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PROJECT PERFORMANCE ASSESSMENT REPORT

LESOTHO

ROAD REHABILITATION AND MAINTENANCE PROJECT
(CREDIT 2857-LSO)

January 25, 2006

Sector, Thematic, and Global Evaluation Division
Independent Evaluation Group

Currency Equivalents (annual averages)
Currency Unit = Lesotho Maloti (LSL)

1995	US$1.00	LSL 3.62
1996	US$1.00	LSL 4.30
1997	US$1.00	LSL 4.61
1998	US$1.00	LSL 5.55
1999	US$1.00	LSL 6.12
2000	US$1.00	LSL 6.94
2001	US$1.00	LSL 8.62
2002	US$1.00	LSL10.53
2003	US$1.00	LSL 7.57
2004	US$1.00	LSL 6.46

Abbreviations and Acronyms

AGOA	Africa Growth and Opportunity Act (USA)
CAS	Country Assistance Strategy
DRR	Department of Rural Roads
DTT	Department of Traffic and Transport
EDF	European Development Fund
GOL	Government of Lesotho
IEG	Independent Evaluation Group
ICR	Implementation Completion Report
KfW	Kreditanstalt fur Wiederaufbau
LCU	Labor Construction Unit
LHWP	Lesotho Highlands Water Project
MOPWT	Ministry of Public Works and Transport
MOW	Ministry of Works
MTR	Mid-Term Review
NRA	National Road Authority
PMMS	Pavement and Maintenance Management System
PPAR	Project Performance Assessment Report
PRSP	Poverty Reduction Strategy Paper
QAG	Quality Assurance Group
RB	Roads Branch
RCU	Road Construction Unit
RMMS	Road Maintenance Management System
RRMP	Road Rehabilitation and Maintenance Project
RSA	Republic of South Africa
SADC	Southern Africa Development Community
SAR	Staff Appraisal Report

Fiscal Year

Government: April 1- March 31

Director-General, Evaluation	:	Mr. Vinod Thomas
Director, Independent Evaluation, World Bank	:	Mr. Ajay Chhibber
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IEG Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by IEG. To prepare PPARs, IEG staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader IEG studies.

Each PPAR is subject to a peer review process and IEG management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System

The time-tested evaluation methods used by IEG are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the IEG website: http://worldbank.org/IEG/eta-mainpage.html).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible ratings:* High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. Possible ratings: Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Contents

This report was prepared by Peter Freeman, who assessed the project in April, 2005. The report was edited by William Hurlbut, and Romayne Pereira provided administrative support.

Principal Ratings

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Sustainability	Likely	Non-evaluable	Non-evaluable
Institutional Development Impact	Modest	Modest	Modest
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The ICR Review is an intermediate IEG product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

Project	***Task Manager/Leader***	***Division Chief/ Sector Director***	***Country Director***
Appraisal	Bernard Becq	Jeffrey Racki	Katherine Marshall
Completion	Gylfi Palsson	Sanjivi Rajasingham	Pamela Cox

Preface

This is the Project Performance Assessment Report (PPAR) prepared by the Independent Evaluation Group (IEG) for the Lesotho *Road Rehabilitation and Maintenance Project* (Credit 2857-LSO). The IDA credit to the Government of the Kingdom of Lesotho was approved by the Board of Directors on May 9, 1996, to the value of US$40.0 million, but only became effective on January 14, 1997 because of a failure initially to meet key conditions of the credit; the staffing of the project unit was of particular concern. This slow progress continued after implementation began and on October 17, 2000, following a Mid Term Review (by which time only 20 percent of the credit had been disbursed), US$14.0 million was canceled and the project scope was reduced. At project closure on December 31, 2003 the undisbursed balance of the credit was US$1.0 million.

The entire project including contributions from co-financiers and the Government of Lesotho (GOL) was originally US$129.0 million. This consisted at appraisal of US$40.0 million from IDA, US$17.0 million from the European Development Fund, and US$7.7 million from other bilateral donors, with the balance to be funded by GOL. The GOL component also included a commitment to 100 percent funding of routine road maintenance over the life of the project. US$124.4 million was eventually expended by project completion.

The project was selected for assessment because of the need to understand more fully the difficulties of institutional reform in a low-income country experiencing significant capacity constraints.

IEG prepared this report based on an examination of the relevant Staff Appraisal Report, Implementation Completion Report, legal agreements, project files and archives, as well as other relevant reports, memoranda, and working papers. Discussions were also held with Bank staff in both Washington DC and in Lesotho. An IEG field mission visited Lesotho in April 2005, conducted site visits, and discussed both the project and the effectiveness of Bank assistance with relevant officials and stakeholders. The mission appreciates the courtesies and attention given by these interlocutors as well as the support provided by the Bank's office in Maseru.

Following standard IEG procedures, copies of the PPAR was sent to relevant government officials and agencies for their comments but none were received.

Summary

The *Lesotho Road Rehabilitation Project* (RRMP) was approved by the Bank in 1996 and completed in 2003, two years later than planned, mainly due to early delays in meeting effectiveness conditions and slow start-up of capacity building and works activities. Experience from four earlier Bank funded road projects in Lesotho had shown that ongoing road maintenance activities were constrained by a lack of sustained operational and institutional capacity in the implementing agencies. The RRMP was therefore designed not only to restore sections of the improved road network which had reverted to poor condition, but also to strengthen the planning, implementation and management capacity of the responsible road sector agencies through policy and institutional reforms. This project was intended to assist the restructuring of the Ministry of Works and Public Transport (MOPWT) and to establish a sustainable road financing mechanism. The objectives as stated at appraisal for the RMMP were:

- To develop government capacity to maintain regularly the whole classified road network by the year 2000 and upgrade priority roads to improved serviceability standards;
- To improve access to isolated areas and basic services in district centers by facilitating road traffic and lowering transport costs;
- To develop further the emerging private local road construction and maintenance industry, using mainly labor-based methods; and
- To strengthen the planning, implementation and management capacity of the road sector agencies through policy and institutional reforms and capacity building.

The outcome of the project is rated **moderately satisfactory.** Although there was progress with enhancing the condition of the overall network, improving access to several remote communities, and the development of emerging contractors, the institutional objectives were not fully attained. When at mid-term, three years after implementation began, only 20 percent of the project funds had been disbursed, it was agreed that US$14 million of the credit should be cancelled and this in turn meant that the upgrading program had to be cut back. There is evidence that the delays in implementing the institutional reforms have started to impact negatively on the continued integrity of the road network.

Institutional development impact is rated **modest.** In addition to strengthening the capacity of the road sector agencies, an action plan for policy reform was agreed upon during preparation, but progress has been laborious. On the positive side two separate rural road agencies were combined under the Department of Rural Roads and a Road Fund was established, even though it took three years to become operational. Although the Letter of Sector Policy stated that all routine and periodic maintenance needs for the classified road network would be fully financed through the Road Fund, currently only about 60 percent of the required funding is provided, which is clearly insufficient.

Sustainability is rated **non-evaluable**, because of continued uncertainty with regard to the substance and effectiveness of the reforms. A proposal for a semi-autonomous roads agency was put to the Cabinet, but was rejected based on experience to date with existing authorities in other sectors in Lesotho. A new, less far-reaching proposal was subsequently drawn up, which envisages a Roads Directorate within MOPWT. The proposal would place the reform in the context of the ongoing decentralization effort and a substantial reduction in staff would be effected.

While the current proposal is less ambitious, it clearly addresses some of the core deficiencies of the current arrangements and will provide a platform for a further project, which can provide support during the implementation of the new institutional arrangements. The issue remains as to whether the degree of change will be sufficiently meaningful to ensure future sustainability.

Bank performance overall is rated **satisfactory.** During preparation, however, it overestimated local capacity and commitment to manage the extensive and difficult agenda in the project and Bank performance at that stage was therefore unsatisfactory. The project was successfully restructured, however, and supervision was good. Most institutional objectives were eventually accomplished and the follow up on outstanding issues has been very good.

Borrower performance is rated **satisfactory,** but with important caveats. Although preparation of the RRMP was constrained due to slow progress by the Government of Lesotho in developing an overall transport policy framework, enough progress was made to establish a basis for the project. After approval, however, there were serious delays in meeting the conditions of effectiveness and the continued lack of commitment and progress in the project's early stages meant that the project was rated unsatisfactory at mid-term. The cancellation of US$ 14 million motivated the Borrower to improve its support and the appointment of a full-time project coordinator made a significant difference to the rate of progress. Some important milestones such as the creation of the Road Fund, the privatization of the Plant and Vehicle Pool Services and acceptance of the move towards contract maintenance were achieved.

The following lessons, some of which are mentioned in the ICR, are presented below:

- Project design in countries with low capacity needs to be undertaken with special care. In particularly, the time needed for the reform process to achieve results should receive specific attention and it may be prudent to seek progress in small incremental steps, instead of one large over-arching project;

- Privatized road maintenance can yield significant benefits for the road sector in low-income developing countries. This project demonstrates the difficulties and the steps necessary to implement such a transition in these environments;

- Effective Road Funds need adequate revenue, independence and an effective governance structure. Because income from user fees is often insufficient to cover maintenance needs, an additional government contribution may be necessary;

- When major institutional reform is planned, it is important to ensure full government commitment at the highest level. This is not likely to be forthcoming until the decision makers fully understand the implications of change and this may take some time. A strong champion of the reform initiative can speed up this process;

Vinod Thomas
Director-General
Evaluation

1. Background

1.1 The Kingdom of Lesotho is a small, landlocked country completely surrounded by and economically dependent on South Africa (RSA). It has no substantial natural resources other than water and nearly half of its two million people live below the poverty line. The GNP per capita is only US$736 a year[1] and over 85 percent of the population lives in rural areas. Unemployment is about 35 percent, while the prevalence of HIV/AIDS is estimated to be at least 31 percent.

1.2 Lesotho's economy is based on limited agricultural production and some light manufacturing industry, mainly textiles and clothing. This emerging textile industry currently faces intense competition from low-cost Asian manufacturers, but has benefited from exports to the USA encouraged by the Africa Growth and Opportunity Act (AGOA)[2]. The economy is supplemented by a significant amount of remittances from Basutho miners working in the RSA, but this source of income is declining[3]. More recently, income has been derived from royalties and other benefits from supplying water to the RSA through the Lesotho Highlands Water Project (LHWP)[4].

1.3 This rugged and mountainous country depends very largely on privately-operated road transport. There is a two kilometer rail link from Maseru, the capital, into the South African rail network, but most freight enters or leaves the country by road. The difficult topography of the country has strongly influenced the evolution of the road network and most of the improved roads are concentrated in the western lowlands and adjacent foothills, except to give access to the LHWP. Accessibility to the highland areas is limited so that many roads can only be traveled easily in the dry season, and sometimes access is only possible with four-wheel drive vehicles.

1.4 Experience from four earlier Bank funded road projects in Lesotho showed that maintenance was hampered by the lack of sustained operational and institutional capacity in the implementing agencies. This led to an Infrastructure Engineering Project which focused on capacity building[5]. Progress did result in the allocation of funds in line with economic criteria and in starting to develop a local labor-based road construction industry. Some headway was also made in developing the administrative and financial capacity of the implementing staff, but unfortunately the impact of this was limited by the continual loss of trained engineers to the private sector or to neighboring countries. In addition it was clear that the road authorities were too fragmented and, in comparison to international norms, grossly overstaffed. This indicated that a serious re-think of the institutional arrangements was necessary.

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1. World Bank Country Brief (Lesotho), estimate for 2004.

2. Lesotho, Business Africa Report, Economist Intelligence Unit, March, 2004.

3. Lesotho Poverty Assessment, Human Resources Division, Report 13171-LSO, Southern African Department, Africa Regional Office, World Bank, Aug 18, 1995

4. Hassan, FMA Lesotho - Development in a Challenging Environment. Joint World Bank – African Development Bank Evaluation, OED, Washington DC, 2002.

5. Credit 2400-LSO, US$12.3 million, 1992; closed 1996.

1.5 The *Road Rehabilitation and Maintenance Project* (RRMP) was designed to restore sections of the improved road network in poor condition, but at the same time to strengthen the planning, implementation and management capacity of the road sector agencies through policy and institutional reforms as well as through capacity building. The Government of Lesotho (GOL) was to be assisted in restructuring the Ministry of Works (MOW) and in establishing sustainable road financing mechanisms.

2. The Project

Project Objectives

2.1 The project had four objectives which were not revised during implementation. These objectives emerged from recommendations of both the National Transport Study, undertaken in 1994 funded by several donors, and the Infrastructure Engineering Project funded through an IDA credit. The objectives as stated at appraisal for the RMMP were:

i. To develop government capacity to maintain regularly the whole classified road network by the year 2000 and upgrade priority roads to improved serviceability standards;
ii. To improve access to isolated areas and basic services in district centers by facilitating road traffic and lowering transport costs;
iii. To develop further the emerging private local road construction and maintenance industry, using mainly labor-based methods; and
iv. To strengthen the planning, implementation and management capacity of the road sector agencies through policy and institutional reforms and capacity building.

2.2 The first and fourth objectives were aimed at reforming policy as well as strengthening planning and management through regrouping all road agencies under the MOW (later to become the Ministry of Public Works and Transport). Objective two was intended to improve access to isolated areas, while objective three was principally directed at the emerging local road construction and maintenance industry through local capacity building, using primarily labor-based methods and in the process generating job opportunities to assist with poverty alleviation.

Project Components

2.3 The components can be divided into three groupings, namely, civil works; design and supervision; and institutional reform and capacity building. This information, together with their anticipated costs at appraisal and actual costs on completion, is detailed in Table 1.

i) Civil Works Program:

a) Gradual implementation of routine maintenance on the whole classified network and periodic maintenance on all sections in good or poor condition;

b) Rehabilitation of gravel road sections in poor condition that have deteriorated past the point of maintenance to as-built, maintainable standards and rehabilitation of priority trunk road sections;
c) Upgrading key selected rural earth and gravel roads to all-weather standards and four important trunk road sections from gravel to paved standards.

ii) Design, engineering and supervision:

Feasibility studies, detailed design, bridge assessment, supervision and studies for urban roads;

iii) Sector institutional reform and capacity building:

a) Support for implementing institutional reform to assist the GOL in implementing key regulatory and policy reforms, including restructuring the MOW and establishing sustainable road financing mechanisms to enable full government funding of maintenance and rehabilitation;

b) Establishment and development of capacity of main and rural road agencies; logistical support to the Roads Branch (RB) and Labor Construction Unit (LCU).

Table 1: Road Rehabilitation and Maintenance Project, IDA Components and Costs (US$ millions)

Components	Appraisal	%	Closure	%
Civil Works	25.6	(64.0)	16.0	(69.9)
Design, engineering and supervision	4.6	(11.5)	2.3	(10.0)
Sector reform and capacity building	9.8	(24.5)	4.6	(20.1)
Total	**40.0**	**(100.0)**	**22.9**	**(100.0)**

Source: ICR and SAR.

2.4 The entire project included parallel financing, counterpart funding by the Government of Lesotho plus a commitment from GOL to fund 100 percent of expected routine maintenance costs over the life of the project, (see Table 2). The total project cost originally amounted to US$129.0 million and comprised US$40.0 million from IDA, US$17.0 million from the European Development Fund (EDF), US$6.0 million from Kreditanstalt fur Wiederaufbau (KfW) and US$1.7 million from the Government of Ireland, with the balance to be funded by GOL. EDF focused on civil works, but also funded road safety and axle load control needs. The other donors concentrated on the rural access roads. In due course a total of US$124.4 million was expended under the project.

Table 2: Road Rehabilitation and Maintenance Project, Financial Contributions, All Donors (US$ millions).

Donor	Original	After MTR	Actual
IDA	40.0	22.9	22.9
EDF	17.0	35.1	34.0
KfW	6.0	2.3	2.3
Irish Aid	1.7	2.0	2.0
GOL (Counterpart) #	16.3	7.7	7.7
GOL (Maintenance)*	48.0	48.0	54.0
Total	**129.0**	**118.0**	**122.9**

Source: Borrower Implementation Completion Report[6].
GOL counterpart funding contribution
* GOL commitment to 100 percent funding of routine maintenance over project life.

Implementation Issues

Institutional Reform and Capacity Building Component

2.5 At appraisal the MOW comprised two road organizations, the Roads Branch (RB) and the Department of Rural Roads (DRR). These organizations had similar structures and support services leading to a duplication of resources in many areas such as regional offices, depots, stores, planning, accounting and the use of plant and equipment. There were also inconsistencies in the systems that each organization used. At government level no less than five ministries were involved in one or other dimensions of road transport in Lesotho. This was the reason for a study to assess "the feasibility of creating a single commercially orientated, autonomous road management institution – which could possibly take the form of a road authority"[7].

2.6 The institutional reform and capacity building component[8] was summarized as follows:

i. Improving cost recovery for maintenance;
ii. Restructuring the MOW;
iii. Restructuring/privatizing the Public Plant and Vehicle Services;
iv. Strengthening the road construction industry through contracting out and training;
v. Assessing the feasibility of an independent Road Authority;
vi. Defining environmental standards for road works;
vii. Addressing road transport issues (such as road safety, axle-load limit enforcement); and
viii. Having stakeholder participation in the Road Fund Board (which governs the Road Fund).

6. Road Rehabilitation and Maintenance Project, Final Report for IDA-funded Component, Ministry of Public Works and Transport – Planning Unit, Maseru, Government of Lesotho, March 2004.

7. National Road Authority Set-up Study, SMEC International Pty Ltd, Ministry of Public Works and Transport, Government of Lesotho, Sept 2002.

8. Letter of Sector Policy submitted to IDA before Board presentation.

2.7 Capacity building included strengthening the MOW implementation capacity including RB and LCU regional offices (financial, management contract supervision and maintenance systems); staff development to retain more local personnel and reduce dependence on expatriate staff; and a training program for middle management.

Quality at Entry

2.8 Although the components fitted well with the objectives and were consistent with similar projects elsewhere in Africa, the local capacity to implement the policy reform agenda was seriously over-estimated. The slow progress experienced with the earlier Infrastructure Engineering Project should have provided sufficient warnings that special support arrangements would be needed to drive through the extensive reform program included in the RRMP. There was an under-estimation of the time necessary to change government policies, especially when several different ministries had to agree on the way forward. Consequently, it took more than eight months to comply with the conditions of effectiveness and at entry the capacity bottleneck was inadequately resolved. Ultimately this led to project restructuring at the Mid-Term Review (MTR). Quality at entry was thus unsatisfactory.

Restructuring at Mid-term Review

2.9 The project had already been flagged as unsatisfactory prior to the MTR which was undertaken in July, 2000. After more than three years of effectiveness, only US$7.0 million of the credit had been disbursed; this was less than 20 percent of the amount approved by the Board. Also, during this period, the GOL had been distracted by a number of serious civil disturbances. The MTR rated the project as unsatisfactory on development objectives, implementation progress and project management. A revised work program was subsequently agreed with GOL and the IDA credit was formally reduced on October 17, 2000 by US$14.0 million. Most of the reduction was for road upgrading, which was in any case seriously behind schedule. Four actions were agreed to facilitate a recovery process. These were:

- i. A project coordination advisor would be hired;
- ii. A consultant would be engaged to carry out an institutional study, resolve delays in institutional reform and help design a new roads agency structure;
- iii. A procurement consultant would be recruited;
- iv. The RB would cease in-house direct construction and road improvement; and
- v. A consultant would be appointed to carry out a study of the road construction industry.

Size of network

2.10 The road network[9] in Lesotho has 1,217km of paved roads 3,758km of gravel roads and 2,462 km of earth roads, but much of the latter are in a very poor condition and cannot be regularly maintained either by DRR or local government. Typically such roads

9. Excluding Lesotho Highlands Development Authority.

are for basic access to dwellings and many are informal tracks with no status. The entire network is about 7,500 km in extent (see Annex B, Table B1). Present funding targets are germane to the classified or formal network. Given the current state of the Lesotho economy sufficient funding to upgrade and keep in good condition the entire network is at this stage a distant prospect.

3. Results

Objective 1*: To develop government capacity to maintain regularly the whole classified road network by the year 2000 and upgrade priority roads to improved serviceability standards.* ***Substantially achieved. (IEG weighting 30 percent)***

3.1 The civil works program was eventually substantially implemented. Routine maintenance, using GOL funds, was progressively undertaken over a large portion of the classified road network, exceeding the original target by 26 percent. This was possible because the project took two years longer than anticipated to complete. However, because of these same delays some gravel road sections deteriorated past the point of recovery for periodic maintenance and had to be rehabilitated. Under the DRR, 392 km of gravel roads were rehabilitated by small-scale works contracts. Government supervision and local private contracting capacity was significantly strengthened. A further goal was to have sufficient funds available in the Road Fund to cover routine and periodic maintenance by 2000. While the full target was not met, by project closure in 2003, 69 percent coverage had been achieved, which compared favorably with many other African countries[10]. Since, however, this coverage figure has fallen to 63 percent (by April 2005), caused by the hiatus in the finalization of institutional reforms. The DRR training center at Teyateyaneng, on the other hand, was successfully upgraded and is being used to train small-scale contractors and consultants in labor-based work; the facility includes an existing materials testing laboratory.

3.2 Upgrading of some roads using IDA funds was dropped after the MTR, but some of these roads were subsequently improved using EDF funds. Certain priority roads were successfully upgraded either from earth to gravel standard or gravel to paved standard. Table 3 below shows the original targets and the achievements.

Table 3: Progress against Targets (km) for Roads and Maintenance under the RRMP

Item Description	Target	Achieved	Comments
Routine Maintenance	4,040	5,098	Achieved after extension of time
Periodic Maintenance	499	315	Some roads required rehabilitation#
Rehab of proclaimed roads	200	140	Some deferred due to cost
Upgrade DRR rural roads	390	404	More roads needed rehabilitation#
Upgrade RB roads	90	0	Dropped at MTR. Some funded by EDF.

#Some rural roads deteriorated to the point where rehabilitation became necessary.
Source:ICR

10. For example, according to a Bank internal review of road funds, Uganda (80%) and Ethiopia (75%) have better coverage, but Ghana (50%), Malawi (40%), Tanzania (30%) and Zambia (23%) are worse.

3.3 Looking at the location of the roads upgraded and rehabilitated there is a small swing towards focusing more attention on roads in the highland areas, as opposed to the western lowlands as proposed in the GOL Letter of Road Sector Policy. However, some highland roads in the program, such as the Oxbow-Mokhotlong road had to be largely deferred due to the reduction of the credit amount available.

Objective 2**: To improve access to isolated areas and basic services in district centers by facilitating road traffic and lowering transport costs.* ***Highly achieved. (IEG weighting 20 percent)

3.4 All the rural access roads planned in the project (414 km) were rehabilitated and a study was commissioned by DRR to assess the impact of these roads. The rural residents considered improved access to be of huge value and this was confirmed by subsequent discussions by the IEG mission. Employment during construction was also important and most participants were able to work on these roads for an average of three months. Because the supply of labor far outstripped demand, the jobs had to be rotated to spread the benefits as far as possible. Although the baseline data were sketchy it is clear that the upgraded roads led to a range of small businesses being established and the affected communities also mentioned the improved access to economic and social services.

3.5 These positive impacts are consonant with both the Lesotho Poverty Reduction Strategy Paper (PRSP) and the Lesotho Vision 2020 Plan. Both documents confirm that such benefits are important in the fight against poverty, but propose a more integrated approach to poverty alleviation in these isolated communities. A more rigorous pilot project has also been concluded in the Senqu valley in which village mobility maps have been created[11].

Objective 3:** To develop further the emerging private local road construction and maintenance industry, using mainly labor-based methods.* ***Highly achieved. (IEG weighting 20 percent)

3.6 Training of small scale labor-based works contractors was very successful resulting in the training of 65 contractors, of which the IEG mission established that 50 had continued to supply services to MOPWT. Consultants have also become familiar with the design and supervision of small scale, labor-based contracts and customized software has been produced to design for quantities on an appropriately small scale. Construction supervision consultants also re-aligned and adjusted designs commensurate with the nature of labor-based works. The system for consultant and contractor training has been institutionalized by DRR and the IEG mission ascertained that this is highly regarded regionally, with some persons from neighboring countries even visiting to receive training.

3.7 The use of force account (departmental) labor for routine and periodic maintenance has also been virtually phased out by DRR. Trial contracts for upgrading

11. Ground-Truthing: Mapping Mobility and Access in Rural Lesotho. Lesotho MOPWT and World Bank, April, 2005.

works have also been undertaken. This has been a major shift in the philosophy as to how such roads should be managed. The RB meanwhile has encouraged medium-sized contractors to carry out periodic maintenance on main roads and this activity is now fully contracted out. Some of these contractors have combined forces to form a unit capable of winning international tenders.

Objective 4*: To strengthen the planning, implementation and management capacity of the road sector agencies through policy and institutional reforms and capacity building.*
Modestly achieved. (IEG weighting 30 percent).

3.8 Incremental progress with the strengthening of the capacity of the road sector agencies has been and continues to be made, but the speed with which each milestone has been accomplished has been very slow. Progress was retarded by the illness and subsequent death of the incumbent minister, while the issue of how proposed reforms would impact on plans to accommodate local government structures was also a delaying factor, now satisfactorily resolved. Positive initiatives have been the amalgamation of the LCU and the civil works section under the DRR, the privatization of the Plant and Vehicle Pool Services, the setting up of a Road Fund (with a board on which five of the nine members are from the private sector), and the establishment of a revenue stream from fuel sales and other sources into the fund. However, the institutional arrangements regarding the fund require further development and do not fully meet the requirements of GOL’s Letter of Road Sector Policy.

3.9 Limited staff training has been carried out and an institutional reform study was completed. Recommendations made regarding institutional reform including the establishment of a new organizational structure were only approved on September 20, 2005 and have yet to be implemented. Because until recently there was no clarity on the nature of the future road entity to be established, it was too soon to undertake the intended manpower development plan. A major difficulty remains the fact that the numbers of personnel involved in the road sector are much larger than required by international norms, pending further developments in the reform process.

4. Ratings

Outcome

4.1 Taking into account the achievement of the four objectives, two highly achieved, one substantially achieved and one modestly achieved, the rating for outcome is **moderately satisfactory.** This takes into account the higher importance of objectives 1 and 4 which had maintenance management capacity and institutional reform goals. Other factors are that US$14 million had to be cancelled from the project at mid-term (which meant that the upgrading program had to be cut back) and the very slow progress throughout the project on the institutional reform, which has started to impact negatively on the integrity of the road network.

Relevance

4.2 The relevance of the project objectives is **high.** Infrastructure, and especially access roads, are seen in the PRSP and the CAS as a key component in the poverty alleviation strategy. The need to create small contractors and create employment through labor-based road maintenance and construction are also important. Most important, however, is the strategy to address capacity constraints in the public sector and reduce inefficiencies in planning and resource allocation. The removal of these constraints is a critical part of the project.

Efficacy

4.3 The efficacy of the project is rated **modest**. With regard to the physical targets, most were achieved (see Table 3). The maintenance targets were exceeded and so were the rehabilitation targets, although the latter were exceeded due, ironically, to the inordinate delay before some roads could receive periodic maintenance, so that rehabilitation then became necessary. Some road sections scheduled for upgrading (especially the more expensive ones in mountainous areas) had to be deferred after the MTR deliberations, and the cancellation of part of the credit, although some were eventually reinstated, but implemented using EDF funds. The length of rural access roads to be funded under the project was exceeded, and a study by DRR confirmed that the communities affected greatly valued the improved access, the temporary employment opportunities provided by the labor-based road construction, as well as the opening up of several small businesses.

4.4 In addition, 65 small local contractors received training and local consultants started to adapt designs and supervision to accommodate emerging contractors. This was supported by the expansion of a training center for road contractors and consultants. Engineering services were undertaken and equipment was also purchased under the credit for laboratory use and was observed by the IEG mission to be in working order. Meanwhile the use of forced account labor was drastically reduced in favor of private sector contractors. Management capacity was extended through the privatization of the Plant and Vehicle Pool Services, the establishment of a Road Fund, and the establishment of a revenue stream from fuel sales and other sources into the fund. However, the institutional arrangements regarding the fund and the establishment of a new road organizational structure clearly required further advancement. Without an improvement over the status quo the existing institutional capacity will be insufficient to ensure that the road network will maintain its integrity in the future.

Efficiency

4.5 Project efficiency is rated **substantial.** The ERR calculated in the SAR for the rehabilitation of 10 road sections varies from 26 to 199 percent, but must be treated with caution since this was based on estimated traffic, as actual values were not available at that time. The ICR is more credible; it uses actual traffic count information, where possible, and gives ex post figures ranging from 10 to 73 percent. Traffic count data for a few of these road links were obtained by the IEG mission for 2005, and show that the A10 (Kingsway) had substantially higher traffic, while the A6 (Moshoeshoe) and the A2

(Airport) roads had experienced a slight decline. On the whole, however, the backlog in rehabilitation is such that a high return would in any case be realized from all the priority roads. The rural access roads were not subjected to economic evaluation and were appropriately justified using socio-economic criteria.

4.6 With regard to outcome indicators, the funding flows into the Road Fund were higher than expected, although still insufficient to cover more than two thirds of identified needs in the classified network. The condition status of classified roads in good condition in 1995 was 84 percent of paved roads, but only 8 percent of gravel roads[12]. At appraisal a target was set for 85 percent of paved roads and 70 percent of gravel roads to be in good and fair condition. By project closure in 2003 the figures achieved were somewhat lower at 80 percent and 60 percent respectively, but this was still a good step forward. In all probability these percentages will have declined in the meantime due to the drying up of international financial support influenced by the perceived procrastination regarding the implementation of institutional reforms. A new road condition survey has been planned, but to date no new information has been made available.

Institutional development impact

4.7 The institutional development impact is rated **modest.** In addition to strengthening the capacity of the road sector agencies, an action plan for policy reform was agreed upon during preparation, but progress has been laborious. In the meantime the general condition of the road network has been declining and there is insufficient work for the emerging contractors that have been trained. On the positive side a Road Fund has been established[13], but it took three years before becoming operational. Although the Letter of Sector Policy stated that all routine and periodic maintenance would be financed through the Road Fund, currently only about 60 percent of the required funding (including funds from the government budget) is provided.

4.8 The Road Fund Board has functioned erratically and members were appointed for short terms. At the time of the IEG mission the Board was effectively dormant because the Ministry of Finance had not renewed the members' appointments. This matter has, however, now been resolved and the Board has been appointed for a further term. Staffing and auditing have been constant problems for the Road Fund[14]. There has been capacity building in MOPWT and there has been a shift away from force account to the use of contractors. RB made a study of the construction industry, which made recommendations for training contractors and setting up a contractors' council, but this council has yet to be established. The Road Safety Section of the Department of Transport and Traffic has, however, been strengthened using the co-financing support from the EU. It now has its own budget and a Road Safety Act is now in place.

12. MOW Planning Management and Maintenance Database, 1995.

13. Road Fund Act, 1995.

14. Road Fund Report, Ministry of Finance, 2001/2002 and 2002/2003, Kingdom of Lesotho.

4.9 Nevertheless, the major issue remains the feasibility of a suitable organizational structure which will enable Lesotho to perform at a higher level in the roads sub-sector. A study to investigate organizational options was submitted in 2002[15] with the objective of finding a model which would increase accountability, transparency and service efficiency. In May, 2005 the MOPWT prepared a report on the recommended institutional reform for the roads sub-sector and recommended an autonomous or semi-autonomous road agency that would be run by a Board and a Chief Executive Officer[16]. Subsequent developments are described in the next section.

Sustainability

4.10 Sustainability is rated **non-evaluable** because of the continuing volatility surrounding the outcome of the reform process. A crucial justification for this project was to assist the GOL to develop capacity to regularly maintain Lesotho's classified road network. The strengthening was to be carried out through both policy and institutional reforms and capacity building. This followed experiences in the previous four Bank-supported projects in the road sector in which the capacity shortcomings had persisted, with only modest improvements being achieved. The retention of qualified staff in the road sector, especially engineers, has continued to be a grave problem and this will persist as long as there are more lucrative work opportunities in neighboring states. The need for drastic institutional reform has been on the table for many years, but appears not to have been pursued with the necessary vigor or urgency. In fact at the time of the IEG mission sustainability appeared unlikely, but recent developments have been much more positive.

4.11 These constructive developments began from about May 2005, when a workshop was held to discuss the way forward with representatives from the Ministries of Public Works and Transport, Local Government, Public Service, and Finance and Development Planning. A proposal for a semi-autonomous roads agency was subsequently put to an informal meeting of the Cabinet, where it was discussed and further deliberations took place afterwards with some affected Ministers who could not be present at the Cabinet discussion. The debate mainly revolved around:

- The role of and funding for the Road Fund;
- The right sizing of the personnel complement needed for the construction and maintenance of roads; and
- The employment and retention of highly qualified staff.

4.12 While accepting the need for reform, the Ministers were unenthusiastic about the idea of moving to establish a new authority, based on their experience to date with the operation of existing authorities in other sectors in Lesotho. A new, less far-reaching proposal was thus subsequently drawn up which now envisages a Roads Directorate

15. National Road Authority Set-up study, Final Report 2002, SMEC International Pty Ltd, MOPWT, Lesotho.

16.This was in accordance with the SADC Protocol on Transport, Communications and Meteorology.

within MOPWT. The Directorate would be empowered by legislation and would undertake functions that would ensure a comprehensive and improved scope of the management of the sector. The proposal would place the reform in the context of the ongoing decentralization effort, where tertiary and feeder roads would be under the responsibility of local authorities, while the primary and secondary roads would be under the responsibility of the Directorate.[17]

4.13 The cost of periodic and routine maintenance for the classified road network is estimated at approximately US$ 22 million annually (including administrative costs). Currently, funds (both from existing Road Fund and Government budget) for periodic and routine maintenance represent only 60 percent of these needs. The plan which was approved by Cabinet on September 20, 2005 states that the Government will maintain its current level of contribution from consolidated funds, and that border post toll charges, vehicle license fees and the fuel levy will all be increased. While the current proposal is less ambitious, it clearly addresses some of the core deficiencies of the current arrangements and the prospects for real change appear slightly more optimistic now than at any time previously. There is also an opportunity for the Bank to make funding available for assisting the implementation of institutional reform as part of a proposed credit for an integrated transport project, currently under appraisal. The issue remains as to whether the degree of change will be sufficiently meaningful to ensure future sustainability and the details must still be studied by the Bank in terms of the proposed “Roadmap” which has been drawn up.

Bank performance

4.14 Bank performance overall is rated **satisfactory,** but this is a marginal call**.** During preparation the Bank underestimated local capacity and commitment to manage the extensive and difficult agenda for the project and Bank performance was not satisfactory, because the result was the partial restructuring and cancellation of the project following the MTR. After this pivotal event, the performance improved considerably. The project

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17. The Directorate would be headed by a CEO who would be answerable to the Minister for the sector and assisted by five Directors. The CEO would be appointed by the Minister for the sector, while the five Directors would be selected “on the basis of merit through transparent competitive selection”. The present staffing level of the two current departments within MOPWT (RB and DRR) responsible for roads is now 1,309 against 1,867 established positions. It is projected that within five years of its establishment, the Roads Directorate would be staffed with about 140 positions (professionals, support staff and office assistants). No explicit redundancies would be made, but it is proposed that the staff rationalization would be achieved by the following means:

- Redeploy 355 officers to the Ministry of Local Government;
- Redeploy 140 redundant officers within the Ministry and to other Government Ministries;
- Reduce by natural attrition and encourage personnel to join the private sector, involving 678 staff members as follows:
    - 490 laborers, 104 supervisors, 84 trained technicians;
    - Some of these officers will be encouraged to resign and form construction companies – these will be trained as contractors and consultants for small jobs.

was successfully restructured and supervision was satisfactory. A Quality of Supervision of Risky Projects Assessment was carried out by QAG on two occasions and the project was rated as satisfactory except for "realism of project performance", which was rated marginal. Several, though not all, institutional goals were eventually accomplished. The addition of a computerized project management system at project inception to support the monitoring of the huge number of steps in the complex reform process might have assisted in speeding-up the implementation of the institutional reform component. After project closure intensive dialogue has continued to provide the basis for a further project in which the institutional reforms can be consolidated. Contact has also been maintained throughout with other international development organizations operating in Lesotho. Finally, the Bank should be commended for its flexibility with regard to the reform process. Rather than insist on a particular organizational model, the Bank's position has been that the type of institutional entity had to be Lesotho's decision. However, whatever model is chosen should improve the efficiency and effectiveness of the management of the road sub-sector. It is yet to be seen whether the institutional design proposed will be a sufficient response to a chronic problem.

Borrower performance

4.15 Borrower performance is rated **satisfactory,** but with important caveats. Although preparation of the RRMP was constrained due to slow progress by the GOL in developing an overall transport policy framework, enough progress was made to establish a basis for the project. After approval, however, there were serious delays in meeting the conditions of effectiveness and the continued lack of commitment and progress in the project's early stages meant that the project was rated unsatisfactory at MTR. The cancellation of US$ 14 million motivated the borrower to improve its support and the appointment of a full-time project coordinator made a significant difference to the rate of progress. Some important milestones such as the union of the LCU and civil works section under the DRR, the creation of a Road Fund, the privatization of the Plant and Vehicle Pool Services and the move towards contract maintenance were achieved to the credit of GOL. Overall, taking into account the severe capacity problems that GOL faced, the Borrower's performance was satisfactory, albeit marginally so.

5. Lessons Learned

The following lessons, some of which are mentioned in the ICR, are presented from this project:

- Project design in countries with low capacity needs to be undertaken with special care. In particularly, the time needed for the reform process to achieve results should receive specific attention and it may be prudent to seek progress in small incremental steps, instead of one large over-arching project;

- Privatized road maintenance can yield significant benefits for the road sector in low-income developing countries. This project demonstrates the difficulties and the steps necessary to implement such a transition in these environments;

- Effective Road Funds need adequate revenue, independence and an effective governance structure. Because income from user fees is often insufficient to cover maintenance needs, an additional government contribution may be necessary;

- When major institutional reform is planned, it is important to ensure full government commitment at the highest level. This is not likely to be forthcoming until the decision makers fully understand the implications of change and this may take some time. A strong champion of the reform initiative can speed up this process;

Annex A. Basic Data Sheet

LESOTHO ROAD REHABILITATION AND MAINTENANCE PROJECT (CREDIT 2857-LSO)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	129.0	124.6	96.6%
Loan amount	40.0	22.9	57.3%
Cofinancing	24.7	39.3	159.1%
Cancellation	-	15.0	-

Project Dates

	Original	*Actual*
Board approval	05/09/1996	05/09/1996
Signing	07/16/1996	07/16/1996
Effectiveness	10/16/1996	10/16/1996
Closing date	12/31/2001	12/31/2001

Staff Inputs *(staff weeks)*

Stage of Project Cycle	***Actual/Latest Estimate***	
	No. Staff weeks	US$('000)
Identification/Preparation	72.0	221.1
Appraisal/Negotiation	38.6	151.4
Supervision	140.4	660.2
Total	251.0	1032.7

Supervision includes ICR as this information is not recorded separately.

Mission Data

	Date (month/year)	No. of Persons and Speciality (e.g. 2 Economists, 1 FMS, etc)		Performance rating Impl. Progress	Dev.Objective
Identification/ Preparation	08/27/1991	2	Economist, Financial Analyst		
	03/1993	2	Highway Engineer, Financial Analyst		
	10/14/1993	2	Highway Engineer, Procurement Expert		
	03/1994	1	Highway Engineer		
	06/02/1994	1	Highway Engineer		
	10/1994	1	Highway Engineer		
	02/09/1995	1	Highway Engineer		
	04/14/1995	8	Highway Engineer (2), Financial Analyst, Economist, Civil Engineer, Pavement Management Specialist, Utilities Reg. Specialist, Human Resource Specialist		
Appraisal/Negotiation	07/03/1995	7	Highway Engineer (2), Financial Analyst, Economist, Civil Engineer, Pavement Management Specialist, Lawyer		
Supervision	06/24/1996			S	S
	10/05/1996	1	Sr. Operations Officer (1)	S	S
	02/07/1997	1	Team Leader (1)	S	S
	06/30/1997	3	Team Leader (1); Economist (1)	S	S
	12/12/1997	1	Engineer (1)	S	S
	12/12/1997	3	Team Leader (1); Engineer (2)	S	S
	03/18/1998	3	Team Leader (1)	S	S
	02/12/1999	3	Team Leader (1); Engineer (1); Former Team Leader (1)	S	S
	05/28/1999	2	Snr. Economist (1); Engineer (1)	S	S
	01/28/2000	3	Team Leader (1); Engineer (1); Consultant (1)	U	U
	07/14/2000	3	Team Leader (1); Operations Officer (1); Financial Specialist (1)	U	U
	01/26/2001	1	Operations Officer (1)	U	U
	03/25/2001	1	Operations Officer (1)	U	U
	08/02/2001	3	Highway Engineer (1); Mission Leader (1); Financial Management (1)	S	S
	02/16/2002	2	TTL/Economist (1); Civil Engineering (1)	S	S
	02/16/2002	2	TTL/Economist (1); Civil Engineering (1)	S	S
	06/21/2002	3	Team Leader/Economist (1); Transport Specialist (1) Civil Engineer (1)	S	S
	03/20/2003	4	TTL (1); Transport Specialist (1); Procurement (1); Highway Engineer (1)	S	S
	11/14/2003	8	TTL (1); PAS (1); FMS (1); Social Scientist (1) ; Engineer (1) ; Environment (2) ; Operations (1)	S	S
ICR	02/04	2	ICR Consultant Operations	S	S

Annex B. Lesotho: Extent of Road Network and Funding for Road Maintenance

Table B1 Road Network in Lesotho by Authority and type				
	Type of Road – km			
Authority	**Paved**	**Gravel**	**Earth/Other**	**Total**
Roads Branch	1 105.0	1 150.0	-	2 255.0
Department of Rural Roads	-	2 140.0	1 360.0	3 500.0
Maseru City Council	83.3	283.3	323.6	690.2
Ministry of Local Govt.	28.5	184.6	778.4	991.5
TOTAL	**1 216.8**	**3 757.9**	**2 462.0**	**7 436.7**

Source: "Study Review the Projected Road Maintenance Needs and the Generation of Road Fund to Revenue", carried out by Africon Lesotho, published by the Road Fund Secretariat, July 2003

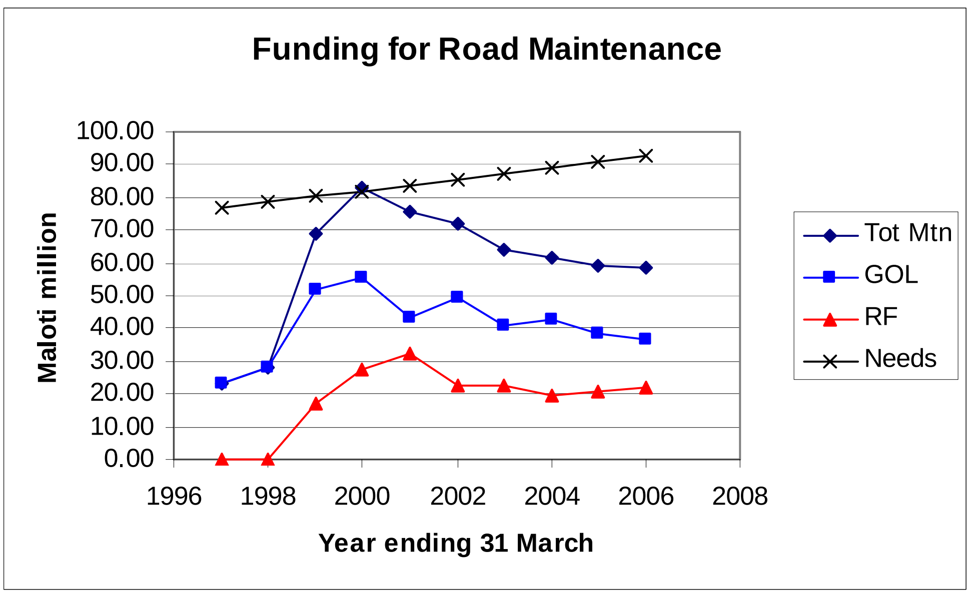

Table B2 Road Maintenance Funds by Source, Authority and Year LSL millions (Excluding administration.)				
Source	**Authority**	**1999-2000**	**2003-2004**	**2005-2006**
Treasury	Roads Br.	51.03	38.20	32.66
	DRR	5.65	5.86	3.23
	Urban	0.00	0.70	0.70
Road Fund	All	27.26	19.22	20.00*
Total Recurrent Allocation	Excl. admin	83.94	63.98	56.59

Source: Government of Lesotho Budget Book for the various years, Roads Fund Audited Accounts

* Estimate for 2005-2006 year for Roads Fund