

# **CHALLENGES IN DISTRIBUTION OF OLD AGE PENSIONS IN LESOTHO**

By

**Nkhahle Daniel Sejanamane (Mr)**  
**215142039**

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Supervisor: Bayat, M.S. (Prof.)

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## DECLARATION

NAME: Nkhahle Daniel Sejanamane

STUDENT NUMBER: S215142039

QUALIFICATION: Master of Philosophy in Development Finance

TITLE OF PROJECT:

### **CHALLENGES IN DISTRIBUTION OF OLD AGE PENSIONS IN LESOTHO**

In accordance with Rule G4.6.3, I hereby declare that the above-mentioned thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

**SIGNATURE:**



**DATE: November 2016**

## **ABSTRACT**

The research set out to explore the nature of challenges in distribution of old age pensions in Lesotho. Poor institutional capacity failed the implementing agency, the Department of Pensions; to set up competent administrative structures to run run the pensions effectively and efficiently. A number of challenges have been identified, some of which were: inadequate supervision of the paying officers, fraud by workers and community agents, missing funds, insufficient resources, inadequate administrative capacity, overworked employees, faulty targeting, soft and discriminatory approach to non-compliance with rules and multiple use of identity documents by recipients. On the other hand, a number of opportunities have been identified to counteract the challenges. The main recommendation of the study was the engagement of mobile phone-based money transfer facilities to transfer the old age pensions from the government to the recipients. The Department of Pensions should make use of baseline database like information from civil registration agency like the Ministry of Home Affairs to confirm the validity of the pension recipients. Other recommendations included moving the division of old age pensions from the Pensions Department to the Ministry of Social Development which is the controlling body for other forms of social grants in Lesotho. The Ministry of Social Development is regarded as well equipped with qualified staff and facilities to deal with vulnerable people like the elderly.

## LIST OF ABBREVIATIONS

|       |   |   |
|-------|---|---|
| \$    | – | Dollar  |
| ATM   | – | Automated Teller Machine                          |
| DA    | – | District Administrator                            |
| DFID  | – | Department For International Development          |
| GDP   | – | Gross Domestic Product                            |
| ICT   | – | Information and Communications Technology         |
| IMF   | – | International Monetary Fund                       |
| NISIS | – | National Integrated Social Information System     |
| N\$   | – | Namibian Dollar                                   |
| NISSA | – | National Information System for Social Assistance |
| OAP   | – | Old Age Pension                                   |
| PPP   | – | Public-Private Sectors Partnership                |
| SADC  | – | Southern African Development Cooperation          |
| USA   | – | United States of America                          |

## TABLE OF CONTENTS

|                                    |            |
|------------------------------------|------------|
| <b>ACKNOWLEDGEMENTS</b> .....      | <b>i</b>   |
| <b>DECLARATION</b> .....           | <b>ii</b>  |
| <b>ABSTRACT</b> .....              | <b>iii</b> |
| <b>LIST OF ABBREVIATIONS</b> ..... | <b>iv</b>  |
| <b>LIST OF APPENDIXES</b> .....    | <b>xi</b>  |
| <b>LIST OF CHARTS</b> .....        | <b>xi</b>  |
| <b>LIST OF FIGURES</b> .....       | <b>xii</b> |
| <b>LIST OF TABLES</b> .....        | <b>xii</b> |

### CHAPTER 1

|       |   |   |
|-------|---|---|
| 1.1   | INTRODUCTION .....  | 1 |
| 1.2   | LITERATURE REVIEW .....   | 2 |
| 1.2.1 | Definition of concepts.....   | 2 |
| 1.2.2 | History of old age pension.....   | 2 |
| 1.2.3 | Importance of old age pension.....  | 3 |
| 1.2.4 | Distribution and challenges of old age pension in Africa .....                  | 3 |
| 1.2.5 | Arguments in favor of employment of technology in old age pension transfer..... | 3 |
| 1.2.6 | Arguments against use of technology in social pension transfer.....             | 4 |
| 1.3   | PROBLEM DEFINITION .....  | 4 |
| 1.4   | RESEARCH AIM AND OBJECTIVES.....  | 5 |
| 1.4.1 | Research aim.....   | 5 |
| 1.4.2 | Research objectives.....  | 6 |
| 1.4.3 | Research questions .....  | 6 |
| 1.5   | SCOPE AND SCALE OF THE STUDY.....   | 6 |
| 1.6   | RESEARCH DESIGN AND METHODOLOGY .....   | 7 |

|      |                                 |   |
|------|---------------------------------|---|
| 1.7  | SIGNIFICANCE OF THE STUDY ..... | 8 |
| 1.8  | ETHICAL CONSIDERATIONS .....    | 8 |
| 1.9  | STRUCTURE OF THE STUDY .....    | 9 |
| 1.10 | SUMMARY .....                   | 9 |

## CHAPTER 2

### LITERATURE REVIEW ON CHALLENGES IN DISTRIBUTION OF OLD AGE PENSIONS

|         |  |    |
|---------|--|----|
| 2.1     | INTRODUCTION .....   | 11 |
| 2.2     | TYPES OF OLD AGE PENSIONS.....   | 11 |
| 2.2.1   | Old age pension.....   | 11 |
| 2.2.1.1 | <i>Universal old age pension</i> .....                                       | 12 |
| 2.2.1.2 | <i>Universal minimum pensions</i> .....                                      | 12 |
| 2.2.1.3 | <i>Means-tested old age pension</i> .....                                    | 13 |
| 2.3     | LITERATURE ON CHALLENGES IN DISTRIBUTION OF OLD AGE PENSION IN LESOTHO ..... | 14 |
| 2.4     | HISTORY OF OLD AGE PENSIONS .....  | 15 |
| 2.5     | IMPORTANCE OF OLD AGE PENSIONS .....   | 17 |
| 2.5.1   | Reduction of extreme poverty .....   | 17 |
| 2.5.2   | Improvement in the life chances of orphans and vulnerable children.....      | 17 |
| 2.6     | TYPES OF DISTRIBUTION OF OLD AGE PENSIONS .....                              | 18 |
| 2.6.1   | 'Pull' payment system .....  | 18 |
| 2.6.2   | 'Push' payment system .....  | 18 |
| 2.7     | CHALLENGES IN 'PULL' DISTRIBUTION OF OLD AGE PENSIONS IN AFRICA .....        | 19 |
| 2.7.1   | Introduction .....   | 19 |
| 2.7.2   | Riots and armed conflict.....  | 20 |

|        |  |    |
|--------|--|----|
| 2.7.3  | Poor administrative capacity .....   | 20 |
| 2.7.4  | High delivery costs .....  | 21 |
| 2.7.5  | Physical vulnerability of recipients .....   | 21 |
| 2.7.6  | Security .....   | 21 |
| 2.8    | ARGUMENTS IN FAVOUR OF A 'PUSH' METHOD OF DISTRIBUTION OF OLD AGE PENSIONS .....   | 22 |
| 2.8.1  | Introduction .....   | 22 |
| 2.8.2  | Efficiency and cost-effectiveness .....  | 23 |
| 2.8.3  | Flexibility .....  | 23 |
| 2.8.4  | Leap-frogging the digital divide .....   | 23 |
| 2.8.5  | Minimizing fiduciary risk .....  | 24 |
| 2.9    | RISKS IN USING TECHNOLOGY IN DISTRIBUTION OF SOCIAL PENSIONS                       | 24 |
| 2.9.1  | Disconnection between the social pension agency and the recipients...              | 24 |
| 2.9.2  | Regulatory gap between banking sector and mobile phone operators ..                | 24 |
| 2.9.3  | Proprietorship of payment facility .....   | 25 |
| 2.9.4  | High price of acquiring technology .....   | 25 |
| 2.10   | ESTABLISHMENT OF LESOTHO OLD AGE PENSION SCHEME.....                               | 26 |
| 2.11   | DISTRIBUTION OF OLD AGE PENSION IN LESOTHO.....                                    | 26 |
| 2.12   | EXPERIENCES OF LESOTHO IN MOBILE MONEY TRANSFERS .....                             | 30 |
| 2.12.1 | The legal standing of Lesotho mobile money practice .....                          | 30 |
| 2.13   | KENYA AS AN EXAMPLE OF A COUNTRY THAT USES MOBILE PHONE-BASED MONEY TRANSFERS..... | 31 |

### CHAPTER 3

#### METHODOLOGY, RESEARCH DESIGN AND RESEARCH METHODS

|     |                                     |    |
|-----|-------------------------------------|----|
| 3.1 | INTRODUCTION .....                  | 33 |
| 3.2 | RATIONALE FOR THE METHODOLOGY ..... | 33 |



|        |   |    |
|--------|---|----|
| 3.3    | RESEARCH DESIGN .....                             | 34 |
| 3.4    | THE RESEARCH PHILOSOPHY (RESEARCH PARADIGM) ..... | 35 |
| 3.4.1  | Qualitative research strategy .....               | 37 |
| 3.5    | TARGET POPULATION .....                           | 38 |
| 3.6    | SAMPLING STRATEGY .....                           | 38 |
| 3.6.1  | Purposive sampling.....                           | 39 |
| 3.6.2  | Convenience sampling.....                         | 41 |
| 3.7    | RESEARCH METHODS .....                            | 42 |
| 3.7.1  | Data collection .....                             | 42 |
| 3.7.2  | Face-to-face interviews .....                     | 42 |
| 3.7.3  | Document review .....                             | 43 |
| 3.7.4  | Observation.....                                  | 45 |
| 3.8    | PILOT STUDY .....                                 | 45 |
| 3.8.1  | The pilot study in the current research .....     | 45 |
| 3.8.2  | Criticisms of pilot study .....                   | 46 |
| 3.9    | DATA ANALYSIS.....                                | 47 |
| 3.9.1  | Inductive approach.....                           | 47 |
| 3.9.2  | Thematic analysis .....                           | 47 |
| 3.10   | RESEARCH RIGOR .....                              | 49 |
| 3.10.1 | Credibility .....                                 | 49 |
| 3.10.2 | Transferability .....                             | 50 |
| 3.10.3 | Dependability .....                               | 51 |
| 3.11   | LIMITATIONS OF THE RESEARCH .....                 | 51 |
| 3.12   | ETHICAL CONSIDERATIONS .....                      | 51 |
| 3.13   | SUMMARY .....                                     | 52 |

## CHAPTER 4

### FINDINGS AND INTERPRETATION OF DATA

|        |   |    |
|--------|---|----|
| 4.1    | INTRODUCTION .....  | 54 |
| 4.2    | FINDINGS AND INTERPRETATION OF DATA .....   | 54 |
| 4.2.1  | Increased burden of work for officers .....   | 54 |
| 4.2.2  | Lack of supervision .....   | 55 |
| 4.2.3  | Failure to verify the authenticity of the claims by proxies .....                         | 56 |
| 4.2.4  | Unlimited frequency of nomination of proxies .....  | 58 |
| 4.2.5  | Social network of proxies .....   | 59 |
| 4.2.6  | Faulty targeting .....  | 61 |
| 4.2.7  | NON-COMPLIANCE WITH CASH-HANDLING REGULATIONS.....  | 62 |
|        | 4.2.7.1 Failure to use cash-boxes at the pay points .....                                 | 62 |
|        | 4.2.7.2 Failure to keep cash in strong rooms overnight.....                               | 63 |
| 4.2.8  | DELAYS IN ACCOUNTABILITY .....  | 64 |
|        | 4.2.8.1 Delays in submission of monthly returns .....                                     | 64 |
|        | 4.2.8.2 Delays in paying pensioners after approval of their pension<br>applications ..... | 65 |
| 4.2.9  | Fairness of the pension.....  | 66 |
| 4.2.10 | Delivery costs.....   | 66 |
| 4.2.11 | SUMMARY.....  | 67 |

## CHAPTER 5

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

|       |                                |    |
|-------|--------------------------------|----|
| 5.1   | INTRODUCTION .....             | 68 |
| 5.2   | SUMMARY OF MAIN FINDINGS ..... | 68 |
| 5.2.1 | High security risk.....        | 68 |
| 5.2.2 | High delivery costs.....       | 68 |

|       |  |           |
|-------|--|-----------|
| 5.2.3 | Poor administrative capacity .....   | 69        |
| 5.2.4 | Faulty targeting .....   | 69        |
| 5.2.5 | Poor accountability.....   | 71        |
| 5.2.6 | Promising steps by government.....   | 71        |
| 5.3   | CONCLUSION.....  | 72        |
| 5.4   | RECOMMENDATIONS .....  | 72        |
| 5.4.1 | Mobile phone-based money transfer.....   | 72        |
| 5.4.2 | Monitoring of community stakeholders.....  | 74        |
| 5.4.3 | Encouraging the pensioners to buy life insurance policy.....                     | 75        |
| 5.4.4 | Auditing of pensions lists.....  | 75        |
| 5.4.5 | Data protection legislature .....  | 76        |
| 5.4.6 | National Information System for Social Assistance (NISSA).....                   | 76        |
| 5.4.7 | Movement of Old Age Pension Scheme to the Ministry of Social<br>Development..... | 77        |
| 5.5   | SUGGESTION FOR FURTHER STUDY .....   | 77        |
|       | <b>BIBLIOGRAPHY.....</b>   | <b>79</b> |

## **LIST OF APPENDIXES**

|   |    |
|---|----|
| APPENDIX 1: PERMISSION LETTER TO CONDUCT A RESEARCH ..... | 87 |
| APPENDIX 2: RESEARCH QUESTIONS .....                      | 89 |
| APPENDIX 3: PARTICIPANTS CONSENT FORM .....               | 92 |

## **LIST OF CHARTS**

|   |    |
|---|----|
| Chart 1.1: Flow of events involved in obtaining the pensions fund until the pensioners are paid. .... | 29 |
|---|----|

## LIST OF FIGURES

|  |    |
|--|----|
| Figure 3.1: The research continuum.....  | 36 |
| Figure 3.2: Inductive research.....  | 47 |
| Figure 4.1: The number of times proxies have collected pension on behalf of pensioners between April 2015 and and May 2016 .....                     | 58 |
| Figure 4.2: Number of proxies who represented several pensioners versus those who represented one pensioner.....                                     | 60 |
| Figure 4.3: Number of paypoints where staff complied with safe custody regulations of surplus cash versus paypoints where staff did not comply ..... | 63 |

## LIST OF TABLES

|   |    |
|---|----|
| Table 4.1: Number of names of deceased and transferred Pensioners who still appeared on the dispatch list and the amount of pensions grant paid to them. .... | 56 |
| Table 4.2: Number of Cash Boxes at the pay-points visited as at June 2016 .....   | 62 |
| Table 4.3: An extract from Pensions Department Cases of Missing Pension Funds for the years from 2013 to 2015. ....   | 65 |

## CHAPTER 1

### 1.1 INTRODUCTION

Lesotho is a land locked, lower middle-income country completely surrounded by South Africa. It has a population slightly over two million, 40 per cent of whom live below the international poverty line of US\$1.25 per day (Freeland and Khondker, 2015). In 2010, the fraction of the population aged 60 and above stood at 7 per cent, (or 133, 128). Worryingly, 8 per cent of all households in rural areas consisted mainly of elderly people and/or elderly people and children (Government of the Kingdom of Lesotho, 2015). This could be attributed to emigration by young people and HIV/AIDS deaths that also preyed mainly on young people. On noting that the elderly were, for the most part, poor, and those over the age of 70 faced the greatest risk of poverty of any age group, the government of Lesotho introduced a universal old age pension scheme in 2004. This was against the advice of the International Monetary Fund (IMF) which saw it as 'unaffordable' (Pelham, 2007). With the qualifying age for old age pension starting at 70 for men and 65 for women, Lesotho was able to cover 62 per cent of its elderly population, (Dorfman, 2015), at a cost of 1.31 per cent of its Gross Domestic Product (GDP) (Lesotho Government, 2015).

The monthly transfer began at M150 per person per month, and was later elevated to M450 (US\$40) per month, with a further increase to M500 (US\$45) per month in the financial year 2014/2015 (Lesotho Budget Speech, 2014/2015). The scheme is run by the Ministry of Finance, through its branch, the Pensions Department. In the first year of operation the pension fund was distributed to beneficiaries manually at designated places such as at the local chief's place or at any convenient public area such as community schools and church centres. With the inception of the Lesotho Post Bank in 2005, the fund was then distributed through the 12 branches of the bank spread throughout the nation, thus bringing the total number of pay points to 336 (Tanga, 2015). The inception of these Post Banks brought with them the hope that the pension transfers would now be safe from fraud and theft. However, a big problem with the Post Banks is that they are situated almost exclusively along the main road networks, thus making them difficult to

access by the rural population. It is assumed that too many resources, (human, time and financial), are needed to distribute the old age pension to the elderly living in the remote mountainous regions of Lesotho. For that reason, the study explored options that could supplement the current mode of distribution effectively and efficiently.

## **1.2 LITERATURE REVIEW**

At this stage, the literature review section serves to summarize the main points of the study as articulated by other authors who have investigated old age pensions in other countries. Before discussing the views of other authors on the topic under discussion, the main concepts of the title of the study will be explained in relation to their use in this study.

### **1.2.1 Definition of concepts**

There are two main concepts that form the basis of the title of this study. They are described as follows:

**Old age pension** is a non-contributory cash income given to older persons, (typically aged from 60), by government, usually on a monthly basis (Help Age International, 2013). According to Help Age International (2013), there are several alternative words used to describe old age pension, most popular among them being: social pension, cash transfer, non-contributory pensions and social protection pensions.

**Distribution of old age pension** entails an aggregation of all modes of dispensing cash transfers from the government to the old age pensioner (Tanga, 2015). Methods of distributing old age cash could include bank deposit, cell phone transfer or hand-to-hand transfer to mention but a few.

### **1.2.2 History of old age pension**

Studies show that old age pension dates back to the industrial revolution in the period between 1820 and 1840 (Hagen, 2011; Tanga, 2015). Before then, societies were agrarian and people continued to work until they were no longer able. Later, trade unions in western countries initiated pensions as a means of protecting their members from

poverty once they were old and could no longer work. The first old age pension was initiated in Germany in 1889 (German State Pensions, 2011), Britain by the fall of the 19<sup>th</sup> century, France followed later in the 1890s and the United State of America in 1937 (USA Social Security Administration, 2010).

In the Southern African region, South Africa was the first country to provide old age pension in 1928 (whites only) and in 1944 (universal), followed by Mauritius in 1950, Namibia in 1949 (whites only) and 1992 (universal), Botswana in 1996, Lesotho in 2004 and Swaziland in 2005 ([www.pension-watch.net](http://www.pension-watch.net), last viewed 9<sup>th</sup> May 2016).

### **1.2.3 Importance of old age pension**

Social pension schemes are commended for reducing extreme poverty and hunger in communities (Oosthuizen, 2012). Food and medical services are critical needs for elderly people in order to stay healthy. Furthermore, social pensions are good for improving the life chances of orphans and vulnerable children by creating a secure environment to raise children. Countries that provide old age pensions also provide a sense of good governance by recognizing the human rights of the elderly. According to Anthony (2010), old age pensions generally add feelings of self-worth among the elderly.

### **1.2.4 Distribution and challenges of old age pension in Africa**

Literature showed that old age pension was mainly distributed through post office / bank in many Southern African countries (eg Lesotho, Swaziland, Botswana and Namibia) (Hagen, 2011). There were also other countries such as South Africa, Kenya and Mauritius, which used electronic transfers like smart cards, ATMs and mobile phones (Anthony, 2010). The reason for using technology-based cash delivery methods was to reduce fiduciary risk (fraud, armed robbery and loss).

### **1.2.5 Arguments in favor of employment of technology in old age pension transfer**

In a bid to drift away from risky methods of cash transfer, various authors, (Acker, Jenny and Mbiti, (2010); Winnberg, (2012) and International Telecommunications Union



(2015)), have recommended technology-based cash transfer for the following advantages: efficiency and cost-effectiveness, flexibility, bridging the generational digital divide and minimizing fiduciary risk.

### **1.2.6 Arguments against use of technology in social pension transfer**

Conversely, there were also opposing views regarding the use of technology to transfer old age pensions to rural and remote, inaccessible areas. Some of the reasons cited included the following: dispensing the cash through technology would create disconnection between the social pension agency and the recipients and the organizations administering the technology might misuse the recipients' data that is at their disposal. This happened in Malawi where the social grants recipients' information was hijacked by politicians to advance their political agendas (International Telecommunications Union, (2015). As the International Telecommunications Union (2015) noted, the use of mobile communication sets caused confusion between the banking sector and the mobile industry with the latter claiming that the former has intruded into its mandatory service arena as was witnessed in Kenya.

## **1.3 PROBLEM DEFINITION**

Governments are responsible for ensuring the well-being of their citizens, particularly the most vulnerable groups like the elderly. In the case of the elderly, old age pension is often the main tool that governments use to ensure that the elderly have an income. However, in the face of the efforts made by governments to care for the elderly, there appears to be a host of challenges standing between the pension fund and the recipients (the elderly). In the case of Lesotho, for years there has been a public outcry about the challenges relating to distribution of the pension fund in the remote and inaccessible areas, with weak administrative capacities and severe deficits in rural infrastructure. Since the pension fund was distributed manually in the form of hard cash, fraud (or 'missing funds') has been a predominant factor throughout the process (Lesotho Times Newspaper, 1 December 2011; Parliament Hansard, 8 November 2012; Audit Report, 2013 and Lesotho Budget Speech, 2016/2017). The liquidity of cash meant that there was a high risk of loss during the process of delivery due to cash-in-transit robbery and

corruption, adding to costs. The challenge of cash loss was compounded by lack of age verification documents (like birth certificates), for the elderly which might have led to awarding the fund to wrongful beneficiaries. Moreover, mobility was a challenge for people living in the remote mountain-zone of Lesotho which is characterized by very sparse banking services, poor road network, rugged topography, icy winters and flooded rivers during the rainy seasons (Tanga et al, 2015). As has been noted by Tanga (2015), delivering cash manually to remote and virtually inaccessible rural areas entailed high costs related to employing new staff or the opportunity costs of diverting existing staff from their routine tasks. This could result in costs representing a high percentage of the program budget. For instance, Farrington and Slater (2006) argued that, for governments running cash transfer programs, typical delivery costs stood at 2 to 4 per cent of the total grant value. In Lesotho, the cost of delivering the old age pension was found to be higher than average, as it stood at 20 per cent of the program budget, excluding losses due to fraud and armed robbery (Bankable Frontier Associates, 2011).

In the light of the high costs of delivering social pensions in Lesotho as stated above, it was clear that there should be a research study digging deeper into the challenges in distribution of old age pension in Lesotho in order to identify more effective and efficient delivery mechanisms. While there is widespread evidence of effectiveness of social cash transfers in alleviating extreme poverty, the costs of such endeavors are rarely discussed (World Bank, 2011 and 2013 and DFID, 2011). The study sets out to explore the logistical, operational and security challenges inherent in social cash transfers by countries with limited physical and financial infrastructure like Lesotho.

## **1.4 RESEARCH AIM AND OBJECTIVES**

The aim, objective and questions of the research were as follows:

### **1.4.1 Research aim**

The study aimed at assessing the challenges facing old age pensioners in Lesotho and hopefully to come up with options to alleviate those challenges. Recommendations are

provided in order to make positive contributions in distribution of old age pension in Lesotho.

#### **1.4.2 Research objectives**

The objectives of the study were as follows:

- To discover the nature of challenges in the distribution of old age pensions in Lesotho;
- To explore literature concerning the distribution of old age pension funds;
- To assess how challenges in distribution of old age pension funds affect delivery of the pensions;
- To provide recommendations for efficient and effective f distribution of old age pensions in Lesotho.

#### **1.4.3 Research questions**

The research questions of the study follow:

- What was the literature surrounding challenges in the distribution of old age pension funds?
- What possible new ways are there to distribute the old age pension fund efficiently in Lesotho?
- How did the challenges in distribution of the old age pensions affect the delivery of the program's services?
- What would the recommendations be with regard to distribution of old age pensions in Lesotho?

### **1.5 SCOPE AND SCALE OF THE STUDY**

To begin with, the study set out to assess the policies, plans and activities of the Department of Pensions in Lesotho in relation to distribution of the old age pension fund. Data was collected from the caretakers of the old age pensioners as well as staff of the Pensions Department and Postbank. Other research participants were from local

telecommunications organizations, namely, Vodacom and Telcom-Econet Lesotho. The study focused on logistical, operational and security challenges during the delivery of old age pensions. The assessment covered the period from 2010 to 2016 as it was the most recent period that had fresh information as to how things presently stand at the Pensions Department.

## **1.6 RESEARCH DESIGN AND METHODOLOGY**

The research approach adopted in this study was a qualitative technique. A qualitative approach was adopted because it enabled the researcher to record, analyze and uncover the deeper meaning of information gained regarding the management of the Department of Pensions. It also allowed for insight into the thoughts of other role-players with regard to the challenges in the distribution of old age pensions in Lesotho and their recommendations. In other words, a qualitative approach seeks to construct reality socially. It is famous for producing findings that could not be determined in advance. Studies argued that there were two approaches to qualitative data analysis, namely deductive and inductive approaches (Samson, van Niekerk and MacQuene (2010) and Zhang and Wildemuth, (2011)). According to Zhang and Wildemuth (2011), a deductive approach seeks to analyze data within a certain established theoretical framework while an inductive approach pursues to analyze data with the aim of developing a new conceptual framework.

In this research, deductive and inductive approaches were relevant in a sense that data analysis was informed by research objectives and questions (deductive) and multiple readings and interpretations of the raw data (inductive). In other words, the findings of the research were derived from both the objectives of the research and the analysis of the raw data. More reason to choose the two approaches was stated by Yin (2009) who agreed that they both helped researchers to arrange facts in a logical manner, spot trending occurrences, identify recurring themes, interrelationships that relate to the case and finally aided researchers to draw conclusions that went beyond the entity studied.

## **1.7 SIGNIFICANCE OF THE STUDY**

The prime goal of the study was to generate new knowledge in the realm of old age pensions, especially in Lesotho. Policy makers and development practitioners may also use the new knowledge to build an effective and efficient old age pension scheme. More importantly, the research provided recommendations on options that could be employed as distribution channels for old age pensions in Lesotho in order to avoid the present risky and ineffective ways. Among the options proposed by the study, it would be imperative to state how high costs in delivery of old age pension schemes could be avoided. If adopted, the recommendations would contribute significantly to the way old age pension funds are distributed in Lesotho. In other words, the study would have a positive effect on how officers did their jobs by employing efficient systems in dispensing the pension funds. Moreover, the study served as a future reference for researchers on challenges in distribution of old age pensions, not only in Lesotho but also in an African context

## **1.8 ETHICAL CONSIDERATIONS**

In conducting this research, it was always important to consider the moral principles that governed the behaviour of the researcher and his environment. Since the beneficiaries of old age pensions were people aged 60 and above, according to Nelson Mandela Metropolitan University code of research ethics, they were regarded as persons with weakened autonomy and therefore it was unethical to make them subjects of research as they were regarded as vulnerable. For this reason, the study resorted to seeking information about them from alternative sources like publicized documents and interviews with people who served them, such as the pensions officers.

All participants were informed verbally about the nature of the study, its aim and objectives prior to any interviews or surveys. They were also made aware that their participation in the study was voluntary and that they were free to withdraw at any stage. No pay or any form of reward exchanged hands between the researcher and the participants. It was also pledged that the participants would not be exposed to any form physical, psychological or emotional harm.

Furthermore, the researcher undertook to protect the identity of all who participated. No names or identities would be published in the final research document. Each participant was allocated a number linking them with the interviews, notes and discussions that resulted from communicating with the researcher. And this data was kept safely to bar it from unauthorized access.

## **1.9 STRUCTURE OF THE STUDY**

### **Chapter 1 – Introduction**

Chapter one served to present the context and meaningfulness, the problem at issue and the intention of the study.

### **Chapter 2 – Literature review**

The literature review chapter set out to provide background information on the distribution of old age pensions as found in existing literature. It sought to find similarities, differences and discrepancies on the topic under scrutiny.

### **Chapter 3 – Methodology**

This chapter sought to show the different criteria employed to investigate the topic in question.

### **Chapter 4 – Findings and interpretation of data**

The purpose of Chapter 4 was to present the findings of the research.

### **Chapter 5 – Conclusions and recommendations**

A conclusion and recommendations were made based on the research findings.

## **1.10 SUMMARY**

Chapter one served as an introductory episode of this research. It introduced the research topic and the background of the study to the reader. It sought to provide information on

problem statement which outlined a gap in the body of knowledge as far as distribution of old age pensions was the issue, aims of the research, research method, and brief literature review and chapter allotment. The scope and scale of the study were outlined in terms of the study area (organisations to be studied and their physical location), time limits, research subjects and participants and the research objectives and questions guiding the study. The chapter also stated significance of the study in the practice of distributing old age pensions.

The next chapter presents an extensive literature review in a quest to unpack existing knowledge related to the research problem.

## **CHAPTER 2**

### **LITERATURE REVIEW ON CHALLENGES IN DISTRIBUTION OF OLD AGE PENSIONS**

#### **2.1 INTRODUCTION**

The first chapter of the study sought to introduce the study topic, problem statement, study objectives, research questions, significance of the study, methodology and general outline of the study. Chapter two deals with the theoretical base of the study premised on the previous research on challenges in distribution of old age pensions and options identified. The literature review has been presented in three sections. The first portion sought to present the main types of old age pensions commonly adopted by most countries across the world. The second part of the chapter sought to present distribution methods and their challenges as found in literature. Furthermore, this section also focused on technology-based distribution channels as a panacea to a myriad of challenges surrounding the distribution of large sums of pension money to places with little or no financial infrastructure. Examples of countries where technology-based distribution of cash has been used will also be discussed.

#### **2.2 TYPES OF OLD AGE PENSIONS**

##### **2.2.1 Old age pension**

Old age pension is a non-contributory cash income given to older persons by government, usually on a monthly basis. A describing factor about old age pension is that it is funded by taxes and paid to people who have reached a stipulated age. Different countries have different eligibility ages, for instance, South Africa set the qualifying age at 60, Botswana 65, Lesotho 65 for women and 70 for men, and Namibia 60 ([www.pension-watch.net](http://www.pension-watch.net), last viewed on 9<sup>th</sup> May 2016). The aim of old age pension is commonly cited as a means of reducing poverty among the elderly population. According to Help Age International (2006), there are several alternative words used to describe old age pension, most popular among them being: cash transfer, non-contributory pensions and social



protection pensions. Studies show that there are two types of old age pension, namely universal and means-tested social pension (Social Security Administration and International Social Security Association, 2010).

#### **2.2.1.1 *Universal old age pension***

Universal old age pension, referred “to as a pension scheme that offered a pension based on the criterion of age and conditioned only by citizenship or residency as criteria of membership in the state” (Dixon, 1987). It is worth noting that income, assets and other pension income are not considered in providing social pension under universal arrangement. That implied that even working elderly people would qualify to get it because it is not based on other income. The first country to adopt universal old age pension was New Zealand in 1938, followed by Canada, Mauritius and Norway in the 1950s (Kasente, Asingwire, Banugire and Kyomuhenda, 2009). According to World Bank (2012), in 2011 there were 12 countries across the world that practiced universal old age pension, some of which were: Namibia, Kosovo, Botswana and Seychelles

Universal old age pension schemes had a broad based political support in a sense that they ensured income to elderly people without discriminating about other incomes and assets.

#### **2.2.1.2 *Universal minimum pensions***

Universal minimum pensions entail providing a pension to people over a certain age. However, a pensions-test is applied in order to exclude people who have some other form of pension (Bonturi, 2010). It is worth noting that in countries like Lesotho, Nepal and Swaziland, the coverage of other pensions was very low and therefore the universal minimum pensions system practiced in those countries was overshadowed by universal pensions (Holzman, Robalino and Takayama, 2009). World Bank (2012) showed that there are at least 25 countries in the world that practice universal minimum pensions, some of them are: Lesotho, Swaziland, Moldova, Finland and Sweden.

### **2.2.1.3 Means-tested old age pension**

A means-tested old age pension can be described as a social pension awarded after the state has checked the financial resources of the applicant and what social assistance, if any, they qualify to receive (Winnberg, 2012). It was its restrictive nature of recruiting members that made means-tested pension schemes earn political acceptability in many countries. Some of its restrictive measures included:

- a) The social pension agency examines all the sources of income of a prospective social pensioner and weighs them against a prescribed set of criteria to determine eligibility and for what amount. According to Townsend (2009), not all sources of income are considered, as in the case of Ireland, training allowance and rental allowance were some of the cash incomes not taken into account.
- b) Setting the pension amount so low that only the most desperate prospective pensioners would apply for it, as was the case in Peru (Winnberg, 2012). This was done so that money was not wasted by including those who did not have a desperate need for it.

However, there were problems associated with the means-tested method as the transaction costs of screening or assessing the prospective recipients in Peru and Chile were high and had to be borne by the applicants themselves (Katarikawe, 2005). Contrary to that, in South Africa, India and Kenya, the assessment fees were born by the government (Social Security Administration and International Social Security Association, 2010). In those countries where the assessments costs were borne by the prospective recipients, Oosthuizen (2012) cautioned that the system was prone to corrupt practices in a bid get some applicants 'qualified' for the social pension. Another problem area with means-tested pension funds was identified by Samson et al, (2013) as weakened social ties between the recipients of the pension and those who failed to qualify for it. Moreover, there were some arguments that means-tested pension schemes promoted a poverty-trap in societies as it required recipients to be living below a certain economic level in order to qualify (Steward and Yemo, 2009). People may opt not to save money or not engage in income generating activities in order to be eligible for the fund.

## **2.3 LITERATURE ON CHALLENGES IN DISTRIBUTION OF OLD AGE PENSION IN LESOTHO**

Lesotho Old Age Pension was established in 2004 and started operation later the same year. Due to a poor national data base on population births, the first challenge of the pension scheme was to estimate the right ages of the prospective pensioners who did not have official documents proving their age (Bonturi, 2010). To establish their age, the local chief, community councilors and some members of the family had to interview the elderly about certain events that happened in the past in order for them to estimate their age. As Holzman et al (2009) noted, the exercise had always been tricky because in the rural areas people had a tendency to look older than their actual ages due to early marriage, poor nutrition, subsistence farming and inadequate medical services. Moreover, interviewing them about certain historic events was unfair as it depended on their memories, which by nature were subject to loss of information and distortions.

For those who had proof of age but did not have identity documents, they were urged to use their voter registration cards as they were prevalent at that time following the first local government election in Lesotho and because it was easier to make a voter registration card than a passport. Obtaining a passport involved a significant expense including travelling to a district centre, compiling necessary documentation and the cost of the passport itself (Holzman et al, 2009). By virtue of their proximity to communities and due to being well-informed about issues related to voter registration, community councilors were at the forefront in assisting the elderly to obtain voter registration cards. The assistance of the elderly by the community councilors became questionable and ceased in 2011 when the Pension Department complained that the councilors were using the portfolio as an electoral pledge to hijack the elderly to follow their political parties (Oosthuizen, 2012). The claim was also supported by a host of media reports that some councilors were involved in backdating the birthdates of some elderly people in order for them to qualify for the pension (Lesotho Times, 2012 and Sunday Express, 2012). Church leaders were also implicated in the same corrupt practice of backdating the ages of the elderly through baptism certificates as they were also used to prove date of birth.

Another challenge in the distribution of old age pensions in Lesotho was missing funds, cash-in-transit robberies, cash theft and embezzlement between 2011 and 2012 (Lesotho Times, 1 Dec 2011 and Lesotho Parliament Hansard number 8, 2011). During the same period, the Office of the Auditor General Lesotho confirmed the amounts of looted money and blamed the poor management and administrative systems of the Pensions Department (Auditor General's Report, 2013). The predictability of the pay dates were also pointed out by the Auditor General as leading to cash-in transit robberies and other unconfirmed rumors about pensioners who got mugged after receiving their pension.

At the pay points there were also reports that some pensioners' names went missing from dispatch lists (Mail and Guardian, 3 November 2006). In mitigation of this issue, Mail and Guardian (3 November 2006) reported that pensioners had to be sent back to the local District Administrators' officer for re-registration. There were also reports about lack of shelter for the elderly from rainy or hot weather.

## **2.4 HISTORY OF OLD AGE PENSIONS**

Literature shows that the reasons that led to the establishment of old age pension schemes are the same across countries globally. Old age pension schemes came into being because of the industrial revolution (Stewart and Yermo, 2009). Prior to the industrial revolution communities were predominantly agricultural and there were no clear boundaries as to when one should retire from their job. In fact, in those days, people continued to work even when they were very old (Kalasa, 2001). People who were weakened by age were given less labor intensive jobs like prophesying, handing down commandments or moving in with kids (Kaseke, 2004). So the industrial revolution brought with it clear demarcations between the active-labor period and retirement age. During the retirement period, many governments realized that the retirees were becoming severely poor. Furthermore, movement of young, able-bodied people to cities in search of jobs changed the family structure and also relegated the elderly people to acute poverty. As for the elderly people already living in the cities, young immigrants gave them tight competition for jobs, and jobs that were previously done by the elderly were given to the younger generation of workers.

By nature, industrialization depended on labor migration, a factor that loosened home ties and family solidarity (Szreter, 2006), thus exposing the elderly to vulnerability. For that reason, the elderly people could no longer rely upon the family institution for economic support. Moreover, saving for pension was impractical for workers given their meagre salaries and the perceived remoteness of retirement age (Beck, Demirguc-Kunt and Levine, 2004). It was difficult for them to time or foretell the duration of old age.

On realizing that there was a growing number of retired former members who were without income, trade unions in Britain, Germany and United States of America made the issue of old age pension a public concern in their respective countries by the end of the 19<sup>th</sup> century (Szreter, 2006). In 1889 Germany became the first nation in the world to establish what they called an old age insurance (German State Pensions, 2011). The United States of America followed in 1935 after some trade unions established private retirement benefit systems aimed at the elderly former trade union members (USA Social Security Administration, 2010). After many years of putting pressure on USA Government to establish and run social old age pension schemes for retired workers, the trade unions won the battle when, in 1937, the USA Government established an inclusive social pension scheme.

In France, studies show that the history of universal old age pensions dates back to the French Revolution of 1789 to 1799 although the policy was not implemented at that time (French Social Security Organization, 2011). The first all-inclusive old age pension was established in Germany in 1889 (ibid), followed by the introduction of a means-tested pension in Britain in 1908 (Szreter, 2006). In Canada, Bryden (1974) stated that an old age pension scheme was established in 1927, prompted by massive industrial production post-First World War.

In Southern Africa, the topic of establishing old age pensions has been on the table of SADC countries since the 1980s, although it was made a worldwide agenda by the IMF and World Bank in the 1990s and caught the attention of some countries in the SADC region in the 2000s (Park, 2009 and 2011). South Africa was the first country to provide an old age pension in 1928, (whites only), and in 1944 (universal), followed by Mauritius

in 1950, Namibia in 1949 (whites only) and 1992 (universal), Botswana in 1996, Lesotho in 2004 and Swaziland in 2005 ([www.pension-watch.net](http://www.pension-watch.net), last viewed 9<sup>th</sup> May 2016).

## **2.5 IMPORTANCE OF OLD AGE PENSIONS**

### **2.5.1 Reduction of extreme poverty**

Dispensation of old age pensions has a number of benefits as observed by various authors. Primarily, old age pension schemes were applauded for their ability to reduce extreme poverty and hunger among the elderly. For instance, studies show that in South Africa, the social pension reduced the number of people living below the poverty line by 5 per cent (Oosthuizen, 2012). It was clear that with pension transfer, governments broke the cycle of chronic poverty from one generation to another. In South Africa, a pensioner in the household reduced the chances of the family becoming poor by 11 per cent (ibid) while it was by 21 per cent in Brazil (Bonturi, 2010).

### **2.5.2 Improvement in the life chances of orphans and vulnerable children**

Social pensions also contribute towards improving the educational and nutritional wellbeing of orphaned and vulnerable children. They create a secure environment for raising children. In South Africa, orphaned and vulnerable children living with social pension-earning guardians were found to be 3 to 4 centimeters taller than their counterparts who lived with non-income earning guardians (Oosthuizen, 2012). Moreover, there was also a positive relationship between social pension dispensation and school attendance by orphaned and vulnerable children. For instance, according to National Audit Office of Tanzania, out of 146 000 orphaned children in Tanzania, only 1000 attended secondary school in 2014 because their social pension-earning guardians could afford the fees.

### **2.5.3 Positive contribution to human rights agenda**

By virtue of making older people capable of earning an income, social pensions represent a robust social development framework for countries implementing it. Social pensions contribute towards the human dignity of the recipients and promoting social justice

(inclusion) by closing the gap in gender inequality regarding income and quality of life between older women and men (Kasente et al, 2009). Social pensions also promote social cohesion and a sense of security among elderly people, thus a noble sign of good governance. They also restore confidence in the business community by ensuring effective purchasing power.

## **2.6 TYPES OF DISTRIBUTION OF OLD AGE PENSIONS**

Studies show that there are two modes of distributing cash payments to recipients, namely, pull and push payment systems (Kasente et al, 2009; Hu and Stewart 2009). The two methods of cash distribution are discussed as follows:

### **2.3.1 'Pull' payment system**

As the name denotes, 'pull' payment mechanisms entail assembling beneficiaries/recipients at a specific pay point at a specified time (World Bank, 2012) This could take the form of paying people manually at a Post Office, Local Government Offices, in a mobile cubicle or at school on the first Saturday of every month, for example. The pull payment system was applauded for its ability to promote strong bonds between the implementing agency's staff and the recipients of the social grant (Kasente et al, 2009). The method provided the opportunity for the cash recipients to meet the officials and therefore iron out any complications in relation to the cash delivery and other outstanding matters in general. On the other hand, the pull payment system was sharply criticized for exposing recipients of cash to security risks due to publicizing pay dates, amounts to be disbursed and location (Hu and Stewart, 2009). For that reason, the pull payment method was viewed as more appropriate for distribution of food parcels than of cash as food parcels were not as sensitive and liquid as cash (Hu and Stewart, 2009). In fact, Hu and Stewart (2009) traced the emergence of the pull payment system to the prevalence of food aid in developing countries in the 1980s.

### **2.3.2 'Push' payment system**

The mode of dispensing cash to recipients by application of technology is called the 'push' method, named after the act of 'pushing' the cash transfer electronically through

technological devices such as cell phones, smart cards, bank accounts, point of sales, Automated Teller Machines to mention but a few (Cunha, Giacomo and Jayahandran 2011). The goal of the 'push' payment system is to successfully distribute the correct amount of money to the right people at the right time and frequency at the lowest costs to both the program and the beneficiary (Katarikawe, 2005). Unlike its counterpart, (pull system), the push system was promoted mostly in the 2000s after it was considered by the International Monetary Fund as a cost-effective means of transferring cash to multitudes of people safely and effectively (Samson et al , 2013). It was used as a tool to facilitate a shift from food aid to cash aid, as cash aid was preferred for its capacity to trigger a wider range of developmental results and again because it was easier and cheaper to deliver than food aid (Hu and Stewart, 2009).

## **2.7 CHALLENGES IN 'PULL' DISTRIBUTION OF OLD AGE PENSIONS IN AFRICA**

### **2.7.1 Introduction**

Like other social transfers such as food, cash transfers in Africa have been delivered using 'pull' mechanisms, which necessitated the recipients to assemble at a certain pre-determined location, on a certain day and time to collect their transfers (Hu and Stewart, 2009). Studies show that pull mechanisms are appropriate in situations where financial infrastructures are poor, especially in the rural areas. Pay points may be local government offices, Post Offices, and mobile stations to mention but a few (Atchetell, 2006). Dominant among the pay points in the rural areas was Post Offices, mainly because they had wider coverage than commercial banks and partly because they were partly or fully under state control (Samson et al , 2013). Besides being accessible, one more reason for using Post Offices was that they are less intimidating to illiterate people, most of whom reside in the rural areas. Countries that used Post Offices as part of their pay points included Lesotho, Swaziland, Namibia and Malawi to mention but a few.



### **2.7.2 Riots and armed conflict**

Evidence showed that establishing an old age pension scheme and rolling it out to serve its intended beneficiaries was difficult in Africa, given the frequent political instability in this region (Social Security Administration and International Social Security Association, 2011). In some countries, such as Sierra Leone, Eritrea, and Somalia, efforts to establish social protection schemes (including an old age scheme), were hindered by armed conflicts. More armed conflicts also destroyed whatever social security programs once existed in Liberia and the Democratic Republic of the Congo (Social Security Administration and International Social Security Association, 2009). In other words, distribution of old age pension in those countries was halted by brutality.

### **2.7.3 Poor administrative capacity**

Although governments took creditable steps to provide old age pensions, studies showed that quite often governments were slow to invest in the administrative capacity of the fund in order to be able to distribute it effectively and efficiently. For instance, Townsend (2009) showed that although the pension benefit was universal in Namibia, not all rural elderly people were receiving it due to (a) difficulty with verifying age, (b) lack of access to pension distribution networks; and (c) eligibility to different types of fraud. The same situation was observed in Swaziland (Dlamini, 2007), that due to lack of age verification documents, old age applicants were allowed to use other identity documents such as passports and driver licenses as proof of identification. This flexibility led to a swelling number of beneficiaries, (from 43, 830 in 2005 to approximately 60,000 in 2006/07), and some people were believed to have increased their ages and applied for new passports. The use of different forms of identification was viewed as an avenue for ineligible people to take advantage of the grant.

Another obstacle to efficient distribution was specified by Vincent and Cull (2009) as poor and inefficient management of the schemes that were frequently characterized by high administrative costs, lack of transparency and delays in receiving benefits. The problem manifested itself in the form of manual processing of claims, combined with the many stages that a claim needed to go through before funds were dispersed, as was witnessed

in Uganda and Zimbabwe in disbursing public assistance for the elderly (Oxford Policy Management, 2010). In other words, the bureaucratic machinery to administer these programs severely hampered their effectiveness.

#### **2.7.4 High delivery costs**

The poor and inefficient delivery of the old age pension transfers had an adverse impact on the recipients. As has been shown in an earlier discussion in this research, governments incur an average cost of 2 to 4 per cent of the program budget to deliver the pension transfers through the pull mechanism, with the exception of Lesotho which incurred about 20 per cent of the program budget (Anthony, 2010). Recipients of the fund also incur costs to access their pension, for instance, many recipients in Namibia had to set a day aside every month in order to access a pay point, queue there and come back home (Munro, 2012). Other costs incurred by the recipients included transport costs to and from pay points and opportunity costs of lost labor time for other activities. As Munro (2012) observed in Namibia, queueing in the open also exposed the recipients to harsh weather conditions which sometimes led to health problems.

#### **2.7.5 Physical vulnerability of recipients**

By virtue of old age, the recipients of the pension fund were physically vulnerable people who could not withstand walking or travelling long distances, queue up for long hours in congested lines and travel back home after getting the pay (Grosh, 2011). Options of nominating a proxy to fetch the pension on behalf of the elderly might be effective but could also be open to abuse in many cases.

#### **2.7.6 Security**

The fact that 'pull' payment mechanisms involved making the pay day, location and amount publicly known in advance placed a burden of insecurity on all participants, including the vulnerable elderly people (Hagen, 2011). There was a high risk of thieves ambushing the elderly and snatching the fund. According to Hagen (2011), informing other community members about the pay date and amount could lead to problems of stigma, social exclusion or even pressure to share the money. However, although

publicizing the location and amount of pension in advance posed a security risk, there was also an upside to it, especially for the recipients. Literature showed that the recipient households could use that predictive information for budgeting (Rutherford, 2009). Budgeting was a very essential issue especially for the poorest and most vulnerable households. Knowing in advance when they were going to get their next pay helped with budgeting, especially when the timing and amount was regular.

## **2.8 ARGUMENTS IN FAVOUR OF A 'PUSH' METHOD OF DISTRIBUTION OF OLD AGE PENSIONS**

### **2.8.1 Introduction**

Considering the slow pace and risky way of disbursing the pension fund manually to the elderly, the study examined literature to find options in modern technology in relation to cash transfer. After extensive review of literature (Morawczynski and Pickens 2009; Blumenstock, Eagle and Fafchamps 2011 and Jack and Suri, 2011), mobile phone-based money transfer emerged as the ultimate answer in delivering cash in remote, rural and financially excluded communities. It is worth noting that, both mobile phone operators and financial institutions like banks used mobile phones to transfer cash. The focus of this discussion was premised on the use of mobile phone cash transfers as done by mobile phone network operators. The reason for basing the discussion on mobile phone-based cash transfers was that the service was designed to serve the unbanked customers who probably lived in remote and marginalized areas (Jenny et al, 2012), which also coincided with the goal of this study to show how people living in such areas could easily access cash transfers. While it was an undeniable fact that banks were also involved in mobile phone-based cash transfers, their services were selective because they were mainly aimed at their clientele, unlike mobile phone operators that served everyone who sought their services. For that reason, mobile phone-based money transfers by mobile phone network operators were deemed relevant for the purposes of this study.

### **2.8.2 Efficiency and cost-effectiveness**

Literature showed that cash transfers that used push delivery systems were advantageous for the institutions using them. There were two advantages commonly cited by literature. They were personnel efficiency and cost-effectiveness (Dhaliwal, Igbal, Duflo, Glennerster and Tulloch, 2011). To begin with, personnel efficiency, studies show that, in cases where cash transfer was delivered technologically, staff were not required to pay the cash in person, but rather, they were engaged in other important duties which might otherwise have been neglected. Disengagement of staff from disbursing the fund also meant that leakages through losses like fraud were remarkably reduced (DFID, 2011). Regarding the cost-effectiveness side of it, it was noted that by virtue of not using transport, security and insurance to physically move cash to remote areas, the push mechanisms save on financial resources.

### **2.8.3 Flexibility**

According to Aker and Mbiti (2010), technological cash-transfer is also gaining popularity by offering flexibility on where, when and how to access the social fund. The social pensioners have a wide range of choices on whether the fund could be delivered through ATM, point of sale, bank or mobile phones. They save on transport costs and opportunity cost of time spent walking, waiting and queuing at the pay point.

### **2.8.4 Leap-frogging the digital divide**

The advocates of ICT employment in social pension transfers cite that, besides its ability to deliver the grant to rural and remote areas, the technology also bridges the gap between people who are technology challenged and those who are not (Dhaliwal et al, 2011). That is to say that the ICT would not only work for the target group, but would go beyond them and serve the whole community. For example, there is a claim that after the inception of M-PESA in Kenya, taxi drivers demanded that they be paid taxi fares through it to avoid the security risk of handling cash (Aker, 2010). The same case applied in Swaziland where beauty salon operators preferred payment for their services to be made through M-PESA for security reasons.

### **2.8.5 Minimizing fiduciary risk**

Technology based cash delivery systems are preferred to manual systems for their ability to eliminate fraudulent behavior by operators (Blumenstock et al, 2011). If stringent cash management procedures are employed together with the application of ICT, the results are certain that large amounts of money would not be illegally diverted from the system.

## **2.9 RISKS IN USING TECHNOLOGY IN DISTRIBUTION OF SOCIAL PENSIONS**

Different authors have also perceived and or observed the risks involved in technologized social pension as follows:

### **2.9.1 Disconnection between the social pension agency and the recipients**

With technologized old age pension transfer, there is a loss of social interaction between the recipients and the social pension agency. As Aker (2010) has noted, technology-based solutions have a tendency to create over-dependence and the recipients may lose contact with the social pension agency. Because technology cannot solve all problems, recipients need to know when to go beyond technology and consult with the social pension agency staff.

### **2.9.2 Regulatory gap between banking sector and mobile phone operators**

As was witnessed in Kenya, there was a misunderstanding between the banking sector and cell phone operators. The banks complained that the cell phone industry was intruding into their sphere of business by doing e-payments and storing some money onto cell phones (Cunha et al, 2011). Performance of e-payments and storing money on mobile phones were functions mandated to banks, so there were arguments as to why they should be duplicated by telecommunications operators. In addition to that, cell phone operators were out of the jurisdiction of the Central Bank of Kenya, which controlled fiscal and monetary policies, which meant the money circulating through them was regarded as not being regulated by the Kenyan Central Bank. This was a sign that African Central Banks should look into a demarcation of services between the banking sector and mobile communication operators.

### **2.9.3 Proprietorship of payment facility**

Much criticism has been levelled at the sustainability of the technologized social pension transfer especially considering the fact that it belonged to the private sector not the public sector. There is a fear that the owner of the payment facility might enjoy high monopoly pricing and make life difficult for the pensioners (Aker and Mbiti, 2010). Another argument stated that the proprietor might go bankrupt and opt out of business leaving the social pensioners unpaid and unable to access their grants. Another factor was that of data privacy, especially considering the fact that sensitive data concerning social pensioners would be shared between the pension agency and the proprietor of the payment facility. Data-protection laws in poor African countries are less strict than in developed countries, raising ethical considerations about the potential for political and commercial abuse of recipient information (DFID, 2011). For instance, Aker and Mbiti (2010), indicated that parliamentarians from the ruling party as well as rival parties in Malawi sought to gain access to the database of potential recipients of old age pension and their exact locations in order to start manipulating them politically ahead of national elections. This happened because they knew there were no data protection laws prohibiting them in their country.

### **2.9.4 High price of acquiring technology**

Another factor to be considered when using ICT to deliver social pensions is that they are costly to establish call for Public-Private sector Partnership (PPP), as the government cannot provide and run the technology efficiently and effectively (De Jenvry, Sadoulet, Solomon and Vakis, 2014). The problem with PPP arrangements was that they required a lot of seed funding which also called for aid or loans, thus an expense for government. For that reason they need accurate targeting and should be used on a large scale to reap real benefits. Moreover, the use of technology such as mobile phones may place higher financial demands on the already impoverished elderly people who would need to buy a cell phone, access power and network coverage and learn to use its applications (Bonturi, 2010). All this could be intimidating to illiterate elderly people.

## **2.10 ESTABLISHMENT OF LESOTHO OLD AGE PENSION SCHEME**

The process of establish an old age pension scheme should be skilfully demanding and therefore require special attention. For instance, when South Africa instituted an old age pension scheme, two bodies namely Pienar Commission and Social Security Commission were tasked to assess the feasibility of the envisaged old age pensions scheme (Abanyan, 2013). It was after rigorous and meticulous assessments that lasted for about two years that South African universal means-tested pension was established. Contrary to the South African approach of establishing an old age pension scheme, the Lesotho pension scheme was established hastily, without adequate time to consult with all the stakeholders about it. The pension scheme was born out of the budget speech of the Minister of Finance, who was asked by the Prime Minister to include the issue of old age pensions only three days before reading the speech in parliament (Pelham, 2007). No prior ground work had been done to publicise the idea, or hold public or parliamentary discussions on it. Even the implementing body, the Department of Pensions staff, did not know that the old age pensions scheme was being introduced and it was intended to be run by it (Pelham, 2007). The donor community and the International Monetary Fund also first knew about it from the budget speech. In other words, the old age pensions in Lesotho came into being as a result of impulsive move by the then Prime Minister of Lesotho. It was his personal style of running the government that afforded him to make critical decisions without having scrutinised their administrative feasibility (Guyen and Leite, 2016). The complexity of social pensions demanded substantial preparation before establishing it in order to assess demand, use and implementation. Eight years after the establishment of the old age pension scheme, Lesotho Old Age Act of 2012 came into play. It was preceded by Old Age Pension Regulations of 2007, which had been used as a legal document for administration of the pensions before the Act was formulated and approved.

## **2.11 DISTRIBUTION OF OLD AGE PENSION IN LESOTHO**

When the old age pension commenced in 2004, it was managed and administered by Lesotho Postal Services. During that time, the role of the Pensions Department was limited to facilitating the finance for the scheme by way of budgeting for it from government

coffers. However, after the inception of the Lesotho Old Age Act of 2012 and Old Age Pension Regulations of 2007, the Old Age Pension scheme was transferred to the Pensions Department in the Ministry of Finance and Development Planning in April 2008 (Lesotho Budget Speech, 2007/2008). The amount of the pension started at M150 per pensioner per month but increased progressively over the years until it stood at M550 in June 2016. The government of Lesotho paid a commission of M3.50 per pensioner paid by the Lesotho Postal Services.

Since April 2008, the Pensions Department assumed the full responsibility of managing and administering the old age pension scheme (Lesotho Budget Speech, 2007/2008). According to Old Age Pension Regulations of 2007, some of the Pensions Department management and administrative functions included registration of pensioners, transfers from one pay point to another, payment of pensions, deletions of deceased and non-eligible pensioners, reinstatement to dispatch lists (payment lists).

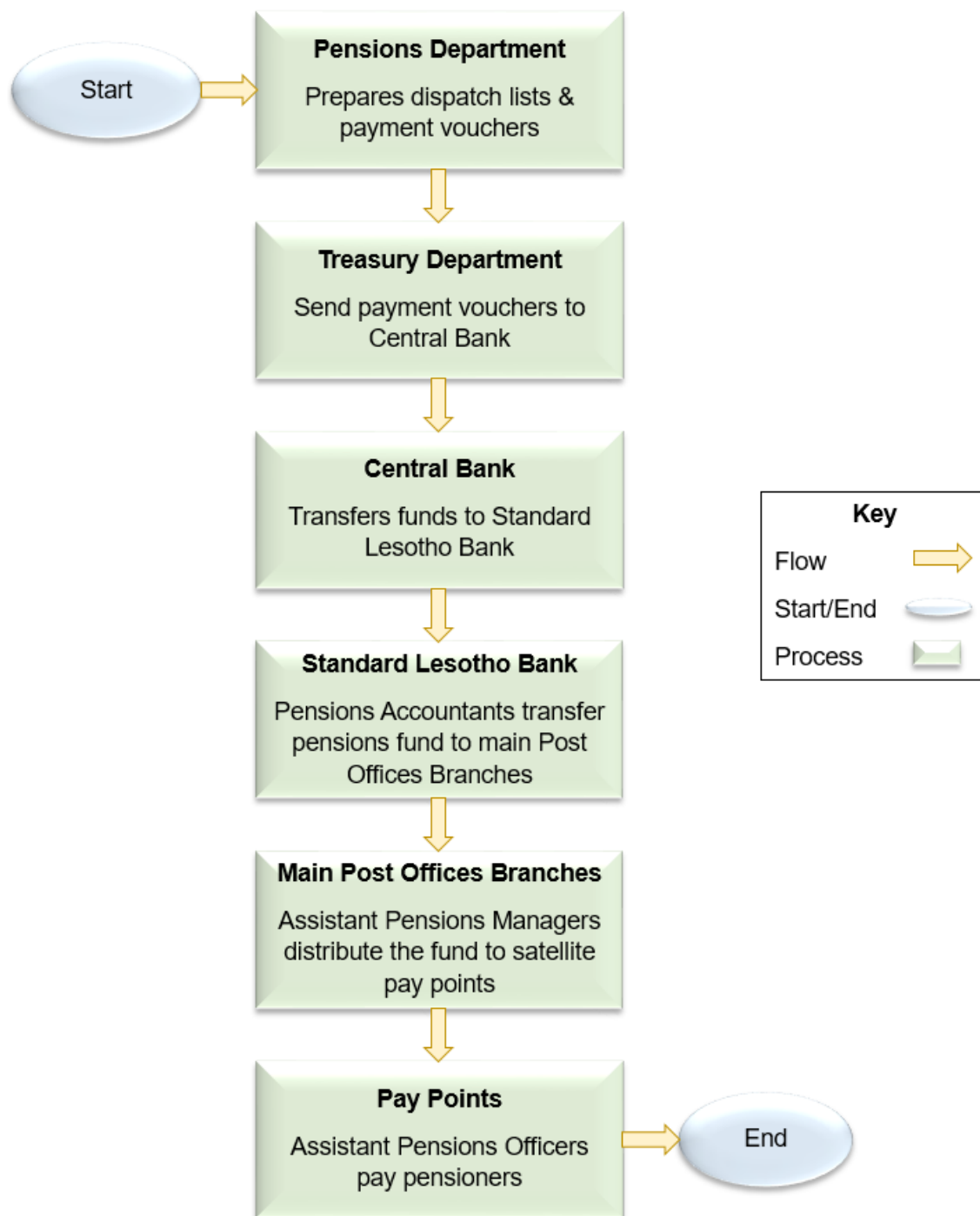
In June 2016, the records of the Pensions Department showed that there were 336 pay points throughout the country comprising of Post Offices, Postal Agencies, hospital premises, law offices and chieftainship offices. Schools and privately owned premises were also used where necessary. The Pensions Department records also showed that there were about 85 000 pensioners on the payroll in June 2016. The Pensions Department staff were responsible for requesting the pension fund from the Central Bank of Lesotho, thereafter depositing it into Standard Lesotho Bank and later into Post Bank or Offices and then finally rolled it out to the pay points. The records further showed that designated members of the Lesotho Defense Force and Lesotho Mounted Police Service accompanied the Pension Officers to the pay points to disburse the funds. Helicopters were also used to reach the pay points situated in the highlands that are not accessible by road transport. In other words, the pension was distributed through already established government structures and facilities even those that were not under the control of the Pensions Department.

The 2007 Pensions Regulations stated that in order to get their pension, pensioners had to physically go to designated pay points with a pension book showing their photo and



sign (or thumbprint) the pension book in acknowledgement of receipt of the pension. In cases where a pensioner had to be represented by a delegate (proxy), a photograph of the delegate also had to be on the pension book supplemented by a letter of verification from the local chief for authenticity of delegation and also as proof that the pensioner was still alive and not imprisoned. Chart 1 below summarizes the flow of pension funds from initiation by the Pensions Department to the stage of paying the pensioners.

**Chart 1.1: Flow of events involved in sourcing the pensions fund until the pensioners are paid.**



**Source: Researcher's analysis of data collected as at June 2016**

## **2.12 EXPERIENCES OF LESOTHO IN MOBILE MONEY TRANSFERS**

In 2012, ECONET-Telcom Lesotho and Standard Bank Lesotho launched an electronic cash transfer based on mobile phones (Econet-Telcom Lesotho Brochure, 2014). Dubbed EcoCash Spache-Fono wallets, the service was intended to bridge the gap between the banked and unbanked segments of the population in Lesotho regardless of where they resided in the country. Like M-PESA, the EcoCash Spache-Fono wallets were used to transfer cash for payment of bills, balance-checking, store money, (capped at 500 Maluti per transaction), and buy air time.

In 2013, M-PESA was launched by Vodacom Lesotho to complement banking services that were described as both expensive and inaccessible to 80 per cent of the population (Vodacom Lesotho Brochure, 2013). Since its inception, M-Pesa has been enjoying remarkable success. For instance, in May 2016, the Central Bank of Lesotho announced that M-Pesa had 878 198 customers from a total of 1.3 million subscribers (Lesotho Times, May 2016).

### **2.12.1 The legal standing of Lesotho mobile money practice**

Mobile Money Guidelines, 2013, directed the mobile money operation and practice in Lesotho. The guidelines were formulated and issued in terms of section 6 (h) which necessitated that the Central Bank of Lesotho develop and implement regulations that governed efficient and effective payment, clearing and settlement systems (Lesotho Mobile Money Guidelines, 2013). According to the Guidelines, the mobile money usage in Lesotho was adopted by the Central Bank of Lesotho after it was duly satisfied that a mobile money approach was a practical strategy for financial inclusion of the unbanked multitudes of people in Lesotho.

The mobile money infrastructure in Lesotho was devised in such a way that it delivered payments to both the banked and non-banked segments of the population through mobile phones and other similar electronic means (internet). The payment instrument took the form of electronic money. The payments could either be informal (person-to-person), or official (government/NGO to people).

## **2.13 KENYA AS AN EXAMPLE OF A COUNTRY THAT USES MOBILE PHONE-BASED MONEY TRANSFERS**

Studies show that Kenya was the first country in the world to use mobile phones for cash transfers in early March 2007 to transfer pensions and social welfare grants (Mas and Morawczncki 2010 and Vodacom Lesotho Brochure, 2013 and 2014). The mobile phone money transfer, dubbed M-Pesa in Kenya, South Africa, Lesotho and Tanzania, came into operation when Kenya was in political turmoil that resulted in closing the banking sector for four days (Jack, 2011). That was a perfect test for M-PESA to serve the financial needs of its subscribers, a role it played magnificently according to Jack et al (2011). Through M-PESA, customers were able to deposit and withdraw cash, pay bills, purchase mobile airtime, transfer funds to other subscribers and even to non-M-PESA registered users. In 2010, M-PESA person-to-person cash-transfer transactions reached theunprecedented monthly flow of US\$320 million, roughly 10 per cent of the Kenyan gross domestic product (GDP), (DFID, 2011).

Lessons learned from the use of M-PESA in Kenya suggested that mobile technology had the ability to extend financial services to large segments of unbanked, remote, rural poor people. Unlike banks that served customers on the basis of account balances and the ability to absorb credit, M-PESA rendered services to every client who asked. Another lesson drawn from the use of M-PESA in Kenya was that M-PESA worked magnificently in places where banking infrastructure was poor or underdeveloped. This was evidenced by a case in South Africa, where M-PESA services had to close down in June 2016 due to failure to reach the targeted support of 10 million clients (Lesotho Times Newspaper, 14 May 2016). The reason for M-PESA failure in South Africa was cited as due to a well distributed banking infrastructure in the country, which did not leave ample space for M-PESA to play a role in money transfers (Lesotho Times Newspaper, 14 May 2016).

## **2.14 SUMMARY**

Chapter two started off by outlining the main types of old age pensions schemes commonly adopted by most countries across the world which are Universal old age pensions, Universal minimum pensions and Means-tested old age pensions. Second,

the chapter discussed the history of old age pensions. Studies pointed out that the issue of old age pensions dated back to industrial revolution. Prior to that communities did not earn formal retirement from their duties and elderly people were not formally supported with financial resources by their governments. The chapter also outlined the importance of old age pensions to recipients and their households. Moreover, two main distribution methods of social grants were explored, namely 'Push' and 'Pull' methods. Further, the establishment, design and challenges of Lesotho old age pensions scheme were discussed as found in literature. More emphasis was placed on advantages and disadvantages of using technology-based distribution channels with special reference to mobile phone-based money transfers as found in literature. Examples of countries where technology-based distribution of cash has been used successfully were discussed. In short, chapter two placed the study within the larger context of scholarly literature regarding what was already known about the topic in question.

Chapter will focus on methodology, research design and research methods of the study. The chapter seeks to present the investigative techniques employed in the research and their conceptual and theoretical aspects.

## **CHAPTER 3**

### **METHODOLOGY, RESEARCH DESIGN AND RESEARCH METHODS**

#### **3.1 INTRODUCTION**

Chapter two provided an overview of the scholarly literature on challenges pertaining to the distribution of old age pensions in the African context in general and in the Southern African Development Corporation (SADC) region in particular. Solutions to those challenges were also outlined and discussed at length.

Chapter three specifies the methodology chosen and the research design followed in conducting this research. The chapter seeks to discuss the research methodology, the research strategy, data collection and analysis, sampling methods and the research tools employed in order to achieve the results of the study. The geographical area where the study was conducted was also described.

#### **3.2 RATIONALE FOR THE METHODOLOGY**

The research methodology employed in this research was qualitative. As has been noted by Leedy and Ormrod (2010), qualitative research methods are employed in research studies where the aim of the research is to achieve one or more of the following objectives:

- The researcher sought to gain a detailed understanding of underlying reasons, motives, motivations, beliefs and perceptions about the course of action under investigation.
- The researcher aimed to have new knowledge about the phenomenon under study and where possible, develop new concepts about it and ultimately obtain an insight into the problems of the subject under study.
- The researcher aimed to verify specific theories, conventions, assumptions and generalizations in real-world situations.
- The researcher sought to evaluate the effectiveness of certain policies, innovations or practices.

The topic of the research was challenges in distribution of old age pensions in Lesotho. In this regard, a qualitative research technique was adopted because the topic has the following features:

- The topic engendered the exploration of the organizational challenges in a real world context.
- The study of the topic involved people, relationships and systems which required subjective interpretations by the researcher in order to gain better understanding of how the challenges originated and affected the elderly and the Pensions Department.
- By its nature, the study also required the researcher to be flexible in research procedures. For instance to probe where necessary and discontinue the interviews the moment the information started to be saturated.
- In order to understand the challenges, the researcher had to explore the processes in distribution of old age pensions rather than just jump to conclusions.

Williams (2010) who also contrasted qualitative research methods with quantitative research methods supported the reasons listed above. According to Williams (2010), quantitative research methods were suitable where there was a single objective world with impersonal involvement of the researcher, strict abidance to rules, focus placed more on outcome prediction than the process variables and more generalized.

### **3.3 RESEARCH DESIGN**

Elahi and Dehdashti (2011) categorized research designs according to the purpose of the study that, according to them, could range from being exploratory, descriptive, correlational, causal-comparative to explanatory. According to Elihi and Dehdashti (2011), exploratory research designs focused on gaining new ideas and knowledge through constructing hypotheses or research questions. Moreover, descriptive research design sought to gain knowledge about a certain population or sub-population (Szapkiw, 2012), whereas correctional research examined the extent to which certain variables interacted with one another. Causal-comparative research design described cause-and-effect relationships among variables under study (Szapkiw, 2012). Last but not least,

(Bhattacharjee, 2012) stated that explanatory research design employed analytical and deductive techniques to answer the 'why' and the 'how' questions relating to the phenomenon under study.

For the purpose of this study, a descriptive research design was adopted. According to Brown and Suter (2012), descriptive research design is used when there is a need to describe certain features of a target group or process under study. Brown and Suter (2012) outlined the ideal situation for the application of descriptive research as when the researcher sought to:

- Describe the specific features of a certain group, process or practice
- Gain an insight into the proportion of people, elements or variables behaving in a certain way
- Reach certain predictions and
- Obtain knowledge about the connection between specific variables

The characteristics of this research linked up with the instances outlined above by Brown and Suter (2012) and for that reason, the researcher adopted a descriptive research design.

### **3.4 THE RESEARCH PHILOSOPHY (RESEARCH PARADIGM)**

Johnson and Christen (2012) defined a research paradigm as a perspective shared by researchers about research based on a set of assumptions, concepts, values and practices. Johnson and Christensen (2012) further claimed that there are three types of research paradigms, namely qualitative, quantitative and mixed research as shown in Figure 3.1 below.



**Figure 3.1: The research continuum**



**Source: Adopted from Johnson and Christensen (2012)**

Leedy and Ormrod (2010), as their approach to research, distinguished the distinction between the qualitative and quantitative paradigm. According to Leedy and Ormrod (2010), quantitative research measured variables using commonly used physical apparatus like thermometers, speedometers, rulers and mass scales to mention but a few. They further postulated that, in psychological or behavioral studies, qualitative research used carefully devised measures such as questionnaires or tests. For example, psychometric tests are used to measure the level of intelligence of employees during job interviews.

The utilization of qualitative research in this study was justified by the following facts from Leedy and Ormrod (2010):

- Qualitative research has the ability to shed light on complex social behavior
- Qualitative research assumes that facts cannot be easily separated into minute quantifiable variables
- Qualitative research provides room for inductive reasoning, whereby several observations are used to infer assumptions about larger and more general phenomena
- Qualitative research also provided a room for a more personalized writing style, in order to portray a clear picture about the findings of the study. The view perspectives of the research participants are also incorporated in the final write up of the research document.

In a bid to answer the research questions, the researcher took cognizance of the fact that the challenges in distribution of old age pensions in Lesotho took place in the processes and web of relationships between the workers within the Pensions Department, its

stakeholders and role players and the pensioners themselves. In Brown and Suter's (2012) words, the challenges occurred in real life phenomena. As such, the researcher sought to understand 'naturalistically and holistically' different layers of reality within the Pensions Department and other role players such as security measures to protect the pension fund, logistical constraints during distribution, and accountability logjams, and how they came together holistically to describe challenges in the distribution of old age pensions in Lesotho. The researcher has to apply for permission to conduct research in the Pension Department, Econet-Telecom Lesotho and Vodacom Lesotho. Appendix 1 has been attached to illustrate an Application Letter for Permission to conduct Research.

### **3.4.1 Qualitative research strategy**

Phenomenological researchers employ several qualitative research methods to investigate social phenomena. Some of the commonly used qualitative research methods include action research, grounded theory, ethnography and case study (Richards, 2014). Action study is concerned with seeking to promote change by way of finding solutions to local problems in local settings (Leedy and Ormrod, 2010). Grounded theory emphasizes data collection and interpretation about phenomena that are not well understood with the aim of formulating a theory (Williams, 2010). According to White, Drew and Hay (2009), ethnography is an in-depth study of certain social groups in their natural context. More emphasis was placed on case study methods, as it was the research strategy adopted by the researcher. Leedy and Ormrod, (2010) described case study approach as designed to study real life phenomena through the use of comprehensive data sources. The research for choosing the case study method for this study was based on the following views by White, Drew and Hay (2009):

- Case study presented the prospect of collecting rich and comprehensive information in a real life context
- By virtue of being holistic, it supports the school of thought that social behavior can best be understood in its real-world context
- Case study research could be conducted without predetermined hypotheses and goals, which was not the case with experimental research

### **3.5 TARGET POPULATION**

In order to obtain primary data about the challenges in distribution of the old age pension in Lesotho, the researcher targeted the management of the Pensions Department and Lesotho Post Banks/Offices and care takers (or proxies) of old age pension recipients. The challenges in distribution of the old age pension in Lesotho were ascertained from a total population 11 managers from the Pensions Department and Post Banks/Offices, and an estimated 1300 proxies (delegates or caretakers), for the elderly pensioners who could not reach the pay points by themselves in the six selected pay points. The case study pay points were Bobete Office of the District Administrator, Morija Post Office, Matsieng Office of the Principal Chief, Likhoele Office of the Principal Chief, Thaba Tseka Post Office and Qacha's Nek: Ha Ramahlalele Primary School. An estimated number of five managers from Econet-Telcom Lesotho and Vodacom Lesotho who worked in the division of phone-based mobile money transfers were targeted for interviews for the role their divisions could play in distributing social pensions in Lesotho.

### **3.6 SAMPLING STRATEGY**

According to Lavrakas (2011) sampling is about making generalisations about the whole population through the examination of the appropriate quantity of units of that population. There are two types of sampling, namely probability and non-probability samplings (Lavrakas, 2011). Chaturvedi (2009) defined probability sampling as a kind of sampling whereby every unit in the population had a probability of being chosen above zero, and that probability can be mathematically calculated. In other words, with probability sampling, every unit in the sample population has a chance of representing the population. Examples of probability sampling included cluster, simple random, systematic and stratified sampling. On the other hand, non-probability sampling meant that not all the units in the sample population stand a chance of being selected to represent the population (Lavrakas, 2011). Examples of non-probability sampling included quota, purposive and convenience sampling. More emphasis was placed on purposive sampling and convenience sampling, as they were the ones adopted by the researcher in this study.

### 3.6.1 Purposive sampling

Woods (2011) viewed purposive sampling as a technique that aimed at the participants who had the relevant qualities to answering the research questions. For that reason, participants should be informed and experienced individuals who were also able and willing to share their knowledge with the researcher. Woods (2011) specified that the prime objective of setting up purposive sampling should be to serve a certain need or purpose. Moreover, purposive sampling was also considered to be more appropriate for large populations, which may not be known or difficult to access (Kuzmanic, 2009). Faced with the difficulty of specifying the population group, the researcher should opt to interview whoever was available. Furthermore, purposive sampling incorporated an element of snowball effect (Kumar, 2010), as the researcher had to pick participants along the way after they were referred to the researcher by other participants. However, it should be noted that the researcher should be cautious that the participants being picked along the way were willing and appropriate for the study (Johnson and Christensen, 2012). Kumar (2010) outlined the advantage of purposive sampling as follows:

- Effective and quicker if applied in descriptive research
- Applicable where the sample units are so few that applying probability sampling techniques may exclude some important participants
- Ideal for urgent exercise with an element of complex subjects

Purposive sampling was deemed suitable in drawing a sample firstly for the six case study pay points and secondly selecting the respondents of the research. The six pay points were selected for the following reasons. Botha-Bothe Post Office, Mofoka Post Office and Office of the Principal Chief in Matsieng are located in the lowlands and therefore easily accessible, while Ramahlalele Primary School, Semenanyane Clinic and Bobete District Administration Office pay points were selected because they are located in the remote and not easily accessible mountainous areas of the country. The choice of the pay points was informed by Woods' (2010) view that purposive sampling should target participants who have the right qualities to answer the research questions. In this case, the researcher aimed to tap information from respondents who received their pension at the remote and

not easily accessible pay points and compare it with the information from those who received their pension in the lowlands and easily accessible pay points.

Additionally, purposive sampling was employed to select the managers of Pensions Department, Post Bank Econet-Telecom Lesotho and Vodacom Lesotho. The purpose of interviewing the participants from the Pensions Department and Post Bank was to establish the nature of challenges in distribution of old age pension in Lesotho as viewed by the people who distributed the pension hands-on. On the other hand, the reason for collecting data from participants from Econet-Telecom Lesotho and Vodacom Lesotho was to establish to what extent they could provide innovative options through technology, mobile phone-based money transfer to distribute old age pensions in Lesotho. For that reason, the fore stated motives for collecting data from the said participants tallied with Leedy and Ormrod's (2010) view that purposive sampling is constructed to serve a certain need or purpose.

Because the sample units were few, selection of the sample was based on their rich knowledge and experience in their respective organisations. Application of probability sampling in selecting the sample was likely to result in excluding some informed and experienced participants. The starting point of identifying the research participants was to ask the key figure of the organisation, such as the Director, for preliminary advice on which units/ sections dealt directly with the distribution of the old age pension. Then members who were regarded as wellinformed and experienced were included in the pool of respondents.

On the other hand, purposive sampling was found to have flaws. Elahi and Dehdashti (2011) identified the following three disadvantages of purposive sampling:

- It was difficult to calculate the sample error in purposive sampling
- Purposive sampling was considered non-scientific in that there was a possibility of researcher bias in selecting the participants
- Purposive sampling lacked the ability to assess the reliability of the sample. Its successful applicability depended heavily on researcher's judgemental ability.

### **3.6.2 Convenience sampling**

According to Elahi and Dehdashti (2011), convenience sampling involved collecting data from any source available to the researcher within a given time and context. With non-probability convenience sampling, the emphasis is placed on the ease of finding the participants. Also dubbed accidental sampling, convenience sampling is deemed more applicable to people who serve as volunteers in an activity (Chaturvedi, 2009). The number of participants to be subjected to convenience sampling should be variable and unpredictable. Richards (2014) outlined the advantages of convenience sampling as a quicker and more economical way of collecting data,

In that regard, convenience sampling was applied to source data from delegates/caretakers or proxies of the pensioners as the description of the proxies' population tallied with that of convenience sampling in many respects. First, the proxies were volunteers and their number was highly variable and therefore unpredictable. For the same reason, it was also difficult to schedule interviews with them. Moreover, the population of the proxies was unknown as being a proxy was valid for the collection of that pay only. There was no guarantee that the same proxy would come again for the following pension pay round. It was therefore convenient to collect data from the proxies there and then, as missing out on doing so would have resulted in difficulty in tracing them after they left the pay point.

Another reason for using convenience sampling was that it was quicker and economical. Given the temporal and financial parameters of conducting this research, the researcher had to ensure that time and economic resources were used optimally. The researcher identified the proxies through the assistance of other proxies and the paying officers and the researcher had to ensure that all the ethical principles of conducting a research were adhered to before collecting data from the participants.

However, Baker et al (2013), specified the disadvantage of convenience sampling as being prone to bias as other variables such as weather could play a role in determining the number and calibre of people available to the researcher at a given time and context. To minimise that risk, the researcher conducted interviews when the majority of the

proxies were believed to be present at the pay points. It was confirmed through preliminary investigations that the best time to catch the majority of proxies was the first day of pay in a month at the targeted pay point.

### **3.7 RESEARCH METHODS**

#### **3.7.1 Data collection**

Data was collected through the following methods: interviews, published documents relating to old age pensions funds and records of the old age pension fund.

#### **3.7.2 Face-to-face interviews**

One hundred and eleven participants were engaged in face-to-face open-ended interviews. Appendix 2 is attached to show the questions asked. Of these 111 respondents, eight of them were from the management of the Pensions Department, Post Bank, Econet-Telecom Lesotho and Vodacom Lesotho. Twelve respondents were drawn from employees of the Pensions Department who performed the payment function of the old age pension. Moreover, ninety of the respondents were sampled from proxies who came to receive pension on behalf of the pensioners who could not come to the pay points in person. The pay points which were earmarked for case study were Bobete Office of the District Administrator, Morija Post Office, Matsieng Office of the Principal Chief, Likhoele Office of the Principal Chief, Thaba Tseka Post Office and Qacha's Nek: Ha Ramahlaele Primary School.

Participants were selected on the basis of their job function and knowledge rather than just to represent their organizations. On selection, the researcher ensured that the participants were intimate with the topic by job function and level in the management hierarchy. The researcher obtained the consent of the interviewee to record and transcribe the content of the interviews prior to commencing the interview (Leedy and Ormrod, 2010). Appendix 3 is attached to illustrate the Participants Consent Form. The recorded data was then transcribed the same day of the interviews to ensure safety of data as recommended by Elahi and Dehdashti (2011). The interviews were conducted in

the Sesotho language and later translated by the researcher into English. The interviewees whose office addresses were known and easily accessible, were sent transcribed versions of the interviews within three days to look through them for mistakes, misquotes or any matters arising. This was done in a bid to ensure the validity of the study. The last meeting with the interviewee was after two days of checking the transcript to discuss issues arising from the document and that meeting, the interviewees signed the transcript to show that they fully agreed with its contents.

Interviews are popular for their advantage of providing researchers with the opportunity to ask questions on issues relating to facts, individual's beliefs and perspectives on facts, current and past behavioural patterns, feelings, behavioural standards, motives, and why people think certain behaviours are desirable or undesirable (Woods, 2011). For that reason, interviews have the ability to yield a great deal of rich, detailed information from only a few participants. However, interviews also have disadvantages. As Leedy and Ormrod (2010) noted, interviews rely on interviewees' memories, which are rarely accurate when compared with taped or video recordings. The human mind, according to how they saw it, was prone to distortions. It recalled what might or should have happened, rather than what really happened. In an attempt to eliminate the issue of poor recall associated with interviews, interview questions were sent to interviewees who had office addresses prior to the time of interviewing them in order to create the opportunity for them to verify their facts before the interview. The category of respondents that were not sent the interview questions before the interviews were the proxies because they were not known to the researcher prior to meeting them. Another way of dealing with the problem of poor recall by respondents was to corroborate interviews with other sources of data such as document review and observation (Baker et al, 2013).

### **3.7.3 Document review**

Studies showed that document analysis was a logical process of analyzing documents of printed or electronic material (Bowen, 2009). Document analysis should result in extracts, citations or whole paragraphs to be organized into major themes and categories during the content analysis stage (Elahi and Dehdashti, 2011). Woods (2011) also warned that,



in qualitative research, documents should be used in conjunction with other sources of data in order to produce a credible study, which means researchers should not rely on documents alone. Bowen (2009) listed the advantages of document review as follows:

- Document review can be the best way to get data in cases where the entity, events or people to be studied were no longer available
- Document review can also serve as an effective means of collecting data when participants have forgotten details
- Provides background and context to the study
- Makes the researcher aware of the extra questions to be asked
- Serves as a means of tracking change and development on the topic under research

The following documents were reviewed:

**a. Pension dispatch lists (Payroll)**

Dispatch lists were cross referenced against lists of deceased pensioners, transferred pensioners and newly enrolled pensioners to establish whether they were adjusted accordingly and timeously.

**b. List of deceased former pensioners**

A list of deceased former pensioners was reviewed to establish if the names of the deceased were still appearing on the dispatch lists.

**c. Verification letters written for proxies**

Proxies' verification letters were examined to establish the extent to which they complied with authenticity specifications that they should be endorsed by a local chief's stamp.

#### **d. Fraud cases on pension fund**

To establish the nature of fraud and size of the problem in terms of the amounts of money involved.

#### **e. Government publications, published newspapers and reports of the Pensions Department.**

### **3.7.4 Observation**

The researcher physically observed the payment process of old age pensions by the Paying Officers at the six pay points visited. The observation took the form of watching the payment process and detecting the degree to which procedures were followed at Thaba Tseka Post Office, Mofoka Post Office, Likhoele Office of the Principal Chief, Office of the Principal Chief in Matsieng, Ramahlalele Primary School and Bobete District Administration Office pay points.

### **3.8 PILOT STUDY**

Woods (2011) refers to a pilot study as a trial run in preparation of the main study. Another similar definition of a pilot study was offered by Richards (2014) who viewed it as a small scale version of study to determine the feasibility of the full scale study. Woods (2011) listed the following reasons for conducting a pilot study:

- To test-run the research instruments to assess their adequacy in collecting relevant and valid data
- Evaluating the achievability of the full-scale study
- To detect logistical challenges that might occur during the main study
- To assess what resources would be required during the main study

#### **3.8.1 The pilot study in the current research**

Firstly, two individuals from among the participants from the following organizations were asked to take part in the pilot study: the Pensions Department, Post Bank, Econet-

Telecom Lesotho and Vodacom Lesotho. Additionally, four proxies were engaged in the pilot study session at the two pay points, namely, Mofoka Post Office and Office of the Principal Chief in Matsieng. The aim of the pilot study was to establish the following points:

- The characteristic time for interviews
- The suitability of interview questions
- Points or issues respondents felt could have been included in the interview guide
- The success level of data recording
- Quantity and types of resources needed in the main study

After the pilot study, all the questions that were considered ambiguous or vague during the pilot study were rephrased. The time frame for interviews was assessed to be correct.

### **3.8.2 Criticisms of pilot study**

Although pilot studies proved useful tools in determining the feasibility of studies, Leedy and Ormrod (2010) listed the following shortfalls:

- The success of a pilot study was not a guarantee that the main study would also be successful due to the fact that pilot studies are based on small numbers of participants. The true problems might show up during the main study.
- Many researchers mistakenly include the results of the pilot study in the main study, which serves to contaminate the main study. Another form of contamination is normally experienced when the participants of the pilot study are also asked to participate in the main study. By virtue of having been exposed to the study earlier, they may tend to answer differently from the first hand respondents.

In the face of the forestated criticism, Henning (2013) insisted that a pilot study was a necessary prerequisite for a research study as it helped researchers to make adjustments where necessary before engaging in the main study.

### 3.9 DATA ANALYSIS

#### 3.9.1 Inductive approach

Studies argue that there are two approaches to qualitative data analysis, namely deductive and inductive approaches (Richards 2014 and Zhang and Wildemuth, 2011). The deductive approach involves testing a theory while the inductive method focuses on formulating a new theory from the raw data (Brink, 2010). In this research, an inductive approach was employed because of its relevance. An inductive approach was selected in order to come up with the findings of the study, which, according to Patton (2010), are regarded as a new theory. Another reason to choose an inductive approach was stated by Yin (2009) who agreed that it helped researchers to arrange facts in a logical manner, spot trending occurrences, identify recurring themes, interrelationships that relate to the case and finally aided researchers to draw conclusions that went beyond the studied entity.

**Figure 3.2: Inductive research**



**Source: Woods (2010)**

#### 3.9.2 Thematic analysis

In this study, the data was analyzed using thematic analysis. According to Zhang and Wildemuth (2011), the concept of thematic analysis was derived from the word theme which is used in research to mean patterns. . The advantage of using a thematic approach in data analysis is the suitability for analyzing questions related to people's experiences, perspectives and values (Wildemuth, 2009). Mouton (2012) also viewed thematic analysis as good for constructing meaning. Studies show that there are two types of thematic analysis, namely, inductive and deductive approaches (Patton, 2010 and Brink, 2010). According to Zhang and Wildemuth (2011), a deductive approach sought to analyze data on a certain established theoretical framework while an inductive approach pursued to

analyze data with the aim of developing a new conceptual framework. In this research, both inductive and deductive analysis approaches were adopted in order to capitalize on their strong points in analyzing data. A deductive way was applied when the researcher used the research objectives and research questions to develop codes and themes. Concepts and ideas gathered during the literature review were also considered in developing codes and themes. On the other hand, the researcher also employed an inductive analysis approach by using the raw data to construct the codes and themes as concurred by Brink (2010).

According to Wildemuth (2009), thematic analysis involved the following steps:

**a. Familiarization with data**

The researcher has to read and re-read the raw research data in order to be familiar with it.

**b. Coding**

All the data sets should be given labels, dubbed coding. The data should be coded with special attention to their relevance in answering the research questions. There should be a coding manual to assist the researcher to assign category names, definitions and rules for assigning codes. Categories should be mutually exclusive.

**c. Developing themes**

At this stage, the researcher should assess the codes to isolate important broader patterns of meaning. Those patterns of meaning are potential themes.

**d. Review of themes**

The researcher should also check the identified themes against the raw data, to ensure that they are a true record of the dataset, as well as to ascertain that the themes were relevant in answering the research questions. Review of the themes may take the form of splitting, combining or discarding the themes.

#### **e. Naming and describing the themes**

In this stage, the researcher has to outline the scope, focus and name of each theme.

#### **f. Writing up**

The last stage is to write up a research study relating the analysis with existing literature

### **3.10 RESEARCH RIGOR**

Evaluating the trustworthiness of findings in qualitative research is not easy. However, Guba and Lincoln (2013), Krefting (2011) and Streubert and Carpenter (2011) submitted three strategies, namely credibility, transferability and dependability as the tools that could be used to ensure the trustworthiness of qualitative research findings.

#### **3.10.1 Credibility**

Mouton (2012) defined credibility as the extent to which the findings of the research match reality. In other words, credibility is achieved when the research participants take the research findings as the true representation of their experiences, (which is also reality). However, the word reality needs to be treated with caution because, as Krefting (2011) observed, reality was relative to meaning that people constructed within social contexts, meaning there was a possibility for multiple realities. In mitigation of this problem, the researcher sought to increase the credibility of the findings of the research by asking the participants to check the findings by themselves. Gaining participants feedback on the data collected, interpretations and conclusions increased the credibility of the results (Guba and Lincoln, 2009). Credibility is equivalent to internal validity. Moreover, the findings of the research were shared with the members of the staff who did not take part in the interviews but who were colleagues of the respondents. They were also considered important in that they also knew about the subject being investigated. The findings of the study were also shared with a colleague, (peer review), for constructive criticism. Last,

the supervisor of the researcher also examined the findings, interpretations and recommendations to ensure that everything was supported by the data that was collected.

Since the prime purpose of interviews is to understand the other side's point of view and analyze it, content validity of the facts under scrutiny had to be ensured at every step by the consistency of the administration of the interviews. All the interviews were conducted by the researcher personally and therefore all the questions were answered under the watch of the researcher. Instructions were given to respondents before attempting the questions. Questions were also posed in simple language. Furthermore, the researcher was cautious about the impact of his influence during interview sessions. To limit interviewer bias, it was ensured that the environment was comfortable and free from distractions.

### **3.10.2 Transferability**

According to Williams (2010), transferability refers to the degree to which the results of the research could be applicable beyond the sample used. Transferability is analogous to external validity. In this regard, the external validity of the research was ensured when all the participants selected to take part in the study did so according to plan. None of the targeted participants declined or withdrew from taking part in the study. It was on that basis that transferring the findings of the study to all members of the population was justified and deemed valid.

However, as Winnberg (2012) cautioned, transferability is a tough issue in any qualitative study, so too in this research. Due to many odd circumstances in Lesotho, most of which are discussed under the findings of the research, it may be difficult for the results of this treatise to simply transfer to other contexts outside Lesotho. Nonetheless, with awareness of these conditions, some lessons can be learnt, even if the whole of the conclusion is not immediately transferable.

### **3.10.3 Dependability**

Dependability is equivalent to reliability, which, according to Merriam (2008), means the extent to which a study yields the same results on repeated trials with similar subjects in a similar context. So the dependability of this study was ensured by reporting the factors that could have led to a fundamental change in the consistency of the research outcome. Another way of ensuring reliability was by selecting well-informed and experienced respondents with the support of their managers.

### **3.11 LIMITATIONS OF THE RESEARCH**

There were two limitations in conducting this study. First, by their nature, open-ended interviews have a tendency to generate huge volumes of data (Wilhot, 2009). Large volumes of data were undesirable because they are difficult to analyze and draw meaningful interpretations. In a bid to tackle this problem, pointless comments and digressions during interviews were discarded from transcripts.

As has been noted by Richards (2014), reliability may be another limitation in interviews due to the presence of the researcher and the research context as respondents may feel more comfortable putting their answers in writing. For that reason, it may be difficult to keep consistency and objectivity in such a research.

### **3.12 ETHICAL CONSIDERATIONS**

In conducting this research it was always important to consider the moral principles that governed the behavior of the researcher and the environment in which it took place. Since the beneficiaries of old age pensions are people aged 60 and above, according to the Nelson Mandela Metropolitan University code of research ethics, it was unethical to make them subjects of research as they are regarded as vulnerable. For this reason, the study resorted to seeking information about them from alternative sources like publicized documents and interviews with people who served them like the Pensions Officers.

Informed by readings from Fouka and Manzorou (2011), informed consent of participants in the research was requested. It is imperative that participants take part in the research



knowingly and voluntarily and they were therefore informed that they were free to withdraw from interviews at any stage without penalty. No pay or any form of reward exchanged hands between the researcher and the participants during the execution of the study. It was also pledged that the participants would not be exposed to any form of harm including physical, psychological or emotional.

Consistent with Payne's (2010) view that researchers should conduct studies in a manner that maintained respondents' privacy and confidentiality, the study protected the identity of all the people who participated. Names of the participants, the villages they lived in and their identity were not publicized in the final research document. Each participant was allocated a number linking them with the interviews, notes and discussions that resulted from communicating with the researcher. Participants also felt free to decide the degree, and situations and at what time their private information could be shared or withheld. After collection, the data was kept safely to bar it from unauthorized access.

According to Fischbach (2011), respecting respondents' privacy and confidentiality benefitted both the respondents and the researcher in a number of ways. First, it established trust between the two parties, (research participant and the researcher), maintained participants' dignity and, last, made the participant feel respected.

### **3.13 SUMMARY**

Chapter three set out to describe the population of the research. Then, the episode proceeded to explain the investigative techniques employed in this research and their conceptual and theoretical aspects. The type of information to be collected and what methods were used to collect it, how the data was analysed and what resources were needed were also discussed. Other methodological choices included qualitative research approach over quantitative one. Inductive and deductive data analysis approaches were used in order to achieve a high standard of overall validity and reliability of the research findings. Interviews, observation and documents reviews were used to collect data. Justification was provided for subject selection and sampling procedures.. All ethical considerations of conducting academic research were outlined and observed by the

researcher. All sources of literature that informed the choice and application of particular methods were cited

In chapter 4, the results of the study (findings) will be presented.

## **CHAPTER 4**

### **FINDINGS AND INTERPRETATION OF DATA**

#### **4.1 INTRODUCTION**

Chapter three delivered the details of the research methodology and the research process used to undertake the study and reach the findings, conclusions and recommendations.

The aim of Chapter four is to present the findings of the study and discuss them. The chapter considered issues surrounding the delivery of pension transfers especially general challenges in disbursing large amounts of cash in poor, rural and remote communities in Lesotho. The findings are structured as follows: first, the results of the research are presented followed by, second, the discussion of the results. Last, the researcher explores the degree to which the results of the research matched the arguments raised in the literature review (Chapter 2) where applicable.

#### **4.2 FINDINGS AND INTERPRETATION OF DATA**

##### **4.2.1 Increased burden of work for officers**

As Pelham (2007) noted, the design of Lesotho old age pensions scheme emulated the War Veterans' Pension (African Corps Pension) which was already being run by the Department O Pensions when old age pensions scheme was established. In 2004 when old age pensions scheme was established, the War Veterans Pension had 5187 beneficiaries (Abanyam, 2013). Despite additional sixteen-fold increase in the number of pensions they were administering, the administrative capacity of the Department of Pensions had not increased to match the amount of the work involved in managing the two schemes. For that reason, all the twelve interviewed employees of the Department of Pensions felt overworked by the high number of pensioners they were dealing with. All the files of the 83 000 pensioners were on paper only. On top of dealing with the files, the workers also had to do administrative paper work, and answer queries of the pensioners who came from the districts to enquire about the pensions. Inevitably, this led to mistakes, especially omission/ misspelling of names off lists and failure to meet routine deadlines

such as adjustments and reconciliation of pay lists. The pensioners had to come to Department of Pensions in person because there were no appeal structures established to attend to their queries in districts and communities.

#### **4.2.2 Lack of supervision**

The Old Age Pensions Act of 2005 and regulations of 2007 stated that it was the responsibility of the Assistant Pensions Managers to supervise payment of pensions at pay points across the country. Contrary to that, the research revealed that it was not always the Assistant Pensions Managers that supervised the disbursement of the old age grant. As was witnessed at Botha Bothe Post Office, Ha Ramahlalele Primary School and Matsieng Principal Chief's Office pay points, Assistant Pensions Managers were assisting to disburse the pensions grant instead of supervising. The reason for not supervising was stated by the management of the Pensions Department as due to a shortage of staff. According to the Pensions Department organogram, there were 41 Assistant Pensions Officers serving 291 old age pay points every month. In order to ease the burden, the Pensions Department had to harness additional members, (such as Assistant Pensions Managers and Pensions Accountants), to assist in disbursing the old age social grant. The consequence of outsourcing some members of the staff from other divisions was that the duties of the outsourced staff members suffered. For that reason, Assistant Pension Managers had no time to check the dispatch lists and make adjustments of transferred or deceased pensioners and new entrants.

Another reason for Assistant Pension Managers not doing supervisory work was the tedious nature of the work. The Pensions Department still used the rudimentary information system whereby all the beneficiary data was stored on paper only. Adjustments and reconciliations had to be done manually against the payroll. Because of the cumbersome nature of the work, there were doubts whether 41 Assistant Pensions Officers were enough to do the job systematically and timeously for over 83 000 pensioners.

Due to lack of supervision, the monitoring team found that the dispatch lists were full of unentitled names which were used fraudulently to drain off pension funds as depicted in

Table 3 below. The table shows that approximately M800, 000 was siphoned through the names of deceased and transferred pensioners at different pay points over the random months the monitoring team conducted the inspection.

**Table<sup>1</sup> 4.1: Number of names of deceased and transferred Pensioners who still appeared on the dispatch list and the amount of pensions grant paid to them.**

| Period     | Place                                  | Number of names of deceased Pensioners | Number of names of transferred Pensioners | Total Amount (M) Paid |
|------------|--|--|---|-----------------------|
| Dec 2012   | Bobete Office of the DA                | 400                                    | 17  | 128 300               |
| Dec 2013   | Morija Post Office                     | 134                                    | 26  | 16,800.00             |
| Mar 2014   | Matsieng Office of the Principal Chief | 322                                    | 58  | 96,600.00             |
| April 2015 | ThabaTseka Post Office                 | 457                                    | 64  | 138,000.00            |
| Total      |  | <b>1313</b>                            | <b>165</b>                                | <b>379, 700.00</b>    |

**Source: Extracts from 2014 and 2015 Reports by Monitoring Team<sup>2</sup>**

With reference to literature, Vincent and Cull (2009) claimed that it was common for African countries to manage public assistance schemes poorly. Vincent and Cull (2009) claimed that public assistance schemes in Uganda and Zimbabwe, for example, were characterized by manual processing of claims, claims going through many stages before they were finally disbursed, lack of transparency and inefficient management of the schemes. Oxford Policy Management (2010) also observed the same situation and commented that the bureaucratic machinery to administer the public assistance schemes in Africa severely hampered their effectiveness.

#### **4.2.3 Failure to verify the authenticity of the claims by proxies**

As noted by Grosh, Del Ninno, Tesliuc and Oueghi (2008), due to old age, the pensioners were physically fragile and therefore could not withstand walking or travelling long

<sup>1</sup> In this table, the information was available only for four of the six selected pay points for case study

<sup>2</sup> Monitoring Team was comprised of Internal Auditors and Police Officers deployed to the Pensions Department.

distances, queue up for many hours in congested lines and travel back home after getting the pay. In mitigation of the same problem, the Lesotho Pensions Department arranged that pensioners who could not reach the pay points themselves to be given the opportunity to nominate a proxy (agent), who would receive the grant on their behalf. The practice of nominating proxies was common in public assistance programs that distributed the grant manually (Grosh et al, 2008).

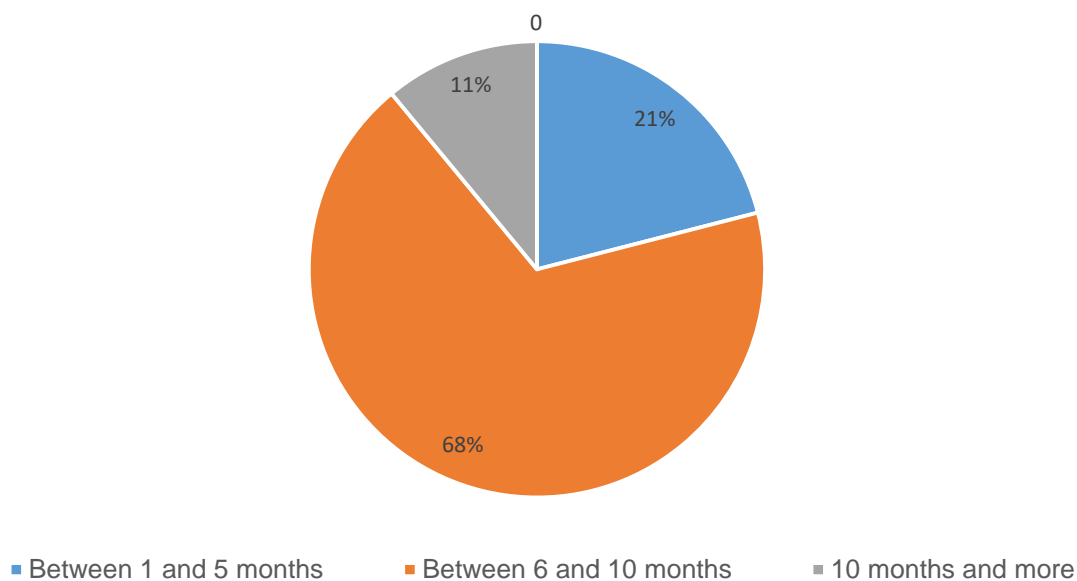
Grosh and others also pointed out that the option to nominate a proxy to fetch the pension on behalf of the elderly might be effective but could also be open to abuse in many cases. With reference to the Lesotho case, it was established that in cases where the pension grant was released to proxies, the proxies had to produce a letter endorsed by the local chief affirming that they had been authorized by the concerned pensioner to receive the grant, that the pensioner was still alive, and not convicted nor in prison. The research discovered a weakness with the procedure. Upon observing the disbursement of pension grants at all the pay points selected for study, the researcher established that none of the Paying Officers went beyond the chiefs' verification letters to confirm that the pensioners who were represented by the proxies in receiving the grant were really still alive, not convicted nor in prison. The Paying Officers could not consult with the appropriate structures, such as courts of law and civil registration institutions, to establish the authenticity of the pensions' claims in line with regulations. They relied solely on the confirmation letters endorsed by the chiefs and made the payments.

As a result of failure to ensure validity of pensions' claim in time, the monitoring team discovered that at Semonkong Pay point in 2012, there were 476 cases of undeleted names of deceased pensioners, which the proxies used to fraudulently claim M214, 200. According to the members of monitoring team interviewed, the reason for continuing to receive the pensions even after the death of a pensioner was that the proxies thought they were entitled to do so for three months after the death of the pensioner in order to recover the funerary costs of the deceased pensioner. Although it happened in 2012, it was discovered that at the time of study (June 2016), no attempts had been made by the Pensions Department to recover the pensions paid out fraudulently.

#### 4.2.4 Unlimited frequency of nomination of proxies

The failure to verify the authenticity of the claim was further complicated by the unlimited number of times a proxy could receive the grant on behalf of the incapable pensioners. As revealed by the 90 proxies interviewed at six pay points, 68 per cent of them had received the grant between six and ten months between April 2015 and May 2016, while 11 per cent of them claimed to have received the pension grant for ten months and more.

**Figure 4.1: The number of times proxies have collected pension on behalf of pensioners between April 2015 and and May 2016**



**Source: An analysis of information sourced from proxies in June 2016**

By not limiting the number of times that a proxy could collect on behalf of a pensioner, fraudulent behaviour could be enabled. The assertion was also substantiated by the progress report (November 2015) of the monitoring team that unlimited and high frequency of proxies in receiving the pension grant indicated possible loss of funds through fraud. This claim was backed up by the observation of the monitoring team that proxies were responsible for illegal claims of M81 036 000 between 2011 and 2014, and during the same time the number of proxies had soared from 10, 942 to 17, 658.

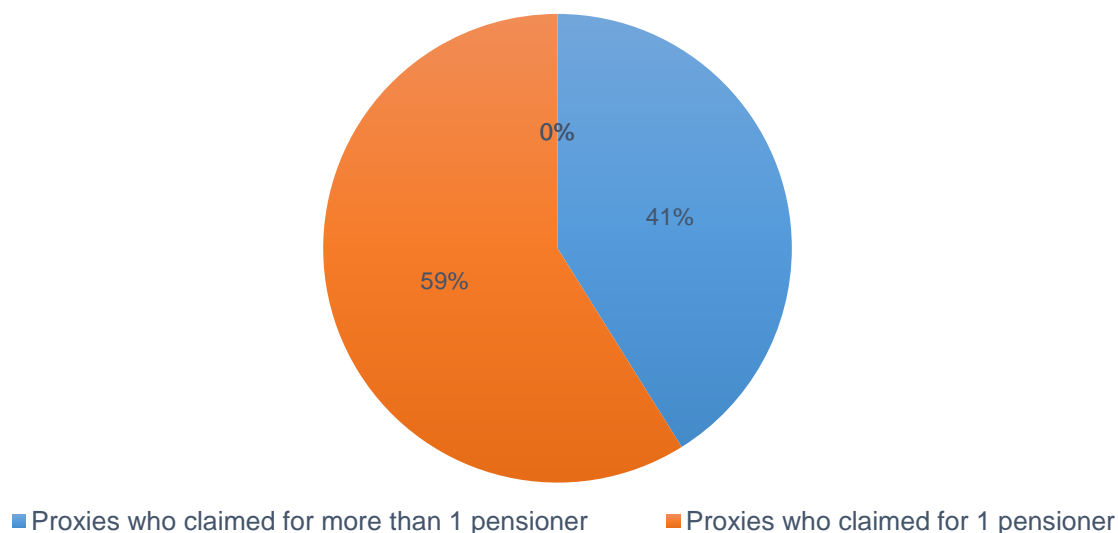
On realizing the fraudulent practices of proxies, the Pensions Department procured and installed a biometric system in 2011 to sense fingerprints of the entitled pensioners. According to Levine, van der Berg and Yu, (2009) the installation of fingerprint identification devices was a worthy investment towards minimizing fraudulent behavior as evidence had shown that it worked well for Namibia. However, in the case of Lesotho, it was established that the system had never been used due lack of funds to implement it. Even after a competent technology was procured to assist the department in detecting fraud, it was put on hold. This was in line with Barrera-Osorio's (2011) observation that, in developing countries, important programs like old age pension schemes were placed in weak departments which lacked enough bargaining power to secure funds from governments. This often resulted in the old age pension schemes being subjected to budget cuts (Barrera-Osorio, 2011).

#### **4.2.5 Social network of proxies**

Another issue regarding proxies was that they were allowed to claim pensions for more than one pensioner. As shown in Figure 4.2 below, 41 per cent of the proxies stated that they came to collect pensions for more than one pensioner. The researcher viewed this as encouraging people to make careers out of being proxies or middlemen between the elderly and the Pensions Department. The problem with that kind of arrangement was that it was unsafe for the elderly as it was not guided by well established procedures and regulations. It was likely to pose fiduciary challenges for the elderly.



**Figure 4.2: Number of proxies who represented several pensioners versus those who represented one pensioner**



**Source: An analysis of information sourced from proxies in June 2016**

The management of the Pensions Department did not approve of one proxy representing several pensioners but did not know how to control it as it infringed on the rights of the elderly. For instance, limiting the frequency and quantity of pensions collected by proxies would mean denying pensioners the right to work with caretakers they trusted. Moreover, it would be worse in cases where there was one caretaker for the elderly pensioner, limiting frequency of the same proxy in such cases would lead to pensioners failing to get their pension at all.

On the other hand, although the high number of proxies was regarded as a problem in the distribution of old age pensions in Lesotho, some authors interpreted it as a sign of strong community cohesion that benefitted the elderly, typically in rural settings (Levine et al, 2009). According to Levine et al (2009), elderly people in rural areas were more likely to benefit from strong community cohesion and family support than their urban counterparts. Moreover, the point of nominating a proxy to receive a pension on behalf of the pensioner was of less concern among the elderly who lived in close proximity to city centres as access to pension distribution points was easier. However, Oliveier, Andrianarison and McLaughlin (2013) warned that the social support networks enjoyed

by the rural elderly were disintegrating gradually due to urbanization, HIV/AIDS effects and migration of people.

#### **4.2.6 Faulty targeting**

An analysis of internal reports by the monitoring team (May, 2015) revealed that there were exclusion and inclusion errors in the pensions grant. An exclusion error referred to elderly people who qualified to receive the pensions but who did not receive it, while inclusion error referred to inclusion of people who did not qualify to receive pensions but were getting them. According to the monitoring team's reports (May 2015), there was an inclusion error of 11 per cent and an exclusion error of about 3 per cent in the pay points that were assessed. However, Abanyam (2013) estimated the overall inclusion error in Lesotho old age pensions at 26 to 30 percent. The errors varied across pay points and they were caused by different reasons. The exclusion error was found in the remote areas mainly due to a lack of information regarding how to apply for the social pension. On the other hand, inclusion errors were caused by: a) use of multiple documents of identity and age verification and, b) incorrect perception that the relatives of a deceased pensioner should continue claiming the deceased's pensions for about three months after their death in order to recover the funerary costs (Monitoring Team Report, May 2015). The Auditor General's Report (2015) confirmed some cases where the pensions were wrongfully claimed after the death of a pensioner and the claimants were ordered to repay it.

The problem of inclusion and exclusion errors have occurred in other countries as well. According to Levine et al (2009), there were a few cases where the pensions were dawn by pensioners' procurators after the death of the pensioners in Namibia. The reason for inclusion errors were traced to manual records, lack of transport and administrative inefficiencies that led to failure to close the recipients' files after death. In Swaziland, Dlamini (2007) blamed inclusion errors on poor civil registration facilities that led the government to allow people to use multiple documents to establish their age. As Dlamini (2007) noted, the use of multiple documents resulted in the number of beneficiaries swelling from 43, 830 in 2005 to approximately 60,000 in 2006/07.

## 4.2.7 NON-COMPLIANCE WITH CASH-HANDLING REGULATIONS

### 4.2.7.1 Failure to use cash-boxes at the pay points

According to the Lesotho Government Financial Regulations 1973 section 1101, paying officers should be equipped with cash boxes to keep the funds during the payment process and the cash boxes and their keys should be safeguarded by the officer in charge. As shown in Table 2 below not all pay points visited used cash boxes during the disbursement of the pension grant.

**Table 4.2: Number of Cash Boxes at the pay-points visited as at June 2016**

| Pay-Points                                | Cash Boxes for Accountants | Cash Boxes for Paying Officers |
|---|----------------------------|--------------------------------|
| Botha-Bothe Post Office                   | 1                          | 0                              |
| Morija Post Office                        | 0                          | 0                              |
| Matsieng office the Principal Chief       | 0                          | 0                              |
| Likhoele Office of the Principal Chief    | 0                          | 0                              |
| Thaba-Tseka Post Office                   | 2                          | 0                              |
| Qacha's Nek: Ha Ramahlaele Primary School | 0                          | 0                              |
| Bobete Office of District Administrator   | 0                          | 0                              |
| Total                                     | 3                          | 0                              |

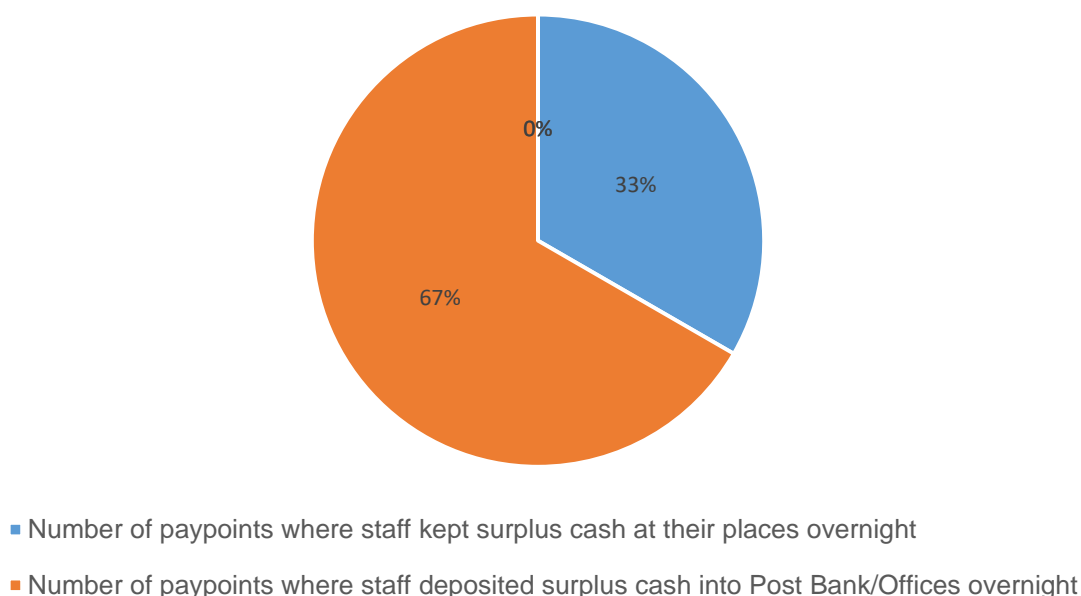
**Source: Researcher's observation in June 2016.**

The reason for failing to use cash boxes as cited by the Paying Officers was that the cash boxes had deteriorated to the extent that they could be opened without using keys. Interviews further revealed that, even before they deteriorated, the keys supplied could open several different cash boxes which rendered their relevance questionable.

#### 4.2.7.2 Failure to keep cash in strong rooms overnight

Furthermore, the study uncovered another area of non-compliance with Lesotho Government financial regulations. According to Financial Regulations 1973 section 1101, cash boxes containing cash must be placed in a safe or strong room overnight, and the keys of the strong room should be safeguarded by the designated person. In application of the said regulation, the Pensions Department had arranged that Paying Officers should keep all the surplus cash at the Post Banks/Offices strong rooms overnight and the keys of the strong room be safeguarded by the Post Master. Contrarily, it was discovered that not all Paying Officers were able to keep the surplus cash at the Post Banks/Offices strong rooms overnight. For instance, Paying Officers from remote pay points often arrived at the Post Banks/Offices after working hours when the facilities had closed for business for the day. For that reason, the Paying Officers had no choice but to keep the pension cash at their places overnight.

**Figure 4.3: Number of paypoints where staff complied with safe custody regulations of surplus cash versus paypoints where staff did not comply**



**Source: An analysis of information sourced from Paying Officers in June 2016**

According to the management of the Pensions Department, the reason for Paying Officers failing to reach the Post Banks/offices in time was due to limited vehicles available to

collect all the Paying Officers deployed to the satellite pay points in time. Failure to keep pension cash in strong rooms overnight could result in mishandling and theft of the pension grant. It was discovered through interviews with the management of the Pensions Department that no effort had ever been made to ensure that the surplus cash from remote pay points was accommodated in the strong rooms when it arrived after working hours. Possible solutions to the problem could include negotiating with the Post Offices managers to extend the time for locking the strong rooms and or make the Paying Officers start and end paying earlier in order to reach strong rooms before they were locked and closed for business.

#### **4.2.8 DELAYS IN ACCOUNTABILITY**

##### ***4.2.8.1 Delays in submission of monthly returns***

Pensions accountants should submit monthly returns to the Pensions Department in order to pave way for the next disbursement of the old age grant. However, this procedure is not always followed. In fact, the study discovered that on average, the pensions accountants sometimes only submitted returns for previous pension payments after three months.

The reason for not submitting monthly returns on time was that paying officers would still be disbursing pensions in the remote areas from the set pay date to the last working day of every payment month. According to management of the Pensions Department, this was done in consideration of the fact that some of the elderly people had health problems and therefore had limitations to travel. For that reason, paying officers had to stay onsite with cash until all the latecomers had claimed their pension for the month. This arrangement posed internal security problems that included theft of pension funds onsite as indicated in Table 4 below.

**Table 4.3: An extract from Pensions Department Cases of Missing Pension Funds for the years from 2013 to 2015.**

| Officers <sup>3</sup> | Place      | Stolen/missing fund | Results               |
|-----------------------|------------|---------------------|-----------------------|
| Officer 1             | Mokhotlong | M61,500.00          | Pending Court case    |
| Officer 2             | Leribe     | M2,559,350.00       | Pending Investigation |
| Officer 3             | Mafeteng   | M48,709.39          | Pending Court case    |
| Officer 4             | Maseru     | M168, 568.02        | Convicted             |
| Officer 5             | Maseru     | M17,900             | Convicted             |

**Source: Extracted from Pensions Department Missing Funds Records in June 2016**

The fact that the recipients of the old age pension had to be given until the last working day of every month to get their payout was found to be too lenient especially when considering they also had up to three months to claim their missed payouts.

#### **4.2.8.2 Delays in paying pensioners after approval of their pension applications**

The Old Age Pensions Regulations, 2012 (as amended), stipulated that a pensioner shall be paid effective from the date his or her application for pension is approved. The procedure was that the payment should start the month following the approval. However, after analyzing 500 cases of pensioners whose applications for pension were approved in 2015, it was established that it took an average of 4 months for the pensioners to get their first pay. Among these cases, 26 pensioners got their first pay almost 12 months after approval. The reason for the delay was explained by the pensions managers as caused by the pensioners not following up on their applications timeously. The delay to process the pensioners' applications was considered as a violation of their right to social protection and improvement of their lives.

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<sup>3</sup> Names of officers involved and their case numbers are withheld in line with ethical principles of conducting a research.

#### **4.2.9 Fairness of the pension**

Interview results showed that 66% of Pensions Department staff considered the eligibility age of 70 to be too high and that 60 would be more fair and in line with the United Nation's definition of old age. However, 27 per cent of the respondents pointed out that although the pension was small, it served to reduce extreme poverty and protected recipients from destitution. Another concern about the fairness of the pension was discovered to be the meagre amount of the pension, which, at the time of research, stood at M550 per month. Seventy-eight (78) per cent of the pensioners' caretakers, (proxies<sup>4</sup> who came to pay points to collect pension on behalf of the pensioners), argued that the amount was too little to effect real change in the recipients' lives. This notion was confirmed by the consumer price index of Lesotho, which stood at M1, 800 per month for one to be able to live there (Lesotho Statistics Department, 2015). In addition to that, the small amount of pension undermined the reason for initiating the pension, which was for the elderly to be able to cope with the high burden of orphans caused by the HIV/AIDS endemic. The same view was shared by Tanga (2008) in that as long as the elderly had dependents who were not wage earners, the old age program was far from taking the pensioners out of poverty. According to Tanga (2008), the African culture of extended families stood in the way of an old age pension to fulfill its objective of supporting the elderly. For that reason, many pensioners still live in poverty even with a pension.

#### **4.2.10 Delivery costs**

The main cost of pension transfer was the transfer itself multiplied by the number of beneficiaries and the frequency of delivery. On that note, the payment records of the Pensions Department reflected that beginning April 2016, the monthly transfers for the elderly stood at M37.3 million which, if they remained so for the whole financial year, they would accumulate to a total of M448.2 million for that year. Other costs included salaries of staff and other expenses such as accommodation per diem during deliveries at M74 million. Efforts to get costs related to transport (helicopter services, vehicles, fuel and maintenance), office furniture and equipment and handling costs (bank charges and

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<sup>4</sup> Proxies were considered to be caretakers of the pensioners who were also in a better position to know about how the money was used.

security officers), were fruitless as they were managed and kept by other government actors/departments which were outside the scope of the study. However, World Bank (2014) estimated the administrative costs, (excluding the transfer itself), to be around 20 per cent of the program budget, which was the highest in the SADC region.

With reference to literature, Monru (2012) indicated that the recipients of the fund incurred another side of the costs in order to access it. For instance, many recipients of old age pension transfer in Namibia had to set a day aside every month in order to access a pay point, queue there and pay for transport to come back home (Munro, 2012).. Queueing in the open also exposed the recipients to harsh weather conditions, which could lead to health issues. With reference to Lesotho, pensioners also queued in the open (Mail and Guardian, 2012) but there was no mention of adverse consequences.

#### **4.2.11 SUMMARY**

The chapter sought to present the findings of the research and their interpretation. Where possible, the interpretation of the findings was derived from the existing literature where such literature was available. The interpretation of the findings of the research was also supplemented by the researcher's 'voice' depending on the understanding of the matters following a thorough investigation and scrutiny of the matter at issue. The main findings of the study included: high delivery costs of the pensions fund, increased burden of work for officers, failure to verify the authenticity of the pensions claim, non-compliance with cash handling procedures of the Government of Lesotho and delay in accountability.

In the next chapter, recommendations and conclusion of the research are presented.



## **CHAPTER 5**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

Chapter four offered the research findings backed up by the empirical evidence collected from the field. Chapter four also illustrated how the research findings matched the existing literature on challenges in distribution of old age pension.

Chapter five set out to highlight the key findings of the research and thereafter lay out relevant recommendations to combat the identified challenges. Secondly, a general conclusion will be offered. Finally, the research would suggest a future area of research, which was identified during the course of the study.

#### **5.2 SUMMARY OF MAIN FINDINGS**

##### **5.2.1 High security risk**

Members of the Lesotho Defense Force always accompanied the pension money until it was disbursed but there were times when security loopholes were identified in the distribution system of the pension. First, by nature of being liquid, cash pensions were susceptible to theft and embezzlement by the officers themselves. Moreover, as World Bank (2012) noted, assembling beneficiaries or recipients at a certain pay point on a certain pre-announced date posed serious security risks for both the officers executing the payment and the recipients themselves. During the 2011/2012 financial year large sums of money were either robbed in transit or at the pay points in Lesotho (Office of the Auditor General Lesotho, (2013); Lesotho Times, (1 December 2011) and Lesotho Parliament Hansard, November 2011). It is also a security risk for the pensioners and/or their proxies.

##### **5.2.2 High delivery costs**

Delivery costs are high for the government as well as the pensioners and proxies. Government costs include transport (vehicles, gasoline and maintenance), chartering

army helicopters and administrative costs like airtime and bank charges. Recipient costs also include transport and time and due to harsh weather conditions, sometimes health costs (Munro, 2012).. On average governments incurred 2 to 4 per cent of the program budget to deliver the pension through the pull mechanism of delivery, with the exception of Lesotho which incurred about 20 per cent of the program budget(Anthony, 2010).

The issue of the lack of shelter at pay points was also observed by the Mail and Guardian in 2006 where pensioners were reported to have complained about rainy and hot weather that bothered them at the pay points in Lesotho (Mail and Guardian, 3 Nov 2006).

### **5.2.3 Poor administrative capacity**

The old age pension started with about 69 000 of elderly registrants out of the 74 000 population of the people aged 70 and above (Lesotho Census, 2006). In June 2016 the number had increased to 83 000. However, when the old age pension was housed at the Department of Pensions, the administrative capacity of the department was not amplified despite the fact that it then had a thirteen-fold increase in number of the people to be served (currently sixteen-fold). The surprise arrival of the old age pensions also found the post office pay-centres unprepared to welcome a bigger influx of pensions' recipients. Without appeal structures to address the pensions' recipients at the district level, pensioners had no option but to travel long distances to the headquarters of Department of Pensions in Maseru to air their queries to workers directly, which imposed a huge burden of work on the employees of the Department of Pensions. This was in line with Gracia, Moore and Moore (2012) observation that, in Sub-Saharan Africa, old age pensions are hosted by weak government institutions which were established during colonial era and which generally showed little or no concern over social protection issues.

### **5.2.4 Faulty targeting**

The design of the old pensions in Lesotho had gaps which were potentially dangerous to the sustainability of the program. In the first place, while it was undeniable fact that using community leaders (Chiefs and councillors) to identify and endorse eligible pensioners was relatively inexpensive, the Department of Pensions failed to consider the fact that it

also had opportunity costs or social and political costs for those who implemented it at community level. As it was witnessed in Malawi and Zambia, communities that were involved in monitoring cash transfers for the vulnerable groups appreciated a small cash or in-kind remuneration for the work they completed in order to make up for the opportunity costs incurred to do the job (Miller et al, 2010). Other forms of costs may come in the form of nepotism or other types of favouritism leading to inclusion of ineligible people and the potential of excluding eligible ones. Although both inclusion and exclusion errors were found in the system, it was the inclusion errors that bothered the Pensions Department most. Due to fact that the database of the pensioners was not connected to other important national databases such as database for the deceased, it was difficult for paying officers to ascertain that the beneficiaries were still alive. In other words, the authenticity of the pay claims by the proxies was compromised. On realizing the loophole, the number of proxies began to increase. Their high numbers at the pay points was associated with loss of money through fraudulent claims.

Moreover, the fact that the Department of Pensions was not represented in the communities, left room for communities to misinterpret the application of the rules of the pensions. For instance, according to 78 percent of the proxies thought that old age pensioner was to be received by the relatives of the deceased pensioner up to three months after the death of the concerned pensioner. This was partly due to the fact that the communities which were implementing the targeting were not trained or met regularly in order to erase the misinterpretations and misconceptions about the application of the rules of the pension

After the inception of computerized civil registration in Lesotho in 2012, the Pensions Department started to stick to the official documents to identify applicants and establish their age. Although adhering to the stipulated official documents was deemed as a solution to inclusion error, there was still a concern that some people might still have adjusted their age during civil registration in order to qualify for old age pensions (Kapa, 2013).

### **5.2.5 Poor accountability**

The study unearthed delays in internal processes at the Department of Pensions to update dispatch lists, (transfer of pensioners from one pay point to another, misspelled names, deletion of names of deceased and addition of new applicants). Another area of delay was identified as late submission of pensions returns from previous disbursement. Moreover, there were situations where paying officers kept pensions at their places overnight after failing to deposit it at the Post Bank/office branch. Lack of supervision of officers was also a concern as, due to inadequate staff, the supervisors were obliged to pay pensions instead of supervise.

### **5.2.6 Promising steps by government**

Due to the fore mentioned management deficiencies, the years 2011 and 2012 marked an explosive time with the accumulation of deficiencies within the program. For the first time, it became clear to the public eye that the old age pension scheme in Lesotho was a platform where fraudsters siphoned public funds through untitled beneficiaries. After that proper management of the old age pension scheme in Lesotho became a priority for government (Minister of Finance Lesotho, Budget Speech, 2016/2017). Just before the finalization of this study, there were signs that the government wanted to improve the distribution of social grants in Lesotho. For instance, the government sought to engage consultants to explore the possibility of establishing a single national registry of all households and individuals eligible for social grants (World Bank, 2016). The effort to increase coordination between the existing social grants, coupled with the inception of a computerized civil registration in 2012, are seen as good steps towards pro-poor targeting and other vulnerable groups like the elderly. Moreover, interviews with the CEO of Vodacom Lesotho (M-Pesa Division), revealed that discussions had started between Vodacom and the Lesotho Government to distribute all the social grants through mobile phones (M-Pesa). Although the discussions were still at a premature stage, they were regarded as a milestone towards improved distribution of old age pensions in Lesotho.

### **5.3 CONCLUSION**

Logistical, operational and security challenges were responsible for poor performance of old age pensions in Lesotho. Faulty targeting led to inclusion errors. Inclusion errors are bad in a sense that they may miss people who are supposed to benefit from the pension scheme and benefit people who are not eligible. The faulty targeting emanated from the high involvement of community (chiefs and councillors) in selecting eligible pensioners. The Pensions Department played no role in selecting the eligible pensioners. Much as educated bureaucrats could have demanded higher salaries than local community leaders, but such persons might have been more educated and effective in managing pensions' funds than local agents. Although the homogeneous community agents (chiefs and councillors) were used for targeting, the Department of Pensions did not empower them to do the job effectively and effectively. Even level of education was not an issue in seeking assistance from the community leaders. Every community leader qualified by virtue of the social status they held in community. As such, one of the challenges that hampered the implementation of the pension scheme was the absence of reliable management and information system. However, some hope remains that with the use of civil registration database, training of targeting agents and technology and partnership with private sector, efficient targeting could be achieved. Literature has revealed that the challenge inclusion error Lesotho is experiencing with regard to distribution of social pensions have also been experienced by other countries like Namibia and Swaziland (Levine et al, 2012). However, the countries overcame the problems with technology and partnership with private sector in distributing the pensions. If the old age pension scheme was managed competently through the application of technology, the funds redeemed from loss and theft could probably be used to fund additional pensioners from the age of 60.

### **5.4 RECOMMENDATIONS**

#### **5.4.1 Mobile phone-based money transfer**

In mitigation of the numerous logistical, operational and security issues plaguing the distribution of the old age pension scheme in Lesotho, the study recommends that the

pension transfer be made via mobile phones. The recommendation is made in the light of the following points:

- Low transaction costs offered by mobile money industry as compared to banking sector;
- Well established mobile money infrastructure across the country, including in remote and inaccessible areas. For instance, in June 2016, Vodacom Lesotho had 4 001 mobile money outlets across the country while Econet-Telecom Lesotho had 1999 outlets;
- Prevalence of affordable mobile phones makes it easier for people to own a mobile phone;
- One of the two mobile network operators in Lesotho (Vodacom), has extensive experience in transferring social grants through mobile phones since 2007 in Kenya;
- Plans for rapid growth of rural electrification in Lesotho (eg at 35% in 2016 and projected to be 40% by 2020) will help people charge their phones (Lesotho Electricity Authority, 2011);
- Mobile phone literacy is estimated at 76 per cent in Lesotho because cell phones have been in use since 1994 when Vodacom first relocated to Lesotho. After 20 years of operation, the majority of people who are entering the elderly stage have most probably owned and used a mobile handset before (Interviews with Vodacom Management, June 2016);
- Unlike banks, the services of mobile money transfers welcome everybody who owns a mobile phone regardless of level of income and the facilities are locally available, often in non-intimidating places like in the case of banks and
- Mobile phone services may also help the elderly keep their pensions in the system and to be retrieved at their own convenience, which helps them plan the use of their money efficiently.

Coming back to the findings of the study, the use of mobile phone-based money transfers would improve the distribution of old age pensions in Lesotho in the following respects:

- **Efficiency of delivery:** no more manual processing of pension claims. The pensions claims will now be processed electronically at a central point;
- **Reduction in security risk:** no more handling of huge sums of money at the pay points, and no more public knowledge about pay dates and exact locations where pensions would be disbursed;
- **Improved targeting:** no more requirements of approvals of proxies by local authorities which was a loophole that allowed an inclusion error;
- **Reduction in delivery costs:** no more per diems, transport costs and opportunity costs of staff deployed from other departments to assist in disbursing old age pensions; and,
- **More flexibility for recipients:** recipients will now have flexibility as to where and when to cash their pension claims, how much to withdraw and how much to save.

In light of the points above, it is now up to the policy makers in Lesotho to invest in this public-private sector partnership in telecommunication infrastructure. Public-Private partnership is required because neither the network operators nor the government could shoulder the investment alone.

However, it is worth noting that the use of mobile money transfer facilities alone is not enough to address all the problems related to old age pension in Lesotho. Below is a list of other factors (in brief) that need to be considered in order to pave the way for a smoother operation of the recommended facility:

#### **5.4.2 Monitoring of community stakeholders**

Community groups (chiefs and councillors) involved in identifying the eligible pensioners should be well trained, managed and monitored by the Department of Pensions to ensure that they correctly do their duties. If properly managed, community involvement can decrease costs and improve the implementation of the old age pensions program. Ongoing monitoring and training will help limit corrupt practices and lead to correction of mistakes at their infancy level. In monitoring community leaders, the Department of Pensions could establish impartial appeal or complaints structures where both the implementing agency and the pensioners could lodge their grievances (Slater, Rachel,

Holmes and Harvey, 2008). Such structure should be independent from other decision-making bodies of the pensions program. Their main function should be to iron out complications before they mature into challenges. Moreover, other innovative ways of addressing pensioners' grievances could include establishing mobile complaints desks to address pensioners' complaints at the pay points on the pay days. Addressing pensioners' queries at community level could reduce the number of pensioners who travel to Department of Pensions in Maseru to meet the Pension Officers in person. The mobile complaints desks seemed to be working so well for World Vision Lesotho during the distribution of cash transfers to vulnerable groups in Lesotho (World Bank, 2013). Lastly, the Department of Pensions should establish a hotline, which people could use to report lodge complaints about pensions including fraud and abuse.

#### **5.4.3 Encouraging the pensioners to buy life insurance policy**

In a bid to discourage claiming of pensions after death of a pensioner, the Department of Pensions should encourage pensioners to join life insurance policies to help them cover funerary expenses when they die rather than relying on pension fund to recover the costs. Making the pensioners join life insurance policy has worked successfully for Namibian Old Age and Disability Pensions where the beneficiaries of the pensions were persuaded to purchase a life insurance of up N\$2,000 (Levine et al 2009). The insurance helped discourage individuals from collecting the pensions after the death of the beneficiaries. Another advantage of joining life insurance policy was that it compelled claimants to have a death certificate to lodge a claim, the thing that would encourage the registration of deceased pensioners in civil registry. However, it is worth noting that the strategy of making the pensioners join life insurance policies can suffice as long as the value of the life insurance is higher than the value of the pensions.

#### **5.4.4 Auditing of pensions lists**

Given the high level of inclusion error (estimated 26 to 30 per cent (Abanyam, 2013)), the Department of Pensions has to institute an audit on the lists of the pensioners to weed out ineligible beneficiaries of the pension.



#### **5.4.5 Data protection legislature**

Although the research did not discover any challenge in relation to a lack of data protection in distribution of old age pensions in Lesotho, data protection law is deemed important for a proposed technological transfer of pensions in Lesotho. Given the logistical, operational and safety challenges that have wrecked the administration and distribution of old age pensions in Lesotho, it is highly visible that the government will eventually privatize the administration and distribution of the pensions as happened in Namibia in the mid-1990s (Levine et al, 2009). If eventually the government takes the privatization route of administration and distribution of old age pensions in Lesotho, a robust data protection legislature has to be formulated in order to protect the information of elderly people from abuse when being transferred from the implementing agencies to the owners of the technological infrastructures. Data protection legislature can play a pivotal role in managing the sharing of information regarding the elderly between the implementing agency and the owners of the transfer technology. The role of law in this case can be to ensure that data is shared appropriately and with the consent of the person concerned, and that the information is used solely for the purpose for which it was intended.

#### **5.4.6 National Information System for Social Assistance (NISSA)**

The Lesotho Government should consider the establishment of the National Information Management System for Social Assistance (NISSA) in order to have a single database of all people eligible for public assistance in the country. The main function of NISSA is to lower costs and achieve greater efficiency in social expenditure by focusing on the use of technology to plan, target, coordinate and deliver pro-poor services (World Bank, 2014). For that reason, NISSA can consolidate all the social safety nets such as old age pensions (currently in the Pensions Department), Public Assistance for Paupers (administered by Social Development Ministry), School fees for orphaned children (under the Ministry of Education) and War Veterans Grant (administered by the Local Government Ministry) and lower delivery costs. With reference to this study, NISSA can improve the application, verification and payment system of old age pensioners and reduce the problem of wrongful targeting, which was identified as a major problem in

distribution of old age pensions in Lesotho. An example of a country that has a database of citizens eligible for public assistance is South Africa, (dubbed National Integrated Social Information System (NISIS)) hosted by the Department of Social Development (World Bank, 2014).

#### **5.4.7 Movement of Old Age Pension Scheme to the Ministry of Social Development**

Lack of linkage between institutions that work with social protection compromised the the implementation of the pensions scheme and undermined its effectiveness. Considering the fact that the Ministry of Social Development has staff (social workers) who have the skill to handle old age issues, it was viewed as relevant to move the old age pension scheme from the Pensions Department to the Ministry of Social Development. The movement of the Old Age Pensions Scheme to the Social Development Department is in line with arrangements that have already been made by other SADC countries. For instance, in South Africa, the old age pensions are managed by the Department of Social Development, by Poverty Eradication and Social Welfare in Namibia and by the Ministry of Social Security, National Solidarity and Reform Institutions in Mauritius to mention but a few (Monchuk, 2013).

It is recommended that the Department of Pensions should remain under the Ministry of Finance to manage the retirement pensions of the public and civil servants, as is also happening in Botswana and Swaziland.

### **5.5 SUGGESTION FOR FURTHER STUDY**

Many studies have concentrated on the important role played by social grants in uplifting the living standards of the poor and the vulnerable. Little attention has been given to the costs accompanying those social interventions. Considering the increasing number of vulnerable groups (eg elderly and orphans) and high degree of government provision of public assistance, there is a fear that many countries might face social grant crises in future, if the costs are not kept in check. In order to avoid social grants crises, the

researcher recommends a further research on this issue in order to keep governments well informed about financial implications of public assistance.

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## APPENDIX 1: PERMISSION LETTER TO CONDUCT A RESEARCH

Nelson Mandela Metropolitan University  
P.O Box  
Port Elizabeth  
Date

The Manager, CEO, or Board Member  
Name of organization

Dear Sir/Madam

### APPLICATION FOR PERMISSION TO CONDUCT RESEARCH

I am a student registered for Master of Philosophy in Development Finance in the Department of Development Studies at Nelson Mandela Metropolitan University. My Supervisor is Professor Mohamed Saheed Bayat. His contact details are as follows

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My research title is “Challenges in distribution of old age pensions in Lesotho”. The objectives of the research stand as follows:

- To discover the nature of challenges in distribution of old age pensions in Lesotho;
- To explore literature surrounding the distribution of old age pension fund;
- To assess how challenges in distribution of old age pensions fund affect delivery of the pensions;
- To provide recommendations in efficient and effective ways of distributing of old age pensions in Lesotho.

With this letter, I seek your permission to conduct a research on the forestated title in your organization in accordance with the role it plays in distribution of old age grants in Lesotho. Please note that I have attached copies of a) ethical clearance form, and b) research methodology, in order to help you make a decision regarding this request.

Thanking you in advance for your anticipated support.

Yours faithfully,

---

**ND Sejanamane (Mr)**

## **APPENDIX 2: RESEARCH QUESTIONS**

### **DEPARTMENT OF PENSIONS STAFF**

1. When was the first time the Department of Pensions started to distribute old age pension?
2. What ways/methods of distribution does the department use to dispense the pension to the beneficiaries?
3. How successful are the above stated methods of distributing old age pension?
4. Please state the: a) logistical, b) operational and c) security challenges experienced by the Department in distributing the old age pension?
5. What challenges does the current method of distributing the old age pension have on:
  - a. Program's budget?
  - b. Allocation of staff?
  - c. Amount of time invested in it by the Department?
  - d. Amount of time invested by the beneficiaries to get the funds?
6. What solutions do you have in place to address the challenges?
7. To what extent have the solution/s have been implemented?
8. To what extent is the pension fund considered fair in terms of the amount? And starting age to earn pension?
9. If not fair, what amount of pension would you recommend for pensioners? And what starting age to earn pension would you recommend?

## **MOBILE PHONES OPERATORS**

### **Telcom-Econet Lesotho and Vodacom Lesotho.**

1. What solutions do you have for distributing social grants (especially old age pension) to the rural and remote recipients in Lesotho?
2. To what extent do your facilities cover the country (Lesotho)?
3. How ready are you to distribute the old age pension to its recipients in Lesotho?
4. What kind of arrangement do you need for you to efficiently and effectively undertake the distribution of old age pension in Lesotho?
5. Being international corporations, have you ever distributed social grants (including old age pension) anywhere else in the world, including in Africa?
6. If so, what were the successes and challenges? How did you solve the challenges?
7. If you were to distribute old age pension in Lesotho, how would you unravel the following challenges:
  - a. Low mobile-money literacy rate among the elderly?
  - b. Low rate of mobile phones ownership?
  - c. Limited number of mobile money transfer agents?
  - d. Lack of electric power to charge mobile phones in some rural villages?
  - e. Privacy rights and confidentiality about clients' information?
  - f. Encroaching into the banks' business domain of providing financial services?
  - g. High transaction costs of financial services?
  - h. Mistrust of mobile operator company handling money?
  - i. Mobile money agents' low liquidity?

## **PROXIES**

1. How many times did you receive the pension as a proxy in the last 12 months?
2. How many pensioners have delegated you to receive the pension on their behalf?
3. To what extent is the pension able to assist the pensioners financially?
4. How many members of the family are living with the pensioner? And how many of them are working (income earners)?
5. What challenges does the amount of pension pose when using it?



### **APPENDIX 3: PARTICIPANTS CONSENT FORM**

#### **STUDY TITLE: CHALLENGES IN DISTRIBUTION OF OLD AGE PENSIONS IN LESOTHO.**

1. The reason why I was selected to participate in the study was satisfactorily explained to me and therefore I soberly agreed to participate in the study on Challenges in distribution of old age pensions in Lesotho.
2. The aim and objectives of the study were explained to me.
3. I am aware that I do participate in this study at my free will, and that I can withdraw from it at any stage of the interviews at my sole discretion without any fear of punishment
4. I was afforded the opportunity to ask any questions about the study prior to agreeing to take part in it, and I have been given the contact details of the researcher in case of further questions and clarifications
5. I was told that all the personal information about myself will be treated confidentially and no part of the information that identifies me will appear in the final publication of the study.
6. I am aware that the study may be published into a book, journal, thesis or treatise or be used for any other research purposes.
7. The purpose of the study was also presented to me
8. Finally, by signing this form, I voluntarily agree to take part in the study.

Participant Name \_\_\_\_\_ Signature \_\_\_\_\_

Address \_\_\_\_\_

Contact number: \_\_\_\_\_