

Project Summary for Public Disclosure

Project Overview	
Project Name	Lesotho Highlands Water Project Phase II
Country	Republic of South Africa (Borrowing Country), Kingdom of Lesotho (Country of implementation of the Project)
Sector	Water, sanitation and flood protection
Approval Date (by the Board)	31 March 2019
Total Project Cost	ZAR 32 billion
Loan Amount	ZAR 3.2 billion
Borrower	Trans-Caledon Tunnel Authority
Implementation Agency	Lesotho Highlands Development Authority

I. Introduction

South Africa is a semi-arid country characterized by low rainfall, limited underground aquifers, and heavy reliance on water transfers from the neighboring country, Lesotho. The Lesotho Highlands area is one of the primary water sources to the Vaal River that provides water for Gauteng, Free State, North West and Mpumalanga provinces, together representing roughly 60% of the South Africa's GDP and 45% of the population. Water supply shortages in this area now pose a significant threat to South Africa's sustainable development.

II. Project Description

The Lesotho Highlands Water Project Phase II is a next phase of an existing joint project between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho with the objective to augment water supply in the Vaal River Basin by transferring water from Lesotho to South Africa.

The NDB Sovereign Guaranteed Project Loan will be used by Trans-Caledon Tunnel Authority (TCTA), a government agency of the Republic of South Africa, for financing the construction of the dam and water transfer tunnel on the territory of Lesotho.

The Project will promote South Africa's resilience to climate change, support economic growth and foster sustainable livelihoods of people by increasing available water by 437 million m³ in the long run and by reducing the amount of restrictions imposed due to drought. The Project will also contribute directly to South Africa's commitments to the Sustainable Development Goals (SDGs), specifically objective 6.4, to reduce water scarcity. It also seeks to enable inclusive and sustainable economic growth in South Africa, a goal embodied in SDG 8.

III. Environmental and Social Aspects

The Project has been classified as Category "A" in accordance with NDB's Environment and Social Framework (ESF). Main environmental and social impacts include land acquisition and involuntary resettlement of households; inundation of large areas by the water reservoir and associated loss of arable and grazing land and habitats of important flora and fauna species; impacts on downstream environments and communities due to decreased river flow; increased pressure on rangelands and wetlands by displaced livestock and people; impact on cultural heritage sites; community safety risks during construction; potential anti-social behavior and negative gender impacts due to influx of construction workforce. These impacts will be mitigated by adherence to country systems and provisions of E&S management plans, and implementation of additional E&S action plan developed for the project in line with NDB's ESF.

IV. Financials

The total cost of the Project is estimated to be ZAR 32 billion. NDB will finance ZAR 3.2 billion, accounting for 10% of the total cost. The remaining balance will be financed by other Multilateral Development Banks, commercial and institutional investors through Bond Issuance by TCTA.

V. Implementation

The Project is estimated to be implemented over 6 years. Lesotho Highlands Development Authority will be the Project Implementation Agency. Key contractors for the Project will be selected through international competitive bidding procedures.