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World Bank

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LESOTHO: HIGHLAND WATER PROJECT (PHASE 1A)

The following is information on a project approved by the World Bank's Board.

DATE: July 26, 1991

WORLD BANK GROUP SUPPORT: World Bank loan: \$110 million. The loan is for 18 years, including five years of grace, with a variable interest rate, currently 7.73 percent, linked to the cost of the Bank's borrowings. It also carries an annual commitment charge of 0.25 percent on the undisbursed balance.

TOTAL COST: \$2.4 billion

OTHER FINANCING: African Development Bank (proposed), \$50 million; European Development Fund (proposed), \$57 million; European Investment Bank (proposed), \$20 million; Commonwealth Development Corporation, \$36.1 million; United Nations Development Programme, \$300,000; Overseas Development Administration, \$1.3 million; France, \$8.7 million; Germany, \$800,000; Ireland, \$400,000; Other bilateral aid under discussion, \$106.7 million; European export credit agencies, \$411.0 million; European commercial banks, \$67 million; Common Monetary Area (CMA), including Lesotho, Swaziland, Namibia, and South Africa, \$1.5 billion

IMPLEMENTING AGENCY: Lesotho Highlands Development Authority (LHDA)

ESTIMATED COMPLETION DATE: 1998

PROJECT DESCRIPTION: The objectives of the Highlands Water Project (Phase 1A) are to: (a) establish the physical and managerial capacity of Lesotho to transform its natural resource of water into export revenues through delivery to the Republic of South Africa; and (b) produce hydropower to reduce Lesotho's dependence on imported energy. This project is Phase 1A of a 30-year scheme to export water from Lesotho to the industrial heartland of South Africa. It includes developing the following facilities to permit water transfer of up to 18 m³/sec and install 72-Megawatt capacity of hydropower: (a) a concrete dam at Katse (182 meter height); (b) tunnels to transfer the water from Katse to 'Muela (48 km); (c) a hydropower plant (72-Megawatt), with 120 kilometers of transmission lines to Maseru, and a concrete gravity arch dam (55 meter height) at 'Muela; (d) a delivery tunnel from 'Muela to the crossover point into South Africa (16 kilometers); and (e) access roads (200 kilometers), along with two bridges and other infrastructure facilities. The project also includes environmental protection measures, compensation and resettlement, construction supervision, technical assistance to LHDA and to the government's delegation to the Joint Permanent Technical Commission (JPTC), road maintenance, improved border crossing facilities, and studies to prepare the next phase (Phase 1B) of the scheme. The World Bank will finance mainly engineering services and environmental and financial technical assistance.