

LESOTHO

MCC Learning from

“LESOTHO METOLONG PROGRAM AND URBAN AND PERI-URBAN WATER FINAL EVALUATION”

SOCIAL IMPACT, July 2020

MCC has identified the following programmatic and evaluation lessons based on the Lesotho Metolong Program and Urban and Peri-Urban Water Final Evaluation Report.

PROGRAMMATIC LESSONS

- *Thorough infrastructure design reviews are essential to competent program management, efficient and effective implementation, and achievement of results.* Numerous infrastructure-related problems highlighted by the independent evaluation stem from inadequate designs, improper design review and overall program management challenges; these include cost overruns and delays during implementation, and malfunctioning works that required either costly remediation by the Lesotho Water and Sewerage Company (WASCO) (i.e., the urban water utility) or complete abandonment. Typically, projects are managed and designs are reviewed and approved by the entity that will ultimately own the works, i.e., WASCO in this case. However, the due diligence assessment carried out during compact development determined that WASCO lacked sufficient capacity to perform this function, so MCC required that a program management unit be established to perform overall program management, including design reviews. This was a separate contract, procured and managed by the Millennium Challenge Account (MCA) Lesotho. MCA-Lesotho eventually brought the program management function in-house because they were dissatisfied with the firm contracted for that role. The decision to approve this change prioritized MCC’s commitment to country ownership over its responsibility to provide technical oversight, ultimately to the detriment of the project. MCC, as an agency, continues to value country ownership; however, the following changes in MCC’s practice should help ensure the tradeoff between country ownership and technical oversight does not result in similar failures in the future. First, the agency was restructured in 2014 such that functions are now organized into discrete practice groups that are led by a Practice Lead/Senior Director (PLSD). PLSDs are experts in their technical areas who are positioned to amplify MCC’s oversight role by advising on issues like this and bolstering technical arguments made on country teams and to MCC management. Second, as of 2015, MCC also requires a comprehensive, competent design review of all planned infrastructure. While this

had been inconsistently practiced previously, it became required in 2015, with the allocation of compact funds for external design reviews when design review capacity is considered insufficient in the partner country. Furthermore, during implementation, country teams should consider whether to condition funding approvals on the program continuing to meet the specified quality and adequacy of the construction supervisor and project manager each quarter. In addition, clearly spelling out the relationships between the various contractors involved in an infrastructure project in their contracts should help facilitate these oversight processes.

- *MCC needs to identify and attempt to address potential unintended impacts of its investments on surrounding communities and account for political economy dynamics to ensure project success and sustainability.* The downstream conveyance system (DCS) that connects Metolong Dam to WASCO's urban water network runs through rural communities whose water sources are managed by Lesotho's rural water utility. As noted in the evaluation, people in those communities began vandalizing the DCS to access water during a drought. The vandalism became so widespread that the Ministry of Water installed taps along the pipes to better control the offtake. The taps, however, created unclear institutional responsibilities because WASCO is not required to service the rural communities the pipes traverse, and the rural water utility does not have authority to provide services using the infrastructure owned by WASCO. Furthermore, no plan currently exists for how to compensate WASCO for the water taken out of their system; so although the taps reduce the amount of water that was simply wasted, the controlled offtake still contributes to WASCO's nonrevenue water problems and difficulty covering its costs. Finally, because the rural water utility has stopped maintaining water points in some communities that are considered accessible to the taps installed along the DCS, many of the villagers consider themselves worse off than before. In 2012, MCC adopted the International Finance Corporation's Environmental and Social Performance Standards, which provide a framework to guide project preparation and implementation that should reduce the potential for unintended and unplanned consequences such as these to occur. In particular, Performance Standard 1, Assessment and Management of Environmental and Social Risks and Impacts, requires that MCC conduct rigorous stakeholder engagement and consultation with potentially affected populations, integrate findings from such consultations into project planning efforts, and anticipate, plan and account for such risks in a methodical manner during the entire lifetime of the project. In addition to the Environmental and Social Performance (ESP) practice group which is responsible for applying the IFC's performance standards, MCC has also established a Gender and Social Inclusion (GSI) practice group which is tasked with assessing how women and other disadvantaged groups are likely to benefit from or be affected by MCC's interventions. The agency restructuring that took place in 2014 designated Practice Lead/Senior Directors (PLSDs) for ESP and GSI. MCC's current compact development process allows PLSDs to review proposed investments and raise and help resolve potential issues

before programs are approved. If and when issues arise subsequently, PLSDs can help bolster arguments made by technical leads on country teams to ensure these issues receive appropriate attention and resources.

- *Compacts should support implementing entities in developing and funding comprehensive operations and maintenance (O&M) plans as a critical part of their sustainability planning.* The evaluation found that the O&M plans for the MCC-funded works were largely inadequate. In addition, WASCO lacks a comprehensive O&M plan, which means decisions are made for individual networks on an ad hoc basis and there is no mechanism to ensure compliance with O&M plans. Although the Lesotho Compact did not focus on filling likely gaps in post-compact O&M, around 2015, MCC began engaging on four different fronts related to asset management: (1) conducting a structured assessment of utilities during due diligence to inform institutional support we might provide in the form of technical assistance or a management contract; (2) partnering with other donors who can continue supporting the utility post-compact; (3) bringing in AquaRating, which assesses the performance improvement challenges water and sanitation utilities face in a systematic and comprehensive way, and identifies prioritized areas for rapid improvement; and (4) developing cost-recovery plans based on proper asset management practices, and pursuing a cost-recovery tariff, as informed by detailed financial analysis conducted during due diligence. These four areas of support are intended to ensure utilities have the capacity and financial resources needed to develop, implement, and modify O&M plans. However, comprehensive O&M planning takes time and often requires buy-in and behavior change from multiple stakeholders. To be effective, it must therefore start early in the implementation period rather than only being considered at the end of a program.
- *MCC should use the findings of completed program evaluations to inform its understanding of the logic and potential benefits of similar programs in development.* These evaluation findings contribute to a growing body of evidence about how urban water interventions work and should help improve MCC's design and assessment of similar interventions in the future. For example, the evaluation demonstrates that results can differ based on the customer type, e.g., new customers experienced time savings, while existing customers did not. It highlights the possibility that benefits to new customers could differ depending on whether they connect to an existing network or an entirely new network, and sheds light on other urban dynamics that should be considered, e.g., spillover benefits and the use of multiple water sources. It also demonstrates the need to plan for wastewater treatment, especially for entirely new water systems like that in Semonkong, and in cases where project benefits depend heavily on industrial water use. This planning did not happen during the design of the Lesotho project and the evaluation found that wastewater treatment was both lacking in Semonkong and a persistent constraint to industrial water use. The MCC Economist

who authored the agency's Cost Benefit Analysis Guidance for water sanitation, and hygiene, engaged on the learning coming from this evaluation and can incorporate this learning into that guidance if or when it is updated. The findings will also be available to all MCC staff and external audiences for use going forward.

EVALUATION LESSONS

- *A clear understanding of the full program logic is necessary for comprehensive learning.* MCC conducts evaluations in order to hold itself accountable for the commitments it makes and to generate learning for future interventions. In addition to assessing whether interventions achieve their ultimate objectives, nuanced learning comes from assessing the various pathways through which we expected to achieve those objectives, beginning with assessing (i) the quality of designs, implementation and the resulting outputs (e.g., status of the infrastructure and the utility's management thereof), (ii) intermediate outcomes (e.g., how consumers interact with the outputs), (iii) ultimate objectives (e.g., expected health and financial outcomes), and (iv) whether critical assumptions played out as expected. This kind of comprehensive assessment can highlight more precisely where successes or failures occur in the results chain so MCC can replicate or make educated adjustments in the future. This evaluation included this kind of comprehensive assessment of the program logic and will serve as a useful model for future evaluations.
- *Sequencing rounds of data collection and analysis can help ensure efficient use of evaluation resources.* Findings from the evaluation's inception mission suggested variable completion and functionality of the compact-funded infrastructure investments, which prompted considerations about whether different components might warrant different evaluation approaches or any evaluation at all. MCC and the evaluator agreed to sequence phases of the evaluation such that implementation fidelity could be assessed before deciding on the final scope and nature of a summative evaluation that would measure customer-level outcomes. The evaluator and MCC also agreed to sequence qualitative data collection ahead of quantitative data collection to investigate the validity of potential counterfactual groups before committing to a large-scale data collection effort that would have greater costs and respondent burden than other alternatives. (Additionally, some evaluations sequence qualitative data collection to follow quantitative data collection in order to help explore and explain the quantitative findings.) This sequenced approach allowed the evaluator to understand whether the interventions that had been designed actually came to fruition before collecting data on the customer-level outcomes that were expected to result from these interventions. It also allowed them to prioritize the most suitable areas for an impact evaluation design, while ensuring that the other sites were included in the evaluation for accountability and learning purposes. Similarly-sequenced approaches could be helpful in other cases where the evaluator and MCC have uncertainty about the context or appropriateness of design options.