Supplemental Letter No. 2

LESOThO HIGHLANDS DEVELOPMENT AUTHORITY

07-July-2014

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: IDA Credit Number 5492-LS; Grant Number H967-LS
Second Additional Financing for Water Sector Improvement Project
Supplemental Letter
Representations

Dear Sirs and Mesdames:

In connection with (a) the Financing Agreement ("Financing Agreement") of even date herewith between Kingdom of Lesotho ("Recipient") and International Development Association ("IDA") for the provision of a credit and a grant ("Financing") for the above-captioned Project ("Project"), and (b) the Project Agreement ("Project Agreement") of same date between IDA and Lesotho Highlands Development Authority ("PIE") also for the Project, the PIE hereby undertakes and warrants to IDA that:

1. The financial statements of the PIE dated March 31, 2013, copies of which have been furnished to IDA, correctly set forth the financial and operating condition of the PIE as of that date, and since that date there have been no material and adverse changes in the financial and operating conditions of the PIE.

2. The PIE is not engaged in litigation as plaintiff or defendant, the outcome of which might materially and adversely affect its financial condition.

3. The PIE has no outstanding agreements or liabilities, contingent or otherwise (including taxes), that might materially and adversely affect its financial condition.

4. No debt of the PIE is secured by any mortgage (except as disclosed by the PIE), pledge, charge, priority, or other lien, and no contract or arrangement exists for the creation of any such mortgage, pledge, charge, priority, or other lien.

5. There are no existing defaults in the payment of principal of, or interest or other charges on, any of the debts of the PIE.

6. The PIE is not in violation of, and execution and delivery of the Project Agreement and the compliance with all its terms do not and will not result in any violation of, any provisions of any existing agreement, franchise, concession, license, or permit, or of any statute, law, decree-law, executive decree, regulation, or any other legal rule of a similar nature presently in effect and applicable to the PIE.
7. The PIE is a duly existing autonomous legal entity, established and operating under the laws of the Recipient, with full authority to carry out its present business, including in the Recipient's territory, to carry out Part D of the Project, and to execute and deliver the Project Agreement, and has furnished to IDA true copies of the Project Implementing Entity's Legislation (as defined in the Financing Agreement) presently in force and effect and governing or applicable to the operations of the PIE.

It is our understanding that, in making the Financing and entering into the Project Agreement with the PIE, IDA may rely on the representations contained herein.

Very truly yours,

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY

By: __________________________
   Authorized Representative

Name: REFILOE TLALI
Title: CHIEF EXECUTIVE