. Census Bureau International Data Base quotes a midyear population of 2,125,000 for 2007 where as the UNAIDS web site indicates a population of 1,795,000 for 2006.

<sup>x</sup> These numbers need to be seen as indicative and are based on a number of plausible assumptions. In the first instance they are based on the population figures allocated to the sub-zones of the district by the BOS in 2005. At that time the rural population was estimated

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to be as big as the 2006 national census figure. The latter rural figures have therefore been systematically adjusted downward.

<sup>xi</sup> Ten districts overlaid by six livelihood regions produce 25 sub-zones or sub-populations. While not marked on the map, the Peri-urban livelihoods are defined by 28 point locations (settlements) with a total population of approximately 71,000.

<sup>xii</sup> Household Economy Analysis (HEA) is by definition evidence summarized at the household level. However, given basic information on household size is it relatively simple to convert the LVAC data into per capita values. This is an important first stage in enabling its comparison with other national evidence such as poverty datum lines that are normally calculated in per capita terms (See Methodological notes Appendix 5).

<sup>xiii</sup> The reference year used in constructing the profiles was however 2004/05 and no adjustment for inflation in the period 2003 and 2004 has been taken into account in comparing 2004/05 income data and the per capita "poverty line" of M146/month and the "ultra poverty line" of M73/month as defined in constant 2002 prices.

<sup>xiv</sup> Social transfers (direct income support, public works, non-contributory pensions, child benefits, school feeding, school/health fee waivers and agricultural inputs) are just one of three broad elements to social protection. The other two are social insurance schemes and inputs of social legislation (the legal framework).

<sup>xv</sup> For example, a household income grant of say US \$30/ month would need more than double funds currently allocated to the current Old Age Pension scheme and may therefore be unsustainable.