



ANNUAL REPORT

2016/2017

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Vision statement

Through our well-maintained roads; excellent revenue collection and efficient road maintenance, we take great pride in being recognised as one of the leading Road Funds in Africa.

Mission statement

To finance road maintenance, upgrading and rehabilitation of road networks and road user safety programmes, aligning ourselves with Government Policy, Best Business Practices, through motivated and committed professional personnel.

Core values

At all times and to stakeholders we shall uphold the principles of: TRAIT

T= Transparency

R= Responsibility

A= Accountability

I= Integrity, and

T= Team spirit at all levels.

FOREWORD BY CHAIRPERSON



The idea behind the establishment of the Road Fund here in Lesotho was to create a dedicated funding for continuous funding of road maintenance. This idea was also adopted by several other countries in Africa as it was in recognition of the fact that funding for maintenance of roads has never been adequate.

The Lesotho Road fund was established by the Finance Legal Notice No. 179 of 1995. The Road Fund is managed by the Board whilst the everyday operations are administered by the secretariat which is headed by the Chief Executive Officer.

Sources of revenue for the Fund to achieve its mandate are the following, as stipulated in the legislation;

- a) road toll-gate fees;
- b) all cross border fees and levies;
- c) registration, license and clearance fees on motor vehicles;
- d) short-term permits and special permits for motor vehicles;
- e) road maintenance levy on petrol and diesel;
- f) fines on overloaded goods vehicles;
- g) fines for road traffic offences;
- h) interest earned on deposited funds;

- i) cost share paid into the Fund by Community Councils for works on urban and rural community roads;
- j) any other road user charges; and
- k) any sums appropriated to the Fund, including donor funding.

The Fund is also mandated to fund the following in order of priority:

- i. routine, emergency and periodic maintenance of all roads in Lesotho;
- ii. urban and rural community roads, on a cost share basis;
- iii. road rehabilitation, road upgrading, new road works and road safety projects; and
- iv. any other project or matter connected with roads.

Road Agencies that are funded by the Road Fund to perform the above mentioned activities are: Roads Directorate, Ministry of Local Government, Maseru City Council and Road Safety Department under Ministry of Public Works and Transport.

The Road Fund Board comprises of both private and public sector. The composition of the board is as follows:

Ex-officio members-of the Board (Public Sector)

- One representative of the ministry responsible for Finance;
- One representative of the ministry responsible for construction and maintenance of roads; and
- One representative of the ministry responsible for energy.

Non-government Members of the Board (Private Sector)

- One person selected from passenger transport sector;
- One person selected from freight transport sector;
- One person selected from the engineering discipline;
- One person selected from the Law Society of Lesotho;
- One person selected from a consumer organisation; and
- Two other people appointed by the Minister because of their special skills.

The chief Executive Officer is also a member and is also the secretary of the board.

The formation of the board has been designed to enable achievement of the objectives of the Lesotho Transport Sector Policy and Strategy and some of those objectives are:

- a) Planning an integrated transport infrastructure
- b) Rationalisation of the upgrading of transport infrastructure.
- c) Movement of goods and passengers by all modes of transport
- d) Enabling the environment for private sector participation
- e) User-pay principle.
- f) Intermediate means of Transport

The Road Fund was guided in its operations by the realigned 2017/2018 – 2019/2020 Strategic plan in line with the National Strategic Development Plan 2012/2013 – 2016/2017.

Some of the strategic objectives outlined in the above mentioned Road Fund strategic plan are:

- Full compliance to the policy and regulations
- Adhering to Good Governance practices
- Maintaining a well-motivated team.
- Ensuring value for money
- Increase our revenue income
- Good Management of Funds

The board takes note of the fact that some of the set strategic objectives have not yet been met at the set timelines due reasons beyond the powers of the secretariat and the board. However, the board and management are working hand in hand to ensure that most of the set goals are achieved within the set times.

Looking forward the Fund is aiming at modifying its operations and where necessary even the Legal framework to ensure being more impactful and keeping up with the latest developments in the industry.

Chaka Mahashe (Mr.)

Board Chairperson

1.1 Functions of the Board

The main functions of the Board are to;

- i. Approve policies and procedures for the proper management and administration of the Fund;
- ii. Approve procedures to be followed in the preparation and submission of cost Annual Road Programmes by the various implementing agencies;
- iii. Review and approve allocations of funds for the Annual Roads Programmes and road safety related activities at least six months before national budget is approved;
- iv. Approve, annually, allocate resources of the Fund to the Secretariat according to the approved budget, to various implementing agencies in accordance with approved Annual Roads Programmes;
- v. Recommend to the Minister any changes in the level of sources of revenue of the Fund, as set out under Regulation 4;
- vi. Approve policies and establish procedures for disbursing funds for the Annual Roads Programmes;
- vii. Ensure transparency and accountability in the disbursement of the funds;
- viii. Submit the approved Annual Roads Programmes to the Minister; and
- ix. Prepare and publish annual reports.

1.2 Board of Directors 2016/2017 and 2017/2018

MEMBER	REPRESENTATION
1. Mr. Mahashe Chaka (Chairperson)	Special Skills
2. Mr. Nkareng Letsie (Deputy Chairperson)	Consumer Organisation
3. Mr. Nkekeletse Makara (Secretary)	Road Fund
4. Ms. Seriti Keta	Ministry responsible for Finance (Ex Officio)
5. Mr. Kikine Khasapane	Ministry responsible for construction and maintenance of roads (Ex Officio)
6. Mr Thabang Phuroe	Ministry responsible for Energy (Ex Officio)
Mr. Jerry Seithheko	
7. Adv. 'Masalome Lephatso	Law Society of Lesotho
8. Mr. Lebohang Moea	Passenger Transport Sector
9. Mr. Lebohang Phohleli	Freight Transport Sector
10. Vacant	Engineering Fraternity
11. Thabo Napo but vacant at this financial year	Special Skills

BOARD MEMBER'S PHOTOS



Mr. Mahashe Chaka
Chairperson



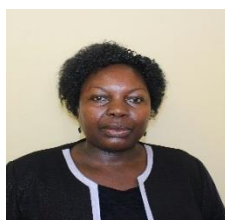
Mr. Nkareng Letsie
Deputy Chairperson



Mr. Nkekeletse Makara Pr.Eng
Secretary



Mrs. Seriti Keta



Adv. 'Masalome Lephats'a



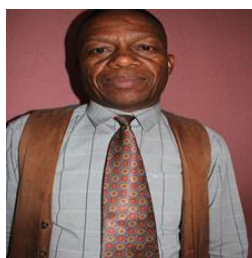
Mr. Kikine Khasapane



Mr. Lebohang Moea



Mr. Lebohang Phohleli



Mr. Jerry Seitlheko

EXECUTIVE SUMMARY (**CHIEF EXECUTIVE'S REPORT**)



This report highlights the operations of the Lesotho Road Fund during the period of reporting in line with its mandate as prescribed in the Finance (Road Fund) Regulations 2012 No. 103.

During the period under review, the Fund was guided by its strategic plan as a tool to enable achievement of the set targets within stipulated timeframes.

The economic environment for the period under review both internationally and domestically faced a number of challenges including:

- Drop in SACU revenue
- Poverty, hunger and joblessness high and even higher amongst the youth;
- Drop in the economic growth of Lesotho from 2.5 to 2.3 percent

The economic factors outlined above had negative impacts in the growth of most sectors in the country which include the construction industry and transport industry which are one of the key sectors that directly affect performance of the Fund.

Even through this difficult economic climate there has been some steady growth in the revenue collection of the Fund which has averaged to about 5% annually for the past 5 years based on mostly increase in vehicle population.

There have not been any tariff adjustments in all our revenue streams in more than 10 years except the Toll tariffs which were amended in 2011. This decreased our already low financial ability to respond to the ever increasing road maintenance gap costs.

The Fund's revenue collection is also faced with a challenge of poor verification due to manual collection systems and the fact that collection of revenue through all the revenue sources is done through third parties whom the Fund have minimum control on.

The Fund has steadily embarked on a project to computerise its revenue sources with the Toll collection going first. During the time of review, a project to install a computerised Toll system had begun and was piloted at the 3 main boarder gates namely Maseru boarder, Maputsoe boarder and Caledonspoort boarder. This installation once complete will enable the Fund to have an independent audit on the operators of the Toll and also have a remote monitoring of the collection of the Toll revenue, thus making the collection more efficient and should result in increase in revenue.

With the above and other planned interventions in the revenue collection, the Fund focuses an average 12% annual revenue growth for the next 3 years.

The actual administration expenditure for the Fund has averaged about 6% of the actual revenue collected for the past 5 years.

Collectively the Road Implementing agencies funded by the Fund have spent on average 44% of their annual allocations in the past 5 years. This has been largely attributed to lack of capacity within the agencies themselves and lack of capacity of the contractors. This resulted in a lot of reserves growing in the bank accounts of the Fund and resulted in a residual growth of about 50% annually for the past 5 years.

It must however be noted that this residual growth directly translates to deteriorating road condition due decreased road maintenance activities.

In order to archive high operational efficiency, the fund has started an organisational restructuring process that will see the fund become more efficient in its operations while increasing the number of human resources. The restructuring is largely aimed at influencing revenue growth which will then have a net effect of a reduced annual percentage of the operational costs to the revenue.

The board has engaged in a number of Governance trainings with an aim to keep up to date with the latest Governance practices.



The board has also embarked on a policy review in order to ensure that our policies and procedures are up to date and are assisting in the revived operations of the Fund and support the strategic direction that the Fund has taken.

Nkekeletse Malakia Makara (Mr.) Pr. Eng

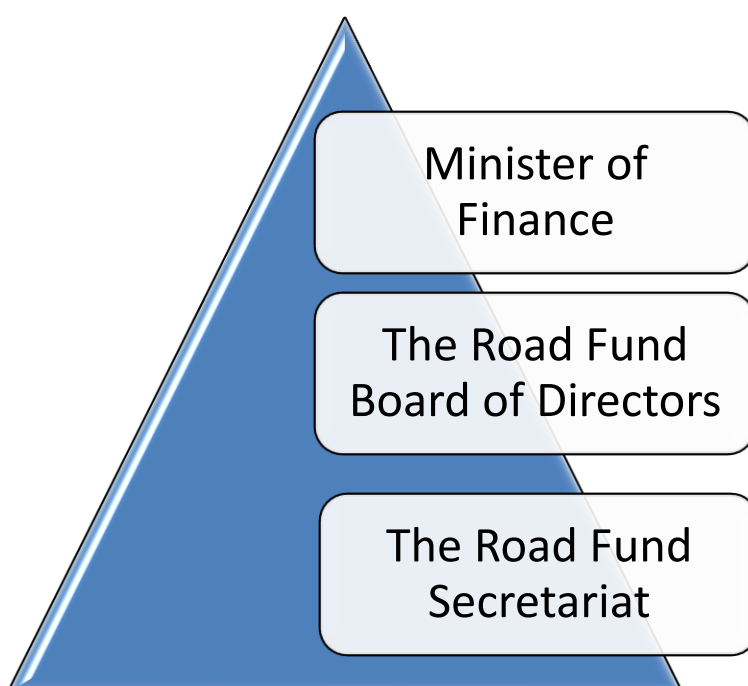
Chief Executive Officer

2 INTRODUCTION

The Road Fund was established by Finance Legal Notice No. 179 of 1995. The Fund is managed by the Board of Directors whilst day to day activities of the Fund are administered by the Secretariat headed by the Chief Executive Officer.

Figure 1:

OVERVIEW OF ROAD FUND ORGANIZATIONAL STRUCTURE



The Regulations governing the Road Fund were published by Legal Notice No. 16 of 1996. However, these Regulations were amended by Legal Notice No. 72 of 2005 which was later amended by Legal Notice No 103 of 2012.

2.1 Reasons for our Establishment

The Government of Lesotho through the World Bank initiative created the Road Fund like many other countries in Africa. This initiative recommended that road maintenance funds should be separated from the government's consolidated funds. These funds will then be managed through a dedicated Fund (Road Fund) which will then ensure continuous maintenance of roads throughout the country.

This was in recognition that funding for maintenance of roads has never been adequate. Thus the Road Fund was established primarily for eliminating this financing gap and shifting the burden of maintenance of roads from the Government to road users, who contribute towards this by paying road user fees which are deposited into the Funds' account.

The policy shift essentially means that "roads are brought into the market place, put on a fee-for-service and managed like a business". The "fee-for-service" concept therefore, means that the road users should have a say in policy formulation for sustained maintenance of roads.

This Fund may be described as an institutional device through which a selected stream of revenues is put at the disposal of an authority/agency without going through the Consolidated Fund and being subjected to general procedures of Government. In other words, the Road Fund generates its own revenue from collection of road-user-fees, out of which it finances road maintenance programmes and operational activities such as the running of its Secretariat.

Therefore, unlike in some spheres in the Civil Service, the Fund is run like a 'business' wherein the aim is to maximize revenue so as to meet road maintenance obligations. The Fund is a member of African Road Maintenance Funds Association (ARMFA) which is aimed at developing a network for exchanging experiences and information on the best road maintenance funding practices and strategies, as well as other roads financing and strategic manifestations from global knowledge powerhouses.

3 PURPOSE OF THE FUND

Collect Revenue from the following streams:

- All cross border fees and levies;
- Road Toll-gates fees;
- Registration, license and clearance fees on motor vehicles;
- Short-term permits and special permits for motor vehicles;
- Road maintenance levy on petrol and diesel;
- Fines for road traffic offences;
- Interest earned for deposit funds;
- Cost share paid into the Fund by Community Councils for works on urban and rural community roads;
- Other road users' charges; and
- Any sums appropriated to the fund, including donor funding.

To finance the following in order of priority:

- Routine, emergency and periodic maintenance of all roads in Lesotho;
- Urban and rural community roads, on a cost share basis;
- Road rehabilitation, road upgrading, new road works and road safety projects; and
- any other project or the matter connected with roads

Through the following Implementing Agencies:

- Roads Directorate
- Ministry of Local Government and Chieftainship
- Maseru City Council
- Road Safety Department

4 ENGINEERING DEPARTMENTAL REPORT

4.1 Overview of the National Road Network

Lesotho's road network consists of arterial, urban and rural access roads. Arterial roads connect the districts with one another; others connect border posts with the main road network and traverse through a number of community councils' areas within the districts. The total road network is comprised of 9,200 km categorized in accordance with the surfacing material as stated in *Table 1* hereunder.

The urban roads are within the jurisdiction of urban community councils while the rural access roads traverse the local community councils' areas. In line with the Lesotho road sector and decentralization policies, arterial roads and rural roads which traverse through two or more community councils' areas are under the responsibility of the Central Government, while the urban and rural access roads that provide access limited to the particular councils' areas are under the custody of local authorities. However, Roads Directorate, under the Ministry of Public Works and Transport is responsible for formulation of national road sector policies and standards, with which every road agency and/or community council must comply.

Table1

LESOTHO ROADS NETWORK

Agency	Length (km)					Proportion (%)
	Paved	Gravel	Earth	Track	Total	
Roads Directorate	1 526	3 037	1 170	132	5 865	64
Ministry of Local Government	82	2 500	84	-	2 666	29
Maseru City Council	167	230	278	-	675	7
Total	1 775	5 767	1 532	132	9 206	100

4.2 Lesotho Road Management System

The Fund is committed to giving support to the scientific evaluation of road maintenance needs in Lesotho. It has been a priority to the Fund to support Roads Directorate's initiative of conducting Road Condition surveys through the Lesotho Road Management System (LRMS) from 2009.

Road network surveys are conducted annually to identify specific areas of interventions needed on the network and the impacts of such interventions. Reports for 2014, 2015 & 2016 were not published by the Roads Directorate therefore a 2013 report is used for analysis.

4.2.1 Condition of Paved Roads

The Visual Condition Index (VCI) is a condition index used to assess the condition of surfaced roads.

Figure 2:

OVERALL NETWORK VISUAL CONDITION INDEX DISTRIBUTION (VCI) FOR SURFACED ROADS (2013)

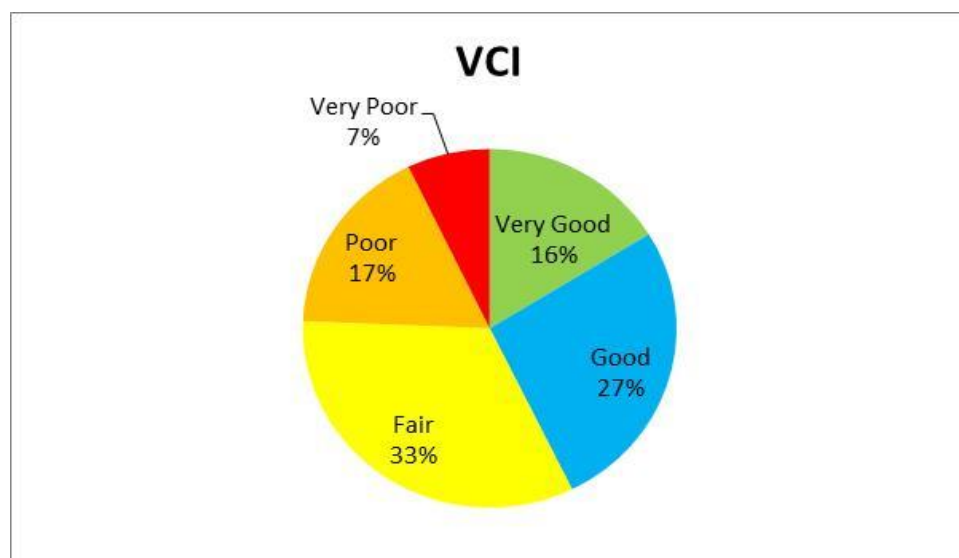
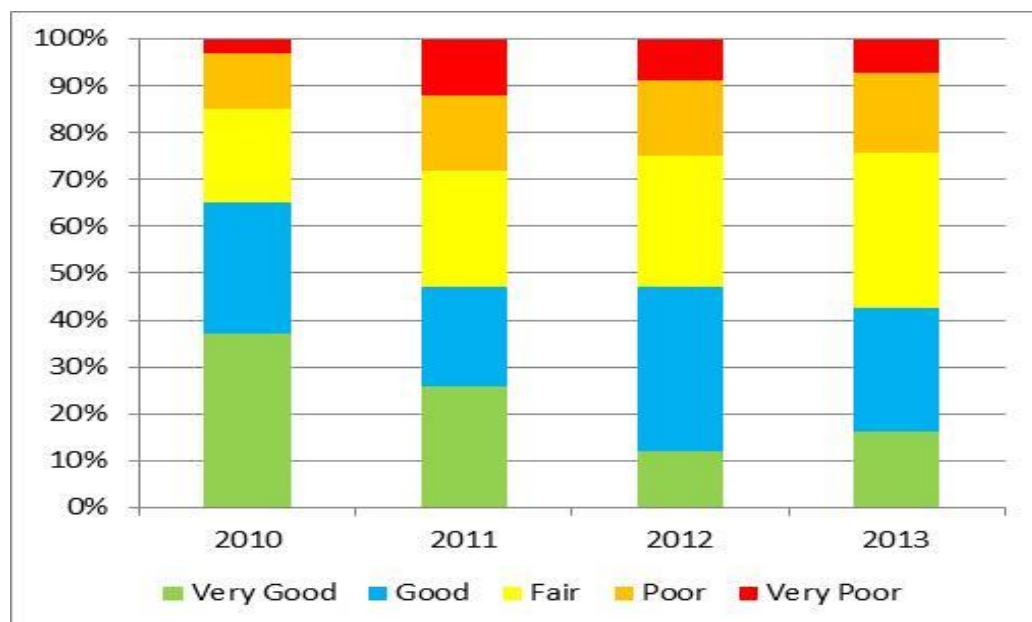


Figure 3:

OVERALL HISTORICAL VCI (2010-2013) (% ROAD PER CONDITION CATEGORY)



According to the 2014 VCI report there was no improvement of the index since the VCI has remained at 55% during 2012 and 2013. This shows that there are efforts to maintain roads though it is not at a rate which shows improvement of the general conditions.

24% of paved roads are in a poor to very poor condition which is higher than a maximum of 10% allowed by World Bank. The percentage of fair paved roads is 33% which is more than the acceptable norm of 25%. This statistic shows that there is a preventative maintenance backlog on paved roads indicating that more effort is needed to prevent further deterioration of paved roads.

4.2.2 Condition of Gravel Roads

The Visual Gravel Index (VGI) is a condition index used to assess the condition of gravel roads maintained by the use of heavy road construction equipment.

Figure 4:

NETWORK-LEVEL DISTRIBUTION OF UNSURFACED ROAD CONDITIONS



Figure 4above depicts that 86% of gravel roads constructed using heavy equipment are poor indicating that a concerted effort is needed to maintain these roads. Though the average Visual Gravel Index (VGI) has improved from 26% in 2011 to 30% in 2013 the average VGI still falls in the poor range. Below note the VGI condition categories in Table 2.

Table 2:

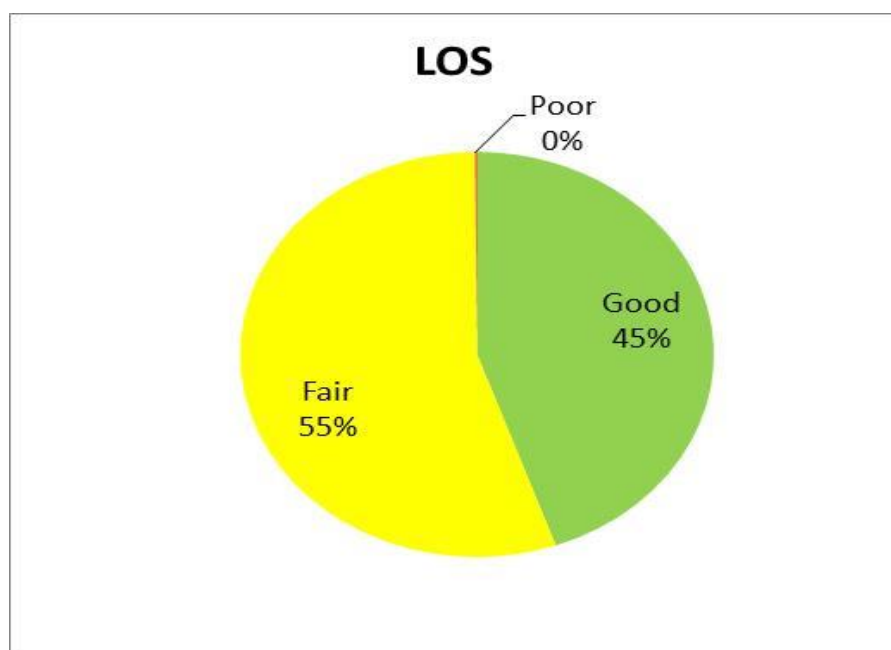
VGI CONDITION CATEGORIES

Description	VGI values
Good	70 to 100
Fair	50 to 70
Poor	Less than 50

The Level of Service (LOS) is a condition index used to assess the condition of gravel roads maintained by Labour Intensive methods of construction. The LOS categories are similar to those used in VGI classifications in Table 2 above.

Figure 5

NETWORK-LEVEL DISTRIBUTION OF LOS (2013)



According to the average LOS the labour intensive maintained roads have improved from 65% in 2012 to 68% in 2013. The average indicates that these roads are in a fair condition. An effort is needed to push most of these roads into the good range.

4.3 Road Maintenance and Rehabilitation Needs

The condition of the Lesotho Road Network shows that surfaced roads are in a fair condition. However, the network exhibits an increasing rehabilitation backlog of surfaced roads.

Table 3

IMMEDIATE TECHNICAL NEEDS FOR PAVED ROADS.

Type of Intervention	Length	Cost (Maloti)
Resealing	311km	0.600 billion
Rehabilitation	285km	1.279 billion
Total		1.879 billion

The state of gravel roads is in poor condition and requires urgent attention to ensure that the network does not deteriorate further.

Table 4

IMMEDIATE TECHNICAL NEEDS OF UNPAVED ROADS.

Maintenance Method	Type of Intervention	Length	Cost (Maloti)
Equipment Based Construction	Regravelling	404km	0.351 billion
	Upgrading to paved	245km	1.944billion
Sub total			2.296 billion
Labour Intensive Construction	Upgrade Earth roads to Gravel	674km	1.079billion
	Regravelling	1 335km	1.365billion
	Gravel Rehabilitation	704 km	0.925 billion
	Spot Treatment	244km	0.044 billion
	Upgrade Track to gravel	71km	.0.086 billion
Total			3.5 billion

It is worth noting that this assessment does not include Ministry of Local Government& Chieftainship and Maseru City Council road network as preparations are underway to include them in the assessment.

In conclusion, due to the condition of Lesotho's Road Network, Implementing Agencies will need more than 5.5 billion Maloti to satisfy the immediate technical needs of the road network.

4.4 Implementation of Road Maintenance Programmes

The Road Fund as mandated by the Legal notice 103 Finance (Road Fund) Regulations 2012 Section 10 (1) (c) review and approve allocation of funds for Annual Roads Programmes and road safety related activities at least six months before the national budget is approved.

Table 5

BUDGET ALLOCATION AND EXPENDITURE FOR ROAD FUND ADMINISTRATION AND IMPLEMENTING AGENCIES

Financial year	2016/2017	
AGENCIES	BUDGET ALLOCATION	EXPENDITURES
Roads Directorate	194 686 876	72,905,551
MCC	140 293 138	90,733,289
Ministry of Local Government	59 874 467	41,244,403
Road Safety	7 936 200	2,331,619
Road Fund Admin	57,428,310	20,897,584
Total	460,218,991	228,112,446

4.5 Road Maintenance Projects and Road Safety Activities

During the period under review the Road Fund financed a number of projects in order to:

- (i) Enhance the socio-economic development of the country;
- (ii) Develop the local construction industry;
- (iii) Increase employment opportunities for the local community by financing labour based programmes;
- (iv) Respond to road maintenance emergencies; and
- (v) Decrease the number of road accidents by financing road safety activities.

The Road Fund financed Labour based programmes which were mainly catering for upcoming contractors. These programmes have proved to increase the accessibility of remote areas of the country while improving dramatically the standard of living in project area.

Table 6

MAJOR PROJECTS FINANCED BY THE FUND IN THIS REPORTING PERIOD.

Implementation by	Project	Kilometres
Roads Directorate	<p>Lesotho Road Management System (road conditions survey and traffic counts) at a cost of M 5,000,000.00 per annum.</p> <p>Status: Annual reoccurrence</p>	9,206 km

Routine maintenance of gravel roads for Phamong area



Constructed under Routine Maintenance of Phamong area. 39.7Km

Construction of drift on one the roads from Shalane to Ha Moena (link D2803-01)

Total Project cost M20,078,383.80

Routine maintenance of gravel roads for Whitehill area



25Km

Tebellong section maintained under Routine maintenance of Whitehill area.

Total Project cost M6,281,850.80

Maseru City Council.



Upgrading of Lekhaloaneng, Ha Pita to Ha Matala Road
at a cost of M120,188,448.00

Status: In progress

7.5 km

Ministry of Public
Works and Transport
Department of Road
Safety



Funding the establishment of The National Road Safety Council. The Road Safety Department through financing from the Road Fund carried out road safety campaigns, training and education to address unsafe road user behaviour of all road users who include farmers, pedestrians, passengers and drivers.

Annual budget of M 6,000,000.00

Road Fund Secretariat	 <p>Installation of new Toll Systems and associated infrastructure at all Lesotho borders at a cost of M25,000,000.</p> <p>Status: In progress</p>	
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4.6 Projects financed by the Fund contributing to contractor development

The Fund supported more than 100km of gravel road maintenance projects which were awarded to small and medium construction companies in training and after qualification at the Contractor Training Centre.

Table 7

SOME TRAINING PROJECTS SUPPORTED BY THE FUND.

Project Number	Project Name	Length (km)	Contract Amount
RD/TRIAL/RM-1/2015	Maputsoe -St Monicas Section A	6.25	1 716 648
RD/TRIAL/RM-2/2015	Maputsoe -St Monicas Section B	6.25	1 644 358
RD/TRIAL/RM-3/2015	Hleoheng-Qamo Section A	6.50	1 914 402
RD/TRIAL/RM-4/2015	Hleoheng-Qamo Section B	6.50	1 707 961
RD/TRIAL/RM-5/2015	Matjotjo-Lereko Section A	4.70	1 183 307
RD/TRIAL/RM-6/2015	Matjotjo-Lereko Section B	4.70	1 542 051
RD/TRIAL/RM-7/2015	Matjotjo-Lereko Section C	4.70	1 932 203
RD/TRIAL/RM-8/2015	Telukhunoana-Ramothamo Section A	5.00	1 271 260

RD/TRIAL/RM-9/2015	Telukhunoana-Ramothamo Section B	4.00	1 529 001
RD/TRIAL/RM-10/2015	Mokhehle-Lebina	3.80	1 215 311
RD/TRIAL/RM-11/2015	Lekokoaneng-Motsikoane Section A	3.00	1 163 852
RD/TRIAL/RM-12/2015	Lekokoaneng-Motsikoane Section B	3.00	1 210 856
RD/TRIAL/RM-13/2015	Buasono-Sekokong Ha Paape	5.40	1 765 905
RD/TRIAL/RM-14/2015	Maqhaka-Mmalei Section A	4.75	1 398 232
RD/TRIAL/RM-15/2015	Maqhaka-Mmalei Section B	4.75	1 725 497
RD/TRIAL/RM-16/2015	Rantsala-Letsie Section A	4.70	1 685 862
RD/TRIAL/RM-17/2015	Rantsala-Letsie Section B	4.70	1 727 455
RD/TRIAL/RM-18/2015	Rantsala-Letsie Section C	4.70	1 498 873

4.7 Design, Construction Supervision and Engineering Support

This is done for the purpose of supporting the Implementing Agencies for design, construction supervision, and contract management of road construction projects and installation of artificial lighting on the constructed roads.

Table 8

DESIGN, CONSTRUCTION SUPERVISION AND ENGINEERING SUPPORT PROJECTS

Project name	Agency	Cost in Maloti
Project Management Consultancy	Maseru City Council	2,536,536.00
Design and supervision of Lekhaloaneng, Pita to Matala traffic circle	Maseru City Council	5,651,912.00
Design and supervision of Lancers-Gap road	Roads Directorate	2,125,233.00
Design of Mpilo intersections	Maseru City Council	5,357,121.00

4.8 Procurement and Project Management

All implementing agencies procure their physical works and services through the government of Lesotho Central Tender Board except for MCC that uses its in-house Tender Board. The implementing agencies have full responsibility for the procurement and contract management of the road works undertaken by them.

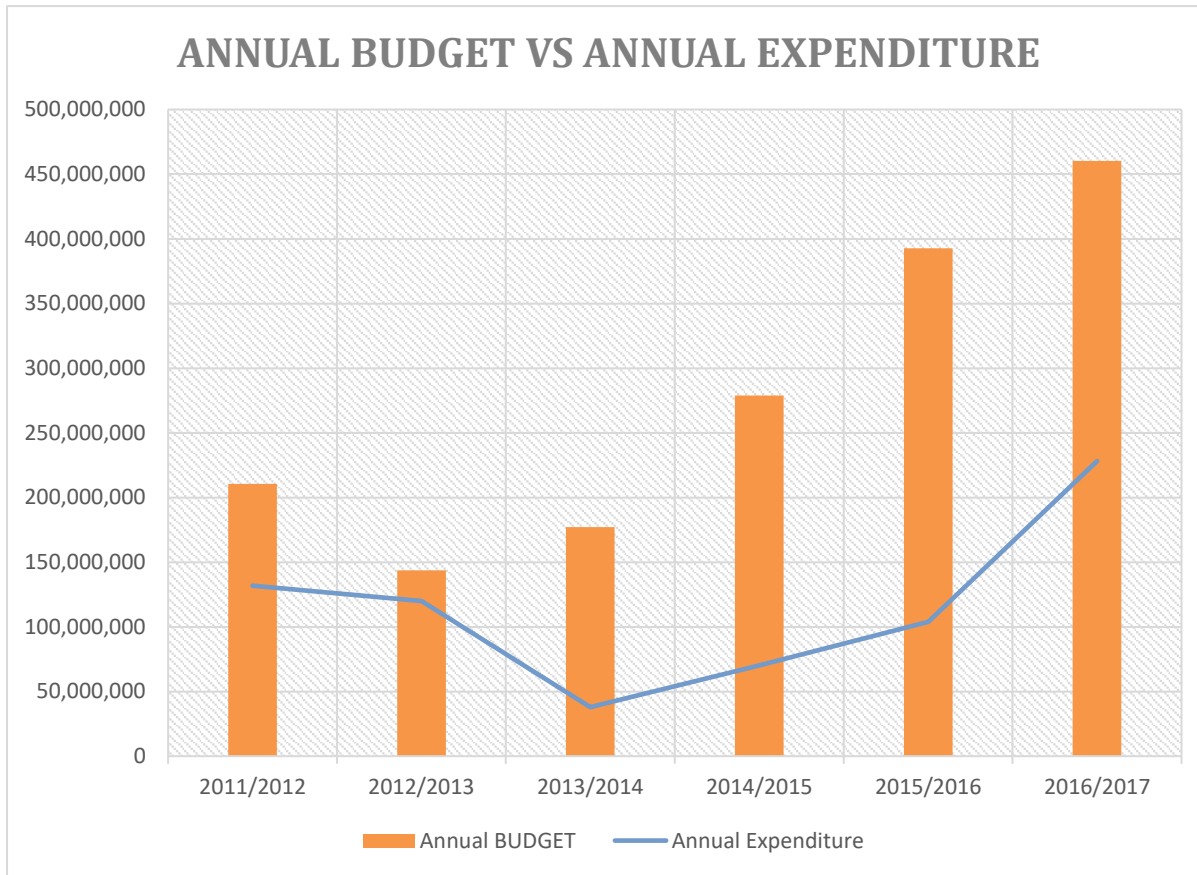
On the other hand, the role of Road Fund Board is to ensure that funds are disbursed for the sole purpose for which they were intended. The Road Fund Secretariat, on behalf of the Board, conducts financial and technical audits of all works that are financed by the Fund. Payments for works done by contracts under Roads Directorate, Maseru City Council and Ministry of Local Government are made by the Road Fund Secretariat through submission of payments certificates by the respective road agencies. The time for processing and issuing payments has helped to improve contractor's cash flows thereby ensuring the smooth running of the projects to successful completion as well as stimulating the construction industry as a whole.

Technical auditing of the programmes has revealed that the agencies do not follow proper change management and reporting processes, this has led to major weaknesses in the analysis of historical data and monitoring of individual projects. In pursuance of acquiring value for money the Fund invited Road Maintenance Agencies to several stakeholder meetings designed to encourage project management good practise.

Road Maintenance Agencies have been going through different spells of performance due to delays in the submission of Annual Road Maintenance Programmes, lengthy procurement procedures, insufficient supervision of contractors and insensitivity to contractual obligations. Figure 5 displays performance of Road Agencies compared to the Road Fund approved budget.

Figure 5

BUDGET VERSUS EXPENDITURE



5 HUMAN RESOURCE AND ADMINISTRATION DEPARTMENTAL REPORT

5.1 Human Resources Institutional Capacity

When the three-year tenure of service for seven (7) Members of an eleven-Member Road Fund Board of Directors who had been in office in the years between 1 March 2013 through 28 February 2016 terminated on that day, it left only one Member and the then Chairperson whose remaining periods to termination ranged between eight (8) and twelve (12) months, respectively.

Appointments of new Members of the Board started being made from 1 March 2016 to run for three (3) years to 28 February 2019; and with the appointment initially, of five (5) new Board Members made on 1 March 2016 to add to the two already in office, a quorum was constituted for the Board to meet, deliberate on issues and make decisions.

Additional new members were appointed between May and June 2016 and with the resignation of one of the Members appointed on 1 March 2016 and whose term was due to terminate in February 2019 and replacement of the Member whose tenure terminated within the eight (8) months from 1 March 2016 (i. e. October 2016), the number of Road Fund Board Members rose to nine (9), with two vacancies remaining throughout the Financial Year 2016/2017 running into Financial Year 2017/2018.

In November 2017 the then Chairperson whose second term of office was renewed in February 2017, resigned.

The vacancy was filled with the appointment of a new Chairperson of the Board in January 2018.

First three-year year contract term for the Chief Executive Officer expires

It was on 31 March 2016 that the first three-year contract term for the Chief Executive Officer expired and recruitment for a new appointee to the position, began.

The recruitment process lasted for six (6) months at the end of which, the Chief Executive Officer was re-appointed on 1 October 2016 following a successful interview for a further three-year term, due to terminate in September 2019.

Adoption of a Strategy Plan (2017 – 2020) and approval to review the Road Fund Organizational Structure

It is during this three-year term (1 March 2016 through 28 February 2019), of the sitting Road Fund Board of Directors that the Strategy Plan covering the three (3) year period between 2017 and 2020 was adopted and a structural review of the Road Fund as an organization, was approved.

However, implementation of the reviewed Road Fund Organizational Structure which would drive the Strategy plan was thwarted when the Honourable Minister of Finance delayed to give it (implementation of the reviewed Organizational Structure), the ‘thumbs-up’ and the three-year employees’ contracts of employment had to be extended by short-term stints of three months while all anxiously awaited the Minister’s consent which to date has not come to pass.

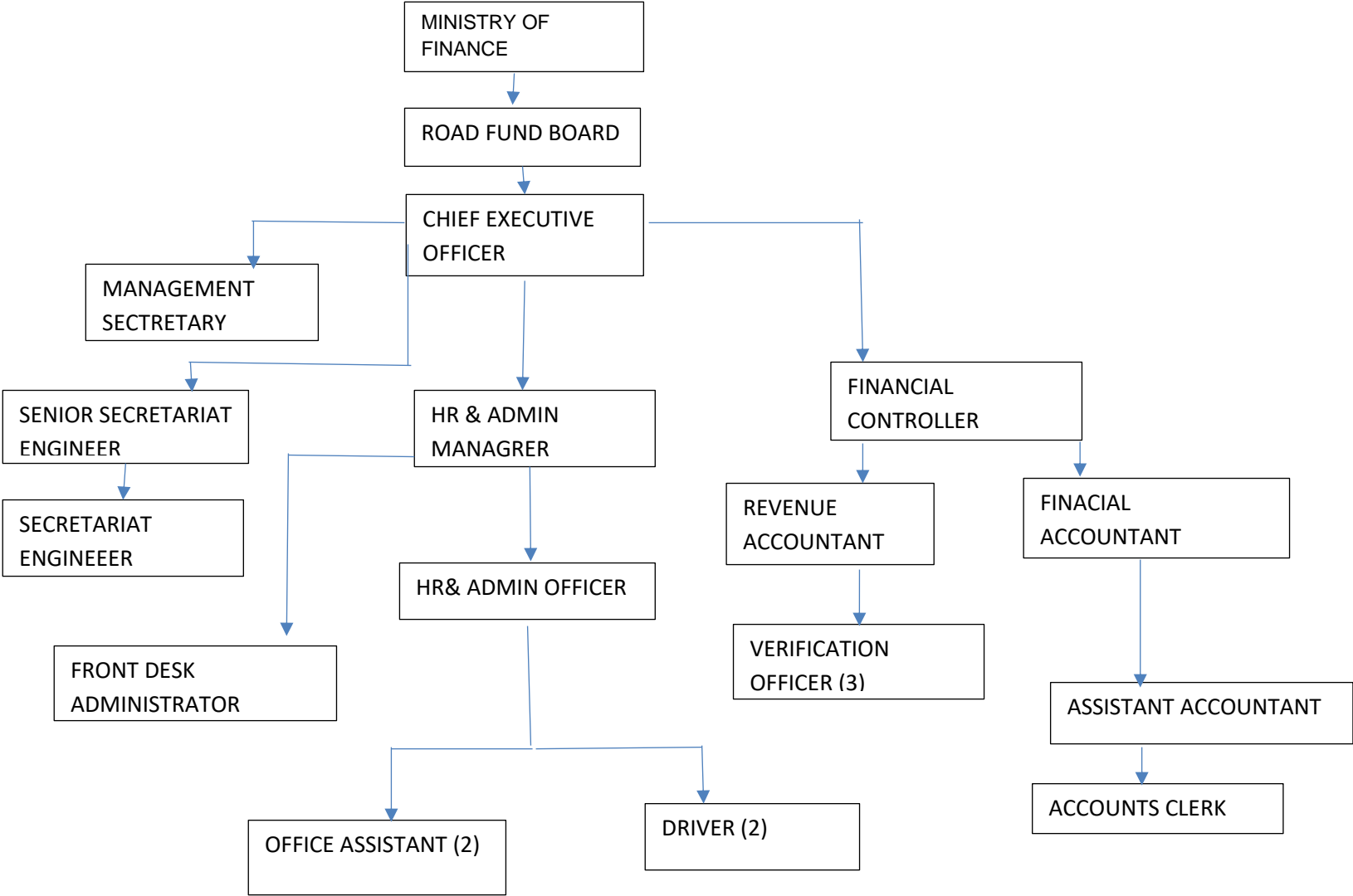
It is also during this term of office of the sitting Road Fund Board of Directors that to maintain the status quo of the Secretariat’s human resources institutional capacity and thus quell the anxiety welling up in the Road Fund Secretariat’s employees, the Board resolved to suspend implementation of the reviewed Road Fund Organizational Structure and retain employees on the traditional three-year contract terms.

Review of Human Resources Policies and Procedures and Financial Policy and Procurement Procedures Manuals

It would be remiss not to mention that it is again in this term of office of the sitting Road Fund Board of Directors that the Road Fund Secretariat’s Human Resources Policies and Procedures Manual and the Financial Policy and Procurement Procedures Manual were reviewed, approved by the Board and workshopped by Members of Staff to usher in a new era of firm commitment to: (i) **transparency** in our *business dealings through full, accurate and timely disclosure of information*; (ii) **responsibility** by being *answerable to our stakeholders, on performance of our duties, per legislated mandate and expected levels of performance*; (iii) **accountability** for our activities, *accepting responsibility for them and disclosing results in a transparent manner*; **integrity**, by *always observing and maintaining high standards of ethical behaviour, refraining from impartiality in service delivery and upholding the rule of law*; and **team spirit at all levels** through *promotion of collaboration and interdependencies among teams to achieve set goals and objectives*.

5.2 Current Organisational Structure

Figure 6



5.3 The need for a Strategic approach to management of the Road Fund

It is important that the Road Fund works towards realization of its Vision, which is: “Through our well-maintained roads; excellent revenue collection and efficient road maintenance; we take great pride in being recognized as one of the leading Road Funds in Africa.”

The Road Fund has set out to realize this dream by maintaining a balance between;

- (i) How we are to appear before our customers to achieve our vision;
- (ii) How we are to appear to our shareholders to succeed financially;
- (iii) How we understand the business processes in which we are to excel to satisfy our customers and shareholders; and
- (iv) How we will sustain our ability to change and improve by striving to understand the framework for translating Strategy into operational terms.

The Road Fund owes it to itself therefore, to be customer orientated; to be financially astute; to maintain reliable internal business processes; and to be a learning Organization.

Administration

The daily administration of Road Fund is entrusted to the Road Fund Secretariat headed by the Chief Executive Officer.

The Secretariat

The Secretariat is manned by seven professional staff from different departments including the Chief Executive Officer.

5.4 Functions of the Secretariat

Functions of the Secretariat are to fulfil its administrative or general duties and to govern the Fund also;

- i. The Secretariat is responsible for management and administration of the Fund in accordance with the decisions of the board.
- ii. Keep accurate books of accounts and records in respect of the Fund
- iii. Maintain a bank account in which shall be recorded all receipts into the fund and all disbursement from the Fund.
- iv. Prepare and submit for audit in respect of each financial year, a balance sheet, a statement of income and expenditure and statement of cash flow in a way an accountant may understand, and
- v. Arranging the business meetings of the Board.

Staffing

During the financial years of 2013 to 2016, the Secretariat of the Fund comprised of the following officers.

1. Chief Executive Officer
2. Financial Controller
3. Human Resource and Administration Manager
4. Human Resource and Administration Officer
5. Financial Accountant
6. Revenue Accountant
7. Secretariat Engineer
8. Management Secretary
9. Accounts Clerk
10. Assistant Accountant
11. Verification Officers (3)
12. Front Desk Administrator
13. Office Assistants (2)
14. Drivers (2)

5.5 Trainings, Continental and Regional Meetings

5.5.1 Managerial and Operational Skills Development

It is in this period, dating back to 2013 when the Road Fund took a critical look at reengineering its business operations that the Fund has exposed its Management Team to workshops on Leadership Management, Risk Management, Vision Achievement, Emotional Intelligence, and Coaching and Mentoring, to resuscitate the notion of strategic thinking among Team members. With this exposure, the Road Fund is preparing its Management Staff to be ready to lay to rest the somewhat ad hoc management approaches that have hitherto been in use.

It has therefore also been found imperative that as the Road Fund goes through a process of change and strategically repositioning itself, it is not just the Management Team, but the entire Staff complement that is taken on board and made to feel they belong to this “family” called the Road Fund instead of feeling that they are on a treadmill that they have no share in creating. To this end, and in keeping with the Road Fund Policy on Staff Training that: “The Fund shall undertake short term training and development of its employees with a view to improving their performance and enhancing the quality of service that they offer the public,” members of Staff have over the years, been continually exposed to refresher courses ranging from Cleaning Staff refresher courses, Professional Driving courses, Management Development Programmes for Personal Assistants and Executive Secretaries, course in Advanced Accounting Skills, Financial Planning and Control, Development of Human Resources Policies, Project Monitoring and Evaluation, Asset Disposal Management etc.

Team building exercises involving all members of Staff have also been undertaken, and attendance at Conventions, and Conferences of Professional Institutions and Bodies to which respective Members of Staff belong, supported. Today, as the Road Fund sets out, with the approved implementation of Phase II of the restructuring of the Organizational Structure which has seen the creation of an additional thirteen new positions to add to its current structure of eighteen (18), to embark on delivery of business change and transformation projects, and with the approved 2017 – 2020 Strategic Plan to improve its operational performance with implementation of systems that will enhance organizational development, the Fund commits to leading the management of the Road Fund through a structured and planned approach.

5.5.2 Participation at the Continental Associations Meetings

During the reporting period the Fund was represented at the ARMFA SADC Focal Group meetings and Annual General Assembly held at the following places;

Table 9

ATTENDANCE OF ARMFA MEETINGS

Meeting Venue	Meeting Type	Date
Malawi	ARMFA	May 2016
Zambia	ASAFG	July 2016
Zambia	ARMFA	September 2016
The Cote D'ivoire	ARMFA	November 2016
Madagascar	ARMFA	April 2017
Mozambique	ARMFA	August 2017

6 FINANCE DEPARTMENTAL REPORT

As mentioned in the introduction section the Road Fund collects revenue from the following streams:

6.1 Road Toll Gate Fees

Toll-Gate fee is an amount charged per vehicle passing a Toll Gate which is a bar placed across the road. The fees are collected at the countries land ports of entry at nine designated border posts, namely, Maseru Bridge border post, Peka Bridge border post, Maputsoe (Ficksburg Bridge) border post, Botha Bothe (Caledonspoort) border post, Sani Top border post, Qacha's Nek border post, Tele Bridge border post, Makhaleng Bridge border post and Van Rooyen's Gate border post. Currently collection is made on all incoming vehicles charged according to classes as follows:

Table 10

CURRENT MOTOR VEHICLE TOLL CLASSIFICATION AND TARRIFS

Class	Description	Tariff
Class 1	Light passenger and goods vehicles with tare weight not exceeding 2,000 kg	M30.00
Class 2	Medium passenger and goods vehicles with tare weight above 2,000 but not exceeding 4,300 kg	M60.00
Class 3	Large passenger and goods vehicles with three to four axels	M90.00
Class 4	Large vehicles with minimum three axels	M210.00

The tariffs are set by the Honourable Minister responsible for Finance and published in a government gazette. The current tariffs were last reviewed in March 2011 which poses a challenge to the Fund as it cannot keep up with the inflation and revenue projections.

6.1.1 Electronic Toll Collection System (ETCS)

ETCS was installed at the border posts to improve efficiency of collections and address a number of issues including leakages identified in the previous studies undertaken. The system has seen a number of improvements from the initial installation in 2001 at the three main border posts of Maseru Bridge, Maputsoe (Ficksburg Bridge) and Botha Bothe (Caledonspoort) border posts to include all the other border posts except Sani Top border post in the Mokhotlong district.

The main system upgrade which included the installation at other border posts was commissioned in 2011. The upgrade included a pre Automatic Vehicle Classification (AVC) which was meant to minimize operator interference with the classification of vehicles and hence the revenue collected. ETCS especially the AVC has met a number of technical glitches and/or abuse and vandalism which rendered it ineffective at the busier border posts.

6.1.2 Toll Collection Operations

Operations at the border posts were transferred to the Lesotho Revenue Authority (LRA) by ministerial directive in 2011. The transfer was to bring about operational efficiencies. However, this has not worked as planned as the Toll operations not being LRA core mandate never really found a home with the Customs officers charged with Toll collections. The LRA further failed to provide dedicated supervision to the Toll operations which led to further leakages and the collectors undermining the ETCS as they have been given supervisory rights.

6.1.3 Toll Revenue Collection

Table 11 below depicts the Toll Revenue Collection during the 2016/2017 financial year.

Table 11

ANNUAL TOLL REVENUE COLLECTION

Year	Amount
2016/2017	M 50,088,419

6.2 Road Maintenance Levy

Road Maintenance Levy is collected on petrol and diesel consumed in the country. The Levy is currently set at thirty (30) Lisente per litre of Petrol and forty (40) Lisente per litre of Diesel. These tariffs are set in collaboration with the Ministry responsible for Energy. Likewise, the tariffs were last reviewed in June 2006 due to various political and operational challenges bringing about similar challenges of below inflation collections which do not meet the growing needs of the Fund.

The levy is collected directly from the licensed petroleum importers. The imports declare the volumes of the products imported and pay over the relevant levy to the Fund. The challenge faced by the Fund is complete reliance on the importers to declare volumes imported. Several exercises undertaken reveal continued under declaration of volumes and/or deliberate misclassification of the product imported to avoid the levies, for instance, declaration of diesel as paraffin which does not carry any Road Maintenance Levy. The Fund does not have requisite legal mandate as well as technical knowhow to further probe the volumes declared.

Numerous avenues are being undertaken together with the Department of Energy and other relevant stakeholders such as Petroleum Fund and the Lesotho Revenue Authority to address these challenges.

6.2.1 Road Maintenance Levy Collection

Table 12 below depicts the Road Maintenance Levy (RML) Collection over the reporting period. The revenue collected has been steadily growing due to increasing consumption of fuel in the country.

Table 12

ROAD MAINTENANCE LEVY COLLECTION

Year	Amount
2016/2017	M 74,763,722

6.3 Motor Vehicle License Fees and Permits

Annual motor vehicle clearance and license fees as well as various transport permits including Temporary Special Permit and Short term permits form part of the Funds Revenue. These road user charges are collected by the Department of Traffic and Transport (DTT) in the Ministry of Public Works and Transport and paid over to the Fund. The last review was made in 2006.

Most of the collection undertaken by DTT is still mainly manual except for the Maseru and Leribe Districts which are using the Republic of South Africa NATIS system for vehicle registration and annual license renewals. However, the NATIS system currently in use in Lesotho is outdated and further poses challenges of technical support and accuracy.

Plans are under way to migrate to the update eNATIS system and roll out to all the other districts in an effort to computerize collection of revenue in this revenue stream.

6.3.1 Motor Vehicle License Fees Collection

Table 13 below depicts the Motor Vehicle License Fees Collection over the reporting period. The revenue collected has been steadily growing due to increasing number of vehicle registrations in the country further enhanced by importation of cheaper Japanese second-hand vehicles.

Table 13

MOTOR VEHICLE LICENSES, PERMITS AND OFFENCES COLLECTION

Year	Amount
2016/2017	M 17,966,099

6.4 Financial Performance

6.4.1 Preamble

The report on financial performance of the Fund refers to how the Fund performed in terms of meeting the financial requirements of the implementing agencies for their respective road works. It is not supposed to be viewed as Management Accounts whose main objective is to monitor financial performance against budgetary provisions and forecasts.

There has been a constant increase from RML collections. This was last reviewed in June 2006 and as it can be seen only consistent annual adjustments to the road user fees can ensure constant monitoring of roads regardless of the daily challenges that the roads sector comes across.

Collections from the Department of Traffic and Transport (DTT) improved subsequent to July 2009 where the Fund started close monitoring of collections and DTT was required to deposit straight into Road Fund bank account. However, the challenge is that money paid into the Consolidated Fund had not reached the Road Fund to date. The reason being that other Sub-Accountancies have misplaced the records, and are therefore unable to substitute with any other proof.

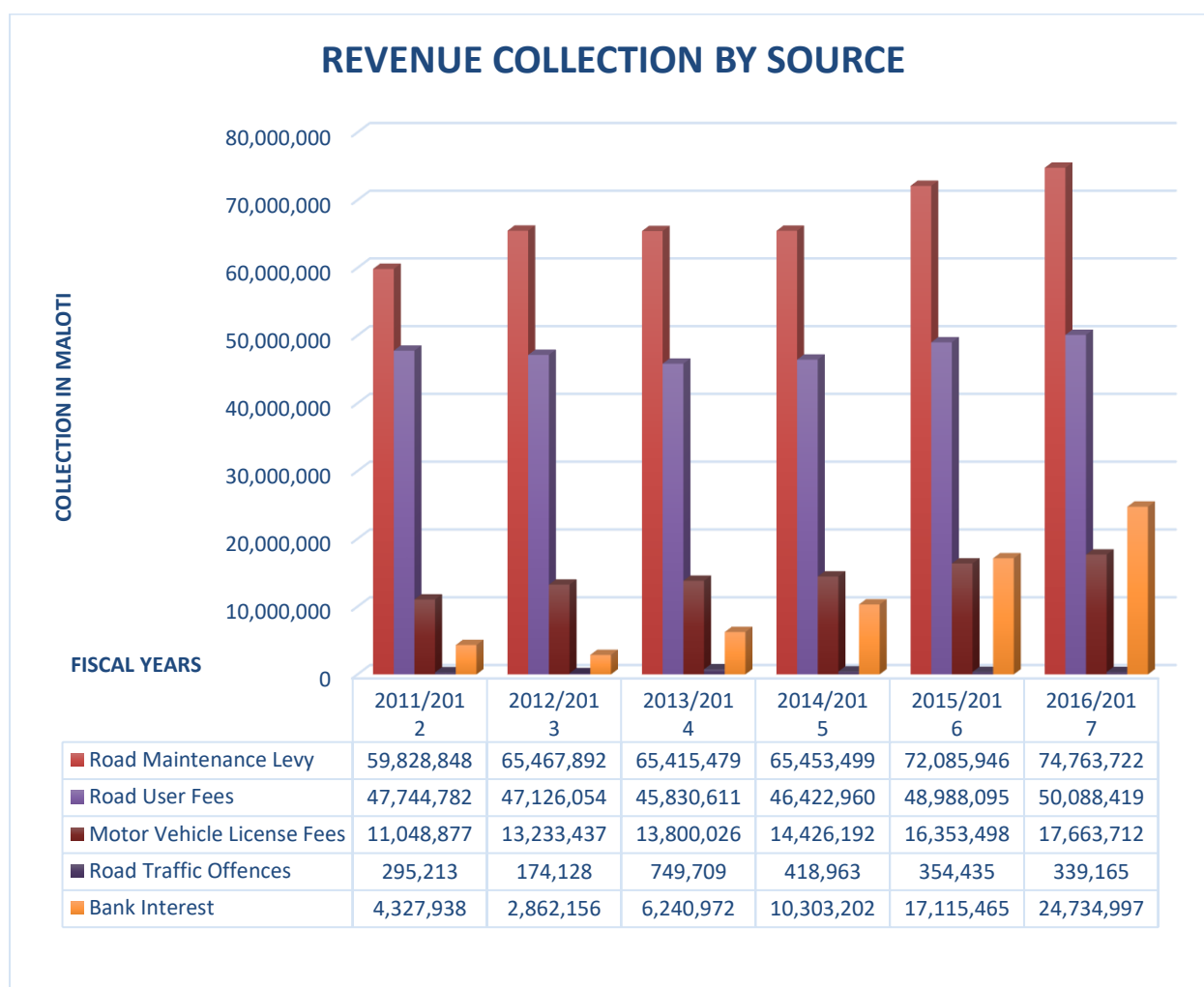
The toll collection operations were handed over to LRA in February 2011 as the plan was that LRA should collect all government revenues. This was followed by tollgate fees increase which was effected in March 2011. The increase resulted in an amount of M17, 642,902 from 2010/2011 to 2011/2012 which translated into 58 % increase due to introduction of ETCS at all manual border posts except Sani Top. However, thereafter the increase fluctuated to an annual average of 4.75% between 2012 and 2017 attributed mostly to vehicle population increase.

There are a number of challenges in this stream, firstly the constant tariffs over a number of years where the Road Fund was given a directive in February 2012 to increase the tariffs in February 2013, but due to absence of the Board of Directors at that time this could not be implemented. This was later caught up with the political instability in the country.

The interest received grew up tremendously over the period due to accumulation of reserves caused by under-utilisation of allocated resources over a period of time. Refer to (Figure 7). In March 2014 the Road Fund Board resolved that an Income Fund be opened with Stanlib Lesotho to maximise interest on accumulated reserves. The Fund therefore held its investments in both Money Market and Income Fund from April 2014.

Figure 7

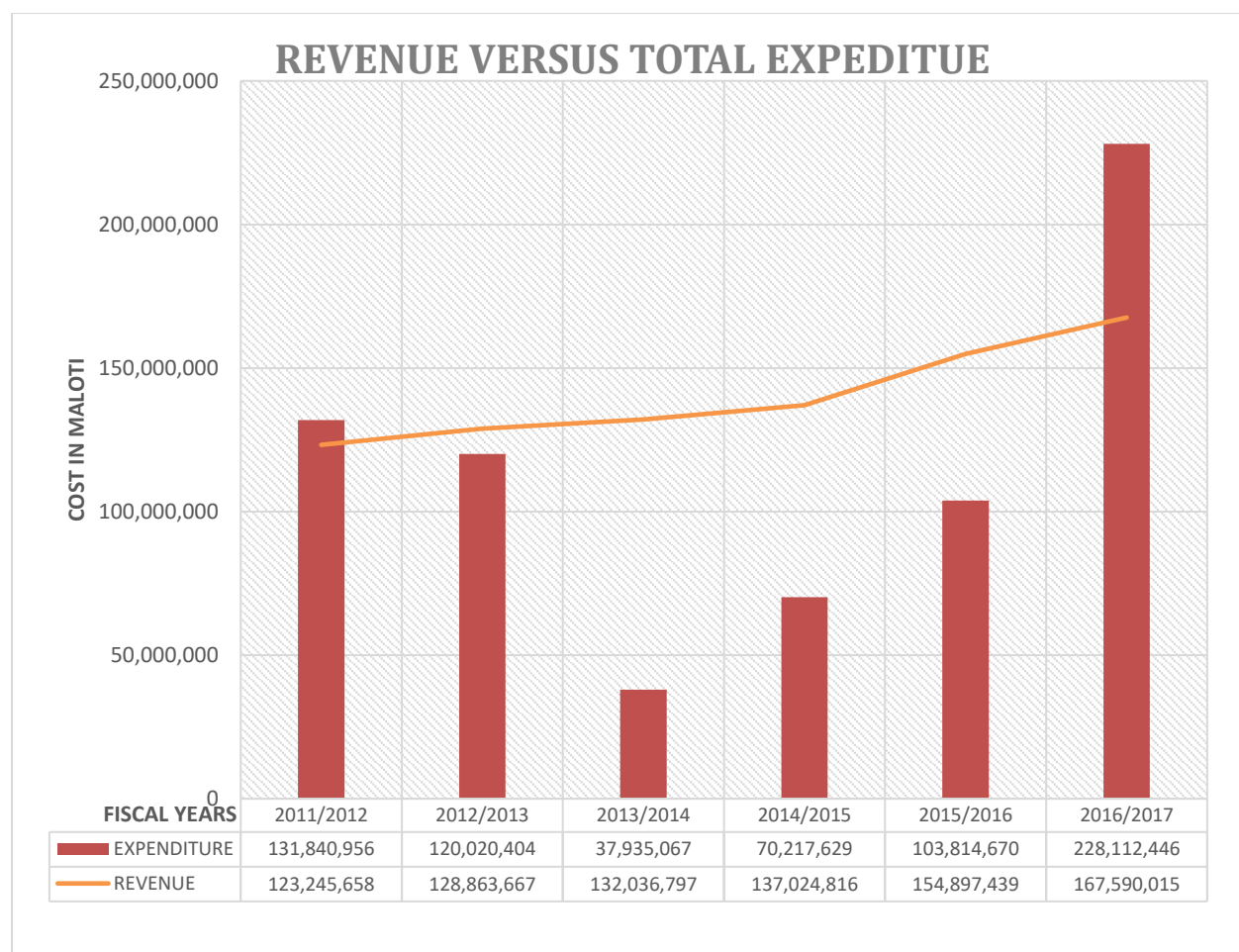
REVENUE COLLECTION BY SOURCE



On the other hand, the expenditure has declined from 2011/2012 to 2012/2013. The worst case was in 2013/14 and 2014/15 where the implementing agencies absorptive capacity was exceptionally low at M20,974,935 and M52,123,006 respectively. Refer to (Figure 8)

Figure 8

TOTAL REVENUE COLLECTION VERSUS TOTAL EXPENDITURE



The performance improved in 2015/16 and 2016/17 at M83, 234,326 and M207, 241,862. This is attributable to the Road Fund's contribution towards capacitating contractors by:

- (i) Funding the training given to contractors
- (ii) Funding their practical's in the form of Trial contracts
- (iii) Funding the costs of running the training center.

However, the implementing agencies still need to have more resources to avoid delays in procurement and supervision/monitoring of new and ongoing projects to completion.

The Technical Road Maintenance needs were estimated to be more than M5.5 billion in a LRMS study made in 2012. One may conclude that these needs have increased in subsequent reporting years and if Implementing Agencies plan and implement works much more efficiently the Fund will not be able to fund maintenance activities to achieve a good to very good road networks in the country. The impact of the continuously deteriorating road infrastructure increases the vehicle running costs, road crashes and therefore has a negative impact on Lesotho's economy.

There was an improved performance during the 2015/16 and 2016/17 mainly due reallocations from previous years and a change in maintenance strategies by some of the Road Maintenance Agencies. This suddenly pushed performance of Road Maintenance Agencies to be above the annual revenue collections compelling the Fund to supplement the deficit with the accumulated reserves. Refer to (Figure 8)

6.5 Audit Reports

From 2011/2012 to 2013/2014 the audit report was clean. However, from 2014/2015 to 2016/2017 the auditors have been issuing a qualified opinion on the basis that revenue collections have not been verified. The Fund could address some of the challenges but not to a full extent due to the legislation regulating the Fund together with other pieces of legislation governing our revenue collecting agencies. However, the Fund has done its best to improve the control environment surrounding its activities for better results in future. This adverse impact has been noted by the Board and an urgent need for review of the founding Road Fund legislations with the intention to motivate towards establishing the Fund through an Act of Parliament.

6.6 Conclusion

It is evident from this report that consistent annual adjustment to the road-user-charges will ensure that maintenance backlog is cleared over 20 years as indicated in the Study for the Review of the Projected Road Maintenance Needs and Generation of Road Fund Revenue that was completed and approved in 2010. However, the Fund is still faced with challenges of implementing the recommendations of the Study leading to deterioration of the road network condition.

It is therefore important to note that for a well maintained road network, adequate sources of funding are always required to maintain this valuable national asset which has a socio-economic impact on all sectors of our nation.

SECRETARIAT STAFF 2016-2017



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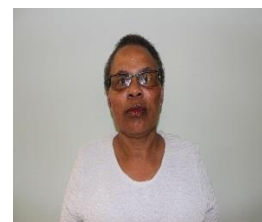
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