Compensation, Welfare and Development: One-off lump-sum and regular transfers in the Lesotho Highlands Water Project

Rachel Slater and Matseliso Mphale

June 2009

(Farrington, J. and Slater, R. (2009) Lump sum cash transfers in developmental and post emergency contexts: How well have they performed? - Annex 5)
Authors

Rachel Slater, Overseas Development Institute, London, UK. Email: r.slater@odi.org.uk

Matseliso MPhale, National University of Lesotho, Lesotho. Email: mm.mphale@nul.ls

Background and Acknowledgements

Evidence on how cash transfers can reduce poverty remains a hot topic in both development and relief circles. Some development agencies have put cash transfers at the centre of their social protection strategies. However, cash transfers are far from a panacea, and questions around the appropriateness and feasibility of cash transfers in different contexts are important and urgent.

This paper is one of a series of outputs from ODI’s research study (2006-09) ‘Cash Transfers and their role in Social Protection.’ It is also one of five commissioned studies on lump sum cash transfers in developmental and post emergency contexts - part of the same study. The study aims to compare cash with other forms of transfers, identifying where cash transfers may be preferable, the preconditions for cash transfers to work well and how they may best be targeted and sequenced with other initiatives. The study explores a number of issues of interest to donors and governments, including which forms of targeting and delivery mechanisms are most appropriate.

This project is co-funded by the Swiss Agency for Development and Cooperation (SDC) and the UK Department for International Development (DFID).

Rachel and Tsedi are grateful to the all the respondents of the survey and to the chiefs and headmen of Katse, Lejone and ‘Muela who facilitated access to field sites and shared information about the project. The names of respondents have been changed in this report. We also wish to acknowledge LHDA staff, particularly Mr. Peter Makuta and Mr. Tatuku Maseatile for invaluable background information on the LHWP compensation programme. Rachel and Tsedi are grateful to John Farrington for comments on an earlier draft of this report. They also thank Swiss Development Cooperation for providing the funding for this research. Responsibility for the arguments expressed in this research lies with the authors alone.

* Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of SDC

Overseas Development Institute
111 Westminster Bridge Road
London SE1 7JD
UK

Tel: +44 (0)20 7922 0300 Fax: +44 (0)20 7922 0399
www.odi.org.uk
Contents

List of Acronyms .............................................................................................................. vi

1. Introduction .................................................................................................................. 1

2. Findings ......................................................................................................................... 4
   2.1 Types and size of benefits received ........................................................................ 4
   2.2 Use and Impacts of transfers .................................................................................. 5
       2.2.1 Economic Impacts .......................................................................................... 5
       2.2.2 Household demographics and socio-cultural effects ...................................... 5
   2.3 Preferences for food or cash, or regular / one-off payments .................................. 7
       2.3.3 Switching between food and annual cash or lump sums ................................. 9
       2.3.4 Gender differences ....................................................................................... 10
   2.4 Investments ............................................................................................................. 10
   2.5 Adherence to provisions attached to the expenditure of lump sum ...................... 13

3. Conclusions ................................................................................................................... 14

References .......................................................................................................................... 17

Appendix1: Methodology and Fieldwork ........................................................................... 18

Appendix 2: Tabular summary of the types of compensation offered under the LHWP .......... 22
Compensation, Welfare and Development: One–off lump-sum and regular transfers in the Lesotho Highlands Water Project

List of figures and tables

Figure 1: Changes in well-being and different modes of transport........................................14

Table 2: Factors influencing preferences for food, annual cash and lump sum transfers..............7
Table 3: Types of business in which lump sums are invested, and reasons for failure ...............11
Table 4: Effects of the different forms of support provided under the LHWP .............................16

Box 1: Malikeleli Tseo – Lejoemotho village, Katse Area .....................................................5
Box 2: Nkhojeja Phetho – Lejoemotho..................................................................................6
Box 3: Mantomosoana Liphoto – Makhunoane – ‘Muela....................................................6
Box 4: Sebolelo Talimo, Ha Theko, Katse............................................................................7
Box 5: Teboho Leeto, Ha Mopeli, ‘Muela ...........................................................................9
Box 6: Mantoa Morapeli – Bokong Ha Kennan, Katse area..................................................11
Box 7: Hlalele Serafo – ‘Muela Area, Butha-buthe...............................................................12
Box 8: MAARABANG SELETE, Ha Ntseli, Lejone..............................................................13
List of Acronyms

LHDA  Lesotho Highlands Development Agency
LHWP  Lesotho Highlands Water Project
Lobola  bridewealth (from Xhosa or Zulu but common in English and Sesotho)
Stokvel  Afrikaans work for rotating credit association (commonly used in English and Sesotho)
Fato fato  A strategy whereby rural people are engaged in labour intensive public works (including rehabilitation of degraded lands) and are paid with food, low wages or a combination of both. In Lesotho the strategy has been undertaken by the government, donor agencies and NGOs over the past two decades.
M  Maluti (Lesotho currency, currently at par with South African Rand (ZAR) Exchange rate: 1 GBP = M14.43
ODU  Overseas Development Institute
SDC  Swiss Development Cooperation
1. Introduction

Work at ODI, funded by Swiss Development Cooperation (SDC), is investigating the potential for cash transfers in a range of contexts. One component of this work focuses on the design of cash transfer programmes across development and humanitarian contexts and asks questions about what can be achieved delivering cash transfers as one-off lump sums on the one hand, and regular small cash payments on the other.

In the relief context, lump sum transfers have been given to allow, for example, the reconstruction of a dwelling or replacement of a livelihood asset such as fishing gear, a boat or livestock. These cash transfers are often, but not always, conditional in the sense that they are tied to the purchase of specific assets although grants to encourage livelihood recovery have sometimes been more broadly framed. There are suggestions that, where markets are not too disrupted, a cash grant may cost less to disburse, and provide beneficiaries with an element of choice, compared with the distribution of in kind assistance such as building materials.

In the development context, lump sum transfers are generally intended for the purchase of livelihood assets, such as livestock.

Given that many cash transfer programmes have a range of objectives, from ensuring basic consumption to the promotion of livelihoods through asset transfer, it is important to understand the relative strengths and weaknesses of small, regular transfers and one-off lump sums. Without a clear understanding of these differences it is likely that the effectiveness of cash transfers will be impaired.

The broader ODI study examines the following questions:

i. How far have any conditions attached to the expenditure of lump sums been adhered to?

ii. Given that poor people have little or no experience in investing a lump sum equivalent to several times their annual income, do they tend to spread the funds across several purposes, not all of them associated with livelihood assets, so that the objective of “big push” towards improved livelihoods through the purchase or rehabilitation of a major asset is not achieved?

iii. Do lump sums attract additional kinds of corruption in targeting and disbursement so that their effectiveness is weaker than that of small, regular sums? For instance, do politicians attempt to target them towards current or potential political supporters?

iv. Where funds are limited and only a few in each community receive lumpy transfers, is this perceived as divisive by the majority?

v. How relevant are studies of (and support systems for advising on) the investment of windfall gains in the North relevant to lump sum transfers in the South?

vi. Are there forms of support that have been effective in enabling productive investments in lump sums (such as business advice or training)?

In order to address these questions, a range of different research has been completed including analysis of evidence from the developed world regarding windfalls (e.g. lottery wins); from emergencies including compensation paid for lots of livelihood assets following the Asian Tsunami, and drawing on case studies from long-term development interventions in Bangladesh and India. This paper provides a comparable case study based on people’s experiences of cash transfers paid as compensation following the construction of the Mohale and Katse Dams in Lesotho as part of the Lesotho Highlands Water Project.
Compensation, welfare and development: One-off lump sum and regular transfers in the Lesotho Highlands Water Project

The Lesotho Highlands Water Project was initiated in the 1980s to provide water to the Transvaal (now Gauteng) region of South Africa. The construction of the main dam resulted in loss of arable land, home gardens and buildings for local people – both up and downstream from the dam wall. A compensation package, initially for 15 years, was designed for those losing land under the dam as follows. From 1987 to 1992 loss of assets was compensated mainly with maize (at the rate of 1000 kg per hectare, since this was assumed to be the average local yield of a typical crop mix). From 1992 – 1997, pulses were added to the compensation food package. Single cash payments were given only where areas of land less than 0.2ha were involved. To compensate communally held resources such as trees, reed beds and areas of thatching grass, LHWP, in consultation with the chiefs and Development Councils, implemented range management and fodder production programmes, to ensure that the total productivity of these resources would not be reduced.

In 1997 the compensation period was extended from 15 to 50 years while loss of individual assets was compensated according to the choice of the land holder by one or a combination of the following methods:

- Provision of alternative land in a place acceptable to the affected family.
- Annual cash payment
- Lump sum, calculated from the annual cash payment at 4.5% discount rate.
- Grains (maize and pulses) proportional to the area of land lost.

Communal assets in this case are compensated to the communities as a whole, in the form of lump sum or annual cash payments.

Compensation in cash and kind amounted to nearly R3.9 million and constituted 25% of the cost of LHWP’s full rural development plan. This compensation system had two objectives:

- to bridge the financial impact of initial settlement and costs of property resulting from the project;
- to enable households to be economically independent following resettlement

Cash paid for arable losses to 488 households amounted to R208,565; for loss of commercial property in 1 household, R900,000 and for garden land losses in two households R25,920. Compensation systems varied from regular (annual) receipt of food or cash, to one-off lump-sum payments. Recipients had the option of switching from one form (or combination) of support to another in the light of experience. The amounts of cash transfer paid have been increased over the years, broadly in line with inflation, but the in-kind transfer has remained constant.

This report presents analysis and findings from qualitative fieldwork in three villages (and a number of sub-villages) in Lesotho in January and February 2009. The methodology and details of fieldwork are shown in Annex 1. The focus was on four questions from the wider research project:

i) How far have any conditions attached to the expenditure of lump sums been adhered to?

ii) Given that poor people have little or no experience in investing a lump sum equivalent to several times their annual income, do they tend to spread the funds across several purposes, not all of them associated with livelihood assets, so that the objective of “big push” towards improved livelihoods through the purchase or rehabilitation of a major asset is not achieved?

iii) Do lump sums attract additional kinds of corruption in targeting and disbursement so that their effectiveness is weaker than that of small, regular
sums? For instance, do politicians attempt to target them towards current or potential political supporters?

iv) Where funds are limited and only a few in each community receive lumpy transfers, is this perceived as divisive by the majority?

The remainder of this report reviews the evidence from analysis of 39 qualitative interviews in the three villages. The analysis is divided into six areas:

a) what people received

b) uses and impact of what people received

c) preferences (why people chose different transfer types), including any differences associated with gender

d) switching (why people switched between different transfer types) (including gender differences)

e) what makes investments successful.

f) Adherence to conditions attached to the expenditure
2. Findings

2.1 Types and size of benefits received

Households received some combination of a one-off lump sum, an annual food transfer of maize and beans, and an annual cash transfer, and, in some cases, only one of these.

One-off lump sums ranged from as little as M63 (in 1997) to more than M50,000 in recent years. The size of food transfers to each household remained constant but annual cash transfers increased to reflect inflation and the cost of the equivalent food. For example, in Katse a household received 6 bags of maize and 6 kg of beans for 10 years and then switched to lump sum and an annual cash transfer. For the next few years, the household received M860 / year but this was subsequently increased to M1030 / year, as part of a regular review of allocations by the project. Another respondent in Katse who lost two fields began receiving 4 bags of maize, 8 kg of beans and M1,200 each year. As part of regular reviews, the food transfer has been kept constant but the cash transfer has been increased to M1,600 per year. Elsewhere, in Lejone, respondents reported steeper increases in annual cash transfers, partly to make good earlier incorrect payments. For example, one respondent switched from food to annual cash transfers in 2006 and, having initially received R3,055 / year, by 2009 was receiving R4,044 / year.

Many people reported receiving benefits from around 1996 or 1997 but a limited number of cases (In Katse, where the dam itself was construction and work began early) reported receiving transfers from 1990 / 1991. The expectation of almost all households was that the annual transfers would continue for a period of 50 years.

Without a comprehensive survey and measurement of fields, it is difficult to assess whether the amounts of compensation received across all the households is actually in proportion to the land assets that were lost, though this was the broad intention of the compensation process. There was no evidence of conflict between beneficiary and non-beneficiary households, nor between beneficiary households who received different amounts. This suggested that beneficiaries and non-beneficiaries did, on the whole, understand why people received what they did. Some trends were clear:

Households that lost one field generally received between 4 – 9 bags of maize and around 10 kg of beans each year, or between M2,000 and M4,000 in cash annually. In our (non-representative) sample, only 2 out of 10 households that had lost one field had opted for the lump sum initially.

Households that lost two fields (of varying sizes) received similar amounts of food as compensation. More had taken the lump sum options and more had switched from food to annual cash transfers. For larger number of fields, households had taken lump sums or food transfers initially. Many of those in receipt of food had subsequently switched to lump sums that were substantial amounts – in some cases more than M50,000.

Both the largest and the smallest transfers paid were in ‘Muela. Households had either received very small lump sums (e.g. M63 – M200) to compensate for power lines going through fields, or had received significant sums (more than R50,000) where the outlet tunnel for the dam ran directly through fields.

Chiefs and headmen had owned more land in the villages that were affected by dam construction and so received the greatest compensation by far. For example, in the Lejone areas, one chief had lost a number of fields. He initially received 44 bags of maize and four bales of beans on an annual basis, and in 2004 changed to regular cash payments of M13,000 per year\(^1\). In comparison,  

\(^1\) A discussion of why beneficiaries changed among types of benefit, and within what parameters, is to be found in 2.3 below.
other households in the same village had received much smaller amounts – as little as M500 per year or lump sums ranging from M2,400 to M4,500. However, neither chiefs and headmen nor beneficiaries said that there was any tension about the allocation of differing levels of compensation to different village households.

The only conflicts appeared to be between LHWP and village households and tended to be about late payments, poor quality food stuffs and problems transferring benefits to a new household member following the death of the original beneficiary. The lack of conflict within villages suggests a good understanding by all households regarding the basis on which compensation was paid.

2.2 Use and Impacts of transfers

2.2.1 Economic Impacts

In the 1990s many of the lump sums were small and were used to meet basic consumption. Food transfers were consumed in all but the smallest households where they were at times surplus to requirements and were sold. Annual cash transfers were critical for paying school fees although in a few cases they were invested in small business ventures. For instance, a respondent in Katse area (Box 1) used the money as capital for supplying the Primary Schools Feeding Programme. In this programme, interested individuals, who can afford to raise capital to buy required groceries, submit applications to neighbouring schools to be engaged in feeding programmes. Successful applicants are allocated a class each and are expected to buy groceries (menu is provided by the Ministry of Education) that will last for at least three months, cook and serve lunch to the allocated class. In return the government pays them R3.00/child/day on a monthly basis.

The majority of households that have switched from food to annual cash are using it to purchase livestock to be sold in the future, especially during stressful periods. The contribution of annual cash transfers to the economic well-being of the recipients here should be viewed in the light of the critical role of livestock in rural livelihoods in Lesotho, which not only act as a buffer against unemployment, but also as a vital source of cash to purchase food when crops fail. Equally, the absence of livestock can contribute to the inability of poorer household to escape poverty.

**Box 1: Malikeleli Tseo – Lejoemotho village, Katse Area**

Before losing her arable land to LHWP, ‘Malikeleli and her late husband, Liphapang were engaged in crop and livestock farming. Liphapang was the main breadwinner and was previously working in the RSA as a miner. His salary was used to buy livestock and part of it invested in beer brewing business. The family were initially compensated with maize and pulses but switched to annual cash in 2006. ‘Malikeleli has since stopped selling local beer ‘I am not well and because of my age, I am no longer able to gather fuelwood for brewing’. Instead, she has been investing compensation money in livestock, which she can sell when necessary. She also hopes to pass them on to her family when she dies.

More recent lump sums have been larger and invested in businesses but with relatively little positive impact on household well-being. Some households put regular cash into savings accounts, stockvels and/or purchase of ingredients for local beer brewing and some generated income from the interest.

2.2.2 Household demographics and socio-cultural effects

Transfers have affected changes in household composition. Some households are now smaller because the transfers have enabled sons and daughters to marry and leave the homestead. In other cases, individual household members do not leave because they then lose their share of regular cash or food. As a result such households tend to be bigger with more than one family living together. For example in Katse area (No. 1 and No. 11) a household consisting of four families stay together in order to share food transfers inherited from their deceased parents. The consequences are further impoverishment and hunger: since there are many mouths to feed, the food is rapidly exhausted. Transfers are also having an impact on the elderly who are burdened
with the task of supporting grandchildren. Neither cash nor food is shared outside the household – a significant difference from other safety net programmes in Lesotho, including food aid and cash transfers which are shared or loaned out.

There is some evidence that lumpy transfers and annual cash transfers have enabled marriages to take place or helped households through particular times of stress. Most beneficiary households, especially in Katse and Lejone areas are using annual cash transfers to reinvest in livestock to be used for, among other things, lobola (Box 2).

**Box 2: Nkhoeja Phetho – Lejoemotho**

I used to own a large herd of cattle and sheep which I used to pay lobola settlement when my eldest son Ntaote got married. Without my animals I now depend on the regular cash payments that I obtain from LHWP. However, over the past three years, I have been using the same money to buy sheep to replace the ones that went to my daughter-in-law’s family. I hope that their numbers will increase so that I can sell and use them for future lobola negotiations.

Transfers can spur serious social conflicts on inheritance-related issues. Rifts amongst beneficiary households that have inherited their deceased parents’ transfers are evident. In Lesotho, land and inheritance thereof is already a controversial issue. Transfers have raised the money value of inheritance and so increased its complexity to inheritance. For instance, a tug of war has developed within one beneficiary household in ‘Muela (No. 38 – Box 3) where married children want annual cash transfers to be changed to a lump sum which they can share.

**Box 3: Mantomosoana Liphoto – Makhunoane – ‘Muela**

As the last born of the family, ‘Mantomosoana’s husband inherited his parents’ house, vegetable garden and two fields when his elder brothers migrated to other villages closer to town. When the brothers learned that people could claim cash for their lost asses, they came back to the village to claim their inheritance. ‘Mantomosoana explained that ‘There has been so much fighting between the bothers over the compensation money that in the end my husband wrote to LHDA and asked for the once-off lump sum so that they could share it and get it over with’. However, LHDA refused their application on the basis that it was not accompanied by a valid business plan.

‘This money has separated the family, I wish we hadn’t changed from maize to cash’

In other cases, income from LHWP was critical for enabling households to cope with unexpected expenditures such as buying food and sharing it with unemployed family members (No. 1), medical fees (No. 13) and when someone in the household died. A respondent in Lejone used the annual cash transfer to pay for the ritual where the black mourning clothes of his sister were removed some months after the death and burial of her husband. The costs included the slaughter of a sheep and the purchase of new clothes and traditional sotho blanket. Sebolelo, a widow in Katse switched from receiving food to an annual cash transfer following the death of her husband. This enabled her to meet the non-food needs of her family once there was no longer a cash income for the household from her husband’s job (the rest of Sebolelo’s story is in Box 4).
Box 4: Sebolelo Talimo, Ha Theko, Katse

Sebolelo is a 55 year old widow who lives at Ha Theko with her two daughters. Although her land was lost following the dam construction she continues to live from crop farming via sharecropping agreements with neighbouring households and invests in stokvels.

Sebolelo has been receiving food compensation since LHWP started. When her husband, who had been working in the S African mines, died in 2003, she switched to regular cash because she could no longer afford other non-food requirements of the family. Since then she has been using the money to buy clothes, blankets, ingredients for brewing and as capital for stokvels. She has also opened a savings account with Lesotho Bank Branch at Katse.

She says LHWP has had a positive impact on the welfare and livelihood of her household:

'When he was still working in the mines, my husband never gave me the same amount of money as I am now receiving from LHWP. I also never dreamt that I would ever have a bank account. I always thought accounts were meant for employed men only. Also my husband used to make all the decisions about how the money should be used. Currently I am making such decisions with my children because the money is actually our inheritance, it does not belong to me alone.'

Responding to the question of why she had not chosen lump cash she replied thus:

'I don’t like lump sum because I might be tempted to use it all and my children would lose their inheritance'.

However, Sebolelo also explained that she was concerned that the scheme might end because her current investments are not secure enough to make her fully independent. She explained that

'Most of the time people don’t have cash and I am forced to give them beer on credit. When that happens I usually run short of capital for the next brew and often need regular cash (or the assurance that it will come) to boost me. Without it my business might die altogether'.

Through annual transfers, beneficiary households have been able to finance other important cultural activities including cleansing of orphans (No. 4), removing the black mourning cloth (No 16), funeral (No. 31) and initiation school activities.

Another critical contribution of annual cash transfers and one-off lump sums was provision of shelter since some households used the money for purchasing thatching grass to repair houses (Nos. 2, 5 and 6), while another one in Lejone area used it to install electricity (No. 16). The contribution of transfers to provision of shelter was more pronounced in Katse area.

2.3 Preferences for food or cash, or regular / one-off payments

The factors that influence household preferences for food transfers, annual cash transfers and one-off cash lump sums are shown in Table 1.

Table 1: Factors influencing preferences for food, annual cash and lump sum transfers

<table>
<thead>
<tr>
<th>Annual food transfers</th>
<th>Annual cash transfers</th>
<th>Lump Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>People choose food when:</td>
<td>People choose annual cash when:</td>
<td>People choose lump sums when:</td>
</tr>
<tr>
<td>• Own harvest is not enough to meet household food needs for year;</td>
<td>• Designated beneficiaries are elderly and they and other household members can no longer carry food to dwelling</td>
<td>• They are young men with business ideas</td>
</tr>
<tr>
<td>• Harvest are highly variable / unpredictable;</td>
<td>• They want to ensure that the benefits continue for the next</td>
<td>• They have fields to provide a food safety net</td>
</tr>
<tr>
<td>• Land has been damaged (rather than lost) as a result of dam construction e.g.</td>
<td></td>
<td>• They have regular income / remittances that can ensure the sustainability of capital investments with lump</td>
</tr>
</tbody>
</table>

7
<table>
<thead>
<tr>
<th>Concrete rubble affected soil</th>
<th>Generation</th>
<th>Sums</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Designated beneficiary has capacity to transport food to dwelling (if elderly then there is another able-bodied adult in the household)</td>
<td>* The household has no other income (source of cash)</td>
<td>* They have had employment elsewhere (e.g. in the mines) and have wider view of business opportunities – so particularly applies to men</td>
</tr>
<tr>
<td>* The family is large and there are many mouths to feed</td>
<td>* Households have children in school and need to pay fees and other education costs</td>
<td>* Annual cash often comes late when they have already accumulated debts.</td>
</tr>
<tr>
<td>* The household has other cash income (remittances, pensions, job) so access to cash is not a problem</td>
<td>* Children get access to food at school through government / privatised school feeding schemes</td>
<td>* Fear that LHWP might stop giving them annual transfers.</td>
</tr>
<tr>
<td>* Part of food transfers can be used as ingredients for local beer sold locally.</td>
<td>* They are women and find lump sums risky</td>
<td></td>
</tr>
<tr>
<td>* Low yields on remaining fields, therefore there is a need to top up the food.</td>
<td>* If the family is small (and the food compensation is more than their requirements)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* If they lost trees through dam construction and need to buy fuelwood</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* They have small business ideas that do not require large investments in capital (e.g. informal markets, beer brewing, small scale broilers)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* They anticipate paying lobola in near future – can slowly build up livestock</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Lack of business plans that would entitle them to lump sum transfers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Fear that lump sum might impoverish them since there will always be the temptation to use it all.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* The money has afforded women decision-making powers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* The money has enabled them to open and operate bank accounts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* The need to pay for cultural activities and ceremonies such as initiation school requirements.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Low quality of food provided by LHWP.</td>
<td></td>
</tr>
</tbody>
</table>
2.3.3 Switching between food and annual cash or lump sums

Preferences are not static and have changed over time with a general shift from food to cash. In some cases households had, over 15 years, used all three different options (see for example Box 5).

Box 5: Teboho Leeto, Ha Mopeli, ‘Muela

Teboho is a 55 year old man from Ha Mopeli in ‘Muela. Teboho’s wife, Lintle, was employed for six years as a domestic worker for a South Africa-born LHWP contract worker in the town of Botha-Bothe. When contract work ended, Lintle and two sons moved to South Africa where she continues work for the contractor. Teboho was left alone at home.

After the family left, Teboho was compensated for his field which was affected by the ‘Muela tunnel. He has experienced all the three modes of compensation – food, regular (annual) cash and one-off lump sum. He explained his reasons for switching from one scheme to the other thus

‘The food was too much for one person and my fear was that it will go stale. At first I sold it locally but people were either buying on credit or wanted to exchange it for other crops which exacerbated the problem.’ He then switched to regular cash, which he explained always arrived late and forced him to accumulate debts. Ultimately he switched to the once-off lump cash in 2006.’

Teboho’s plans to build rental flats for teachers and students from a nearby school as well as a restaurant for the tourists did not materialise. He described his situation as follows

‘I was devastated when I received only half of what I was expecting and was informed that the other half was taken by tax’.

He explained that with a little less than M50,000.00 he only managed to purchase and erect a security fence a fence around his yard and bought a water tank, 6 plastic chairs and a table as well as a cooler box.

Teboho regrets not investing part of the regular cash he received previously but blames LHWP for taxing him heavily.

‘I cannot find employment, I neither have money nor food and I cannot afford agricultural inputs, therefore I am forced to sharecrop whatever is left of my field’

Whilst the main shift was from food to regular cash, a number of people shifted from food directly to lump sums. This was mainly in Katse and was rare in Lejone and ‘Muela. There were a number of reasons for the switch from food to regular cash. First, households with children switched in order to pay school fees and other indirect education costs (especially shoes and clothes). The presence of school feeding programmes in many areas meant that whilst households gave up their annual food transfer when making the switch to regular cash, this was offset by the food that children received. This strategy was not always successful because there were sometimes problems with the timing of cash delivery. For example, one respondent in Lejone argued that

‘The disadvantage with regular sums of money is that it gets to us very late and they give it to us in the middle of the year. In contrast, the schools demand fees at the beginning of the year’ (Respondent receiving M13,000 / year in Lejone).

Regular cash also became a preference for the elderly who found it increasingly difficult to transport their annual food transfer to their homesteads. Other households (e.g. No. 14) reported making the switch because the quality of the food they received from LHWP was poor or from fear that LHWP had become unable to procure or deliver food at all. It was clear that LHWP was having difficulties procuring food for distribution to beneficiaries and was also encouraging the switch to cash. Cash procurement and distribution were significantly more cost-effective for LHWP.

Households that did not make the switch were frequently those whose remaining land was the most marginal. Deforestation and increasing soil degradation is a widespread problem in Lesotho,
Compensation, welfare and development: One-off lump sum and regular transfers in the Lesotho Highlands Water Project

and where yields were poor, households often chose to stay with the annual food transfer because they could not rely on the harvest from their own land to sustain them through the year. Other households that stuck with annual food transfers were those that had some other source of cash income to pay for school fees and other basic needs.

A smaller number of households switched to lump sums, citing a range of different reasons. There was a view that a lump sum would allow households to be less dependent on support from LHWP. But a large number of people stuck with regular cash or food payments, suggesting that the LHWP’s annual payments were much more reliable than their lump sum transfers.

2.3.4 Gender differences

Within households there were clear gender differences regarding preferences for regular payments or lump sums and regarding the use of transfers. Whilst men and women had similar views about the advantages of regular food transfers (see preferences table), many more women preferred receiving regular cash payments whilst many more men preferred lump sum payments.

This difference reflected two things:

- The first of these is a common finding regarding the expenditure priorities of men and women: men prioritised using cash transfers to make investments in agricultural productivity or in the rural non-farm economy and so preferred a lump sum payment, whilst women prioritised domestic expenditures and the payment of the direct and indirect costs of education (fees, transport, school clothes and shoes, books) and so preferred the regular annual payment. Examples of this include Maarabang Selete in Box 7 and Sebolelo Talimo in Box 4.

- Secondly, the fact that the transfers are meant to compensate for the assets lost has a strong impact of what households think it is reasonable to do with cash payments, and there are gender dimensions to this. Perceptions of “compensation” are crucial here. Women prefer regular payments because the compensation is not just for them but for future generations who would have gained their livelihoods from the land (see Box 1). At the heart of women’s fears about taking a lump sum was the danger that it would not have a long-term and sustainable impact on their lives that could be passed to their children and future generations. Only one of the men interviewed voiced this concern. For some other men, the fact that their children would have inherited the land subsequently appears to have put them under greater pressure to make their lump sums generate a long-lasting business or livelihood that they could pass to their children. The remainder of men saw the lump sum as an opportunity to invest.

In some cases it was clear that there were tensions about the intra-household allocation of benefits. These were different depending on whether transfers were regular or lump sum (e.g. No 38). The main tension was between maintaining consumption - regular cash favoured daughters remaining in the household, whereas lump sums would favour sons, both because of their propensity to invest, and because of recognition that land taken for construction of the dam would have passed to the eldest son on the death of the father.

2.4 Investments

For most recipients of annual cash transfers and one-off payments, funds were found to be insufficient to fund investments in other livelihoods, instead they were used to fund essential consumption goods, small purchases and investments in education. However, households that received substantial lump sums were able to invest their money in alternative income earning opportunities. The types of businesses that recipients invested in were varied (see Table 2), with the majority engaged in local beer brewing and/or purchasing livestock to sell in the future. The fact that the majority of livestock investors are found in Katse and Lejone could be attributed to the fact
that livestock generally ranks high in the mountains as opposed to crops which feature prominently in the lowlands.

Pointers from the survey data however, suggest that most businesses are not successful, with market saturation ranking high among the reasons for failure. For instance, an investor in ‘Muela area, who used the lump sum to purchase a grinding mill, failed to attract customers despite the low fees that he charged. He explained thus ‘My neighbour is grinding people’s grain for free because he is more interested in the husks that he uses to feed his livestock’. Another business in Bokong Ha Kennan had to be located outside the community due to stiff competition and in the end collapsed after being vandalized (see Box 6). Overall investments were successful where they have been the first of their kind.

Table 2: Types of business in which lump sums are invested, and reasons for failure

<table>
<thead>
<tr>
<th>Investment type</th>
<th>No. of beneficiaries</th>
<th>Reasons for lack of success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grinding mill</td>
<td>2</td>
<td>Market outside the community due to saturation (No.2)</td>
</tr>
<tr>
<td>Weaving and selling hats and cultural artefacts</td>
<td>1</td>
<td>Competition too stiff (No. 39)</td>
</tr>
<tr>
<td>Livestock</td>
<td>6</td>
<td>No market (No. 5)</td>
</tr>
<tr>
<td>Local brew and stokvels</td>
<td>Many</td>
<td>Low returns, low purchasing power, people often buy on credit</td>
</tr>
<tr>
<td>School feeding programme</td>
<td>1</td>
<td>Short term (can only be engaged for one academic year)</td>
</tr>
<tr>
<td>Bank investments</td>
<td>1</td>
<td>Successful, beneficiary already enjoying interest</td>
</tr>
<tr>
<td>Growing and selling tobacco</td>
<td></td>
<td>Low returns</td>
</tr>
<tr>
<td>Agricultural implements/tools</td>
<td></td>
<td>Minimum level of trade (most people have lost arable land)</td>
</tr>
</tbody>
</table>

Box 6: Mantoa Morapeli – Bokong Ha Kennan, Katse area

‘Me ‘Mantoa, a 70 year old woman from Bokong, lost her three fields and vegetable garden to LHWP. In 2003 she applied for lump cash which she used to purchase a grinding mill. LHDA conducted a marketing survey and advised her to locate her mill outside the community because many people already owned grinding mills. ‘I found it too expensive and stressful to relocate altogether, so I used to commute to the business site daily. One night the thieves came, dismantled the mill and stole the parts, since then, the mill has not worked’.

There were subtle yet significant gender differentiations regarding business engagements. For instance, women engaged in small, incremental investments such as beer brewing and selling tobacco. These types of business are largely informal with low physical capital requirements and hence no entry barriers. Men on the other hand were more interested in larger one-off capital investments.

Successful investments

Those who have made successful investments using lump sums do not appear to have required LHWP support. In most cases these are men who have some income from mining in South Africa.
Compensation, welfare and development: One-off lump sum and regular transfers in the Lesotho Highlands Water Project

(or following retrenchment from the mines and the receipt of a lump sum from a mining company) and so already had some experience of investing larger sums.

Box 7: Hlalele Serafo – ‘Muela Area, Butha-buthe

A 68 year old ntate Hlalele is currently living with his son and one grand-daughter, as his wife ‘Mathube passed away a few years ago.

Ntate Hlalele owns a three bed-roomed house near Butha-buthe town. He owns some dairy cows and sells maize and legumes from his remaining fields. He explained that, LHWP never affected him because; prior to his retirement from South African mines he used to invest his salary in the bank. He has therefore, not only accumulated some money of his own but has, over years, gained some experience in bank investments as well as risks and opportunities involved therein. He explained thus:

‘When I received my compensation package, nobody gave me guidance on how I can best use my lump sum. However, I was not bothered since at that time I was already well established and knew about the most profitable investments. I made inquiries about options for fixed income, which incidentally paid off and I am already enjoying interest. However, I don’t live on that interest but I keep re-investing it because I have other sources of income. I sell milk and field crops.’

Ntate Hlalele also indicated that since he received his lump sum he has never been in contact with LHDA. ‘As far as I am concerned our deal is over, they took my field, compensated me and that’s it’.

Lump sum investments

Skills

To be eligible for lump sum, recipients have to demonstrate, through business plans, that they possess qualities needed for business success. There is little evidence however that such skills were being developed. For example, a man from Ha Theko argued that it was better to invest in livestock than putting money in a bank because, unlike money, livestock are capable of increasing their numbers. Even those who had opened bank accounts lacked the financial knowledge to enable them to make most of their lump sum. An exception to this trend is a recipient from Ha Mensel who used the money to diversify from vegetable production to tobacco production and the rearing of indigenous chickens.

Support from LHWP

Support from LHWP varied between villages. In Lejone area for example, respondents complained that LHWP had not supported them in developing business plans (see Box 3). Similarly, in Bokong Ha Kennan in Katse, it was argued that no-one had received support to develop business plans and that ‘(LHWP) only help people who are educated and often get impatient with people who can’t grasp things quickly.’ (Bokong Ha Kennan, Katse Area). In some cases this was a major impediment to accessing lump sum transfers but some of those households compensated in Bokong Ha Kennan had established a revolving fund. Each of them paid part or all of their lump sum into the revolving fund and each took their turn in taking a larger sum from the fund to make productive investments in their livelihoods. In this way, even where the lump sums were small, households in the village were able to access larger amounts of money.
Box 8: MAARABANG SELETE, Ha Ntseli, Lejone

Maarabang was born at Ha Ntseli in 1968. She currently lives with one daughter and a single grandchild. At the time of LHWP, her husband was, and despite tens of thousands of retrenchments, continues to be, employed as a miner in South Africa. Since ‘Maarabang began receiving compensation for the two fields that the households lost following dam construction, her sons and one daughter have remained in the house. One daughter has married and moved away.

Until 2006 ‘Maarabang received 12 bags of maize and 48Kg of beans annually as compensation for the households’ lost land. Responding to the question of whether or not it was her choice to receive regular instead of lump sum transfer she said: ‘Even though lump sums are better, LHWP has made them unpopular because they want the money to be accompanied by business plans. I am not very conversant with them. LHWP also has a tendency to reject everything that people suggest. For instance, I have told them of my wish to deposit the money in the bank and generate interest but they refused and said that was not a valid plan.’

It is clear from the discussions with ‘Maarabang (about the decisions she has made regarding transfers from LHWP), that ‘Maarabang, as de facto household head, is the key decision maker regarding the type and use of transfers. She complained that, whilst she had contemplated taking a lump sum, she had not received any advice from LHWP on how develop a business plan. However, she appreciated the money she was receiving regularly because it allowed her to invest in her children’s education and occasionally buy agricultural implements and livestock so that she can diversify her livelihood options. However, she wanted LHWP to compensate them forever. The incremental investments that the annual cash transfer enabled her to make were not creating enough assets for the household to graduate from LHWP support in either the short or medium term.

2.5 Adherence to provisions attached to the expenditure of lump sum

Lump sum payments are only paid where proposed investments is a low-risk, offers a reasonable return and where the recipient is judged capable of managing the investment properly. These provisions have to be reflected in a business plan to be submitted and approved by LHWP. Given that most beneficiaries did not have business plans it is difficult to determine the extent to which they observed the set conditions.

Risks

Nonetheless there is evidence that most of the recipients were unwilling to take risks. For instance most of them failed to take advantage of lump sum because they thought they might be tempted to use it all at once and suffer later. A woman from Lejoemotho in Lejone area put it thus: ‘It would be very unfortunate for me to spend all the compensation money when I have to pass it on to the next generations like I would have done to with the arable land’. Those who have made investments opted for familiar, low-risk businesses including livestock, local beer brewing and grinding mills.

Returns

Apart from the grinding mills which suffered because of high competition, other businesses allowed the recipients to make small incremental returns and get by until they received their next payment. For instance, women who brewed local beer also participated in stokvels which enabled them to rotate funds and make some profit.

Recipients’ capacity to manage the investment

When questioned on this issue LHDA had reported that their efforts to keep watch on some of the recipients to ensure that they live up to their commitments has met with resistance from many who view it as interference in their business affairs.
3. Conclusions

Regular cash payments in the Lesotho case are annual. The timing of them means that they are mainly used for school fees. They are also used for consumption though, and households tend to buy food stocks where they have storage capacity for them. Regular cash transfers are relatively predictable and long-term so households are able to make small incremental investments – e.g. slowly increasing livestock, or investing in informal sector activities with small capital requirements e.g. beer brewing.

In term of impacts the general patterns appear to be that:

- LHWP beneficiaries appear to have stable or slowly rising incomes and so be doing well relative to other households in the remote Lesotho Highlands.
- Households that received large lump sums in the 1990s have maintained their welfare status – they tended to have experience of investing remittances from mining so had good ideas about businesses. They were also among the “early investors” in their chosen field. By contrast, those investing later were faced with flooded markets for the flows of goods and services that their investments generated.
- Households that received much smaller lump sums in the 1990s (e.g. up to R200 one-off payments for trees) were only able to use the lump sums for consumption.
- Households that received food transfers have, on the whole, switched to either regular cash or to lump sums. Those that have regular cash have done better – they are able to pay school fees and sometimes are taking small steps to investment in informal sector business. Those that have taken lump sums have had little support with business planning and have tended to copy existing business from earlier lump sum beneficiaries. But markets are small and quickly saturated, and so their success rate has been low.

Figure 1 provides a simple depiction of these choices.

![Figure 1: Changes in well-being and different modes of transport](image-url)
Wider changes in the economy have negatively influenced the success rate of investments, both formal and informal, since they limit potential demand for the goods and services generated by investments. For instance, households face impoverishment due to retrenchment from South African mines, and from the mortality and morbidity effects of the HIV/AIDS pandemic (Lesotho in the top 5 prevalence rates in the world). Annual benefits from the LHWP are providing a limited buffer against these two shocks and stresses, but can do little more than enable households to tread water.

**Longer-term impacts**

It matters whether the transfer is seen as compensation. This affects people’s decisions about what mode of transfer they choose because they want to ensure that the benefits are passed to their children. Decisions on mode of transfer are often easier following emergencies where lump sums compensate people for loss of assets – e.g. lump sums will allow replacement of a boat lost in the Tsunami, or of a house destroyed in an earthquake. In the Lesotho case, the decisions are much more difficult. Households want to be able to pass benefits to their children, and not just the eldest son. However, this creates tensions, not least among male and female offspring. Food transfers tend to benefit female offspring (who tend to stay at home longer) more than male, whereas lump sums appear likely to benefit males more. Also, few investments have been successful. There are a number of reasons for this. First, it is not possible to get access to new land, either locally or in a different part of the country. Land allocation remains largely by chiefs and in most parts of Lesotho cultivated land is already degraded. So households must come up with alternatives. Only those with some experience of employment outside the village appear to have the skills to invest wisely (e.g. those that have worked in the mines in South Africa), and good ideas frequently are copied so markets are rapidly saturated – as in the case of grain mills. The prospects for passing on a strong business or livelihood to future generations seem to be very limited.

**Final remarks**

All three effects (compensation, asset-building and consumption) are rolled together in the LHWP. LHWP funds currently provide a safety net for households that have experienced retrenchment and are affected by the HIV/AIDS pandemic. But the fact that it is ‘compensation’ complicates the issue by affecting the decisions that people make about what they do with transfers and which type of transfer they choose. It raises questions about the circumstances in which lumpy transfers are a good idea – i.e. under what circumstances should compensation provide direct consumption support and when should it be for long-term investment?

- Is there enough support – e.g. technical, business planning etc?
- Is this compensation for a livelihood that is no longer possible, practical or economic? (In Lesotho people had to find alternative incomes but there was little support for them to do so).

If the focus is on long-term consumption support (i.e. regular food or cash), then it is difficult to establish a counterfactual – i.e. how the same households would have performed over the long term if no dam had been constructed. The indications from wider economic change are that livelihoods would have been depressed and living standards fallen.

Table 3 below makes an attempt to summarise the effects of different forms of support received from the LHWP.
### Table 3: Effects of the different forms of support provided under the LHWP

<table>
<thead>
<tr>
<th></th>
<th>Compensation</th>
<th>Asset-building</th>
<th>Consumption support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular food</td>
<td>depends on view of how livelihoods might have changed and what members of the households should be compensated</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>Regular cash</td>
<td>depends on view of how livelihoods might have changed and what members of the households should be compensated</td>
<td>Small incremental in a small number of cases</td>
<td>Y</td>
</tr>
<tr>
<td>Lump sum cash</td>
<td>depends on view of how livelihoods might have changed and what members of the households should be compensated</td>
<td>Y – but varying levels of success</td>
<td>for smallest lump sums paid in 1990s, esp. in ‘Muela for trees</td>
</tr>
</tbody>
</table>
References


Lesotho Highlands Development Authority (1997) Compensation Policy and other related policies and reports. The same policy has been outlined in Article 7, of the Lesotho/Republic of South Africa Treaty on the Lesotho Highland Water Project (Section 44 (2))


Tshabalala, M and Turner, S.D. (various years) Socio-Economic Survey Reports. Mbabane: LHDA
Appendix 1: Methodology and Fieldwork

The research methodology focused on two qualitative data collection processes:

i. desk review of LHWP documents plus additional research and M&E documents;

ii. semi-structured interviews with households that received cash or food under the LHWP settlement.

In the semi-structured interviews, 41 interviews were carried out. Two interviews were disregarded because respondents only spoke about their grievances with LHWP and did not respond to any of the interviewer’s questions. In a number of other interviews, and despite significant experience by the researchers in the field location, respondents were uncooperative and the quality of evidence was limited. As some beneficiaries have moved, where possible, efforts were made to track households to their current location.

The general research questions were translated into questions for the semi-structured interviews according to Table 1.

The general interview guide is shown in Box 1.

The interviews were written up on a daily basis during fieldwork using the structure and headings in Box 1.

As with our previous work in the same locations (e.g. gender and generational conflicts and cash transfers with World Vision) we paid close attention to the impact of historical forces on what happens to people – e.g. migrant labour systems, remittances, retrenchments – so that we could unpick whether it was the LHWP benefits or other factors that led to changes in people’s circumstances.
Table A1: Semi-structured interview guide

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Method</th>
<th>Field / analysis question</th>
</tr>
</thead>
</table>
| **1. How far have any conditions attached to the expenditure of lump sums been adhered to?**<br>*Need to compare conditions / adherence for lump sums and in-kind*<br> | a) Review of programme documents  
b) Semi-structured interviews | a) Identify whether there were any conditions attached to the transfers made (examples of conditions include: food for work programme (*fato fato*); children’s school attendance; certain expenditure items not allowed)  
b) Ask beneficiaries whether any conditions were attached to lump sum payments, and whether they were enforced. |
| **2. Given that poor people have little or no experience in investing a lump sum equivalent to several times their annual income, do they tend to spread the funds across several purposes, not all of them associated with livelihood assets, so that the objective of “big push” towards improved livelihoods through the purchase or rehabilitation of a major asset is not achieved?**<br> | a) Semi-structured interviews | a) What did households spend cash on? (i.e. small items / larger items) (i.e. items for consumption e.g. food, school clothes? Items for investments / production e.g. tractor / plough / cattle? Or something different)  
b) How did they reach the decision about what to buy? How did they get the idea? (were they immediately very clear? Did they get ideas from neighbours? Did they get ideas from richer farmers / business people?) |
| **3. Do lump sums attract additional kinds of corruption in targeting and disbursement so that their effectiveness is weaker than that of small, regular sums? For instance, do politicians attempt to target them towards current or potential political supporters?**<br> | a) Project documentation on targeting criteria  
b) semi-structured interviews | a) Is there anything in documents about corruption and how it can be avoided? Was it different for lump sums compared to in-kind?  
| **4. Where funds are limited and only a few in each community receive lumpy transfers, is this perceived as divisive by the majority?**<br> | a) research docs / M&E  
b) semi-structured interviews | a) what evidence in the literature / M&E of whether the different transfers (large cash / small regular food) created divisions / conflicts within the community.  
b) Were there any tensions in the community when the transfers were made? Who got the most? Who got less? Why? |
Box A1: Semi-structured guide

We asked respondents to tell us a story of the LHWP and what had happened to their lives since then. We wanted them to talk about when the project came, the process by which they lost land / buildings etc, the ways in which they were supported, how long they were supported for, what decisions they made about how to use cash / food support, why they made those decisions (what their choices were), how successful their decisions were, and how their livelihoods had changed over those years.

Record any interesting stories in detail, using quotes where possible.

1. **Introductions:**
   a) Explain who we are / what the research is about (i.e. trying to find out if the cash / food has had lasting impacts and which was better (cash or food).
   b) Check the respondent was LHWP beneficiary of either cash or food.
   c) Record name, age, location of respondents

2. **Household circumstances**
   a) Composition of household at time of LHWP
   b) Composition of household now. Note deaths, births, household members migrating in and out.

3. **Transfers received under LHWP**
   a) What did the household receive under LHWP – cash? Food? How much? How long for?
   b) When did they start / end receiving support?
   c) Given the choice, would they have chosen lump sum cash or regular food?
   d) Why was the household selected?
   e) Were some households given cash and some food? How was this decision made?
   f) How far were local government / chiefs / headmen involved in the decision about who got what? Was it fair?
   g) Were there any tensions or disputes in the community about who got what?
## 4. Use of transfers

a) What did the household use the cash / food for?

b) Did they use it for i) consumption ii) preventing distress sales of assets iii) investing in a livelihood?

c) How did they get the idea from for spending cash / using food? What different choices did they have?

d) Were there any rules about spending cash?

e) Did households get any support / guidance in deciding how to spend cash lump sums? Did anyone help them make this decision? Was it an easy / clear decision or one that took a lot of discussion and arguing?

f) Did any other support come with the cash / food (e.g. agricultural extension advice? Small business advice?)

g) Do they think they made the best possible use of their lump sum? If no, why not – did they make a poor decision? Did they need better advice?

## 5. Long-term changes in livelihoods

a) How was the household making a living before LHWP?

b) How is the household making a living now?

c) What has changed?

d) Are the changes for the better or worse?

e) What has forced / driven these changes?

f) Are households richer or poorer than before the LHWP?

## 6. Any other questions?

*(make sure that you have covered everything above)*

## 7. Do the respondents want to ask us anything?
Appendix 2: Tabular summary of the types of compensation offered under the LHWP

Compensation entitlements for individually and communally owned assets

<table>
<thead>
<tr>
<th>Asset lost</th>
<th>Size/type</th>
<th>Original compensation offered</th>
<th>Updates of the original provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compensation for Individually owned assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural land/fields</td>
<td>Less than 0.1 ha</td>
<td>Once off cash payment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Less than 10000 sq. m.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ha</td>
<td>1987-1992 maize once a year</td>
<td>1992-1997 maize and pulses once a year</td>
<td>Options:</td>
</tr>
<tr>
<td></td>
<td>Options: R37,172./ha lump sum</td>
<td>Options: Annual cash payment on an index linked bias of R1800.00/ha/year over a period of 50 years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Options: Grain and pulses based on a net yield of 1000kg/ha – compensation of 970kg maize and 30Kg beans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary use of field by LHWP</td>
<td>LHDA returns the field to the holder in the same arable condition in which it was acquired.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Once-off cash payment (temporary compensation) at a rate or R0.15/sq.m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crops</td>
<td>From 1ha of land</td>
<td>R1800</td>
<td></td>
</tr>
<tr>
<td>Houses and settlements</td>
<td>new house at a comparable cost to the one lost</td>
<td>new house with a VIP toilet, stock-proof fence and heating/cooking facility</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>replacement housing fund</td>
</tr>
<tr>
<td>Kraals, other outbuildings and fences</td>
<td>Once off cash payment</td>
<td>R30/metre of wall for kraals</td>
<td></td>
</tr>
<tr>
<td>Commercial property</td>
<td>Choice between cash payment and construction and design of new premises</td>
<td>R200/sq m for outbuildings</td>
<td></td>
</tr>
<tr>
<td>Gardens on residential sites</td>
<td>&lt;0.1 ha</td>
<td>Once off cash payment using a compensation rate calculated for garden vegetable production</td>
<td>R3.00/sq.m./year over 50 years or R61.95/sq.m. as lump sum</td>
</tr>
<tr>
<td></td>
<td>&gt;0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graves</td>
<td>LHDA meets all expenses for exhumation and reburial where necessary</td>
<td>cost of relocating with attendant rituals met by LHDA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>OR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>R3000.00/household</td>
</tr>
<tr>
<td>Trees</td>
<td>5 seedlings of the same or another acceptable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Compensation, Welfare and Development: One-off lump-sum and regular transfers in the Lesotho Highlands Water Project

<table>
<thead>
<tr>
<th>Species</th>
<th>Once off cash payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel/timber</td>
<td>R25.00/tree/year for 10 years or R206.72/tree as lump sum</td>
</tr>
<tr>
<td>Cluster/thickets</td>
<td>R0.1215/sq.m/year over 10 years or R206.72/tree lump sum</td>
</tr>
<tr>
<td>Fruit trees</td>
<td>R70.00/tree/year for 10 years or R578.82/tree lump sum</td>
</tr>
</tbody>
</table>

**Communal resources**

<table>
<thead>
<tr>
<th>Grazing</th>
<th>Villagers to implement range management and fodder production programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wild vegetables</td>
<td>• R560/ha/year/village or community</td>
</tr>
<tr>
<td>Brushwood fuel</td>
<td>• R200/affected household/year</td>
</tr>
<tr>
<td>Medicinal plants</td>
<td>• R100/affected household/year</td>
</tr>
<tr>
<td>Useful grasses</td>
<td>• R110.00/affected household/year</td>
</tr>
</tbody>
</table>

- R206.72/tree as lump sum
- R206.72/tree lump sum
- R70.00/tree as lump sum
- R578.82/tree lump sum
- R560/ha/year/village or community
- R200/affected household/year
- R100/affected household/year
- R110.00/affected household/year
- R206.72/tree lump sum
- R560/ha/year/village or community
- R200/affected household/year
- R100/affected household/year
- R110.00/affected household/year