African Union | AUDA-NEPAD AFRICAN UNION DEVELOPMENT AGENCY | GOVERNO DE ANGOLA

III LUANDA FINANCING SUMMIT FOR AFRICA'S INFRASTRUCTURE DEVELOPMENT

Project Investment Prospectus – Lesotho-Botswana Water Transfer Project

PROJECT SUMMARY	
Project Name	Lesotho-Botswana Water Transfer Project (L-BWT)
Location	Southern Africa, Botswana, Lesotho and South Africa | Transboundary water infrastructure project within the Orange-Senqu River Basin under ORASECOM basin management framework requiring trilateral cooperation
Sector	Water
Sub-Sector	PIDA PAP2 – Water Project | Priority Action Plan Phase 2 water infrastructure project supporting regional integration and climate-resilient water resources development
Development Stage	S2B – Feasibility Stage | Pre-investment feasibility stage with AUDA-NEPAD PIDA Quality Label Stage 3 (PQL3) certification achieved February 2022 for excellence in project preparation
Project Sponsor	Governments of Botswana, Lesotho and South Africa | Trilateral government sponsorship through Joint Study Management Committee (JSMC) governance framework with ORASECOM Secretariat as executing agency
Project Cost	2.5 Bn USD CapEx (Prefeasibility Stage Estimates) | Large-scale transboundary water infrastructure investment based on prefeasibility estimates subject to feasibility stage refinement

Funding Requirement	3.2 m USD and 0.13% of the Total CAPEX | Project preparation financing gap representing 29% of total preparation cost for completion of feasibility studies and ESIA
Project Preparation Cost	USD 10.96 million (S0 to S4A stages) | Comprehensive preparation phase from reconnaissance (S0-S1: USD 2M completed 2015) through feasibility completion (S2B: USD 8.96M by April 2027)
Financing Structure	Grants Received: World Bank USD 2M, AWF USD 1.36M, NEPAD-IPPF USD 3.1M, State Parties USD 1.88M; Additional Applied: SADC-PPDF USD 2M, MCDF USD 5.02M | Multi-source grant financing through development finance institutions and state party contributions supporting project preparation phase

FINANCIAL OVERVIEW	
Total Project Cost	USD 2.5 Billion CapEx (Prefeasibility Stage Estimates) | Large-scale transboundary water infrastructure investment subject to feasibility stage Financial, Legal and Institutional Studies (FLIS) refinement
Capital Structure	To be informed by the outcome and recommendation of feasibility stage Financial, Legal and Institutional studies (FLIS) | Capital structure optimization through FLIS with prefeasibility analysis indicating direct government borrowing results in lowest cost of water
Development Timeline	S0-S1 2015; S2A Dec 2022; S2B Dam Oct 2024; S2B Pipeline/ESIA Dec 2026; S3A Project structuring Dec 2027; S3B Transaction Support Dec 2028 | Multi-phase development timeline with reconnaissance completed, feasibility studies ongoing, and transaction support targeted for completion by December 2028
Market Demand	310MCM/year yield: Botswana 150MCM, Lesotho 97MCM, South Africa 63MCM; Hydropower 30MW dam + 5MW conveyance | Water allocation based on 2050 demand projections with trilateral benefit sharing and hydropower generation addressing Lesotho's 67% electricity import dependency

Financial Metrics	Pending execution of feasibility stage Financial, Legal and Institutional studies (FLIS) | Financial performance indicators to be determined through FLIS with prefeasibility analysis confirming project economic viability through higher volume transmission
Revenue Model	Prefeasibility stage financial options analysis indicated that transmission of higher volumes of water makes the project economically viable | Volume-based economic model with trilateral cost sharing and revenue generation through water supply, hydropower sales, and irrigation services
SUSTAINABILITY AND IMPACT	
Social Impact	Water supply to Botswana, Lesotho and South African communities; Hydropower generation in Lesotho; Irrigation supply; Climate resilience enhancement; Employment creation | Comprehensive socio-economic impact through enhanced water security, electricity access improvement, food security through irrigation, climate adaptation, and job creation across three countries
Environmental Impact	Environmental and Social Impact Assessment (ESIA) studies pending procurement with ESMP and RAP preparation | Comprehensive environmental and social safeguards framework through ESIA, Environmental and Social Management Plan (ESMP), and Resettlement Action Plan (RAP) pending procurement
Strategic Importance	Enhances investment on transboundary water security and building resilience to climate change, contributes directly to SADC strategic regional instruments implementation | Regional strategic priority supporting SADC Protocol on Shared Watercourses, Regional Water Policy, and Climate Change Adaptation Strategy implementation through transboundary cooperation
SDG and Agenda 2063 Alignment	AUDA-NEPAD certificate of excellence and PIDA Quality Label Stage 3 (PQL3) achievement on 28th February 2022 | Excellence recognition in regional infrastructure project preparation supporting SDG 6 (clean water and sanitation), SDG 13 (climate action) and Agenda 2063 water security objectives

TECHNICAL DETAILS

Project Description	Major component of the Integrated Water Resources Management (IWRM) Plan adopted February 2015 by ORASECOM State Parties to address transboundary water supply challenges | Comprehensive transboundary water transfer system supporting sustainable socio-economic growth through climate-resilient water resources development and basin-wide cooperation
Technology & Design	124m high concrete arch dam with hydropower plant and 700km piped water conveyance system with high lift pumpstation and three booster pumpstations | Advanced water transfer infrastructure combining high dam storage, integrated hydropower generation, and long-distance pipeline conveyance with pumping system
Capacity/Size	310MCM/year water yield; 30MW hydropower at dam + 5MW along conveyance system; 60MCM/year irrigation capacity in Lesotho; 700km pipeline | Multi-purpose infrastructure providing water supply (310MCM annually), hydropower generation (35MW total), irrigation services (60MCM), and regional connectivity through 700km conveyance system
Construction/Preparation Timeline	Feasibility studies planned for completion by no later than December 2026 | Preparation phase completion targeted December 2026 enabling progression to detailed design and construction phases
Offtake Agreements	Currently the offtakers are the state parties (Botswana, Lesotho and South Africa) | Trilateral offtake arrangements with state parties as primary beneficiaries subject to feasibility stage Financial, Legal and Institutional Studies (FLIS) outcomes

RISK MANAGEMENT	
Risk Assessment	ORASECOM Secretariat coordination with Joint Study Management Committee (JSMC) oversight and Joint Technical Advisory Panel (JTAP) support | Comprehensive risk management through established governance framework including ORASECOM coordination, JSMC oversight, JTAP technical support, and Independent Panel of Experts quality assurance
Regulatory Risks	Pending outcome of S3A and S3B stages | Trilateral regulatory coordination risks requiring harmonized legal frameworks and institutional arrangements across three sovereign jurisdictions

Environmental and Social Safeguards	ESIA studies yet to be procured with ESMP and RAP preparation | Comprehensive environmental and social safeguards framework including Environmental and Social Impact Assessment, Environmental and Social Management Plan, and Resettlement Action Plan pending procurement

KEY STAKEHOLDERS	
Sponsors	ORASECOM Secretariat as Executing Agency with Joint Study Management Committee (JSMC) oversight established by Botswana, Lesotho and South Africa | Trilateral government sponsorship through established governance framework with ORASECOM Secretariat executive responsibility and JSMC strategic oversight
Investors	World Bank, African Water Facility (AWF), NEPAD-IPPF, SADC-PPDF, Multi-Country Development Facility (MCDF), State Parties | Multiple development finance institution grant financing including World Bank, African Water Facility, NEPAD Infrastructure Project Preparation Facility, SADC Project Preparation and Development Facility, and state party contributions
Implementation Support	ORASECOM Project Management Office (PMO), Joint Technical Advisory Panel (JTAP), Independent Panel of Experts | Technical implementation support through ORASECOM Project Management Office, Joint Technical Advisory Panel, Independent Panel of Experts, and AUDA-NEPAD coordination
Contractors & Operators	Pending outcome of S3A and S3B stages | Engineering, procurement, and construction contractors to be determined through competitive procurement processes following feasibility completion
Legal and Financial Advisors	To be informed by the outcome and recommendation of feasibility stage Financial, Legal and Institutional studies (FLIS) | Transaction advisory services to be appointed based on FLIS recommendations for legal structuring and financial arrangement development

WAY FORWARD	
Investment Ask	4.93 million USD for remaining feasibility studies (mainly Grant); financing gap approximately 2.2 million USD | Immediate grant financing requirement of USD 4.93M for feasibility study completion with USD 2.2M financing gap for project preparation phase

Next Steps	Completion of feasibility studies and ESIA for progression to detailed design phase | Feasibility study completion enabling S2B stage finalization and progression to S3A project structuring and S3B transaction support phases
Implementation Timeline	S2B completion December 2026; S3A Project structuring December 2027; S3B Transaction Support & Financing Closeout December 2028 | Structured implementation timeline with feasibility completion by December 2026, project structuring by December 2027, and financial close by December 2028
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