Document of
The World Bank

Report No: ICR00003611

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-42370 IDA-48270 IDA H-2550 IDA H-6230 TF-90728)
ON A

CREDIT IDA-42370
IN THE AMOUNT OF SDR 7.6 MILLION
(US$11.2 MILLION EQUIVALENT)

GRANT H-2550
IN THE AMOUNT OF SDR 8.3 MILLION
(US$12.3 MILLION EQUIVALENT)

CREDIT 48270
IN THE AMOUNT OF SDR5.8 MILLION
(US$8.5 MILLION EQUIVALENT)
OF WHICH FROM PILOT CRISIS RESPONSE WINDOW
SDR1.7 MILLION (US$2.5 MILLION EQUIVALENT)

GRANT H-6230
IN THE AMOUNT OF SDR 4.4 MILLION
(US$6.5 MILLION EQUIVALENT)
OF WHICH FROM PILOT CRISIS RESPONSE WINDOW
SDR1.7 MILLION (US$2.5 MILLION EQUIVALENT)

AND AN

EU GRANT TF-90728
IN THE AMOUNT OF EUR 7.85 MILLION
(US$9.5 MILLION EQUIVALENT)

TO THE KINGDOM OF LESOTHO

FOR THE

INTEGRATED TRANSPORT PROJECT

December 21, 2015

Transport and ICT Global Practice
Country Department AFCS1
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2015)

Currency Unit = Lesotho Maloti (LSL)
LSL 12.15 = US$1.00
US$1.00 = LSL 0.0823
US$1.00 = €0.8966

FISCAL YEAR

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

AADT	Annual average daily traffic
AF	Additional Financing
CAS	Country Assistance Strategy
CRW	Crisis Response Window
DCA	Department of Civil Aviation
DRR	Department of Rural Roads
DRS	Department of Road Safety
EC	European Commission
EIA	Environmental Impact Assessment
eNATIS	Electronic National Administration Traffic Information System
ERR	Economic internal rate of return
EU	European Union
FM	Financial Management
FMR	Financial Monitoring Reports
FMS	Financial Management System
GIS	Geographic information system
GOL	Government of Lesotho
ICP	International Comparison Program
ICR	Implementation Completion Report
IDA	International Development Association
IMT	Intermediate means of transport
ITP	Integrated Transport Project
IRR	Internal Rate of Return
LRMS	Lesotho Road Management System
M&E	Monitoring and Evaluation
MLG	Ministry of Local Government
MMC	Maseru Municipal Council
MPWT	Ministry of Public Works and Transport
NPV	Net present value
NRSC	National Road Safety Council

PAD	Project Appraisal Document
PMO	Project management office
PCRW	Pilot Crisis Response Window
PDO	Project development objective
PIU	Project Implementation Unit
PPF	Project preparation facility
PRS	Poverty Reduction Strategy
RAP	Resettlement Action Plan
RB	Roads Branch
RD	Roads Directorate
RED	Road multi-criteria Economic Decision
RF	Roads Fund
RRMP	Road Rehabilitation and Maintenance Project
SACU	Southern African Customs Union
SSCW	Senqu-Senqunyane Civil Works
TTL	Task Team Leader

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Project Team Leader:	Ben Gericke
ICR Team Leader:	Sevara Melibaeva
ICR Author:	Peter Freeman

LESOTHO
Integrated Transport Project

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A. Basic Information

Country:	Lesotho	Project Name:	Lesotho Integrated Transport Project
Project ID:	P075566	L/C/TF Number(s):	IDA-42370,IDA-48270,IDA-H2550,IDA-H6230,TF-90728
ICR Date:	12/15/2015	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVERNMENT OF LESOTHO
Original Total Commitment:	XDR 15.90M	Disbursed Amount:	XDR 26.08M
Revised Amount:	XDR 26.10M		

Environmental Category: B

Implementing Agencies:
Ministry of Public Works and Transport

Cofinanciers and Other External Partners:
European Development Fund

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	08/14/2003	Effectiveness:	02/22/2007	02/22/2007
Appraisal:	05/19/2006	Restructuring(s):		09/16/2010 12/22/2010 09/26/2011 09/11/2012 01/16/2014 02/09/2015
Approval:	10/19/2006	Mid-term Review:	05/16/2010	05/16/2010
		Closing:	06/30/2011	06/30/2015

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Unsatisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Moderately Satisfactory	**Overall Borrower Performance:**	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	30	30
General transportation sector	1	1
Law and justice	1	1
Rural and Inter-Urban Roads and Highways	67	67
Sub-national government administration	1	1
Theme Code (as % of total Bank financing)		
Administrative and civil service reform	17	17
Infrastructure services for private sector development	17	17
Rural services and infrastructure	33	33
Trade facilitation and market access	17	17
Urban planning and housing policy	16	16

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Makhtar Diop	Gobind T. Nankani
Country Director:	Guang Zhe Chen	Ritva S. Reinikka
Practice Manager/Manager:	Supee Teravaninthorn	C. Sanjivi Rajasingham
Project Team Leader:	Sevara Melibaeva	Gylfi Palsson

ICR Team Leader:	Sevara Melibaeva	
ICR Primary Author:	Peter Nigel Freeman	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document**)**
From the PAD: Lesotho's citizens are less isolated and have improved access to services and market opportunities, through a better managed, more complete, safe and affordable transport system.

From the Financing Agreement: The objective of the project is to enhance prospects for economic growth in the Recipient's territory through provision of an efficient and integrated transport system that is safe and affordable to improve access to services and market opportunities for all across the Recipient's territory.

Revised Project Development Objectives (as approved by original approving authority)
In the August 2012 restructuring approved by the Board a new Project development objective (PDO) was introduced worded "to improve the connectivity in selected transport networks in the Recipient's territory". The Financing Agreement was accordingly amended in September 2012.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Roads in good and fair condition as a share of total classified roads (Supplemental information: size of total classified network: baseline – 2,913 km; target – 2,927 km)			
Value (quantitative or Qualitative)	27% good; 38% fair	39% good; 46% fair		38% good; 50% fair
Date achieved	09/15/2006	12/31/2010		06/30/2015
Comments (incl. % achievement)	98% & 109% achieved. Target for national roads in fair condition was achieved by 2010, but at closing in 2015 roads in good condition fell 1% short of target. Indicator was reworded under AF to align it with core indicator wording, but with same meaning. (PAD wording: “Quality of national road network as measured by LRMS is improved from 27% good and 38% fair to 39% good and 46% fair by 2010”.)			
Indicator 2 :	Reduction in average travel cost in targeted project areas.			
Value (quantitative or Qualitative)	0% (LSL 1500)	20% reduction	40% reduction (LSL 900)	40% reduction (LSL 900)
Date achieved	09/15/2006	12/31/2009	12/31/2010	12/31/2010
Comments (incl. %	100% achieved. Baseline was LSL 1500/trip and was reduced to LSL 900/trip or by 40% achieving the target by 2010 for privately owned vehicles. The indicator			

achievement)	wording was refined at the 2012 restructuring, but with no effect on the meaning or targets. (PAD wording: “Average travel cost to social services and markets for beneficiary populations in targeted areas along the South Eastern Corridor for emergency and regular trips is reduced by 20%”.)			
Indicator 3 :	Share of rural population with access to an all-season road (within the project area).			
Value quantitative or Qualitative)	2.5% (share of villages)	42% (share of population)		42%
Date achieved	09/15/2006	12/31/2010		12/31/2010
Comments (incl. % achievement)	100% achieved. Indicator added at AF to account for additional outcomes of original project and was already achieved by AF year. Baseline was recorded backdated to appraisal as "share of villages". End target achieved based on "share of population".			
Indicator 4 :	Direct project beneficiaries (number), of which female (percentage).			
Value quantitative or Qualitative)	5	9,372, of which 52% female		9,372, of which 52% female
Date achieved	09/15/2006	12/31/2010		12/31/2010
Comments (incl. % achievement)	100% achieved. This indicator was added at the time of AF to account for additional outcomes of the original project and was already achieved by the AF year. The baseline was recorded as backdated to appraisal as share of villages, due to lack of data.			
Indicator 5 :	International Comparison Program (ICP)' changes between the targeted areas along the South Eastern Corridor and Sekake has decreased by 20% by 2009.			
Value quantitative or Qualitative)	0%	20% reduction	Dropped	
Date achieved	09/15/2006	12/31/2009	08/18/2010	
Comments (incl. % achievement)	Indicator was dropped at the time of AF due to attribution problems, as ICP change was affected by many external factors beyond the project.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Roads Directorate within the Ministry of Public Works and Transport established by December 2008.			
Value (quantitative or Qualitative)	No	Yes		Yes
Date achieved	09/15/2006	12/31/2008		08/01/2010
Comments (incl. % achievement)	100% achieved. Established under Road Directorate Act, 2010.			
Indicator 2 :	Administrative expenses as total expenditure of Road Fund be no more than 12% by 2014.			

Value (quantitative or Qualitative)	25%	12%		12.8%
Date achieved	09/15/2006	12/31/2008		06/30/2015
Comments (incl. % achievement)	94% achieved. The end target was originally to be achieved by 2010, but was updated during the 2012 restructuring based on the progress and the extension of the closing date, to be achieved by 2014.			
Indicator 3 :	Recruitment of staff to the Road Fund be in accordance with the Legal Notice for Road Fund Regulation 2005.			
Value (quantitative or Qualitative)	No	yes		Yes
Date achieved	09/15/2006	06/30/2011		06/30/2011
Comments (incl. % achievement)	100% achieved. All posts were filled and retained. However, more posts were needed.			
Indicator 4 :	Periodic and routine maintenance of the total national road network is 78% and 90% funded from road user charges by 2008 and 2010 respectively.			
Value (quantitative or Qualitative)	50%	90%		87%
Date achieved	09/15/2006	12/31/2010		06/30/2015
Comments (incl. % achievement)	97% achieved. The road condition survey and visual surveys by the project team attest to the adequacy of maintenance quality.			
Indicator 5 :	Road Safety Council is established and functioning in accordance with agreed principles.			
Value (quantitative or Qualitative)	No	Yes		Yes (established but not functioning)
Date achieved	09/15/2006	06/30/2011		06/30/2015
Comments (incl. % achievement)	50% achieved. Road Safety Council has been established but has never functioned.			
Indicator 6 :	Establishment of integrated GIS database and system used as a planning tool.			
Value (quantitative or Qualitative)	No	Yes		Yes
Date achieved	09/15/2006	06/30/2011		06/30/2015
Comments (incl. % achievement)	100% achieved.			
Indicator 7 :	An urban transport planning and transport study is elaborated.			
Value (quantitative or Qualitative)	None	Yes		Yes
Date achieved	09/15/2006	12/31/2009		06/30/2010
Comments (incl. %	100% achieved.			

achievement)				
Indicator 8 :	An integrated policy and strategic roadmap for aviation, rail, IMT and water transport is developed.			
Value (quantitative or Qualitative)	None	Yes		Yes
Date achieved	09/15/2006	12/31/2009		09/26/2011
Comments (incl. % achievement)	100% achieved.			
Indicator 9 :	Number of road safety workshop and campaigns undertaken.			
Value (quantitative or Qualitative)	0	25	20	20
Date achieved	09/15/2010	12/31/2012	12/31/2014	06/30/2015
Comments (incl. % achievement)	100% achieved. Indicator was added under AF as a PDO indicator to account for additional outcomes of original project and was partially achieved by AF year. At the 2012 restructuring, indicator was moved to intermediate results with revised target of 20.			
Indicator 10 :	Two high-level bridges, their approaches and road links along the South Eastern Corridor are constructed.			
Value (quantitative or Qualitative)	None	Yes		Yes
Date achieved	09/15/2006	12/31/2009		09/26/2011
Comments (incl. % achievement)	100% achieved. The indicator was split into two at the time of AF to align the wording with core indicator, but still recorded as one in the Results Framework.			
Indicator 11 :	Roads rehabilitated, non-rural (Oxbow – Mokhotlong Road).			
Value (quantitative or Qualitative)	0 km	20 km	40 km	40 km
Date achieved	09/15/2006	12/31/2007	12/31/2011	08/27/2012
Comments (incl. % achievement)	100% achieved. Indicator was reworded under AF to align it with core indicator, but with no effect on meaning & target. (PAD wording: "20 km Oxbow – Mokhotlong Road is rehabilitated through emergency repairs".) The target was also revised to 40km.			
Indicator 12 :	Road upgraded, rural (Mantsonyane - Lesobeng road).			
Value (quantitative or Qualitative)	0 Km	25 Km; 8 Km	20 km by IDA; 13 km by GOL	20 km by IDA; 13 km by GOL
Date achieved	09/15/2006	12/31/2008	12/31/2012	06/30/2015
Comments (incl. % achievement)	100% achieved: 60% with project, 40% with GOL own funds. Second part of indicator (8km Likotopong-Lintsa) was not included in PAD's results annex, but was in PAD main text. Indicator was reworded under AF to align it with core indicator with same meaning. (PAD wording: “25 km Mantsonyane - Lesobeng is upgraded and 8 km of a rural road Likotopong-Lintsa is upgraded”.)			
Indicator 13 :	Senqu/Senqunyane area footbridges constructed and IMT access improved.			
Value	No	Yes		Yes

(quantitative or Qualitative)				
Date achieved	09/15/2006	12/31/2009		08/18/2010
Comments (incl. % achievement)	100% achieved. 3 footbridges have been constructed and tracks improved.			
Indicator 14 :	Roads rehabilitated, non-rural (Nyenye - Makhoroana Road).			
Value (quantitative or Qualitative)	0	64 Km	37 Km	37 Km
Date achieved	08/18/2010	12/31/2012	12/31/2014	06/30/2015
Comments (incl. % achievement)	100% achieved. Indicator originally added under AF to reseal 64km of roads. At 2012 restructuring, due to extensive floods, resealing of Teyateyaneng–Mapoteng & Nyenye–Makhoroana was replaced by rehabilitation of 37km Nyenye–Makhoroana road only.			
Indicator 15 :	HIV/AIDS interventions undertaken (distributing brochures, education, providing cell phone radio and stretches to local communities).			
Value (quantitative or Qualitative)	No	Yes		Yes
Date achieved	09/15/2006	12/31/2009		06/30/2015
Comments (incl. % achievement)	75% achieved. Although reported achieved 100% prior to restructuring, there were some shortcomings in later stages of implementation. Indicator's wording was expanded under AF to add details in parentheses, as it was not a clear indicator.			
Indicator 16 :	Project Management office reports annually on transport sector with a focus on progress towards project objectives and results indicators.			
Value (quantitative or Qualitative)	No	Yes		Yes
Date achieved	09/15/2009	06/30/2011		06/30/2015
Comments (incl. % achievement)	100% achieved.			
Indicator 17 :	Monitoring and evaluation system established and functioning.			
Value (quantitative or Qualitative)	None	Yes		Yes
Date achieved	09/15/2006	06/30/2011		08/18/2010
Comments (incl. % achievement)	100% achieved.			
Indicator 18 :	Timely and satisfactory audit reports of Project accounts and Road Fund accounts.			
Value (quantitative or Qualitative)	None	Yes		Yes
Date achieved	09/15/2006	06/30/2011		06/30/2015
Comments (incl. % achievement)	100% achieved. Not always timely, but found to be 100% satisfactory on eventual submission.			

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/26/2006	Satisfactory	Satisfactory	0.00
2	06/26/2007	Satisfactory	Satisfactory	2.29
3	12/19/2007	Satisfactory	Satisfactory	2.29
4	05/30/2008	Satisfactory	Satisfactory	2.74
5	12/11/2008	Moderately Satisfactory	Satisfactory	6.67
6	06/24/2009	Moderately Satisfactory	Satisfactory	12.39
7	12/08/2009	Satisfactory	Satisfactory	14.90
8	06/10/2010	Satisfactory	Satisfactory	17.23
9	03/24/2011	Satisfactory	Satisfactory	25.91
10	08/22/2011	Satisfactory	Satisfactory	25.91
11	01/08/2012	Satisfactory	Satisfactory	25.91
12	07/07/2012	Satisfactory	Moderately Satisfactory	25.91
13	11/21/2012	Satisfactory	Moderately Satisfactory	25.91
14	02/13/2013	Satisfactory	Moderately Unsatisfactory	25.91
15	05/23/2013	Satisfactory	Moderately Unsatisfactory	25.91
16	10/28/2013	Satisfactory	Moderately Satisfactory	33.41
17	04/01/2014	Satisfactory	Moderately Satisfactory	34.15
18	11/22/2014	Satisfactory	Satisfactory	34.30
19	04/17/2015	Satisfactory	Satisfactory	34.30
20	06/15/2015	Satisfactory	Satisfactory	34.68

H. Restructuring (if any)

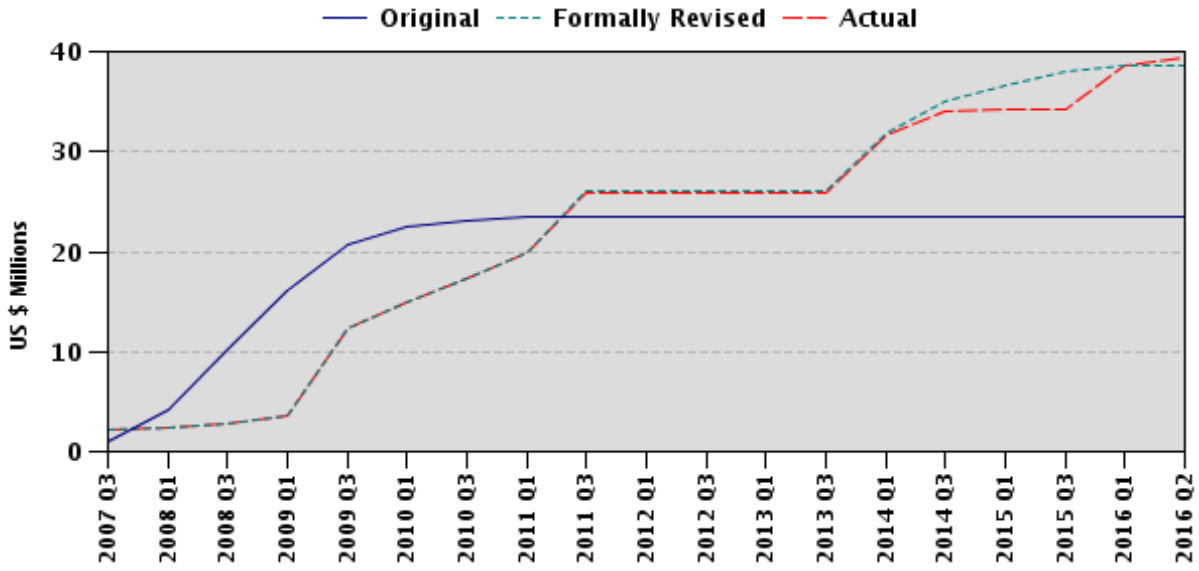
Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
09/16/2010	Y	S	S	17.82	Additional financing to cover a cost overrun on the Senqu-Senqunyane bridges and to scale up activity for the periodic maintenance (resealing and repairs) covering two sections of rural roads in the northern region: Nyenye to Makhoroane and Teyateyaneng to Mapoteng Junction, for a total of 64 km. In addition, the results framework was revised, including the following changes: (i) two new PDO indicators (“share of rural

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
					population with access to an all-season road" and "direct project beneficiaries, of which female") were introduced; and (ii) PDO level indicator was dropped ("ICP' changes between the targeted areas along the South Eastern Corridor and Sekake has decreased by 20% by 2009").
12/22/2010	N	S	S	25.91	Extend the closing date for the associated Trust Fund by one year from December 31, 2010 to December 31, 2011, due to delays in signing the administrative agreement between the EC and the World Bank, because there were inconsistencies with a generic financing agreement EC had signed with the GOL.
09/26/2011	N	S	S	25.91	Extend the closing date of both the grant agreement for the EU funds by one year to December 31, 2012 and the administration agreement of Trust Fund by one year to June 30, 2013 to allow sufficient time to complete the activities under component one of the original project.
09/11/2012	Y	S	MS	25.91	To modify the project objective and the results framework, reallocate funds, and retroactively extend the closing date.
01/16/2014	N	S	MS	34.15	The project closing date was further extended by one year.
02/09/2015	N	S	S	34.30	To reallocate funds between categories of expenditure.

If PDO and/or Key Outcome Targets were formally revised (approved by the original approving body) enter ratings below:

	Outcome Ratings
Against Original PDO/Targets	Moderately Satisfactory
Against Formally Revised PDO/Targets	Moderately Satisfactory
Overall (weighted) rating	Moderately Satisfactory

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. The Kingdom of Lesotho is a mountainous country with a population of about two million people. It is entirely surrounded by the Republic of South Africa and this proximity inevitably influences its macro economy. Lesotho is classified as a lower middle-income country and has a gross national income per capita of US$1,210; the incidence and degree of poverty varies, but is more severe in the isolated highland areas where there are limited income opportunities and high costs of service delivery. Maseru, the capital, is the country's main economic node. Only ten per cent of Lesotho's land is suitable for cultivation and agriculture is mostly of a subsistence nature. The economy relies for its income primarily from clothing manufacturing, diamonds, and the sale of water to South Africa from the Highlands Water Scheme, in addition to revenues from the Southern African Customs Union (SACU) and workers' remittances.

2. When the Integrated Transport Project (ITP) was under preparation, the Government of Lesotho's (GOL) development strategy was largely based on the Sixth National Development Plan, the 2004 Poverty Reduction Strategy (PRS) and the country's "Vision 2020" document. Infrastructure development, under which the transport sector falls, was the third priority area in the PRS, but transportation links were regarded as vital to implement the country's strategic objectives. Given Lesotho's landlocked location and mountainous terrain, it was considered important to have an efficient transport system that ensured cost-effective access to economic opportunities, markets, and basic services, as well as reliable links to external markets and ports.

3. Roads and road transport are the backbone of Lesotho's transportation system. In 2003, when the project was conceived, the extent of the road network (managed by all authorities) was 7,436 km of which only 1,150 km were paved.[1] This has grown to 7,900 km of which 2,500 km are paved in 2015. Private companies and individuals provide public passenger services, while air transport infrastructure consists of an international airport and several smaller aerodromes. A short stretch of railway line also connects Maseru with the South African railway system. In the remote highlands a network of bridle paths, footbridges and river crossings provide limited and sometimes difficult access to main roads for the rural population.

4. Institutional measures identified in the Transport Sector Program had their origins in a GOL Letter of Road Sub-Sector Policy (1995), which laid the foundation for a series of institutional and policy reforms, with support of the Bank-financed Road Rehabilitation and Maintenance Project (RRMP) (P001403) that closed December 31, 2003. The RRMP assisted the creation of a Road Fund (RF) and Road Fund Board, the consolidation of two road management agencies (Labor Construction Unit and Civil Works Section) in the Department of Rural Roads (DRR), the improvement of road maintenance management capabilities, and a move toward private contracting, along with training of public and private sector

[1] Africon, Lesotho, *Review of the projected Road Maintenance Needs and the Generation of Road Fund Revenue, June 2003, page 27.*

stakeholders. These reforms required fundamental changes to established practices, but at appraisal of the ITP the new institutions were not yet functioning as efficiently as had been intended. The rationale for Bank involvement in ITP has been to build upon and expand the support platform established in the RRMP. Although this project included some significant road investments, the concept also addressed the need for a comprehensive and integrated approach to transport provision in Lesotho based on strengthening existing institutional capacity, including policy, transport planning, and road safety. The European Union (EU) through the European Commission (EC) agreed to co-finance the project from the European Development Fund through a Trust Fund (TF-90728).

1.2 Original Project Development Objectives (PDO) and Key Indicators

5. **The Project development objective (PDO)** in the original Financing Agreement was *to enhance prospects for economic growth in the Recipient's territory through provision of an efficient and integrated transport system that is safe and affordable to improve access to services and market opportunities for all across the recipient's territory*.

6. The Project Appraisal Document worded the PDO slightly differently: *Lesotho's citizens are less isolated and have improved access to services and market opportunities, through a better managed, more complete, safe and affordable transport system.*

The Original PDO indicators included the following:

- The quality of national road network as measured by the Lesotho Road Management System (LRMS) is improved from 27 percent good and 38 percent fair to 39 percent good and 46 percent fair by 2010;
- The average travel cost to social services and markets for beneficiary populations in targeted areas along the South Eastern (SE) Corridor for emergency and regular trips is reduced by 20 percent by 2009; and
- The International Comparison Program (ICP)[2] for the targeted areas along the SE Corridor and Sekake decreases by 20 percent by 2009.

1.3 Revised PDO and Key Indicators, and reasons/justification

7. Additional International Development Association (IDA) credit was approved in 2010, because of higher than expected bid prices and the addition of a poverty alleviation subcomponent in respect of designated rural access roads (see section 1.6). The results framework was also modified slightly at this time, mostly to align the wordings with the core indicators and add two new PDO indicators to reflect the mandatory rural accessibility index (RAI) and "number of beneficiaries" requirement as core indicators, as shown in the Additional Financing paper. The two newly added PDO indicators were "share of rural population with access to an all-season road (within the project area)" and "direct project beneficiaries (number), of which female (percentage)". At the same time, the indicator on "ICP' changes between the targeted areas along the South Eastern Corridor and Sekake has

[2] The ICP is a government-issued index of the retail prices of basic household goods and services in rural areas, while the Consumer Price Index is used in urban areas.

decreased by 20% by 2009" was dropped due to attribution problems, as ICP change was affected by many external factors outside the project.

8. In the 2012 "level one" restructuring the words *"to improve the connectivity in selected transport networks in the Recipient's territory"* replaced the original PDO, and this was confirmed in the amendment to the Financing Agreement dated September 14, 2012. The PDO and Results Framework were refined to reflect outstanding activities to be completed and to align with project interventions (see section 1.7).

1.4 Main Beneficiaries

9. The entire population of Lesotho was expected to benefit directly or indirectly from the project, but especially communities living in the vicinity of the southeast corridor and other roads selected for improvement. Primary beneficiaries were the road users who would benefit from a more efficient, and safer road system; the improved roads were also expected to assist access to markets and services. Policy and institutional reforms were intended to lead to better integration and efficiency for a number of government departments and agencies including Ministry of Public Works and Transport (MPWT), the Department of Road Safety (DRS), Ministry of Local Government (MLG); the Department of Civil Aviation (DCA), local authorities and the Maseru Municipal Council (MMC).

1.5 Original Components

10. The original components were financed by means of IDA credit (4237-LSO) of US$11.2 million and an IDA grant of US$12.3 million (H255-LSO). EU Trust Funds accounted for US$9.5 million (EUR 7.85 million: TF90728), and the GOL provided US$5.2 million for a total of US$38.2 million.

11. **Component A: Policy and Institutional Reform in the Transport Sector.** Total US$10.044 million: Financing: Government US$0; EC US$9.500; Bank US$0.544**.** This component was designed to support Government's proposed institutional reforms in the road sub-sector and had two sub-components:

12. *Sub-Component Al: Support for Road Sub-sector Institutional Reforms (fully funded by EC).* The activity was to support Government's reform effort with:

- Advisory services for planning change and implementation support at central and local level.
- Capacity building for the RD; refurbishing/equipment for RD; capacity building for local authorities; equipment for local authorities;
- Training for staff redeployment to other public sector activities resulting from the organizational arrangements.
- Preparation for private sector development to replace most remaining force account (departmental construction) activities;

13. *Sub-Component A2: The roads sub-sector development and capacity support (funded by EC, except where indicated)* to finance technical assistance, institutional support and training resources for the implementation of key reforms stated in Government's Letter

of Sector Policy including:

- Road safety program with focus on establishment of driver training and examination system, vehicle inspection system, piloting dangerous spot rectifications, purchase of traffic surveillance equipment and creation of a Road Safety Council;
- Institutional capacity for database and Geographic information system (GIS);
- RF revenue reforms, with a focus on improving cost recovery mechanisms and achieving full self-sufficiency by 2010, as well as improvements in RF management, RF monitoring mechanisms and road management and maintenance funding stakeholder awareness program;
- Study of basic access and mobility including an Intermediate Means of Transport (IMT) study and pilot project;
- A local construction industry development plan, *(fully funded by IDA);*
- Continuation of the contractor's training program;
- Technical assistance for a study on alternative surfacing standards *(fully funded by IDA);*
- Institutionalizing of environmental management;
- Upgrading of LRMS including: (a) mechanized road condition survey for Roads Branch (RB) roads; (b) annual review of RB and the DRR - and future RD road program; (c) expanding the system for urban roads.
- Evaluation of options for Department of Traffic and Transport computerization;
- Implementation of computerization of vehicle registers, licenses and data *(fully funded by IDA).*
- Supporting capabilities in social assessment and monitoring, gender issues, HIV/AIDS prevention and GIS capabilities
- Technical assistance for implementing agencies (DRR and RB) as well as RD upon establishment.

14. *Sub-Component A3: Policy reformulation and capacity building in other transport sub-sectors (fully funded by EC).*

- *Maseru Urban Planning and Transport Study.* In the light of inadequate urban transport planning and management capacity within MMC and in other urban centers, MPWT and later RD will, in the medium term, assist in the management of the urban road network until such time that sustainable institutional and human resources capacity has been established in MMC and other urban centers to provide and maintain adequate infrastructure and related services. The purpose was to undertake a comprehensive study of the MMC's overall urban planning and management activities, with a special focus on the transport system. Focused studies will also be undertaken in other sectors, such as utilities, housing, employment, community facilities, and environmental services.
- *Integrated transport study and policies development (Civil Aviation, Rail, IMT and Inland Water Transport) aligned with the road sub-sector.* Policies, strategies, development, and management of the indicated sub-sectors have traditionally been elaborated in isolation of each other and the road sector. In order to achieve a better-integrated transport sector, this subcomponent was to

support GOL's efforts in stocktaking and elaboration of a complete set of policies and strategies appropriately aligned with the road sub-sector.

- *Capacity Building.* Capacity building was to be carried out through training, in line with the proposed reform for transport sector staff. The current draft-training plan is to be discussed between Government and funding agencies during implementation.

15. **Component B: Infrastructure Investments.** *Total Including Contingencies; US$23.375 million: Funding: Government US$4.700; EC US$0; Bank; US$18.675.* This component was to support the Government's prioritized program for some key network improvements through rehabilitation of paved roads needing emergency repairs, contributing in opening of new corridors, and limited upgrading of rural roads considered critical for improving accessibility in isolated areas. Included are civil works, design and supervision services for the following activities:

- Improvements for the Northern Corridor through emergency repairs on the paved section Oxbow-Mokhotlong, which has deteriorated rapidly due to frost susceptible material in the base course;
- Construction of two bridges over the Senqu and Senqunyane rivers, their approaches, and a limited length of access road. This investment forms part of a multi-donor effort on the Roma–Romabanta–Semonkong–Sekake to Qacha's Nek, South Eastern Corridor. It will reduce the distance by140km between the two regional centers of Qacha's Nek and Maseru.
- Upgrading of Rural Roads, through the upgrading of 25km of the Mantsonyane-Lesobeng road and 8km of the Likotopong-Lints'a feeder road. This area is largely inaccessible due to difficult terrain, yet critical for the socioeconomic development of the eastern region.
- Construction of footbridges in the Senqu/Senqunyane area as well as IMT access improvements, and the undertaking of HIV*I*AIDS interventions.

16. The design and supervision was to be fully funded by IDA, while civil works were to be co-funded by GOL and IDA at 20 percent and 80 percent, respectively.

17. **Component C: Project Management and Monitoring and Evaluation.** *Total: US$2.781; Funding: Government US$0; EC US$0; Bank US$2.718.*

- Technical assistance for the Project Implementation Unit (PIU) to finance the local consultant positions for Project Manager, Financial Manager, Financial Controller, Financial Accountant, Procurement Compliance Officer, Environmental and Social Coordinator, and HIV/AIDS Coordinator, with support of a Secretary, Office Assistant and Driver, as well as operating costs related to the execution of the project;
- Additional TA support for the Planning Unit to finance the local consultant positions for Statistician and Assistant Statistician; and
- Monitoring and evaluation, including HIV/AIDS, gender, poverty alleviation, and economic development associated with civil works.

Table 1: ITP Project Cost by Financier at Appraisal (US$ millions)

Component	Total	GOL	EC	IDA
A: Policy & Inst. Reform	10.044		9.500	0.544
B: Infrastructure Investments	23.375	4.700		18.675
C: Project Management and M&E	2.781			2.781
Project Preparation Facility Refinancing	1.500			1.500
GOL contribution for project preparation	0.500	0.500		
TOTAL	38.200	5.200	9.500	23.500

1.6 Revised Components

18. *Additional Financing (AF).* On September 16, 2010 the Board approved an Additional Financing to the value of US$15 million in the amount of an additional IDA credit of US$8.5 million (4827–LS), of which US$2.5 million was funded by the Pilot Crisis Response Window (PCRW), and an additional grant of US$6.5 million (H623-LS), of which US$2.5 million was also funded by the PCRW. This window was created to respond to countries affected by the negative impacts of the global financial crisis. Additional Financing was to cover a cost overrun of US$10 million on the Senqu-Senqunyane bridges, due to substantial increases in the prices of fuel, bituminous products, and other materials and a decline in the US dollar against other key currencies; and scale up activity for the periodic maintenance (resealing and repairs) to the value of US$5.0 million covering two sections of rural roads in the northern region: Nyenye to Makhoroane and Teyateyaneng to Mapoteng Junction, for a total of 64 km. The resealing was expected to generate 6,000 person-days employment during the project period. The results framework was also revised and improved.

1.7 Other significant changes

19. *Restructuring.* The project was restructured five times: twice in respect of the Trust Fund and three times concerning the credits/grants:

- In December 2010 a level two restructuring took place to extend the closing date for the associated Trust Fund by one year due to delays in signing the administrative agreement between the EC and the World Bank, because there were inconsistencies with a generic financing agreement EC had previously signed with the GOL;
- In September 2011 there was a level two restructuring to extend the closing date of both the grant agreement for the EC funds by one year to December 31, 2012 and the administration agreement of Trust Fund by one year to June 30, 2013 to allow sufficient time to complete the activities under component A of the original project;
- *In September 2012 a level one restructuring was discussed and approved by the Board to modify the project objective and the results framework, reallocate funds, and retroactively extend the closing date. The Board also discussed issues related to the erroneous disbursement of funds to a debarred contractor;*
- In January 2014 the project closing date was further extended by one year under a level two restructuring to June 30, 2015, some three and a half years later than

originally planned; and

- The final level two restructuring was carried out in February 2015 to reallocate funds from civil works, goods and operating costs in favor of supervision consultancy services.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

20. The project was forward-looking and augmented donor coordination. Since the MPWT encouraged more collaboration between donor organizations, the EU confirmed it would participate through co-financing the project and this gave momentum to an integrated approach, aimed at better coordination of the other transport modes with the dominant road system. Apart from standard financial covenants, there was a requirement for the GOL to establish and make operational a semi-autonomous Roads Directorate by the end of 2008.

21. The previous Bank-financed project, the RRMP, offered four lessons and these were taken into account during project design. These lessons were the need to avoid fragmentation in road management by the creation of a single responsible entity; a requirement to improve revenue from road user charges; the need to open up the southeast corridor and improve mobility to connect the rural poor; and the need for appropriate coordination of maintenance funds. The project included, rationalizing road management institutions, achieving sustainable road maintenance funding, ensuring stakeholder participation in road management, a shift from force account works to contracting; and the building of capacity in the public and private sectors to support these actions. A stand-alone sector-based financing instrument was deemed the best option to finance the ITP, while a project preparation facility was used to cover the costs of inter alia detailed engineering design and bidding documentation for the bridges and their approaches. The background analysis was reasonably sound. Based on the RRMP experience and government interactions during preparation the commitment to the project by GOL appeared strong. Looking back, however, the preparation team seriously underestimated the institutional capacity constraints, the administrative difficulties in co-financing with a development partner, and underestimated contract costs, which caused considerable delays. Later, procurement issues compounded these problems. The expansion of the project due to the need to remedy flood events and alleviate impacts of the global financial crisis could not, however, have reasonably been foreseen. Although the results framework was adequate, it would have been considerably improved had it included outcome indicators for sector reform, integration, and road safety.

22. In the event, the reform measures were not vigorously pursued, the capacity of the RD still fell short of needs, although it improved in efficiency, and the financial management was barely adequate. Thus not all mitigation strategies were sufficiently effective. The risk of working with another development partner was also not addressed. Prior to construction a baseline socio-economic assessment at community and household level was carried out and during preparation the project received funding from Genfund to pilot a participatory approach in respect of gender aspects, criteria for rehabilitating footbridges and tracks, and identification of potential indicators for monitoring and evaluation. The social issues addressed in the project included social safeguards triggered by civil work construction,

retraining of force account laborers and training for private small contractors as well as HIV/AIDs prevention measures. Several risks were documented and mitigation strategies were laid out, categorized as high, medium or low (Table 2):

Table 2: Risks and Mitigations Measures for the Integrated Transport Project

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
To Project Development Objectives		
Agreed sector reform measures are not carried out.	Joint Government-Bank formal assessment of reform progress and performance targets and agreed remedial actions if necessary.	H
Financial resources for road maintenance from the Road Fund and Government budget not sufficient.	Stakeholder involvement in setting road user charges increased. Annual and midterm review will examine performance of the Road Fund in terms of its revenue and expenditures. Restructuring and downsizing the project following midterm review may be considered if adequate funds for maintenance are not provided in a timely manner.	H
To Component Results		
Limited institutional and operational capacity to implement the project	Implementation capacity will be strengthened through a technical assistance program. Intermittent visits by international specialists to be planned to provide hands on training to the national staff	M
Road Fund management in terms of transparency and accountability not adequate	Revised RF regulations and operating procedures will strengthen management oversight	H
Capacity drain continues with RD	Capacity of the private sector in road construction and consulting industry to be developed so that the jobs lost in the public sector can partly be picked up by the private sector. Transfer of maintenance and partial outsourcing to consultants. Richer job content in reformed institution, but at civil service remuneration rates.	H
Low contractor performance and procurement delays	Adequate financial and procurement systems/operational manuals. Support to MPWT supervisory capacity.	M
Management and Monitoring and evaluation	If deficiencies become evident, technical assistance can be brought to support MPWT in discharging this responsibility	L

H = High; M = Medium; L = Low

2.2 Implementation

23. The original project was approved on October 19, 2006 and became effective on February 22, 2007 in compliance with all covenants. Delays were due to negotiations in respect of the Administration Agreement with the EU and issues regarding design details. Additional Financing was approved on September 16, 2010.

24. *Mid-term Review*. The mid-term review mission took place between May 25 and June 4, 2009, about six months later than originally planned. The review found that while implementation progress was broadly satisfactory, there were concerns such as insufficient attention to the improvement of the RF. This entailed the need to finalize key appointments and submit audit reports for 2008/09. On the other hand the RD was already fully operational and the enabling bill had been reviewed by the Law Office and was ready for submission to the Cabinet and Parliament. Good progress was also being made with the implementation of the investment component. Furthermore, some 500 km of roads together with personnel, immovable property and equipment had been transferred to the MLG, consistent with the Government's decentralization policy. In addition, the Government introduced tollgate fees (2008) and raised the road maintenance levy (2006) increasing RF revenues from LSL 57.5 million in 2007/08 to LSL 79.5 million in 2008/09. However, this amount was still insufficient to cover maintenance and the mid-term review team proposed that administrative expenses be reduced and that priority be given to funding routine and periodic maintenance before allocating for rehabilitation and upgrading works.

25. *Cost Overrun on the Senqu-Senqunyane Bridges*. The cost overrun for the Senqu and Senqunyane bridges was due to a deficient cost estimate based on questionable preliminary design assumptions, and was affected by substantial increases in the prices of fuel, bituminous products and other materials, as well as a decline in the US dollar against other key currencies. Bid prices also trended higher because of a glut of work for contractors engaged with infrastructure in preparation for the 2010 Soccer World Cup in South Africa. The lowest bid came in US$10 million higher (i.e. 85 percent more) than estimated. In order not to delay the project unduly, the Bank project team proposed that the work be divided into two stages: stage one would be the bridge construction and approaches with earth roads for the connecting road sections, and stage two would be the balance of earthworks, sub-base and bitumen surfacing of the road, which would need to be funded by Additional Financing.

26. *Defects on the Senqu-Senqunyane Bridge Works.* Several defects were identified, the most serious of which was settlement on the bridge approaches and the need for slope stabilization measures. Since it was unclear whether further settlement would occur the Bank advised GOL to appoint an independent professional to monitor the situation including through the rainy season. This independent expert, in the view of the Bank and implementing agency provided an excellent service.[3] No further settlement was recorded thereafter and in due course the defects were satisfactorily rectified.

27. *Completion of the Nyenye–Makhoroana road.* The rehabilitation of the Nyenye–Makhoroana road was still ongoing at project closing, but was substantially completed and finalized by December 2015. Lot one, the first 20 km, has been substantially completed using Bank funds, while lot two, 17 km, was implemented using Government funding. MPWT showed the Bank documentation validating that the required financing has been allocated to complete the works at the time of project closing.

[3] MPWT went on to use this expert at the Bank's suggestion to advise on similar problems occurring on a RF financed project of 4.8 km of rehabilitation of the Motimposo-Lancer's Gap road.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

28. The original project design called for the data for the project outcome and results to come from the project progress reports, financial reports, road condition surveys, audit results, road management system outputs, as well as Government published records. The PIU was responsible for the data collection relating to agreed performance indicators, and analysis of the project results to compare with the projected outcomes. Baseline data collection on the project's primary outcome indicators was carried out in 2006 before effectiveness in conjunction with the establishment of a GIS capability in respect of the quality of the national core road network, the average travel cost to social services and markets for beneficiary populations in targeted areas along the South Eastern Corridor, and ICP changes between the targeted areas along the South Eastern Corridor. For reasons of attribution, the latter indicator was dropped in 2010 when additional credit was provided. It was replaced by a new (mandatory) indicator for rural access measuring the number of people with access to an all-season road in the project area.

29. However, there was then no measure of enhancing prospects of general economic growth. In the main project area there were data to show that average household income had increased, but perhaps surprisingly, this was not designated as a formal indicator even though it was measured in the baseline and social impact studies. Similarly, the timesaving for individuals would have been a useful indicator, but this was subsumed in the rate of return estimate under efficiency. The number of female beneficiaries (52 percent of the local population) was however specifically recorded. Outcome indicators in respect of sector reform, integration and road safety would have enhanced the design.

30. Only intermediate outcome indicators were used to measure the sector reform initiatives. Typically, such outputs were studies completed or training activities undertaken. There was little attempt to assess the impact of those activities. Some other changes in 2010 were minor refinements of the wording and updates of end targets. The importance of road safety was acknowledged by noting the number of road safety workshops and campaigns, but strictly speaking this was an intermediate result rather than a core indicator and was later reflected as such in the 2012 restructuring. A good PDO outcome indicator of road safety, often used in other countries, would have been a reduction in the road accident fatality and injury rates, but in Lesotho's case the available statistics were considered too unreliable.

31. During the 2012 restructuring the development objective was simplified, reflecting the nature of the remaining work still to be undertaken. Resealing of the Teyateyaneng and Nyeneye area roads had to be replaced by full rehabilitation after extensive flood damage. A Social Impact Survey was completed in 2014 superseding an interim study done in 2012 (see Annex 5). Quarterly monitoring and evaluation reports were submitted regularly.

2.4 Safeguard and Fiduciary Compliance

Safeguards Compliance

32. The ITP was designated as an Environment Category "B" project – a partial assessment since the road improvements followed existing alignments where the potential adverse impacts were considered to be easier to mitigate. Three safeguard policies were

triggered: Environmental Assessment (OP/BP 4.01), Physical Cultural Resources (OP/BP 4.11) – mainly avoidance of graveyard sites - and Involuntary Resettlement (OP/BP 4.12). Safeguards instruments prepared for the project included a sector environmental assessment, a resettlement policy framework, an environmental and social impact assessment (disclosed at Info Shop on July 19, 2006), and a resettlement action plan (RAP). Environmental and social development specialist positions were part of the PIU in the first year of implementation. In the second year a HIV/AIDS prevention coordinator was also recruited. However, both safeguards specialists moved on in the second year of the project creating a hiatus that was only filled in May 2009, when new positions were assigned to the newly formed Roads Directorate established under the project. During this gap period quarterly progress reports on safeguards matters were not produced and the mid-term review team requested this matter be attended to.

33. Capacity was, however, strengthened and there were extensive investigations and consultations with the local communities. A baseline survey was carried out. The IMT study also helped identify ways in which rural access could be improved in the project area and small civil works were carried out using local contractors trained in the DRR contractor-training program. The preparation of safeguard instruments was satisfactory for the original project, but less so for the Additional Financing. Implementation was unsatisfactory, as the assessment of safeguards impacts after the Additional Financing approval had been underestimated. Specifically, environmental mitigation measures were neither systematically monitored nor documented; workers' safety measures were only respected partially, and several additional resettlement activities were subsequently identified. For example, new culverts resulting from changes in road design induced adverse impacts on farmland and the Implementation Completion Report (ICR) mission noted that stones and loose material in many places had fallen onto the roads. Further, no safeguards specialist (or consultant) was made part of the Bank's supervision missions for Additional Financing, and a RAP completion report had not been prepared.

34. Initial resettlement *per se* was confined to two households, but compensation also had to be provided for many strips of farmland, where the existing alignment was improved or the road widened to provide bus and taxi stops. For the Nyenye–Makhoroana road, the Bank cleared the environmental management plan and reviewed the plans to move a small number of temporary stalls to allow for sufficient construction space for the work activities. Many taxis use this route and these vehicles congest the village of Makhoroana. A new taxi rank is under construction at a site adjacent to the center of the village that will provide toilet facilities and sites for hawker's stalls. This matter has been discussed with the local chief, who enabled the land donation for the site, but the ICR team expressed concern that no formal engagement had yet been made with the taxi association, which should have been involved at a much earlier stage. Expected savings in contract costs will be used to provide traffic calming measures and safe walkways for pedestrians in the villages along the route.

35. In 2012 life expectancy in Lesotho was seven years lower than life expectancy at birth compared with World Health Organization's statistics for the region. Although over the last ten years the incidence of HIV/AIDS deaths per 100,000 people has decreased from 695.1 in 2000 to 582.9 in 2012, Lesotho still has the second worst HIV/AIDS record

globally.[4] For this reason HIV/AIDS prevention activities, such as education and ensuring availability of condoms, were important in this project. A significant awareness campaign took place in 2010, when there was a full time HIV/AIDS coordinator in the PIU, but after this position was closed the activity was mainstreamed by the PIU and less attention appears to have been given to this issue under AF, although this is denied by the implementing agency. The Social Impacts Study reported, however, that HIV/AIDS infection rates had increased. Prostitutes frequented the construction camp, but because of its remote location supplies of condoms were not always readily available. Overall, safeguards performance was moderately unsatisfactory.

Fiduciary Compliance

36. *Financial Management.* The financial management of ITP experienced challenges throughout implementation with performance varying between unsatisfactory and moderately satisfactory. During the financial management review of component A (largely financed by the EC) several weaknesses were observed: for example, the audit report for the year ending March 31, 2012 was delayed, statements of expense reviews had not been possible because of a computer crash in the accounting system (for which there was no back up), and there were lapses in the internal control environment. This resulted in a financial management rating of unsatisfactory in December 2012. Although there was subsequent improvement this function was never strong despite intervention in the form of "hands-on" support and portfolio training both in country and in Johannesburg. By closure the performance had to some extent stabilized with a final rating of moderately satisfactory as unqualified audit reports were in the end submitted and the project finances were mostly disbursed.

37. *Procurement.* For all purchases and contracts the project adhered to the Government's existing policies and procedures for locally financed procurement, which were in harmony with those of the Bank. IDA-financed international procurement of works, goods, and consulting services followed the Bank's standard procurement procedures and documentation. The procurement function was, however, slowed by significant delays and sometimes-laborious procedures awaiting approval from the Government Procurement Unit and Tender Panel. This adversely affected the utilization of the available grant money from the EU and when the contribution agreement was ended, some EUR 576,277 unused funds had to be refunded. The detailed discussion of the issue involving the debarred contractor on stage two of construction of the Senqu-Senqunyane bridges is covered below (although mentioned in the Bank's procurement and consultant selection guidelines, this is primarily an anti-corruption issue[5]).

38. *Appointment of a Debarred Contractor*. The firm that had been contracted for the stage one works began implementation. This firm, however, became debarred from bidding on any further Bank-financed projects for a period of five years effective from January 2009, because of alleged collusive practices in the Philippines. The World Bank Integrity Department conducted detailed investigations and sanctions were imposed against the firm

[4] World Health Organization (2015) *Lesotho: Statistical Profile*, January.
[5] World Bank Group, *World Bank Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD loans and IDA credits and grants*.

concerned. Prior to the approval of the Additional Financing in 2010 the Bank, according to its procedures, should have advised that the stage two works were very unlikely to be financed by the contractor used for the stage one works, even if the bid price were favorable. This important matter was not mentioned in the project paper requesting approval. Despite the debarment issue, the firm in question was nevertheless appointed by GOL for the stage two works and invoices to the value of US$4.35 million were in error paid by the Bank even though a no objection had yet to be provided, thus this amount became ineligible expenditure. The Bank initially sought a refund from GOL for the disbursed amount, but because of GOL's deteriorating fiscal capacity brought about by the financial crisis, eventually accepted the Government's request to provide substitute invoices for eligible stage one works that had already been fully paid by GOL.[6] Consequently the GOL and the Bank agreed to reallocate the resources as follows:

- US$4.35 million would be allocated to finance the already completed stage one works previously funded by GOL. The Government would provide invoices for eligible expenditures. This change effectively increased IDA's contribution for the works from 42 to 63 percent; and
- US$5.65 million would be allocated to the rehabilitation of two junction roads, Teyateng-Mapoteng and Nyenye-Makhoroana. This was because recent extensive flooding now necessitated complete rehabilitation rather than periodic maintenance of this infrastructure as originally planned. The US$5.65 million was in addition to the US$5.0 million already earmarked for periodic maintenance under Additional Financing.

2.5 Post-completion Operation/Next Phase

39. Most of the activities at closure were either completed or close to completion. The rehabilitation of the Nyenye–Makhoroana road was not yet completed by the project closing date, but was substantially completed, and completed by December 2015. The MPWT will take responsibility for ongoing maintenance. Discussions have commenced for a follow-on project (P155229) Lesotho: Transport Infrastructure and Connectivity. This will complement the ITP and pursue further some of the reform initiatives begun, but not carried forward due to lack of funding. The new project identifies the need to improve rural and urban mobility as well as access to safe and sustainable transport. It also recommends the use of performance-based contracting to try to improve the quality of road maintenance. The need to ensure sufficient funding for maintenance will be pursued in the context of ensuring there is appropriate capacity in the RD for handling more maintenance activities (see also section 4).

40. *Road Network Maintenance Issues*. According to the visual condition surveys carried out by the RD, the directorate manages 5,864 km of the total Lesotho road network of 7,436 km. RD is responsible for 1,526 km of paved roads, 3,036 km of gravel roads, 1,170 km of earth roads, and 132 km of tracks. The maintenance of this network, both routine and periodic, is financed from the RF and the Government budget. Based on LRMS, established under the ITP, the budget includes a rolling three-year priority investment program for the core maintainable road network to eliminate the backlog of deferred periodic maintenance,

[6] This is in accordance with OP 12, Paragraph 8.

avoid further deterioration of the poor roads, and preserve the existing road assets. The RF also makes a contribution towards road safety. However, the current levels of revenue are lower than required to properly maintain the road assets. About 28 percent of all paved roads are in good condition, 55 percent in fair condition, while 27 percent are in poor condition. The rehabilitation backlog of the paved roads exceeds the norm by 17 percent.[7] For the unpaved roads the situation is much bleaker: 96 percent are in fair or poor condition, meaning only four percent are in good condition. The problem is broader than funding since the RD requires robust institutional strengthening to efficiently provide and maintain a safe road network. Moreover, the functions of the RF, now operational for several years, require a review to update responsibilities in line with the changing road network requirements. Not surprisingly, the Ministry of Finance and Development Planning is reluctant to increase user charges further, while there is a capacity bottleneck in implementation. Part of the problem is the difficulty of recruiting and retaining good engineers when they can earn up to three times more in the private sector in South Africa.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Relevance of Original Objective
Rating: Substantial

41. This ITP was prepared and appraised in the context of the GOL's Sixth National Development Plan, the 2004 Poverty Reduction Strategy, and the "Vision 2020" document. Infrastructure (including transport) was seen as the third highest priority. The Transport Sector Program 2004-2010, accordingly focused on strengthening the country's strategic transport networks, both for in-country and external linkages as well as improving the institutional capacity to manage transport assets and services. To achieve enhanced impact, the Country Assistance Strategy (CAS) 2006-2009 proposed a results oriented framework based on four strategic objectives: to fight HIV/AIDS; achieve more employment and income generation through better economic growth; improve human development outcomes; and decentralize public service delivery. In this regard ITP was of substantial relevance because it addressed improving the inadequate economic and social integration of the rural and mountainous areas and, at the same time, enabled the development of potential commercial opportunities such as agriculture and tourism. It also targeted institutional reform and skills development to improve competitiveness and move toward more client-focused public service delivery.

42. The Country Partnership Strategy (CPS) for FY2010-14 recognized the impact of the global economic recession, which had led to a fall in SACU revenues, declining export sales and reduced remittances. However, the high levels of public expenditure that had been possible prior to the recession had to be constrained. GOL initiated significant spending cuts, especially in major recurrent expenditure categories, in order to restore long-term fiscal sustainability, but recognized a need to get better value for public resources by increasing the efficiency and effectiveness of service delivery. The global economic crisis also highlighted the country's economic vulnerability and pointed to the necessity of accelerating

[7] Roads Directorate (2015) *Visual Road Condition Surveys 2014: Survey Results Report*.

progress in laying foundations for economic competitiveness and export diversification. When the AF was approved for ITP it was partly funded from the Crisis Response Window (CRW) and included roads to be constructed using manual labor to help alleviate the negative impact of the global financial crisis. Accordingly, the relevance of the ITP continued to be substantial, even in a deteriorating situation.

Relevance of Revised Objective
Rating: Substantial

43. The revised objective was to "improve the connectivity in selected networks in the Recipient's territory". Since the reform component was complete there was no need to refer to it. The completion of two investment sub-components remained substantially relevant. Further funds for rural roads severely damaged by flooding were made available in part from the CRW and these works were considered a high priority to the GOL because some villages were entirely cut off in adverse weather.

Relevance of Original Design
Rating: Substantial

44. The project had three components: the first reviewed the policy and institutional framework of the sector (component A), the second provided needed investments and jobs during construction to improve access in some of the remoter areas of the country (component B), while the third provided the necessary means to project, manage, and monitor the project (component C). The causal linkages between the performance indicators and the PDO were reasonably aligned to the provision of a more efficient, safer, and affordable transport system that would improve access to services and market opportunities. In this regard component A was important since it sought to help establish an integrated and efficient approach to transportation in Lesotho through a comprehensive review of policy that would look at how the different modes of transport connected to the road system. The revised institutional approach incorporated a semi-autonomous Roads Directorate based on commercial principles and funded by a RF. The National Road Safety Council meanwhile was to oversee a new road safety policy.

45. These measures, together with selected road infrastructure investments were expected to enhance economic growth, but the international comparison indicator that was supposed to show economic improvement was abandoned early on for reasons of attribution and replaced with an indicator that measured access to an all season road. The way the PAD worded the objective was actually better than that in the Financing Agreement, since it did not purport to measure ITP's contribution to economic growth. Overall, the design concept was sound and some of the delays in the investment component could not reasonably have been foreseen, although they eventually impacted the realization of many of the reform sub-components. The indicators for the reform component were all of an intermediate nature and could have been better linked to a sustainable development outcome.

Relevance of Revised Design
Rating: Substantial

46. When the project was restructured in 2012 a new PDO was approved, namely: "to

improve the connectivity in selected transport networks in the Recipient territory". This simplification reflected the work that remained outstanding in ITP as funds for the policy and institutional aspects were largely expended. The results framework was slightly amended to support the new objective. The Nyenye-Makhoroane road had to be re-designed for rehabilitation instead of periodic maintenance because it had deteriorated as a result of extensive flooding.

3.2 Achievement of Project Development Objectives

47. As noted above, in September 2012 the Financing Agreement was amended following a level one restructuring. At this point 67 percent of the project funds had been disbursed and 33 percent still remained for disbursement. In such circumstances evaluation guidelines indicate that the project outcomes should be rated against the original objectives and against the revised objectives weighted by the share of credit/grant disbursement before and after the revision took place.

Performance against Original objectives
Rating: Substantial

PDO: to enhance prospects for economic growth through provision of an efficient and integrated transport system that is safe and affordable to improve access to services and market opportunities.

i) Evidence of achievement of PDO:

48. The achievement of original PDO is considered substantial. By the project closing date, all the PDO targets have been met, i.e. the target of National roads in good and fair condition (39 and 46 percent respectively); the average travel cost per trip in the southeast corridor had already reduced 40 percent from LSL 1200 to LSL 900; and 42 percent of the population in the corridor had benefitted directly by gaining access to an all-season road. The PDO indicators show improvements in efficiency, affordability, and better access.

49. The major southeast corridor was opened up and successfully completed, and a number of rural roads were reconstructed or repaired, substantially improving *accessibility* and *affordability of transport* for the population in these areas. The southeast corridor link through Qacha's Nek to Maseru resulted in travel time savings of almost three hours. Taxi services have begun operating between Maseru and Qacha's Nek and locally, though the findings of the social impact study indicate that the taxi fares are unregulated and that the high charges reported need to be referred to the Traffic Commissioner. Nevertheless, in spite of the taxi fares being unregulated, the reduced travel time between the two regional centers still yields travel cost savings, making it more affordable. Upgrading of the 37 km of Nyenye – Makhoroana and 40 km of Oxbow–Mokhotlong road sections improved access to services and markets and reduced transport costs to road users through savings in vehicle operating costs. Construction of three footbridges and IMT access tracks improved access of the population in the Senqu/Senqunyane area, which was cut-off from the government services and job opportunities. Improvement of 33 km Mantsonyane- Lesobeng rural roads enabled an all-season road access for the population in the eastern region, which was largely inaccessible due to difficult terrain.

50. There were no outcome indicators to measure progress in transport sector integration or safety. However, the road sector reforms carried out with the project's support improved the efficiency of road sector management by shifting responsibilities from the MoPWT to a newly set up semi-autonomous Roads Directorate and reducing the administrative costs of the Road Fund from 25 to 12.8 percent. Significant step was initiated also for a more efficient and effective road safety management through establishment of Road Safety Council; however, given that it was not fully operationalized by the project closing, the road safety objective is considered only partially achieved. For transport sector integration, several transport studies were carried out under the project, including the urban transport planning and transport study and an integrated policy and strategic roadmap for aviation, rail, IMT and water transport; however, considering that the implementation of these studies was not taken forward by the Government, this objective is also considered as partially achieved.

51. In regards to the PDO on "enhancing prospects for economic growth", the international comparison indicator intended to measure this was dropped when the data were found to be unreliable and when attribution issues were recognized. Nevertheless, since most of the GOL economic goals were based on the existence of a good transport system and since there was a positive return on the major road links in the form of time savings and savings in vehicle operating costs, it is presumed that economic growth was enhanced by the project. The economy of Lesotho grew at an annual rate of four percent per capita over the past decade[8]. In the Senqu-Senqunyane catchment area some 20,000 people that were previously very isolated had much better access to employment opportunities and to government services, as they had to spend hours waiting for a boat to cross the river in order to reach a hospital located on the opposite side. The employment vicinity has also been expanded as many were not even able to seek work opportunities in town across the river. As for the temporary work opportunities provided to the population in the project construction works, the numbers were usually not recorded, but were clearly substantial. There were also specific labor-intensive rural roads sub-components with the sole intention of providing local jobs. In addition, the training of small contractors, and the opening up of areas for agriculture and tourism would have been beneficial to the economy, especially considering the growing tourism sector that has accounted for 4.6 percent of GDP and employed 20,500 workers in 2012.[9]

ii) Evidence of achievement of intermediate indicators:

PDO: Efficient transport system that is safe

(a) Support for road sub-sector institutional reforms

52. Consultants were engaged to support capacity building and developed a blueprint to guide planning and change management. A road safety advisor was appointed for a period of 12 months, while consulting firms were appointed to develop systems, plans, studies and technical manuals. The RD was approved by parliament on March 12, 2010. The design was commercially orientated under professional management, with some autonomy.

[8] The World Bank Group (2015) *Systematic Country Diagnostic*, June 25, Report No. 97812.
[9] World Travel and Tourism Council (2013) *The Comparative Economic Impact of Travel & Tourism*.

Responsibility for about 500 km of local roads was transferred along with personnel, immovable property, and equipment to the Ministry of Local Government in line with Lesotho's decentralization policy. At completion the RD was fully operational with few vacant positions. RF staffs were recruited in accordance with Legal Notice for RF Regulation, 2005. In addition, some 900 personnel were redeployed to other Government agencies or the private sector and received reskilling instruction. Local government senior personnel also participated in a study tour to learn more about decentralization practices. Preparation assistance was provided for private sector development to replace most of the remaining force account (departmental construction) activities. About 800 former DRR and RB staffs were retrained; in addition, 455 people from the former road sector force account received training. Courses included how to start and improve a business (guided by International Labor Organization manuals). The latter was organized and carried out through the Ministry of Finance and Development Planning.

(b) Road Fund Revenue Reforms and Support for the Roads Directorate

53. The RF was intended to ensure sustainable funding for routine and periodic maintenance. Revenue for road maintenance from user charges was increased in 2006 and tollgate fees at border crossings were introduced in 2008. At the same time a stakeholder awareness program concerning these developments was carried out so the public had a better understanding of the need for maintenance. Furthermore, a commitment was made to adjust user charges upwards gradually as needed. Some achievements did occur under the project. Revenues increased by 36 percent between 2011 and 2014, while administrative costs decreased from 18.1 percent to 12.8 percent during the same period. However, the current level of revenue is still lower than is required to properly maintain the road assets, resulting in a growing maintenance backlog. This said, the Ministry of Finance and Development Planning is reluctant to permit further increases unless the capacity of the RD is expanded to enable spending of the funds provided.

54. A study and subsequent installation of a GIS was completed and the system is operational and used as a planning tool. Staff were appropriately trained and mentored. The main outputs were a GIS information system and a GIS decision support system. On the other hand, technical assistance for a study on alternative surfacing standards was abandoned due to cost considerations and over-ambitious scope, while the planned study on management of the social and environment agenda was cancelled after the consultant raised the bid price by 30 percent during the negotiation phase. Reinforcing this decision, MPWT had in any case developed an in-house capability in this area. The Lesotho Road Management System (LRMS) study report and road condition survey were completed, the system was reinstalled and staff given initial training. This has enabled better planning and reporting. Technical assistance activities for the implementing agencies were also fully accomplished.

(c) Implementation of computerization of vehicle registers, licenses and data

55. An agreement between South Africa and Lesotho regarding the electronic National Administration Traffic Information System (eNATIS) (traffic information system including computerization of vehicle registers and licenses) was concluded, but was not taken further due to the protracted nature of the consultations between the countries; legal issues in South

Africa have jeopardized the rollout. Some wiring at district level was done in anticipation of eNATIS implementation, but the bulk of the installation work and hardware is outstanding. Although US$300,000 was set-aside in the project for eNATIS, the amount was later reallocated due to the continuing slow progress with bilateral negotiations.

(d) Road safety program

56. A crucial intermediate indicator was that a National Road Safety Council (NRSC) should be established and functioning. A policy paper presented by MPWT in 2010 recommended the establishment of the NRSC and the Cabinet approved this. However, it has not been acted upon, ostensibly because of the limited time availability of the nominated board members, but in reality demonstrating limited political commitment to road safety. Similarly, the current Road Traffic Act dates from 1981 and although a bill updating the laws was prepared in 2010, it has not been enacted and consequently it does not reflect best international practice while the penalties prescribed in the Act are extremely low in today's terms.

57. The project supported some 20 road safety workshops and campaigns. Raising awareness through campaigns and education has become the main activity of the Road Safety Department of MPWT and has some support at political level because of the visibility provided for local politicians. While this has sometimes led to tangible actions such as the installation of speed humps to slow traffic, there is little evidence that the campaigns have had a measurable impact on road safety, given the limited capacity for road safety law enforcement. The average annual rate of traffic fatalities in Lesotho fluctuates around 15 deaths per 100,000 people, which is three times worse than the best performing countries in the world. Nevertheless, syllabus amendments to include road safety issues have been approved and implemented by the Ministry of Education. Under ITP the improvement of the training of driving school instructors and examiners met its target of 100 training sessions, but most trainee drivers are still instructed by non-professional friends and relatives.

58. The current vehicle inspection system was also reviewed and both police and inspectors, who were trained on a once-off basis, received operational manuals. Although there are three vehicle inspection centers, the ICR team established that none have working equipment to test vehicles, meaning that only visual inspections are possible leaving open opportunities for corruption. The recommendation that the vehicle inspection process be privatized has not made progress. Some road safety pilot projects were proposed and two traffic circles were designed for the City of Maseru. These traffic management improvements were not carried out, however, since there was disagreement concerning the best design solution and in the end there was insufficient time left for implementation before the Trust Fund closing date. Consequently IDA gave a no objection to the funds being used for the procurement of road safety materials. Equipment was also purchased for the road safety information unit as well as for the traffic police, which included speed guns. However, some 7.2 percent of the EU funds were returned unspent - more equipment could have been provided had the procurement process started earlier. Although the road safety sub-component was a small part of the overall project it is clear that a larger and more sustained initiative is required in the follow on project.

59. In addition, considering that the roads and bridges constructed have improved the driving conditions, this results in higher levels of traffic with high speed and consequently increased road accident risks on these roads. However, given the regional nature of the road corridors, which these road sections and bridges are part of, relatively high design standards have been adopted with appropriate safety measures incorporated to mitigate potential safety risks.

(e) A local construction industry development plan and industry training

60. Two studies were completed – one on a local construction industry development plan and the other on the development of standard bidding and contract documents, curriculum, syllabus, and training material. The overall goals were to create a sustainable environment and promote best practice. Staffs from 24 construction companies were trained in two batches, with an additional course for further interested parties.

PDO: Improved access to services and market opportunities, affordable transport

(a) Study of basic access and mobility including IMT study and pilot project

61. A study of basic standards and needs was completed. Outputs covered an appropriate framework for improving rural access, selection criteria, revised design standards, as well as identification of IMT service suppliers. The infrastructure was built under component B. Technical assistance was provided to MPWT for supporting capabilities in social assessment and monitoring, gender issues, HIV/AIDS and GIS capabilities. Given the prevalence of HIV/AIDS the project area contained many orphaned children. These orphans received intervention packages under the project that included food and other items.

(b) Construction of footbridges in the Senqu/Senqunyane area as well as IMT access improvements, and the undertaking of HIV/AIDS interventions

62. In addition to the study discussed in component A2 above, construction of the access infrastructure (footbridges and tracks) was completed using small contractors. Originally it had been planned that some IMT goods such as bicycles, motorbikes and animal carts would be procured, but the Government requested that these funds rather be used for river crossings. IDA gave a no objection to the procurement of riverboats. Other planned social sector activities were completed including community radio, assistance to clinics, and distribution of food packages for orphans, and HIV/AIDS awareness programs

PDO: Integrated transport system

(a) Policy Reformulation and capacity building in other transport sub-sectors

63. The reform activities were mostly accomplished by completion and the road reforms, including the operation of the RD, have also made progress. Integration of the transport system was supported through the development of an integrated transport policy. The study proposed better modal interchange facilities including the international airport, the Maseru railhead and container terminal, urban bus terminals and rural bus stops. In the remote areas

it stressed the importance of footbridges and river ferry services. Regarding the findings of the Maseru Urban Planning and Transport Study, this has largely superseded the Maseru Development Plan of 1990. Proposals were made to intervene in the ongoing sprawling development that characterizes Maseru currently, and to establish an integrated spatial development approach.

PDO: Efficiency, access, connectivity

(a) Improvements to the Northern Corridor through emergency repairs to the paved section Oxbow–Mokhotlong:

64. This paved road in the northeast highlands (107 km) was originally designated for emergency repairs, but had deteriorated rapidly due to frost susceptible material in the base course. Reconstruction works had to be carried out on 67 km, while 40 km were resealed, achieving the revised target.

(b) Upgrading of Rural Roads, comprising 25 km of the Mantsonyane-Lesobeng road and the upgrading of 8 km of the Likotopong–Lints'a feeder road:

65. Prior to this sub-project, this area was largely inaccessible due to difficult terrain, although it was important for the socioeconomic development of the eastern region. The entire 33 km road section was fully upgraded, with 20 km completed under the project using labor-based methods. .

(c) Construction of two high level bridges over the Senqu and Senqunyane rivers, their approaches, and a section of access road:

66. The support provided under the project to construct two high level bridges on Senqu and Senqunyane rivers enabled successful completion and opening of the major Roma–Ramabanta–Semonkong-Sekake-Qacha's Nek southeastern corridor. A number of access roads and approaches reconstructed or repaired under the project substantially improved accessibility for the population living in these areas. . The project comprised the construction of the remaining link to create a corridor between Maseru and Qacha's Nek and reduced the distance by140 km between the regional centers. The road consists of a paved 7.4 m road, with two high level bridges.

(d) Senqu/Senqunyane area footbridges constructed and IMT access improved:

67. This indicator has been fully achieved, with three access footbridges constructed and access tracks improved. Construction of the access infrastructure was completed using small contractors. Originally it was planned that some IMT equipment such as bicycles, motorbikes and animal carts would be procured, but the Government requested the funds be used for river crossings, and thus accordingly riverboats were procured under the project. All social sector activities (such as community radio and assistance to the clinic) were also carried out, including HIV/AIDS awareness programs in these area.

(e) Upgrading of Nyenye-Makhoroane roads

68. As part of the Additional Financing approval in 2010, US$5.0 million was approved from the pilot Crisis Response Window for the periodic maintenance of 64 km of roads to Nyenye, Makhoroana and Teyateyaneng in the northwest of Lesotho. In the 2012 restructuring, due to extensive floods in Lesotho, the resealing of the Teyateyaneng – Mapoteng and Nyenye – Makhoroana was replaced by the rehabilitation of the 37 km of Nyenye – Makhoroana road only. This was because in the meantime the Nyenye area roads in question had seriously deteriorated and were in poor condition, having been badly damaged by extensive flooding constraining accessibility severely – some villages were virtually cut off. The Government also undertook separately to finance the section of road from Mapoteng Junction to Teyateyaneng. These rural roads were seen as high priority for the GOL as they directly provided connectivity benefits and higher level of service to the users. The work was still in progress at the time of project closing, but was substantially completed, and finalized by December 2015.

(f) Appointment of project staff and operating costs related to the execution of the project

69. The PIU was established in February 2007 with 11 staff to coordinate and facilitate project implementation. Although there was some staff turnover, the PIU was managed reasonably effectively, but was scaled down and some of its functions were mainstreamed as the project matured.

Performance against Revised Objectives
Rating: Substantial

PDO: Improved connectivity in selected transport networks

70. At the time of restructuring in 2012, the PDO was officially revised, however, there were no changes made to the original PDO indicators and targets. It is also important to note that the following two new PDO level indicators were introduced during Additional Financing in 2010: "share of rural population with access to an all-season road (within the project area)" and "direct project beneficiaries (number), of which female (percentage)."

i) Evidence of achievement of PDO:

71. The revised PDO of improving connectivity in selected networks has been substantially achieved as evidenced by the following: (i) average travel cost in targeted project areas has been reduced achieving the target of 40 percent or a decrease from LSL 1500 to LSL 900 per trip by the end of the project; (ii) share of rural population with access to an all-season road within the project area has increased to the targeted 42 percent by the end of the project; and (iii) the direct beneficiaries from the project have reached the targeted number of 9,372 people, of which 52 percent are women, by the project closing. Target for "roads in good and fair condition as a share of total classified roads" was achieved by 2010, but at closing in 2015 roads in good condition fell 1 percent short of target.

72. The construction of major road corridor links as well as access and rural infrastructure improved connectivity and the level of service to road users in the following selected networks: (i) completion of the new southeast corridor link through Qacha's Nek to Maseru connecting further to South Africa resulted in reduction of the circuitous

alternative route through Quthing by 140 km, saving almost three hours in travel time; (ii) upgrading of the 37 km of Nyenye – Makhoroana roads contributed largely to greater connectivity as well as the improved level of service to road users in the area; (iii) construction of three footbridges and IMT access tracks improved connectivity and access of the population in the Senqu/Senqunyane area to government services and job opportunities; (iv) resealing of the 40 km Oxbow–Mokhotlong road section improved the connection of the Northern Corridor responding to the emergency condition of the road; and (v) upgrading of 33 km rural roads in Mantsonyane and Lesobeng provided an all-season road access to the population in the eastern region, which was largely inaccessible due to difficult terrain.

3.3 Efficiency

Original PDO
Rating: Modest

73. The MPWT carried out an ex post project evaluation on the costs and benefits emanating from the upgrading of the Mantsonyane–Lesobeng road and the corridor completed by the Senqu and Senqunyane bridge construction link. In addition, the Nyene-Makhoroane was subject to a separate economic evaluation. The repairs to the Oxbow-Mokhotlong road were not evaluated because of their emergency nature, while the reform and project management components and the capacity building activities were not conducive to such analysis. About 78 percent of the final project cost was evaluated.

74. The completion of the remaining link in the Roma–Sekake corridor (i.e. the two bridges and their approach roads) effectively opened up a new main through route. Parts of the road did not exist before the construction; only a poor earthen track offered some access to the area. Movement was only possible between villages in the area for some 20,000 people by horseback, on foot, or via ferries (for river crossings). During the wet season even this was extremely difficult. The road has now been improved to offer a high quality pavement throughout its length. This reflects its potential for use as a long distance route for heavier vehicles in the future. The route is 140 km shorter than the alternative through Quthing. Opportunities for tourism would also become possible (e.g. the Maletsunyane Falls – the highest single drop waterfall in Africa. At the time of appraisal, the Roma–Sekake corridor was evaluated using the highway design and maintenance model HDM-3. It was based on projected traffic estimates and savings on using the longer alternative route. The economic internal rate of return (ERR) was estimated to be 15.8 percent and the net present value (NPV) 108.7 at a 12 percent discount rate.

75. The completion evaluation is based on the World Bank's multi criteria Economic Decision Model (RED) methodology and uses similar figures for expected traffic generation (35 percent). The report uses a recent traffic survey and shows that current traffic levels are around 450 per day on average, between Roma and Sekake. Input costs are higher than at appraisal, however, because the construction of the bridges was much more expensive than expected. The subcomponent was 27 percent of the final total project cost at completion. In order to assess the benefits of the investment, a calculation was made for a range of economic indicators. These included the ex post ERR and NPV, calculated for the Senqu and Senqunyane bridges projects. An ERR of 14.6 percent has been calculated and an NPV

of 210.3 at 12 percent discount rate.

76. The non-quantifiable benefits associated with the corridor include the effects of improving access in the vicinity of the bridges, which will create new economic opportunities, enabling better access to education and particularly health facilities that already exist in the area; potentially encouraging new tourism related investments in the area; and creating the opportunity for workers residing in the area to access employment opportunities throughout Lesotho and South Africa. On the other hand, as the road and bridges are completely new, the situation has changed from one with very little traffic and no crashes, to one with higher levels of traffic with high speed. However, given the regional nature of the corridor, relatively high design standards have been adopted for this road, which incorporates appropriate safety measures.

77. Turning to the Mantsonyane–Lesobeng road, it was passable only by four-wheel drive vehicles and not at all during wet periods. Traffic levels were around 80 vehicles per day. Whilst it was not possible to significantly improve the alignment of the road, which reflects the rugged topography of the area, major improvements were made in terms of width, safety, and passing opportunities. Around 27 km of the road were improved to gravel standard and the other 13 km were paved, reflecting the steep nature of these sections. An ERR of only 3.7 percent was calculated however at a 12 percent discount rate. The NPV was 61.02. This is low, due to the difficult terrain and the need to pave the steeper sections. The main benefits include vehicle-operating costs and travel timesaving, which were assessed using the RED Model. However, a major consideration in this case was poverty relief whereby part of the project was built using local manual labor funded through the Crisis Response Window. It was also recognized that the area served has higher agricultural potential than many other highland areas. This sub-project accounted for about US$5.95 million or 7.5 percent of the final total project cost.

Revised PDO
Rating: Modest

78. The Senqu and Senqunyane bridges project was divided into two stages. Since the ERRs were calculated for the whole corridor (including sections not specifically part of ITP) the results were unaffected by which party funded which stage. Under the Additional Financing it had been intended to apply periodic maintenance (resealing and repairs) to two sections of road (64 km) – Nyene-Makhoroane and Teyateyaneng-Mapoteng Junction. However, after considerable damage to both roads due to extensive flooding complete rehabilitation became necessary. Since there was insufficient IDA funding for the whole 64 km, the Bank focused on the first lot (20 km) of the Nyene-Makhoroane road, and GOL undertook to cover the costs of the latter (17 km) as well as the Teyateyaneng-Mapoteng road. The average daily traffic using the facility was about 585. An economic evaluation using the RED model was carried out in respect of the estimated costs for the road from Nyenye to Makhoroane (37 km), indicating an ERR of 10.6 percent and an NPV of 69.07.[10] Some technical alternatives were suggested, but did not make a material difference to the result. Actual bid costs, however, were about US$6.3 million higher than expected, which

[10] This was based on a social discount rate of eight percent corresponding to the rate used in South Africa in 2013

would have pushed the rate of return below the normally acceptable threshold (no further analysis is recorded in the Bank's project portal). Given the fact that the villages benefitting from the improvements were frequently inaccessible during wet weather, and served areas of agricultural potential, the GOL nevertheless regarded this infrastructure as a high priority and the Bank acceded to this view. The final cost of the road (including the section funded solely by GOL) is expected to be around US$34.6 million or 43.7 percent of total project costs including GOL's contribution, making this the costliest sub-project in the ITP. This may be compared with the Senqu-Senqunayne road section, which was 27 percent of total project cost.

79. It is a moot point as to whether the opportunity cost of these alternative expenditures was optimal for the Bank, but since the ineligibility of the Senqu-Senqunyane (stage two) contractor to receive Bank funds had not been highlighted in timely fashion, the Bank had an obligation to help GOL find a solution.

80. *Operational and Administrative Efficiency.* Looking back at the overall efficiency of the project there were further factors that need to be taken into account. The project experienced accumulated delays of three and a half years, while nine years elapsed between approval and completion. Because the investment component took so long, the initiative to implement the sector reforms (25 percent of the original project cost) was largely lost and now these reforms will have to be picked up in the follow-on project. This is inefficient because some of the studies and recommendations will have to be updated because of circumstances that have changed in the meantime. Many officials who were involved in these activities have moved on and the process will have to start anew with different incumbents. There were missteps in not identifying soon enough that the contractor for stage two of the Senqu-Senqunyane bridges was debarred leading to ineligible expenditures, considerable embarrassment and probing questions by the Board of Executive Directors on the effectiveness of Bank procedures. While this is partly a reflection of Bank performance it clearly also introduced unexpected delays affecting the benefit stream. Finally, there were additional delays in concluding the administrative agreement between the EU and the Bank.

3.4 Justification of Overall Outcome Rating

81. Taking into account substantial relevance and modest efficiency ratings discussed above, as well as the weighted average efficacy rating of "substantial" given the shares of project resources used over the two respective periods was {(0.67x4) + (0.33x4)} = 4.00, the overall outcome is moderately satisfactory reflecting moderate shortcomings in the operation's achievement of objectives. [11]

4. Assessment of Risk to Development Outcome

Rating: Moderate

82. At appraisal a number of potential risks were identified. First was the likelihood that the reform measures would not be carried out. This has partly materialized as there has been

[11] The formula is the split evaluation of the PDO achievement to assess the overall outcome rating based on the weighted average of the outcome ratings of the original and revised PDOs weighted in proportion to the share of the actual credit disbursements made in the period before and after the restructuring.

little sustained progress on the reform component beyond the achievement of the intermediate targets. This was because the investment component took far longer (nearly four years) to complete than anticipated and there were no funds available to pursue further the reform initiatives that had commenced. A policy paper compiled by MPWT in 2010 recommended the establishment of the NRSC and the Cabinet approved this. However, it has not been acted upon, demonstrating limited political commitment to road safety. Similarly, the current Road Traffic Act dates from 1981 and although a bill updating the laws was prepared in 2010, it has not been enacted and consequently it does not reflect best international practice and penalties prescribed in the Act are extremely low. Similarly, the national integrated transport policy and the Maseru urban planning and transport study, though useful reference documents, have lacked funding to follow through on the recommendations. This may be addressed in the follow on project, subject to the availability of resources.

83. A further area of risk related to the sufficiency of revenue accruing to the RF for road maintenance; this aspect has been addressed to the point where about 87 percent of the required funding for periodic maintenance for main roads is available, compared to 72 percent when the project commenced. The improved revenue stream has been achieved through increasing user charges and reducing administration costs, but still falls short of needs. The condition of most gravel roads, including some financed under ITP, is inadequate. Road user charges have not been adjusted since 2010. Given inflation, the volatility in the fuel price and fluctuations in the volumes of traffic this situation can change rapidly, so a future risk lies in there being insufficient funds available. The Ministry of Finance and Development Planning is reluctant, however, to permit further funding increases since the capacity of the RD to spend existing funding is constrained. There are not enough engineers to carry out the work program effectively.

84. Although implementation capacity has been strengthened through a technical assistance program and the establishment of the RD as a semi-autonomous entity, this aspect needs more attention. Although the GOL approved the new RD and the level of efficiency in managing the roads has improved, the move to a full Road Agency, which has proved successful in other countries, is still a matter for debate, although recommended by the Bank. A proposal in the follow-on project is also to introduce performance-based works for a small secondary road network still to be identified. This would involve some core rehabilitation work and a commitment by the successful contractor to maintain this network against agreed measures of performance. The concept has been successfully introduced in several other developing countries in Africa. The strengthening of private sector capacity as part of a construction industry plan is also ongoing and supports the ability of small contractors to undertake routine maintenance work as required. However, such capacity building needs to be continuous as the absorptive capacity of the contractors is low and will need further attention in the future. The training is paid from the RF, which already has a constrained budget. The availability of well-paid employment in neighboring South Africa that can attract persons with skills away from Lesotho continues to be an issue that is less easy to resolve.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry
Rating: Moderately Satisfactory

85. A strong, well-balanced team was put together for preparation and appraisal. The Bank clearly identified the main country transport sector issues and these included a need for improved and coordinated management of the road system including urban roads, the lack of sufficient funding for road maintenance, limited implementation capacity, and a lack of coordinated transport policy. The Bank played a leadership role in coordinating aid with other multilateral donors and secured a commitment from the EC to co-finance the ITP. However, the Bank underestimated the complexity of working with a major partner, because in the event it took some time for the PIU and Bank staff to understand EC requirements and procedures - the administration agreement was delayed for a year. The results framework was adequate, but required more thought, as it later needed modification. Lessons were taken from the previous Bank-funded project (RRMP) and considered in the project design. The importance of establishing functioning GIS systems was recognized as well as the need to use this tool in decision-making. The design also aligned with the country assistance strategy and Lesotho's six-year transport sector program. Good preparation was done in respect of participatory assessments of social needs in the project areas. Issues to receive attention included social safeguards triggered by civil works construction, retraining of force account laborers as small contractors as well as the need for HIV/AIDS prevention measures and establishing criteria for improving rural access.

86. However, looking back, the Bank to some extent underestimated the capacity constraints, the need for a robust results framework, and administrative difficulties in working with a major development partner, as well as substantially underestimating contract costs in a volatile economic environment.

(b) Quality of Supervision
Rating: Moderately Unsatisfactory

87. Some 20 implementation supervision reports were submitted for this project and visits were reasonably frequent, but some specialists were unavailable at times due to a heavy work program. The administration agreement for the EC Trust Fund was delayed by a year because of a need to reconcile inconsistencies with a generic agreement previously signed by the EC and GOL. Consequently, this delayed startup, fund disbursement, and the payment of some consultants. In the interim funds from both IDA and GOL were used to fill the gap, and these amounts were refunded at a later stage. The Bank put appropriate fiduciary measures and safeguards in place, but both needed more attention as implementation progressed.

88. One of the major activities under Component B was the construction of the Senqu-Senqunyane bridges and associated road works. Since the bid prices were much higher than expected it was decided to divide the work into two contracts so as not to slow down the project. The stage one contract (US$23.3 million) was awarded in February 2008, but in the

meantime the Bank debarred this firm for five years commencing in January 2009 because of collusive practices on a Bank-funded project in the Philippines. In August 2010 additional credit was approved for ITP in the amount of US$15 million of which US$10 million was to cover the outstanding stage two works for the bridges. In the paper to the Board requesting Additional Financing, it should have been made explicit that the firm appointed for stage one, was now likely to be ineligible for Bank funding under stage two. Such information should have been provided in accordance with the Bank's Manual of Procedure of 2008. This did not happen, although the paper anticipated that the stage two works would be pursuant to an addendum to the existing contract requiring specific procurement clearance from the Bank.

89. Shortly after the Additional Financing was approved there was a change in the Bank team. On February 2, 2011 the Bank discovered during a routine review of project related information in the project portal that US$4.35 million had already been disbursed against the Additional Financing even though the contract addendum review had not been completed and a no objection decision had yet to be made. Consequently, the TTL made an urgent request to the disbursement office in Johannesburg to stop further disbursements against this contract.

90. This turn of events created a difficult situation for both Bank and Borrower. At first, the Bank requested GOL to refund the ineligible amount, but the Government responded that this would be extremely difficult due to a lack of fiscal capacity worsened by the global financial situation. It was thus proposed and confirmed in the 2012 restructuring that invoices paid by the GOL for the stage one works would be retroactively reimbursed to the value of US$4.35 million. While this fungible approach technically meant that the Bank was not directly funding the debarred contractor, it enabled GOL to do so. Of greater concern to the Board, though, was the failure in the Bank's system to identify the issue in a timely manner and resolve the matter expeditiously. The Board asked for a special meeting on the matter. This took place on September 11, 2012 at which time the proposed restructuring was approved. However, this was not an easy discussion and one executive director voted against the motion, while three other directors abstained. The Board also underscored the importance of internal controls and accountability issues and urged management to review this case, learn its lessons, and further improve the relevant systems and corporate culture.

91. The Borrower's ICR, reflecting their perceptions of that time, suggested (without providing specifics) that the "quality and effectiveness of some task team leaders had been inadequate because some remedial measures had not been elaborated in a timely manner, and some relevant information had not been made available when the need arose". They also noted "delays amounting to a year in approving the Additional Financing Agreement". However, this was incorrect – the reference should have been to the year it took to restructure the project following the debarred contractor debacle. While this was partly explained by the need for negotiations with GOL in respect of the erroneous disbursements, there were undoubtedly unacceptable delays in the Bank review system prior to presenting a proposal to the Board. This prompted the Board to express its concern "that it took management more than one year to inform the Board on this issue".

92. It should also be mentioned that although the course of action pursued favored no funding of the debarred contractor, there could have been a case put forward that there was

no material change in the contract, which had for convenience been divided into two stages. Stage one was the construction of the two bridges and approaches with earth roads, stage two was the completion of the layer work and the bituminous surfacing of the road. In the event, however, the view was taken that this was a material change. Since that time the Bank has enhanced its system to enable the easy identification of firms that may have procurement sanctions.

93. Based on the above alone the rating would clearly have been unsatisfactory, but since between 2012 and 2015 the supervision was satisfactory, the rating for supervision is on balance moderately unsatisfactory. A good working relationship was also restored with the Borrower, while crucial advice was also given in respect of the remaining works for the Senqu-Senqunyane bridges, where several defects had been encountered including worrying settlement issues. The Bank proposed the appointment of an independent monitor to review the problem areas and any remedial work performed. Other outstanding works were either satisfactorily completed or nearly so by project closure.

(c) Justification of Rating for Overall Bank Performance

94. When the rating for one dimension is in the satisfactory range, while the rating for the other is in the unsatisfactory range, the rating for overall Bank performance normally depends on the outcome rating. Since the outcome rating is in the satisfactory range, the overall Bank performance is moderately satisfactory.

5.2 Borrower Performance

(a) Government Performance
Rating: Moderately Satisfactory

95. The GOL was supportive of the project and initially strongly backed the need for additional revenue for the RF through user charges combined with efforts to reduce administration costs. While it was recognized that the extent of revenue collection should be adequate to cover road maintenance costs, the current reality is that there has not been an increase since 2010 and on occasion the funds are used for non-maintenance activities. While there has been progress, the RF still does not have sufficient funds to cover maintenance. Regarding road safety, there was also no commitment to follow through with the setting up of a functioning NRSC. In addition, while GOL claimed it could not afford to repay the disputed US$4.35 million due to lack of fiscal space, it was able to somehow find the US$75 million to complete outstanding civil works connecting the bridges with the section of road constructed in earlier projects.

96. On the other hand the GOL supported appropriate legislation for the establishment of the RD and the delegation of parts of the network (and redeployment of staff) to local authorities under the decentralization strategy. It also agreed that the selection of the Executive Secretary of the RF should be carried out on a competitive basis. Progress of negotiations with South Africa concerning the adoption of mutually acceptable eNATIS systems were extremely slow and in the end this sub-component could not be completed within the life of ITP, although largely this was due to factors outside the control of GOL.

97. On the issue of the funding of the debarred contractor the GOL had entered a contract with the firm and was in a difficult position. The agreement to fund other works retrospectively was a pragmatic solution albeit far from ideal. The Government demonstrated its commitment to the project by substantially increasing its financial support, not only completing the southeast corridor, but also the completion of the Nyenye-Makhoroane road.

(b) Implementing Agency or Agencies Performance
Rating: Moderately Satisfactory

98. Initially implementation progress was satisfactory. A Project Management Office (PMO) or Project Implementation Unit (PIU) was set up and adequately staffed, while the results framework was established and a baseline survey completed. The Borrower, like the Bank, technically had a duty to check the eligibility of bidders from the list of firms and individuals debarred and suspended.[12] Realistically, however, it was highly unlikely that such a check would occur. The implementing agency submitted the stage two invoices for payment before a no objection was issued. In April 2012 implementation progress was downgraded to moderately satisfactory because some activities such as training for RD staff and deployment of staff to other government agencies and the private sector were behind schedule. There were also weaknesses in financial management and procurement described in paragraphs 37 and 38. In due course this situation was turned around and the accounting software system was fully restored, acceptable audits were carried out, procurement improved, and some quality issues concerning defects on the Senqu-Sequnyane bridge section were sorted out with the help of an independent monitor. By November 2014, the implementation status and Results Report upgraded implementation performance to satisfactory once more. Going forward it is suggested that the procurement and financial management functions be further strengthened in consultation with the RD and the GOL civil service.

(c) Justification of Rating for Overall Borrower Performance

99. Despite some shortcomings in both Government and implementing agency performance, the outcome of the project overall was in the satisfactory range. The Borrower had weak capacity, but made maximum efforts to improve it and complete all project activities in compliance with the Bank's rigorous fiduciary requirements. Moreover, it is worth emphasizing the progress made by the Borrower in initiating the reform process in road safety and road sub-sector in general, which are often a challenge in many larger countries. Accordingly, overall Borrower performance is considered moderately satisfactory.

6. Lessons Learned

100. ***There is a need for better due diligence when making project cost estimates. The utilization of detailed rather than preliminary design estimates should be used in circumstances where the terrain is difficult and an adequate contingency amount should***

[12] In accordance with paragraph 1.16(d) of the Guidelines and 1.23(d) of the Consultants Guidelines posted on the Bank's external website.

be included. A recurring pattern in this project has been that cost estimates were consistently underestimated – in some cases quite badly - and this was partly the reason for the delays amounting to three and a half years. The increase in costs due to the high demand for contractors prior to the Soccer World Cup event in South Africa should have been foreseen.

101. ***The Bank's internal systems need to adequately warn staff and clients of debarred contractors when bidding procedures are in progress.*** Clearly the Bank was at fault in failing to implement adequate systems to identify debarred contractors during the bidding processes. This has largely been rectified after the event by changes to the Bank's Manual of Procedures intended to enhance the Bank's internal system.

102. ***When investment and reform components work in parallel in the same project the risk of delays to the investment component should not be reason to postpone implementation of the reforms. Project design should take this into account.*** The sector reforms in the ITP were evidently hampered by a lack of funds to continue the good foundation that had been put in place. There was a disconnection between the investment component that took three years longer than anticipated to complete and the reform initiatives that were funded only up to 2012.

103. ***Road projects should take into account the likely impacts on the transport operators and their passengers affected by the road design and its implementation.*** While the impact of the road projects was generally positive on the local population, the main means of transport on these roads is the minibus taxi. It is apparent that in the future this aspect deserves more attention in rural road projects. In the case of the Nyenye-Makhoroane road a new taxi rank is under construction at a site adjacent to the center of the village. The ICR team expressed concern that no formal engagement had yet been made with the taxi association, which should have been involved at a much earlier stage. Similarly, in the vicinity of the Senqu-Senqunyana bridges the taxi operators have formed a cartel and are charging excessive prices – a matter that needs to be taken up with the local Traffic Commissioner.

104. ***Adequate maintenance arrangements for road projects need continuous attention and a long-term solution.*** Road maintenance, at least of National roads, has improved under ITP, but this matter needs to be further pursued in the follow-up project, both in terms of funding and the adequacy of capacity in the Roads Directorate. Measures need to be taken to attract more skilled engineers and financial management specialists. The introduction of performance-based contracts should strongly be considered.

105. ***For road safety reform to be effective it needs unambiguous commitment from Government and a comprehensive strategy.*** The failure of the NRSC to become a functioning entity in this project emphasizes the importance of political commitment in road safety agenda and the need for a strong road safety champion at a high level. Lesotho made a major step in getting the Cabinet's approval for establishing the NRSC, and while this legal ground was critical, more work and push were required in building political support to fully achieve the intended outcomes. Certain conditionalities could be built within the projects' designs to incentivize the Borrowers to complete the reform process.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

106. See Borrower's ICR in Annex 7. The Borrower's comments on the HIV/AIDS activities under the project have been summarized as follows (full comments are presented in Annex 8):

> *It is incorrect to assume that increased HIV and AIDS infections, as reported by the Social Impacts Study, was influenced by less attention to awareness campaigns after the departure of a full time HIV /AIDS Coordinator in the PIU. The PIU intervention was short lived by design and was merely boosting the already started activities by other change agents in the project area before and during the construction stage. The issue of condoms availability or not in the project area, was never the responsibility of the PIU. Despite the efforts made by all agents who tried to create awareness and provide training in preventive measures to the communities, the worsening level of poverty and poor agricultural production, as well as end of temporary employment in the area, are likely to have weakened the livelihood coping strategies, with the result being an increasing level of HIV and AIDS prevalence.*

(b) Co-financiers

107. The Delegation of the European Union thanked the World Bank for sharing the information in the ICR, but had only editorial comments on the text.

(c) Other partners and stakeholders

108. There were no other comments received.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (US$ Millions)	Additional Finance Estimate (US$ Millions)	Actual/ Latest Estimate (US$ Millions)	Latest % of Appraisal	Latest % of Revised Estimate
A. Policy and institutional reform	10.04	10.32	10.44*	104	101
B. Infrastructure investment	21.25	44.52	63.86#	300	143
C. Project management	2.78	3.28	3.28	118	100
Total Baseline Cost	34.07	58.12	77.56	227	133
Physical Contingencies	1.28				
Price Contingencies	0.85				
Total Project Costs #	36.20	58.12	77.56	214	133
PPF	2.00	1.55	1.55	77	100
Total Financing Required	38.20	59.67	79.13	207	133

(b) Financing

Source of Funds	Appraisal Estimate (US$ Millions)	Revised Estimate at AF (US$ Millions)	Actual/Latest Estimate (US$ Millions)	Latest % of Appraisal	Latest % of Revised Estimate
Borrower	5.20	10.85	32.81	631	302
International Development	23.50	38.50	36.00	153	93
European Development Fund	9.50	10.32	10.32**	108	100

IDA funded part of Stage 1 of the Senqu-Senqunyane bridge section and of Lot 1 of the Nyenye-Makhoroana road. The Government of Lesotho fully funded Stage 2 of the Senqu-Senqunyane bridge section and Lot 2 of the Nyenye-Makhoroana road.

*Includes US$0.12 million for items funded by IDA

**At prevailing exchange rate when TF closed on December 31, 2012. US$0.74 million was not spent as of this date and returned to the EDF

Annex 2 .Outputs by Component

Original components at appraisal:

Component A: Policy and Institutional Reform in the Transport Sector

A1. Support for road sub-sector institutional reforms:

Advisory services for planning change and implementation support at central and local level.

Consultants were engaged to support capacity building and developed a blueprint to guide planning and change management. A road safety advisor was appointed for a period of 12 months. Consulting firms were appointed to develop the needed systems, plans, studies, and technical manuals.

Capacity building for the Roads Directorate (RD); refurbishing/equipment for RD; capacity building for local authorities; equipment for local authorities

The RD was approved by parliament on March 12, 2010. The design was commercially orientated under professional management, with some autonomy. Responsibility for some 500 km of roads was transferred along with personnel, immovable property, and equipment to the Ministry of Local Government (MLG) in line with the Government's decentralization policy. At completion the RD was well staffed and fully operational with minimal vacant positions. Staffs were recruited in accordance with Legal Notice for Road Fund Regulation, 2005.

Training for staff redeployment to other public sector activities resulting from the organizational arrangements

Some 900 personnel were redeployed to other Government agencies or the private sector and received reskilling instruction. Local government senior staff participated in a study tour to learn more about decentralization practices.

Preparation for private sector development to replace most remaining force account (departmental construction) activities

About 800 former Department of Rural Roads (DRR) and Roads Branch (RB) staffs were retrained; in addition, 455 people from the former road sector force account received training. Courses included how to start and improve your business (guided by International Labor Organization manuals). The latter was organized and carried out through the Ministry of Finance and Development Planning.

A2. Roads sub-sector development and capacity support:

Road safety program

Because of its poor road accident record, Lesotho placed special emphasis on road safety

including increasing the awareness of the need for road safety among stakeholders. The project focused on establishment of a driver training and examination system (based on a range of manuals for different vehicle types), a vehicle inspection system, a spot improvement pilot scheme, established a road accident database, procured traffic surveillance equipment and supported the creation of the National Road Safety Council (NRSC). The NRSC was agreed in principle and approved by Cabinet, and a road safety policy drafted. Priority dangerous spots were to be eliminated and two traffic circles designed. However, the consultant failed to submit acceptable cost benefit analysis for this work and IDA gave a no objection to using the funds instead for road safety materials. Syllabus amendments to include road safety issues were approved by the Ministry of Education and road safety awareness campaigns were implemented coinciding with seasonal peaks in road travel. Equipment was also purchased for the road safety information unit. A training plan was drawn up to provide road safety officers with accreditation.

Institutional capacity for database and GIS and Implementation of computerization of vehicle registers, licenses and data.

The study and installation of the GIS was completed and the system is operational and used for planning. Staff were appropriately trained and mentored. The main outputs were a GIS information system and a GIS decision support system.

An agreement between South Africa and Lesotho regarding the eNATIS (traffic information system including computerization of vehicle registers and licenses) was concluded, but has not been taken further due to the protracted nature of the consultations between the countries. Some wiring at district level was done in anticipation of eNATIS implementation, but the bulk of the installation work and hardware are in abeyance. Although US$300,000 was set-aside in the project for eNATIS, the amount was later reallocated due to the slow progress with bilateral negotiations. It is likely that in future Lesotho will proceed with its own system. Technical assistance was provided for supporting capabilities in social assessment and monitoring, gender issues, HIV*I*AIDS and GIS capabilities.

RF revenue reforms, with a focus on improving cost recovery mechanisms and achieving full self-sufficiency by 2010, as well as improvements in RF management, RF monitoring mechanisms and road management and maintenance funding stakeholder awareness program

The RF was intended to ensure sustainable funding for routine and periodic maintenance. Road works programs were identified and prioritized by the appropriate ministries. Revenue for road maintenance from user charges was increased in 2006 and tollgate fees at border crossings were introduced in 2008, while a commitment was also made to adjust user charges upwards gradually on an annual basis. Revenues increased by 36 percent between 2011 and 2014, while administrative costs decreased from 18.1 percent to 12.8 percent during the same period. Surplus revenue (when available) could be applied to new road works and road safety projects. A stakeholder awareness program concerning these developments and the importance of good maintenance was also carried out.

Study of basic access and mobility including IMT study and pilot project

A study of basic standards and needs was completed. Outputs covered an appropriate framework for improving rural access, selection criteria, revised design standards, as well as identification of IMT service suppliers. The infrastructure was built under Component B.

A local construction industry development plan

Two studies were completed – one on a local construction industry development plan and the other on the development of standard bidding and contract documents, curriculum, syllabus, and training material. The overall goals were to create a sustainable environment and promote best practice.

Continuation of the contractor's training program

Staffs from 24 construction companies were trained in two batches, with a further course for further interested parties.

Technical assistance for studies on alternative surfacing standards and environmental management

The work on surfacing standards was not pursued due to cost considerations and the ambitious scope, which was too complex. Similarly, a study on management of the social and environment agenda was cancelled after the consultant raised the bid price by 30 percent during the negotiation phase.

Upgrading of LRMS including: (a) mechanized road condition survey for RB roads; (b) annual review of RB and DRR - and future RD road program; (c) expanding the system for urban roads

The LRMS study report and road condition survey were completed, the system was reinstalled and staff given initial training. Further support will be given under the RF. This has enabled better planning and reporting.

Technical assistance for implementing agencies (DRR and RB) as well as RD upon establishment

All activities were successfully completed. A technical expert was appointed to assist.

A3. Policy reformulation and capacity building in other transport sub-sectors:

This sub-component was to finance technical assistance and studies for the elaboration of transport sub-sector policies and strategies - urban planning and transport; aviation, rail, IMT and inland water transport aligned with roads sub-sector. These sub-sectors have been preparing their development plans in isolation from each other and no comprehensive study has ever been carried out to determine the impact of individual sub-sectors on the overall economy of the country.

Maseru Urban Planning and Transport Study:

The study had three objectives: i) To provide policy, institutional, financial and investment guidance regarding urban planning and management, urban transport infrastructure and transport services to the Maseru Municipal Council (MMC) for the next 10-20 years; ii) To formulate strategies for development of an effective urban planning and transport system in Maseru, as well as suggesting short and long-term improvements in management systems and service delivery, which will benefit the city's residents in the short, medium and long terms.; iii) To provide a policy, institutional, financial and investment framework regarding urban public transport infrastructure and associated services to the MMC for the short, medium and long term. This work was completed and although becoming outdated is used as a reference work.

Integrated transport study and policies development:

The aim was to achieve an integrated approach for all transport modes. This included reviewing and formulating policy for civil aviation, rail, IMT, and inland water transport, with the aim of arriving at an integrated multimodal transport policy aligned with the country's road sub-sector policies. Institutional arrangements for the sub-sectors were also reviewed and recommendations made. An inventory was developed of condition data for all transport infrastructures. The roles and responsibilities were also defined for regulatory, safety and management aspects. Finally, a strategic plan or roadmap was prepared for the development of aviation, rail, IMT and inland water transport infrastructure, and services.

Capacity building:

A training plan was prepared and capacity building was achieved through training activities and various courses. Some specialized training was undertaken outside the country. Training covered laboratory and quality control, information technology, strategic planning, administration, and several technical and financial aspects. Study tours to learn more about output and performance based road contracts were organized to Australia, New Zealand, and South America jointly with the road agencies of Botswana and Mozambique.

Late procurement Issue:

Component A was mostly funded from the EC Trust Fund, which closed on December 31, 2012. Because MPWT procurement began late in a number of instances, US$734,000 were not utilized and returned. The unfunded procurement covered mainly equipment.

Component B: Infrastructure Investments (original)

Improvements for the Northern Corridor through emergency repairs on the paved section Oxbow–Mokhotlong:

The road was originally designated for emergency repairs, but since it had further deteriorated rapidly due to a frost susceptible material in the base course, it was agreed that full rehabilitation would be done for 67 km, and one section of 40 km would be resealed.

Construction of two high level bridges over the Senqu and Senqunyane rivers, their approaches, and a section of access road:

This investment forms part of a multi-donor initiative on the Roma–Ramabanta–Semonkong-Sekake-Qacha's Nek South Eastern Corridor. It reduces the distance by 140 km between the two regional centers of Qacha's Nek and Maseru. The Roma–Sekake project involves the construction of a partly new road to create a new corridor between Maseru and Qacha's Nek. The infrastructure consists of a paved 7.4 m road, with high level bridges where required. An additional US$10 million was approved to cover a cost overrun for the Senqu and Senqunyane bridges. This overrun was due to substantial increases in the prices of fuel, bituminous products, and other materials, a decline in the US dollar against other key currencies, and competition from a multitude of projects associated with the Soccer World Cup Championships held in South Africa. In order not to stop the work on the bridges, the work was divided into two stages: stage one covered the extent of the work possible under the available budget and stage two was to cover the additional cost.

Subsequent to the approval of the Additional Financing, the Bank determined that the stage two works could not be financed if the selected contractor completed them, because the firm concerned had been debarred from bidding on any Bank-financed projects for a period of five years. However, this firm had already been appointed as contractor for the Senqu and Senqunyane bridges stage two works prior to the discovery of the debarment and invoices to the value of US$4.35 million had been paid, thus becoming ineligible expenditures. The Bank initially sought a refund from GOL for the erroneously disbursed amount, but because of GOL's lack of fiscal capacity brought about by the financial crisis, accepted the Government's request to provide substitute invoices for eligible stage one works that had been fully paid by GOL. Several defects were identified, the most serious of which was settlement on the bridge approaches and slope stabilization issues. Since it was unclear whether further settlement would occur the Bank advised GOL to appoint an independent professional to monitor the situation including through the rainy season. No further settlement was recorded, however, and in due course the defects were satisfactorily rectified and the work completed. Taxi services have now begun operating between Maseru and Qacha's Nek and locally. The Bank has also produced a short video on the benefits of the corridor.

Upgrading of Rural Roads, through the upgrading of 25 km of the Mantsonyane -Lesobeng road and the upgrading of 8 km of the Likotopong–Lints'a feeder road:

Prior to this sub-project, this area was largely inaccessible due to difficult terrain, but important for the socioeconomic development of the eastern region. Some 20 km were completed using labor-based methods and the remainder using equipment. The steep sections were asphalt surfaced. A further 13 km was funded by GOL exclusively. The contract involved drilling and blasting work due to the mountainous terrain.

Construction of footbridges in the Senqu/Senqunyane area as well as IMT access improvements, and the undertaking of HIVIAIDS interventions:

In addition to the study in component A above, construction of the access infrastructure (footbridges and tracks) was completed using small contractors. Originally it was planned that some IMT equipment such as bicycles, motorbikes and animal carts would be procured, but the Government requested the funds be used for river crossings. IDA gave a no objection

to the procurement of riverboats. All social sector activities (such as community radio and assistance to the clinic) were carried out including HIV/AIDS awareness programs.

Upgrading of roads: Nyenye to Makhoroane and Teyateyaneng to Mapoteng Junction, for a total of 64 km: Additional credit of US$5 million from the Pilot Crisis Response Window was part of a response to alleviate the negative impact on Lesotho of the global financial crisis. Periodic maintenance (resealing and repairs) to the value of US$5 million was to be undertaken covering two sections of road in the northern region: Nyenye to Makhoroane and Teyateyaneng to Mapoteng Junction, for a total of 64 km. Bank financing was used for Lot 1 (20 km), while Lot 2 (17 km.) is entirely financed by Government funding. There were initial delays in startup. Due to extensive floods in Lesotho, the resealing of the Teyateyaneng – Mapoteng and Nyenye – Makhoroana was replaced by the rehabilitation of Nyenye – Makhoroana (37 km) road only. The labor-based resealing and repair work was expected to generate 6,000 person-days employment during the project period.

Component C: Project Management and Monitoring and Evaluation.

Appointment of project staff and operating costs related to the execution of the project

The Project Management Office (or Project Implementation Unit) was established in February 2007 with 11 staff to coordinate and facilitate project implementation. Some key staff resigned in 2009 including the environmental and social coordinator, financial manager, and procurement compliance officer. After a disruptive delay all positions were eventually filled. Technical assistance was also given to the planning unit.

Table A2-1: Disbursements by Component and Financier (US$ millions)

Component A Reforms	**IDA**	**GOL**	**EU**	**Total**
Sub Total	0.12	-	10.32 #	10.44
Component B Investment**	**IDA**	**GOL**	**EU**	**Total**
Senqu-Senqunyane Bridges	15.57*	5.65	-	21.22
Senqu-Senqunyane IMT	0.28	0.06	-	0.34
Mantosonyane-Lesobeng	4.74	0.95	-	5.69
Oxbow-Mokhotlong Repairs	1.51	0.30	-	1.81
Nyenye-Makhoroana Lot 1	9.26	7.24	-	16.50
Nyenye-Mahhoroane Lot 2	-	18.30	-	18.30
Sub Total	31.36	32.50	-	63.86
Component C Management	**IDA**	**GOL**	**EU**	**Total**
Project Management/PPF	4.52	0.31	-	4.83
TOTAL	36.00	32.81	10.32	79.13

* Lot 1 only; # Excludes US$0.74m returned to EU not spent

Annex 3. Economic and Financial Analysis

The MPWT carried out an ex post project evaluation finalized in June 2015 on the costs and benefits emanating from the upgrading of the Mantsonyane–Lesobeng road and the corridor completed by the Senqu and Senqunyane bridge construction link. In addition, the Nyene-Makhoroane was also subject to a separate economic evaluation. The repairs to the Oxbow-Mokhotlong road were not evaluated because of their emergency nature, while the reform and project management components and the capacity building activities were not conducive to such analysis. About 78 percent of the final project cost was evaluated.

The completion of the remaining link in the Roma–Sekake corridor (i.e. the two bridges and their approach roads) effectively opened up a new main through route. Parts of the road did not exist before the construction; only a poor earthen track offered some access to the area. Movement was only possible between villages in the area for some 20,000 people by horseback, on foot, or via ferries (for river crossings). During the wet season even this was extremely difficult. The road has now been improved to offer a high quality pavement throughout its length. This reflects its potential for use as a long distance route for heavier vehicles in the future. Climbing lanes and passing places have been provided where appropriate. The route is 140 km shorter than the alternative through Quthing. Opportunities for tourism also became possible (e.g. the Maletsunyane Falls – the highest single drop waterfall in Africa). At the time of appraisal, the Roma–Sekake corridor was evaluated using the highway design and maintenance model HDM-3. It was based on projected traffic estimates (data not provided) and savings on using the longer alternative route. The economic internal rate of return (ERR) was estimated to be 15.8 percent and the net present value (NPV) 108.7 at a 12 percent discount rate.

The completion evaluation is based on the World Bank's multi criteria Economic Decision Model (RED) methodology and uses similar figures for expected traffic generation (35 percent). The report uses a recent traffic survey and shows that current traffic levels are around 450 per day on average, between Roma and Sekake. Input costs are higher than at appraisal, however, because the construction of the bridges cost much more than expected. The subcomponent was 27 percent of the final total project cost at completion. In order to assess the benefits of the investment, a calculation was made for a range of economic indicators. These included the ERR and NPV, calculated for the Senqu and Senqunyane bridges projects. An ex post ERR of 14.6 percent has been calculated and an NPV of 210.3 at 12 percent discount rate. Whilst this section was more expensive than anticipated, the benefits of this investment are considerable as the road improved access to a previously isolated area, and created a shorter through route, which significantly reduces the costs of travel between Maseru and Qacha's Nek and beyond.

The non-quantifiable benefits associated with the Roma–Sekake corridor include the effects of improving access to the area close to and between the bridges, which will create new economic opportunities, enabling better access to education and particularly health facilities that already exist in the area; potentially encouraging new tourism related investments in the area; increasing the resilience of Lesotho's road network to extreme weather and other events; and creating the opportunity for workers resident in the area to access employment opportunities throughout Lesotho and South Africa. As the road and bridges are completely new, the situation has changed from one with very little traffic and no crashes, to one with

higher levels of traffic with high speed. In this case it is expected that overall this would produce a dis-benefit. However, given the regional nature of the corridor, relatively high design standards have been adopted for this road, incorporating high levels of safety measures.

Turning to the Mantsonyane–Lesobeng road, it was passable only by four-wheel drive and not at all during wet periods. Traffic levels were around 80 vehicles per day. Whilst it was not possible to significantly improve the alignment of the road, which reflects the rugged topography of the area, major improvements were made in terms of width, safety, and passing opportunities. Around 27 km of the road were improved to gravel standard and the other 13 km were paved, reflecting the steep nature of these sections. An ERR of only 3.7 percent was calculated at a 12 percent discount rate. The NPV was 61.02. This is low, due to the difficult terrain and the need to pave the steeper sections. The main benefits include vehicle-operating costs and travel timesaving, which were assessed using the RED Model.[13] However, a major consideration in this case was poverty relief whereby part of the project was built using local manual labor funded through the Crisis Response Window. It was also recognized that the area served has higher agricultural potential than many other highland areas. This sub-project accounted for about US$5.69 million or 7 percent of the final total project cost.

Under the Additional Financing it was originally intended to apply periodic maintenance (resealing and repairs) to two sections of road (64 km) – Nyene-Makhoroane and Teyateyaneng-Mapoteng Junction. However, after heavy damage to both roads due to extensive flooding complete rehabilitation became necessary. Since there was insufficient IDA funding for the whole 64 km, the Bank focused on the first lot (20 km) of the Nyene-Makhoroane road, and GOL undertook to cover the costs of the latter (17 km) as well as the Teyateyaneng-Mapoteng road. The average daily traffic using the facility was about 585. An economic evaluation using the RED model was carried out by a different consultant in respect of these roads (37 km), indicating an ERR of 10.6 percent and an NPV of 69.07. In this instance a social discount rate of eight percent was used corresponding to the discount rate used for economic evaluations in South Africa in 2013. This was based on the fact that Lesotho and South Africa have similar repurchase rates, economic growth rates, and a common exchange rate. Costs, however, based on the actual bids were about US$6.3 million higher than expected, which made the rate of return marginal. No ERR has been calculated using the final cost figures. Given the fact that the villages benefitting from the improvements were frequently inaccessible during wet weather, and served areas of agricultural potential, the GOL nevertheless regarded this infrastructure as a high priority and the Bank acceded to this view. The final cost of the road is expected to be around US$34.8 million or 44 percent of total project costs (including GOL′s contribution), making this the costliest sub-project in the ITP. This may be compared with the Senqu-Senqunayne road section, which was 27 percent of total project cost.

It is a moot point as to whether the opportunity cost of these alternative expenditures were optimal for the Bank, but since the ineligibility of Senqu-Sequanyane (stage 2) contractor to receive Bank funds had not been highlighted in timely fashion, the Bank had an obligation to help GOL find a solution. The cost of US$34.8 million for the two lots involved was

[13] The RED model is suited for low volume unpaved roads with average daily traffic of <300.

somewhat higher than originally conceived, but the ERR was still close to minimum threshold requirements.

Operational and administrative efficiency

Looking back at the overall efficiency of the project there were further factors that need to be evaluated. The project experienced accumulated delays of three and a half years and nine years elapsed between approval and completion. Because the investment component took so long, the impetus to implement the sector reforms (26 percent of the original project cost) was largely lost and now these reforms will have to be picked up in the follow-on project. This is inefficient because some of the studies and recommendations will have to be updated because of circumstances that have changed in the meantime. Many officials who were involved in these initiatives have moved on and the process will have to start anew with different incumbents. There were missteps in not identifying soon enough that the contractor for stage two of the Senqu-Senqunyane bridges was debarred leading to ineligible expenditures and considerable embarrassment. While this is also a reflection of Bank performance it introduced unexpected and protracted delays that have affected the benefit stream.

Table A3-1: Annual Average Daily Traffic (AADT) Roma-Sekake Corridor

	Motor cycle	**Car**	**Pick-up or van**	**Mini Bus**	**Heavy Bus**	**Light Truck**	**Med Truck**	**Heavy Truck**	**Articulated**	**Total**
AADT Roma	5	110	317	201	2	5	31	36	14	721
AADT Between Bridges	0	31	107	44	2	9	9	6	5	213
Average AADT	**2**	**71**	**212**	**112**	**2**	**7**	**20**	**21**	**10**	**457**

Source: Consultant's estimates (rounded)

To ensure investment costs reflected resource costs, it was considered inappropriate to apply a conversion factor, as all inputs are freely tradable with South Africa. Unskilled labor has a shadow wage rate of one (1), reflecting that labor is highly mobile. The Maloti is tied to the South African Rand and the currencies are interchangeable. Removing customs duties and value added tax is thus the only measure necessary.

For the rehabilitation of the Nyenye-Mapoteng-Makhoroana road two further alternatives to the original assessment were also examined using a G2 base for the full section of the road and using a G2 base for the first 27.5 km and then a G5 base for the remainder of the road. However, these refinements made only a very marginal difference in the ERR. Use of the RED model was not warranted because the daily traffic was too high (varying between 2,422 and 567 per day).

Table A3-2: Vehicle Operating Cost Model HDM-4 Inputs

	Motor cycle	Car	4 x 4 wheeler	Mini Bus	Bus Medium	Bus Heavy	Truck Light	Truck Heavy	Truck Artic
Economic Unit Costs									
New Vehicle Cost (M/vehicle)	45,000	240,000	458,000	365,800	820,000	1,325,700	840,700	1,630,200	1,905,300
Fuel Cost (M/liter)	12.80	12.80	12.80	12.80	13.00	13.00	13.00	13.00	13.00
Lubricant Cost (M/liter)	61.00	61.00	61.00	61.00	70.00	70.00	70.00	70.00	70.00
New Tire Cost (M/tire)	820	1200	1500	1300	2000	4800	2150	4600	5200
Maintenance Labor Cost (M/hour)	122.50	122.50	122.50	122.50	122.50	196.888	196.88	196.88	196.88
Crew Cost (M/hour)	20.63	20.63	20.63	33.27	33.27	35.98	35.98	38.56	38.56
Interest Rate (%)	12.75	13.75	18.50	18.50	18.50	18.50	18.50	18.50	18.50
Utilization and Loading									
Kilometers Driven per Year (km)	25,000	25,000	80,000	80,000	50,000	50,000	80,000	80,000	80,000
Hours Driven per Year (hr)	800	800	1500	2000	2000	2000	2000	2000	2000
Service Life (years)	10	10	10	10	10	10	10	10	10
Percent of Time for Private Use (%)	1.00	10.00	10.00	10.00	10.00	10.00	10.00	1.00	1.00
Gross Vehicle Weight (tons)	0.15	2.00	2.50	6.00	15.00	20.00	15.00	20.00	30.00

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Gylfi Palsson	Sr. Transport Specialist	AFTTR	TTL
Carlos Fonseca	Consultant	AFTTR	Transport Economist
Colin Rees	Environment Specialist -	QAG	Environment
Henri Aka	Procurement Specialist	AFTPC	Procurement
Jonathan Nyamukapa	Sr. Financial Management	AFTFM	Financial Management
Linda Patnelli	Language Program Assistant	TUDTR	Language Program
Sariette J. Jippe	STT	AFTTR	Project Assistant
Subhash C. Seth	Sr. Highway Engineer	AFTTR	Co-TTL
Suzanne Morris	Sr. Finance Officer	LOAG2	Finance
T. Mpoy-Kamulayi	Lead Counsel	LEGAF	Lawyer
Tawia Addo-Ashong	Transport Specialist	AFTTR	Transport Specialist
Wendy M. Walker	Consultant	AFTTR	Social Scientist
Supervision/ICR			
Petrus Benjamin Gericke	Lead Transport Specialist	GTIDR	TTL
Sevara Melibaeva	Transport. Economist	GTIDR	ICR Team leader
Chitambala John Sikazwe	Senior Procurement Specialist	GGODR	Procurement Specialist
Tandile Gugu Zizile	Financial Management	GGODR	Financial Management
Antoine V. Lema	Senior Social Development	GSURR	Safeguards
Bjoern Stafbom		ETWTR	Team Member
Charles Annor-Frempong	Senior Rural Development	GFADR	Rural Development
Chitambala John Sikazwe	Senior Procurement Specialist	GGODR	Procurement
Colin P. Rees	Consultant	OPCQC	Safeguards
Desta Wolde Woldearegay	Program Assistant	GTIDR	Program Assistant
Edmund Motlatsi Motseki	Operations Officer	AFMLS	Operations Officer
Fang Xu	Senior Evaluation Officer	IEGPS	TTL
Joao Tinga	Financial Management	GGODR	Financial Management
Likeleli Theresia		AFMLS	Team Member
Suzanne F. Morris		CTRFC	Team Member
Wedex Ilunga	Senior Procurement Specialist	GGODR	Procurement

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY02	2.15	16,656.33
FY03	10.75	110,493.20
FY04	17.16	129,660.30
FY05	14.70	87,706.16
FY06	26.26	180,399.00
FY07	9.73	70,340.92
FY10[14]	2.25	9,013.50
Total:	83.00	604,269.00
Supervision/ICR		
FY07	1.90	102,690.40
FY08	12.40	101,019.80
FY09	18.35	177,984.60
FY10	20.61	163,441.00
FY11	21.73	117,558.60
FY12	24.83	154,793.50
FY13	17.19	108,345.70
FY14	26.46	103,985.80
FY15	11.41	76,924.63
FY16	1.80	23,835.27
Total:	156.68	1,130,579.30

[14] Additional Financing PE-P119443-LEN-BB -LS

Annex 5. Beneficiary Survey Results

Summary of the Social Impact Study of Senqu and Senqunyane Civil Works

The Social Impact Study, (May 2014), compared the findings of the baseline study, an Interim Social Impact Study and the current Social Impact Study. However, it found the interim study less reliable because of the limited sample size. All studies focused on the same communities in the vicinity of the Senqu-Senqunyane project area.

In respect of household headship, it was observed that in spite of the traditional practice in which men normally play the major role, some 37 percent of household heads were women. There were also more educated females than males in all the educational levels.

Subsistence agriculture is predominantly the traditional source of livelihood, but cash income predominates as the primary source of income. Those household members who were employed worked in the government and private sectors, and a high proportion worked in mining both in Lesotho and South Africa. Households often spent more than their available incomes by utilizing loans from micro-lenders.

The civil works construction associated with the road and bridges was undoubtedly the most important socio-economic development ever in the area and contributed to access to social services, educational facilities and businesses. Because of the civil works the supply of clean water and sanitation services has improved. Access to health services was also considerably better than before because it was no longer necessary to make difficult river crossings and taxis provided a door-to-door service. However, walking and horse riding are still the most used forms of transport for cost reasons. In fact taxi fares have actually increased due to a cartel of taxi operators. On the other hand people can now supplement their income by traveling to South Africa to buy goods and then re-selling these items locally at a profit on their return. Improvements have been reported in access to church and funeral services and to woolsheds, local courts, and administrative offices.

The baseline study showed that animal dung and wood were not used for cooking, but for lighting and heating. However, after the project, candles and paraffin were mainly used for lighting and limited use of solar energy and LP gas was reported – both were non-existent in the baseline study.

Enrolment in primary schools in the areas around the bridges increased significantly, since the rivers and associated floods were no longer a barrier to pupils. Vehicles from the Department of the Inspectorate under the Ministry of Education and Training are now also a common sight.

HIV/AIDS infection rates were reported by the communities to have increased despite awareness campaigns. This was thought to be due to the inaccessibility of condoms at construction sites that are also frequented by prostitutes. Some communities also complained about a lack of transparency and fairness in employment and working conditions by the contractors. Overall, however, most respondents believed that the benefits of the road far outweighed the negative impacts.

Annex 6. Stakeholder Workshop Report and Results

N.A.

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

1. PROJECT CONTEXT, DEVELOPMENT OBJECTIVES AND DESIGN

1.1 Introduction

This document is the contribution of the GoL to the ICR of the ITP, which was co-financed by the IDA through Grants and Credits (Grants H2550 and H6230, and Credits 42370 and 48270); and the European Union (EU) through TF90728. The Government, as well as its development partners, attached great importance to the achievement of project development results. It is for this reason that the ICR evaluates ITP execution and operation against the costs and benefits that are derived from the project finances. The ICR also provides an assessment of lessons learned, the co-financiers' performances in relation to their respective obligations under the financing agreements, as well as the extent to which the purposes of the finances were achieved. By providing project performance data, this ICR purports to assist the Bank in preparation of its ICR.

1.2 Context at Appraisal

When ITP was appraised in September 2006, the Government of Lesotho was already implementing the PRS 2004/2005-2006/2007, wherein eight strategic areas for achieving economic growth and poverty had been identified. Infrastructure Development, under which the transport sector falls, appeared as a third priority area in the PRS. Furthermore, the Transport Sector Program, 2004 – 2010, had already been adopted for guiding reforms within the sector, and ITP was planned to provide some impetus to the Program. Under infrastructure, within the PRS, transportation links are regarded as necessary and essential to the implementation of all strategic objectives. The importance of the transport sector to the country's economy was also elaborated in the Letter of Lesotho's Transport Sector's Policies and Strategies, which appears in the Project Appraisal Document. In the Letter the Government has reiterated its commitment to transform the transport sector into a vital service sector in order to attain its development objectives as reflected in both the National Vision 2020 and the PRS. The ITP was, therefore, meant to facilitate achievement of the Government's aspirations for an efficient transport system that ensures cost effective access to economic opportunities, markets and basic services, as well as reliable links to external markets and ports. The RRMP, a forerunner of ITP, kick started some elements of the desired reforms. The ITP came into being in 2006/2007 in order to boost or fast track the reform process and improve the socio–economic benefits of the poorest communities living in the remote rural areas.

1.3 ITP Objectives

The original Primary Development Objective (PDO) of the ITP was to enhance prospects for economic growth in Lesotho, through provision of an efficient and integrated transport system that is safe and affordable to improve access to services and market opportunities for all across the country. However, when ITP was restructured in August 2012, the original PDO was modified to focus on improving connectivity in selected transport networks in the country. It is, therefore, facilitating social service delivery and on-going democratization and decentralization program through assuming connectivity between and within regions, by way of addressing isolation problems. In addition, ITP was mandated to support the formulation of integrated policies and strategies for aviation, rail and water transport sectors with a view towards more coordinated transport sector management. The main thrust is still on the road

network, but with a view to establishing a more coherent and complementary multi-modal approach. The Project has three components, which comprise:

A. Policy and Institutional Reform;
B. Infrastructure Investments; and
C. Project Management, Monitoring and Evaluation.

The World Bank approved the ITP on October 19, 2006 for a total amount of SDR 15.9 million or US Dollar 23.5 million. The total estimated cost of ITP at appraisal in May 2006 was USD 38.2 million, with GoL financing USD 5.2 million, EC financing EUR 7.85 million or (USD 9.5 million equivalent) and IDA USD 23.5 million. It was declared effective on February 22, 2007 and was scheduled to close on June 30, 2011 initially. However, the closing date was extended twice to June 30, 2014 and June 30, 2015.

1.4 Project Components and Sub-Components

COMPONENT A: POLICY AND INSTITUTIONAL REFORM IN THE TRANSPORT SECTOR

Under this component transport sector management would be rationalized, sustainable road maintenance financing would be achieved, and transport sector management capacity improved.

This component was estimated at US $ 10.04 million and was supported by EC (US$9.50 million) and IDA (US$0.54 million). Three interrelated sub-components in support of Component A objectives are as follows:

Ai. Support for roads-subsector institutional reforms.

The reforms include setting up and capacity building for a Roads Directorate (RD), capacitating Local Authorities, and elaboration for private sector development.

Aii. The Roads sub-sector development and capacity support
Specifically, concerted efforts would be made to bring about a sustainable funding for routine and periodic maintenance, and of improving performance of the RF. Attention would also be given to other auxiliary functions of the MPWT such as road safety, basic access and mobility, contractor development and GIS.

Aiii. Other Sub-Sector Development and Capacity Support.
The focus here would be on policy reformulation and capacity building in other transport sub-sector (aviation, rail, inland water, IMT). A comprehensive Maseru Urban Planning and Transport Study was also included.

COMPONENT B: INFRASTRUCTURE INVESTMENTS

Targeted sections of the road network are improved through construction, periodic maintenance, and rehabilitation and upgrading, roads upgrading and opening of new corridors.

This component was estimated at US$23.38 million and was supported by the GoL (US$4.70 million) and IDA (US$18.68 million). Under this component, there are four sub-components:

(a) Carrying out of emergency repair works on the paved section of the Oxbow Mokhotlong road;
(b) Construction of two bridges over Senqu and Senqunyane rivers and related road connections;
(c) Upgrading of a rural roads - stretch of about 25 km on Mantsonynane-Lesobeng road and another stretch of about 8 km on the Likotopong-Lints'a feeder road; and
(d) Construction of footbridges and intermediate transport access schemes.

COMPONENT C: PROJECT MANAGEMENT AND MONITORING AND EVALUATION

Facilitation of project activities, institutional reform change and monitoring & evaluation, would be the main focus of this Component.

The component was estimated at US$2.78 million and was supported entirely by IDA (US$2.78 million).

1.5 Risk Assessment and Mitigation at Appraisal

(a) *Safeguard Aspects:*

At appraisal, Components of ITP likely to generate environmental impacts concerned civil works investments involving emergency repairs to paved sections of the Northern Corridor, construction of two bridges over the Senqu and Senqunyane Rivers, new roads, rehabilitation and upgrading of rural roads. As the proposed roads follow existing alignments it was realized that adverse environmental and social impacts would not be significant and would be readily mitigable, leading to the project being classified as B. It was foreseen that the impacts would be site specific and measures would be adopted to minimize any possible adverse impacts. The Environmental Assessments (EAS) were undertaken for the bridges and roads, and related mitigation measures were defined as part of Environmental Management Measures. By way of implementing the mitigation measures, the environmental and social clauses now appear in all civil works bidding and contract documents.

(b) *Social Protection:*

In order to contribute to poverty alleviation program in Lesotho, the project was designed to support the prevention of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS); improved access and communications to address maternal mortality; support to vulnerable groups such as orphans through food packages and seeds; and other road influential areas.

(c) Institutional Arrangement for Implementing Environmental Management Plan

The high risk associated with institutional reforms involved creation of positions, which were mandated to address and monitor the necessary work on safeguards. The positions comprise: Environment and Social Coordinator; Resettlement Desk; HIV/AIDS Coordinator; Statistical Office; and GIS Officer. Both the Environmental and Social Guidelines and the RAP were developed and implemented.

(d) *Project Risks*

The critical risks and possible controversial aspects that the Project faced in achieving the objectives and self-sustaining institutional reforms as well as strengthening RF management, were identified in conjunction with their associated mitigation measures. Some possible controversial aspects, which were rated high comprised increasing road user charges to improve the road maintenance financing, and social aspects of redundancies and aggravated unemployment problems resulting from the reforms and capacity constraints.

1.6 Implementation Arrangement

The MPWT, the parent Ministry for ITP has the overall management and implementation of the Project, while other ministries, departments and agencies are involved in implementing specific project components. For day-to-day Project coordination and management, the MPWT established an ITP Project Office, headed by a Project Manager. The other staff members comprised: a Financial Manager, Financial Controller and Financial Accountant; a Procurement Compliance Officer, an Environmental and Social Coordinator, with support of Secretary, Office Assistant and Driver. The ITP Project Manager reports to the Director of Planning. Monitoring and evaluation, which includes HIV and AIDS, gender, poverty alleviation and economic development associated with civil works, was to be carried out by the Planning Unit and ITP staff. Additional TA support to the Planning Unit included Statistician and Assistant statistician. The Project was to be overseen by a Project Steering Committee, chaired by Minister of MPWT and comprising higher-level representatives from the ministries of Finance and Development Planning, Public Service, Local Government and Office of Attorney General. A standing Technical Coordination Committee, led by Director of Planning and including the EC and World Bank would assist the Committee.

1.7 Partnership Arrangement

At the time of ITP design the principal development partners in Lesotho had already increased their consultation in policy dialogue with Government. The MPWT had indicated its intention to lead in donor coordination by way of improving shared understanding of the development challenges faced by lack of Lesotho transport. These developments resulted in a co-financing arrangement between IDA and EC, and an adoption of a Specific Investment Loan (SIL) by IDA while EC provided a grant.

1.8 Sustainability

ITP conforms to the objectives of the National Vision 2020 as well as the PRS. Furthermore, it was based on the six year Transport Sector Program in addition to a Letter of Sector Policy dated December 2005, and is, therefore, addressing the national priorities. As the ITP was planned to continue with reforms started by the RRMP, there was evidence, at the design stage, that the MPWT had become more proactive in implementation. For instance, the fuel levy and user charges were increased in 2006 in order to increase funding for road maintenance. The Road Maintenance Levy was increased by 100% from 15 to 30 Lisente/ liter of petrol, while diesel was increased from 20 to 40% Lisente /liter from 1st June 2006.

A commitment was made to adjust the user charges upward gradually on an annual basis to increase GoL resources for maintenance. Table 1 gives a picture of the revenue situation between 2011 and 2014.

TABLE 1: ROAD FUND REVENUE & ADMINSTRATIVE EXPENSES (in Maloti)

YEAR	REVENUE	ADMINISTRATIVE EXPENSES	%	COMMENTS
2011	102 068 383.00	18 470 914.00	18.10	Terminal benefits for all Border Post employees
2012	122 950 444.00	15 320 342.00	12.46	
2013	128 689 539.00	16 145 198.00	12.55	
2014	139 037 097.00	16 970 132.00	12.85	

Source: Road Fund

Another major factor that affected the Project was the cost for the two bridges. The risk element associated with the construction of two bridges over Senqu and Senqunyane rivers emanated from the low original cost estimate at project appraisal in May 2006. The bridges were estimated at USD 11.85 million, while the lowest evaluated bid price was USD 29.30 million, excluding price contingency. Table 2 shows the actual funding situation, which enabled completion of the bridges, as reflected in the Additional Financing Proposal.

TABLE 2: FUNDING SITUATION OF SENQU–SENQUNYANE BRIDGES WORK FROM APPRAISAL ESTIMATE TO CONTRACT COMPLETION

	The estimated cost at project appraisal (in US$m)			The lowest bid price (May 2007) and the contract value at negotiations (in US $m)			Total cost at contract completion (in US$m)			
	GoL	IDA	Total	GoL	IDA	Total	GoL	IDA	Total	Additional financing needs
Activity										
Stage 1	2.49	9.36	**11.85**	13.44	9.36	**22.80**	13.44	9.36	**22.80**	0.00
Stage 2	0.00	0.00	**0.00**	0.00	0.00	**6.50**	0.00	0.00	**6.50**	6.50
Price Escalation	0.00	0.00	**0.00**	0.00	0.00	**0.00**	0.00	0.00	**3.50**	3.50
Total	**2.49**	**9.36**	**11.85**	**13.44**	**9.36**	**29.30**	**13.44**	**9.36**	**32.80**	10.00

Source: Project Paper on a Proposed Additional Credit and a Proposed Additional Grant, Report No 54030

The high bid price for the bridges could be attributed to: (a) the global commodity prices inflation on fuel, bituminous products and other materials from 2006 to 2007; (b) the premium to attract international contractors as the construction industry was fully engaged due to 2010 World Cup in South Africa; and (c) decline in value of the US dollar with respect to other foreign currencies. At negotiations for the contracts related to the two bridges and associated road works in September 2007, the work was split into two stages. Stage one was construction of two bridges and approaches with earth roads, while stage two involved

completion of bridges approaches with bituminous road. At the time of signing stage one contract, whose contract duration was 24 months, there was a price escalation provision in the contract based on agreed formula. As indicated earlier, ITP Original Financing Agreement had insufficient funds to pay for such price escalation, unallocated funds included. The causes of cost overrun were outside the control of the borrower. The Additional Financing Agreement resolved the situation.

2. IMPLEMENTATION AND OUTCOMES

2.1 Project Components

As indicated in the previous chapter, ITP was mandated to provide appropriate road transport infrastructure on a sustainable basis, to encourage an environment in which affordable transportation services are available to service the economy and the citizens of Lesotho as well as reliable access into isolated areas where the poorest live. The achievement of these objectives was dependent on the following:

A. Policy and Institutional Reforms in Transport Sector

The Policy and Institutional Reforms in the Transport Sector were aimed at supporting MPWT in reviewing its portfolio mandate and rationalizing its service deliveries.

Sub-Component A (i): Support for Roads Sector Institutional Reforms

Under this Sub-Component ITP supported the establishment of Roads Directorate in December 2008 and assisted in delegation of certain tertiary and feeder roads to Local Authorities, in the main. The new RD has been designed to be a commercially oriented and professionally managed entity through appropriate legislation. It is well staffed and operating fully. The form of RD has taken some autonomy into account. By way of facilitating its proper functioning a consultant, SMEC, was engaged to spearhead the Change Management process of RD. Thus, SMEC was contracted to provide support for planning, design, and implementation of the new change management process. The key tasks for SMEC included; a review of the proposed organizational structure; a review of the Legislations of the new RD and Road Act; Capacity building program for staff; facilitation of consensus on the vision, goal and core activities of the RD; definition of minor roads and guidelines as well as the modalities of transfer to the MLG for management. The transfer of the 500km roads to the MLG was second pillar of the transport sector reform, and was consistent with the Government decentralization policy. Currently, the RD is well staffed and operating fully. It has minimal staff turnover in the key areas.

Sub-Component A (ii): Road Sector Development & Capacity Support

The ITP supported the Government's plan of bringing about a sustainable funding for routine and periodic road maintenance and of improving performance of the RF. The road works programs financed by the RF were identified and prioritized by the ministries responsible for construction and maintenance of roads as stated in Section (2) of the RF Regulation. Furthermore, the Fund covers new road works and road safety projects. In order to increase revenue, road user charges were increased in 2006. In 2008 the tollgate fees were

implemented, thereby raising the accumulation of funds in order to ensure sustainable financing for road maintenance and development. As the Government was committed to making the RF a sustainable entity so that it covers 90% of total road maintenance, by end of ITP, a consultant, AFRICON, was engaged to update the cost estimated for routine and periodic maintenance of the road network, as well as various collections scenarios for increasing revenue. A commitment to increase user charges gradually was made and implemented.

Sub-Component A (iii): Other Sub-Sector Development and Capacity Support

Under this sub-Component, ITP financed important studies, which comprised an Integrated Transport Study and Policies Development for other sub-sectors of transport (aviation, rail, inland water, IMT) and a comprehensive Maseru Urban Planning and Transport amongst others. Capacity building was also addressed in the subsectors, based on information from the studies reports. The recommendation from the studies led to skills upgrading training as well as professional enrichment for various categories of staff in all road agencies. In the Department of Traffic, for instance, Traffic Inspectors and Drivers Testing are now using guidelines that resulted from studies in those areas. In some areas the recommendations are being implemented piecemeal as part of the reform process.

B. Infrastructure Investments

This Component covered emergency improvement for the Northern Corridor which entailed Oxbow-Mokhotlong Road repairs; construction of Senqu and Senqunyane Bridges by way of contributing to South Eastern Corridor; upgrading of Mantsonyane–Lesobeng Road which was deemed critical for socio economic development of the eastern region which was Inaccessible due to difficult terrain; upgrading of Likotopong–Lints'a Road; and HIV and AIDS interventions associated with civil works which were intended for promotion of awareness and mitigation of HIV and AIDS on road projects, and was implemented in conjunction with some NGOs operating in the rural areas. Currently, to strengthen HIV and AIDS and related programs, tender evaluation process for civil works, by the Roads Directorate, ensures that some resources are made available for campaigns and training in contractors' implementation schedules. With additional funding from the Government, Mantsonyane-Lesobeng Road is now 40 km long as opposed to the initially planned 25 km.

On the whole, proper procurement procedures were adhered to for all civil works contracts. However, the procurement process for Senqu-Senqunyane Bridges took longer than expected due to the reluctance of the preferred bidder to extend bid validity period, in addition to all bids being too high and exceeding the budget. Even after selection of the second lowest evaluated bidder, the value of work for the bridges was still higher than available funds and led to: (a) increased share of financing to 55% by GOL, and (b) a request by GoL to IDA for revision of the Financing Agreement in order to incorporate appropriate changes. This situation resulted in Additional Financing Agreement being signed in October 2012.

C. Project Management and Monitoring and Evaluation

Project Management

Under this Component the financial and procurement guidelines were developed; the monitoring and evaluation (M&E) procedures, including those for social and economic development were developed and implemented; the training on social assessment and baseline survey, quality assurances, report writing and establishment of M&E system for Senqu and Senqunyane River Bridges and Associated Roads was conducted for Planning Unit and ITP staff. Technical assistance support was also provided to both Planning and ITP. With regards to the fiduciary aspects timely and satisfactorily audit reports were provided, in accordance with the Disbursement Letter. However, exception to the rule was the 2011/12 ITP Audit Report, which was delayed by seven months and submitted in April 2013 instead of September 2012. The delay was due to the FINPRO system, which collapsed, and the Auditing firm whose staff took longer than expected to complete the work.

Monitoring and Evaluation

The appraisal process of ITP developed a comprehensive results and monitoring framework, including outcome and intermediate indicators for PDOs and each Project Component, with well-defined target values. The data for the project outcome and results came from progress reports, financial reports, road condition surveys, road management system reports, baseline surveys, audit reports and Government published records. Training in M&E and social assessments was undertaken, and a functional M & E system installed in 2009. The Baseline Survey was conducted in 2006 while the Interim Social Impacts Study was completed in 2012. The Social Impact Survey was conducted and completed in 2014. All the three surveys covered the immediate area around Senqu and Senqunyane Bridges. The data was analyzed and compared with project outcomes and agreed performance indicators. Furthermore, the Results Framework and M&E arrangements in the PAD were revised to incorporate a Rural Access Index and the number of beneficiaries as core indicators, as well as, an indicator for "safe" transport system stated in PDOs. Quarterly monitoring and evaluation reports were submitted regularly.

Fiduciary Issues

Procurement

The project adhered to the Government's existing procurement policies and procedures for locally financed procurement, which were in harmony with those of the Bank. The IDA financed international procurement of works; goods and consulting services followed the Bank Standard procurement procedures and documentation.

Financial Management

The financial management system (FMS) was based on conventional accounting software called FINPRO/TOMPRO. The Project Accounts staff was trained for producing required financial reports to manage and monitor the Project, for all financiers. As part of Internal Controls, bank reconciliation for all project accounts was done quarterly, as well as submission of Financial Monitoring Reports (FMRs) as required by the Disbursement Letter.

The Project finances were released and utilized in accordance with the agreed financial schedule for all the three components. However, an exception was made to the two bridges where GoL ended up paying 55% of additional costs. The supervision mission reviewed the Project Financial Management (FM) arrangements in terms of correct recording of all transactions and balances, in order to ensure proper use of Bank's funds in an economic and effective way, for the purpose intended In this way the funds disbursement by donor, component and category were scrutinized. The FM objective assessment was then rated based on the Implementation Status and Results Report. The overall rating for ITP FM is satisfactory.

External Audits

External Auditors Reports were submitted on time with the exception of the report for the financial year 2011/12, which was delayed by 7 months, due to the TOMPRO system collapse and some delays by the selected Auditing Firm.

2.2 Safeguard Compliance

The Environmental Impact Assessment (EIA) of the ITP did not identify any salient adverse environmental or social impacts. The civil works components, especially, the roads followed existing alignments and the potential adverse impacts were not considered significant. The EAS were undertaken for roads and bridges (Senqu and Senqunyane) and mitigation measures were defined as part of EMP. However, the impacts for infrastructure investments were site specific, and measures were adopted to minimize adverse impacts. For instance, the road alignment was done to minimize impact on cultivated fields. The EMP was updated as well as the EAP in order to mitigate the negative impacts. The two documents were disclosed publicly at the relevant project areas. The Environmental/Social Coordinator was employed to ensure systematic application of environmental management measures. The households whose land was appropriated for infrastructure development were compensated in accordance with the newly developed Government's policies and procedures.

2.3 Co-financing Arrangement

The financial management, disbursement arrangements and procurement under ITP were satisfactory for all financiers. However, the EU funds, for Component A, were received late in 2008 and that affected timely start and payments of some consultants. In order to salvage the situation, funds from both IDA and GOL were used and refunded at a later stage. The Closing Date for EU funding was December 2012, after which the undisbursed funds amounting to US Dollar 734,198.47 were returned. Despite the delayed funds disbursement, all activities under component A were successfully implemented. The EU funds were received late because it took some time for both the PIU and the Bank staff to understand the EU requirements and procedures. The different dates for signing the EU Financing Agreement, with both GOL and IDA, were another delaying factor.

It is worth mentioning that despite the arrangement for IDA to finance 80% of Component B while GoL financed 20%, the exception of the rule applied to the Senqu and Senqunyane bridges, which ended up being funded by GoL to the level of 55%. Thus, the GoL ended up increasing its contribution from US$2.49 million to US$13.44 million to cover cost overrun

for the bridges while IDA's contribution remained the same as US$9.36 million, before Additional Financing Agreement was signed in October 2012. The increased contribution by GoL demonstrated its commitment to the Project and the importance of the Senqu/Senqunyane Bridges to the country's economy.

Furthermore, the increase of GoL contribution to the construction of two bridges and associated works reflects its anxiety for smooth running of the project while the Bank was looking into possibilities of additional funding. Thus, the GoL financed certain payment certificates 100% instead of adhering to the 80:20 ratio for civil works. The issue of cost overrun as well as the need to scale up certain activities, for the two bridges influenced a request for Additional Financing (AF) amounting to US$15 million from IDA's Pilot CRW[15], in January 2010. No changes to the PDOs were brought by AF, which was meant to cover, (a) the cost overrun for Senqu-Senqunyane bridges construction amounting to US$10 million, and (b) the costs amounting to US$5 million for resealing the 64 km of Nyenye-Makhoroana and Teyateyaneng-Mapoteng Junction roads. However, only the 37 km Nyenye-Makhoroana Road ended up being done, while the Government funded the 27 km Teyateyaneng-Mapoteng Road from own resources.

2.4 Mid–Term Review

The Mid-Term Review was held in May 25–June 4, 2009. The Review indicated that the Project had managed to achieve some of the targets, after the first two years of implementation. It also showed that for several activities two years was too short for realization of the targets. A major concern was delays in appointing Executive Secretary for the RF; timely submission of 2008/09 RF audit report; and appointment of Road Engineer in RF. This led to the Project rating for the achievement of development objective being ***moderately satisfactory*** at that time.

Other recommendations from the Mid-Term Review comprised: preparation of a comprehensive analysis of the status of the fund and projection throughout the life time of the ITP; time table for the amendment of Finance (Road Fund) Regulation 2005 in consultations with RD; appointment of technical assistance to strengthen technical capacity of RD in the design and supervision of bridges; revised Senqu-Senqunyane quality assurance plan with comments from RD TA; bidding documents, monthly progress reports on civil work activities; and action plan for social development components of the project. All these recommendations were successfully implemented.

3. ASSESSMENT OF OUTCOMES

3.1 Project Development Objective Indicators
Rating: Satisfactory

The Results Framework and Monitoring Indicators indicate that more than 90% of the targets were achieved by end of December 2014. The shortfalls are not significant. For instance, the conditions of good roads are reported as 38% against a target of 39%, while those in fair

[15] Only US$5 million of Additional Financing was actually financed through the Pilot CRW. US$8.5 million was from IDA Credit and US$6.5 million was IDA Grant.

condition are 50% against a target of 46%. Almost all targets for components A, B and C are achieved, showing that the ITP has satisfied the objectives for which it was designed.

3.2 Relevance of Objectives, Design and Implementation
Rating: Satisfactory

The ITP is highly relevant to the country's development objectives as stated in the Vision 2020, PRS, Transport Sector Policy, and the World Bank CAS. It is consistent with the Government poverty reduction and economic growth strategy by improving the rural and urban populations' access to basic services, markets, and employment opportunities. Through civil works and bridges in the remote and isolated areas, it has facilitated connectivity between and within regions as well as employment generation and marketing opportunities. It has complimented other Government efforts with a rich HIV /AIDS agenda in the project areas.

3.3 Justification of Overall Outcome Rating
Rating: Satisfactory.

The ITP is rated satisfactory because of its high relevance, achievement, and impact in the livelihoods of the poor who are in the remote areas. It has also created connectivity within and between regions, thereby facilitating social service delivery and ongoing decentralization and democratization programs, in accordance with the PDO.

3.4 Overacting Themes, Other Outcomes and Impacts
Rating: Moderate

(a) Poverty and Socio –Economic Impacts

Subsistence agriculture is predominantly the traditional source of livelihood in the area around Senqu and Senqunyane Bridges, as is the case in the rural areas of Lesotho. In recent years, according to various agricultural statistics reports, agricultural production is reported as having deteriorated significantly, forcing communities to look for other sources of livelihoods, particularly remunerative jobs. The annual household average cash per month was reported as LSL 8,600 in the Baseline Survey, LSL 7,708 for the interim survey, and LSL 5,611 in the social impact survey. Very few people receive cash incomes from small-scale businesses, which are coming up. According to the interim study, the overall socio-economic objectives of access had been realized, with small business enterprises locating in many areas where access had improved and prices of many commodities dropping due to the elimination of river crossing handling charges. Despite the appreciation of the infrastructure by the communities in the area around the Senqu-Senqunyane Civil Works (SSCW), poverty is still a major concern, which requires coordinated multi-sector approaches for its meaningful reduction.

(b) Employment

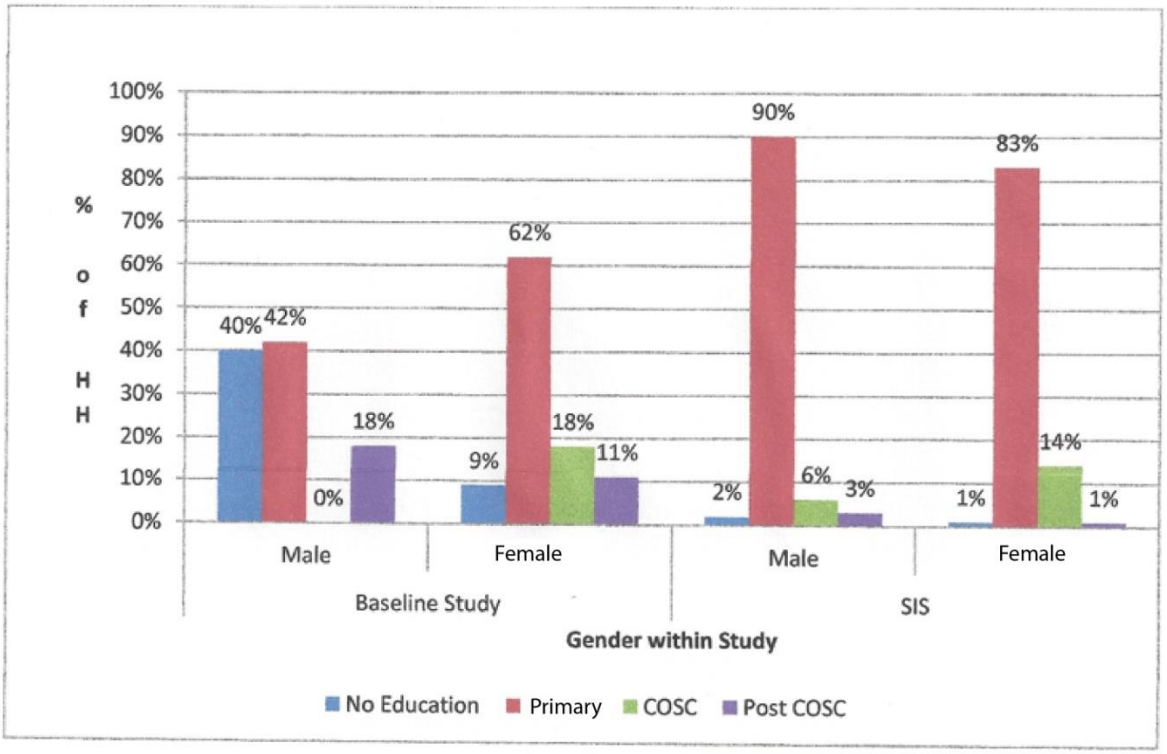
The SSCW has reported that the SSCW has contributed significantly in terms of employment

generation during the construction period. For Instance, the construction company, for Semonkong to Sekake, was committed to a total employment level of 233 people composed of permanent and casual labor, sourced locally on a monthly basis. Now that the construction phase is over, there is a shortage of jobs and many depend solely on subsistence agriculture. On the whole, employment creation was higher during construction phases for all ITP civil works and has since dwindled after completion. However, under Component A, capacity building for road agencies and contractors is contributing to more civil works contracts which create temporary jobs during construction.

(c) Gender Aspects

With respect to household headship, both the Baseline Survey, for SSCW area, and the Social Impact Survey confirm that a considerable percentage of women are household heads, about 37%, despite the traditional practice in which men normally play a role of household headship. Furthermore, in terms of gender differences in educational attainment at household level, the two studies showed that there were more educated female members than male counterparts in all educational levels.

Figure 1: Household Educational Level



Source: Final Report, Social Impacts Study of Senqu and Senqunyane Civil Works

With the completion of both Senqu and Senqunyane Bridges, there is a positive trend in clinic attendance and both primary and secondary education schooling, for boys and girls, because travelling to nearby schools has become easy.

(d) Access to Social Services

The construction of the Senqu and Senqunyane Civil Works (SSCW) has been reported by the Social Impact Study, as one of the most important interventions for socio-economic development in this area. It is contributing to improved access to social services (health services and schools) and is also facilitating transport infrastructure that is most essential for various business activities in the area. In the Baseline Study, 50% of the households reported constraints to access services due to transport constraints. A reduction in the situation was noticed in both the interim survey and the social impact survey where 31% and 19% still have constraints to road transport. It is worth mentioning that some of the positive externalities of the SSCW consist of water and sanitation facilities. The number of households who reported presence of community standpipes increased from 39% in Baseline Survey to 56.3% of households in the social impact study. Regarding improvements in sanitation, the Baseline Survey noted that 77% of households had no toilet facility. According to the social impact study about 68% had no toilets, showing an improvement of 9 % over the Baseline.

The 2011 Interim Social Impact Study did also confirm that enrolment in primary schools in the areas around the bridges increased significantly, since the rivers and associated floods were no longer a barrier to pupils. The vehicles from Department of Inspectorate, under the Ministry of Education and Training, have also become a common sight on the roads. On the whole, the general consensus from all sources, according to both surveys, is that the benefits that came with the SSCW and related access infrastructure far outweigh associated negative impacts.

4. ASSESMENT OF RISK TO DEVELOPMENT OUTCOME

Rating: Moderate

It has already been indicated that under Component A: Policy and Institutional Reforms in Transport Sector, a major emphasis was on establishment of the Roads Directorate and strengthening the RF. While there is a positive trend in revenue increase for the Fund, the actual road maintenance requirements supersede the available financial resources. If no action is taken to review and increase the road user charges, in accordance with the Letter of Transport Sector Policy as appears in the ITP Appraisal Document, chances of a proper and sustainable road maintenance on a long term basis will be reduced. The user charges and petrol levies generate revenue for the RF. The last increase of the roads user charges was made in 2010. The current collected roads user chargers are not adequate for the current maintenance needs. It is worth noting that both inflation and maintenance backlog put a heavy pressure on the existing resources, as well as capacity for the road agencies.

It is equally important and urgent to improve implementation capacity of the road agencies, which benefit from the RF revenue, to ensure full utilization of their allocation on an annual basis. This issue is also dependent on the capacity of the private sector, specifically, the contractors who need continuous short term training so that they are equipped with skills necessary for quality performance. Currently, the RF is financing training of contractors so that they are enabled to reduce the country's maintenance backlog. The training is intended to redress the low absorptive capacity, by contractors, which has a negative effect on the utilization of available financial resources. Thus, funding for capacitating the contractors in

the long run is essential, and will also be sustained by the revenue from the RF. In conclusion, if no efforts are made for a gradual increase of the rates for user charges and levies, coupled with strengthening of the road agencies, the Roads Directorate included, as well as the contractors, then sustainability of road maintenance will suffer hence a moderate rating. The reviews and increases are necessary from time to time, because even the maintenance backlog contributes to a heavy burden for the road agencies, which are already facing a huge road maintenance challenge.

5. PERFORMANCE OF THE GOVERNMENT AND THE CO-FINANCIERS

5.1 Assessment of the Government Performance

Rating: Satisfactory

The performance of the Government of Lesotho can be assessed as follows:

POSITIVE

- The PDO's were consistent and in conformity with the Vision 2020, PRS and Transport Sector Strategy;
- The Government demonstrated its commitment to development of the South Eastern Corridor by increasing its contribution to cover funding shortfall for Senqu-Senqunyane bridges, and by financing the Roma-Ramabanta-Semonkong-Sekake Road;
- Additional Funds were also provided for Mantsonyane-Lesobeng Road for a longer road completion at 40km instead of the original 25 km;
- Approving Legislation for Roads Directorate and its creation;
- Increasing its contribution to the Project during the extension period; and
- Increasing road user charges in order to meet road maintenance needs.

NEGATIVE

- Creation of a Steering Committee chaired by the Minister of MPWT. This was not a good decision to expect the ministers to oversee the Project policy matters and progress monitoring due to their several commitments, and
- Late external audit of ITP for the 2011/12 financial year

5.2 Assessment of IDA Performance

Rating: Satisfactory

The performance of IDA in the Project can be assessed as follows:

POSITIVE

- Project consistent with the Country Assistance Strategy;
- The Bank played a leadership role among donors in supporting road sector reforms and capacity building;
- Regular supervision missions. The missions provided the necessary support in project implementation, were constructive, and were strong in enforcing fiduciary measures and safeguards.

NEGATIVE

- Quality and effectiveness of some Task Team Leaders was inadequate. In this regard, some failed to elaborate remedial measures, in a timely manner, when asked to resolve a problem; and
- Delays in approving Additional Financing Agreement. (Request August 2011 – Response September 2012).

5.3 Assessment of EU Performance

Rating: Satisfactory

- The EU financed the necessary reforms, studies and training in line with the Transport Sector Program;
- The flow of the EU funds was challenging because it involved three agreements; and
- The prerequisites for disbursement were not clearly understood for almost the first two years of the Project effectiveness.

6. ECONOMIC AND FINANCIAL ANALYSIS

This section focuses on assessment of the level of benefits that have occurred to Lesotho as a result of the investment to improve the Mantsonyane–Lesobeng Road, and construction of Roma–Sekake Road including the major bridges at Senqu and Senqunyane rivers. According to the consultant, IMC worldwide, the benefits are quantifiable and non-quantifiable. The former relates to those benefits that are closely aligned to traffic movements like vehicle operating costs savings, travel time, non-time benefits and generated traffic. The latter, in addition to those already mentioned, comprises a broad range of other benefits which are currently not quantifiable, such as: improved access to health and education facilities; access to new employment opportunities, agricultural and livestock markets; incentives to the local tourism industry; and improvements in the overall resilience of Lesotho's road network.

It is worth noting that both roads represent considerable improvements on what existed prior to the investment, as indicated by the consultant, IMC worldwide, who prepared the economic analysis of the roads. The Mants'onyane–Lesobeng Road was passable only by 4-wheel drive and not at all during wet periods. The Roma-Sekake Road, especially the Semonkong–Sekake section, was non-existent before construction except a poor eastern track coupled with ferryboats. Before construction of the bridges, travel between several villages was difficult, expensive, time consuming, resulting in restricted movements for many households. The economic evaluation of the investment used both the NPV and the Internal Rate of Return (IRR), the same indicators used at appraisal for the whole civil works programme at appraisal. According to IMC, the IRR for the Mants'onyane–Lesobeng project is 3.7%. 'This is some way below the usual 'pass marks' of between 10% and 12% usually applied, but reflects the difficult terrain. This is due to higher costs, which cannot be reflected in higher levels of benefits'. The Roma–Sekake Project on the other hand has a higher IRR of 14.6%. The benefits of this latter project are considerable, given that the road has the twin benefits of improving access to a previously cut off area, and creating a long distance through route, which significantly reduces the costs of travel between Maseru and Qacha's Nek. In this regard, the benefits far outweigh the incurred higher than normal costs, due to terrain

and the two bridges. According to the Study, the effects of this investment are still revealing themselves, and could take more than 2 years, before fundamental changes in traffic patterns and socio-economic activity are fully realized. The IMC study shows that a large portion of user benefits are related to savings in vehicle operating costs, in three forms as follows:

- Benefits to existing traffic, applicable to both roads;
- Benefits accruing to traffic which diverts to a shorter route, applicable only to SSCW; and
- The impact of traffic generated by the new road, applicable to both roads.

While increasing levels of traffic are being seen on both roads, Roma–Sekake has a higher traffic flow because it is leading to Qacha's Nek, which is one of the major towns. Improved access to services, clinics, schools, marketing and business, as well as drastic reduction in drowning during river crossing, are some of the benefits emanating from the Government's investment on roads and bridges. The overall benefits from the investment on the two roads far outweigh the costs, and reflect a major contribution of ITP in opening socio-economic opportunities for livelihood improvement it the remote rural areas of Lesotho. In light of the benefits, resulting from investment in the southeastern corridor, the District Administrator in Qacha's Nek is quoted as confirming that 'the road is changing and improving family cohesion and demographics, making it possible for migrant workers to return home more frequently, due to the reduced time and cost of the journey'.

FINANCIAL ANALYSIS

It has already been mentioned that the ITP co-financing arrangement involved IDA, EU and GOL. The GOL provided its counterpart contribution all the time during the Project duration, and has exceeded its planned share of USD 5.2 million as appears in the appraisal document. The co-partners contribution was successfully disbursed and spent as per Project components and activities in line with Table 3. Almost all allocated funds' disbursement, with the exception of IDA 48270, has exceeded 90%. It is expected that by Disbursement Closing Date of 30 October 2015, the ongoing rehabilitation works at the Nyenye-Makhoroana Road will have raised the level of expenditure for IDA 48270 to over 90% as well.

TABLE 3: SOURCES OF FUNDS FROM IDA AND EU (IN XDR)

Source	Currency	Allocation	Disbursed	% Disbursed	Balance
IDA 42370	XDR	7, 600, 000	7, 589, 168.87	99.86	10, 831.13
IDA 48270	XDR	5, 800, 000	2, 815, 998.47	48.55	2, 984, 001.53
IDA H2550	XDR	8, 300, 000	8, 180, 768.82	98.56	119, 231.18
IDA H6230	XDR	4, 400, 000	4, 394, 811.91	99.88	5, 188.09
TF 90728	EURO	7, 850, 000	7, 288, 149.25	92.84	561, 850.75

SOURCE: World Bank Client Connection, 23 June 2015

Table 4 shows a good utilization of the Project funds by category, with categories 1, 3 and 4 being over 90%. All funds were successfully used for the activities for which they were

provided.

TABLE 4: IDA H2550 DISBURSEMENT BY CATEGORY (IN XDR)

Category	**Original (2006)**	**Revised (2012)**	**Revised (2015)**	**Disbursed**	**Balance**	**% Disbursed**
Civil Works	3,600,000	3,957,884	3,500,000	3,345,354	154,646	95.58
Goods	400,000	152,234	120,000	89,011	30,989	74.18
Consultations/Training	2,200,000	2,908,437	3,409,182	3,324,197	84,985	97.51
Operating Costs	400, 000	440,627	430,000	432,432	2,432	100
Refunding of Project Preparation	1,100,000	840,818	840,818	840,818	0	-
Unallocated	600,000	0	0	-	-	-
Total	**8,300,000**	**8,300,000**	**8,300,000**			

* Exchange Rate June 23, 2015 1XDR = USD 1.413580

SOURCE: World Bank Client Connection

7. LESSONS LEARNED AND CONCLUSION

Lessons

- The national documents like the Vision 2020 and the PRS as well as the Transport Sector Program facilitated consistency in PDOs;
- Some of the information emanating from the study reports is being used in various policies and operations by the beneficiaries, e.g. road safety, drivers training;
- Some reforms are in motion in a number of transport sector agencies like the Maseru City Council due to recommendations from the studies;
- Implementation capacity, by the private sector, for medium to large works contracts is still a big problem, despite contractors' training, and will be like that for some years;
- Additional resources are required to fast track the reforms;
- Training of senior staff, study tours included, has contributed to better performance and positive attitudes towards reforms;
- Some of the agreed sector reform measures have been carried out despite some resources constraints, few backlogs due to capacity constraints and high staff turnover in some MPWT departments and RD;
- Road Fund revenue has increased and is not being fully utilized by the Road agencies due to inadequate capacity. The Fund capacity has been strengthened;
- The Roads Directorate is well staffed and its performance is satisfactory. However, continuous refresher training is necessary. Staff turnover in key positions is not high;

- In the area of infrastructure investments, contractor training is practically improving performance. However, continuous training at all levels is necessary.

Conclusion

It could be said that the ITP was designed to be an investment and a reform in one single project. Its funding allocation by component supported this emphasis, whereby about 55.63% was for Component B: Infrastructure Investment; while about 26.29% was for Component A: Policy and Institutional Reforms; with 7.28% going for Component C: Project Management and Monitoring and Evaluation. Reforms are known to require institutional changes and attitudes, which are dependent on the political economy of the country as well as the urgency of issues to be addressed. The roads were urgently needed in accordance with the Transport Sector Program. In Component A only two activities, the RF and the Roads Directorate, appeared to have been given top priority due to their urgent need. In conclusion, a selection of fewer policies and reforms could have made their implementation easier given resources constraints and political economy. It is recommended that a phased approach, for implementing the recommendations from the various studies under Component A, be adopted by the **next** project.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Comments from the Government of Lesotho

It is worth noting that an HIV and AIDS framework and workplan was developed to guide all activities and processes in the Senqu and Senqunyane bridges project area. The workplan included interventions that were aimed at building the capacity of the workers in the construction project, the communities around and the community leaders. Issues of sustainability and exit strategies were built into the activities, i.e., involvement and forging of partnerships with change agents, non-governmental organisations (NGOs) and Community Based Organisations (CBOs) already operating in the area. Thus, the intention was to facilitate buy in to the HIV and AIDS programme by the communities, through empowerment activities, strengthening ownership and sustainability of processes.

It is against this background that numerous inroads were made towards management of HIV and AIDS in the bridges project area. The training that was provided emphasized social dialogue on a continuous basis. The MoPWT through ITP had forged partnerships with the existing change agents, NGOs, and CBOs, who were already experienced in the campaigns as well as training in HIV and AIDS. It was foreseen that the communities needed a lot of information about the pandemic, so that even when the project has expired or phased out, they would be enabled and motivated to continue practicing the preventive measures with minimum support from the change agents.

It is incorrect to assume that increased HIV and AIDS infections, as reported by the Social Impacts Study, was influenced by less attention to awareness campaigns after the departure of a full time HIV /AIDS Coordinator in the PIU. The PIU intervention was short lived by design and was merely boosting the already started activities by other change agents in the project area before and during the construction stage. The issue of condoms availability or not in the project area, was never the responsibility of the PIU. Despite the efforts made by all agents who tried to create awareness and provide training in preventive measures to the communities, the worsening level of poverty and poor agricultural production, as well as end of temporary employment in the area, are likely to have weakened the livelihood coping strategies, with the result being an increasing level of HIV and AIDS prevalence.

With regards to additional financing, the Nyenye-Makhoroana Road contract has stipulated that the campaigns and training, of the workforce and communities around the road, in HIV and AIDS prevention be given priority, amongst others. Activities regarding the HIV and AIDS awareness programme are included in the monthly contractor's progress report. There is an ongoing awareness campaign programme for the communities along the road, which is provided by Maluti Hospital, World Vision, Population Services International (PSI), the Contractor and the Ministry of Gender Youth and Sports.

Comments from Cofinanciers

The Delegation of the European Union thanked the World Bank for sharing the information in the ICR, but had only editorial comments on the text.

Annex 9. List of Supporting Documents

- Additional Financing Agreement between the Kingdom of Lesotho and IDA, October, 2010
- Aide memoires, project progress reports and implementation status reports
- Amendments to Legal Agreements, letters dated September 14, 2012 and January 28, 2014
- Country Assistance Strategy, 2006-09, Report 35621
- Country Assistance Strategy, 2010-14, Report 51787
- Economic evaluation of the rehabilitation of the Nyene-Mapoteng-Makhoroana road, Royal Haskoning DHV, October, 2013
- Financing Agreement between the Kingdom of Lesotho and IDA, November, 2006
- Guidelines for Reviewing World Bank Implementation Completion and Results Reports, a Manual for Evaluators, last updated Aug 1, 2014
- Implementation Completion Report Guidelines, OPCS, Aug 2006, last updated July 22, 2014
- Implementation Completion Report, Lesotho: Road Rehabilitation and Maintenance Project, Report 29279, World Bank, 2004
- Implementation Completion Report Memorandum, Transport Sector Policy and Institutional Reform Support (Lesotho), Trust Fund TF070805, December, 2012
- Implementation Completion Report, Integrated Transport Project, Ministry of Public Works and Transport, Government of Lesotho, June 2015.
- Integrated Transport Study and Policies Development, MPWT, October 2012
- Letter of Road Sub-sector Policy, Government of Lesotho, 1995
- Lesotho: Public Expenditure Review, Report 71973-LS, Africa Poverty Reduction and Economic Management, World Bank, 2013.
- Maseru Urban Planning and Transport Study, MPWT and Maseru City Council, June 2011
- Mid-term Review, Mission Report, June 2009.
- Progress Report on Country Assistance Strategy, Report 74890. April 2013.
- Project Appraisal Document for the Lesotho Integrated Transport Project, Report No: 36319, September, 2006
- Project Evaluation Report, Upgrading of Mantsonyane-Lesobeng Road and Senqu and Senqunyane Bridge Construction, IMC Worldwide for Ministry of Public Works and Transport, Government of Lesotho, June 2015.
- Project Paper for the Lesotho Integrated Transport Project, Report No: 54030, August 2010.
- Restructuring Paper, for the Lesotho Integrated Transport Project, Report No: 58365, December 2010.
- Restructuring Paper, for the Lesotho Integrated Transport Project, Report No: 63353, September 2011.
- Restructuring Paper, for the Lesotho Integrated Transport Project, Report No: 65061, August 2012.
- Restructuring Paper, for the Lesotho Integrated Transport Project, Report No: RES12354, January 2014.
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RES18097, February 2015.
- Review and Update of the Study of the Review of the Projected Road Maintenenace Needs and the Generation of Road Fund Revenue, Africon Lesotho for the Road Fund Secretariat, March 2010
- Social Impacts Study of the Senqu and Senqunyane Civil Works, Sechaba Consultants for Ministry of Public Works and Transport, May 2014
- Strategic Plan, MPWT, August 2010
- Summary of Discussion, Meeting of Executive Directors, World Bank Board document 72465, September 2012
- Supplemental Note to Proposal to Restructure, World Bank Board document 71279, July 2012.
- Transport Sector Policy, Planning Unit, Ministry of Public Works and Transport, Feb 2006
- Vision 2020, National Vision for Lesotho, Kingdom of Lesotho, Ministry of Development Planning, Maseru, 2000
- Visual Road Network Condition Survey: 2014, MPWT Roads Directorate, 2015
- World Health Organization, Lesotho: Statistical Profile, January 2015.