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Lesotho Government

Lesotho VAC

LESOTHO VULNERABILITY ASSESSMENT COMMITTEE

INTERVENTION MODALITY SELECTION

In light of the findings from the LVAC Market Assessment that assessed the functionality and performance of Lesotho's food markets, LVAC proceeded to validate the feasibility of supporting vulnerable and food insecure populations in Lesotho with cash based transfer (CBT) interventions. This report outlines the analyses, discussions and recommendations on the type of food assistance market intervention modalities that were proposed by LVAC for Lesotho's districts/councils.



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Acronyms

BOS	Bureau of Statistics
CBT	Cash Based Transfer
CPI	Consumer Price Index
CRS	Catholic Relief Services
C&V	Cash and Vouchers
DA	District Administrator
DMA	Disaster Management Authority
FAO	United Nations Food and Agriculture Organization
FNCO	Food & Nutrition Coordinating Office
IMF	International Monetary Fund
KG	Kilograms
KCal	Kilocalorie
Km	Kilometers
Lt	Litres
LDHS	Lesotho Demographic Household Survey
M	Meters
MT	Metric Ton
MTICM	Ministry of Trade and Industry, Cooperatives and Marketing
RBJ	Regional Bureau Johannesburg
SAGIS	South African Grain Information Service
USD	United States Dollars
VAT	Value Added Tax
WB	World Bank
WFP	United Nations World Food Programme
WVI	World Vision International
LVAC	Lesotho Vulnerability Assessment Committee

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Key Findings

The LVAC intervention modality selection process identified the following key findings:

- **Cash is a viable option for at least 27 of the 62 councils, representing 44 per cent of assessed councils.** In these councils direct cash delivery to beneficiaries is recommended. Normal market functionality will ensure that adequate food is available at an average price for the season.
- **Vouchers are a viable option for at least 26 of the 62 councils, representing 42 per cent of assessed councils.** Vouchers were preferred to cash due to the limited financial service infrastructure available in these areas as well as limited mobile network coverage. Markets however are functioning and are integrated with adequate storage capacity.
- **One council (approximately 1 per cent of assessed councils) was labeled as 'cash/food in kind'.** Cash is feasible in the urban, more accessible area in the council, while in-kind is required for the more difficult to reach areas of the council as there is no guarantee that markets in these areas can ensure availability of the required volume of food commodities at an affordable cost to the most vulnerable local population.
- **Eight out of the 62 councils (13 per cent of assessed councils) were recommended outright for in-kind distributions.** These were the more difficult to access councils. Markets in these councils were isolated from the national food supply chain network and displayed limited storage capacity.
- **Interviewed traders identified lack of trader capital and lack of consumer liquidity as key constraints** to double their current business trade (mentioned by 40.5 per cent of traders). These are constraints that can be addressed through the use of cash based transfer (CBT) interventions. Other key constraints were high levels of competition among traders (12.2 per cent), bad roads and/or lack of adequate transport means (11.6 per cent of traders), and insecurity and/or theft (reported by 8 per cent of traders).
- **Vodacom and EcoNet are the country's largest mobile phone network operators and cover a large part of the country.** Not many traders however mentioned ever having used money mobile before.
- **The main security issue in Lesotho is localized petty crime.** This issue was raised by key informants in five out of the country's ten districts.
- **Low trader storage capacity usage (on average only 23 per cent of total storage capacity),** indicates that a CBT intervention could effectively build on local traders' storage capacity to supply food to the food insecure.

Executive Summary

In early 2016 DMA requested LVAC to conduct a market assessment to determine the functionality of food market systems (for maize, pulses and cooking oil) in Lesotho. The market assessment was undertaken to analyze Lesotho's food market environment, structure and network. The assessment shed light on financial and physical infrastructure, trader typology, trader limitations and constraints to trade as well as covering market functionality throughout different seasons in a year.

The findings from the market assessment had as aim to inform the design and implementation of humanitarian assistance programmes in the country in 2016-17. A participatory process of detailed data analysis and discussion through an eight-day long, open-door forum ensured the findings from the market assessment guided LVAC practitioners in selecting the most appropriate intervention modality by market and council. This report outlines the districts and councils where LVAC agreed markets to be suitable for cash, vouchers and/or in-kind interventions and the reasons behind the selection.

The key variables considered by LVAC for the CBT modality selection process were: the capacity of markets to supply an adequate amount of food basket commodities against requirements; road quality; strength of mobile network; number of traders and their trade volume size; traders' ability to absorb additional demand; food price stability over time; historical trade trends; previous intervention modality experience by council, security concerns and contextual factors.

Recommendations

The LVAC TWG has proposed a set of recommendations to be followed-up on by the Lesotho inter-agency cash and voucher working group. These recommendations aim to: 1) support CBT interventions during 2016-17; 2) improve market monitoring approaches; and 3) better prepare LVAC for future market assessments it plans to undertake. Specifically the recommendations are:

- The Ministry of Agriculture to complete the 2015-16 national crop forecast assessment.
- Sensitize traders on the upcoming intervention well in advance of a CBT intervention allowing the traders enough time to buy the required food volumes to last at least one month of locals' food need requirements.
- Due to the rapidly rising food prices, ensure verification of the beneficiary transfer value is conducted on a monthly basis. This is particularly important since lack of capital was seen as a major constraint to consumers.
- Verify with local traders on their preferred intervention modality. A number of traders mentioned that competition between traders is very strong in Lesotho. Often they mentioned preferring vouchers to cash distributions as this would guarantee consumers would purchase food from them rather than a competitor, hereby reducing the trader's exposure to risk.
- Lesotho has a high number of foreign traders. These traders tend to have above average access to capital when compared to their local counterparts and therefore could seem to be a good option for CBT interventions. However, unwarranted community friction, especially in rural areas where there are fewer traders, may occur as a result of an intervention modality that favours foreign traders over local traders due to their higher trade capacity. Food assistance interventions such as CBTs which aim to use local markets should ensure as much as possible equal opportunities for local traders to benefit from the intervention as foreign traders would.

- Monitoring of food volumes, cash distributions and food prices is a must before, during and after a CBT intervention has taken place. A reliable, accurate and consistent monitoring framework is to be set up for monitoring prices especially in markets where a CBT intervention is planned.
- Be ready to switch intervention modality in a short space of time (within a month). This will be particularly important if markets start experiencing abnormal price spikes for the time of year.
- If considering using e-money, ensure good mobile network availability in the region and free solar charging points are set-up for beneficiaries to charge their phones with.
- Setup an inter-agency CBT working group (CBTWG) in Lesotho to share information on ongoing interventions, to ensure interventions are harmonized and for it to act as a platform where issues, support and suggestions can be provided/raised.
- Future LVAC assessments are to ask surveyed households on the market/s they access for their daily/weekly food needs. This will ensure that the markets assessed by the market assessment are clearly identified as the ones used by the most vulnerable populations.
- Use LVAC's intervention modality findings from this report to guide LVAC's CBT intervention modality. Out of 62 councils assessed, 27 (44 per cent) are recommended for cash, 26 (42 per cent) for vouchers, 8 (13 per cent) for in-kind and one (approximately 1 per cent) for both in-kind as well as cash.
- A nutrition survey is recommended to enable a more in-depth understanding of the malnutrition situation in Lesotho, especially acute malnutrition.

Section 1: Literature Review

1.1 CBT in Humanitarian Work

In the past decade, UN agencies and NGOs used CBT in a wide range of emergency contexts to meet the needs of affected populations. CBTs are now recognized by many humanitarian actors (including donors, the UN and NGOs) as an appropriate modality for providing assistance in emergency contexts. The 2004 Indian Ocean tsunami accelerated the use of CBT in emergency responses¹. Many more agencies gained experience at that time, and there has since been a rapid expansion of cash programmes.

Donors are increasingly supportive of cash transfers. For example, the UK Department for International Development (DFID) explicitly encourages cash transfers in emergencies in their strategy for eliminating hunger, and the European Community Humanitarian Aid Office (ECHO) and the Office of U.S. Foreign Disaster Assistance (OFDA) have also funded cash transfers on a case- by-case basis.

The basic question to ask in considering the impact of CBT programmes is what people purchase with the money they receive. The lack of control over what cash is spent on is one of the reasons for caution in the use of CBT. For aid agencies accustomed to reporting to their donors and public supporters that they have provided food to starving children or plastic sheeting to people with no shelter, the provision of cash means accepting a worrying lack of certainty about what their assistance will be used for. Part of the concern is that the funds provided could be used for anti-social or inappropriate purposes. A general stereotype to address is the pre-conception that men control the cash provided to the household and spend the cash on selfish needs such as alcohol and cigarettes, rather than buying food for their hungry children; in conflicts, the funds could be used to purchase arms.

Evidence from monitoring reports and evaluations widely disproves the above claims and overwhelmingly suggests that people spend cash on the basic items that they need to survive and protect their livelihoods: there is very little evidence of cash being used in what can be labeled 'anti-social' or inappropriate ways². When conditions are particularly severe, people are likely to spend cash on basic needs, primarily food and small items such as soap. In situations where large debts are a major source of livelihood stress, cash has been used to pay off debts. Where the amounts provided are more generous or immediate needs less severe, people spend cash on key investments such as livestock or trading, and on services, notably health and education. Where cash grants have been provided for particular aspects of recovery after disasters, such as shelter or business recovery, monitoring and evaluation suggest that cash is spent for these intended purposes, and this has often been a condition of the grant³. There is little evidence for the frequently raised concern that cash is more likely than in-kind assistance to be controlled by men within the household, and therefore less likely to be spent on food.

To date CBTs are becoming central elements of responses to emergencies and protracted crises, and of national social protection and safety net systems. From WFP's policy perspective however, it is important to consider the impact of any programme or transfer modality before its selection and

¹ Harvey, P., *Cash based responses in emergencies*, 2007,

² Cash transfers in Emergencies. An Oxfam Skills and Practice Guide,' Oxfam GB, Oxford,

³ UNICEF 2007, *A review of Unicef role in emergency cash transfers to affected populations*.

introduction into a given context⁴. Best practice experience in cash/voucher programme development has allowed WFP to propose seven key issues to be addressed in order to determine whether a country's context favours the use of CBT modalities. These are: i) market size and functionality (i.e., whether the number of traders is adequate); ii) food availability (i.e., whether food commodities are available on local markets); iii) geographic accessibility of markets (i.e., whether food vulnerable households have easy access to markets); iv) inflation trends (i.e., whether consumer price indices are stable); v) long-term price stability for staple foods; vi) accessibility and use of financial systems and service providers (i.e., where or how cash can be distributed, and the availability of credit for traders for market expansion); vii) and, general stability and security within the country. Therefore, the choice of food assistance provision must be made within the country level programme environment in order to achieve sustainable change in food security status and to avoid unintended negative consequences⁵.

1.2 CBT in Lesotho

In Lesotho, CBT in humanitarian work, started in 2007 as a pilot by the C safe consortium with World Vision International (WVI) and Catholic Relief Service (CRS) in partnership with WFP and other UN agencies. In this pilot, a mixture of both CBT and in-kind transfer modalities were used on the same set of beneficiaries targeted under the programme. In 2011, WFP conducted the feasibility study and the first market study to assess the capacity of key sectors and the environment necessary for implementation of CBT⁶. The findings of the pilot and the 2011 market study were positive on the enabling environment i.e. functional markets, for CBT and recommended the use of CBT in the country. Since 2012, WFP, UNICEF and other NGOs (such as CRS and Lesotho Red Cross), up-scaled implementation of CBT interventions in different programmes with differing objectives. The strong emphasis on cash transfers and social safety nets as a whole in the Lesotho National Strategic Development Plan (2013-2017) is a clear indication that the humanitarian organisations in Lesotho should look into moving towards using cash inclined modalities away from traditional food aid in addressing food insecurity challenges more broadly⁷.

⁴ WFP, (2011a), '*DECISIONS AND RECOMMENDATION OF THE FIRST REGULAR SESSION OF THE EXECUTIVE BOARD, 2011*'.

⁵ WFP (2014), '*Cash and Voucher Manual*'

⁶ WFP, (2011b), '*WFP Market Analysis Framework, December 2011*'

⁷ National Strategic Development Plan (NSDP), 2013-2017.

Section 2: Objectives, methodology and limitations

2.1 Objectives

LVAC conducted the market assessment to determine the functionality of food market systems (for maize, pulses and cooking oil) in Lesotho and also in-order to inform the design and implementation of humanitarian assistance programmes in 2016. The market assessment covered all of the country's 10 districts, all of which had been identified by a prior LVAC food security assessment to be highly food insecure for the 2016/17 consumption season. This market assessment identified whether local markets have the ability to effectively respond to increased consumer demand ensuring adequate food supply levels and that food prices remain stable in the short and long term. Specific objectives of the assessment included analysing the following:

Table 1: Lesotho Market Assessment Objectives

Market structure	Identify the key actors and institutions as well as assessing the supply chain for cereals (maize and maize meal), pulses (sugar beans) and vegetable oil
Availability of food items	Analyse current and projected availability of cereals, pulses and cooking oil in local markets across Lesotho
Market integration	Establish how well the source and supply markets are linked
Market patterns	Analyse volumes stored and traded, price levels and trends, price setting behaviour, competition and seasonality
Capacity to meet consumer demand	Analyse the market's potential to respond to current and transfer-induced increases in consumer demand, e.g. through storage facilities, stocking levels, stock replenishment lead-time, etc.
Use of markets	<p>Analyse physical and economic access of food insecure populations in the country to local markets, how they (the markets) respond to price variations of food and non-food commodities, distance of vulnerable populations from markets and their road access to their key markets, etc.</p> <p>Analyse the market's potential or capacity to respond to current and transfer-induced increases in consumer demand, e.g. through assessing the number of traders by operational capacity, storage facilities, stocking levels, stock replenishment lead-time;</p>
Overall market environment	Analyse the role and implication of government policies and regulations, road and transport infrastructure and the socio-political situation on trade patterns and volumes
Provide recommendations on:	<ul style="list-style-type: none"> ▪ The most appropriate assistance modality for each of the 10 districts covered ▪ The suggested transfer value to be employed ▪ The conceivable caseload scale for either cash/ vouchers or in-kind interventions ▪ How to address the identified bottlenecks for traders to meet increased demand and strengthen respective supply chains.

On the backdrop of the Market Assessment, LVAC coordinated a six-day inter-agency analysis session which was followed by a two-day, open door, LVAC discussion session on making sense of the market data and selecting the most appropriate food intervention modality by market and council.

2.2 Methodology

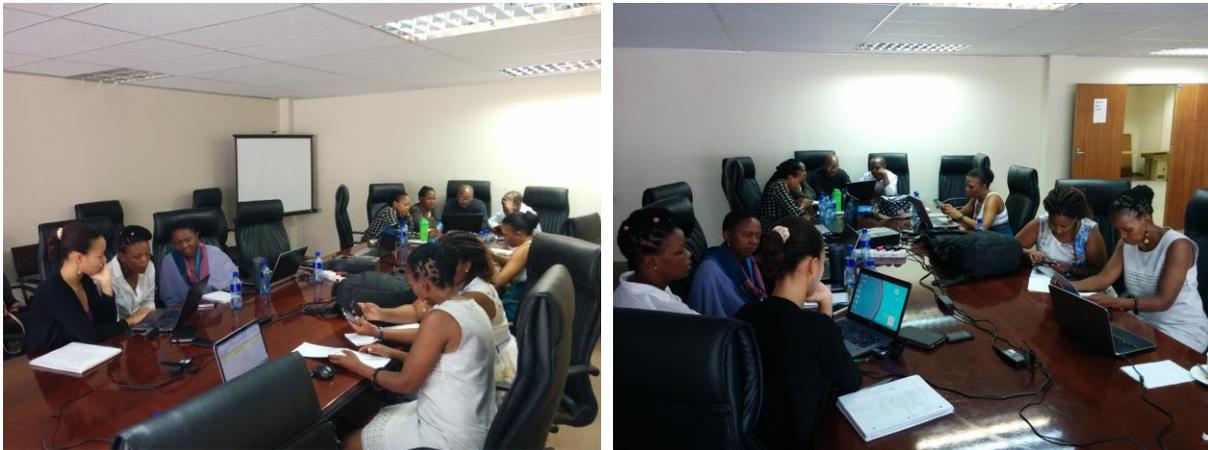
DMA set-up a Technical Working Group (TWC) to help devise the market assessment tools as well as provide enumerators for market data collection. The TWC was composed of representatives from DMA, WVI, Ministry of Agriculture and Food Security, CRS, Red Cross Lesotho, FAO and WFP. The working group was also selected by DMA to analyze the collected market data. Once the data collection teams had returned from 'the field', DMA set-up six days of data analysis including consolidation of findings. The six-day data analysis session was followed by a two-day intervention modality selection process.

The intervention modality selection process took place in an open door, plenary session lasting two days to which all development actors in the country were invited to attend. During this process the preliminary data analysed by the TWC was presented by market and by council. What followed was a series of presentations on the market data and its implications vis-à-vis the type of intervention modality which would be most appropriate for the market/council. The two-day in-depth discussions were based around:

- the analysed primary data
- eye-witness accounts from a representative of each team who visited the market, and
- experience from previous interventions in the district

These discussions resulted in unanimous decisions regarding the type of intervention modality (cash, voucher, and/or in-kind) best suited for a market and council. The TWG proceeded to present the findings from the intervention modality selection session to the LVAC Chair and key stakeholders such as head of agencies.

Figures 1 and 2: Photos of LVAC's TWG during data analysis session hosted by DMA



Source: LVAC Market Assessment

Section 3: Market intervention modality options

Table 2 below shows the councils by recommended intervention modality. In particular the table illustrates that in 27 (44 per cent) of the 62 assessed councils, cash was found to be the best suited intervention modality. Vouchers were found to be the most appropriate option in 26 (42 per cent) of the 62 councils, food in-kind was found to be the most appropriate modality for 8 (13 per cent) of the 62 assessed councils and a combined food in-kind as well as cash was found to be the best suited modality in 1 council (approximately 1 per cent).

Table 2: Intervention modality by Council and number of CBT beneficiaries by modality

Modality	Councils	# of Councils	Per cent of councils
Cash	Kueneng; Motanasela; Mapoteng; Berea Urban; Butha-Buthe Urban; Hlotse Urban; Tsanatalana; Mafeteng Urban; Mamantso; Makoabating; Metsimaholo; Qibing; Qiloane; MMC; Mazenod; Manonyane; Makhoroane; Lilala; Ratau; Mohlakeng; Khoelenya; Mohale's Hoek Urban; Siloe; Mokhotlong Urban; Qacha's Nek Urban; Quthing Urban; Tosing	27	43.5
Vouchers	Makeoane; T'sa Le Moleka; Menkhoaneng; Sephokong; Manka; Maa Mafubelu; Bolahla; Maputsoe Urban; Ramoetsana; Lehlakaneng; Likolobeng; Kubake; Lithipeng; Thaba Mokhele; Mphokojoane; Sanqebethu; Seate; Menoaneng; Ntsupe; Qaanya; Tsoelikana; Mjanyane; Tenesolo; Thaba Tseka Urban; Linakeng; Litsoetse	26	42
Both Cash & Food	Mphaki	1	1.6
Food	Likila; Ngoajane; Nqoe; Matsoku; Semongkong Urban; Qhoasing; Khutlo-Se-Metsi; Bokong	8	12.9
Total	...	62	100

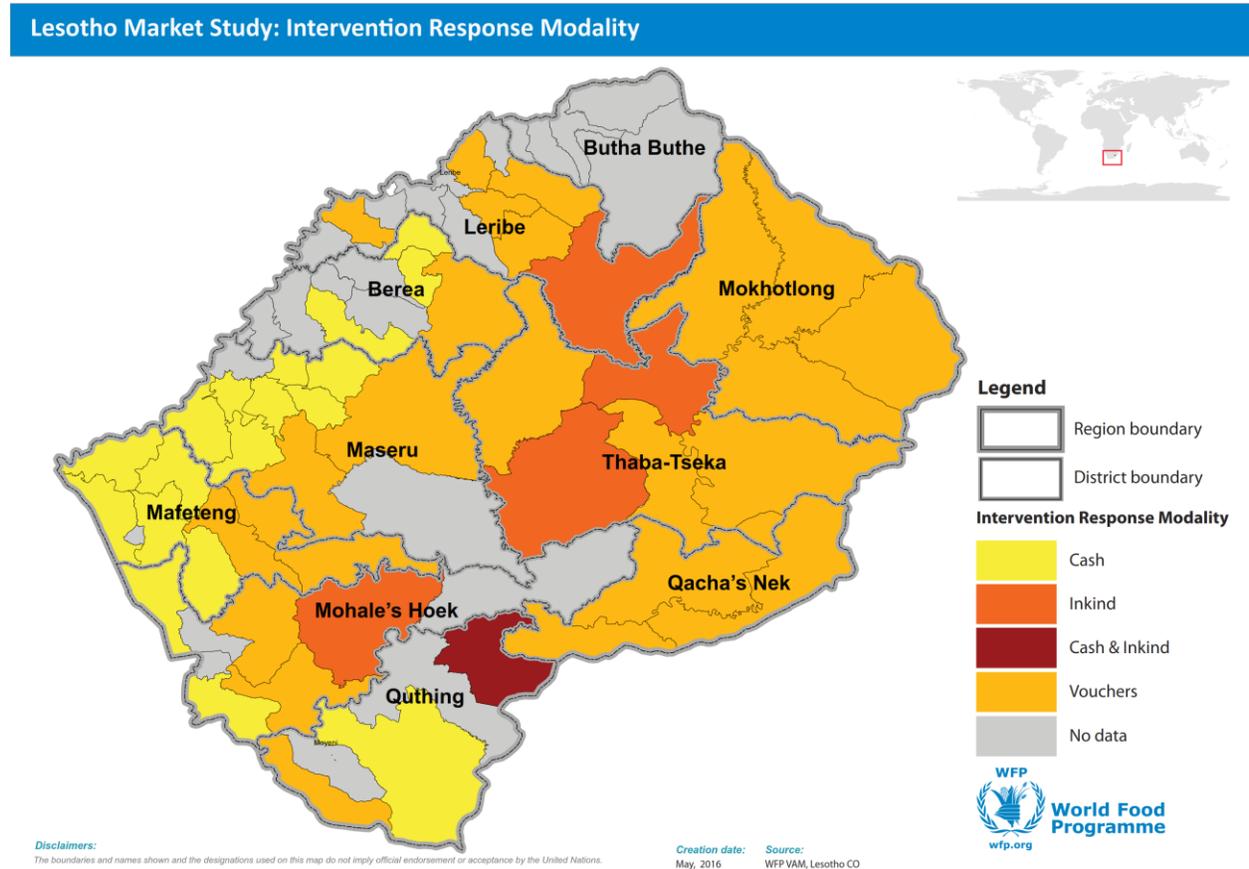
Source: LVAC Market Assessment

Topography, road quality and network, financial services infrastructure, beneficiary distance to market, security issues, price variability, average market trade levels and storage capacity, trader constraints and trader maize meal supply source, were only some of the key indicators used to assess a market. Some of the main concerns the technical group raised with regard to a particular modality intervention were to do with markets' low volume of trade, limited mobile coverage, security and road viability. A more in-depth overview of reservations and comments by district are available in **Section 3** of this report. The data the LVAC TWG used for their assessment of markets is presented in the LVAC Market Assessment Report⁸.

⁸ WFP, 2011c, Lesotho Market Assessment

Map 1 (below) illustrates the modality type by council. Yellow councils refer to councils recommended for cash. These are generally the more urban parts of the country. The light orange coloured councils are councils where vouchers were recommended. These are councils where markets are functioning but where there are issues of financial infrastructure and mobile phone network coverage. High levels of competition and important trader constraints were also raised in these areas. Specifically traders were requesting the use of vouchers as a risk guarantee that traders would be purchasing goods from them avoiding that they (the traders) would not be left with unsold stock. The council colour-coded in brown refers to a council where both food and cash were recommended; cash was recommended in the urban area of this council while food in kind was recommended for the rural areas where road infrastructure was bad and financial services non-existent. Finally food in-kind was recommended for the councils colour-coded in dark orange. These were councils where markets were not integrated and had limited functioning capacity, road infrastructure and mobile networks were bad, and beneficiary distance to the market was far.

Map 1: Intervention Response Modality by Council



Source: LVAC Market Assessment

Section 4: Intervention modality selection by district

Below are a series of tables outlining the unanimous recommended intervention modality by council in Lesotho. Each table outlines the district and the assessed councils in the district in the blue box. This is followed by a row outlining the recommended intervention modality by council and reasons given by LVAC for the intervention modality recommendation. The final row in the table outlines the constraints the intervening agency should keep-in mind as they set up their intervention.

1. Butha Buthe district (Markets Assessed: Butha-Buthe Urban, Khukhune, Likila, Mmanamela, Ngoajane, Ts'a-Le-Moleka, and Nqoe)

Intervention: Cash for Butha Buthe Urban; Urban for T'sa le Moleka; Food in other councils

Reason	Butha Buthe has a large market capacity with many traders, vouchers have been recommended for T'sa le Moleka as traders exist but have mentioned demand constraints and many local traders are facing stiff competition from foreign traders therefore, vouchers would support them better rather than cash or food. Food is recommended for the other councils as distance of beneficiaries from markets far meaning higher transport costs and financial constraints are also high in these councils where traders are known to shut shop after less than one year of operation.
Constraints/ points to consider	Traders lack of capital; storage capacity of traders especially in rural markets; frequently traders have been known to shut operation after less than a year into business; shops in rural areas are very few and are very far from households; food prices are very high for the time of year so continuation of inflation is possible; source market is Mputsoe which is a transitory market into Lesotho and so prices follow trends in South Africa.

2. Berea district (Markets Assessed: Bela Bela, Corn Exchange, Mapheleng, Mapoteng, Sebitia, Ty Reserve, Sefikeng, Makhoroana, and Mapheleng)

Intervention: Vouchers for Sebitia council; Cash to all other councils

Reason	Cash for most councils as the district is in the low lying area where infrastructure (financial, road and storage) is good. Vouchers to be provided to Sebitia due to the insecurity issues mentioned (OVCs and elderly).
Constraints/ points to consider	Insecurity in rural councils creates concern on using cash and therefore recommendations to use vouchers. Food comes into Berea from other districts in Lesotho and therefore traders in this district depend on price trends from elsewhere. Hence why prices are on the high and monitoring of food prices is needed. Food in-kind to be avoided as road networks are good and markets are functioning. Travel distance to the market is not far.

3. Leribe district (Markets Assessed: Lejone, Konkotia, Levisnek, Maputsoe town, Pitseng, Pela Tsoeu, Matlameng, and Peka)

Intervention: Food in Lejone council; Cash in Hlotse council; Vouchers in all other councils

Reason	Food in-kind to be provided in Lejone because travel distance to the market is far and seasonality (snow) affects movement during winter. Cash in Hlotse as it's an urban setting and people have access to banks. Maputsoe (security issue) and all other councils to be supported with vouchers as traders mentioned preference for this modality due to the high levels of competition they would need guarantees that their supplies would be bought. Storage capacity and availability of maize is good in the district and caseload of vulnerable people is on the low side (20,000 vulnerable people).
Constraints/ points to consider	Traders lack of capital; 'Tsotsi' (thugs) in Maputsoe leads to security concerns; shops in rural area (Lejone) are very few and very far from households; Lejone is also affected by seasonality (snow) during the winter as well as high transport costs; food prices are very high for the time of year however Leribe is a main supplier of maize and so the prices tend to be lower than in other districts across the country; source market is Maputsoe in Leribe itself which is a source market for other districts.

4. Maseru district (Markets Assessed: Boits'ereletso, Ha Maja, Maseru CBD, Masianokeng, Nyakosoba, Ramabanta, Rapoleboea, Roma, Semonkong, St Rodrique, Thaba Bosiu, Thusong, Matsieng, Mohale, Mokhalinyane, Morija, Nazareth, Ha Maloi, Ha Tsolo, Khanyetsi, Lihaseeng, Marakabeis, Makhaleeng, Ha Mantsebo, Ha Mofoka, Ha Mojela, and Ha Ntsi)

Intervention: Cash to Qiloane, MMC, Mazonod, Manonyane, Makhoroane, Lilala, Ratau, and Mohlakeng; Vouchers to: Likolobeng and Kubake; In-kind to Semongkong

Reason	Cash is to be provided to eight councils in the district. These councils have good access to markets, good financial institutions/infrastructure, road network is good and storage capacity plentiful. Source of food is close by with many wholesalers and millers/ processors in the neighbourhood. Vouchers to two councils as traders have capacity to meet demand but limited financial institutions; distance to urban markets for households in these councils is also far so provide support to access smaller local markets but still with adequate storage capacity. Markets are integrated. Food in-kind to be provided to Semongkong Council as this is Maseru's rural council meaning access to viable cash and vouchers markets is limited, financial institutions/infrastructure is limited, poor road network and long distance for households to travel to the markets.
Constraints/ points to consider	Maseru is a large district, with the biggest vulnerable caseload for the country (150,000 people). Some areas are very rural and badly connected with road and financial infrastructure. No obvious security issues and millers and processors can ensure that they will be able to meet the required demand. Most traders mentioned ability to increase and even double their trade in a matter of days.

5. Mafeteng district (Markets Assessed: Hara Mohapi, Mafeteng town, Masemouse, Motsekuoa, Ribaneng, Thabana Morena, Tsa Kholo, and Van Rooyen)

Intervention: Vouchers for Masemouse and Ribaneng councils and the remaining councils for Cash

Reason	Vouchers for Masemouse and Ribaneng as the markets are far from urban centres and no nearby financial institutions available to facilitate cash transfer. However markets are well supplied and connected. Cash for the other councils as financial institutions are present and food is in ample supply. Road infrastructure is good and distance to markets by households is not far.
Constraints/ points to consider	No obvious security issues to mention; prices, even though increasing especially for maize meal, are lower than in other districts across the country. Some rural markets lack financial institutions/ infrastructure making it difficult for a cash transfer interventions in those areas but rather more supportive of a voucher system. Supply of food from South Africa and Maseru to continue unabated in the next months to ensure food availability because local production of maize is limited.

6. Mohale's Hoek district (Markets Assessed: Braakfontein, Holy Cross, Ketane, Mohale's Hoek Town, Mpharane, Tsoloane, Phamong, and Setanteng)

Intervention: Cash for Braakfontein, Holy cross, Mohale's Hoek Town, Tsoloane and Setanteng councils; Vouchers for Phamong and Mpharane; Food in-kind for Ketane

Reason	Cash for the selected councils due to accessibility to the market and to the financial institutions which are present. There is potential for Eco-cash and Mpesa. Vouchers for the selected councils because there is potential for traders to meet the required demand and markets are functional. Network of markets are integrated with other close by markets. Ketane selected for food distribution because of the isolatedness of the area from the food source, local traders do not have capacity to meet required demand
Constraints/ points to consider	Even though road condition is challenging, markets are not far from source markets/urban areas meaning that they tend to be well supported. Food prices are high especially maize meal. The caseload of vulnerable population is very high and if support is provided to a large number of people markets may not be able to cope. Storage especially for the remote markets is limited and may pose an important constraint as well as road quality.

7. Quthing district (Markets Assessed: Dilli Dilli, Ha Makoe, Maqokho, Moyeni, Mphaki, Sixondo, Mt. Moorosi, and Seforong)

Intervention: Cash for urban areas Mphaki, Moyeni and Mt. Moorosi; Vouchers for all rural councils apart from Maqokho which is recommended for foo in-Kind

Reason	Cash for urban areas as traders are plentiful and with storage capacity including good roads. Mt Moorosi had one large wholesaler we could not interview. Food in kind for Ha Maqokho due to the isolatedness of the council and is linked with bad infrastructure and limited storage. The rest of the rural councils to be supported with vouchers as food supply is available, traders have mentioned possibility to increase trade to meet demand and to ensure selection of traders by nationality is balanced.
Constraints/ points to consider	Storage in Maqokho as well as isolatedness of the council and its accessibility. Price of maize meal is worrying as it is increasing rapidly and needs to be monitored across the district.

8. Qacha's Nek district (Markets Assessed: Matebeng, Melikane, Qacha's Nek Reserve, Qhoalinyane, Sehlaba Thebe, Sekake Patlong, and White Hill)

Intervention: Cash in Qacha's Nek Urban and Vouchers in all other councils

Reason	Cash in urban areas due to availability of supply, storage capacity is good and financial capacity is good, road network is also generally good and supply is directly from South Africa. Vouchers in rural areas as roads are good, supply is available and walking distance is not far even though topography can be difficult due to the mountainous region and that the district is affected by seasonality (snow).
Constraints/ points to consider	Financial infrastructure lacking in rural areas and topography of the district is difficult (mountainous region). Food prices are increasing rapidly in this district and could be a concern as well as some shops have limited storage capacity in some rural areas which could signal a need to switch to food in-kind for that area. But general assumption is that food is available in the district

9. Mokhotlong district (Markets Assessed: Janteu, Ha Lebopo, Mokhotlong Urban, Phahameng, Salang Urban, Selomong, Senkoase, Thoteng, Thlanyaku, Tlokoeng Mapholaneng, Tsepong, Ha Rafolatsane, Lilimala, Linakaneng, Liqobong, Malefiloane, Mangaung, Mapholaneng, Masaleng, and Matamong)

Intervention: Cash for Mokhotlong Urban council; Vouchers for all other councils in the district (if vouchers fail food in-kind)

Reason	Cash for Mokhotlong Urban due to high trade and storage capacity, and feasible financial infrastructure to support cash and no security concerns. Vouchers for all other councils due to distance of the rural markets from the main urban market. High competition with foreign nationals means that cash or food in kind would hurt smaller traders, good storage capacity. Food to replace vouchers in councils if seasonality (snow) makes transportation difficult and if the beneficiary caseload to support is too high for the market's storage capacity to support. CARE had a successful vouchers program in the District (peri-urban) in 2013-14.
Constraints/ points to consider	Due to the rural context, high prices are an issue, high number of traders and important competition from foreign nationals, seasonality (snow) can disrupt routes, enough food to be supplied into the district from South Africa over the next months. Due to the areas' topology there are high transportation costs for people to move from rural to urban markets.

10. Thaba-Tseka district (Markets Assessed: Bobete, Ha Lephoi, Katse, Lesobeng, Mantsonyane, Sehonghong, Mohlanapeng, Thaba Tseka Urban)

Intervention: Vouchers for Mantsonyane and Thaba Tseka Urban councils and food in-Kind for all other councils in the district

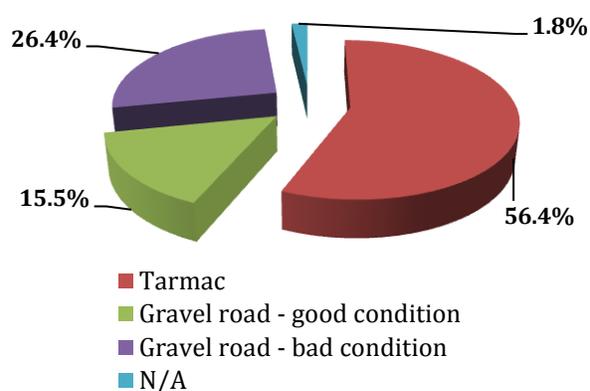
Reason	Cash facilities/infrastructure not present in Mantsonyane (the busiest council for food trade in the district). Insecurity especially for elders is high in this district. Therefore, decision to proceed with vouchers for urban areas where stock is available and food in kind for the rest of the district due to difficult roads, topography, storage capacity in rural shops is limited and long travel times to urban areas.
Constraints/ points to consider	Topography, insecurity, lack financial infrastructure and road infrastructure; Storage is a problem in rural areas. Food prices are alarmingly high for the country.

Source: LVAC Market Assessment 2016

Section 5: Households' Access to Markets

Households' physical access to a market is an important precondition for market functionality. If markets are far from the intended beneficiaries, located in difficult to reach areas or in areas where there is high level of insecurity, then it is recommended to select another intervention modality rather than a market based one. Some questions in the market assessment survey covered accessibility to markets including road type and average furthest household walking distance to the market.

Figure 3: Market Source Road Type



Regarding road type 71.9 per cent of market source roads were reported to be in good condition. Of these 56.4 per cent were tarmacked and 15.5 per cent were good quality gravel roads. About 26.4 per cent of the assessed markets were accessed via bad gravel roads which can cause transport delays during heavy rains (Figure 3).

Source: LVAC Market Assessment

When looking closer at road type and viability by district (Table 3) it is possible to identify a handful of districts where accessibility to markets may be an issue. These tend to be the more mountainous districts which are linked with gravel roads in bad condition, notably: Butha-Buthe (71.4 per cent), Thaba-Tseka (62.5 per cent), Leribe (50 per cent), Qacha's Nek (42.9 per cent), Mokhotlong (40 per cent) and Mohale's Hoek (37.5 per cent).

Table 3: Per cent of market source road type by District

	Butha-Buthe	Leribe	Berea	Maseru	Mafeteng	Mohale's Hoek	Quthing	Qacha's Nek	Mokhotlong	Thaba-Tseka
Tarmac	28.6	25	77.8	100	75	50	50	28.6	40	0
Gravel road - good condition	0	25	22.2	0	25	12.5	37.5	28.6	20	12.5
Gravel road - bad condition	71.4	50	0	0	0	37.5	12.5	42.9	40	62.5
I don't know	0	0	0	0	0	0	0	0	0	25

Source: LVAC Market Assessment

Table 4: Furthest average walking distance from the market back district (km)

District	Kms
Butha-Buthe	17.5
Leribe	8.8
Berea	16.5
Maseru	12
Mafeteng	16.6
Mohale's Hoek	22.3
Quthing	33.8
Qacha's Nek	21.4
Mokhotlong	13.8
Thaba-Tseka	19.7

Source: LVAC Market Assessment

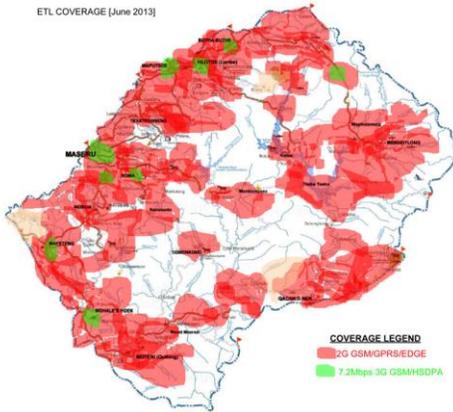
Table 4 outlines the furthest average walking distance key food security informants mentioned households live from a particular market. The table identifies eight districts where the furthest walking distance is on average above 15kms. This translates to around 3hrs or more by foot at an average speed of 5kms per hour. In Quthing the average furthest walking distance was reported at just below 34kms (7 hours by foot).

Section 6: Mobile network coverage and bank accounts

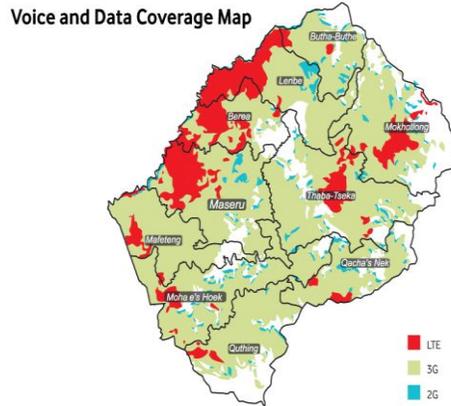
Lesotho has two mobile network services: Vodacom and EcoNet. As is visible from the maps below (**maps 2** and **3**) both network providers cover the same districts. EcoNet though has the more extensive mobile network coverage. Mobile network coverage is particularly important for cash transfers as mobile phones can be used as a transfer mechanism to provide food insecure populations with cash in a timely manner and at a limited cost to the donor. Each mobile network provider in Lesotho has its own mobile money transfer service. For Vodacom this is m-Pesa, for EcoNet it is EcoCash.

What is interesting from the mobile network maps is that the areas where there is no mobile coverage are exactly those areas (especially for Vodacom) where the market assessment found that road and financial infrastructure as well as the vulnerable people's distance to market, was greatest. This possibly demonstrates that network providers are not yet finding it profitable to install mobile network transmitters in areas where people's incomes are low and in general cannot afford to buy a phone.

Map 2: Vodacom Lesotho Mobile Network Coverage **Map 3: EcoNet Lesotho Mobile Network Coverage**

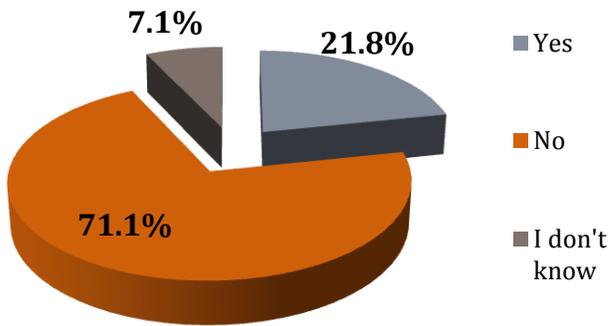


Source: Vodacom⁹



Source: EcoNet¹⁰

Figure 4: Per cent of respondents using mobile money



Source: LVAC Market Assessment

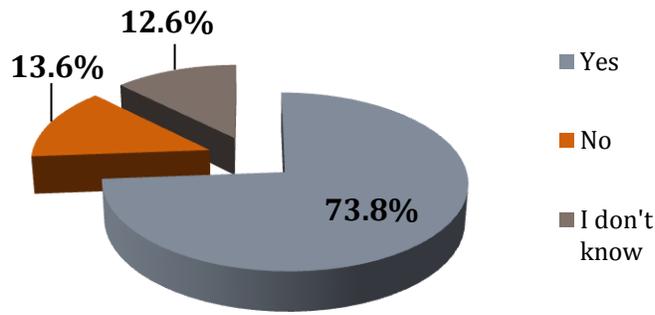
Even though being present in the country, mobile money is not widely used by the traders. Only 21.8 per cent of the traders interviewed mentioned using mobile money for trade (**Figure 4**). Several reasons were given for the lack of use of mobile money. The main ones being: lack of mobile money vendors in rural areas to access the e-money as well as limited mobile network coverage in rural areas.

Bank accounts are important if traders are accessing and using large amounts of money. With regard to CBT, bank accounts would facilitate a smoother and more reliable system to transfer funds from a humanitarian organisation and/or Government to a trader.

⁹ <http://www.vodacom.co.ls/ls-personal/help-me/our-footprint/network-coverage>

¹⁰ http://www.etl.co.ls/index.php?option=com_content&view=article&id=79&catid=29&Itemid=106

Figure 5: Per cent of respondents with/without a bank account



Over two-thirds (approximately 74 per cent) of interviewed traders said they had a bank account (**Figure 5**). Just over 13 per cent did not, which means that these traders are unlikely to be able to deal with large volumes of trade. The 12.6 per cent of responses under 'I don't know' came from respondents who were not direct owners of the business and did not know whether the owner had a bank account or not.

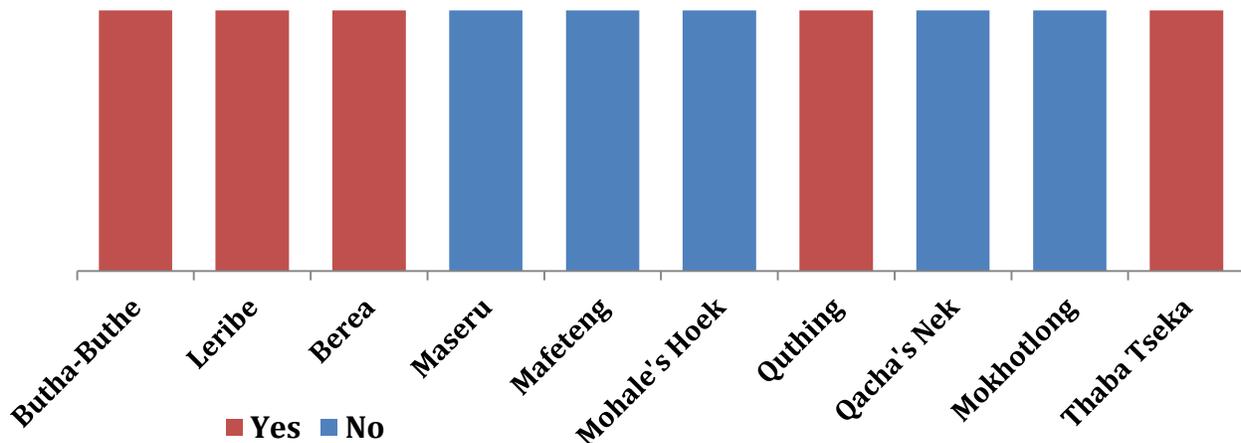
Section 6: Security Issues

Lesotho is not a country where security concerns are high, nevertheless, some districts were singled out for possible security concerns. The identified security issues (**Figure 6**) are concerns which were raised by the district's food security key informants. They were that:

- 1) People were travelling long distances in Butha-Buthe to get to the market due to the poor transport service and road infrastructure;
- 2) Leribe which is known to be a district with high levels of criminality; and
- 3) In Berea and Thaba-Tseka; vulnerable populations such as elders, had already been targeted and robbed in the past after having received their allocated cash transfers (pensions).

All key informants for other districts welcomed a CBT intervention to support the most food insecure. Nevertheless, there were security concerns regarding possible intra-household conflicts resulting from a cash injection into the homestead (an issue raised specifically in Quthing key informant discussions). For example some expressed concern that households may use the cash received to buy goods other than food or that it may trigger domestic disputes about who is in charge of the money transferred, hereby showing that sensitisation and advocacy may be required ahead of intervening with a CBT.

Figure 6: Districts Reporting Security Issues with CBT Modality



Source: LVAC Market Assessment

Section 7: Conclusion and recommendations

7.1 Conclusion

The intervention modality selection process was informed by the 2016 LVAC market assessment. The assessment observed that markets in Lesotho are functioning and are well integrated. Market constraints/bottlenecks are minimal and where they exist appropriate consideration should be taken in the design of the intervention modality. Specifically there was positive feedback from traders on their willingness to be part of a CBT. Resources and storage capacity seem to be available too, hereby paving the way to market based solutions for humanitarian food assistance interventions. Nevertheless, caution is warranted as future developments in regional harvests and in international food policies may further disrupt the food market by pushing-up food prices further, a serious concern for a net food importing country. Close monitoring of the situation, especially of food prices on local markets, is paramount before, during and after CBT interventions.

The LVAC intervention modality selection process examined markets' ability to meet the required food need caseloads. It used information from key actors on their ability to support the market with the required volumes and the source markets for their trade. The intervention modality selection process furthermore also took a closer look at the market structure in place in the country and through multi-lateral, inter-agency, open-door discussions it found that 53 out of 62 councils could function with a CBT type of intervention. Eight other councils were identified as food in-kind councils where direct food distributions were recognized as the best intervention modality. A further council was labeled as cash/food in-kind. In this council cash is considered possible in the more urban areas but in-kind is required for the more rural and difficult-to-reach areas, as in such areas it was not certain whether the market would have been able to ensure availability of the required food commodities at an affordable price.

With food prices in check and with Lesotho's infrastructure, trade capacity and functioning market networks, as well as the high likelihood that South Africa will be able to meet Lesotho's cereal requirements, it seems clear that where feasible, markets can and should be a viable tool for delivering humanitarian support for Lesotho's 2016-17 drought response.

The 2016-17 marketing season is going to be tougher and longer for many Lesotho households as a direct result of the two consecutive (2014-15 and 2015-16) below average harvests. The country has 57.1 per cent of the population living on or below the national poverty line. These are households who are likely to be affected the most by any changes in availability or access to food.

The humanitarian and development community has a varied set of tools at their disposal to support the food insecure. With the LVAC intervention modality selection process completed, the humanitarian community also has an agreed and unified approach as to the type of feasible support options and tools that can be employed by district/council in Lesotho. The humanitarian and development community should facilitate approaches, which, where possible make use of local markets taking advantage of local trader presence and capacity while addressing local food insecurity and hereby also catalyzing local economic growth. Markets can be a relatively quick, cheap and simple way to ensure assistance is provided to the people who require it in the most. However, we also need to be conscious of its limitations and know when a different approach may be required. This is especially important during a season where regional cereal availability is a concern.

7.2 Recommendations

The LVAC TWG has proposed a set of recommendations to be followed-up on by the Lesotho inter-agency cash and voucher working group. These recommendations aim to: 1) support CBT interventions during 2016-17; 2) improve market monitoring approaches; and 3) better prepare LVAC for future market assessments it plans to undertake. Specifically the recommendations are:

- The Ministry of Agriculture to complete the 2015-16 national crop forecast assessment.
- Sensitize traders on the upcoming intervention well in advance of a CBT intervention allowing the traders enough time to buy the required food volumes to last at least one month of locals' food need requirements.
- Due to the rapidly rising food prices, ensure verification of the beneficiary transfer value is conducted on a monthly basis. This is particularly important since lack of capital was seen as a major constraint to consumers.
- Verify with local traders on their preferred intervention modality. A number of traders mentioned that competition between traders is very strong in Lesotho. Often they mentioned preferring vouchers to cash distributions as this would guarantee consumers would purchase food from them rather than a competitor, hereby reducing the trader's exposure to risk.
- Lesotho has a high number of foreign traders. These traders tend to have above average access to capital when compared to their local counterparts and therefore could seem to be a good option for CBT interventions. However, unwarranted community friction, especially in rural areas where there are fewer traders, may occur as a result of an intervention modality that favours foreign traders over local traders due to their trade capacity. Food assistance interventions such as CBTs which aim to use local markets should ensure as much as possible equal opportunities for local traders to benefit from the intervention as foreign traders would.
- Monitoring of food volumes, cash distributions and food prices is a must before, during and after a CBT intervention has taken place. A reliable, accurate and consistent monitoring framework is to be set up for monitoring prices especially in markets where a CBT intervention is planned.
- Be ready to switch intervention modality in a short space of time (within a month). This will be particularly important if markets start experiencing abnormal price spikes for the time of year.
- If considering using e-money, ensure good mobile network availability in the region and free solar charging points are set-up for beneficiaries to charge their phones with.
- Setup an inter-agency CBT working group (CBTWG) in Lesotho to share information on ongoing interventions, to ensure interventions are harmonized and for it to act as a platform where issues, support and suggestions can be provided/raised.
- Future LVAC assessments are to ask surveyed households on the market/s they access for their daily/weekly food needs. This will ensure that the markets assessed by the market assessment are clearly identified as the ones used by the most vulnerable populations.
- Use LVAC's intervention modality findings from the report to guide LVAC's CBT intervention modality. Out of 62 councils assessed, 27 are recommended for cash, 26 for vouchers, 8 for in-kind and one for both in-kind as well as cash.
- A nutrition survey is recommended to enable a more in-depth understanding of the malnutrition situation in Lesotho, especially acute malnutrition.

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