1. Project Data

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<td>P108143</td>
<td>LS-Water Sector Imp. Proj (Second Phase)</td>
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2. Project Objectives and Components

a. Objectives

The project was the second phase of a two-phase Adaptable Program Loan (APL), designed to first address institutional weaknesses in Lesotho's water sector and improve urban service delivery in Phase 1 and then support increased water supply under Phase 2. The APL supported part of the multi-donor Metolong Dam Water Supply Program (MDWSP), whose development objective was to improve sustainable access to safe
water supply in Maseru and surrounding Lowland areas through construction of the Metolong Dam and downstream bulk conveyance systems.

The Project Development Objectives of this second phase, as mentioned in the Financing Agreement (FA), p.5, as well as in the Project Appraisal Document (PAD), p.6, were "to support the Recipient (Government of Lesotho) in: (i) developing and sustaining an environmentally sound, socially responsible, and financially viable framework for the MDWSP (Metolong Dam and Water Supply Project), (ii) increasing the quantity of safe, bulk water supplied to Teyateyaneng, and (iii) strengthening institutions and related instruments in the water sector".

Revised PDO: The PDO was revised twice, at the time of the 2014 Additional Financing and the 2016 restructuring. This added the following objectives: "(iv) advancing strategic investments" (in 2014) and "(v) in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency" (in 2016).

b. Were the project objectives/key associated outcome targets revised during implementation? Yes

Did the Board approve the revised objectives/key associated outcome targets? Yes

Date of Board Approval
20-Jun-2014

c. Will a split evaluation be undertaken? No

d. Components
Component 1 - Environmental and Social Management Program: (estimated cost at appraisal: US$14.6 million, US$10 million of which was from IDA; actual cost: US$20.30 million)

The component financed interventions aimed at addressing environmental, social and cultural protection issues associated with the pre-construction and construction stages of the MDWSP. The World Bank’s Safeguard Policies had been adopted as the MDWSP standards. US$10 million were to be financed by IDA and the balance by the Government of Lesotho (GoL). Compensation to project-affected persons was to be paid by GoL.

Component 2 - Engineering Support and Transmission Line to Teyateyaneng (TY): (estimated cost at appraisal: US$15 million, US$13 million of which was from IDA; actual cost: US$18.20 million)

This component supported the project through the construction of an estimated 28km of transmission mains to supply the town of Teyateyaneng, with scope to supply surrounding settlements, with water from the Metolong water treatment works. Technical assistance (TA) provided to the Metolong Authority (MA) under this component included support to the position of an Engineering Manager within the MA. The GoL also supported all other positions within the MA, along with operational costs associated with the project.
**Component 3 - Institutional and Policy Support:** (estimated cost at appraisal: US$2.2 million; actual cost: US$12.78 million)

This component supported the GoL’s reform process in the water sector, building on Phase I of the Water Sector Improvement Project. The support included training in policy analysis and activities to build capacity within the water sector, along with the establishment of a multi-sector regulator, under the amendments to the Lesotho Electricity Authority Act. This increase in actual costs, which was quite significant, was financed through the two additional financings.

**Component 4 - Lesotho Highlands Water Project Phase II Hydropower Component:** (estimated cost at Additional Financing in 2014: US$6.39 million; actual cost: US$5.11 million)

This component, which was added during the 2014 restructuring, supported the GoL in preparing for Phase II of the Lesotho Highlands Water Project and technical assistance to GoL, Lesotho Highlands Development Authority (LHDA) and the Lesotho Highlands Water Commission (LHWC) studies for the hydropower component under Phase II of the LHWP.

**Component 5 - Contingent Emergency Response Component (CERC):** (estimated cost at restructuring in June 2016: US$ Nil; actual cost: US$ Nil)

The component had no funding, but was added to allow ease channeling of emergency funds for drought relief if, and when, available. Adding of this component was requested by the Government of Lesotho on May 13, 2016, in line with the FY2016-20 Country Partnership Framework’s flexibility and responsiveness to emergencies. The CERC was not triggered under the project as no savings were generated from other components for emergency responses.

e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Cost:** Final costs at project closing were significantly higher than estimated at appraisal (US$56.38 million as against the original US$31.8 million). This however reflected the introduction of two additional financings (AF), in November 2011 and June 2014, which injected additional funding to the extent of US$28.44 million to the project. The AF of November 2011 was intended to cover an unanticipated cost overrun of the broader MDWSP, construction costs of which had increased on account of the impact of infrastructure construction-related to the 2010 World Cup in neighboring South Africa. The June 2014 AF was requested to enable a scale-up of activities and introduce an additional component, as mentioned above.

**Financing:** The sources of funding for this project at appraisal consisted of IDA resources of US$25 million, augmented by the above-mentioned AF of US$13 million in November 2011 and an AF of US$15.44 million in June 2014. This raised the total contribution from IDA to US$53.44 million. Total disbursements from IDA were of the order of US$49.5 million at closing.

**Borrower Contribution:** A borrower contribution of US$41.5 million was originally envisaged for this project. Actual disbursements by project closing amounted to a much lower figure of US$6.8 million.

**Dates:** The closing date of the project was extended three times, by a total of 42 months. The project was originally envisaged to close on June 30, 2015. However, the closing date was extended by 12 months to
June 2016, via the restructuring in June 2014, at the time of the Additional Financing. This restructuring added a (fourth) component, to be implemented by a new implementation agency, the Lesotho Highlands Development Authority (LHDA), and provided additional funding to Component 3. Two further restructurings, in June 2016 and November 2017, extended the closing date further to December 2018. The June 2016 restructuring added a new Crisis and Emergency Response component (with no funding), and the subsequent restructuring extended the closing date to December 31, 2018. From Board approval on May 26, 2009 to project closing on December 31, 2018, the project took 9 years, 7 months to complete.

Since the revision in PDO in 2014 was reflected in the addition of a discrete component, added on through an Additional Financing, and the subsequent PDO revision during the June 2016 restructuring resulted in the addition of a purely unfunded component, a split evaluation is not strictly necessary to an assessment of objectives, and hence will not be conducted.

3. Relevance of Objectives

Rationale

Country Context: For a land-locked economy, fully surrounded by South Africa, the development of the water sector was an important part of the GoL’s efforts to diversify the economy and improve provision of essential services. Lesotho’s annual per capita GDP growth in the decade prior to the inception of the project had been driven by the export sector – especially garments – and construction, water, mining and services. The sale of water to South Africa under Phase I of the Lesotho Highlands Water Project provided significant income, averaging US$20 million per year in royalties alone, between 1998 and 2006 (or about 4.8 percent of GDP). The export sector at the time accounted for nearly 40 percent of GDP, with garment manufacturing providing employment to some 50,000 workers (PAD, p.1). The provision of water and wastewater services was essential to the continued contribution of these industries to the economy. These industries accounted for half of all water consumed in Maseru, and any shortage in supply would be expected to have a major negative impact on economic growth.

The project’s objective of helping the GoL develop a viable framework for the Metolong dam and water supply, increase the quantity of water supplied to Teyateyaneng, and strengthen institutions dealing with the water sector seems to be consistent with the above-mentioned priorities. The construction of the 28km pipeline would ensure an increase in delivery of water to Teyateyaneng, and the institutional and policy support provided by the project to the Government and its agencies would help the building of capacity adequate to manage and operate the Metolong dam and water supply.

Previous Sector Experience: The World Bank had a long engagement with Lesotho’s water sector, dating back to 1983. This began with the Lesotho Highlands Water Project and continuing through 2004, through the two-phased Water Sector Improvement APL, to first address underlying institutional weaknesses and improve urban delivery, under Phase I, and to then provide direct support for increased water supply in Phase II. The current project was intended to take forward the process of reforms within the water sector and support the multi-donor Metolong Dam and Water Supply Program (MDWSP), as the first in a series of investments to increase access to safe water and support economic growth in the country. IDA support to Phase II of the Water Sector Improvement Program was critical to the provision of an environmental and
social management program for the entire MDWSP, along with part of the MDWSP conveyance system through the transmission line to Teyateyaneng.

Alignment with Strategy: The objectives of the project were consistent with the key strategic objectives of the World Bank’s Country Assistance Strategy for Lesotho (2006), improving human development outcomes and improving of the environment for the private sector through improving access to infrastructure and basic services. The project also directly supported the Millennium Development Goals by aiming to significantly improve access to and sustainability of clean water supplies. The project’s objectives remained highly relevant to the most recent Country Partnership Framework (CPF) for 2016-20, as well as to Lesotho’s national development priorities. The CPF recognized the role of water as Lesotho’s most important renewable resource (pages 25-26), with the Lowlands Water Supply Program addressing national water security and service delivery to meet industrial, agricultural and export needs. The garment industry, one of the country’s largest employers, in particular, was dependent upon the reliable supply of water and water connections through the urban water utility. The CPF noted that building a water security platform that harnessed competitiveness and job creation was a priority for the Government, to meet the rising demand for water and sanitation services, arising from the enhanced industrial activity and rapid population growth in and around the Maseru cosmopolitan area. Similarly, the National Strategic Development Plan (NSDP) considered strategic investments in water, including through the completion of the Metolong Dam and the LHWP Phase II, as key drivers of growth and shared prosperity.

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1
Objective
"Developing and sustaining an environmentally sound, socially responsible and financially viable framework for the MDWSP"

Rationale
Theory of Change:

The ICR presents the project’s theory of change, with a diagrammatic description of the results chain, indicating the linkages between activities and outputs, and between outputs and outcomes. A broad causal link can be drawn between the project’s activities, which included investments and interventions to: (a) strengthen the environmental and social management of the project, through *inter alia* development of an Integrated Catchment Management Plan to help reduce erosion within the catchment, an Ecosystem Monitoring and Environmental Flow program and a Cultural Resource Management and Development Plan to support preservation of cultural heritage resources in the catchment area; (b) help construct a 28km transmission line to Teyateyaneng, and (c) promote water sector policy reform through provision of technical assistance and training in policy analysis, and the expected outcomes in terms of the establishment of an
environmentally sound, socially responsible framework for the MDWSP, together with an increase in supply of safe, bulk water supplied to Teyateyaneng and strengthened institutions in the water sector. These in turn would be linked to the long term outcomes of enhanced water availability, coupled with improved living conditions, in Maseru and nearby towns, improved socio-economic conditions and water resources management capacity in Lesotho’s water sector.

While the activities themselves seem to be appropriate to achieve the desired outcomes, the theory of change discussion does not analyze whether they were of adequate scale to generate a critical mass for change. The discussion also does not encompass the extent to which the results framework was adequate to capture the intended results. For instance, for the fourth project objective added in 2014, it could be debated whether the completion of a feasibility study for the hydropower component of the LHWP and identification of some priority areas in the infrastructure gap analysis (the key outcomes in the results matrix) did justice to the relatively lofty objective of "advancing strategic investments". Overall, the indicators do seem broadly appropriate to assess the project's results – though one could ask whether the project’s key results could not have been captured through a smaller number of outcome indicators.

**Outputs:**

The following intermediate outcomes were achieved:

- Environmental Flow Requirements (EFR) determined, incorporated into design and applied: The target was fully achieved. Flow gauges were installed at Metolong Dam and monthly monitoring commenced. The project provided on-the-job training for water sector officials from the Department of Water Affairs, Water Commission and the Water and Sewerage Company in EFR monitoring system and Dam Safety Surveillance.

- Cultural heritage sites identified and recorded: The target was fully achieved. A total of 32 cultural heritage sites (target: 30) were identified and recorded in a 14 km stretch of the Phutiatsana River, which had been inundated on account of the construction of the Metolong Dam. These included rock paintings and open-air stone artefacts – some of which were considered to be of sub-continental importance. In addition, a visitor center was constructed next to the dam.

- The design of the dam and ancillary infrastructure minimized physical displacement requirements, so that only six households required relocation under the Replacement Housing Program. Apart from these, 2,615 households received compensation, out of a total of 2,798 households affected (93 percent of target met). The delay in achieving 100 percent of target was on account of the compensation associated with rural electrification activities, which expanded in scope from 35 to 80 villages, and was implemented late within the overall MDWSP program.

**Outcomes:**

The objective of developing and sustaining a socially responsible and financially viable framework for the project was substantially achieved. This was done through (a) the successful implementation by the project of an Environmental Management Plan (ESMP), among other things, providing the on-the-job training on Environmental Flow Requirements and Dam Safety monitoring to water sector officials needed for EFR management, and (b) the design of a comprehensive resettlement and relocation strategy, which was implemented for most of the persons affected by the project, by Closing. Apart from resettlement and compensation, a livelihood restoration program was implemented to assist affected persons and communities in identifying alternative livelihood options. Training assistance was provided to two affected communities,
Ratau and Motansela, covering various agro-based activities, supported by trust funds managed by the Standard Lesotho Bank. (c) By transferring management of the Metolong Dam to the Government (in practice the Water and Sewerage Company), after the Metolong Authority’s mandate ends, whose operational cost ratio attained 105 percent (target of 100 percent) under the project – establishing its capability of generating revenue while controlling cost at a manageable level.

In addition, the project put in place a detailed Grievance Redress Mechanism (GRM) during implementation. The local Dam Committee representative was the first point of contact for reporting a grievance, which – if not resolved would be referred to the Joint Committee consisting of Government community councilors for the district. The GRM remains active for receiving complaints, which would be registered and discussed during the Dam/Joint Committee’ meetings, held every two months since January 2019.

Based on the above, efficacy of this objective is rated **Substantial**.

**Rating**

**Substantial**

**OBJECTIVE 2**

**Objective**

“To increase the quantity of safe, bulk water supplied to Teyateyaneng (TY)”

**Rationale**

**Outputs:**

- 24.47 km of pipeline was laid, connecting the Metolong Dam and TY, and became operational (target 100 percent met). The transmission system included a break pressure reservoir of 750 cu. meters, a command and sump reservoir of 2,000 cu. meters and a pump station for 138 liters per second at the Command Reservoir.

- 400 community water points were constructed or rehabilitated under the project (against a target of 473).

**Outcomes:**

The project’s objective of increasing the quantity of safe, bulk water to the town of Teyateyaneng (TY) was fully achieved. As a result of the pipeline constructed, 560,000 cu. meters of potable water began to be supplied to TY, in excess of the target of 530,000 cu. meters. Sampling showed that 90 percent of the water supplied met the standard of potable quality (target fully achieved), thereby ensuring that the goal of supplying safe water was fully met.

As confirmed through field visits and interviews, the construction of the pipeline led to an increase in water consumption by households, which contributed to a significant improvement in the quality of life and services available. Per capita consumption of households without water connections had been only 15 liters per day, as against an average of 60 liters for households with water connections. After construction of the pipeline, the average level of supply rose to 60 liters per capita per day across the board.
Based on the above, efficacy of this objective is rated High.

Rating
High

OBJECTIVE 3
Objective
“To strengthen institutions and related instruments in the water sector”

Rationale

Outputs:
- The project assisted the transition/establishment of two institutions – the Lesotho Electricity and Water Authority (LEWA) and the Water and Sewerage Company (WASCO) – that were key to Lesotho’s water sector. The project assisted the development of water and sanitation instruments for monitoring and evaluating WASCO’s performance.

- The project developed instruments (State of Water Resources Reports and a water resources management model): four such reports were prepared and made publicly available on the Ministry of Water’s website.

- The project financed development of a Water Evaluation and Planning (WEAP) system model for Lesotho and associated training. This model, which had been continuously updated, has been used to support water resources decision-making and future planning.

Outcomes:

This objective was substantially met. The project aided the Lesotho Electricity and Water Authority (LEWA) to assume responsibility for the regulation of urban water supply services. Resources for the development of the hydraulic model for optimization of WASCO’s water supply operations in Maseru were provided via the Additional Financing, which also provided resources to fund consultant services to address the shortfall in other institutional and policy initiatives. The State of Water Resources Reports, 2014 to 2017, mentioned above, were consulted and utilized by universities to train the next generation of water resources management specialists. Also, as mentioned earlier, WASCO’s operational cost ratio was maintained at over 100 percent, implying that the company proved itself capable of generating revenue while controlling costs at a manageable level.

Based on the above, efficacy of this objective is rated Substantial.

Rating
Substantial
OBJECTIVE 4
Objective
“To advance strategic infrastructure investments”

Rationale

Outputs:

This objective was supported by two activities: (a) Support to the Lesotho Highlands Development Authority (LHDA) for preparation of hydropower studies of Phases II of the LHWP, and (b) Support to complete the Lesotho Lowlands Bulk Water Supply Scheme (LLWSS) studies, to enable development of the lowland project.

Towards this end, the feasibility study for the hydropower component of LHWP Phase II was 60 percent completed (target was for full completion), four priority areas were identified in the infrastructure gap analysis conducted (target met), and the Lowland Water Program studies were updated to the extent of 60 percent (target was full completion). The LHWP consultancy faced multiple delays and despite two extensions of project closing date, was unable to complete the study. There were similarly initial setbacks related to the LLWSS consultancy and the tertiary line design works contract. However, priority areas for provision of bulk water supply to meet demand for industrial, commercial or agricultural use were identified through the infrastructure Gap analysis.

Outcome:

On the basis of the above-mentioned outputs, the objective of advancing infrastructure investments was partially met. Progress was made with updating the Lowlands Water Program studies, but some things remained to be completed.

Based on the above, efficacy of this objective is rated Modest.

Rating
Modest

OBJECTIVE 5
Objective
“In the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency”

Rationale

No emergency response efforts were implemented. Though the World Bank did consider channeling funding for this objective in response to the 2015-16 drought, it was felt that on account of the limited capacity of local agencies, the likelihood of being able to achieve disbursement of funds within a short time frame was unrealistic.
Based on the above, efficacy of this objective is rated Negligible.

Rating
Negligible

OVERALL EFFICACY

Rationale
The efficacy of individual objectives ranged from High for PDO2 to Negligible for PDO5, with all other objectives being rated Substantial. The operation achieved most of its objectives, putting into place an environmentally and financially sound framework, constructing a pipeline line to transmit safe drinking water to the town of Teyateyaneng, and helping to substantially strengthen the country’s water sector institutions. It also helped lay the ground for future improvement of the water sector through upcoming projects of the LHWP Phase II and LLWSS. As such, overall efficacy is rated Substantial.

Overall Efficacy Rating
Substantial

5. Efficiency

Administrative and Operational Efficiency:

The project experienced delays and cost overruns on account of a delay of 14 months for the Metolong Dam and Water Supply Program (in turn, on account of increased construction costs because of the FIFA , World Cup in neighboring South Africa). This affected implementation of the transmission line to TY. While exact estimates of the cost overruns are not available, the ICR indicates that the MDWSPs capital expenditure increased by US$88 million on this account, with the project’s components doubling in cost relative to their 2007 estimates – though the project made a good effort to control costs and that the construction of the TY transmission line was within original cost estimate. However, the project did receive an injection of supplementary funds through two additional financings aimed at expanding the project’s scope and covering additional costs associated with the Metolong Dam and Water Supply Program (MDWSP) – although the activities funded thereby failed to be completed by project closing, and some of the funds had to be cancelled.

Economic and Financial Efficiency

Economic analysis of the MDWSP (rather than of the narrower project components funded by the World Bank) at appraisal, taking into account both benefits to household consumers in Maseru and nearby towns, and to industrial development in the greater Maseru area, indicated an estimated average economic internal rate of return (EIRR) of 14.6 percent and an estimated Net Present Value (NPV) of US$64.4 million. Financial analysis conducted at the same time however indicated a financial internal rate of return of only 3.5 percent and an NPV
of US$30 million. Ex-post analysis of the same program, using a similar methodology, produced an EIRR of only 6.5 percent, reflecting delays in realization of project benefits, on account of delays in implementation, increases in actual capital expenditures relative to projected benefits, and the impact of what turned out to be overly optimistic assumptions regarding household connections and number of jobs created, that had been used in estimating economic benefits.

Taken together, the results for administrative and operational efficiency and economic/financial efficiency suggest that the project’s economic benefits were not necessarily achieved at least cost. As such, project efficiency is rated **Modest**.

**Efficiency Rating**

**Modest**

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

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*Refers to percent of total project cost for which ERR/FRR was calculated.

**6. Outcome**

The project’s objectives were highly relevant to the Government’s strategy, as well as to the World Bank’s Country Partnership Framework, and continue to be so. Overall efficacy was found to be Substantial, as the project achieved most of its developmental objectives. Efficiency was rated Modest, on account of shortfalls in both administrative and operational efficiency and economic and financial efficiency. Taking all of this into account, the overall project outcome rating is Moderately Satisfactory.

a. **Outcome Rating**

Moderately Satisfactory

**7. Risk to Development Outcome**

The key risk going forward relates to the capacity of WASCO to take over operations of MDWSP assets. This risk is assessed to be Moderate. The ICR reports (p.28) that training and institutional memory gained over the years had been partially lost on account of the turnover of key personnel, for whom replacements were difficult to find, leaving capacity at WASCO in a relatively fragile state. To mitigate this risk, the World Bank
had included specific capacity-building components within its new Lowland Water Supply project (approved by the Board in May, 2019), which would help maintain the sustainability of benefits of the current project.

8. Assessment of Bank Performance

a. Quality-at-Entry

Phase II of the Water Sector Improvement Project (WSIP) was triggered after six out of seven triggers were achieved under Phase I. Since Phase II of the WISP extended the Bank’s engagement in Lesotho’s Water Sector Reform efforts, the Bank team worked closely with the Government to ensure that its design would contribute to successful implementation of the MDWSP and help address the country’s long term water sector development needs. Lessons from the Bank’s past experiences in the Lesotho Highlands Water Project were incorporated in the design of the project. For instance, the Government drew on resources under Phase 1 of the WSIP to support an Environmental and Social Impact Assessment (ESIA) of the MDWSP and to design appropriate interventions to ensure impacts would be mitigated and benefits distributed to communities within the area of the MDWSP. The community water supply and sanitation sub-component was initiated prior to construction to ensure appropriate service delivery and distribution of benefits to communities within the Metolong area. Also, a clearly articulated communications strategy was developed and stakeholder consultations initiated through establishment of locally based institutions under the ESIA. Finally, the validation of the MWSIP as the most appropriate, least-cost, long-term solution for water supply to the Lowlands was informed by a comprehensive options analysis that reflected local and national needs.

Critical risks identified at appraisal focused on the World Bank’s exposure to reputational and corporate risks associated with a large dam, which was considered to be a high risk. In addition, the possibility that capacity constraints related to environmental and social safeguards could delay works and compliance with safeguards, the possibility that large infrastructure projects could be at greater risk for corruption, and the possibility that institutional and policy reforms established through legislation would be established but not implemented were among Moderate risks anticipated. However, the potential impact of the forthcoming FIFA World Cup in South Africa and associated infrastructure construction, which led to cost overruns for MDWSP’s construction and delays, could reasonably have been anticipated, but was not – which was a major shortcoming. Another shortcoming relates to the implementation arrangements put in place, which were predicated on a high degree of coordination between different agencies – which did not always take place in practice, especially once the Ministry of Water became stand-alone ministry from the Ministry of Energy, Meteorological and Water Affairs in 2015.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The project appears to have been adequately supervised, with the Bank team carrying out 17 supervision missions, post effectiveness, over 9 years, plus additional technical missions. The team’s supervision
schedule was intentionally designed to coincide with annual meetings of the MDWSP’s financiers and panel of experts, every March and September. The team worked closely with the Metolong Authority and Government counterparts to make necessary adjustments to project design, contract management, etc., taking into account feedback from implementing agencies and M&E results. A Mid-Term Review was conducted in March 2013.

The ICR reports that there was candor in performance reporting in Implementation Status and Results Reports (ISRs). The Bank team was fairly proactive in dealing with changing circumstances, processing an additional financing in November 2011 to enable project activities to be completed, in light of the cost overrun of the broader MDWSP, following the infrastructure construction accompanying the FIFA World Cup in 2010. The team also processed a second additional financing three years later, to enable a scale-up of activities and introduce a new project component, followed by two restructurings to revise the results framework and extend closing dates.

One point of concern expressed by the government counterparts, especially the Metolong Authority, WASCO and the Commission of Water, was the relatively high turnover of the Bank’s task team leader (TTL) during the final phase of the project. Between 2016 and 2018, the TTL changed no less than four times, creating some level of discontinuity on account of the need for incoming TTLs to come up to speed on the status of the operation.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The design of the M&E system reflected the results chain and included relevant PDO-level and intermediate-level indicators to monitor the progress of activities and outcomes. M&E responsibilities were properly designed and outlined in the PAD, with the Metolong Authority (MA) being assigned responsibility for monitoring and reporting on Components 1 and 2 on a semi-annual basis, and the Commission of Water for Component 3. Some of the indicators were adjusted during implementation to align with changes in project structure.

b. M&E Implementation
Responsibility for integrating the semi-annual reporting requirements and submitting to the Bank team lay with the MA. Procurement reports and interim unaudited financial reports were also integrated into the single semi-annual report. A Mid-term Review was carried out with a 12-month delay.
c. M&E Utilization

Data collected for M&E was used to monitor the status of the project. Towards this end, progress reports were submitted to the World Bank quarterly, to confirm compliance with agreed activities and issues. The two additional financings, three restructurings and three revisions to the Results Framework that took place were all informed by implementation progress, tracked through the M&E framework.

M&E Quality Rating
Substantial

10. Other Issues

a. Safeguards

Environmental and Social Compliance

The project was classified as Environmental Category A, triggering the following policies: Environmental Assessment (OP/BP 4.01), Physical Cultural Resources (OP/BP 4.11, Involuntary Resettlement (OP/BP 4.12), Safety of Dams (OP/BP 4.37) and Projects on International Waterways (OP/BP 7.50). An Environmental and Social Impact Assessment (ESIA) and related Environmental and Social Management (ESMP) Plan were carried out under Phase 1 of the WSIP and publicly disclosed in February 2008. The ESIA included a Resettlement Policy Framework and Plan, an Environmental Management Plan, determination of Environmental Flow Requirements, a Health Impact Assessment and a Cultural Resources Management Plan. Specific ESMPs were prepared for the various project components, and specified mitigation measures were implemented satisfactorily. Compliance with environmental and social safeguards aspects of the operation was monitored by an independent panel of experts reporting to the MA. Progress reports on ESMP implementation were submitted to the World Bank on a quarterly basis, confirming compliance of the agreed ESMPs and other mitigation measures.

A panel of dam safety experts was engaged to assist the MA and the Bank team in monitoring and evaluating dam-safety issues. The project prepared an effective dam safety plan, as well as an emergency preparedness plan for the Metolong Dam in compliance with the Bank's policy on Safety of Dams (OP/BP 4.37).

On the Social Safeguards side, the MA, which had a well-staffed safeguards unit, oversaw implementation of the Resettlement Action Plan (RAP). As some 550 of project-affected households were female-headed and 10 percent household heads were disabled, the mitigation and compensation program developed specific measures to address vulnerability issues. Implementation of the RAP did not complete by the time of project closing; hence, the World Bank will continue supervision until it is completed, by end-2019.
b. Fiduciary Compliance

The project complied with financial management (FM) covenants throughout the implementation period. Qualified financial reports and unqualified audit reports were submitted on a timely basis. However, the ICR reports (p.27) that the project closed with the challenge of under-documentation in certain project categories, as well as some instances when expenditures appeared in wrong categories. Underestimation of budget for different activities also led to overspending under certain categories.

Procurement under the project was undertaken separately by the Commission of Water (CoW), the Metolong Authority (MA), and (subsequently) by the Lesotho Highlands Development Authority (LHDA). The performance of the CoW in this regard was the least satisfactory. Contracts managed by the Commission experienced various delays on account of the inability of its staff to draft terms of reference on time, or even to attend evaluation meetings, and by the weak negotiation and contract management practices followed by them. The CoW did not send its own procurement staff to training courses provided under the project to build skills and capacity. Nor was the procurement specialist particularly competent, requiring constant handholding. The fact that the CoW delayed his contract renewal further dampened his morale. The MA, on the other hand, had a seasoned procurement manager and a small team paid for under the MDWSP (contracts not financed by the World Bank). The procurement team performed professionally and competently. Occasional delays arising resulted from contractual issues on civil works, affecting dependent activities. The LHDA managed the LHWP Phase II studies, using a firm to provide relevant assistance. This component experienced some challenges in executing works that had not been properly planned.

c. Unintended impacts (Positive or Negative)

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d. Other

Local community councils, formed as part of the community outreach strategy, helped bring about better gender representation. This was reinforced through the improved water supply through the MDWSP and the transmission line to TY. Community members conveyed through interviews that improved supply of water meant that women no longer needed to wake up before dawn to queue up to collect water. Improved water availability also meant that households could cultivate family gardens which supplied food for self-consumption or additional income generation - which contributed to an improvement in their quality of life.

11. Ratings

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<thead>
<tr>
<th>Ratings</th>
<th>ICR</th>
<th>IEG</th>
<th>Reason for Disagreements/Comment</th>
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<tr>
<td>Outcome</td>
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<tr>
<td>Bank Performance</td>
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<td>Moderately Satisfactory</td>
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<tr>
<td>Quality of M&amp;E</td>
<td>Substantial</td>
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12. Lessons

IEG derives the following lesson, drawn from the ICR:

**Complex projects require strong implementation arrangements:** The project was of moderate size (US$50 million at completion), but included four components and more than two dozen sub-activities – ranging from infrastructure development to preparation studies to training and institutional strengthening to modeling. Implementation was managed by several different government agencies, which called for a high degree of coordination. Such a highly integrated approach offered some advantages, but it also raises the issue of whether the resultant complexity – which made management of the project much more difficult – called in practice for far more rigorous and well-planned implementation arrangements than were anticipated. In general, projects need to minimize complexity in the design phase, or, if unavoidable, to ensure that coordination and implementation arrangements are adequate and well thought-out.

**A focus on hiring local labor can help mitigate potential social issues:** The Government had a strong policy of trying to utilize local labor for construction of infrastructure and project-related tasks as much as possible, which incorporated in the approach to the project. The community councils were utilized to actively promote local recruitment, and the local government provided facilities to minimize the need to construct temporary housing. There was no influx of external labor, as a result of which associated social risks were greatly reduced.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is clearly written, concise and consistent with guidelines. It provides a good description of the project’s activities and a detailed theory of change. The analysis is broadly evidence-based. However, the ICR does not satisfactorily explain how all project categories (especially Component 3) were financed. The ICR could also have provided more detail on the project’s financial management performance, when discussing compliance issues. In discussing Bank performance, particularly the quality of supervision, some additional information – for instance on the adequacy of supervision resources and inputs – would have been useful in support of its conclusions. Finally, most of the lessons drawn by the ICR are in reality project-specific recommendations rather than lessons with broader application, which is a missed opportunity.

a. Quality of ICR Rating

Substantial