

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA121153

Project Name	Lesotho Transport Infrastructure and Connectivity Project (LTIC) (P155229)
Region	AFRICA
Country	Lesotho
Financing Instrument	Investment Project Financing
Project ID	P155229
Borrower(s)	The Kingdom of Lesotho
Implementing Agency	Ministry of Public Works and Transport, Roads Directorate
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	01-Aug-2017
Date PID Approved/Disclosed	04-Aug-2017
Estimated Date of Board Approval	19-Oct-2017
Appraisal Review Decision (from Decision Note)	
Other Decision	

I. Project Context

Country Context

With a per capita gross national income of US\$1,280 (2015) and a Gini coefficient estimated to be 0.54, Lesotho is one of the poorest countries in Southern Africa and one of the most unequal in the world. It is a small and landlocked country in the middle of South Africa, with a predominantly mountainous terrain and a population of two million. Over the past decade, Lesotho's economy grew at an annual rate of four percent per capita, comparable to the rest of the Southern African Customs Union (SACU) region. However, this growth has not been inclusive, resulting in persistent high levels of poverty and inequality. Lesotho underwent an important change in the drivers of growth, shifting from an economy dependent on net exports to one driven primarily by government spending. Public spending rose from 44.4 percent of Gross Domestic Product (GDP) in fiscal year (FY) 2004-2005 to about 63.1 percent in 2014-2015, one of the highest such ratios in the world. A national headcount poverty rate of 57.1 percent has virtually unchanged between 2002 and 2010. In 2016, estimates suggest that 56.3 percent of the Basotho still remain extremely poor. Moreover, inequality increased from a Gini coefficient of 0.51 to 0.54 over the same period of time. Per capita consumption of the bottom 40 percent of Lesotho's population contracted by 0.4 percent annually over the past five years, one of the world's slowest rates.

Political instability and decreasing exports have been hampering economic growth in the past few years. In 2015, GDP growth fell to a projected 1.8 percent due mainly to continuing political

instability, a slowdown in manufacturing and an under execution of public investment. The agriculture sector contracted because of losses in crop production due to early frost and heavy rains. In the last nine years, Lesotho's manufacturing sector's relative contribution to GDP declined from 20.1 percent in 2004 to 10.8 percent in 2013 as a result of stagnation in the textile and garments sector, due to the global economic crisis and the rapid growth in other sectors, notably mining. Due to difficult political situation, there has been an under-execution of public investment so its contribution to GDP this year was smaller than expected. Growth is expected to rise slightly from an estimated 2.5 percent in 2016 to 3 percent in 2017 due to weak growth prospects in South Africa, lower SACU revenues, and expected fiscal consolidation. The main contribution to the acceleration of growth will come from the mining sector in 2017.

Unemployment remains high and the fiscal situation continues to deteriorate. Lesotho faces an unemployment rate of 28 percent, with 32.1 percent of female labor force unemployed compared to 21.3 percent of males. Lesotho's fiscal outlook is deteriorating due to a decline in SACU revenues from 21.2 percent of GDP in 2015/16 to about 13.6 percent of GDP in fiscal 2016/17 and is expected to remain low in the medium term. Lesotho is assessed to be at moderate debt distress with a debt-to-GDP ratio of 47.8 percent.

The country remains vulnerable to the climate change with rising temperatures and rain deficits. Lesotho has declared a National Emergency as a result of prolonged drought experienced during the 2015/2016 planting season induced by the impact of El Niño. Water shortages in Lesotho do not only affect agricultural activities but also industrial production, access to basic services (e.g. health centers and schools) as well as household consumption patterns. Limited clean water availability is also having an impact on health – a 300 percent increase in diarrhea was reported between November and December 2015. The five remote mountainous districts are the most severely affected and hardest to reach. Food crisis in Lesotho usually peaks by the end of the year (prior to the next viable harvest). In addition to drought, in rainy season the rising river levels, floods and landslides create serious access problems for rural communities.

Lesotho has one of the highest HIV/AIDS prevalence rates in the world. According to UNAIDS estimates, 23 percent of Basotho people between the ages of 15-49 were infected with Human Immunodeficiency Virus (HIV) in 2015, 9,900 people died of Acquired Immunodeficiency Syndrome (AIDS)-related illnesses, and about 73,000 children under the age of 18 were orphaned due to AIDS. Since 2013, the overall number of new HIV infections stabilized to 18,000; however, the female adolescent population continued to experience an increase of 1,400 new infections. In terms of HIV awareness, only 39 percent of women and 31 percent of men in Lesotho have a comprehensive knowledge of HIV prevention measures and transmission risks.

Sectoral and Institutional Context

Transport system in Lesotho is dominated by road as the main mode with limited air and rail transport services. Private sector operators predominantly provide road freight services. The Government managed Lesotho Freight and Bus Services Corporation provides local transport service into remote parts of the country that have no viable commercial services. The country has scheduled international air transport service between Maseru and Johannesburg with no scheduled domestic air service. The international airport in Lesotho has not undergone certification and is not currently compliant with the international standards for safety and security. The only rail service available on a regular basis is a freight line from the Maseru Railway station to Bloemfontein. The rail network in Lesotho consists of a railhead of about 2.5 kilometers with some industrial sidings linked to the Maseru Station rail yard. Two freight trains run every day, carrying mainly cement, maize, fuel, and freight containers, making up about one-third of Lesotho's international trade in bulk goods. The Maseru Container Terminal

(Mascon) is a large-scale freight hub connected to Lesotho network of main roads via Moshoeshoe Road in the industrial area of Maseru.

Unevenly distributed road network hinders growth, especially in isolated highland areas with high agricultural potential. In the past 10 years, considerable investments were made to expand the urban and rural road networks and to rehabilitate existing roads for improved access. However, the road network is mostly concentrated in the lowlands and foothills, which constitutes 25 percent of the country's total area. Arterial roads connect all districts in Lesotho to nine border crossing points with South Africa, but relatively fewer rural roads connect villages and towns in highland districts of Thaba Tseka, Mokhotlong, Qacha's Nek, and Quthing that constitute the remaining 75 percent of Lesotho's territory and have high agricultural potential in animal and crop farming and production of wool and mohair. The poor condition of roads leading to the district capitals of Mokhotlong and Thaba-Tseka also constrains the access of rural farmers to urban markets to sell their produce. As a result, the 25 percent of Lesotho's population living in these remote highlands have limited connectivity to agricultural markets and business opportunities.

The tourism sector offers the greatest economic potential, but are constrained by poor quality road connections. With its rich natural scenery and unique topography, offering mountain hiking and skiing, hot springs and waterfalls, and caves with ancient rock art, Lesotho has the potential to become a highly sought tourism destination. There are 12 tourist sites that have been identified by the Ministry of Tourism, Environment and Culture (MTEC) of Lesotho and Lesotho Tourism Development Corporation (LTDC) that could attract greater number of visitors with better road access and connections. Among these are the fertile Khubelu river valley in Letseng area of Mokhotlong district that has a rich scenery highly attractive for tourism. The mountains and valleys in Malealea located in Mafeteng district feature beautiful sceneries, including a renowned Malealea lodge, which has been attracting hundreds of international and local tourists. The roads which lead to these areas are a major challenge hindering flow of traffic and year round access to the sites.

Majority of Lesotho's unpaved road network remains in poor condition due to inadequate levels of maintenance and limited absorbing capacity of the local contractors. The rugged highland areas covering three-quarters of Lesotho's land area continue to challenge the expansion of road infrastructure, as well as the maintenance of the existing network. The current national road network is in excess of 7,500 km in length. According to the 2014 visual condition surveys, the Roads Directorate (RD) manages 5,864 km of this network, of which only 1,526 km are paved and the rest are gravel (3,036 km), earth (1,170 km), and tracks (132 km). Of the paved roads, only 38 percent are in good condition, and 12 percent are in poor condition. The maintenance of the road network, including routine and periodic, is financed from the Road Fund (RF) and the Government budget. Based on the Lesotho Road Management System (LRMS), established under the previous World Bank (WB)-financed Integrated Transport Project (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, avoid further deterioration of the poor roads, and preserve the existing road assets. However, the current levels of capacity of the contractors are not adequate to undertake maintenance works, resulting in the growing maintenance backlog and in the low absorption of the financial resources allocated for maintenance. The rehabilitation backlog of the paved roads exceeds the norm by 2 percent and 90 percent of the unpaved roads remains in fair or poor condition.

Several years following the reforms to improve road sector management, the road institutions continue to experience institutional capacity constraints. As part of the road sub-sector reforms initiated with support of the WB-financed Roads Rehabilitation and Maintenance Project (RRMP), a number of institutional improvements were implemented. Among them were the establishment of the RF and

Road Board in 1998 and introduction of new practices to move road maintenance management toward private contracting. The reforms were continued with support of the ITP, under which the responsibilities for managing the national road network were shifted from the Ministry of Public Works and Transport (MoPWT) to a semi-autonomous RD set up in 2010 as an arm of the MoPWT, and management of the tertiary and feeder roads was decentralized to Local Authorities. Despite these improvements, the RD requires institutional strengthening to efficiently provide and maintain safe roads with better access and refocus management of road infrastructure for accommodating the impacts of climate change. In addition, the functions of the Road Fund, operational for several years, require a review to update its responsibilities in line with the changing road network requirements.

Lesotho also faces a number of challenges in road safety, with high fatality rates in densely populated districts and high road accident incidence in the mountainous terrains. Road safety problems in Lesotho are of two types: in the lower, more densely populated districts of Maseru and Leribe (where approximately 50 percent of deaths occur) pedestrians suffer unduly; secondly, due to particularly challenging driving conditions in the mountainous terrain and winding roads, the highland parts of the country have a high incidence of road accidents. Though the number of road deaths in Lesotho has been relatively stable in recent years, there was a surprisingly large (26 percent) reduction in 2014. The annual fatalities fluctuated around 300 from 2009 to 2012, a rate of around 15 deaths per 100,000 population. There was a substantial fall in deaths in 2014 and 2015 to 222 and 228, but the deaths rose again in 2016 to 318, a rate of 15.9 fatalities per 100,000 population. This compares with the rate of around 5 in the safest countries in the world. Analysis by age, revealed that for the years 2007 to 2009, between 11 and 26 percent of fatalities were aged 19 or under.

Road safety management capacity is weak in Lesotho, and the road safety reform has not been concluded due to lack of political support. At present road safety activities are led by the Road Safety Department (RSD) in the MoPWT. A proposal to establish a National Road Safety Council (NRSC) has been under discussion for several years based on the road safety policy paper written by the MoPWT in 2010 and approved by the Cabinet in 2011. However, it has not been acted on until recently, mainly due to lack of political support. The first Board meeting to launch the NRSC took place in June 2016, after five years of inaction. However, the necessary legal amendments need to be made in order to legalize the NRSC and enable its full operationalization and budgetary allocation. The MoPWT submitted an amended Road Traffic Bill to the Parliamentary Council in May 2017, but it has still not been approved.

II. Proposed Development Objective(s)

The proposed development objectives of the Project are to: (a) improve access to social services and markets in targeted rural areas of Lesotho, (b) strengthen road safety management capacity, and (c) in the event of an Eligible Emergency, provide immediate and effective response to said Eligible Emergency.

III. Project Description

Component Name

Improving the infrastructure access

Comments (optional)

The first component will include the construction of about 35 footbridges to improve access of rural population to markets and social services in isolated areas. This component also includes the carrying out of the following studies and services: (a) design and Environmental and Social Impact Assessment of the footbridges; (b) assessment study for introduction of output and performance-based contracting methods in the road sector; (c) monitoring/supervision of works contracts and development of Project

Monitoring and Management System to ensure transparency and accountability in managing works; and (d) preparation of necessary safeguards documents.

Component Name

Improving the road safety

Comments (optional)

This component will address road safety in a more integrated manner in order to achieve the Government's objective to meet the global decade of road safety aim of halving road deaths between 2010 and 2020. The following activities will be supported under this component:

- a) Sub-component 2.1: Support for capacity building and institutional strengthening of the Road Safety Department (RSD) of MoPWT and operationalization of National Road Safety Council (NRSC); and
- b) Sub-component 2.2: Establishment of an integrated record management system for revenue collection, driver's licensing, and vehicle inspection - Lesotho Integrated Transport Information System (LITIS), including preparation of the Needs Assessment Study.

Component Name

Institutional strengthening support to the transport sector

Comments (optional)

This component will include the necessary project implementation support, including implementation of citizen engagement (CE) mechanisms, HIV/AIDS and gender-targeted activities, capacity building support to the RD and MoPWT, preparation of the National Transport Master Plan, and technical assistance in designing and piloting community-based maintenance schemes to address sustainability of road assets.

Component Name

Contingency Emergency Response Component (CERC)

Comments (optional)

This component allows for the possibility to access resources for eligible expenditures in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency. This component is being proposed for incorporation into the project with zero allocation, given that Lesotho remains vulnerable to climate change with rising temperatures and rain deficits. Lesotho has declared a National Emergency as a result of the severe drought during the 2015/2016 planting season which has affected nearly 40 percent of the population.

IV. Financing (in USD Million)

Total Project Cost:	18.30	Total Bank Financing:	18.30
Financing Gap:	0.00		
Financing Source			Amount
International Development Association (IDA)			18.30
Total			18.30

V. Implementation

The proposed Project will be implemented by two implementing agencies, the RD and the Planning Unit of the MoPWT. Both entities have had prior experience with implementation of Bank-financed projects, but the Planning Unit will require strengthening of the project management and fiduciary

capacities. The RD will handle the implementation of all the civil works and related activities under component 1. The fiduciary capacity of the RD has been found adequate to undertake the implementation of component 1. The Planning Unit on behalf of the MoPWT will be handling the implementation of all activities under components 2 and 3.

The implementation capacity of the Planning Unit will be strengthened through hiring of Project Coordinator, Financial Management Specialist, and Procurement Specialist, funded under the project. Each agency would be responsible, inter alia, for: (a) the management of the environmental and social safeguards aspects; and (b) undertaking procurement and contract management activities for respective components. The Project Coordinator will be responsible for project management of the entire project, including component 1 implemented by the RD. The Project Coordinator duties will comprise, inter alia, the following: (a) the coordination for the project as a whole working closely with the Planning Unit and the RD and ensure timely submission of combined progress reports and other documents to the Bank; (b) follow up on submissions in coordination with the RD and Planning Unit of the MoPWT, as well as other stakeholders; and (c) report on the project implementation progress to the Bank and to a project steering committee (PSC) chaired by the MoPWT. The Project Steering Committee (PSC) will be set up with representation from the agencies and stakeholders engaged in the project. These will include, inter alia, the relevant departments of the MoPWT, the RD, the RF, MoLG, MoDP, MoF, MTEC, LTDC, Ministry of Agriculture and Food Security, Ministry of Trade and Industry, and Traffic Police. The PSC will be chaired by the Principal Secretary of MoPWT and be responsible for providing overall strategic guidance for the proposed Project, coordination with other sector interventions, as well as, the review and validation of the following, inter alia: (a) Annual Work Plans; (b) the Project evaluation and progress reports; and (c) the Project's financial management and accounting reports.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04	X	
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11	X	
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

VII. Contact point

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