

# PROJECT COMPLETION REPORT (PCR)

## A.PROJECT DATA AND KEY DATES

### I. BASIC INFORMATION

|   |   |  |  |   |
|---|---|--|--|---|
| <b>Project Number:</b><br>P-LS-DB0-09 & 10  | <b>Project Name:</b> Likalaneng -Thaba Tseka Road Upgrading - Lot1 (Likalaneng - Cheche's Pass) | <b>Country (ies):</b> Kingdom of Lesotho                               | <b>Month and Year of 98% Disb. Rate:</b><br>Feb 2009 | <b>Date PCR sent to</b><br>PCR@afdb.org |
| <b>Lending Instrument(s)</b> African Development Bank (ADF) Main & Supplementary Loans  |   | <b>Sector:</b> Transport   | <b>Environmental Classification:</b> Category II     |   |
| <b>Original Commitment:</b> UA 17.36 million (Main loan=10.53+Supp loan=6.83 for lot 1)   | <b>Amount Cancelled - After June 2010</b>   | <b>Amount Disbursed:</b> UA8.72million (main) & UA3.42 mil (Supp loan) | <b>Percent Disbursed:</b> 82.8% Main &50% Sup        |   |
| <b>Borrower :</b> Government of Lesotho Ministry of Finance   |   |  |  |   |
| <b>Executing Agency(ies)</b> [List the main Ministries, Project Implementation Units, Agencies and civil society organizations responsible for implementing project activities.]: The Roads Branch under the Ministry of Public Works and Transport was the Executing Agency until October 2008, when a Road Directorate was established that became administratively answerable to the Principal Secretary. A Project Coordinator, from Roads Branch was designated to monitor the activities during implementation.   |   |  |  |   |
| <b>Co-financers and other External Parteners</b> [List all other sources and amounts of financing, technical assistance or other resources used in this project]: The initial appraisal total cost of the project was UA 29.45 million of which UA10.53 million from ADF, KFAED (Lot 2) to contribute UA 7.37million, BADEA (Lot 3) to provide UA7.37million and the counterpart fund expected from GOL was UA 4.08 million. The revised re-appraisal total cost of the project was estimated as UA55.19 million in August 2006.The ADF increased its contribution to UA17.36 million. The Government is financing its counterpart allocation and the financial shortfall required on Lot 2 and Lot 3, equivalent UA 15.04 from own fund. |   |  |  |   |

### II. KEY DATES

|   |   |   |   |
|---|---|---|---|
| <b>Project Concept Note Approved by Ops. Com.</b> N/A | <b>Appraisal Report Approved by Ops. Com:</b> N/A | <b>Board Approval:</b> 29 October 2003 (Main Loan) and 01 November 2006 (Supplementary Loan). |   |
| <b>Restructuring(s)</b>                               |   |   |   |
|   | <b>Original Date</b>                              | <b>Actual Date</b>  | <b>Difference in months [Actual-Original]</b> |
| <b>EFFECTIVENESS</b>                                  | 28-févr-05  | 29-mars-05  | 1   |
| <b>MID-TERM REVIEW</b>                                | N/A   | N/A   | N/A   |
| <b>CLOSING</b>  | 31-déc-08   | 29-juin-10  | 18  |

### III. RATINGS SUMMARY

| CRITERIA             | SUB-CRITERIA                        | RATING   |
|----------------------|-------------------------------------|----------|
| PROJECT OUTCOME      | Acievement of Outputs               | 4        |
|                      | Achievement of Outcomes             | 4        |
|                      | Timeliness                          | 2        |
|                      | <b>OVERALL PROJECT OUTCOME</b>      | <b>3</b> |
| BANK PERFORMANCE     | Design and Readiness                | 3        |
|                      | Supervision                         | 4        |
|                      |                                     | 4        |
| BORROWER PERFORMANCE | Design and Readiness                | 4        |
|                      | Implementation                      | 3        |
|                      | <b>OVERALL BORROWER PERFORMANCE</b> | <b>4</b> |

### IV. RESPONSIBLE BANK STAFF

| POSITIONS         | AT APPROVAL | AT COMPLETION   |
|-------------------|-------------|-----------------|
| Regional Director | N/A         | A.D. Beileh     |
| Sector Director   | K. Bedoumra | G. Mbesherubusa |
| Task Manager      | S. Turay    | D. Gebremedhin  |
| PCR Team Leader   |             | D. Gebremedhin  |
| PCR Team Members  |             | P. Opoku-Darkwa |

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## B. PROJECT CONTEXT

Summarize the rationale for Bank assistance. State:

- what development challenge the project concerns,
- the borrower's overall strategy for addressing it,
- Bank activities in this country (ies) and sector over the past year and how they performed, and
- ongoing Bank and other externally financed activities that complement, overlap with or relate to this project.

Please cite relevant sources. Comment on the strength and coherence of the rationale.

**[250 words maximum. Any additional narrative about the project's origins and history, if needed, must be placed in Annex 5: Project Narrative]**

- The Poverty Reduction Strategy paper (PRSP) of the Government of Lesotho (GOL) recognizes that the development of rural roads makes an impact on economic growth and poverty reduction. It is in this context that GOL is committed to the implementation of Road Rehabilitation and Maintenance Program (RRMP) with the goal of improving the road transport operating efficiency, providing access to isolated rural areas and developing the institutional capacity of the sub-sector. The Likalaneng - Thaba Tseka road project has been conceived in this context and admitted into RRMP.
- The Bank Group's intervention strategy in the transport sector as contained in the Country Strategy paper (2002 - 2004) was consistent with the GOL's PRSP. The main thrust of the Bank's medium-term lending program in Lesotho was to support GOL agenda to reduce poverty in the mountainous areas where poverty is pervasive through projects and programs for sustainable growth, employment creation and human resources development. Under Bank financing for 2002-2004, the projects that offer good prospects of achieving these objectives were to emanate from transport sector with the aim of bringing basic and essential services closer to the people. This strategy focus contributed towards opening up the rural mountain areas to increased trade and exchanges with the rest of the economy thereby stimulating the agricultural sector, providing support to the other sectors and facilitating the GOL decentralization process.
- The Bank also provided supplementary loan which was consistent with the Bank Group's intervention strategy in the transport sector as contained in the Country Strategy Paper (2005-2007). The main reason was due to the project cost overrun that necessitated by global inflation in price of crude oil and currency exchange fluctuations, which was indeed outside the control of GOL. Furthermore the project was still technically sound, environmentally sustainable, socially desirable and economically viable; and its completion would enable the Bank and Government to achieve the development objective set forth at appraisal.
- The Bank Group commenced lending operations in Lesotho in 1974 and, as at 31 August 2009, had approved 49 operations amounting to UA 305.0 million in loans and grants. Following the cancellation of five operations totaling UA 52.47 million, Bank Group commitment stands at UA 252.53 million. In terms of sectoral distribution, transport and social sector are the largest recipients of Bank Group financing with shares of 36.0% and 27.2%, respectively. As of 31 August 2009, there were six ongoing operations, dominated by transport, followed by social and agriculture and rural development. This road project experienced substantial cost overruns on all Lots 1, 2 and 3, which are being financed by the ADF, Kuwait Fund for Arab Economic Development (KFAED) and Arab Bank for Economic Development for Africa (BADEA). The main reasons for the cost overruns were mainly due to the appreciation of the local currency and the increase in international price of oil. The overall performance of the Bank Group portfolio for the five active operations in Lesotho is rated satisfactory with an overall rating of 2.23 (on a scale of 0 to 3). (Source : Lesotho CPR 2009 Report , Sept 2009).

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## C. PROJECT OBJECTIVES AND LOGICAL FRAMEWORK

### 1. State the Project Development Objective(s) (as set out in the appraisal report)

i. to reduce vehicle operating costs and road maintenance costs and to improve the quality of road transport service levels between Likalaneng and Thaba Tseka. .

### 2. Describe the major project components and indicate how each will contribute to achieving the Project Development Objective(s)

The project had three components (i) Civil works through upgrading of 85 km of existing gravel road to Class A bitumen road starting with a width of 7.0-m carriageway and 1.0-m paved shoulders on either side of the Likalaneng –Thaba Tseka Road; The road works were implemented by the concerned donors under the following arrangement. Lot 1 (from Km 0 to Km 31 )- African Development Fund Component; Lot 2 (from Km 31 to Km 58)- Kuwait Fund for Arab Economic Development (KFAED) Component; and Lot 3 (from Km 58 to Km 85)- Arab Bank for Economic Development in Africa (BADEA) Component. (ii) Consultancy services for the supervision of the civil works. This included the recruitment of an experienced firm of consultants that on behalf of the Executing Agency undertook the contract and supervision services of the civil works. The responsibility of the consultant included also the following: assisting the Agency in tendering and tender evaluation process, contract award process for the civil works, review of land acquisition requirements, administer the construction contract, inspect the works, supervise the necessary quality control testing performed by the contractor, monitor the progress and the cost, preparation and submission of monthly, quarterly and final completion reports, and maintain close relations with the Executing Agency and relevant ministries and; iii) Project audit services that included an appointment by the Auditor General of a firm of external auditors that provided audit services for the overall project. The purpose of the audit service is to ensure that the loan were utilised solely for the purpose for which they were intended.

|                   |  |  |
|-------------------|--|--|
| <b>RELEVANT</b>   | a) Relevant to the country's development priorities  | The project was relevant to the country's sector goal of facilitating economic development and poverty reduction by improving the efficiency of the national transport infrastructure particularly in the rural mountainous regions of the country.  |
| <b>ACHIEVABLE</b> | b) Objectives could in principle be achieved with the project inputs and in the expected timeframe | The objectives could have been achieved if project was implemented according to its implementation plan. However, significant time delays resulted due to the high tender price offered by the bidders of the three lots. The financing gap was due mainly to the high price of crude oil per barrel in the global market in 2006. |
| <b>CONSISTENT</b> | c) Consistent with the Bank's country or regional strategy   | The project was consistent with the Bank Group's intervention strategy in the transport sector of Lesotho as contained in the Country Strategy paper (2005-2007) that support rural infrastructure development and enhancement of human capital development.   |
|                   | d) Consistent with the Bank's corporate priorities   | The project was consistent with the Bank's corporate priorities of transport development and sustainable economic growth.  |

4. Lay out the log. frame. If a log. frame does not exist, complete the table below, indicating the overall project development objective, the major components (minimum of two) of the project, the major activities (minimum of two) of each component and their expected outputs, outcomes, and indicators for measuring the achievement of outcomes. Please add additional rows for components, activities, outputs or outcomes if needed.

| COMPONENTS   | ACTIVITIES   | OUTPUTS   | EXPECTED OUTCOMES   | INDICATORS TO BE MEASURED  |
|--|--|---|---|--|
| <b>Civil works of Lot 1 (ADF financed)</b>           | Activity 1. Procurement for civil works (SPN, PQ, evaluation and award)                                  | List of pre-qualified contractors   | Competitive bidding   | Bids comparable to going rates   |
|  | Activity 2. Upgrading of two -lane bitumen road with 7.0 m wide carriageway for a total length of 31 km. | A 31-km of upgraded road with two-lanes and 1-meter sealed shoulders on either side of the road from Likalaneng to Che Che Pass(31-km section) of the project road. | Reduced vehicle operating costs (VOC) per vehicle km from USD1.026 in 2006 to USD0.522 in 2009; reduced average travel time cost per vehicle-km from USD0.043 to USD0.016 and reduced roughness index from 19.0 to 2.0. AADT increased by 23% fom 601 in 2006 to 742 in 2010. | Vehicle operating cost savings, travel time savings, road roughness and traffic counts.          |
| <b>Consultancy Services for Supervision of Works</b> | Undertake pre-contract services for pre-qualification and tendering                                      | Design review reports, bidding documents and bid evaluation report  | Smooth bidding process  | Quality of documents.  |
|  | Supervision of theLikalaneng - che Che pass (31 km) Road   | Monthly and quarterly reports   | Good quality of the works in conformity with the project specifications and expected time. Cost effective project.  | Project activities undertaken within the agreed timeframe in conformity with the project design. |
| <b>Carry out audit Services</b>                      | Carry out audity services.   | Audit reports   | Compliance with loan agreement provisions   | Financial management   |

5. For each dimension of the log. frame, provide a brief assessment (up to two sentences) of the extent to which the log. frame achieved the following. Insert a working score, using the scoring scale provided in Appendix 1. If no log. frame exists, score this section as a 1 (one).

| LOG. FRAME DIMENSIONS |   | ASSESSMENT  | WORKING SCORE |
|-----------------------|---|---|---------------|
| <b>LOGICAL</b>        | a) Presents a logical causal chain for achieving the project development objectives | The Appraisal Reports of the Main and supplementay loans present a project matrix in a logical framework approach that captures the project development objectives. | 3             |
| <b>MEASURABLE</b>     | b) Expresses objectives and outcomes in a way that is measurable and quantifiable   | The project matrix expresses the objectives and outcomes in a measurable and quantifiable way.  | 3             |
| <b>THOROUGH</b>       | c) States the risks and key assumptions   | Partially. Some project implementation related risk (high tender price) was not captured.   | 2             |

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### D. OUTPUTS AND OUTCOMES

#### I. ACHIEVEMENT OF OUTPUTS

In the table below, assess the achievement of expected vs. actual outputs for each major activity. Import the expected outputs from the log. frame in Section C. Score the extent to which the expected outputs were achieved. Weight the scores by the activities' approximate share of project costs. The overall output score will be auto-calculated as the sum of the weighted scores. Override the auto-calculated score, if desired, and provide justification.

| MAJOR ACTIVITIES  |   | Working Score | Share of Project Costs<br>(as stated in Appraisal Report) | Weighted Score |
|---|---|---------------|---|----------------|
| Expected Outputs  | Actual Outputs  |               |   |                |
| A 31-km of upgraded road with two-lanes and 1-meter sealed shoulders on either side of the road from Likalaneng to Che Che Pass(31-km section) of the project road. | A 31-km of upgraded road with two-lanes and 1-meter sealed shoulders on either side of the road from Likalaneng to Che Che Pass(31-km section) of the project road. | 4             | 94,29   | 3,7716         |
| 2. Undertaking quality supervision on upgrading of the 31-km from Likalaneng to CheChe's Pass in accordance to the design.  | Quality supervision of the road project.  | 4             | 5,34  | 0,2136         |
| 3. Produce and submit the required audit reports  | Audit reports were overdue and disbursements were suspended.  | 2             | 0,36  | 0,0072         |
| <b>OVERAL OUTPUT SCORE</b> [Score is calculated as the sum of weighted scores]  |   |               |   | 4              |

Check here to override the calculated score

**Provide justification for over-riding the auto-calculated score**

Insert the new score or re-enter the autocalculated score

4

## II. ACHIEVEMENT OF OUTCOMES

1. Using available monitoring data, assess the achievement of expected outcomes. Import the expected outcomes from the log. frame in Section C. Score the extent to which the expected outcomes were achieved. The overall outcome score will be auto-calculated as an average of the working scores. Override the auto-calculated score, if desired, and provide justification.

| OUTCOMES  |   | Working Score |
|---|---|---------------|
| Expected  | Actual  |               |
| 1. Reduced vehicle operating costs per vehicle -km from USD\$1.026 in 2006 to USD\$0.5212 in 2009.Reduced average travel time cost per vehicle-km from UAD 0.043 in 2006 to USD0.016 in 2009. | 1. Reduced vehicle operating costs per vehicle -km from USD\$1.026 in 2006 to USD\$0.5212 in 2009.Reduced average travel time cost per vehicle-km from UAD 0.043 in 2006 to USD0.016 in 2009. | 4             |
| 2 Reduced roughness Index from 19.0 in 2006 to 2.0 in 2009.   | 2 Reduced roughness Index from 19.0 in 2006 to 2.0 in 2009.   | 4             |
| 3 AADT increased by 23 % from 601 in 2006 to 742 in 2010  | 3 AADT increased by 15.5% from 601 in 2006 and expected to be 694 in 2010. (This is mainly due to delay in the completion of Lot 2 that reduces mobility).                                    | 3             |
| <b>OVERALL OUTCOME SCORE</b> [Score is calculated as an average of the working scores]  |   | 4             |

 Check here to override the calculated score

### Provide justification for over-riding the auto-calculated score

Insert the new score or re-enter the autocalculated score 4

2. Additional outcomes. Comment on the project's additional outcomes not captured in the log. frame, including cross-cutting issues (e.g., gender).

The project has created a monthly average employment opportunity for about 130 unskilled people from the districts of Maseru and Thaba Tseka, including 9 % of women, during the construction period. Furthermore the project will create employment opportunity for about 15 people from the local area in the routine maintenance of the project road, after the end of the defect liability period, February 2010.

3. Risks to sustained achievement of outcomes. State the factors that affect, or could affect, the long-run or sustained achievement of project outcomes. Indicate if any new activity or institutional change is recommended to help sustain outcomes. The analysis should draw upon the sensitivity analysis in Annex 3

#### Risks to Project Goals (achievement/outcomes).

- The capability of the maintenance responsible agencies (Road Fund and Road Directorate) to financially meet the maintenance needs of the road as the road network expands. A review of the routine and periodic maintenance budget requirements revealed that there was not enough budget allocated for periodic maintenance at the moment. The required routine maintenance budget for the project road is adequate for the time being, but GOL needs to plan ahead in order to provide adequate funds for the periodic maintenance, which will be due in the next 7 years, i.e. 2017. For securing sustainable fund for road maintenance, a Road Fund was established in 1995. It is stated that 50% of the periodic and routine maintenance of the national road network in 2006/2007 was funded from road user charges increasing to 58% in 2007/08. The Government had, in April 2008, increased road user charges to meet a 78% target for 2008/09. The Road Fund's annual allocation to road agencies indicates a funding gap, between budget and allocated funds. For 2008/2009, budget requested totaled LSL 216 million against allocated funds of LSL 96 million, equivalent to 55% shortfall, which is to be supplemented from the Government Consolidated Funds.

- To mitigate the above risk, institutional change and revised strategy has been recognized and under implementation to align with meet future aspiration.

- Unexpected and severe weather conditions could short design life particularly where quality may have been compromised although this is not apparent at project completion.

- To mitigate the above risk, vigilance on design compliance to be exercised by the executing agency and appointed consultants to ensure quality not compromised.

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### E. PROJECT DESIGN AND READINESS FOR IMPLEMENTATION

**1. State the extent to which the Bank and the Borrower ensured the project was commensurate with the borrower's capacity to implement by designing the project appropriately and by putting in place the necessary implementation arrangements. Consider both design aspects (inputs) and actual outcomes. Design aspects include: extent to which project design took account lessons learned from previous PCRs in the sector or the country (please cite key PCRs); whether the project was informed by robust analytical work (please cite key documents); how well Bank and Borrower assessed the capacity of the implementing agencies and Project Implementation Unit; and provisions made for technical assistance. Project outcomes include the extent to which the project was completed on time and activities were implemented as designed.**

**[200 words maximum. Any additional narrative about implementation should be included at Annex 5: Project Narrative]**

- The Project was appraised and mainly implemented under the Ministry of Public Works and Transport (MOPWT), through the Roads Branch (RB), which is responsible for design, construction, and maintenance of all sealed and unsealed road network with high volumes of traffic in the Country. Government has put in place a six year (2004-2010) Integrated Transport Project (ITP) that will contribute to its poverty reduction and economic growth strategy among other activities. The ITP includes the restructuring the roads administration into Roads Directorate in order to commercialize the operations of the sub-sector for efficiency and effectiveness that will lead to the formation of a semi-autonomous roads authority. The Roads Directorate was established in November 2008 under the MOPWT and the restructuring has not affected the project implementation. The Supervision Consultant had carried out the review of the original design and pre-contract services of the project road. An engineer has been assigned by RB, with sufficient qualification and experience as the project coordinator for the duration of the implementation of the project.
- The institutional restructuring coupled with the changes in the road funding is expected to improve the sub-sector performance in delivering sustainable road transport service to the socio-economic development of the country. But the pace of recruiting the required staff is very slow, lacking civil engineers, economists, sociologists, statisticians, etc. Further, the legal instrument for the establishment of the Directorate has not been approved by the Government. The most significant problem experienced in the road sub-sector is the loss of the best technical and professional staff due to non-payment of market related salaries, lack of incentive system and constraints on performance monitoring. Eventhough the Government has carried out a study on recruitment and retention of professionals in December 2007, the proposal has not yet materialized.
- Lessons learnt - The implementation and design preceded the PCR for Mpharane Bela Bela (MBB) which had similar design characteristics. Common challenges during implementation were apparent but given both projects were concurrently executed, this project did not benefit from lessons of MBB. Final outcome mirrored that of MBB in terms schedule overrun although cost was relatively within the Banks allocation.
- Level of Analytical work – the project underwent cycles of analysis in meeting design and implementation readiness commitments with regard to finance. The Bank process facilitated the change effectively complemented by the borrower's commitment to the project. The robust processes and borrower's confidence in the appointed design and consultant ensured project success *in terms of output quality*.
- Capacity of implementing agency – It was recognized at appraisal phase that the executing agency was under-resourced. However the Bank supported the project on the basis that other donor-sponsored program for institutional change program, was underway to complement the Bank's efforts. An in-house technical assistance expert was appointed within the executing agency ahead of project implementation and this is reflected in the overall management of the project with regards to design compliance, quality and cost control, albeit the schedule overrun.
- The output and outcomes of the project are satisfactory and the activities were implemented as designed. However the cost has decreased by about 24% when compared with the re-appraisal estimate and time overrun of more than 83% due to the slow start of works, poor mobilization of equipment, contractor termination and demobilization, disputes associated with BoQ measurements, delay in material certification and inclement weather conditions.

2. For each dimension of project design and readiness for implementation, provide a brief assessment (up to two sentences). Insert a working score, using the scoring scale provided in Appendix 1.

| PROJECT DESIGN AND READINESS FOR IMPLEMENTATION DIMENSIONS   |  | ASSESSMENT  | WORKING SCORE |          |
|--|--|---|---------------|----------|
| REALISM  | a) Project complexity is matched with country capacity and political commitment.   | There was no complexity in the project. But a Project Coordinator reporting directly to the Development Director was designated. Political willingness was demonstrated by financing the gap for lots 2 and 3. The country capacity is lacked on ensuring sustainability but there are ongoing commitment to improve capacity | 3,5           |          |
| RISK ASSESSMENT AND MITIGATION   | b) Project design includes adequate risk analysis.   | The project design does not include risk analysis based on lessons learned from previous projects and mitigation measures. The original design significantly underestimated both engineers cost and programme. Supplementary loan was required to cover the financing gap.  | 2,5           |          |
| USE OF COUNTRY SYSTEMS   | c) Project procurement, financial management, monitoring and/or other systems are based on those already in use by government and/or other partners. | All procurement, financial management, and monitoring systems used by the project were in line with government procedures as well as with Bank rules and procedures. No PIU was created for this project.   | 4             |          |
| For the following dimensions, provide separate working scores for Bank performance and Borrower performance: |  |   | WORKING SCORE |          |
|  |  |   | Bank          | Borrower |
| CLARITY  | d) Responsibilities for project implementation are clearly defined.  | Responsibility for project implementation was clearly defined at Appraisal as provided in Bank's Rules and Procedures on procurement.   | 3,5           | 3,5      |
| PROCUREMENT READINESS  | e) Necessary implementation documents (e.g. specifications, design, procurement documents) are ready at appraisal.                                   | The necessary implementation documents in respect of specifications and design were ready at appraisal. Procurement rules and procedures were in place at appropriate time.   | 4             | 4        |
| MONITORING READINESS   | f) Monitoring indicators and monitoring plan are agreed upon.  | Monitoring indicators and monitoring plans were agreed upon. However, undermined the timing of project implementation. Indicators were defined at appraisal and in the TOR at project launching. Data collection were however not consistent after the launch of the project.   | 3             | 3        |
| BASELINE DATA  | h) Baseline data are available or are being collected.   | The project was designed by an international consultant and the required baseline data to implement the project were available prior to commencement of the project. But baseline data for follow of project impact are not available.  | 4             | 3        |

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## F. IMPLEMENTATION

**1. State the major characteristics of project implementation with reference to: adherence to schedules, quality of construction or other work, performance of consultants, effectiveness of Bank supervision, and effectiveness of Borrower oversight. Assess how well the Bank and the Borrower ensured compliance with safeguards. Briefly list what was accomplished at the time of project closing.**

**[200 words maximum. [Any additional narrative about implementation should be included at Annex 5: Project Narrative.]**

The initial project completion period was 18 months, from June 2006 to November 2007. The actual project completion date was reviewed twice to 24 March 2008 and 30 June 2008. The project was substantially completed with a slippage of 15 months due to the low start of works by the contractor, poor mobilization of equipment, contractor termination and demobilization, disputes associated with BoQ measurements, delay in material certification, and inclement weather conditions. The project was finally completed on 28 February 2009, with slippage of 83%. The general quality of the finished work, pavement surface and ride quality, safety features and furniture and drainage were found to be very good and in accordance to the design. The performance of the Consultant and the Contractor was satisfactory.

The Bank performed six (6) field missions of project supervision. The supervision mission teams, the Government, the Consultant and the Contractor worked in co-ordination. The field missions were effective in solving project related issues on time.

Compliance has been carried out through the supervision missions and disbursement audits. Technical compliances have been duly executed by the consultant through the quarterly progress reports in accordance with the Bank's requirements. At project closing, the infrastructure was in the defects liability period. Except minor outstanding works, the project work is considered as having accomplished the operational requirements. Refer to Annex for Narrative on implementation.

**2. Comment on the role of other partners (e.g. donors, NGOs, contractors, etc.). Assess the effectiveness of co-financing arrangements and of donor coordination, if applicable.**

The entire project road works are being implemented by three donors under the following parallel financing arrangement: Lot 1 (from Km 0 to Km 31) - African Development Fund (ADF) Component; Lot 2 (from Km 31 to Km 58) - Kuwait Fund for Arab Economic Development (KFAED) Component; and Lot 3 (from Km 58 to Km 85) - Arab Bank for Economic Development in Africa (BADEA). The initial appraisal total cost of the project was UA 29.45 million of which UA 10.53 million by the ADF. The parallel financing arrangement was such that KFAED was expected to contribute UA 7.37 million, BADEA to provide UA 7.37 million and the counterpart fund expected from GOL was UA 4.08 million. The revised re-appraisal total cost of the project was estimated as UA 55.19 million in August 2006 following the opening of tenders for the civil works on the three Lots. The parallel financing with independent disbursement arrangement required less coordination between co-financiers. It was effective in as far as they were well managed by the borrower and the project suffered no consequences as a result of the financing arrangement.

The financing gap was due mainly to the high price of crude oil per barrel in the global market. In the light of this, the ADF approved a supplementary loan (towards the financing gap) to Lot 1, bringing the total ADF contribution to UA 17.36 million.

The Government is financing its counterpart allocation and the financial shortfall required on Lot 2 (KFAED component) and Lot 3 (BADEA component), equivalent UA 15.04 from own fund with the sole aim of achieving the set development objective of the project.

In parallel but independently commissioned, a World Bank policy-making programme on Integrated Transport Policy is being implemented to enhance the efficiency of the road sector and improve the transport sector as a whole. It is to harmonise aspects such as road safety, transport modes, maintenance strategies, revenue generation and institutional change programme into the culture of ensuring sustainable development.

Given the direct impact of this exercise on the Bank's activities and future intervention this is being monitored to ensure coordinated efforts with World Bank operations.



**3. Harmonization. State whether the Bank made explicit efforts to harmonize instruments, systems and/or approaches.**

Compliance with Bank rules was ensured.

**4. For each dimension of project implementation, assess the extent to which the project achieved the following. Provide a brief assessment (up to two sentences) and insert a working score, using the scoring scale provided in Appendix 1.**

| PROJECT IMPLEMENTATION DIMENSIONS |   | ASSESSMENT  |   | WORKING SCORE |
|-----------------------------------|---|---|---|---------------|
| TIMELINESS                        | a) Project was completed on time. Draw directly from Section A on Project Data and Key Data. Calculate the ratio of planned time from approval to closing. Score "4" if the ratio is 1.0, score "1" if the ratio is 2.0, score "0" if ratio is greater than 2.0 (i.e. project completion took more than twice as long as planned)]. | Difference in months between original closing date and actual closing date or date of 98% disb. Rate.   | The initial project implementation period was 18 months, from June 2006 to November 2007. The actual project implementation had given rise to a slippage of 15 months on the completion time . The project was finally completed on 28 February 2009, with a slippage of 83%. | 2             |
|                                   |   | 15  |   |               |
| BANK PERFORMANCE                  | b) Bank complied with:  |   |   |               |
|                                   | Environmental Safeguards  | Since the project road essentially followed existing alignment, the disturbance to the surrounding habitat was minimal. At Appraisal, the project road was classified to be Category II and an Environmental and Social Management Plan (ESMP) was prepared and used as a tool for monitoring of the Contractor's compliance with environment matters of the project. The Consultant produced monthly report on environmental matters and had assigned an environment expert that monitored the implementation of the ESMP according to the mitigating measures and closely monitored for compliance by the Project Management Team.<br>All the borrow pits and quarries, except one quarry site at km 29+000 were properly and fully reinstated. This quarry site is now being utilized for Lot 2 construction, which GOL promised to reinstate before Lot 2 contractor substantially completes the construction work. The drainage system of the road has been improved generally by channeling of storm water to improved water courses in order to minimize the environmental hazards. The project road neither passes through nor is adjacent to natural and any known archaeological sites. |   | 4             |
|                                   | Fiduciary Requirements  | The Bank ensured that its fiduciary rules and procedures were adhered to through project implementation in granting its "No Objections" to Government's requests.   |   | 4             |
|                                   | Project Covenants   | All project covenants were fulfilled.   |   | 4             |

|                             |   |  |   |
|-----------------------------|---|--|---|
|                             |   |  |   |
|                             | c) Bank provided quality supervision in the form of skills mix provided and practicality of solutions | The Bank performed six (6) supervision missions during the project implementation period. The skills mix comprising an engineer and economist for the mission was adequate.  | 3 |
|                             | d) Bank provided quality management oversight   | The Bank has processed disbursements in line with the loan agreements and Government's requests. The Bank's role on overall management of the project is commendable on the basis of proper execution of the project road. The skills mix comprising an engineer and economist for the mission was adequate.   | 4 |
| <b>BORROWER PERFORMANCE</b> | e) Borrower complied with:  |  |   |
|                             | Environmental Safeguards  | The project road neither passes through nor is adjacent to natural and any known archaeological sites. Mitigation measures integrated into project design were observed at implementation by the Consultant and the Contractor. It was learnt that the project management team did not consult the Lesotho National Environmental Secretariat on environmental issues, even though no major environmental concerns were brought to the attention of the Secretariat. The Roads Directorate needs to follow the national environmental policy and the Secretariat guideline during road project preparation and implementation and this has been identified as lesson not to be repeated. | 3 |
|                             | Fiduciary Requirements  | Government mostly followed the fiduciary requirements of the Bank and its own rules and procedures through out project implementation. But the 2008/09 Audit Report is still outstanding.  | 3 |
|                             | Project Covenants   | All covenants were fulfilled by Government.  | 4 |
|                             | f) Borrower was responsive to Bank supervision findings and recommendations                           | The Government generally agreed to the Bank's supervision missions findings and recommendations, however not always implemented.   | 3 |
|                             | g) Borrower collected and used monitoring information for decision making                             | Generally, the Borrower used monitoring information for decision making. Nevtrtheless staff tuover hindered implementation.  | 3 |

# PROJECT COMPLETION REPORT (PCR)

## G. COMPLETION

**Briefly describe the PCR Process. Describe the Borrower's and co-financiers' involvement in producing the document. Highlight any discrepancies concerning the assessments made in this PCR. Describe the team composition and confirm whether an in-sight visit was undertaken. Mention any major collaboration from other development partners. State the extent of field office involvement in producing the report.**

**[100 words maximum]**

The Consultant provided a draft PCR on behalf of the borrower. There is no discrepancy between the draft PCR of the Consultant and this report. Further information was collected and the content was reviewed as appropriate and included in this report. Pertinent Government agencies (Ministry of Finance & Development Planning, Ministry of Public Works and Transport, Ministry of Tourism, Environment and Culture, Road Fund and Consultant Representative) were consulted. There was no involvement / contribution from the parallel financiers in producing this document. However the ongoing programme by the World Bank which has an impact on the sustainability of the project was reviewed. The Bank PCR team was composed of Messers D. Gebremedhin, Transport Economist and P. Opoku-Darkwa, Transport Engineer. A joint site visit was conducted by the PCR team, Roads Directorate official and the supervision consultant.

## H. LESSONS LEARNED

**Summarize key lessons for the Bank and the Borrower suggested by the project's outcomes**

**[250 words maximum. Any additional narrative about lessons learned, if needed, must be placed in Annex 5: Project Narrative]**

- (i) For project that are executed in similar physical environment i.e. similar terrain and geography, it is critical to evaluate in detail the contractors plant and equipment resources before contract award as such physical characteristics are demanding.
- (ii) The terrain and alignment of the road has the tendency to compromise safety where an increased speeds and travel time reduction is envisaged. Road safety to be an integral part of the design and after the road opens to traffic in order to minimize the risks to the users.
- (iii) Good record keeping is necessary for project evaluation purposes.
- (iv) Late submission of audit reports (has not submitted up to now) makes it difficult for the Bank to identify disbursement irregularities. (v) Bank should ensure sustainability of the roads sub-sector and the project in particular by building in support for road sector reforms.
- (vi) The Roads Directorate needs to follow the National Environmental Policy and the Secretariat guideline and fully involve the Environment Secretariat during road project preparation and implementation. The GOL should consider the creation of a dedicated unit in MOPWT or Roads Directorate that deals with environmental issues. (vii) Evolve an appropriate solution or/ and introduce stringent measures to arrest vandalism to protect the investment.
- (viii) Termination of Contract -This is to be avoided wherever possible given the disruption to the schedule is significant and costly. Seamless communication between all parties would provide an opportunity to detect warning signs. Applying conflict management skills essential.

# PROJECT COMPLETION REPORT (PCR)

## I. PROJECT RATINGS SUMMARY

All working scores are auto-generated by the computer from the relevant section in the PCR.

| CRITERIA                              | SUB-CRITERIA  | WORKING SCORE |
|---------------------------------------|---|---------------|
| <b>PROJECT OUTCOME</b>                | Achievement of outputs  | 4             |
|                                       | Achievement of outcomes   | 4             |
|                                       | Timeliness  | 2             |
|                                       | <b>OVERALL PROJECT OUTCOME SCORE</b>  | <b>3</b>      |
| <b>BANK PERFORMANCE</b>               | <b>Design and Readiness</b>   |               |
|                                       | Project Objectives are relevant to country development priorities.  | 4             |
|                                       | Project Objectives could in principle be achieved with the project inputs and in the expected time frame.   | 3             |
|                                       | Project Objectives are consistent with the Bank's country or regional strategy  | 4             |
|                                       | Project Objectives are consistent with the Bank's corporate priorities  | 4             |
|                                       | The log frame presents a logical causal chain for achieving the project development objectives.   | 3             |
|                                       | The log frame expresses objectives and outcomes in a way that is measurable and quantifiable.   | 3             |
|                                       | The log frame states the risks and key assumptions.   | 2             |
|                                       | Project complexity is matched with country capacity and political commitment.   | 3,5           |
|                                       | Project design includes adequate risk analysis.   | 2,5           |
|                                       | Project procurement, financial management, monitoring and/or other systems are based on those already in use by government and/or other partners. | 4             |
|                                       | Responsibilities for project implementation are clearly defined.  | 3,5           |
|                                       | Necessary implementation documents (e.g. specifications, design, procurement documents) are ready at appraisal.                                   | 4             |
|                                       | Monitoring indicators and monitoring plan are agreed upon.  | 3             |
|                                       | Baseline data are available or are being collected.   | 4             |
|                                       | <b>PROJECT DESIGN AND READINESS SUB-SCORE</b>   | <b>3</b>      |
|                                       | <b>Supervision:</b>   |               |
|                                       | Bank complied with:   |               |
|                                       | Environmental Safeguards  | 4             |
|                                       | Fiduciary Requirements  | 4             |
|                                       | Project Covenants   | 4             |
|                                       | Bank provided quality supervision in the form of skills mix provided and practicality of solutions.   | 3             |
|                                       | Bank provided quality management oversight.   | 4             |
| <b>SUPERVISION SUB-SCORE</b>          | <b>4</b>  |               |
| <b>OVERALL BANK PERFORMANCE SCORE</b> | <b>4</b>  |               |

|   |  |     |
|---|--|-----|
| <b>BORROWER PERFORMANCE</b>               | <b>Design and Readiness</b>  |     |
|   | Responsibilities for project implementation are clearly defined.   | 3,5 |
|   | Necessary implementation documents (e.g. specifications, design, procurement documents) are ready at appraisal.  | 4   |
|   | Monitoring indicators and monitoring plan are agreed upon and baseline data are available or are being collected | 3   |
|   | <b>PROJECT DESIGN AND READINESS SCORE</b>  |     |
|   | <b>Implementation</b>  |     |
|   | Borrower complied with:  |     |
|   | Environmental Safeguards   | 3   |
|   | Fiduciary Requirements   | 3   |
|   | Project Covenants  | 4   |
|   | Borrower was responsive to Bank supervision findings and recommendations.  | 3   |
|   | Borrower collected and used of monitoring information for decision-making.                                       | 3   |
|   | <b>IMPLEMENTATION SUB-SCORE</b>  |     |
| <b>OVERALL BORROWER PERFORMANCE SCORE</b> |  |     |

## J. PROCESSING

| STEP                               | SIGNATURE AND COMMENTS | DATE |
|------------------------------------|------------------------|------|
| <b>Sector Manager Clearance</b>    |                        |      |
| <b>Regional Director Clearance</b> |                        |      |
| <b>Sector Director Approval</b>    |                        |      |

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### Annex 1 - Project Costs and Financing

The initial appraisal total cost of the project was UA 29.45 million of which UA10.53 million was approved by the ADF Board. The parallel financing arrangement was such that KFAED was expected to contribute UA 7.37million, BADEA was expected to provide UA7.37million and the counterpart fund expected from GOL was UA 4.08 million. When the tenders for the civil works on the three lots were opened in August 2006, there was a remarkable financing gap, which was due mainly to the high price of crude oil per barrel in the global market. The revised re-appraisal total cost of the project was estimated as UA55.19 million. In the light of this, the ADF approved UA6.83million as a supplementary loan (towards the financing gap) to Lot 1 in November 2006, bringing the total ADF contribution to UA17.36 million. The Government is financing its counterpart allocation and the financial shortfall required on Lot 2 (KFAED component) and Lot 3 (BADEA component), equivalent UA 15.04 from own fund with the sole aim of achieving the set development objective of the project.

Of the revised cost of UA55.19 million (LSL562.90 million) for the upgrading the 85 km Likalaneng-Thaba Tseka road project from gravel to bitumen standard, the foreign exchange component was UA 2.42 million (LSL24.79million) mainly for consultancy services and the balance of UA52.77 million (LSL538.11 million) was the local cost component, since most of the inputs into the works would be sourced from South Africa, which is in the same monetary union with Lesotho.

The revised total project cost estimate for Lot 1 financed by ADF was UA 19.29 million (LSL196.70 million). The cost estimate of the civil works, inclusive of both physical and price contingency, was UA18.19 million while that of supervision and audit services was UA1.10 million as presented in the Table below.

The contract for the Civil Works was awarded for LSL145,050,582.17 and at completion, the actual contract price for the civil works became LSL156, 639,973.73 (UA 13.66million), which translates to 8.0% cost overrun relative to the initial contract price. The implementation of the pre-contract services and civil works was awarded initially for a sum of LSL6,861,137.39 (UA753,358.95) but finally increased to LSL9,933,922.71 (UA 1,032,177.53) net of taxes, resulting in 44.8% cost overrun (in LSL), due to the delay in the project completion. The Government has not utilized the UA0.07 million allocated for the project audit.

The total actual project completion cost (net of taxes) of the civil works and services of Lot 1, as at 15 October 2009, was computed at UA14.69 million (LSL166.57 million), using historical foreign exchange rates from 2006 to 2009. This is lower by 23.8% (UA4.6 million) than the re-appraisal cost estimate of UA19.29 million. The ADF has disbursed cumulatively a sum of UA12.44 million (LSL138.53 million) which represents 85% of the total project cost and this stands to be 71.7% of the main and supplementary loans of UA17.36 million. The Government has contributed in tandem UA2.25 (LSL28.04 million) to the implementation of Lot 1.

**Table 2.1: Summary of Project Costs at Re-Appraisal and Actual (UA Million, net of taxes)**

| Component                      | Re-Appraisal |              |              | Actual      |              |              | Difference  |             |             |
|--------------------------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|-------------|-------------|
|                                | F.E.         | L.C.         | Total        | F.E.        | L.C.         | Total        | F.E.        | L.C.        | Total       |
| <b>A. Civil Works</b>          | 0.00         | 18.19        | 18.19        | 0.00        | 13.66        | 13.66        | 0.00        | 4.53        | 4.53        |
| <b>B. Consultancy Services</b> |              |              |              |             |              |              |             |             |             |
| Supervision                    | 0.94         | 0.09         | 1.03         | 0.43        | 0.60         | 1.03         | 0.51        | -0.51       | 0.00        |
| Project Audit                  | 0.07         | 0.00         | 0.07         | 0.00        | 0.00         | 0.00         | 0.07        | 0.00        | 0.07        |
| <b>TOTAL</b>                   | <b>1.01</b>  | <b>18.28</b> | <b>19.29</b> | <b>0.43</b> | <b>14.26</b> | <b>14.69</b> | <b>0.58</b> | <b>4.02</b> | <b>4.60</b> |

#### Project Financing Plan

The initial re-appraisal financing plan for Lot 1 of the project was estimated at UA19.29 million (including physical and price contingencies), such that ADF loan of UA17.36 million would cover 90% of the total cost and GOL would contribute the remaining 10% equivalent to UA 1.93 million, as counterpart funding. However, due to the delay in the project implementation, the financing ratio changed as shown in the table below. At project completion, the actual contribution of ADF was UA12.44million (85%), while GOL provided UA 2.25 million representing 15% as counterpart contribution. The GOL contribution increased from UA1.93 to UA2.25million.

### Financing Plan – Re-Appraisal versus Actual (UA million)

| Source of Finance | Re-Appraisal |              |              |            | Actual      |              |              |            | Difference  |             |             |
|-------------------|--------------|--------------|--------------|------------|-------------|--------------|--------------|------------|-------------|-------------|-------------|
|                   | F.E.         | L.C.         | Total        | %          | F.E.        | L.C.         | Total        | %          | F.E.        | L.C         | Total       |
| ADF               | 1.00         | 16.36        | 17.36        | 90         | 0.43        | 12.01        | 12.44        | 0.85       | 0.57        | 4.35        | 4.92        |
| GOL               | 0.01         | 1.92         | 1.93         | 10         | 0.00        | 2.25         | 2.25         | 0.15       | 0.01        | -0.33       | -0.32       |
| <b>Total</b>      | <b>1.01</b>  | <b>18.28</b> | <b>19.29</b> | <b>100</b> | <b>0.43</b> | <b>14.26</b> | <b>14.69</b> | <b>1.0</b> | <b>0.58</b> | <b>4.02</b> | <b>4.60</b> |

Lot 2 – After receiving high tender offer, KFAED had decided to re-tender for the civil works of Lot 2 on grounds that during the initial tendering exercise the lowest-evaluated bidder, who executed the civil works of Lot 3, did not have the required personnel to implement that of Lot 2 concurrently and the price of the second lowest-evaluated bidder was very high. The same contractor had won again the re-tendered civil works at a cost of LSL166,935,356.50 (UA14.16 million), net of taxes, under the supervision consultant contract cost of LSL8,830,320.00 (UA0.75 million). The total cost of lot 2 is expected to be LSL 175,765,677.45(UA14.91million), 49.6% to be financed by KFAED.

Lot 3 – The total construction cost of Lot 3 was LSL139,616,089.00 (UA11.84Million), of which 55.4% was covered by BADEA. The civil works contract stands at LSL134,829,415.80 (UA11.44 million) and the supervision consultant for LSL 4,786,673.72 (UA0.41 million).

Overall anticipated total project cost of the entire road (the three lots) would be LSL 481,955,668.4 (UA 41.45 million), which is 25% lower than the re-appraisal estimate of LSL562.90 million (UA55.19 million).

## Annex 2 - Bank Inputs

| <b>Mission Type</b>               | <b>Date</b>                | <b>Composition</b>   | <b>Remark</b>  |
|-----------------------------------|----------------------------|--|--|
| Identification                    |                            | ADB Team   |  |
| Project Appraisal                 | November 2002              | S. Turay (Principal Transport Engineer), H.Nyame-Mensah (Ag. Manager), I.Samba (Environmentalist) and Ms. S.Pitamber (Gender Specialist) |  |
| Re-Appraisal (Main Loan)          | July 2003                  | S. Turay (Principal Transport Engineer), H.Nyame-Mensah (Ag. Manager), I.Samba (Environmentalist) and Ms. S.Pitamber (Gender Specialist) |  |
| Technical Supervision             | 26/10-02/11/2005           |  |  |
| Re-Appraisal (Supplementary Loan) | 26/10-01/11/2006           | A. Babalola ( Transport Engineer, Task Manager)  |  |
| Technical Supervision             | 13 to 14 and 24-29/04/2006 | J. Rwamabuga (Manager, OINI3) and A. Babalola ( Transport Engineer, Task Manager)  |  |
| Technical Supervision             | 21/01-28/01/2007           | A. Babalola ( Transport Engineer, Task Manager)  |  |
| Technical Supervision             | 14-23/07/2007              | A. Babalola ( Transport Engineer, Task Manager)  |  |
| Technical Supervision             | 1-19/3/2008                | A. Babalola ( Transport Engineer, Task Manager) and D. Gebremedhin (Transport Economist)   | Combined Mission with PCR of Mpharane Bela Bela Road Upgrading Project |
| Technical Supervision             | 8-17/11/2008               | D. Gebremedhin, Transport Economist (Task Manager) and M. Wakyendo (Transport Engineer)  |  |
| Project Completion Report         | 8 - 20 10/2009             | D. Gebremedhin, Transport Economist (Task Manager) and P.Opoku-Darkwa(Transport Engineer)  |  |

## PROJECT PERFORMANCE

| INDICATORS   | RATINGS           |            |            |            |             |
|--|-------------------|------------|------------|------------|-------------|
|  | Precedings report |            |            |            | This report |
|  | 24.04.2006        | 21.01.2007 | 14.07.2007 | 01.03.2008 | 08.11.2008  |
| <b>A. PROJECT IMPLEMENTATION</b>   |                   |            |            |            |             |
| Compliance with loan conditions precedent to entry into force                          | 3                 | 3          | 3          | 3          | 3           |
| Compliance with General Conditions   | 2                 | 2          | 2          | 2          | 2           |
| Compliance with Other Conditions   |                   |            |            |            |             |
| <b>B. PROCUREMENT PERFORMANCE</b>  |                   |            |            |            |             |
| Procurement of Consultancy Services  | 3                 | 3          | 3          | 3          | 3           |
| Procurement of Goods and Works   | 2                 | 2          | 2          | 2          | 2           |
| <b>C. FINANCIAL PERFORMANCE</b>  |                   |            |            |            |             |
| Availability of Foreign Exchange   | 1                 | 3          | 3          | 3          | 3           |
| Availability of Local Currency   | 1                 | 3          | 3          | 3          | 3           |
| Disbursement Flows   |                   | 3          | 3          | 2          | 3           |
| Cost Management  |                   | 2          | 2          | 2          | 1           |
| Performance of Co-Financiers   |                   |            |            |            |             |
| <b>D. ACTIVITIES AND WORKS</b>   |                   |            |            |            |             |
| Adherence to implementation schedule   |                   | 2          | 2          | 2          | 2           |
| Performance of Consultants or Technical Assistance                                     |                   | 2          | 3          | 1          | 2           |
| Performance of Contractors   |                   | 2          | 2          | 1          | 2           |
| Performance of Project Management  |                   | 2          | 3          | 1          | 2           |
| <b>E. IMPACT ON DEVELOPMENT</b>  |                   |            |            |            |             |
| Likelihood of achieving development Objectives   |                   | 2          | 2          | 2          | 2           |
| Likelihood that benefits will be realized and sustained beyond                         |                   | 2          | 2          | 2          | 2           |
| Likely contribution of the project towards an increase in                              |                   | 2          | 2          | 2          | 2           |
| Current Rate of Return   |                   |            |            |            |             |
| <b>F. OVERALL PROJECT ASSESMENT</b>  |                   |            |            |            |             |
| Current Supervision Average  | 2                 | 2.33       | 2.47       | 2.07       | 2.27        |
| Current Trend over time  |                   |            |            |            | 2.23        |
| <b>STATUS</b>  |                   |            |            |            |             |
| Implementation Progress (IP) = 2.33<br>Development Objectives (DO) = 2.00              |                   |            |            |            |             |
| <b>OVERALL STATUS : NON PROBLEMATIC PROJECT / NON POTENTIALY PROBLEMATIC PROJECT /</b> |                   |            |            |            |             |
| <b>JUSTIFICATION OF RATINGS</b>  |                   |            |            |            |             |

## Annex 3 - Economic Benefits and Costs

### Traffic levels

The Ministry of Public Works and Transport (MOPWT) undertakes manual seven days traffic surveys twice a year on a routine basis on selected road sections under its jurisdiction, including lot 3 (from Km 58 to Km 85) of the project road. At re-appraisal, the traffic count of 2006 of lot 3 of the project road (average annual daily traffic of 736) was considered as base year traffic and the traffic of lot 1 and 2 were considered 42% and 13% lower than lot 3 respectively. Thus the traffic for lots 1, 2 and 3 were taken as 426, 641 and 736 respectively. The base year traffic was projected to increase by 5.4 percent annually with generated traffic of 25% of the normal traffic.

The 2008 traffic count of the MOPWT for Lot 3 of the project shows AADT of 765. This traffic data when compared with the re-appraisal forecast of Lot 3 shows a decline of 6.5%. This is mainly due to the delay in the completion of Lot 2 that reduces mobility. For the PCR economic analysis, the same assumption of the re-appraisal traffic was considered, i.e., the traffic of Lot 1 and 2 to be 42% and 13% lower than Lot 3 respectively, as shown in the table below. The 2008 traffic count of the MOPWT and the re-appraisal annual traffic growth assumption have been considered to be reasonable annual traffic growth assumption have been considered to be reasonable.

#### LIKALANENG - THABA TSEKA ROAD TRAFFIC (2008 AADT) by LOTS & WEIGHTED AVERAGE FOR THE ENTIRE ROAD

| Lots/<br>Sections | km | Light | 4WD | Mini bus | Medium<br>bus | Large<br>bus | 2 axle<br>veh | 3 axle<br>veh | 4 axle<br>veh | Total |
|-------------------|----|-------|-----|----------|---------------|--------------|---------------|---------------|---------------|-------|
| Lot 1             | 31 | 150   | 96  | 135      | 9             | 3            | 35            | 8             | 8             | 444   |
| Lot 2             | 27 | 224   | 144 | 202      | 13            | 5            | 52            | 12            | 12            | 666   |
| Lot 3             | 27 | 258   | 166 | 232      | 15            | 6            | 60            | 14            | 14            | 765   |
| Weighted<br>Aver. | 85 | 208   | 134 | 187      | 12            | 5            | 48            | 11            | 11            | 616   |

Source : Roads Directorate & ADF PCR Mission of October 2009

### Economic Performance

The upgrading of the project road was evaluated at reappraisal on a net incremental benefit basis by comparing "with" and "without" project scenarios with a twenty-year analysis period and 20 % residual value by the end of the project life. The economic costs of the project included the construction costs, routine and periodic maintenance costs, and construction supervision, audit, as well as contingency costs. The main project benefits were Vehicle Operating Cost (VOC) and travel time saving. The financial costs have been converted using a Standard Conversion Factor (SCF) of 0.80, which is applied in Lesotho. The overall project capital cost was estimated to be UA 55.19 million for the entire road and UA19.29 million for ADF-financed Lot. Thus, the viability of the project has been assessed using the HDM Model and the result of the comparison of quantifiable project benefits and costs showed an Economic Internal Rate of Returns (EIRR) of 12.5% for Lot 1; 16.0% for Lot 2; and 16.6% for Lot 3. For the entire project route the EIRR was 15.6%.

During the PCR, the consistency of the assumptions for the economic analysis of the road was re-assessed. The PCR estimates of project benefits were based on Vehicle Operating Costs (VOC) and road maintenance cost savings. The analysis was conducted in economic terms, which was derived from the financial costs by applying a standard conversion factor of 0.80, which is used in Lesotho. The actual construction and supervision economic costs as well as the benefits emanating from the revised traffic, using the MOPWT traffic counts, formed the basis for re-evaluation of the EIRR. The benefits include savings in VOC and maintenance costs and a 20 % residual value. Accident costs, benefits resulting from the road improvement, have not been taken into account as the profile and frequency of accidents were not available.

The Highway Development & Management (HDM – 4) Model was used to recalculate the maintenance costs and VOC. The HDM-4 run for the lot 1 of the project road shows an EIRR of 13.1%, which is higher than the re-appraisal estimate of 12.5%. The main reason for such an increase is due to the 24% decrease in the capital expenditure of the construction cost of the road when compared with the re-appraisal estimate. The decline in the traffic is compensated by the decrease in the construction cost, thus by giving a better EIRR than the re-appraisal estimates, which is above the 12% the opportunity cost of capital in Lesotho. The overall economic analysis of the entire road (incorporating the construction cost of lot 2) shows an EIRR of 17.1%, which is higher than the re-appraisal estimate of 15.6%. The main reason for the difference is due to the decrease in the total construction cost by 25%, when compared with the re-appraisal estimate of LSL562.9 million (UA55.19 million) to LSL481.9 million (UA41.45 million) as stated under Annex 1, Project costs and financing.

The comparison of the EIRR for the three links as well as the entire route of the re-appraisal and the PCR are summarized in the following table.

|             | Re - Appraisal<br>EIRR (%) | PCR EIRR (%) |
|-------------|----------------------------|--------------|
| Entire Road | 15.6                       | 17.1         |
| Lot 1       | 12.5                       | 13.1         |
| Lot 2       | 16.0                       | 15.0         |
| Lot 3       | 16.6                       | 19.0         |

All the links (or Lots) give a return above the opportunity cost of capital in Lesotho of 12% and consequently the investment on the road was worthwhile. It follows, therefore, that the NPV are positive offering positive results at 12% discount rate, the rate taken to be the opportunity cost of capital. It is concluded that investment in the project road and/or any of the link thereof was viable and appropriate.

Other benefits, which are not quantified, include improved access to health and education facilities thereby contributing to reduction in maternal and infant mortality rates and improved school enrolment rates in the project zone of influence.

The availability of transport services (mini buses) before the upgrading of the road was reported to be very low. After the upgrading of the road (Lot 1), the services from Likalaneng to Che Che Pass have improved. The travel time that used to take about 90 minutes from Likalaneng to Che Che Pass has now reduced to about 45 minutes (due to the mountainous terrain) due to reduction in VOC and improved surface condition of the road, which could be used for productive purposes. Transport fare, which is determined by the Government, has been reduced by 15 % after the road (lot 1) was upgraded from gravel to bitumen standard.

#### Sensitivity Analysis

At re-appraisal, only sensitivity analyses of two scenarios for the entire road were calculated. The robustness of the investment is shown by the sensitivity tests of changes in the values of important variables. By varying the investment costs upward by 10%, reducing the benefits downwards by 10%, and concurrently increasing cost and decreasing benefits by 10% each, it is found that the investment in the project road is still viable. The following table shows the sensitivity analysis for the entire project at re-appraisal and PCR.

Sensitivity Analysis (% EIRR)

| <b>Variable</b>                             | <b>Total Project<br/>Reappraisal</b> | <b>Total Project<br/>PCR</b> |
|---|--------------------------------------|------------------------------|
| Base case                                   | 15.6                                 | 17.1                         |
| 10% cost increase                           | 14.3                                 | 15.9                         |
| 10% benefit reduction                       | 14.1                                 | 15.5                         |
| 10% cost increase and 10% benefit reduction | 12.8                                 | 14.4                         |



## **Annex 5 - Project Narrative**

### **Characteristic of Implementation**

#### **1. Schedule**

The Project suffered severe delays. The original 18month contract was completed 15month behind schedule extending the original completion date of October 2007 to March 2009. There are a number of contributing factors that led to this delay and the following were recorded as the main causes:

Under capacity of the contractor's plant and equipment resources

Late payment by the Borrower to the Contractor thus leading to 'partial' suspension of the project. Any legal and contractual implications invoked as a result of the payment defaults were and was resolved between the Borrower and the contractor. The contractor did not completely demobilize but maintained skeleton resources on site. The partial rather than full demobilization was critical to the potential of the project being completed.

Unpredicted rainfall.

Design change.

As a result of the above and the associated conflicts, the program underwent a number of review cycles to recover any lost time. The pavement construction was delayed due to design change. The bridge construction was however completed ahead of schedule.

#### **2. Quality**

The date of the site visit took place under extreme wet conditions. This provided the opportunity to assess the characteristics such as road and driving conditions particularly with respect to the performance of the drainage design of the infrastructure. The road has been in use for six months and the assessment on quality is based on its relatively short life:

The general quality of the finished work appears to be more than satisfactory.

The pavement surface and ride quality is good. The safety features such as safety barriers and road signs are well placed and intact. There are signs of vandalism where some reflectors have been removed. The drainage design coped exceptionally well with the extreme flow which would otherwise have made the road unsafe. The bridge structure is well constructed with no apparent signs of defects or poor workmanship. Its drainage features coped well with the extreme flows. Some adverse observations were the occurrence of localized land slip which is characteristics of the topography and ground composition and is exacerbated by the wet conditions. This is considered as compromising on quality and as such accepted by the local authority as a maintenance item.

#### **3. Performance of consultants**

The consultant demonstrated vigilance, competence and good management in executing its duties. Technical competence was exceptional and this is evident in the quality of the works. Given the 15month delay to the project, the performance in respect of non-technical aspects (commercial and contract management) of the works is difficult to assess. However, discussions with all parties appear to indicate shortcomings in the contractor's appreciation of the physical challenges of the works, although this cannot be proved.

#### **4. Effectiveness of Bank's supervision**

The Bank carried out the required supervisions in a well organized manner. The professionalism of the Bank's supervision team and strict adherence to the bank's guidelines had assisted in managing and ensuring project continuity.

#### **5. Effectiveness of Borrower's supervision**

The Borrower's lack of resources to be directly involved with the supervision of the works resulted in complete dependence on the appointed consultant. Therefore the supervision effectiveness of the Borrower is a direct reflection on the performance of the consultant as described in item 3 above, With a competent consultant working on behalf of the Borrower and taking in account the lack of resources, the supervision effectiveness of the borrower is considered satisfactory. The effectiveness would be enhanced if consultant duties are complemented with borrower's resources.

#### **6. Compliance Assurance strategy adopted by bank.**

This has been carried out through the supervision missions and disbursement audits. Technical compliances have been duly executed by the consultant through the quarterly progress reports in accordance with the bank's requirements.

#### **7. Accomplishment at time of project closing**

At project closing, the infrastructure had been commissioned and was in the defects liability period. There were no outstanding works except for application of reflective road markings. This had been programmed as later activity as per recommendation of the design for technical reasons. On this basis of minor outstanding works, the project is considered as having accomplished 98% of the works and operational requirements.

In spite of the fifteen months delay to the project - almost double the original program – the final project cost of the civil works is 8 % above the original contract offer of the civil works.

## **Annex 6 - Supporting Documents**

1. Annual Road Maintenance Program Expenditure Report for 2004 – 2009, October, 2009
2. Strategy for the Road Fund, 2008-2013 (Draft 2), Road Fund, Ministry of Finance, Maseru, Lesotho
3. Audit Reports on Annual Financial Statements (2005 – 2009), Road Fund, Ministry of Finance, Lesotho
4. Project Completion Report (Draft), WSP International, Lesotho, May 2009
5. Mid-Term Review Report (25<sup>th</sup> May -5<sup>th</sup> June 2009), Integrated Transport Project, Ministry of Public Works and Transport, Maseru, Lesotho, May 09
6. Draft Inception Report - Projected Road Maintenance Needs and the Generation of Road Fund Revenue, Feb 2009 (Prepared by Africon Lesotho for Road Fund)
7. Road Branch Maintenance Budget for 2008/09 – 2009/10, Ministry of Public Works and Transport, Maseru, Lesotho October 2009
8. Various Project Quarterly Progress Reports
9. Lesotho - Proposal for an ADF Loan of UA 10.53 million to finance the Likalaneng - Thaba Tseka Road Upgrading Project
10. Lesotho - Likalaneng - Thaba Tseka Road Upgrading Project Request for a Supplementary Loan of UA6,830,000
11. Various Aide Memoire of Supervision Missions and Project Correspondences

## **Annex 7 - List of Persons Met**

1. Ministry of Finance & Development Planning (MFDP)  
Mr. M. N. Khethisa, Principal Secretary
  
2. Ministry of Public Works & Transport (MOPWT)  
Mr. Isaac Morienyane, Director General, Road Directorate  
Mr. Sydney M. Matsepe, Director/Project Coordinator, Road Directorate  
Ms. MC Pama, Integrated Transport Project Manager  
Ms. Senate T.M. Molapo, Quality Assurance Director, Roads Directorate  
Mr. Mohapi Sekalaka, Finance Director, Roads Directorate  
Mr. Tikoe K. Matsoso, Roads Network Maintenance, Roads Directorate  
Mr. Ephraim Masimega, Contract Management, Roads Directorate  
Mr. Steve Molefe, Road Safety Engineer  
Mr. Motebang Koneshe, Human Resource Manager, Roads Directorate  
Mr. Sekoala Raseleman, Senior Accountant, Roads Directorate
  
3. Road Fund  
Mr. Victor Tlelima Halele, HR & Administrative Officer  
Ms. Mphaphathi Rananyalare, Acting Financial Controller
  
4. Ministry of Tourism Environment and Culture  
Ms. B.M.Khoachele, Environmentalist (EIAS & Pollution Control)  
Ms. Malikokonelo Matlaba
  
5. Messrs WSP International- Supervision Consultant  
Mr. Steve Hunt, Chief Resident Engineer  
Mr. David N Nkalai, Environmental Advisor
  
6. World Bank  
Mr. Edmund Motseki, Operations Officer
  
7. European Union  
Ms. Sarah Jurreit, Second Secretary, Deputy Head of Cooperation

## **Annex 8 - Socio Economic Context**

### **Socio Economic Context<sup>1 2</sup>**

The Kingdom of Lesotho is a landlocked country surrounded by South Africa. It has an approx surface area of 30,400 sq km with a population of about 2million (2009 figures). Lesotho's gross national income (GNI) per capita is at par with the rest of the continent with an annual growth rate between 5%-7% over a 4-year period to 2007. The growth is expected to continue due to further expansion of the mining industry, textile and increased public spending. The economy is integrated with South Africa and is based on water and electricity sold to South Africa, manufacturing, earnings from the Southern African Customs Union (SACU), agriculture and livestock. The country also exports diamonds, wool, and mohair. The western lowlands form the main agricultural zone. The majority of households subsist on farming or migrant labour, and almost 50% of the population earns some income through crop cultivation or animal husbandry. In 2007, agriculture accounted for an estimated 7% of GDP.

In spite of Lesotho's impressive annual GDP growth of about 5.1% being above the population growth rate (0.7%, 2007), poverty remains widespread with more than half of the population in the country living below the poverty line although there has been an improvement between 1994/95 to 2002/2003 from 62.1% to 50.2% respectively. The high incidence of HIV/AIDS remains one of the main threats to the attainment of the country's development agenda. With prevalence rate of 23.2%, ranking it the third highest HIV prevalence country in the world, the high incidence of HIV/AIDS impacts on productivity, real incomes and society as a whole.

The impact of HIV/AIDS is an underlying factor in the socio-economic development contributing to high mortality rate and reduced life expectancy. The mortality rate for the under-5s currently stands at 84 per 1000 with a worsened life expectancy of 43yrs in 2007 from 60years in 1996.

The country's literacy level is among the highest on the continent, with the overall population literacy rate standing at 83% in 2006. However, Lesotho is one of the few African countries with a reverse gender gap in favour of women in terms of literacy rates. Conversely, while the reverse gap is perceived relatively positive, high employment among ex-miners returning from South Africa has undermined male status and dominance as household heads which has consequently increased incidences of gender-based violence among the women.

The leading cause of poverty is high unemployment estimated at 23.2% of the total workforce and some of the attributed factors to such high unemployment are identified as: the decline in the RSA mining industry in the early 1990s, narrow production and export base, and weak capacity and skill shortages due to the lack of quality education. The unemployment has created income inequality although there is a declining trend with the Gini coefficient reducing between 1994/95 to 2002/03, from 0.57 to 0.52 respectively. This trend is reaffirmed by the improvement of Lesotho's Human Development Index (HDI) ranking from 149<sup>th</sup> in 2005 to 138<sup>th</sup> in 2007.

| <b>Country Data for Kingdom of Lesotho</b>                    | <b>2007</b> |
|---|-------------|
| Population, total (millions)                                  | 2.01        |
| Population growth (annual %)                                  | 0.5         |
| Surface area (sq. km) (thousands)                             | 30.4        |
| GNI, PPP (current international \$) (billions)                | 3.77        |
| GNI per capita, PPP (current international \$)                | 1,880       |
| Life expectancy at birth, total (years)                       | 43          |
| Fertility rate, total (births per woman)                      | 3.4         |
| Adolescent fertility rate (births per 1,000 women ages 15-19) | 73          |
| Mortality rate, under-5 (per 1,000)                           | 84          |
| Prevalence of HIV, total (% of population ages 15-49)         | 23.2        |
| GDP growth (annual %)   | 5.1         |
| Agriculture, value added (% of GDP)                           | 7           |

**Source: World Development Indicators- World Bank, Country Data & Statistics**

<sup>1</sup> World Development Indicators- World Bank, Country Data & Statistics

<sup>2</sup> Country Strategy Paper 2008-2012

The government is addressing all the above socio-economic scenarios of poverty, health, education, unemployment in various policy-making initiatives such as its Poverty Reduction Strategy (PRS), Growth Strategy Paper (GSP) and the Issues Paper. On education, the government is implementing the Education Sector Strategic Plan (2005-2015). On health, the efforts to reduce infant and under-five mortality rate is being challenged by the HIV pandemic. The government is however addressing these through the National Health and Social Welfare Policy (NHSWP) and Health and Welfare Strategic Plan (HWSP). On gender-related violence, the adoption of the 2006 Legal Capacity of Married Persons Act has been passed to revoke incumbent laws that regarded women as minors.

On progress in achieving the Millennium Development Goals (MDGs), Lesotho is believed to be track to meet certain targets in sectors such as education. However, the prevalence of HIV and the poor coverage in health service is to potentially hamper targets on halving poverty and reducing mortality rates. In spite of these challenges, the country's policy framework on social and economic aspects is in advanced phase of development and is systematically being deployed by the government to improve the quality of life of its people.