



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
LESOTHO LOWLANDS WATER DEVELOPMENT PROJECT - PHASE II  
APPROVED ON MAY 17, 2019  
TO  
THE KINGDOM OF LESOTHO

Water Global Practice  
Eastern and Southern Africa Region

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**ABBREVIATIONS AND ACRONYMS**

AF	Additional Financing
CERC	Contingent Emergency Response Component
CoW	Commissioner of Water
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DLI	Disbursement Linked Indicator
DRWS	Department of Rural Water Supply
DWA	Department of Water Affairs
GoL	Government of Lesotho
FM	Financial Management
LBWSA	Lesotho Bulk Water Supply Agency (to be established)
LG	Local Government
LEWA	Lesotho Energy and Water Authority
MoF	Ministry of Finance
MoW	Ministry of Water Affairs
MTR	Mid-Term Review
NRW	Non Revenue Water
PBC	Performance Based Condition (previously referred to as DLI)
PDO	Project Development Objective
PIU	Project Implementation Unit
RAP	Resettlement Action Plan
SIP	Strategic Improvement Plan
TA	Technical Assistance
WASCO	Water and Sewerage Company
WTP	Water Treatment Plant
W-PIU	WASCO Project Implementation Unit



**BASIC DATA**

**Product Information**

Project ID P160672	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 17-May-2019	Current Closing Date 28-Mar-2024

**Organizations**

Borrower Ministry of Water Affairs - Commission of Water	Responsible Agency Lowlands Unit, Water and Sewerage Corporation
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**Project Development Objective (PDO)**

Original PDO

The Proposed Development Objectives are to: (a) increase water availability and access to improved water supply services in two priority zones; and (b) improve technical and financial performance of WASCO.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-64020	17-May-2019	05-Jun-2019	09-Aug-2019	28-Mar-2024	48.00	.12	47.10
IDA-64030	17-May-2019	05-Jun-2019	09-Aug-2019	28-Mar-2024	30.00	8.03	20.77

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Project Status

1. The project was approved by the World Bank Board of Executive Directors on May 17, 2019 and became effective on August 9, 2019. The project has a total IDA commitment of Euro 68.4 million, including Credit Number 6403-LS (Portion A) of Euro 26.3 million (US\$30 million equivalent) and Credit Number 6402-LS (Portion B) of Euro 42.1 million (US\$48 million equivalent). The Government of Lesotho (GoL) contribution is Euro 6.8 million. The closing date of the project is March 28, 2024.
2. Progress towards achievement of the Project Development Objective (PDO) was rated Moderately Unsatisfactory during the MTR mission completed in May 2022. As of June 2022, disbursement is Euro 7.2 million or 10.5 percent of IDA financing (and Euro 3.6 million is committed in contracts). Government has disbursed Euro 2 million for project management and compensation. The lack of progress is reflected in poor achievement of the result indicators that are mostly off track. Delays in implementation are caused amongst others by the lengthy procurement process for the Design Review and Supervision Consultant (signed in April 2022), whose role is critical to support the preparation of design and bidding documents for four large work packages (see annex 1). Secondly, environmental flow and paleontological assessments were required under component 1, expressed as a disbursement condition. These studies were completed in January 2022 and the disbursement condition for category 1 was formally lifted on May 31, 2022. Thirdly, the COVID-19 pandemic resulted in delays due to travel restrictions for consultants, hindering the ability to timely deliver on tasks. Finally, complex implementation arrangements under component 3, including the use of Performance-Based Conditions (PBCs), previously called Disbursement Linked Indicators (DLIs), compounded delays.
3. **Component 3 - Water Supply Investments in Zones 2 and 3:** The designs for all four work packages are expected to be finalized by March 2023 and construction is scheduled to be completed by March 2024, with the defects and liability period to end by March 2025. Good progress was achieved regarding the Resettlement Action Plan (RAP) and related asset verification. The Environmental Flow Assessment and Paleontological Impact Assessment studies have been completed. The findings of these studies will inform the finalization of the project designs. The Environmental and Social Impact Assessment for Component 1 will be updated, if needed, and redisclosed once the design has been finalized.
4. **Component 2 – Capacity Building, Institutional Strengthening and Project Management:** The project supported the Ministry of Water Affairs (MoW), the Commissioner of Water (CoW) and the Department of Water Affairs (DWA) in assessing institutional options for bulk water management functions, resulting in the intention to establish the



Lesotho Bulk Water Supply Agency (LBWSA). Technical assistance (TA) for the Lesotho Electricity and Water Authority (LEWA) is ongoing to improve auditing and regulatory oversight of the Water and Sewerage Company (WASCO).

5. **Component 3 – WASCO Performance Improvements:** TA to WASCO is ongoing and includes the development of a Non-Revenue Water (NRW) strategy and the development of a Strategic Improvement Plan (SIP), including measures to improve data quality and technical and financial performance. The SIP is expected to be endorsed by LEWA's and WASCO's Boards by end of July 2022. TA to the Department of Rural Water Supply (DRWS) did not commence yet but going forward will help put in place the delegation arrangements between Local Governments (LGs) and water service providers (other than WASCO) in the rural settlements of the project area.

6. **Component 4 – Contingent Emergency Response Component (CERC):** In June 2021, after the devastating pluvial floods, the Ministry of Finance (MoF) formally requested activation of the CERC for Euro 2.6 million, which was approved in January 2022, although activities have not yet started. A CERC Environmental and Social Management Framework was prepared and disclosed to assist with the screening of potential environmental and social risks associated with the CERC activities. Disbursement conditions were lifted for category 4 (CERC expenditures) on May 18, 2022.



7. Financial management performance is rated *Satisfactory* as overall satisfactory interim financial reports are submitted on time. The auditor issued an unmodified opinion on project financial statements. Procurement performance is *Moderately Satisfactory* due to shortcoming in the most recent procurement post review that are being addressed. Performance on overall safeguards is *Satisfactory*.

## B. Rationale for Restructuring

8. There are several reasons that warrant a restructuring such as the recent CERC activation and the delays that have resulted in a high risk not to achieve the PDO within the current closing date, and without a reduction in scope and revision of the result targets. The PDO thus needs to be updated to reflect the activation of the CERC. Moreover, the proposed restructuring addresses expected cost overruns due to global inflationary pressure, supply chain bottlenecks and price surges due to the conflict in Ukraine. These expected cost escalations, combined with the foreseen CERC allocation, require prioritization of critical infrastructure, while optimizing the use of existing water supply assets<sup>1</sup> in supply zone 2 and 3 and phasing the expansion of the distribution systems in settlements in these priority zones. This restructuring thus reallocates costs among the components, and due to the scope reduction of the investments, a revision of the results targets is applied as well<sup>2</sup>. An extension of the closing date is needed to complete the four civil work packages including the defect and liability period.

9. The restructuring reflects emerging policy priorities of MoW for bulk potable water services as well as retail water distribution services in rural areas. New interim result indicators are introduced that focus on institutional arrangements and tariffs underpinning the sustainability of the first part of the PDO. While the second part of the PDO concerning WASCO's performance remains relevant, the restructuring aims to accelerate implementation by removing the complexity of a second PIU hosted within WASCO (W-PIU), that until now was never operationalized. Rather, the project will retain one PIU as fiduciary agent for the entire project, while strengthening interaction on technical aspects with WASCO<sup>3</sup>. In line with this simplification, the Disbursement-Linked Indicators (DLIs) are proposed to be removed given: i) the complex financial management (FM) and verification requirements that are beyond the current capacities of WASCO; ii) the limited time left before project closing; and the ii) limited remaining uncommitted funds for component 3. At the same time, results indicators for WASCO's performance are reformulated ensuring accountability of WASCO for the results related to project activities.

## II. DESCRIPTION OF PROPOSED CHANGES

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<sup>1</sup> This refers to new small, packaged treatment plants in Maputse and Hlotse that will be operational by the end of 2022, as well as existing reservoirs that can be used in the bulk water transfer scheme.

<sup>2</sup> It should be noted that the GoL may decide to finance taxes (e.g. VAT of 14 percent, import duties) from the credit, as per the financing agreement. However, the original cost estimates for the project components did not include such taxes and hence have eroded the contingencies.

<sup>3</sup> Despite that a subsidiary agreement was signed with WASCO, an independent WASCO PIU was never formally established, and no funds were transferred to its Designated Account. Activities under subcomponent 3.1 were implemented through the PIU hosted with the MoW.



10. This Paper seeks the approval of a Level 2 Project Restructuring to reflect the activation of the Contingent Emergency Response Component (CERC), align the project with emerging Government of Lesotho (GoL) priorities, and improve the efficiency and effectiveness of the project based on recommendations of the Mid-Term Review (MTR) conducted from April 21 to May 5, 2022. It comprises the following changes: i) changes to the PDO, ii) changes to the Results Framework, iii) changes to the implementation agency and institutional arrangements, iv) removal of the PBCs and changes to disbursement arrangements, v) reallocation of cost among components, vi) reallocation among expenditure categories, vii) extension of the closing date, and viii) changes to legal covenants.

11. **Change in PDO and Results Framework:** the first and second part of the PDO remain relevant and are deemed achievable after the restructuring. The proposed PDO is to: (a) increase water availability and access to improved water supply services in two priority zones; and (b) improve technical and financial performance of WASCO; and (c) in case of an Eligible Crisis or Emergency, respond promptly and effectively to it. PDO indicators have been revised to better reflect drinking water service levels provided by the project (i.e., basic and safely managed drinking water services<sup>4</sup>) and targets have been revised to reflect reduction in installed capacity of the Water Treatment Plant (WTP) and area of network expansion. The indicators related to WASCO’s performance were revised to be more specific and better attributable to component 3 interventions. Indicators to monitor the CERC were added. At the interim outcome level, several indicators are dropped due to their limited relevance, or revised to accommodate changes in project scope. New indicators are added that focus on priorities supported by the project after restructuring: i) legislation drafted for the new LBWSA; ii) delegation arrangements between LGs and rural service water providers with agreed tariffs; and iii) development of a bulk water tariff agreements between LBWSA and the off takers. More details on the results framework are provided in section IV.

12. **Change in Cost Allocation for Components:** Section IV details the changes in the costs of the components in US\$ million equivalent including government funding. The amount in US\$ equivalent is reduced due to the fluctuation in the Euro/US\$ exchange rate as the credit is denominated in Euros. No cancellation of credit proceeds is considered under this restructuring. The table below illustrates the IDA reallocation for the components based on a revised cost table agreed during the MTR.

Allocated amounts in Euro (millions)	IDA financing	Government Financing	IDA financing	Government Financing
	Current Cost		Proposed Cost	
Component 1. Water Supply Investments in Zones 2 and 3	57.4	2.2	55.5	2.2
Component 2. Capacity Building, Institutional Strengthening and Project Management	6.5	4.2	6.0	4.2
Component 3. WASCO Performance Improvements	4.5		4.2	
Component 4. Contingent Emergency Response Component	-		2.6	
<b>TOTAL</b>	<b>68.4</b>	<b>6.8</b>	<b>68.4</b>	<b>6.8</b>

<sup>4</sup> As per the Joint Monitoring Program of UNICEF/WHO (JMP) definitions: basic services is an improved source within 30 minutes roundtrip; safely managed is connection on premises, with reliable supply (16 hrs/d) and free of contamination (national standards).



13. It should be noted that under component 1, a second phase of expansion/rehabilitation of the distribution network in the project locations is necessary to achieve the original results targets for water supply access<sup>5</sup>. Moreover, civil works to augment the capacity of the *adit*<sup>6</sup> for water releases to the Hlotse river are not included and require government financing and/or potential Additional Financing (Euro 4.6 million). There are no changes in counterpart funding and the committed Euro 6.8 million for compensation and project management are deemed sufficient at this stage<sup>7</sup>. Under component 2, additional activities are introduced for the setup and development of the institutions for bulk and retail water supply services and the preparation of tariff studies for the project areas. National level planning and strategy development activities have been reduced to accommodate the reallocation. Component 3 includes capacity strengthening of WASCO's senior management, improving data quality of WASCO performance reports subject to LEWA audits, preparing more accurate water balances, and implementing priority investments for NRW reduction, asset management, modernization of billing and collection, and customer registry and feedback systems, with a focus on Maseru.

**14. Implementation Arrangements, PBCs and Disbursement Arrangements:** Weak capacity and poor understanding of the provisions and conditions in the subsidiary agreement between WASCO and MoF, compounded by the complex verification and FM requirements related to the investments tied to the PBCs, prevented the operationalization of the W-PIU until now<sup>8</sup>. Given the small non-committed fund allocation under component 3 (Euro 2.2 million) and the prioritization of investments based on WASCO's SIP and NRW strategy, both the W-PIU as well as the PBCs will be dropped to pave the way for efficient achievement of the revised result targets for WASCO by the closing date. The Lowlands PIU under MoW will remain the single fiduciary entity (procurement and FM), while WASCO seconded staff are tasked to jointly develop the procurement plan for NRW and operational improvement investments<sup>9</sup>. The disbursement arrangements only require one designated account (DA)<sup>10</sup>. The subsidiary agreement becomes obsolete and instead a WASCO Institutional Collaboration Agreement is required for the implementation of component 3<sup>11</sup>.

**15. Expenditure categories.** Thus far disbursement only took place in Category 2 (Euro 4.4million) and Category 5 (front end fees paid). The disbursement conditions for category 1 and category 4 were officially lifted on May 31, 2022, and May 18, 2022, respectively. Category 3(a) and Category (3b) become superfluous after the proposed Restructuring by removing the W-PIU and dropping the PBCs and related disbursement conditions. Category 4 (CERC) is allocated the approved allocation of Euro 2.6 million. To introduce maximum flexibility going forward, a new category 6 is introduced, that includes "Goods, Works, Non-Consulting, Consulting Services, Operational Cost, Training for Part A, B, and C of the project", in other words all remaining project disbursements except for the CERC expenditures.

<sup>5</sup> Hence the water supply access result targets have been reduced and once detailed designs are available these targets can be validated.

<sup>6</sup> This is an existing tunnel that secures transfer from the Katse dam to the upstream Hlotse river to ensure minimum flow in the low flow period.

<sup>7</sup> Thus far government expenditure is Euro 2 million equivalent and projections indicate at least another Euro 3.5 million is needed.

<sup>8</sup> The W-PIU was supposed to operate its own designated account (DA-B) and be fully responsible for FM and Procurement of component 3 activities, governed by a subsidiary agreement between MoF and WASCO signed on June 25, 2020.

<sup>9</sup> To be reviewed by the World Bank team for consistency with WASCO SIP and NRW strategy, and focus on Maseru, Hlotse and Maputsoe.

<sup>10</sup> A second designated account (DA-B) was set-up for WASCO-PIU which no longer is required. The DFIL will be updated accordingly.

<sup>11</sup> The allocated funds under component 3 remain on-granted to WASCO.





16. **Disbursement projections, implementation schedule and closing date:** Based on a revised implementation schedule (added in Annex 1) for the main civil work packages, a closing date extension of 12 months is proposed to ensure the commissioning, handover and defects and liability period for the water systems<sup>12</sup>. The disbursement projections have been adjusted to reflect the revised implementation schedule with a closing date of March 31, 2025. This is the first extension of the closing date for the credits.

17. **Amendments to the Financing Agreement:** Several amendments to the Financing Agreement are necessary, including the removal of several legal covenants (see section IV for details). The amendment will require the signing of an Institutional Collaboration Agreement between WASCO and MoW, replacing the previously signed Subsidiary Agreement. New covenants are introduced that require: i) the transfer of water distribution assets to LGs in the rural settlements, agreed management arrangements and the setting of cost-reflective tariffs; and ii) the transfer of the bulk water scheme assets to the LBWSA and the setting of a cost reflective bulk water tariff.

18. **Risk Assessment:** the current risk rating is derived from the periodic assessments during the implementation support missions throughout 2022. It reflects the residual risk rating<sup>13</sup>. The overall residual risk has been downgraded from *substantial* at appraisal to *moderate*, based on a *low* risk for macro-economic, technical design, sector strategies, and stakeholder risk (reduced from *substantial/moderate* at approval due to mitigation measures integrated in project implementation), and a *moderate* risk for implementation capacity and sustainability (reduced from *substantial* at approval due to TA measures within the project and simplification of implementation arrangements). The political, fiduciary and environment residual risks remain unchanged at *substantial*.

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<sup>12</sup> In case of future implementation delays, the responsibility for the defects and liability period could be transferred to the GoL.

<sup>13</sup> Guidance for risk rating has been updated since approval.



19. **PDO achievement, Implementation Agency and Action Plan:** The proposed changes under this Restructuring will allow the PDO to become achievable, considering the extended closing date of March 31, 2025 and the simplified implementation arrangements. The performance of the Lowlands PIU is satisfactory as reflected in the recent Implementation Status Report ratings on Project Management, Environmental and Social Safeguards, Procurement and Financial Management. To avoid and redress shortcomings of the past, MoW and its PIU have agreed to the below Action Plan.

Action	Frequency/Due Date
Actively keep abreast and involve both the Project Management Consultant and Design Review and Supervision Consultant in the preparation of bidding documents and safeguards instruments	Starting in July 2022, with reporting frequency as part of the semi-annual project progress reports
Hold monthly bilateral coordination meetings with WASCO with commonly agreed Agenda and Minutes Preparation	Starting in July 2022, monthly minutes to be included in semi-annual project progress reports
Take Human Resources actions on PIU procurement staffing	By August 31, 2022
Hold bi-monthly procurement conferences to review Contract management issues and take corrective measures	Starting in July 2022 on a bi-monthly basis
Conduct additional Contract Management training for PIU and WASCO staff	By December 31, 2022
Support MoW/CoW on decision and dissemination of Rural Water Supply Models, in accordance with current draft legislation	By March 31, 2023
Conduct stakeholder consultation for the National Sanitation Plan	By March 31, 2023

**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Implementing Agency	✓	
Project's Development Objectives	✓	
Results Framework	✓	
PBCs	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	



Disbursements Arrangements	✓	
Disbursement Estimates	✓	
Overall Risk Rating	✓	
Legal Covenants	✓	
Institutional Arrangements	✓	
Financial Management	✓	
Procurement	✓	
Implementation Schedule	✓	
DDO Status		✓
Cancellations Proposed		✓
Safeguard Policies Triggered		✓
EA category		✓
APA Reliance		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**IMPLEMENTING AGENCY**

Implementing Agency Name	Type	Action
Lowlands Unit	Implementing Agency	No Change
Water and Sewerage Corporation	Implementing Agency	Marked for Deletion

**PROJECT DEVELOPMENT OBJECTIVE**

**Current PDO**

The Proposed Development Objectives are to: (a) increase water availability and access to improved water supply services in two priority zones; and (b) improve technical and financial performance of WASCO.



**Proposed New PDO**

The Proposed Development Objectives are to: (a) increase water availability and access to improved water supply services in two priority zones; and (b) improve technical and financial performance of WASCO; and (c) in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

**COMPONENTS**

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1. Water Supply Investments in Zones 2 and 3	68.30	Revised	Component 1. Water Supply Investments in Zones 2 and 3	62.00
Component 2. Capacity Building, Institutional Strengthening and Project Management	12.40	Revised	Component 2. Capacity Building, Institutional Strengthening and Project Management	11.10
Component 3. WASCO Performance Improvements	5.10	Revised	Component 3. WASCO Performance Improvements	4.50
Component 4. Contingent Emergency Response Component	0.00	Revised	Component 4. Contingent Emergency Response Component	2.80
<b>TOTAL</b>	<b>85.80</b>			<b>80.40</b>

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-64020	Effective	28-Mar-2024		31-Mar-2025	31-Jul-2025
IDA-64030	Effective	28-Mar-2024		31-Mar-2025	31-Jul-2025

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed

IDA-64020-001 | Currency: EUR

iLap Category Sequence No: 1

Current Expenditure Category: GDs,WKs,NCS,CS undr prt A.1 Prjct



	7,600,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: GD,WK,NCS,CS,OC,Tr pt A2,A3,A4,A5,B			
	31,294,750.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 3A		Current Expenditure Category: GD(ex mot veh),NCS,CS,OC,Tr prt C1			
	1,600,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 3B		Current Expenditure Category: GD(ex mt veh),WK,NCS,CS,OC,Tr pt C2			
	1,500,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: EMERGENCY EXPNDTRS PRT D PRJCT			
	0.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: FEF		Current Expenditure Category: FRONT END FEE			
	105,250.00	105,250.00			
iLap Category Sequence No: 5		Current Expenditure Category: Front End Fees PAID			
	0.00	0.00	105,250.00		100
iLap Category Sequence No: 6		Current Expenditure Category: GDs,WKs,NCS,CS,OC,Tr part A, B, C prjct			
	0.00	0.00	41,994,750.00		100
<b>Total</b>	<b>42,100,000.00</b>	<b>105,250.00</b>	<b>42,100,000.00</b>		

IDA-64030-001 | Currency: EUR

iLap Category Sequence No: 1		Current Expenditure Category: GDs,WKs,NCS,CS undr prt A.1 Prjct			
	11,500,000.00	0.00	0.00	100.00	100.00



iLap Category Sequence No: 2	Current Expenditure Category: GD,WK,NCS,CS,OC,Tr pt A2,A3,A4,A5,B			
13,500,000.00	4,386,426.66	4,386,427.00	100.00	100.00
iLap Category Sequence No: 3A	Current Expenditure Category: GD(ex mot veh),NCS,CS,OC,Tr prt C1			
200,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 3B	Current Expenditure Category: GD(ex mt veh),WK,NCS,CS,OC,Tr pt C2			
1,100,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 4	Current Expenditure Category: EMERGENCY EXPNDTRS PRT D PRJCT			
0.00	0.00	2,593,831.00	100.00	100.00
iLap Category Sequence No: 6	Current Expenditure Category: GDs,WKs,NCS,CS,OC,Tr part A, B, C prjct			
0.00	0.00	19,319,742.00		100
<b>Total</b>	<b>26,300,000.00</b>	<b>4,386,426.66</b>	<b>26,300,000.00</b>	

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2019	0.00	0.00
2020	4,881,630.00	2,500,000.00
2021	9,407,658.00	1,500,000.00
2022	17,127,552.00	4,400,000.00
2023	32,019,322.00	15,000,000.00
2024	11,448,206.00	35,000,000.00
2025	3,115,632.00	30,000,000.00



**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating at Approval	Current Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Substantial	● Low
Sector Strategies and Policies	● Moderate	● Low
Technical Design of Project or Program	● Substantial	● Low
Institutional Capacity for Implementation and Sustainability	● Substantial	● Moderate
Fiduciary	● Substantial	● Substantial
Environment and Social	● Substantial	● Substantial
Stakeholders	● Moderate	● Low
Other		● Substantial
Overall	● Substantial	● Moderate

**LEGAL COVENANTS**

Loan/Credit/TF	Description	Status	Action
-	By no later than one (1) month after the Effective Date, the Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, the Project Steering Committee (PSC), in form and substance satisfactory to the Association. The PSC shall be responsible for providing overall strategic guidance on implementation of the Project, including providing oversight and guidance, facilitating inter-institutional coordination, resolving legal, policy and operational bottlenecks and informing on progress and challenges. To this end, the PSC will be chaired by the Principal Secretary of the MOW or any authorized representative and will be comprised of high-level representatives of relevant ministries, WASCO, non-government organizations and others as deemed relevant by the Recipient. (Schedule 2 Section I A. 2 of the Financing Agreement)	Complied with	No Change



-	<p>The Recipient shall, at all times during the implementation of the Project, coordinate implementation of the Project through the MOW. Specifically, the COW shall have full responsibility for the implementation and management of the Project through a Project implementing unit. To this end, by no later than fifteen (15) days after the Effective Date, the Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, the Project Implementing Unit with qualified and experienced staff in adequate numbers, terms of reference, resources and functions, satisfactory to the Association, in accordance with the Project Operational Manual, including, but not limited to, a Project manager, financial management specialist, procurement specialist, and safeguard specialists. (Schedule 2 Section I A. 1 (a) of the Financing Agreement)</p>	Complied with	No Change
-	<p>For purposes of implementing Part C (Component 3) of the Project, the Recipient shall cause WASCO to establish and thereafter maintain, at all times during the implementation of Part C of the Project, an implementation team headed by a Project coordinator and with qualified and experienced staff in adequate numbers, terms of reference, resources and functions, satisfactory to the Association, in accordance with the Project Operational Manual. (Schedule 2 Section I A. 3 of the Financing Agreement)</p>	Complied with	Marked for Deletion
-	<p>Prior to awarding any contract regarding the design or civil works related to activities under Part A.1 of the Project, the Recipient shall carry out the following studies, assessments and plans in a manner satisfactory to the Association:</p> <ul style="list-style-type: none"> <li>(a) a baseline study of the upper Hlotse River that would be affected by the water releases from Katse Dam;</li> <li>(b) (i) a new instream flow requirement (IFR) calculation (using the 2008 instream flow requirement report on the conditions in the Hlotse River as benchmark), taking into account ecosystem services and downstream uses/users of the intake, current and future uses of the Hlotse River; (ii) a management plan</li> </ul>	Complied with	No Change





and an assessment on how the new IFR calculation will impact downstream users; (iii) a determination of impacts that could not be avoided or measures needed to deal with temporary impacts and/or extreme conditions; and (iv) a livelihood restoration plan to address any training or changes in practice required by changed conditions and to compensate for losses and restore livelihoods through alternative means if necessary;

(c) (i) a complete study of the phase 1 paleontological impact assessment in the areas of highest fossil potential (i.e. where bedrock outcrops at or within 2 m of the surface); (ii) the mapping of all the fossil sites; and (iii) the compilation of a chance find protocol;

(d) a hydrological assessment to determine the impact of water releases from Katse Dam on the hydrology of the upper Hlotse River above the planned intake civil works, based on which mitigation measures shall be developed;

(e) an impact assessment of Katse Dam water releases on the biota (fish, invertebrates) of the upper Hlotse River; and

(f) a water quality modelling on the impact of Katse Dam’s water on the water quality in the Hlotse River.

(Schedule 2 Section I E 4. (a), (b), (c), (d), (e), and (f))

The Recipient shall ensure that no civil works shall commence until all resettlement measures set forth in any resettlement action plan(s) shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Affected Persons.

(Schedule 2 Section I E 2. (a))

Not yet due

No Change

By no later than one (1) month after the Effective Date, the Recipient shall cause DRWS, DWA and WASCO to second and thereafter maintain, at all times during the implementation of the Project, qualified and experienced staff in adequate numbers and with terms

Complied with

No Change



	of reference satisfactory to the Association. (Schedule 2 Section I A. 1 (b) of the Financing Agreement)		
IDA-64020	Upon completion of the activities in Part A. 1, 2, 3 and 4 of Schedule 1 to the Financing Agreement, the Recipient, through the MOW, shall: (b) transfer the water system assets to local governments in rural settlements and shall cause the local governments to set agreed cost reflective tariffs and management arrangements for the systems. (Schedule 2, Section I.B.2 (b))	Not yet due	New
IDA-64030	By no later than sixty (60) days after the countersignature of this amendment letter, the Recipient shall amend the existing Subsidiary Agreement, under terms and conditions satisfactory to the Association, for purposes of setting up the roles and responsibilities of MOW and WASCO for purposes of implementing Part C of the Project (Schedule 2, Section I.B.1)	Not yet due	New
IDA-64020	By no later than sixty (60) days after the countersignature of this amendment letter, the Recipient shall amend the existing Subsidiary Agreement, under terms and conditions satisfactory to the Association, for purposes of setting up the roles and responsibilities of MOW and WASCO for purposes of implementing Part C of the Project (Schedule 2, Section I.B.1)	Not yet due	New
IDA-64030	Upon completion of the activities in Part A. 1, 2, 3 and 4 of Schedule 1 to the Financing Agreement, the Recipient, through the MOW, shall: (a) transfer assets of the bulk water scheme to LWBSA and shall cause the LWBSA to set a cost reflective bulk water tariff (Schedule 2, Section I.B.2 (a))	Not yet due	New
IDA-64020	Upon completion of the activities in Part A. 1, 2, 3 and 4 of Schedule 1 to the Financing Agreement, the Recipient, through the MOW, shall: (a) transfer assets of	Not yet due	New



	the bulk water scheme to LWBSA and shall cause the LWBSA to set a cost reflective bulk water tariff (Schedule 2, Section I.B.2 (a))		
IDA-64030	Upon completion of the activities in Part A. 1, 2, 3 and 4 of Schedule 1 to the Financing Agreement, the Recipient, through the MOW, shall: (b) transfer the water system assets to local governments in rural settlements and shall cause the local governments to set agreed cost reflective tariffs and management arrangements for the systems. (Schedule 2, Section I.B.2 (b))	Not yet due	New



**Results framework**

COUNTRY: Lesotho

**Lesotho Lowlands Water Development Project - Phase II**

**Project Development Objectives(s)**

The Proposed Development Objectives are to: (a) increase water availability and access to improved water supply services in two priority zones; and (b) improve technical and financial performance of WASCO.

**Project Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Increased water availability in two priority water zones</b>								
Additional daily water production capacity installed by the project in two priority water zones (Cubic Meter(m3))		0.00	0.00	1,200.00	1,200.00	1,200.00	21,200.00	21,200.00
<b>Action: This indicator has been Revised</b>	<p><b>Rationale:</b>  <i>The indicator definition has been slightly modified to reflect the additional daily water production capacity that is installed through investments by the project in the priority zones 2/3. This means it measures additional production capacity (hence baseline value is set at zero) which includes: i) additional capacity installed resulting from the rehabilitation of seven boreholes in Matputsoe (estimated at 1,200 m3/day), and ii) additional capacity installed by of the newly built WTP financed by the project, now planned for 20,000 m3/day design capacity. Hence, it does not measure the actual water produced (this may be less as the installed capacity during the project implementation period).</i></p>							
<b>Increased access to water supply services in two priority zones</b>								
People provided with access to improved water sources (CRI, Number)		42,130.00	60,000.00	60,000.00	60,000.00	70,000.00		115,000.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<i>Action: This indicator has been Marked for Deletion</i>								
People provided with access to improved water sources - Female (RMS requirement) (CRI, Number)		28,670.00	35,000.00	36,000.00	38,000.00	38,000.00		58,000.00
<i>Action: This indicator has been Marked for Deletion</i>								
People provided with access to improved water sources - rural (CRI, Number)		6,480.00	6,480.00	6,500.00	8,000.00	11,000.00		17,000.00
<i>Action: This indicator has been Marked for Deletion</i>								
People provided with access to improved water sources - urban (CRI, Number)		35,600.00	45,000.00	48,000.00	55,000.00	80,000.00		98,000.00
<i>Action: This indicator has been Marked for Deletion</i>								
People with existing connections benefitting		0.00	0.00	0.00	15,000.00	15,000.00	15,000.00	55,000.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
from improvement in service quality (Number)								
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>the target number has been reduced as the scope of the rehabilitation of existing networks has been reduced due to budget constraints; the definition has been updated</i>							
of which female (Percentage)		0.00						50.00
<b>Action: This indicator is New</b>								
People provided with access to at least basic drinking water services (Number)		0.00	0.00	0.00	0.00	0.00	40,000.00	56,700.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <i>The indicator is introduced to align with up-to-date definitions that are used under the SDGs (instead of the old indicator that stems from the MDG era); this helps to better understand the service level that is provided, either to be a basic water service (a stand post within 30 minutes return trip distance) or a safely managed water service (an on-premises connection with reliable supply and water quality as per national standards).</i>							
People provided with access to a basic drinking water supply service (Number (Thousand))		0.00						9,100.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Action: This indicator is New</b>	<b>Rationale:</b> <i>this indicator is added to capture those people that will gain access to a managed standpipe (i.e. with prepaid meters) within a 30 minute return trip, who previously did not have water system access (and were collecting spring water or handpumps)</i>							
People provided with a safely managed drinking water service (Number (Thousand))		0.00						47,600.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <i>the target has been reduced due to the reduced allocation available for the network and hh connection expansions</i>							
of which female (Percentage)		0.00						50.00
<b>Action: This indicator is New</b>								
<b>• Improved technical and financial performance of WASCO</b>								
WASCO's minimum achievement of selected key performance indicator targets defined by LEWA (Percentage)	PBC 5	0.00	0.00	0.00	70.00	70.00		70.00
<b>Action: This indicator has been Marked for Deletion</b>	<b>Rationale:</b> <i>The definition has been simplified to focus on selected key performance indicators (KPIs) of WASCO where reliability of data would be highest (based on the LEWA auditing process) and where the project is likely to contribute through its interventions.</i>							



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
O&M cost coverage by billing for WASCO (Number)		0.84	0.84	0.84	0.84	0.90	0.95	1.00
<b>Action: This indicator is New</b>	<p><b>Rationale:</b>  <i>This indicator is one of the Key Performance Indicators (KPI) for WASCO that reflects both improvements in technical and commercial aspects that are linked to project activities that are focused on Non Revenue Water reduction (both in terms of commercial as well as technical losses), technical assistance to define and start implementation of strategic improvements and the quality of data reporting (both technical and financial data). This new PDO indicator is deemed more realistic and directly related to NRW activities as well as priority measures in the WASCO Strategic Improvement Plan (as compared to the earlier composite indicator of all 10 KPIs). The indicator will be measured for the Maseru area where most of the NRW and commercial improvements will be introduced under component 3.</i></p>							
<b>in case of an Eligible Crisis or Emergency, respond promptly and effectively to it. (Action: This Objective is New)</b>								
Number of flood-impacted pumped water systems in rural areas that have been repaired and are functional (Number)		0.00	0.00	0.00	0.00	10.00	30.00	30.00
<b>Action: This indicator is New</b>	<p><b>Rationale:</b>  <i>The CERC introduced a total package of Euro 2.6 million to respond to the 2021 floods out of which 60 percent is allocated to emergency repair of water systems managed by WASCO and by Department of Rural Water Supply. It is expected that at 32 pumped drinking water systems managed by DWRS will be repaired leading to full functionality of the systems (30 solar and 2 diesel-based pumping systems)</i></p>							





Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Component 1: Water Supply Investments in Zones 2 and 3</b>								
Number of km of total water pipelines constructed (Kilometers)		0.00	0.00	0.00	0.00	30.00	140.00	200.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: the total length is revised to account for a reduced scope of the distribution networks; the length of the transmission main is included as well</i>							
out of which bulk transmission pipeline (Kilometers)		0.00	0.00	0.00	0.00	10.00	30.00	40.00
<i>Action: This indicator is New</i>	<i>Rationale: to indicate the distinction between bulk transfer mains and retail distribution networks</i>							
out of which distribution network pipelines constructed and/or rehabilitated (Kilometers)		0.00	0.00	0.00	0.00	20.00	90.00	160.00
<i>Action: This indicator is New</i>	<i>Rationale: to distinguish between bulk transfer (managed by LBWA) and retail distribution networks (by WASCO and DWRS/rural service providers)</i>							
Increase in average monthly industrial water consumption in two priority zones (Cubic Meter(m3))		2,794.00	0.00	0.00	2,000.00	3,000.00	4,500.00	6,000.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Action: This indicator is New</b>	<p><b>Rationale:</b>  <i>This indicator is proposed to better capture the results of increasing access and availability beyond the domestic household connections. Before the project, many of the industries in Maputsoe and Hlotse were not able to access reliable and sufficient water. With the rehabilitation of the boreholes and the new treatment plant and bulk water transfer scheme the industrial/commercial water use will increase supporting the economic development of the area.</i></p>							
<b>Component 2: Capacity Building, Institutional Strengthening and Project Management</b>								
Non revenue water in project area (Percentage)	45.00	45.00	40.00	35.00	30.00		25.00	
<b>Action: This indicator has been Marked for Deletion</b>								
National Sanitation Action Plan TA completed and approved (Yes/No)	No	No	Yes	Yes	Yes		Yes	
Number of people trained according to approved annual training plan (Number)	0.00	0.00	50.00	100.00	150.00	200.00	250.00	
<b>Action: This indicator has been Revised</b>	<p><b>Rationale:</b>  <i>includes gender disaggregation</i></p>							
out of which females (Percentage)	0.00	0.00	0.00	20.00	25.00	30.00	30.00	



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Action: This indicator is New</b>	<b>Rationale:</b> <i>to ensure women gender disaggregated data and prioritization of women for training</i>							
WASCO implements gender-inclusive customer feedback mechanism in selected project area (Text)		reactive approach towards customer engagement				Customer satisfaction survey in Maputsoe area, followed by agreements on doable actions in stakeholder forum	second customer feedback survey completed showing improvements over baseline results	2nd stakeholder forum completed with doable performance actions agreed;
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>As part of the change management process for WASCO, customer engagement is one of the strategic priorities. A customer feedback initiative in Maputsoe and/or Hlotse branches will be executed to draw lessons and adopt for scale-up across WASCO organization. It will build on the existing customer engagement of WASCO and improve these through: i) proactive engagement with customers on a regular basis, and ii) transparency in results and agreed actions, and iii) a two-way dialogue (closed feedback loop) to report on improvement measures.</i>							
Percentage of women employed by WASCO (Percentage)		23.00	23.00	25.00	25.00	30.00		30.00
<b>Action: This indicator has been Marked for Deletion</b>								
Number of institutions benefitting from the project (Number)		0.00	3.00	4.00	4.00	4.00		4.00
<b>Action: This indicator has been Marked for Deletion</b>								



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Grievances satisfactorily resolved in line with existing GRM procedures (Percentage)		0.00	70.00	70.00	70.00	80.00	85.00	90.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>definition updated and focused on project-specific GRM complaint resolution; this requires several GRM channels at national, municipal, and local level, including suggestion boxes, project websites, but also WASCO branch offices; all grievances are to be recorded, and responses coordinated centrally</i>							
Draft Act for the establishment of Lesotho Bulk Water Supply Agency prepared (Yes/No)		No	No	No	No	Yes	Yes	Yes
<b>Action: This indicator is New</b>	<b>Rationale:</b> <i>The project funded an institutional option analysis that has resulted in the intention of the government to establish the Lesotho Bulk Water Supply Agency (LBWSA). The LBWSA will own the newly created (treated) bulk water assets (WTP, and bulk transmission system) and hence its establishment is critical. At restructuring additional resources are allocated to help the first phase of the LBWSA establishment, including the drafting of legislation, operational statutes and staffing arrangements.</i>							
Rural water service providers operating distribution systems with local government approved tariffs (Number)		0.00	0.00	0.00	0.00	0.00	2.00	3.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <i>In priority zone 2/3, WASCO will manage the distribution networks of Hlotse and Maputso. The distribution networks of four additional settlements Mpharana, Ha Lesiano, Tsikoane and Khanyana are expected to be managed through an alternative rural service provider model. The local government can delegate the service to a licensed water service provider for example such as a community-governed non-for-profit structure (association), local private sector. The project</i>							



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
		<i>intends to develop national guidelines for such rural management arrangements and a tariff model/guideline that is applicable in this context (simplified). The tariff model/guidance will be applied to the project settlements (for standpipes, and for household connections), and taking into account the purchase of the bulk water from the LBWA. The tariff is to be endorsed by the local government, as LEWA does not yet have the formal mandate to set tariffs for other service providers than WASCO (although this is intended to change but may take longer than the project horizon)</i>						
Bulk water delivery agreements with tariffs are signed between LBWSA and WASCO and other rural service providers (Yes/No)	No	No	No	No	No	No	No	Yes
<b>Action: This indicator is New</b>	<p><b>Rationale:</b>  <i>For reasons of sustainability it is essential that before any bulk treated potable water is distributed to WASCO and other off-takers that a tariff is determined and agreed between the entity operating the Bulk water system (LBWSA) and the off-takers (WASCO and other rural service providers). By the project closing date bulk water delivery agreements should have been signed between LBWSA and the off-takers, including the agreed tariffs. LEWA will develop a standard methodology for setting bulk potable water tariffs that will serve to set the tariffs for the off-takers in supply zone 2/3.</i></p>							
<b>Component 3: WASCO Performance Improvements (Action: This Component has been Marked for Deletion)</b>								
DLR 1.1: Technical data quality improvement and audit plan approved (Yes/No)	No	Yes						Yes
<b>Action: This indicator has been Marked for Deletion</b>								
DLR1.2: Proportion of cumulative actions achieved (Percentage)	0.00	60.00	80.00	95.00				100.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<i>Action: This indicator has been Marked for Deletion</i>								
DLR 2.1: Financial data/reporting quality improvement action plan approved (Yes/No)		No	Yes					Yes
<i>Action: This indicator has been Marked for Deletion</i>								
DLR 2.2: Proportion of cumulative financial data quality/reporting actions achieved (Percentage)	PBC 3	0.00	0.00	60.00	80.00	95.00		95.00
<i>Action: This indicator has been Marked for Deletion</i>								
DLR 3.1: Achievement of WASCO's annual technical, financial and commercial performance improvement targets (Percentage)		0.00	0.00	70.00	70.00	70.00		70.00
<i>Action: This indicator has been Marked for Deletion</i>								
<b>Component 3: WASCO technical and financial performance improvements (Action: This Component is New)</b>								
Collection efficiency of WASCO (Percentage)		85.00	85.00	85.00	85.00	90.00	95.00	95.00
<i>Action: This indicator is New</i>	<b>Rationale:</b>							



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<p><i>Simplification of the complex DLI / indicators that corresponds better with reduced scope and focus on WASCO technical and financial improvement for limited service area, namely Maseru (and to some extent Maputsoe and Hlotse). This indicator will measures improvement in collection efficiency through more accurate customer metering and pre-paid meters and other improvements in commercial systems, focused on measuring Maseru-wide data</i></p>								
Water balance for WASCO is prepared with increased accuracy (Yes/No)	No	No	No	No	No	Yes	Yes	Yes
<p><b>Action: This indicator is New</b></p>	<p><b>Rationale:</b>  <i>WASCO NRW diagnostic indicated that existing information systems do not allow for accurate assessments of NRW indicators. The first priority is to improve the accuracy of the data and establishing water balance for the Maseru area, as Maseru supply areas contributes most to initial estimates of non revenue water. An accurate and verifiable water balance, audited by LEWA, is a necessity for potential performance-based NRW contracts for WASCO in the future. Project activities will focus on improving the quality of the data to prepare a water balance for Maseru (DMAs, metering, pressure management, and other commercial data)</i></p>							
<p><b>Contingent Emergency Response (Action: This Component is New)</b></p>								
Flood-impacted hydromet stations rehabilitated and functional (Number)	0.00	0.00	0.00	0.00	0.00	2.00	5.00	5.00
<p><b>Action: This indicator is New</b></p>	<p><b>Rationale:</b>  <i>Included to reflect the CERC activation</i></p>							



Performance-Based Conditions Matrix

Performance-Based Conditions Matrix				
<b>PBC 1</b>	DLR 1.1: Improved quality of WASCO technical data: Technical data quality improvement and audit plan approved			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Yes/No	0.25	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
1 year	Yes		0.25	See Annex 3 (Table 3.1)
2 years	No		0.00	See Annex 3 (Table 3.1)
3 years	No		0.00	See Annex 3 (Table 3.1)
4 years	No		0.00	See Annex 3 (Table 3.1)
5 years	No		0.00	See Annex 3 (Table 3.1)
<i>Action: This PBC has been Marked for Deletion</i>				
<b>PBC 2</b>	DLR 1.2: Improved quality of WASCO technical data: Proportion of cumulative technical data quality improvement actions achieved			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Percentage	0.75	0.00
Period	Value		Allocated Amount (USD)	Formula





Baseline	0.00			
1 year	0.00		0.00	
2 years	60.00		0.25	
3 years	80.00		0.25	
4 years	95.00		0.25	
5 years	0.00		0.00	
<b>Action: This PBC has been Marked for Deletion</b>				
<b>PBC 3</b>	<b>DLR 2.2: Proportion of cumulative financial data quality/reporting actions achieved</b>			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Intermediate Outcome	No	Percentage	0.25	0.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
1 year	60.00		0.25	See Annex 3 (Table 3.1)
2 years	80.00		0.00	See Annex 3 (Table 3.1)
3 years	95.00		0.00	See Annex 3 (Table 3.1)
4 years			0.00	See Annex 3 (Table 3.1)
5 years			0.00	



<i>Action: This PBC has been Marked for Deletion</i>				
<b>PBC 4</b>	DLR 2.2 Improved quality of WASCO's audited financial data/reporting - Proportion of cumulative financial data quality/reporting actions achieved			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Intermediate Outcome	No	Percentage	0.75	0.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.75			
1 year	0.00		0.00	
2 years	60.00		0.25	
3 years	80.00		0.25	
4 years	95.00		0.25	
5 years	0.00		0.00	
<i>Action: This PBC has been Marked for Deletion</i>				
<b>PBC 5</b>	WASCO's minimum achievement of selected key performance indicator targets defined by LEWA			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Intermediate Outcome	Yes	Percentage	1.00	0.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>



Baseline	0.00		
1 year	0.00		0.00 See Annex 3 (Table 3.1)
2 years	70.00		0.30 See Annex 3 (Table 3.1)
3 years	70.00		0.40 See Annex 3 (Table 3.1)
4 years			0.30 See Annex 3 (Table 3.1)
5 years			0.00 See Annex 3 (Table 3.1)
<b>Action: This PBC has been Marked for Deletion</b>			

**Verification Protocol Table: Performance-Based Conditions**

<b>PBC 1</b>	DLR 1.1: Improved quality of WASCO technical data: Technical data quality improvement and audit plan approved
<b>Description</b>	See Annex 3 (Table 3.2)
<b>Data source/ Agency</b>	See Annex 3 (Table 3.2)
<b>Verification Entity</b>	See Annex 3 (Table 3.2)
<b>Procedure</b>	See Annex 3 (Table 3.2)
<b>PBC 2</b>	DLR 1.2: Improved quality of WASCO technical data: Proportion of cumulative technical data quality improvement actions achieved
<b>Description</b>	See Annex 3 (Table 3.2)
<b>Data source/ Agency</b>	See Annex 3 (Table 3.2)



<b>Verification Entity</b>	See Annex 3 (Table 3.2)
<b>Procedure</b>	See Annex 3 (Table 3.2)
<b>PBC 3</b>	DLR 2.2: Proportion of cumulative financial data quality/reporting actions achieved
<b>Description</b>	
<b>Data source/ Agency</b>	See Annex 3 (Table 3.2)
<b>Verification Entity</b>	See Annex 3 (Table 3.2)
<b>Procedure</b>	See Annex 3 (Table 3.2)
<b>PBC 4</b>	DLR 2.2 Improved quality of WASCO's audited financial data/reporting - Proportion of cumulative financial data quality/reporting actions achieved
<b>Description</b>	Refer to Annex 3 (Table 3.2)
<b>Data source/ Agency</b>	Refer to Annex 3 (Table 3.2)
<b>Verification Entity</b>	Refer to Annex 3 (Table 3.2)
<b>Procedure</b>	Refer to Annex 3 (Table 3.2)
<b>PBC 5</b>	WASCO's minimum achievement of selected key performance indicator targets defined by LEWA
<b>Description</b>	the indicator measures whether at least 70 percent of the total score for achieving selected KPIs is reached. In total ten KPIs are agreed annually between WASCO and LEWA and an annual audit of WASCO KPIs is foreseen through the project. The KPIs used for this indicator are as follows: potable water quality (KPI-3; 15 pts); hours of supply (KPI-4; 15 pts); collection efficiency (KPI-6; 5 pts) and O&M cost coverage billed (KPI-7; 10 pts). NRW has not been selected as the NRW diagnostics carried out under the project indicate that reliability of data and accuracy of reporting is very weak
<b>Data source/ Agency</b>	See Annex 3 (Table 3.2)
<b>Verification Entity</b>	See Annex 3 (Table 3.2)



Procedure	See Annex 3 (Table 3.2)
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**Annex 1: Work Packages - Implementation Schedule Including Defects Liability Period**

Category	Contract/Activity	Duration (Months)	Start Date	Completion Date	Cost (Euro)
Work Package 1	<b>LLWDP/W/03- Source Development and Treatment works (Intake, raw water pumping station and Transmission, WTW and clear water pumping station</b> <ul style="list-style-type: none"> <li>Construction of Works</li> <li>Operation of plant and maintenance of defects</li> </ul>	25	Feb 17, 2023	Mar 14, 2025	16,000,000
		13	Feb 17, 2023	Mar 15, 2024	
		12	Mar 18, 2024	Mar 14, 2025	
Work Package 2	<b>LLWDP/W/04 – Bulk Transfer System (transmission mains, booster pumping stations and reservoirs)</b> <ul style="list-style-type: none"> <li>Construction of works</li> <li>Provision of Services during Defects Liability Period</li> </ul>	26	Jan 6, 2023	Mar 13, 2025	25,900,000
		14	Jan 6, 2023	Mar 13, 2024	
		12	Mar 14, 2024	Mar 13, 2025	
Work Package 3	<b>LLWDP/W/05 – Construction of distribution systems-Khanyane, Hlotse, Tsikoane, Ha Lesiamo, Mpharane</b> <ul style="list-style-type: none"> <li>Construction of works</li> <li>Provision of Services during Defects Liability Period</li> </ul>	25	Feb 16, 2023	Mar 22, 2025	2,720,000
		13	Feb 16, 2023	Mar 22, 2024	
		12	Mar 25, 2024	Mar 22, 2025	
Work Package 4	<b>LLWDP/W/06 - Construction of distribution systems-Maputsoe</b> <ul style="list-style-type: none"> <li>Construction of works</li> <li>Provision of Services during Defects Liability Period</li> </ul>	25	Feb 16, 2023	Mar 22, 2025	4,620,000
		13	Feb 16, 2023	Mar 22, 2024	
		12	Mar 25, 2024	Mar 22, 2025	
Consultancy	<b>LLWDP/C/04 / Design Review and Construction Supervision</b> <ul style="list-style-type: none"> <li>LLWDP/C/04 / Design Review Lump Sum</li> <li>LLWDP/C/04 / Construction Supervision - Time Based - Construction</li> <li>LWDP/C/04 / Construction Supervision - Time Based - Defect Liability</li> </ul>	35	Apr 5, 2022	Mar 19, 2025	3,544,309
		11	Apr 5, 2022	Mar 9, 2023	950,795
		14	Jan 9, 2023	Mar 19, 2024	2,074,811
		12	Mar 20, 2024	Mar 19, 2025	518,703
<b>TOTAL</b>					<b>52,784,309</b>