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**Report No. P-1735a-LSO**

REPORT AND RECOMMENDATION

OF THE

PRESIDENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED CREDIT

TO THE

KINGDOM OF LESOTHO

FOR A

SECOND HIGHWAY PROJECT

February 17, 1976

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### CURRENCY EQUIVALENTS

|       |   |               |
|-------|---|---------------|
| US\$1 | = | Rand 0.86 (R) |
| R1    | = | US\$1.16      |

### ABBREVIATIONS

|            |   |  |
|------------|---|--|
| CMW and PP | - | Central Mechanical Workshop and Plant Pool,<br>Ministry of Works |
| LCU        | - | Labor-Intensive Construction Unit                                |
| LNDC       | - | Lesotho National Development Corporation                         |
| MW         | - | Ministry of Works  |
| NDP        | - | Lesotho's National Development Plan                              |
| ODM        | - | United Kingdom Overseas Development Ministry                     |
| RB         | - | Roads Branch, Ministry of Works                                  |

INTERNATIONAL DEVELOPMENT ASSOCIATIONREPORT AND RECOMMENDATION OF THE PRESIDENT  
TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT  
TO THE KINGDOM OF LESOTHO FOR A SECOND HIGHWAY PROJECT

1. I submit the following report and recommendation on a proposed development credit to the Kingdom of Lesotho for the equivalent of US\$5.5 million on standard terms to help finance improvement and reconstruction of a road and for establishment and initial operation of a labor-intensive construction unit. The United Kingdom Ministry of Overseas Development (ODM) will participate in the co-financing with a grant of US\$1.5 million equivalent.

PART I - THE ECONOMY

2. The most recent economic report entitled "The Economy of Lesotho" (331a-LSO) was distributed to the Executive Directors on June 25, 1974. An updating economic mission visited Lesotho during November 1975 and is expected to issue its report shortly. The findings of the mission are summarized below. The most recent country economic data are given in Annex I.

3. Lesotho is among the 25 countries designated as "least developed" by the United Nations. Landlocked within the Republic of South Africa, it is mountainous, with few natural resources, and with less than 15 percent of the total land area suitable for crop production. Per capita income was estimated at \$100 in 1973/74. The general shortage of skilled manpower is one of the main constraints to development and is aggravated by the continuing migration of workers for employment in South Africa. Of a total population of about 1.2 million, approximately 175,000 Basotho men (60 percent of the country's male labor force) and 25,000 women are employed as migrant workers in South Africa mainly in the mining and agriculture sectors. This contrasts with only 16,000 Basotho men at work in Lesotho's modern sector. Over the last six years, the number of Basotho men employed by South African mines has increased by some 40,000, while wage employment in Lesotho grew by approximately 2,000. In 1974, net earnings of migrant workers reached an estimated \$75 million, almost the level of the country's own GDP. For the foreseeable future approximately 80 percent of the natural increase in Lesotho's labor force will look for employment in South Africa due to the higher wages in South Africa and the small absorptive capacity of Lesotho's economy.

4. The migrant labor force is thus of critical economic importance to Lesotho. There are, however, certain disadvantages. The absence of much of the able-bodied population aggravates the shortage of both unskilled and semi-skilled manpower, and renders difficult the implementation of long term programs for the economic development of the country. Furthermore, the country is now extremely vulnerable to conditions in South Africa over which the Lesotho Government has no control. This was brought home sharply in the beginning of 1974 when, because of disorders at some South African mines, between 10,000 and 15,000 migrant workers suddenly returned to Lesotho. Although the emergency situation was resolved and most of the migrant workers

returned to employment in South Africa, the risk of similar occurrences, which might be of longer duration, remains real. Also, mechanization in the South African mines may in the future lead to a slackening in the demand for migrant labor. Because of the uncertainties facing Basotho laborers in the South African labor market, the Lesotho Government has decided to investigate the use of labor-intensive techniques in the execution of public works. The Government hopes that developing the capability to utilize labor-intensive techniques will enable it to cope with future emergency employment situations, as well as provide a long term strategy in the event that employment opportunities for Basotho in South Africa level off.

5. Agriculture, mostly subsistence in nature, provides the major source of economic activity for about 85 percent of the resident population and contributes about 50 percent of GDP. The sector is characterized by traditional methods of cultivation, low productivity and serious problems of soil erosion; production of the main crops (maize, sorghum, wheat) is inadequate to meet domestic food needs. The most recent agricultural census indicates an increase in production of almost 50 percent between 1969/70 and 1973/74, but this is due largely to the vagaries of climatic conditions rather than to a long term trend in agricultural output. In fact, crop production in 1973/74 was only 13 percent higher than in 1960/61, implying a long term growth slower than the 2.2 percent per annum increase in the population. In recent years, the Government has implemented a program of rural development which offers some prospects for improving agricultural productivity and arresting the deteriorating soil conditions.

6. Manufacturing, mining, construction and public utilities together contribute less than 5 percent of GDP. A recent agreement with the DeBeers mining group provides for an investment of \$40 million in diamond production and the creation of about 500 jobs; production is scheduled to begin in 1977. Manufacturing and industrial production has been limited by the small size of the domestic market and the relative unavailability of low-cost local labor due to the migrant situation. There are, however, some prospects for developing small scale industries, particularly in the fields of handicrafts, construction materials and light manufacturing.

7. In recent years, there has been a rapid development in tourism; the number of visitors staying in hotels increased from about 4,000 in 1969 to an estimated 75,000 in 1974. The Government has recently established a Tourist Development Authority to promote the industry. A luxury hotel is presently under construction in the capital, Maseru, and plans are in hand to broaden the base for tourism development by opening up the country's scenic mountain region.

8. Lesotho, together with South Africa, Botswana and Swaziland, belongs to the Southern Africa Customs Union. Merchandise trade which is carried on mainly with the Republic, shows an increase in recorded imports from \$32 million in 1970 to \$116 million in 1974 as against a corresponding rise in the value of exports from \$6 million to \$14 million. So far these deficits have been more than offset by migrant remittances and transfers to the Government as well as to the private sector. The Customs Union is the source of about 60 percent of government revenue which increased from \$16

million in 1969/70 to \$42 million in 1974/75. Recurrent expenditure in the same period rose from \$16 million to \$27 million. UK grants in support of the current budget were discontinued in 1973/74 when a surplus of \$8 million was realized; in 1974/75 the current surplus was \$15 million. Over the next few years, the Government should be in a position to finance a small portion of its capital investment program. However, this will depend to a large extent on the outcome of current negotiations to amend the Customs Union Agreement in order to reverse the present slowdown in the growth of the revenues from the Union pool.

9. The Government is currently preparing its second National Development Plan (NDP) for 1976-80. Provisional data indicate that during the period 1969/70 to 1973/74 GDP grew at about 6 percent annually in real terms; progress was made in improving the educational system; the chronic budgetary deficit was eliminated; and the Government's financial and implementation capacity improved considerably. The growth of domestic employment has not, however, kept pace with the increase in the labor force.

10. The guidelines for the second NDP indicate an investment program of about \$100 million, of which about one-third would be directed towards agriculture and rural development (as compared to 23 percent in the first plan). Domestic employment creation would be emphasized by strengthening the role of the Lesotho National Development Corporation (LNDC). In the past, a serious constraint to development has been the country's low absorptive capacity. However, in recent years the Government has increased its capacity to identify investment opportunities. The results of a number of pre-investment studies which have been carried out in various sectors of the economy are now available (transportation, tourism, power, minerals, telecommunications) and should enhance the specific project content of the second NDP. A substantial program of technical assistance is operating and education, training and government administration are continuing to improve. As a result, we expect the country's overall implementation capacity to continue improving.

11. Debt service is presently at a low level; in 1974, service payments on external public debt came to under \$0.5 million, which represents only about 2 percent of current revenue. Since Lesotho likely will continue to receive most of its capital assistance as grants or concessionary credits, the servicing of external public debt will probably not exceed 2 percent of government revenues over the next several years.

12. Lesotho's lack of natural resources and the constraints imposed by the migrant labor situation underline its difficult task of development. Current revenue is critically dependent on the Customs Union, and it is uncertain whether revenue from this source will continue to grow in the future. On the other hand, the recent revision in civil service salaries, the first since 1964, will cause current expenditures to rise, placing limits on the amount which can be transferred to the capital budget. As a consequence, donor agencies should be prepared to continue financing in most projects not only all the foreign costs, but also a part of the local costs.

## PART II - BANK GROUP OPERATIONS IN LESOTHO

13. To date Lesotho has received IDA credits for three projects totaling \$13.7 million. The first, in FY66, was a \$4.1 million credit for the First Highway Project which provided for paving a section of the main north-south road; the project was successfully completed in 1969. The second was a \$5.6 million credit, approved in FY73, for the Thaba Bosiu Rural Development Scheme. This project is currently meeting its targeted objectives of providing 12,000 rural families with a minimum package of inputs, credit and extension services in order to increase their incomes and the productivity of their land. The third, a \$4.0 million credit for an Education Project, was approved in FY75. The project has made a promising start on expanding Lesotho's vocational and commercial training capacity, and improving the country's rural educational program. At the end of 1974, IDA's share of Lesotho's total external debt (disbursed and undisbursed) was 87 percent (due to the fact that most external aid in the past has been provided on grant terms). Servicing of IDA credits accounted for only 11 percent of total debt service. Annex II contains a summary statement of IDA credits and notes on the execution of the two ongoing projects.

14. In our proposed operations we are aiming to support the stated objectives of the Government's draft second NDP which are: (i) creating new employment opportunities in both the modern and traditional sectors; (ii) increasing agricultural productivity and introducing erosion control measures; (iii) improving the quality of education and expanding vocational training and educational opportunities in rural areas; and (iv) improving communications among regions within the country.

15. Preparatory work is now underway on several potential projects. We are helping the Government to prepare a follow-up project to the current Thaba Bosiu Rural Development Scheme to distribute basic agricultural inputs to the rest of Lesotho's lowland and foothill areas. We also expect to make a loan to the Lesotho National Development Corporation for industrial and commercial subprojects. In addition, we propose to continue assisting Lesotho's educational system and expanding the transport network.

## PART III - THE TRANSPORT SECTOR

16. Transportation facilities in Lesotho are limited. At present the country's transportation network consists of roads (mostly tracks), a short rail connection to the South African border and 31 small airfields. Only two of Lesotho's airfields are paved and only one has navigation/communication equipment. All the others have grass or gravel surfaces and are restricted to small aircraft. Given the expense of air transport, the country depends almost entirely on roads for internal communications and for access to South Africa's extensive transport system, which carries all of Lesotho's international trade.

17. The road network comprises about 2,700 km and is concentrated in the western lowlands where the bulk of the population lives. Eighty percent are tracks, generally below standard and consequently difficult to maintain. On the other hand, the 200 km of bituminous roads are well built and satisfactorily maintained. The heaviest trafficked nonurban road section carries about 850 vehicles per day (vpd). Some gravel roads handle 100 vpd while most, particularly in the mountains, have considerably less traffic. Pack animals handle much of the short-haul regional transportation in the mountain areas.

18. The Ministry of Works (MW) oversees all roads other than low grade roads constructed under the food-aid program and administered by the Community and Rural Development Office. Various branches within the MW control different aspects of road administration:

- (i) The Roads Branch (RB) plans, designs and maintains the roads and also maintains Lesotho's airfields;
- (ii) The Central Mechanical Workshop and Plant Pool (CMW and PP) provides equipment for hire to government agencies and maintains the equipment;
- (iii) The MW Technicians Training School provides training facilities for technicians, including road maintenance personnel; and
- (iv) The MW Planning Unit prepares and evaluates capital projects, coordinates projects within the ministry, frames annual capital expenditure estimates and monitors the physical and financial progress of projects.

At present the Planning Unit staff consists of one expatriate economist on short term contract. The Borrower has agreed to appoint a suitably qualified Basotho economist to the Planning Unit (Section 4.04, Development Credit Agreement).

19. The RB maintains Lesotho's roads and gravel tracks. Over the next five years, the RB will assume responsibility for maintaining 1100 km of earth tracks from the Community and Rural Development Office. The Government intends to decentralize the RB to improve its operational capability. The RB will have three district offices, each initially under the control of a senior technical officer, and ultimately under a district engineer.

20. The RB has had difficulty in maintaining the country's road network, primarily because equipment and mechanics were not available as required. This is largely a result of operational problems within the CMW & PP. The Borrower proposes to review CMW & PP procedures with ODM. The Borrower agreed to submit to the Association by December 31, 1976, a plan for improving the CMW & PP (Section 4.05, Development Credit Agreement).

21. Because of limited design and construction capacity, the RB undertakes only minor works using its own equipment-intensive units. There are two units now; a third will be set up soon under UK Crown Agents assistance. A few small local building construction firms exist, but they are not equipped for road works due to a shortage of engineers and supervisors. Consequently, all major works are executed by expatriate construction firms. After examining the possibilities for stimulating a local road construction industry, we have concluded that the first step is to expand the supply of skilled manpower. The First Education Project began this task by providing support for the MW Technicians Training School. The project will continue this assistance by adding an instructor to the school.

22. A team of British consultants completed a national transportation study for Lesotho in 1974. The study's proposed work program aims to open up the country by upgrading rural roads in the lowlands and constructing gravel roads and tracks in the mountainous areas. The preliminary allocation for roads in the second NDP is \$17 million, a significant increase above the estimated \$4 million expended during the first plan period. The Government expects external sources to finance a large proportion of the total road budget.

23. Road users in Lesotho pay fees in several forms: (i) vehicle registration fees; (ii) an excise tax on fuel and lubricants; (iii) customs, excise duties and sales taxes on motor vehicles and components. Due to Lesotho's participation in the Southern Africa Customs Union, customs and sales duties on goods imported into the common customs area, as well as excise and sales duties on goods produced within the area, are paid into a central revenue pool. Total transport-related revenue for the last few years has substantially exceeded road administration and maintenance expenditures.

#### PART IV - THE PROJECT

24. The project consists of two separate components: the improvement and reconstruction of a road and the establishment and operation of a labor-intensive construction unit (LCU). Although these components are unrelated in origin and scope, we have combined them into one project to facilitate their administration.

25. The road component was identified in mid-1974 on the basis of the study mentioned in para. 22. Improvement of this road initially was to be part of a larger Mountain Area Rural Development Project which was prepared under the FAO/IBRD Cooperative Program and included livestock and crop production components. Subsequently, the Canadian International Development Association agreed to finance the agricultural component as a separate project and the Association, the road component. British consultants financed by ODM completed the detailed engineering in early 1975. The Association reviewed and commented upon the engineering studies before appraising the proposed project in April 1975. ODM agreed to participate in the project on the basis of the Association's appraisal.

26. The LCU component is the result of a Bank-led mission which the Lesotho Government requested in early 1974 to provide emergency advice on absorbing Basotho migrant workers returning suddenly from the Republic of South Africa (paras. 3 and 4 describe problems of migrant workers). The mission recommended creation of a LCU to gain familiarity with labor-intensive methods and to provide a basis for coping with future emergencies (Report of the Migrant Workers Re-employment Mission, No. 614a-LSO). A mission visited Lesotho in October 1975 to discuss LCU's administrative and financial arrangements. The mission recommended that the Government create a smaller LCU than proposed by the Employment Mission to be more consistent with the **availability** of skilled and semi-skilled local staff in Lesotho. The mission also recommended that the project provide technical assistance to the Labor Commissioner's office to recommend and implement improved procedures for the collection of labor information.

27. An Appraisal Report entitled "Appraisal of a Second Highway Project, Lesotho" (Report No. 952a-LSO) is being circulated separately. A credit and project summary is provided as Annex III. The proposed credit was negotiated in Washington, D.C. in January 1976. The Government's negotiating team was led by Mr. A. M. Monyake, Permanent Secretary, Ministry of Planning and Statistics.

#### Description

28. The project's two components would provide for the following:

- (i) The improvement of the gravel road between St. Michaels and Mantsonyane (95 km) and reconstruction of the earth track between Mantsonyane and Thaba Tseka (52 km). Funds are also included for (a) consultant services to finalize the construction documents and supervise the work, (b) road maintenance equipment and facilities along the project road, and (c) technical assistance to strengthen MW. These two road sections would substantially improve the transportation link between Thaba Tseka, the commercial center of the central mountain region, and Maseru, the country's capital and economic center.
- (ii) The establishment and operation of a LCU for a three-year period and the provision of technical assistance to strengthen the Labor Commissioner's office. Through its ongoing operations the LCU would prepare Lesotho to cope with a sudden return of migrant laborers as well as investigate the merits of using labor-intensive methods as a long term employment strategy. The LCU's work program would be relatively small (employing about 200 laborers), but the LCU would be capable of quickly expanding its activities in the event of an employment emergency. The LCU's objectives would be: (a) to train supervisory staff in labor management techniques; (b) to gain experience by carrying out labor-intensive construction work; (c) to formulate administrative procedures for large scale adoption of labor-intensive techniques; and (d) to develop an inventory of appropriately designed projects.

Cost and Financing

29. The total net project cost (road and LCU) is estimated at \$8.6 million, of which \$6.6 million or 76 percent would be for expenditures on goods and services outside Lesotho. A detailed breakdown of costs is given in Annex III. Donors would provide at least \$7.0 million, 81 percent of total cost, although possible additional co-financing could raise the total to \$7.7 million, 91 percent of total cost. The cost sharing arrangements for the project components would be as follows:

(i) Road Improvement/Reconstruction

- IDA to provide \$5.0 million to finance the foreign cost and a substantial portion of the local costs of the construction contract and the costs for revising the construction documents; 1/
- ODM to provide \$1.5 million to cover the total costs of the maintenance buildings and equipment, technical assistance to MW and consultants' costs of supervising the construction contract;
- Government to provide \$390,000 for local costs.

(ii) LCU

- IDA to provide \$500,000 for the total costs of the engineering consultants;
- Government to provide \$1.2 million for equipment, fuel and labor costs of the LCU and the costs of strengthening the Labor Commissioner's office. 2/

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1/ The Lesotho Government is negotiating with the Arab Bank for Economic Development in Africa (BADEA) for a loan of approximately \$2.5 million to assist with the co-financing of the road improvement/reconstruction contract. If BADEA and the Lesotho Government agree on the terms and conditions of a loan, then an equal amount of the IDA credit would be cancelled.

2/ The Lesotho Government is negotiating with Sweden and UNDP for grants totaling \$700,000 to substitute for part of the Government's contribution to operating the LCU and assisting the Labor Commissioner's office. If negotiations are successful Sweden would provide \$500,000 towards the costs of operating the LCU for a three-year period; UNDP would provide \$200,000 for two years of technical assistance for the Labor Commissioner's office and associated local costs. In the event SIDA and UNDP assistance should not materialize, the Government is able and willing to provide the necessary finance.

### Project Execution

30. The Roads Branch would implement the road improvement component of the project. Engineering consultants, employed on terms and conditions satisfactory to the Association and ODM, would supervise the actual work (Section 3.02, Development Credit Agreement). Employment of these consultants has been made a condition of credit effectiveness (Section 6.01 (b), Development Credit Agreement). The RB expects to award the contract by September 1976 and complete work by the end of 1978. The appraisal mission considered improving the project road using labor intensive construction, but concluded that this was not feasible due to the heavy earth works component and the area's remoteness and harsh conditions.

31. A Coordinating Committee would make LCU's policy decisions and approve its work program. The Senior Permanent Secretary would chair the Coordinating Committee which would comprise senior representatives of the relevant ministries (MW, Commerce and Industry, Agriculture, Finance, Planning and Statistics, Community and Rural Development Office), the Labor Commissioner and the Senior Engineer in charge of the LCU. The Borrower agreed to establish by September 30, 1976, the Coordinating Committee on terms agreeable to the Association (Section 3.07(a), Development Credit Agreement).

32. A team of three engineering consultants, employed on terms and conditions satisfactory to the Association, would direct LCU's operations during the initial three-year period. During their first four months, the consultants would set up the administrative apparatus of the LCU, select the estimated 35 permanent Basotho staff in conjunction with MW, and draft a proposed work program of labor-intensive projects to submit to the Coordinating Committee for approval. By the completion of its second year of operation, the LCU would submit a preliminary evaluation report documenting its operational costs and making recommendations on future operations. The LCU would submit a final report on completion of its initial three-year operation period (Section 3.07(b), Development Credit Agreement).

### Procurement and Disbursement

33. The road improvement/reconstruction contract would be awarded on the basis of international competitive bidding in accordance with Bank Group guidelines. Contractors were prequalified in November 1975, and bids would be called for in April or May 1976. The tender documents did not include a preferential margin for domestic contractors since there are none who qualify. Construction of maintenance buildings and procurement of maintenance equipment would follow normal ODM procedures; procurement of equipment for the LCU would follow normal government tender procedures.

34. Disbursements of the IDA credit proceeds would be made as follows:

- (a) 86 percent of the total expenditures (net of taxes/duties) of the road improvement/reconstruction;

- (b) 100 percent of foreign expenditures for the consultants to revise construction documents (this amount - approximately \$13,000 that has been spent after October 1, 1975 - would be financed retroactively);
- (c) 100 percent of the total expenditures (net of taxes) of the consultants employed by the LCU.

#### Benefits and Justification

35. Benefits from the improvement/reconstruction of the St. Michaels-Thaba Tseka road would accrue largely to the 56,000 people living in the immediate area of the road's influence in the form of savings from reduced transport costs and increased net value of agricultural production. Improving the St. Michaels-Mantsonyane section is expected to reduce sufficiently the cost of transport for existing and generated traffic to justify that portion of the road. Reconstructing the Mantsonyane-Thaba Tseka road is justified as part of a total regional development package. Thaba Tseka has just been named the headquarters of Lesotho's Tenth District. It is also the center of a \$8.0 million Mountain Area Rural Development Project (see para. 25). The Mountain Area Project aims at increasing crop and livestock production and improving living conditions through infrastructure investments. The improved road should enable farmers to improve livestock production and to switch from subsistence maize production to wheat, for which conditions are much more suitable. A major unquantified benefit is the increased access that the people in the remote Thaba Tseka region and the mountain areas would have to Maseru, the nation's capital, and the social services available in the more developed lowlands.

36. The rate of return, assuming a 15 year economic life, is 13 percent for the St. Michaels-Mantsonyane section and 11 percent for the Mantsonyane-Thaba Tseka section (calculated in conjunction with the Mountain Area Development Project and assuming Phase 2 begins in 1980). If construction costs increase by 10 percent or if traffic growth is half of that anticipated, the rate of return for the St. Michaels-Mantsonyane section would be 12 and 11 percent respectively. If the Mountain Area Rural Development Project is not extended in a second phase, the Mantsonyane-Thaba Tseka rate of return would be 10 percent.

37. Although not quantifiable, several benefits of the LCU can be identified. Primarily, the LCU would give Lesotho a potential capacity to handle large numbers of returning laborers, should the need arise. As mentioned in paragraph 4, South Africa has announced its intention to further mechanize its mining sector and reduce dependence on migrant labor. Thus, the possibility of Lesotho's having to absorb large numbers of workers sometime in the future is real. Without contingency plans, such a development would cause severe economic and financial dislocations in the country. The LCU would also train local staff as supervisors. In addition, the evaluation of LCU's operations would help judge the feasibility of labor-intensive operations in Lesotho's circumstances irrespective of an emergency reoccurring.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

38. The draft Development Credit Agreement between the Kingdom of Lesotho and the Association, the Recommendation of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement and the text of a resolution approving the proposed development credit, are being distributed to the Executive Directors separately.

39. The draft Development Credit Agreement conforms substantially to the pattern of recent agreements used for highway projects. Special features are referred to in paragraphs 18, 20, 30, 31 and 32 of this report.

40. An additional condition of effectiveness is that the ODM Grant Agreement between the Lesotho Government and ODM has, or will concurrently with the Development Credit Agreement, become fully effective (Section 6.01(a), Development Credit Agreement).

41. I am satisfied that the proposed Development Credit Agreement would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

42. I recommend that the Executive Directors approve the proposed development credit.

Robert S. McNamara  
President  
by  
J. Burke Knapp

Attachment  
February 17, 1976



TABLE 3A  
LESOTHO - SOCIAL INDICATORS DATA SHEET

| LAND AREA (THOU KM <sup>2</sup> )                    | LESOTHO |            |                      | REFERENCE COUNTRIES (1973) |          |                         |        |
|--|---------|------------|----------------------|----------------------------|----------|-------------------------|--------|
|  | TOTAL   | 1970       | MOST RECENT ESTIMATE | ETHIOPIA                   | CAMEROON | SWAZILAND <sup>SM</sup> |        |
| TOTAL  | 50.5    |            |                      |                            |          |                         |        |
| ARABLE   | ..      |            |                      |                            |          |                         |        |
| GDP PER CAPITA (US\$)                                |         | 40.0       | 90.0                 | 100.0                      | 70.0     | 210.0                   | 230.0  |
| <b>POPULATION AND VITAL STATISTICS</b>               |         |            |                      |                            |          |                         |        |
| POPULATION (MID-YR. MILLION)                         |         | 0.8        | 0.9/a                | 1.0/a                      | 24.6     | 5.8                     | 0.4    |
| POPULATION DENSITY                                   |         |            |                      |                            |          |                         |        |
| PER SQUARE KM.                                       |         | 26.0       | 30.0/a               | 33.0/a                     | 20.0     | 12.0                    | 24.0   |
| PER SQUARE KM. ARABLE LAND                           |         | ..         | ..                   | ..                         | ..       | 88.0                    | ..     |
| <b>VITAL STATISTICS</b>                              |         |            |                      |                            |          |                         |        |
| CRUDE BIRTH RATE PER THOUSAND                        |         | ..         | 39.0                 | 42.0                       | 46.0     | 43.0                    | 52.0   |
| CRUDE DEATH RATE PER THOUSAND                        |         | ..         | 21.0                 | 15.0                       | 25.0     | 23.0                    | 24.0   |
| INFANT MORTALITY RATE (/THOU)                        |         | 181.0/a    | ..                   | 111.0                      | ..       | ..                      | ..     |
| LIFE EXPECTANCY AT BIRTH (YRS)                       |         | ..         | 44.0                 | 46.0                       | 39.0     | 41.0                    | 41.0   |
| GROSS REPRODUCTION RATE                              |         | ..         | 2.5                  | 2.5                        | 2.9      | 2.7                     | 3.5    |
| <b>POPULATION GROWTH RATE (%)</b>                    |         |            |                      |                            |          |                         |        |
| TOTAL  |         | 2.0        | 2.2                  | 2.2                        | 2.2      | 2.0                     | 2.9    |
| URBAN  |         | 2.0        | 4.0                  | ..                         | 5.0      | 6.0                     | 16.0/a |
| URBAN POPULATION (% OF TOTAL)                        |         | 0.8        | 1.0                  | ..                         | 19.0     | 20.0                    | 7.0/b  |
| <b>AGE STRUCTURE (PERCENT)</b>                       |         |            |                      |                            |          |                         |        |
| 0 TO 14 YEARS  |         | 46.0/a     | 43.0                 | 40.0                       | 45.0     | 43.0                    | 48.0/c |
| 15 TO 64 YEARS                                       |         | 47.0/a,b   | 51.0                 | 56.0                       | 51.0/a   | 54.0                    | 49.0/c |
| 65 YEARS AND OVER                                    |         | 7.0/a,c    | 6.0                  | 4.0                        | 4.0/b    | 3.0                     | 3.0/c  |
| <b>AGE DEPENDENCY RATIO</b>                          |         |            |                      |                            |          |                         |        |
| ECONOMIC DEPENDENCY RATIO                            |         | 1.1/a      | 1.0                  | 0.8                        | 1.0      | 0.9                     | 1.1    |
| FAMILY PLANNING <sup>+</sup>                         |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| ACCEPTORS (CUMULATIVE, THOU)                         |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| USERS (% OF MARRIED WOMEN)                           |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| <b>EMPLOYMENT</b>                                    |         |            |                      |                            |          |                         |        |
| TOTAL LABOR FORCE (THOUSANDS)                        |         | ..         | 440.0/b              | 450.0/b                    | 11300.0  | 2800.0                  | 130.0  |
| LABOR FORCE IN AGRICULTURE (%)                       |         | ..         | 69.0                 | ..                         | 85.0     | 92.0                    | 90.0   |
| UNEMPLOYED (% OF LABOR FORCE)                        |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| <b>INCOME DISTRIBUTION</b>                           |         |            |                      |                            |          |                         |        |
| % OF PRIVATE INCOME RECEIVED BY-                     |         |            |                      |                            |          |                         |        |
| HIGHEST 5% OF POPULATION                             |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| HIGHEST 20% OF POPULATION                            |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| LOWEST 20% OF POPULATION                             |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| LOWEST 40% OF POPULATION                             |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| <b>DISTRIBUTION OF LAND OWNERSHIP</b>                |         |            |                      |                            |          |                         |        |
| % OWNED BY TOP 1% OF OWNERS                          |         | ..         | 22.0/a               | ..                         | ..       | ..                      | ..     |
| % OWNED BY SMALLEST 10% OWNERS                       |         | ..         | 3.0/b                | ..                         | ..       | ..                      | ..     |
| <b>HEALTH AND NUTRITION</b>                          |         |            |                      |                            |          |                         |        |
| POPULATION PER PHYSICIAN                             |         | ..         | 26290.0              | 24810.0                    | 7450.0   | 25960.0                 | 7800.0 |
| POPULATION PER NURSING PERSON                        |         | 3140.0/a,e | 5300.0               | 5210.0                     | 24340.0  | 2470.0                  | 830.0  |
| POPULATION PER HOSPITAL BED                          |         | 350.0/d    | 470.0                | 490.0                      | 3030.0   | 480.0                   | 290.0  |
| <b>PER CAPITA SUPPLY OF -</b>                        |         |            |                      |                            |          |                         |        |
| CALORIES (% OF REQUIREMENTS)                         |         | ..         | ..                   | ..                         | 92.0     | 95.0                    | ..     |
| PROTEIN (GRAMS PER DAY)                              |         | ..         | ..                   | ..                         | 69.0     | 59.0                    | ..     |
| OF WHICH ANIMAL AND PULSE                            |         | ..         | ..                   | ..                         | 25.0     | 23.0/f                  | ..     |
| DEATH RATE (/THOU) AGES 1-4                          |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| <b>EDUCATION</b>                                     |         |            |                      |                            |          |                         |        |
| ADJUSTED ENROLLMENT RATIO                            |         |            |                      |                            |          |                         |        |
| PRIMARY SCHOOL                                       |         | 83.0       | 95.0                 | ..                         | 16.0     | 70.0                    | 84.0   |
| SECONDARY SCHOOL                                     |         | 3.0        | 7.0                  | 6.0                        | 4.0      | 9.0                     | 17.0   |
| YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL) |         | 12.0       | 12.0                 | ..                         | 12.0     | 14.0/g                  | 12.0   |
| VOCATIONAL ENROLLMENT (% OF SECONDARY)               |         | 23.0       | 8.0                  | ..                         | 5.0      | 22.0                    | 2.0    |
| ADULT LITERACY RATE (%)                              |         | ..         | ..                   | 40.0                       | 7.0      | ..                      | 30.0   |
| <b>HOUSING</b>                                       |         |            |                      |                            |          |                         |        |
| PERSONS PER ROOM (AVERAGE)                           |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| OCCUPIED DWELLINGS WITHOUT PIPED WATER               |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)           |         | ..         | ..                   | ..                         | ..       | ..                      | ..     |
| RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)         |         | ..         | ..                   | ..                         | ..       | ..                      | 9.0    |
| <b>CONSUMPTION</b>                                   |         |            |                      |                            |          |                         |        |
| RADIO RECEIVERS (PER THOU POP)                       |         | 6.0        | 10.0                 | 10.0                       | 6.0      | 36.0                    | 74.0   |
| PASSENGER CARS (PER THOU POP)                        |         | 3.0/h      | 2.0                  | 2.0                        | 1.0      | 6.0                     | 11.0   |
| ELECTRICITY (KWH/YR PER CAP)                         |         | ..         | ..                   | ..                         | 21.0     | 200.0                   | 180.0  |
| NEWSPRINT (KG/YR PER CAP)                            |         | ..         | ..                   | ..                         | 0.04     | ..                      | ..     |

SEE NOTES AND DEFINITIONS ON REVERSE

NOTES

Unless otherwise noted, data for 1960 refer to 1969-1961, for 1970 to 1968-1970, and for Most Recent Estimate to 1971-1973.

\* Swaziland has been selected as an objective country for Lesotho in order to provide comparative data in respect of a country of a similar size which is land-locked but at a higher level of development.

|           |      |    |                               |   |  |  |   |
|-----------|------|----|-------------------------------|---|--|--|---|
| LESOTHO   | 1960 | /a | 1956; /b                      | Population 15-59 years; /c  | Population 60 years and over; /d                                   | 1962; /e   | Including assistant nurses and midwives;              |
|           |      | /f | 1965.                         |   |  |  |   |
|           | 1970 | /a | Excludes absentee workers; /b | Ratio of population under 15 and 65 and over to total labor force; /c     | 1966; /d   | Arable land held   | under traditional tenure arrangements.                |
|           |      |    |                               |   |  |  |   |
|           |      |    | MOST RECENT ESTIMATE: /a      | Excludes absentee workers amounting to 20 percent of total population; /b | Total labor force which includes about                             |  | 200,000 persons employed temporarily in South Africa. |
| ETHIOPIA  | 1970 | /a | 15-59 years; /b               | 60 years and over; /c   | Ratio of population under 15 and 60 and over to total labor force. |  |   |
| CAMEROON  | 1970 | /a | 1964-66; /b                   | 13 years for E-st Cameroon.   |  |  |   |
| SWAZILAND | 1970 | /a | 1956-66; /b                   | 1966; /c  | African population only; /d  | Ratio of population under 15 and 65 and over to total labor force. |   |

R5 February 1979

DEFINITIONS OF SOCIAL INDICATORS

Land Area (thou km<sup>2</sup>)

Total - Total surface area comprising land area and inland waters.  
Arable - Most recent estimate of land area used temporarily or permanently for cultivation, pastures, market and kitchen gardens or to lie fallow.

GNP per capita (US\$) - GNP per capita estimates at market prices, calculated by same conversion method as World Bank Atlas (1972-74 basis).

Population and Vital Statistics

Population (mid-yr. million) - As of July first; if not available, average of two end-year estimates.

Population density - per square km - Mid-year population per square kilometer (100 hectares) of total area.

Population density - per square km of arable land - Computed as above for arable land only.

Vital Statistics

Crude birth rate per thousand - Annual live births per thousand of mid-year population; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Crude death rate per thousand - Annual deaths per thousand of mid-year population; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Infant mortality rate (thou) - Annual deaths of infants under one year of age per thousand live births.

Life expectancy at birth (yrs) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Gross reproduction rate - Average number of live daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Population growth rate (%) - total - Compound annual growth rates of mid-year population for 1950-70, 1960-70, and 1960 to most recent year.

Population growth rate (%) - urban - Computed like growth rate of total population; different definitions of urban areas may affect comparability of data among countries.

Urban population (% of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.

Age dependency ratio - Ratio of population under 15 and 65 and over to those of ages 15 through 64.

Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.

Family planning - acceptors (cumulative, thou) - Cumulative number of acceptors of birth-control devices under auspices of national family planning program since inception.

Family planning users (% of married women) - Percentages of married women of child-bearing age (15-49 years) who use birth-control devices to all married women in same age group.

Employment

Total labor force (thousand) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc.; definitions in various countries are not comparable.

Labor force in agriculture (%) - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.

Unemployed (% of labor force) - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.

Income distribution - Percentage of private income (both in cash and kind) received by richest 5%, richest 20%, poorest 20%, and poorest 40% of population.

Distribution of land ownership - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.

Health and Nutrition

Population per physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per nursing person - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience.

Population per hospital bed - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and establishments for custodial and preventive care.

Per capita supply of calories (% of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day; available supplies comprise domestic production, imports less exports, and changes in stock; net supplies exclude animal feed, seeds, pesticides used in food processing and losses in distribution; requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weight, age and sex distributions of population, and allowing 10% for waste at household level.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day; net supply of food is defined as above; requirements for all countries established by USDA Economic Research Services provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 16 grams should be animal protein; these standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.

Death rate (thou) ages 1-4 - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition.

Education

Adjusted enrollment ratio - primary school - Enrollment of all ages as percentage of primary school-age population; includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.

Adjusted enrollment ratio - secondary school - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instruction for pupils of 12 to 17 years of age; correspondence courses are generally excluded.

Years of schooling provided (first and second levels) - Total years of schooling; at secondary level, vocational instruction may be partially or completely excluded.

Vocational enrollment (% of secondary) - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.

Adult literacy rate (%) - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.

Housing

Persons per room (average) - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings exclude non-permanent structures and unoccupied parts.

Occupied dwellings without piped water (%) - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings.

Access to electricity (% of all dwellings) - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.

Rural dwellings connected to electricity (%) - Computed as above for rural dwellings only.

Consumption

Radio receivers (per thou pop) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

Passenger cars (per thou pop) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Electricity (kwh/yr per cap) - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita; generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.

Newsprint (kg/yr per cap) - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newsprint.

LESOTHO - ECONOMIC DEVELOPMENT DATA SHEET  
(millions of U.S. dollars)

|                                      | Actual  |         | Average Annual                 | As % of GNP |         |
|--------------------------------------|---------|---------|--------------------------------|-------------|---------|
|                                      | 1969/70 | 1973/74 | Growth rate<br>1969/70-1973/74 | 1969/70     | 1973/74 |
| (at 1969/70 prices & exchange rates) |         |         |                                |             |         |
| <u>NATIONAL ACCOUNTS</u>             |         |         |                                |             |         |
| Gross Domestic Product               | 65.9    | 81.3    | 5.4                            | 69.7        | 59.9    |
| Net Factor Income Receipts           | 28.7    | 56.7    | 18.5                           | 30.3        | 41.1    |
| Gross National Product               | 94.6    | 138.0   | 9.9                            | 100.0       | 100.0   |
| Imports (incl. NFS)                  | 32.3    | 65.8    | ..                             | 34.1        | 47.7    |
| Exports ("import capacity")          | 5.3     | ..      | ..                             | 5.6         | ..      |
| Resource Gap                         | -27.0   | ..      | ..                             | -28.5       | ..      |
| Consumption Expenditures             | 86.1    | 117.3   | 8.0                            | 91.0        | 85.0    |
| Investment (incl. stocks)            | 6.9     | 11.8    | 14.5                           | 7.2         | 8.6     |
| Domestic Savings                     | -20.2   | ..      | ..                             | -21.3       | ..      |
| National Savings                     | 28.8    | ..      | ..                             | ..          | ..      |

|                                  | 1970 |       | 1970-74 | 1970            |       |
|----------------------------------|------|-------|---------|-----------------|-------|
|                                  | 1974 |       |         | (As % of total) |       |
| <u>MERCHANDISE TRADE</u>         |      |       |         |                 |       |
| (At current prices)              |      |       |         |                 |       |
| Recorded Imports                 |      |       |         |                 |       |
| Food, beverages                  | 10.1 | 28.7  | 30.0    | 31.5            | 24.7  |
| Raw materials                    | 2.7  | 7.7   | 30.0    | 8.4             | 6.6   |
| Fuel, lubricants                 | 1.8  | 7.7   | 44.0    | 5.6             | 6.6   |
| Machinery, transport equip.      | 4.3  | 11.9  | 29.0    | 13.4            | 10.2  |
| Other imports                    | 13.2 | 60.5  | 46.0    | 41.1            | 51.9  |
| Total imports                    | 32.1 | 116.5 | 38.0    | 100.0           | 100.0 |
| Recorded Exports                 |      |       |         |                 |       |
| Agricultural, livestock products | 4.6  | 9.7   | 21.0    | 78.0            | 67.4  |
| Mineral products                 | 1.0  | 1.3   | 6.8     | 16.9            | 9.0   |
| Other exports                    | 0.3  | 3.4   | 85.0    | 5.1             | 23.6  |
| Total exports                    | 5.9  | 14.4  | 25.0    | 100.0           | 100.0 |

|                                      | Actual  |         | Average Annual                 | As % of Total |         |
|--------------------------------------|---------|---------|--------------------------------|---------------|---------|
|                                      | 1969/70 | 1973/74 | Growth Rate<br>1969/70-1973/74 | 1969/70       | 1973/74 |
| (in 1969/70 prices & exchange rates) |         |         |                                |               |         |

VALUE ADDED BY SECTOR

|                    |      |      |     |       |       |
|--------------------|------|------|-----|-------|-------|
| Rural sector       | 26.4 | 31.8 | 4.8 | 43.4  | 41.9  |
| Industry           | 4.5  | 5.0  | 2.7 | 7.4   | 6.6   |
| Services           | 30.0 | 39.1 | 6.9 | 49.2  | 51.5  |
| GDP at factor cost | 60.9 | 75.9 | 5.7 | 100.0 | 100.0 |

PUBLIC FINANCE

(Central Government)

|                      | At Current Prices |         |         | As % of GNP |         |
|----------------------|-------------------|---------|---------|-------------|---------|
|                      | 1969/70           | 1973/74 | 1974/75 | 1969/70     | 1973/74 |
| Current receipts     | 16.2              | 31.2    | 17.8    | 17.1        | 22.6    |
| Current expenditures | 16.0              | 23.4    | 10.0    | 16.9        | 16.9    |
| Budgetary savings    | 0.2               | 7.8     | ..      | ..          | 5.6     |
| Capital expenditures | 2.5               | 7.2     | 30.0    | 2.7         | 5.2     |

FUNCTIONAL EXPENDITURE DETAILS  
(as % of current expenditure)

|                         | Actual  |         |         | DETAIL ON PUBLIC SECTOR  |                | 1971/72 - 1973/74 |         |
|-------------------------|---------|---------|---------|--------------------------|----------------|-------------------|---------|
|                         | 1969/70 | 1973/74 | 1974/75 | INVESTMENT PROGRAM       | Annual Average | Current pr.       | % Total |
| Education               | 19.5    | 23.8    | 26.3    | Administration & defense | 7.1            | 38.2              | 38.2    |
| Other social services   | 8.8     | 8.1     | 7.3     | Infra-structure          | 1.8            | 32.7              | 32.7    |
| Agriculture             | 8.8     | 8.7     | 10.0    | Agriculture              | 1.0            | 18.2              | 18.2    |
| Other economic services | 11.5    | 11.9    | 10.6    | Social services          | 0.6            | 10.9              | 10.9    |
| Security                | 14.2    | 13.1    | 11.7    | Total                    | 5.5            | 100.0             | 100.0   |
| Administration & other  | 37.2    | 34.4    | 34.1    | Savings                  | 2.1            | 38.2              | 38.2    |
| Total                   | 100.0   | 100.0   | 100.0   | Net domestic financing   | 3.7            | 12.7              | 12.7    |
|                         |         |         |         | Net foreign financing    | 5.4            | 98.2              | 98.2    |

LABOR FORCE AND OUTPUT PER WORKER (1973/74)

|                             | Labor Force |            | Value Added Per Worker |              |
|-----------------------------|-------------|------------|------------------------|--------------|
|                             | Thousand    | % of total | in US\$                | % of average |
| Agriculture                 | 232.6       | 51.7       | 129                    | 46           |
| Industry                    | 2.2         | 0.5        | 1,560                  | 557          |
| Services                    | 15.6        | 3.5        | 1,810                  | 646          |
| Migrant labor in So. Africa | 199.6       | 44.3       | ..                     | ..           |
| Total or average            | 450.0       | 100.0      | 280                    | 100          |

THE STATUS OF BANK GROUP OPERATIONS IN LESOTHO

## A. Statement of IDA Credits (as of December 31, 1975)

| <u>Credit</u>                   | <u>Year</u> | <u>Borrower</u> | <u>Purpose</u>                           | Amount (less cancellations,<br>refundings, and terminations) |                    |
|---------------------------------|-------------|-----------------|--|--|--------------------|
|                                 |             |                 |  | <u>IDA</u>   | <u>Undisbursed</u> |
| 82-BL                           | 1966        | Basutoland      | Road Development                         | 4.1  | -                  |
| 361-LSO                         | 1973        | Lesotho         | Thaba Bosiu Rural<br>Development Project | 5.6  | 2.6                |
| 497-LSO                         | 1974        | Lesotho         | Education Development                    | <u>4.0</u>   | <u>3.9</u>         |
| Total                           |             |                 |  | 13.7   | 6.5                |
| of which has been repaid        |             |                 |  | <u>0.0</u>   |                    |
| Total now held by IDA <u>/1</u> |             |                 |  | <u>13.7</u>  |                    |
| Total undisbursed               |             |                 |  | 6.5  |                    |

Note: Lesotho has received no Bank loans.

/1 Prior to exchange adjustments.

B. Statement of IFC Investments

Nil

C. Projects in Execution 1/

Credit No. 361 - Thaba Bosiu Rural Development Project:

US\$5.6 million: March 23, 1973; Effectiveness Date:  
August 29, 1973; Closing Date: December 31, 1979

The project is making good progress. Sales of agricultural inputs have greatly increased. Construction of senior staff housing is completed, as are 24 km of access roads. Soil conservation works are in progress but will require more research, as techniques thus far adopted have proven too capital intensive to be adopted on a wide basis. Research into simplified

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

conservation activities is proceeding well. The project has already achieved its major goal of setting up village distribution centers to facilitate the spread of basic agricultural inputs throughout the project area. The hiring and **retention** of Lesotho personnel seems to be the major problem, as salary levels are too low. The Government has promised to take corrective measures.

Credit No. 497 - Education I Project; US\$4.0 million; July 25, 1974;  
Effectiveness Date: January 23, 1975;  
Closing Date: March 31, 1979

The project is making excellent progress and is about nine months ahead of schedule. The project unit is well-staffed and the architectural consultants are performing well. Building contracts have been awarded.

LESOTHO

SECOND HIGHWAY PROJECT

CREDIT AND PROJECT SUMMARY

**Borrower:** The Kingdom of Lesotho

**Amount:** US\$5.5 million equivalent

**Terms and Conditions:** Standard

**Project Description:** The proposed project consists of:

- (a) the improvement of the existing St. Michaels - Mantsonyane 95 km gravel road and the reconstruction of the existing 52 km earth track between Mantsonyane and Thaba Tseka;
- (b) consulting services to revise the construction documents and supervise the road construction;
- (c) the establishment of road maintenance facilities along the project road including maintenance equipment, storage facilities, a workshop, offices and staff housing;
- (d) the organization and three year operation of a labor-intensive construction unit to develop procedures and systems for carrying out labor-intensive construction works; and
- (e) ten man-years of technical assistance for increasing MW's operational capacity and two man-years of technical assistance for the Labor Commissioner's office to provide expert advice on developing an employment monitoring capability in Lesotho.

Estimated cost:

|   | US\$ (million) |                |               | Foreign<br>% of total |
|---|----------------|----------------|---------------|-----------------------|
|   | <u>Local</u>   | <u>Foreign</u> | <u>Total</u>  |                       |
| <b>A. Road Component</b>                                |                |                |               |                       |
| 1. Road Improvement/<br>Reconstruction                  | 0.89           | 3.02           | 3.91          | 77                    |
| 2. Consultancy Services                                 | 0.17           | 0.34           | 0.51          | 67                    |
| 3. Road Maintenance Facilities                          | 0.15           | 0.17           | 0.32          | 53                    |
| 4. Technical Assistance                                 | 0.05           | 0.20           | 0.25          | 80                    |
| 5. Contingencies:                                       |                |                |               |                       |
| Physical  | 0.13           | 0.37           | 0.50          |                       |
| Price   | 0.47           | 1.35           | 1.82          |                       |
| Total Road Component                                    | 1.86           | 5.45           | 7.31          | 75                    |
| Total (net of duties/taxes)                             | (1.46)         | (5.45)         | (6.91)        | 79                    |
| <b>B. LCU</b>   |                |                |               |                       |
| 1. Consultants  | -              | 0.35           | 0.35          | 100                   |
| 2. Equipment purchase hire and<br>repair, fuel purchase | 0.02           | 0.35           | 0.37          | 95                    |
| 3. Labor and miscellaneous<br>operating costs           | 0.36           | -              | 0.36          | -                     |
| 4. Technical assistance/<br>Labor Commissioner's office | 0.05           | 0.09           | 0.14          | 64                    |
| 5. Contingencies:                                       |                |                |               |                       |
| Physical  | 0.04           | 0.08           | 0.12          |                       |
| Price   | 0.13           | 0.23           | 0.36          |                       |
| Total LCU component                                     | 0.60           | 1.10           | 1.70          | 65                    |
| Total (net of duties/taxes)                             | (0.60)         | (1.10)         | (1.70)        | 65                    |
| Total Project Cost                                      | <u>2.46</u>    | <u>6.55</u>    | <u>9.01</u>   | <u>73</u>             |
| (Total Project Cost<br>net of duties/taxes)             | <u>(2.06)</u>  | <u>(6.55)</u>  | <u>(8.61)</u> | <u>76</u>             |

Financing Plan:

|            | <u>US\$ million</u> |
|------------|---------------------|
| IDA        | 5.50                |
| ODM        | 1.52                |
| GOVERNMENT | <u>1.59</u>         |
| Total      | 8.61                |

Estimated Disbursements:  
(Credit Only)

|                   | <u>US\$ million</u> |             |             |             |
|-------------------|---------------------|-------------|-------------|-------------|
|                   | <u>FY77</u>         | <u>FY78</u> | <u>FY79</u> | <u>FY80</u> |
| <u>Annual</u>     | 1.5                 | 2.0         | 1.8         | 0.2         |
| <u>Cumulative</u> | 1.5                 | 3.5         | 5.3         | 5.5         |

Procurement Arrangements

The contract for road construction and improvement will be awarded on the basis of international competitive bidding in accordance with Bank/IDA guidelines. The construction of maintenance facilities and procurement of maintenance equipment will be on the basis of ODM's normal procedures. The procurement of equipment for the LCU will follow normal government tender procedures.

Consultants

- (1) ODM will finance consultants to supervise the road improvement/reconstruction contract and will provide ten man-years of technical assistance for the MW to enable it to increase its operational capacity;
- (2) The Lesotho Government will finance two man-years of technical assistance to strengthen the Labor Commissioner's office (UNDP will likely provide financing for this item beginning 1/1/77);
- (3) The Association will finance a team of three experts for three years to administer the LCU.

Rate of Return: For road construction component: 12 percent.

Appraisal Report: Report No. 952a-LSO, dated February 17, 1976.

Map: IBRD 11695R



