GovTech Case Studies: Solutions that Work

Lesotho: The National Identification System

Simple, Efficient, and Transparent Government Systems

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Introduction

Inclusive and trusted foundational identification (ID) systems have the potential to increase efficiency and transparency in the public sector through minimizing leakages and enabling easier and better targeted delivery of public services.1 Lesotho’s experience with the implementation of its National ID (NID) system shows the benefits that can accrue to the public and private sectors. The COVID-19 pandemic further underlined the importance of being able to digitally verify people’s identities to enable new modes of service delivery and rapid crisis response, while applying appropriate health and safety protocols.

The linkages between the NID system and other systems have enabled the Government of Lesotho to realize financial savings, and facilitate more convenient and inclusive service delivery to citizens.2 Building on three initial use cases focused on the public payroll, old age pensions, and financial services, further expansion of the digital identity verification and authentication services provided by the NID system is currently underway.

The Kingdom of Lesotho is a small country with a population of two million, surrounded geographically by South Africa. Lesotho faces a number of development challenges, such as high poverty and unemployment rates, a public sector-driven economy, and limited adoption of digital technologies. Therefore, trusted and accurate identification of government transfer recipients is critical for minimizing leakages and inefficiency in the government’s spending.

Moreover, customers of financial institutions in Lesotho are required to provide multiple documents and extensive paperwork to prove their identity and verify their addresses. This cumbersome identity verification process was considered one of the reasons behind difficulties in opening bank accounts and accessing financial services. In fact, one third of unbanked adults in Lesotho cited “lack of necessary documentation” as a reason for not having an account according to the 2017 Global Findex survey.3

Expanding linkages between the NID system and financial service providers, and also public sector entities engaged in government-to-person (G2P) transfers presented an opportunity to increase accessibility and efficiency at the same time. Being able to accurately verify the identities of beneficiaries based on the NID system led to considerable savings in government expenditure, given the high share of spending on payroll and pensions. Digital customer verification in the financial sector helped to streamline the onboarding process and reduce the risk of fraud, saving time and money for all parties involved.

The Government of Lesotho and the World Bank are working together to ensure effective public administration and to facilitate access to services for all residents of Lesotho by strengthening the NID and civil registration system and its use across multiple areas, including the government of Lesotho payroll, the old age pension program, and enhancing customer financial due diligence and financial inclusion. Going forward, the objective is for the NID system to serve as a digital public platform, with the potential to be leveraged by many other systems and services across the private and public sectors.

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Solutions and Approaches

**LESOTHO’S NATIONAL ID SYSTEM**
The NID system of Lesotho was launched in July 2013. Managed by the Department of National Identity and Civil Registry (NICR) in the Ministry of Home Affairs, the system has now reached close to universal coverage and is linked to a number of systems and services to enable digital identity verification and authentication.

Minimizing the distances between people and ID access points has been important for achieving high coverage. To this end, the NICR set up 15 enrollment centers and also operates ten mobile registration units. To ensure the uniqueness of identities and to enable higher-assurance authentication going forward, biometric data (ten fingerprints) is also collected at the time of registration. In response to increased demand for higher-assurance identity verification and authentication from both public and private sectors, the NID system began providing authentication services, starting with the three use cases discussed below.

**GOVERNMENT OF LESOTHO PAYROLL**
In an ambitious initiative to clean the public payroll, the Ministry of Public Service (MoPS) launched a biometric census of civil servants and pensioners in June 2018. The Ministry collaborated with related agencies, such as the Ministries of Finance, Education, Health, and Home Affairs, to implement a “rapid results initiative” to capture the NID numbers of all civil servants and civil pensioners on the payroll, and to issue NIDs to civil servants and civil pensioners who did not already have one.

The biometric census and matching of records against the NID system identified a number of anomalies, which were subsequently investigated and addressed by the MoPS. For example, the MoPS has suspended the salaries associated with records that could not be linked to a real, living, unique individual during the enumeration process. In an effort to ensure the accuracy of human resources data over the long term, the MoPS is in the process of establishing an interface between the human resources management information system (HRMIS) and the NID system so that the identities of all newly-onboarded civil servants can be verified going forward as well as to facilitate automated notification related to deceased individuals.
OLD AGE PENSION PROGRAM
The NID system has also contributed to the accurate verification of the eligibility of the Old Age Pension Program beneficiaries. The Ministry of Finance and the NICR carried out demographic data-matching exercises between the old age pension (OAP) registry and the NID registry, starting in 2017. This data cleaning process helped the government to remove deceased and otherwise ineligible individuals from the list of beneficiaries.

In addition, a “proof of life” verification that required pensioners to be physically present with their NIDs at pay-points was carried out between November 2019 and January 2020. This exercise found that 6,100 pensioners did not have NIDs. This coverage gap was then addressed through a mobile registration campaign conducted by NICR. From June-October 2020, NICR staff traveled into rural areas with mobile registration kits, including on horseback, to register the elderly and homebound, which resulted in the issuance of 6,187 new IDs. To enable automated data sharing and regular checks to verify eligibility in the future, a new OAP Management Information System that is interoperable with the NID system is being implemented.

ELECTRONIC IDENTITY VERIFICATION FOR FINANCIAL SERVICES
The use of electronic identity verification mechanisms at financial institutions based on the NID system can play a significant role in reducing the administrative burden associated with customer onboarding and improving access to financial services. The NICR signed a Memorandum of Understanding with the First National Bank (FNB) to collaborate for the Know Your Customer (KYC) pilot to realize the benefit from digital identity services for the financial sector. Based on this MOU, FNB could query the NID system and verify customer’s personal data, including portrait photo. This pilot showed that reliable real-time identity verification in financial service areas can enhance customer financial due diligence and promote financial inclusion. Since the pilot, more banks and multinational organizations (MNOs) such as Standard Lesotho Bank, Nedbank, and Vodacom have shown keen interest in using the digital identity verification service provide by NICR. The MNOs and Standard Lesotho Bank have signed the MOU and connected to the system; Nedbank is on course to sign and connect. Using a secure interface, authorized relying parties can request KYC details of customers for performing non-face-to-face account opening and electronic KYC procedures. The NICR is looking to implement additional improvements to its identity verification services leveraging application programming interfaces (APIs) for verification of NID, verification of biometric attributes and e-KYC for financial sector use cases.

In addition to highlighting significant potential benefits in terms of savings, efficiency, and more people-centric service delivery, these initial use cases also surfaced the need for strengthening legal, operational, and technological safeguards as well as enabled for data secure data sharing across public and private entities.
Results

As a result of collaborative effort to enroll people into the National ID system, more than 85 percent of the eligible population is estimated to be covered by the system, representing over 1.2 million people out of a total eligible population of 1.4 million.

In the area of Government Payroll, the NID system has contributed to flagging duplicate and fraudulent payments. Through their timely removal, it is estimated that the Government of Lesotho could save as much as $470,000 per month, which could translate into savings of up to $5.6 million or one percent of total government expenditure per year.

The OAP program also saved the equivalent of $230,000 monthly as a result of the cleaning and data-matching exercise that helped identify 4,700 ineligible beneficiaries. This could potentially translate into savings of over $2.8 million annually. Furthermore, interoperability between the OAP system and NID system will contribute to enhanced program management and easier registration of beneficiaries, including predictive services to proactively enroll citizens who have reached the pension age of 70 years.

In the context of financial services, customers and financial institutions benefited from the electronic identity verification, which has helped reduce paperwork while contributing to reduced fraud risks. This has enabled financial institutions to save costs and more easily expand their customer base, and customers can now access financial services more conveniently.

These initial applications highlighted the benefits when the NID system can be leveraged by both the public sector and private sector. The expected benefits are summarized in the below figure.

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FIGURE 1 - Benefits of Using NID System

<table>
<thead>
<tr>
<th>PUBLIC SECTOR</th>
<th>PRIVATE SECTOR</th>
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<tbody>
<tr>
<td><strong>Direct Benefits</strong></td>
<td><strong>Indirect Benefits</strong></td>
</tr>
<tr>
<td>• Fiscal savings from efficiency in the delivery of wages and social transfers.</td>
<td>• Efficiency of operations due to lower transaction costs and risk management.</td>
</tr>
<tr>
<td>• Any revenues to be accrued from concerned private parties.</td>
<td>• Improved service delivery and convenience to clients.</td>
</tr>
<tr>
<td>Cost savings from reducing data management costs by various agencies.</td>
<td>• Increased financial inclusion.</td>
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Source: Revised from World Bank project report, 2021.
Lessons Learned

Although digital identity verification and authentication using the NID registry is still at a relatively early stage in Lesotho, the initial use cases show the benefits of expanding the use of NID system across other services. Some recommendations for ensuring more inclusive, reliable, and convenient services based on the NID system are presented below.

Continue to increase accessibility for vulnerable groups. As more systems and services begin to leverage the NID system for their identity verification and authentication needs, it will be important not to exclude citizens who do not have the NID and, in parallel, to ensure that the NID system is fully accessible to all, including members of vulnerable populations. This requires collaboration with other agencies to increase timely birth registration, deployment of mobile registration for people who have difficulties to access fixed enrollment, and effective public outreach and communications to understand and address remaining bottlenecks to universal accessibility.

Strengthen data protection and data privacy. The identity services provided by NICR involve the exchange of (personal) data between different institutions in the public and private sectors. It is important that data processed by the NID system and relying parties is done securely and in a manner that provides individuals with sufficient oversight and control over their data. Without such measures, there is a risk that data could be misused and, as a result, citizen’s trust in the NID system and service providers could be eroded. Therefore, strengthening legal, operational, and technical safeguards to protect people’s data and privacy should be an integral part of expanding the coverage and capabilities of the NID system.

Update data for accurate and seamless services. If data in the NID system is not accurate or fully up-to-date, the efficiency and quality of systems and programs that depend on the NID will also be affected. Thus, as more and more services rely on the NID system, the importance of strengthening mechanisms to update dynamic information, such as a person’s address, or to record births, deaths, and marriages in a timely manner increases greatly.

Next Steps

The NID system can serve as a digital public platform, with the potential to be leveraged by many other systems and services across the private and public sectors. In Lesotho, additional opportunities for scaling up the use of the NID system include social protection programs, domestic revenue mobilization, and cross-border services and movement, for instance:

• Based on the experience with the OAP program, the NID system could help to better identify beneficiaries of social protection programs and minimize leakages, enhancing integrity and potentially enabling fiscal savings.
• Being able to leverage the NID number to cross-reference records across different programs and databases could help to strengthen tax administration and promote improved identification of taxpayers. Promoting better tax enforcement could, in turn, facilitate the mobilization of additional revenues.
• Given the high number of people crossing the Lesotho-South Africa border for work, school, trade, and leisure each day, exploring the use of the NID system for cross-border identity verification could promote safe and orderly travel and improved economic opportunities.

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