

## CHANGING SOCIO-ECONOMIC SETTING OF THE HIGHLANDS REGIONS AS A RESULT OF THE LESOTHO HIGHLANDS WATER PROJECT

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### **Introduction**

The sheer size of the Lesotho Highlands Water Project and the huge investment pumped into this project are bound to determine Lesotho's political economy for generations to come. That the project will considerably change the socio-economics of Lesotho's Highlands communities brooks no dispute. The bone of contention, however, revolves around the nature and content of that change. The controversy surrounding this change is marked by two distinct approaches which differ both in interpretation and focus. The first, which I term the quantitative approach, interprets the socio-economic changes brought by the LHWP in terms of the quantity of benefits accruing to Lesotho in general, and the Highlands areas in particular. At the centre of this approach is the viability and financial return of the project to Lesotho. This approach is central to the analyses advanced by the Lesotho government, the Lesotho Highlands Development Authority (LHDA) and the World Bank in their efforts to come to grips with the nature and content of the socio-economic impact of the project. This approach perceives the benefits largely in technocratic and financial terms. It is assumed that these will then trickle down to the affected local communities.

The second, which I term the qualitative approach, attempts to transcend the quantity of benefits and inquires into the socio-economic quality of the changes for Lesotho in general, and the Highlands people in particular. While not disputing the likely financial return of the project, this approach seeks to understand the social meaning of the project for Basotho in general, and Highlands communities in particular. The proponents of this approach are the international and local non-governmental organisations. The former include the Environmental Defence Fund and the International Rivers Network, based in Washington DC; Christian Aid and Oxfam, two of the largest NGOs in Britain; and the South African-based Group for Environmental Monitoring. The local NGOs include the Lesotho Council of Non-governmental Organisations, the Development for Peace Education, the Christian Council of Lesotho, the Transformation Resource Centre and the Highland Churches Action Group.

Although conceptually distinct, these two approaches are not mutually exclusive as instruments of interpreting the nature and content of the socio-economic change occasioned by the LHWP. Ideally, and indeed strategically, the two should not be perceived as competitive modes of discourse that represent polar opposites. They ought to be perceived, instead, as complementary approaches for a holistic analysis and interpretation of the macro- and micro-economic impact of the LHWP on Lesotho in general, and the Highlands in particular.

The primary thrust of this paper is to present these approaches more as complementary, rather than competitive, modes of analysis. My conclusion is that if a more comprehensive assessment of the socio-economic impact of the LHWP is to be made, both approaches have to form part of the analysis. This can be ensured only if the debate on all aspects of the project is broadened and all stakeholders in the project are intimately involved in the critical issues surrounding the project. This requires, *inter alia*, effective information-sharing mechanisms; constant consultations between LHDA on the one hand and affected communities and local NGOs on the other. This calls for a participatory approach to the implementation of the project to accommodate the fears and interests of the affected communities.

This paper explores the macro- and micro-socio-economic impacts of the project on Lesotho since infrastructural work started in 1988. It focuses on Phase 1A, which is almost complete, and makes preliminary observations about Phase 1B, which is still in its embryonic stages. Section one introduces the Lesotho Highlands Water Project. Section two sketches out some socio-economic benefits associated with the project as perceived by the proponents of the qualitative approach. Section three presents the nature and content of the socio-economic change wrought by the project from the viewpoint of the proponents of the qualitative approach. The conclusion sums up the main assumptions of the paper.

## **The Lesotho Highlands Water Project: An Overview**

The Lesotho Highlands Water Project is one of the world's largest engineering enterprises under construction today. It is the largest of all development projects that Lesotho has undertaken in its post-colonial history. The project has four stated objectives:

- to transfer water from the Senqu (Orange) River catchment area in Lesotho to the Gauteng region of South Africa via the Vaal River basin;
- to generate hydro-electric power for Lesotho;

- to promote economic development in Lesotho through a multiplier effect; and
- to provide an opportunity for ancillary developments such as provision of water for irrigation and potable water supply. The project was planned to evolve through four phases over a period of 30 years, the entire project will cost \$8.0 billion (about R480 billion). Phases 1A and 1B will cost about \$2.5 billion and \$1.5 billion respectively. While the 185 metre-high Katse Dam (Phase 1A) was completed in 1995, the construction of the 135-metre-high Muela Dam (Phase 1B) is still in progress. When completed, the project will transfer to the Gauteng region of South Africa, via the Vaal River Basin, water at a velocity of 70 cubic metres per second and at a fixed price. About 26 per cent of the project's total envisaged water delivery will be available to the Vaal region on completion of Phase 1A (African Development Bank 1993:195).

The magnitude of the project and the amount of investment required have compelled Lesotho to rely heavily on external financial sources. While South Africa is responsible for costs related to the water-transfer component of the project, Lesotho is responsible for those related to the Muela Hydropower Station. Over and above this, South Africa guarantees all external project-related loans to Lesotho. The largest chunk of external funding for Phase 1A has been acquired from private and public sources in South Africa. The funding earmarked for Phase 1A, channelled through the Development Bank of Southern Africa, is estimated to be R600 million. The British Government committed about £8.5 million (approximately R85 million) for the Muela Hydropower Station. The World Bank, the project's lead financier, has also provided a soft loan totalling \$110 million (approximately R660 million) for consultancy and environmental work. The largest internally derived funding was awarded by Lesotho Bank in the form of a R200 million loan for the construction of the Muela Hydropower Station. The critical event that highlighted the advanced stage of Phase 1A was the impoundment of the Katse Dam and the closure of the sluice gates on October 20, 1995.

The remaining three phases hang in the balance. Various factors account for the apparent uncertainty of future phases of the LHWP. First, the governments in Lesotho and South Africa have been working towards new agreements over the remaining phases of the project (International Rivers Network 1996:1). Secondly, the 1980s feasibility studies were over-optimistic in their estimates of water availability and projections of demand and supply. The ten years that have lapsed has warranted a re-evaluation of those estimates. There is, therefore, a

likelihood that new studies may paint a different picture pointing to a need to reconsider subsequent phases of the project. Thirdly, South Africa is embarking on a national campaign to curtail water consumption, particularly in the Gauteng region. If, as a result of this campaign by the Rand Water Board and Department of Water Affairs, South Africa achieves an annual 10 per cent cut in water consumption, subsequent phases of the LHWP will either be delayed or called off. Besides, South Africa has also commissioned studies to assess anew its internal water demand and supply. One of these studies concludes that:

based on previous studies, a policy decision had already been made to develop all phases of the LHWP as the costs were much less than those of a scheme in South Africa transferring water from the Orange River. Now, after the near-completion of Phase 1A and in view of the better understanding of the construction, social and political problems and the costs, it was felt the schemes in South Africa that transfer water from the Orange River should be re-evaluated to make sure that previous decisions could in fact be fulfilled ... In particular aspects of the internal needs of South Africa being addressed by the Reconstruction and Development Programme (RDP) has raised the question of whether the infrastructure and employment opportunities and the improved potential for community water supplies created by such a project should not rather be to the benefit of South Africa ... rather than to the benefit of Lesotho (cited in Archer 1995:55).

The ongoing feasibility study on internal demand and supply of water in South Africa has been cited *in extenso* above to illustrate the point that South Africa is probably having second thoughts about continuing with the other phases of the LHWP. But whether the subsequent phases continue or not, the socio-economic impact of the project on Highlands communities is worth commenting on.

### **Socio-Economic Impact of LHWP: the Quantitative Approach**

It is generally acknowledged that the impact of the LHWP on Lesotho's economy and polity has been – and will continue to be – tremendous. The project has an estimated real economic rate of return of 16 per cent for the water-transfer component and a 15 per cent combined rate of return (World Bank 1991; Work for Justice 1995:9). As summarised by the LHDA, the LHWP expenditure is one of three major factors influencing growth in the economy, the others being labour income from abroad and government revenue from income tax, company tax, sales tax, customs duty receipts and grants (LHDA 1996:25).

For the proponents of the quantitative approach, the balance of this impact is weighted in favour of the socio-economic benefits that will accrue to Lesotho. There are wide-ranging arguments advanced for this. First, the royalties linked to water transfer to South Africa that will accrue to Lesotho will boost the Lesotho economy, thus injecting a positive multiplier effect. South Africa will pay royalties to Lesotho of about \$55 million per annum for Phases 1A and 1B.

The royalties were

determined as 56 per cent of the cost savings realised by South Africa from the implementation of the LHWP water transfer component rather than the next lowest-cost scheme, the Orange-Vaal Transfer Scheme (OVTS). Since royalties were essentially fixed at the time of the feasibility studies ( ... ) any cost increases incurred during project implementation will not reduce the royalties to Lesotho (World Bank 1995:1).

These royalties will account for 25 per cent of Lesotho's total annual export revenue, 14 per cent of the government revenue and 5 per cent of GDP (Work For Justice 1995:9; LHDA 1996:5). The principal net beneficiary of the LHWP expenditures has been the government by realising a budget surplus of R156.3 million in 1994, which would otherwise have been a deficit of R136.6 million (LHDA 1996:25). In January 1997, South Africa disbursed about R100 million to Lesotho as royalties in advance of water transfer that was planned to start by early 1998. To date, Lesotho has received about R188 million in royalties (LHDA 1997). The cost-saving that accrues to South Africa by opting for the LHWP will be 44 per cent of the overall saving, which amounts to about R250 million (about \$45 million) per annum (LHDA 1996:5). While this benefit will begin to accrue once water starts to flow into South Africa, Lesotho has already started to receive advanced royalties and increased receipts from the Southern African Customs Union revenue fund for LHWP imports. As a result of the World Bank exhortation (see World Bank 1991:56-7), the government established a special Development Fund in terms of Legal Notice No. 91 of 1992 in which to save all royalties and 75 per cent of the water-transfer-related SACU payments (World Bank 1991:57; Freeman and Van der Reis et al 1996).

This fund was meant to avoid a situation whereby the LHWP revenues are 'merged with other government of Lesotho revenues and used for financing higher levels of public consumption' (World Bank 1991:56). This fund serves three main purposes:

- finance development-oriented and community-driven programmes and projects;

- act as reserve to finance temporary shortfalls in government revenue; and
- 'achieve a steady stream of investment income for GOL through investments in Lesotho and abroad (World Bank 1991:57). This fund, thus far, has received a total deposit of about R154 million (\$42.7 million) in the form of advanced royalties, part of which has been earmarked mainly for community-based public works projects. The total budget for these projects during the fiscal year 1995-96 was about R40.3 million, which was increased to R65.4 million during the following fiscal year.

The controversy surrounding the use of this fund by the government in public works projects under the direct aegis of parliamentarians has created intense political furor. The available evidence points to efforts by the politicians to use this fund in self-serving, pork-barrel politics, thereby gaining political favour from a fund that was ideally meant to benefit the public irrespective of political-ideological orientation. A special board and a development committee have been established to administer this fund, but parliamentarians have continued to make political mileage out of its use. The existence of a one-party 'democracy' in Lesotho has meant that the legislature and the executive have become less accountable to the electorate and even the principle of transparency is sacrificed on the altar of political expediency. Archer sums up this dilemma:

the Government Party ... holds most or all positions in many VDCs (Village Development Committees), which thus cannot act as a check on MPs ... Many people undoubtedly believe that the Fund has been set up to provide MPs and VDCs loyal to the Government Party with funds to strengthen the Government Party's political base in rural areas (Archer 1995:22).

The former Minister of Finance, Dr Moeketsi Senaoana, lamented this situation by observing that 'there have been instances of Members of Parliament being in possession of fund money, an action specifically prohibited under the Finance Act as fund resources are public funds and the government is accountable to the public through Parliament' (Budget Speech 1996-7:19). The World Bank has called for a special audit of this fund. How far the government has undertaken this exercise is not yet clear. The available evidence also suggests that there has been no deliberate effort on the part of government to give priority to Highlands communities in its strategy to use this fund for purposes of poverty alleviation. Ideally, this fund ought to act, first and foremost, as a social cushion against adverse effects of the LHWP. A prudent utilisation of this fund ought to be premised on three broad principles:

- its operations should be transparent, accountable and politically neutral;
- priority should be given to the Highlands communities – the hardest-hit victims of the social effects of the project; and
- all Basotho, particularly the Highlands communities, should be made aware of the existence of the fund, its purpose and how best they can access it for their immediate development projects (Archer 1995:3).

The political conflict and wrangling caused by the inappropriate utilisation of the Development Fund triggered a special meeting between a World Bank delegation and the board of the fund on July 1, 1997. This meeting, which was chaired by the then Principal Secretary for Economic Planning, Mr Matekane, discussed the mismanagement and abuse of the fund by the parliamentarians and resolved that the fund had to be suspended, reoriented and redesigned anew. It was resolved that the fund would 'start operations at the beginning of the fiscal year 1998-99' (World Bank 1997). The reorientation of the fund operations and management was linked to two main conditions:

- the amendment of the Legal Notice No. 91 of 1992; and
- the establishment of effective local government structures.

Secondly, the employment impact of the project especially for the adjacent communities is considered a crucial positive factor, more particularly in the context of the employment crisis confronting the country. Of the total national labour force of 635 000, Phase 1A of the project employed about 7 000 unskilled/semi-skilled workers with an estimated income of R400 million in labour earnings (TRC Africa et al 1996:9). It is estimated that 50 per cent of this labour was sourced from the Highlands areas. Of the total staff of about 580, the LHDA itself has a local staff complement of about 470, some of whom had been previously 'employed in other key areas in Lesotho's private and public sectors' (World Bank 1991:58). The LHDA has 'injected about R363 million cumulatively in terms of labour, compensation and running costs' (LHDA 1996:25).

The original expectation was that the project would help in the absorption of Basotho migrant miners with appropriate skills who had been retrenched from the South African mining industry. In 1985, Thoahlane and Turner noted that 'because so many thousands of Basotho men are skilled mineworkers, they would be easily employable in the tunnelling and construction works' (1985:27). Even the feasibility study had recommended that local populations should be granted priority to employment opportunities opened up by the project. It was precisely this expectation that persuaded the Lesotho government to commission a 'Skills Profile Survey' that was undertaken by Baffoe and Associates in 1989. The output of the survey was 'planned to be made available to prospective civil

contractors who ... [were] ... expected to bid for the major construction elements of the Lesotho Highlands Water Project' (Baffoe and Associates 1989:v). One of the most important recommendations of the skills survey was that

the Ministry of Employment undertook to liaise with the Ministry of Lesotho Highlands and Energy Affairs and the Lesotho Highlands Development Authority to ensure that the major contracts of the dams and tunnels construction works incorporate definite clauses that oblige the contractors to recruit first from the established skills profile (Baffoe and Associates 1989:viii).

Whether the skills profile as suggested by Baffoe and Associates was indeed established and to what extent the GOL and the LHDA strictly oblige contractors to employ Basotho labour from the project area remains a moot point.

Thirdly, infrastructural development associated with the project is perceived as a positive factor to 'kick-start' development and tourism in the Highlands areas. These developments also facilitate transport and communication, and smooth delivery of a myriad of social services. They include access roads, power supply lines, telecommunication system, housing etc. It is argued that this infrastructural development will increase the absorptive capacity of the Highlands areas for future development activities. This will also have a positive multiplier effect on the country's under-exploited tourist sector. Leistner argues that 'the new roads will make the Highlands more accessible to their inhabitants and will encourage tourism to this scenically beautiful area by offering facilities for winter sports and other forms of recreation' (1995:59). A boost to tourism will earn Lesotho much-needed foreign exchange. There is also an assumption that tourist development could arrest the perennial rural-urban migration.

Fourthly, the Muela Hydropower Station will lead to self-sufficiency in electricity for Lesotho, displacing power imports from South Africa (World Bank 1991:60). The key benefit of the hydropower plant, therefore, is perceived 'as the import saving from the resulting reduction in power imports' (World Bank 1991:61). According to the LHDA, the generation of hydroelectric power will be the most viable source of electricity in the future in Lesotho. As Lesotho presently imports 98 per cent of its electricity from South Africa, the country will save about R16 million on its energy imports in the first year of hydropower station's operations, rising to R40 million by 2008 and R49 million by 2045.

Possible energy sales to South Africa are also envisaged. Whatever scenarios are projected, the efficacy and profitability of the Muela Hydropower Station will be conditional on the envisaged regional power grid by member states of the Southern African Development Community (SADC). Chipeta and Davies have



observed that

such a grid would essentially be a transmission system linking a number of primary generation projects and consumers in several countries. It would require establishing a multilateral power authority and tariff-setting agency, which would relate to power companies in individual countries on a contractual basis both buying and selling power to them (1993:56).

The above discussion has focused on the quantity of assumed and real benefits – particularly financial returns – of the LHWP to Lesotho and especially to the government. The discussion sought to encapsulate the critical pillars of the quantitative approach as a means of interpreting and analysing the nature and content of the socio-economic impact of the project. It is abundantly clear that this approach focuses more on the financial returns of the project to the Lesotho state and the ruling class than the social change of the entire polity, which in turn affects the lower social classes. We now turn to a qualitative interpretation, which looks into the nature of the social transformation wrought by the project and its impact on poor social classes in the Highlands regions.

### **Has the LHWP Brought about Change? A Qualitative Approach**

This second approach focuses primarily on the direct and indirect impact of the LHWP on the lives of people in the affected communities in the Highlands regions. Article 7 of the Lesotho Highlands Water Treaty signed in 1986 by the governments of Lesotho and South Africa proclaims that:

the Lesotho Highlands Development Authority shall effect all measures to ensure members of local communities in the Kingdom of Lesotho who will be affected by flooding, construction works or other similar project-related causes, will be enabled to maintain a standard of living not inferior to that obtaining at the time of the first disturbance: provided that such authority shall effect compensation for any loss to such member as a result of such project-related causes not adequately met by such measures (LHWP Treaty 1986).

It is imperative to assess the extent to which this commitment has been upheld more than a decade after the signing of the treaty in 1986. This commitment lacked a firm base because the project was not subjected to public debate prior to the signing of the treaty. As a result, local communities find themselves powerless and unable to exert the necessary influence or pressure on the authorities to uphold this commitment. The governments that signed the treaty – the military

in Lesotho and apartheid regime in South Africa – were not given to the culture of popular participation, consultation, accountability and transparency. So the signing of the treaty by the military government in Lesotho and apartheid regime was not informed by the interests and fears of the Highlands communities.

To be sure, the interests in the LHWP of the then apartheid regime were driven more by self-serving strategic and economic concerns than the mutual benefit of the peoples of both countries. This, of course, was in tune with the regime's regional total strategy policy, which was essentially meant to subdue the neighbouring states to the security and economic dictates of the apartheid system through an admixture of carrot-and-stick tactics. The interest of Lesotho's military regime in this project was not so much to ensure Lesotho's long-term development, but rather to collaborate closely with its own patron – the apartheid regime – whose support was critical during the 1986 coup. Given Lesotho's awkward geo-political location, the military regime desperately needed South Africa's support for its own authoritarian rule in the face of mounting criticism of the coup from other states in the region. This explains in part why almost all the South African refugees were expelled from Lesotho after the signing of the water treaty and in that sense, therefore, total strategy paid dividends.

The challenge confronting the democratically elected governments in both countries is to democratise the structures and operations of the LHWP. Sensitivity to the interests and apprehensions of the local communities throughout the lifespan of the project is central to this challenge. It is in this light that the current efforts of the LHDA to adopt a more participatory and consultative approach should be welcomed. Over and above this, efforts towards closer and meaningful co-operation between the LHDA and local NGOs should be pursued, and should deliver positive results.

Some of the social impacts of the project have already taken root in the Highlands regions. The employment crisis in Lesotho, increasing poverty and retrenchment of Basotho migrants by South African mines are some of the pull factors for increased exodus of labour to the project site. This migration has a huge potential to disrupt the social fabric of the Highlands regions, which are severely lacking in the socio-economic infrastructure necessary to sustain a large unemployed population. Health facilities become overstretched, given the limited number of clinics and hospitals; various types of diseases, prostitution, alcoholism and family instability become rampant; squatter settlements that mushroom in the vicinity of the project add to the social ills of a big modernising project that imposes itself over a quiet rural setting; and psychological disorientation sets in among the predominantly peasant Highlands communities.

The Highlands are the most poverty-stricken and marginalised regions in the country. Previous development programmes and projects have not sufficiently changed their lives for the better. A decade after the commencement of the LHWP, local communities are not yet convinced that the project will positively affect their livelihoods (Khitsane 1996). A World Bank report observes that 'the project is resulting in loss of both arable and grazing land, as well as resettlement and relocation of households' (1995:5). Phase 1A will affect about 3 000 households. Of these about 312 households will be displaced. A total of 75 households will be resettled either voluntarily or involuntarily because of inundation of the Katse Reservoir. A further 200 households will be resettled because of the installation of electricity power lines from Muela to Maseru. Of the 72 households to be affected by the Katse Dam, 'the first 25 households were resettled only on the eve of impoundment of the Katse Dam, after long delays; and much remains to be done to complete the Phase 1A resettlement programme' (Archer 1996:2). Phase 1A will claim about 1 800 hectares of arable land and 3 000 hectares of grazing land. Phase 1B will displace between 1 000 and 2 000 people because of the construction of the Mohale Dam, and many more will be affected in different ways (Archer 1995:17).

The above trend suggests that two critical pillars of the Highland economy are under threat as a result of the LHWP. These are land (arable and residential) and livestock (as grazing land progressively shrinks). Valuable food-producing land will be lost. Food supply and food security for the Highlands communities is at serious risk. Income from the sale of animals will dwindle. As grazing land is reduced, this not only affects livestock but particularly affects herdboys who will be forced to travel long distances to find pasture for their animals (Gay et al 1995:61). If retrenchment of Basotho miners in South Africa and agricultural decline are taken into account, Highlands communities are headed for an uncertain future at best, or a perilous one at worst. Migrant remittances from the South African mines are declining and agricultural produce has plummeted.

In an attempt to redress these adverse social effects of the project, the LHDA has embarked on a two-pronged strategy: short-to-medium term compensation and a long-term Rural Development Programme (RDP). Compensation for affected communities has so far taken the form of grain and pulses for households that lost farmland originally planned to cover a 15-year period; fodder payment for loss of grazing land for a period of five years; cash payment for households that lost less than 1 000 sq metres of land; replacement of individually owned trees by five seedlings of the same or another acceptable species; and replacement housing for those whose homes were demolished for project purposes. This

compensation package has ignited deep-seated tensions between local communities and the LHDA.

First, this revolves around unnecessary delay to both effect resettlement and build replacement housing. Compensation for lost farmland because of the road construction for Phase 1A is not yet complete. Some fields have been filled with rock thrown out by blasting. Owners of fields are still awaiting compensation or at least some explanation. Secondly, dissatisfaction and grievances stemming from the 'disparity between the long-term value of the resources forgone and of resources acquired as compensation' (Khitsane 1996:3). This is also linked to the lack of inheritance potential of the current compensation package. Unlike land, this compensation package may not be easily passed from one generation to another. It thus fails to replace the lost security of tenure on land and hence security for the existence of coming family generations. In Basotho culture, inheritance has value that far exceeds money or consumption values accepted by conventional markets' (Ibid: 4).

Thirdly, the quality and quantity of grain, pulses and fodder has been questioned by the communities. It should be recalled that the whole compensation formula was imposed on local communities – it is not an outcome of negotiations between the LHDA and the communities. Fourthly, the lifespan of the compensation (i.e. 15 years for grain and pulses and five years for fodder) defies the principle of social justice, for the Highlands people are likely never to regain a stable livelihood in future. Fifthly, since there is no established land market in these areas given the nature of the land-tenure regime, people wonder what yardstick the LHDA used to measure their land's worth. According to Mathato Khitsane, co-ordinator of the Highlands Church Action Group,

methods used have tended to be highly technical and no proper attempt has been made for affected people to understand the basis of asset valuation especially the future value of assets being compensated. It is also not clear whether valuation takes only financial value or whether use-value is taken into consideration (1996:4).

Sixthly, because of inadequacies in the current compensation package, local communities demand land-for-land compensation that will permit them to move as a community and be able to maintain some modicum of social continuity. Land plays a critical role in the subsistence-oriented Highlands communities, which still have a rudimentary commercial base. Besides, land also plays other various socio-cultural roles.

Given the lack of a land market and the nature of Lesotho's land-tenure regime, it has been difficult to convince the Highlands communities that the land deal with the project is a fair one. This explains the present need felt by communities affected by Phase 1B to demand land-for-land compensation. Three options are being considered to address this demand: acquisition of land in South Africa; purchase of government-owned land in the Lowlands; and resettlement of some people in urban areas (Archer 1995:44). Of these options, relocation of households in South Africa is the most problematic. It evokes politically sensitive issues such as boundaries, citizenship and sovereignty. Given the queries raised by local communities, the LHDA has proposed changes to the present compensation package for use during Phase 1B, as follows:

- provision of compensation on a cash basis so that families can decide what types of food stuffs to purchase;
- compensation will be provided for as long as it is necessary even beyond the original 15-year period;
- to put into effect a land-for-land compensation option;
- establishment of compensation measures for people with secondary rights to land or property;
- establishment of a compensation programme for loss of fuel wood as a result of project works; and
- LHDA will put in place a welfare and pension scheme over and above the present compensation programme for the poorest and vulnerable families (World Bank, 1995:7-8).

Unlike the compensation programme, the Rural Development Programme (RDP) is a longer-term strategy aimed at assisting Highlands communities to generate income so as to offset adverse social effects of the LHWP. The RDP has three basic components: First, the income restoration component will revolve around the Skills Training Centre, which will aim at retraining local communities in various strategies of small-scale income-generating projects as alternative employment avenues. Secondly, the agriculture and forestry component of the RDP will aim at increasing the agricultural productivity of the remaining land so as to augment the meagre income of local communities. Thirdly, the infrastructure development component will introduce labour-intensive public works such as construction of rural feeder roads and provision of a variety of social services.

The RDP is a fairly new programme. Its implementation was delayed by many factors including negotiations between Lesotho and South Africa regarding cost allocation for this programme. At present, it is difficult to assess the successes

and/or failures of the RDP, given that its implementation has been rather sluggish and haphazard. However, a few questions can be posed:

- to what extent are the local communities aware of the RDP?
- are they participating in its formulation?
- what is the role of NGOs in the RDP? If the LHDA intends to broaden public debate on the LHWP, clearly the RDP would be a perfect starting point.

The environmental degradation associated with the project will directly and indirectly affect the lives of the Highlands communities. Despite the fact that it is well known that large dams worldwide impose a myriad of environmental variations which most invariably worsen conditions for local communities, no Environmental Impact Assessment (EIA) was conducted for Phase 1A. This was, in part, a result of the observation by the 1986 feasibility study undertaken by a British-German engineering consortium, Lahmeyer-McDonald, that 'there were no major environmental obstacles to the project'. With the benefit of hindsight, it can safely be argued that the project does have adverse environmental effects which need to be redressed. A variety of wild flora and fauna need to be protected. These include the Maluti minnow found largely in the waters affected by Phase 1B; the spiral aloe found in areas affected by both Phases 1A and 1B; and the bearded vulture (lammergeier), which is found in both Phases.

A comprehensive EIA study has been conducted for Phase 1B to avoid the mistakes of Phase 1A (see Hunting-Consult 4 Joint Venture 1996). This exercise is part of the conditions imposed by the World Bank for the financing of Phase 1B. The Bank argues that it has told both the governments of Lesotho and South Africa that funding of Phase 1B is contingent on effective implementation of the Phase 1A Environmental Action Plan (EAP). Furthermore, a full Environmental Impact Assessment (EIA) and economic evaluation of Phase 1B are necessary for the appraisal process to begin (World Bank 1995:13). The Environmental Action Plan and the Environmental Impact Assessment will both form part of the key elements of the Rural Development Programme (RDP).

One of the teething problems that has beset the LHWP is the increasingly turbulent industrial relations at the project sites. Relations between the management of the Lesotho Highlands Project Contractors (LHPC) and the Muela Hydropower Contractors (MHPC) and the workers have been deteriorating since the early 1990s. These industrial disputes have revolved around workers' demands for improved remuneration packages and working conditions. Worker-management negotiations proved fruitless by the mid-1990s. Subsequent

intervention by the Labour Department in 1996 to mediate the conciliation process also came to naught. Management then resorted to the law whereupon a court interdict was obtained barring about 2 300 workers from entering the premises of the LHPC and MHPC as the management had already dismissed them. When the workers chose to continue their occupation of the LHPC and MHPC camps, they were forcefully removed by police on the afternoon of September 14, 1996. This incident led to the killing of about 10 workers and some 30 were injured when the police opened fire.

As a result of subsequent negotiations between the workers and management with the involvement of the Construction and Allied Workers' Union of Lesotho (CAWULE), the management of the LHPC and MHPC agreed to reinstate 1 700 workers. The agreement meant the dismissal of 600 workers, who included among their number the membership of the committee that had represented the workers before CAWULE's intervention.

## Conclusion

The impacts of the Lesotho Highlands Water Project (LHWP) on Lesotho's economy and polity are many and varied. Some analysts have focused their attention more on the technical and financial returns of the project. I have termed this school of thought 'the quantitative approach'. Others seek to understand the socio-political meaning of the project, albeit still remaining cognisant of the technical and financial meaning. I have referred to this school of thought as 'the qualitative approach'.

The exploration of both schools leads to a conclusion that they are not, of necessity, mutually exclusive. They ought to be perceived as complementary not competitive. This complementarity has to be deepened and solidified through systematic public debates on the project and the democratisation of the project-implementation machinery and processes. The view that dismisses the LHWP *in toto* is as deficient as the view that uncritically eulogises the socio-economic returns from the project.

The assumed economic benefits of the project have to be judged, of necessity, against the likely social impacts. The benefits of the project also have to be geared towards improving the living standards of the affected communities. The Lesotho Highlands Water Development Revenue Fund has to be depoliticised. The conception and implementation of the compensation packages and the Rural Development Programme have to be informed by popular

participation. Local communities and NGOs ought to play a clearly defined role in all relevant aspects of the project. The industrial relations at the project site need to be improved immensely.

The government has set in motion a Commission of Inquiry into the disturbances of 1996 which led to the killing of a number of workers by the police. This commission began its work on January 5, 1998. How far this effort will bring about industrial peace remains a moot point.

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