

Sustainability of rural development projects

Best practices and lessons learned
by IFAD in Asia

LAO PEOPLE'S DEMOCRATIC REPUBLIC CASE STUDY

Asia and the Pacific Division



Enabling poor rural people to overcome poverty

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Oudomxai Community Initiatives Support Project

by

TANGO International

This case study was carried out as part of a larger review on "Sustainability of rural development projects. Best practices and lessons learned by IFAD in Asia", published as the eighth occasional paper produced by the Asia and the Pacific Division, IFAD



Enabling poor rural people to overcome poverty

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Acronyms

ARRI	Annual Report on Results and Impact of IFAD Operations
ANRM	Agriculture and Natural Resource Management
CD	community development
CDF	Community Development Facilitator
CIAT	International Center for Tropical Agriculture
DAFO	District Agricultural and Forestry Office
DCTCP	Department of Communications, Transport, Posts and Construction
DCU	District Coordination Unit
IEE	Independent External Evaluation
IFAD	International Fund for Agricultural Development
LQAS	Lot Quality Assurance Sampling
LUP	Land Use Planning
MTR	mid-term review
M&E	monitoring and evaluation
NGO	non-governmental organization
NGPES	National Growth and Poverty Eradication Strategy
NRM	natural resource management
NTFP	non-timber forest product
OCISP	Oudomxai Community Initiatives Support Project
PAFO	Provincial Agricultural and Forestry Office
PCU	Province Coordination Unit
PDH	Provincial Department of Health
PIM	Participatory Impact Monitoring
PRA	participatory rural appraisal
PY	project year
RFS	Rural Financial Services
RIMS	Results and Impact Management System
SALT	Sloping Lands Agricultural Technologies
SCOPE	Strengthening Capacities of Organizations of the Poor - Experiences in Asia
SHG	self-help group
TA	technical assistance
TANGO	Technical Assistance to Non-Governmental Organizations, Inc.
VAC	Village Administration Committee
VCF	Village Community Facilitator
VDP	Village Development Plan
VIQ	Village Information Questionnaire
VSCS	Village Savings and Credit Society
WFP	World Food Programme
WRA	Wealth Ranking Assessment
WUC	Water Use Committee

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Executive Summary

This study was conducted and its report authored by Richard Caldwell, of TANGO International, with the gracious support of IFAD staff in Rome and Oudomxai Community Initiatives Support Project (OCISP) staff in Oudomxai, and with the patient collaboration of many community and institutional representatives.

Designing projects that provide sustainable benefits has long been a primary concern with IFAD. While sustainability has been on its agenda for some time, there remain significant obstacles to designing and implementing projects that are sustainable in all aspects. In an effort to move towards more sustainable programming, IFAD has sought clearer structure and guidance to enhance the effectiveness of their development efforts. This document provides insights into sustainability by looking at the OCISP implemented in Laos.

Several important lessons related to sustainability emerge from the project:

1. IFAD included the word *sustainable* in the project objective. While perhaps a subtle point, it does impose a higher level of attention to sustainability and may also serve as a reminder to implementors and evaluators to assess progress toward sustainability.
2. OCISP emphasizes institutional capacity building and sustained income streams. The project design did not incorporate the dimensions of resilience and risk management to screen interventions, and this is a major shortcoming given the complex physical environment in which the project operates. Environmental considerations and structural poverty were factored into the project design but, as elsewhere, have proved to be somewhat problematic.
3. There is a theoretical imbalance between the number of communities reached and the sustainability of the effort, given the local context and budget. In the quest to serve as many beneficiaries as possible, projects often end up spreading staff too thin, having minimal contact with community members and institutions, and unable to monitor areas that need shoring up. This is evident in OCISP, where the need to reach a large number of communities comes into conflict with the need to have physical presence as community organizations and line agencies implement activities.
4. Resource management must include the promotion of indigenous knowledge systems and practices, natural resource management and enhancement, and the use of natural resources in production systems. These concepts are largely lacking in OCISP as it has focused primarily on cropping systems. A focus on natural resource management (NRM) would have to have been introduced early and in a manner that ensured participation in resource management (specially off-farm) in the long term. It may include strict land use allocation (recognizing the implications on production systems), cropping insurance, monetary or other incentives to invest in long-term enhancement, and the strategic use of hillside crops such as coffee and tea that can be grown under canopy.

5. While there is a reasonable level of integration among the five components, community participation in choice of intervention could be strengthened, as could leveraging among the components. For example, while participants expressed the need for access to credit, the choices of what credit can be used for are not always integrated strategically with other interventions. There are links to training (for example, if credit is taken out for pig raising there is technical assistance also provided in this area), but no link to marketing pigs/pig products for those involved in pig raising. There are other potentials for increasing cash income (e.g. bamboo and rattan products, tea production) that have been considered, but progress has been limited or modest.
6. While the project has been successful in targeting remote and difficult villages and directly benefiting the target group in the project area, the question arises whether 'the results of the project could be sustained in the medium or longer term without continued external assistance'. With better roads and infrastructure, improved extension services, rural financial services, and farmers' organization in place due to the efforts of the local government, including OCISP, these remote upland regions now have better marketing opportunities, which has been a key constraint for rural households in getting out of poverty. Sustainability in the longer run would mean that the rural poor need to access markets and economic growth.
7. Some good practices for institutional sustainability are being followed. For example, Village Administration Committee (VAC) supplies the project and government line agencies with information for the Village Information Questionnaire (VIQ). This is a good activity to replicate as it mixes participatory monitoring and evaluation (M&E) with capacity-building for the VACs. The Community Development (CD) team has periodically assessed the areas of support (e.g. training in specific areas, gender sensitivity, repeat training) required to make the VACs more functional, and then included the support activities in the annual work plan of the CD team. This is good practice and has resulted in workshops being held, evaluations made and Community Development Facilitators (CDFs) given extra training.
8. Risk mapping should be made a prerequisite and be instilled as part of the project design process. Sustainable strategies for remote areas and areas with diverse groups need a risk management lens to identify what kinds of risk management capacity need to be in place at the household and community level, what types of safety nets need to be available at various levels in case local capacity to manage risk becomes overwhelmed, and what kinds of social protection mechanisms need to be in place at the provincial level in case the lower levels are not able to respond to a shock (productive safety nets to rebuild assets).
9. Attitudinal and behavioral change regarding protection of the environment was brought about through links with cultural traditions and by first promoting self-interest (e.g. protecting sources of potable water) rather than moralistic entreaties regarding biodiversity or heavy enforcement and stiff penalties.
10. Applying the cluster approach to institution-building will enhance sustainability. By meeting periodically in groups, needs and strategies can be jointly discussed. Together groups can solve their own problems or collectively submit their requests

to line agencies. Having more power in numbers will increase the confidence of members and make their participation more meaningful.

11. Since Land Use Planning (LUP) is so integral to sustainable farming practices, it is questionable whether or not the introduction of sustainable agricultural practices can proceed in the absence of land use management and the concomitant changes that farmers must make with respect to land use restrictions. A more sustainable strategy would be for OCISP to follow-on in areas where LUP has progressed to a reasonable degree, then introduce agricultural practices compatible with land use changes.
12. OCISP has developed valuable experience around the issue of maintenance and the sustainability of rural infrastructure. User fees for gravity-fed water systems have been imposed successfully, and work is in progress to implement provincial-level planning, contracting and oversight on rural road maintenance. These and other creative combinations of maintenance strategies are required to ensure sustainability, and sustainability plans are crucial for defining these strategies early in the project.

I. Introduction

Designing projects that provide sustainable benefits has long been a primary concern with IFAD. While sustainability has been on its agenda for some time, there remain significant obstacles to designing and implementing projects that are sustainable in all aspects. In an effort to move towards more sustainable programming, IFAD has sought clearer structure and guidance to enhance the effectiveness of their development efforts.

To provide this guidance to the Asia and the Pacific Division of IFAD on sustainability, a consultancy was commissioned to TANGO International to design a framework and supporting programmes that will more systematically enhance IFAD's approach to ensuring the sustainable benefits of IFAD-funded interventions. The detailed objectives of this consultancy include: assessing the performance of IFAD – related to practices and approaches to programme design and implementation; clarifying the different aspects of sustainability with a view of contributing to a regional policy on the issue of sustainability; identifying relevant lessons learned and factors influencing post project sustainability; and the identification of indicators to monitor sustainability with a performance management framework.

A desk review was conducted as the first phase of the process. The central goals of this exercise were: a) to understand and clarify what sustainability means to IFAD, from the household to the institutional level; b) identify key issues and challenges related to the sustainability of IFAD programmes; and c) determine the degree to which IFAD has considered sustainability in programme design and implementation in its Asia-Pacific country programmes. The desk review helped in finalizing the instruments and processes for the field-based case studies.

The second phase of this study was to carry out a series of case studies in selected countries in Asia and the Pacific. This document represents the summary of findings from the case study carried out in the Lao People's Democratic Republic (hereafter referred to as Laos). It is important to note that this case study is not intended to be an evaluation of the projects visited, but rather primarily explores issues that are critical to promoting sustainability. It is also important to recognize that the projects reviewed were designed before the different dimensions of sustainability were considered by IFAD, and so should not be evaluated against such criteria.

The selection of Laos as a focus point for a case study was based on the fact that IFAD projects being implemented in the country reportedly have some difficulties with sustainability issues, whereby several lessons on designing projects for sustainability should emerge. The project selected for the case study is the Oudomxai Community Initiatives Support Project (OCISP).

A. Purpose of the Study

IFAD began operations in Laos in 1980. Since then it has committed over US\$73 million in financing for nine programmes and projects related to agricultural development. IFAD supports the Government of Laos in implementing the National Growth and Poverty Eradication Strategy (NGPES) and achieving the Millennium Development Goals. IFAD's

strategy in the country has the objectives of promoting economic growth, sustainable livelihoods and food security among poor rural people, especially women, and particularly among vulnerable and marginalized groups in upland areas. In the mountainous regions, where IFAD has the most relevant experience, it can contribute directly to economic growth.

This case study highlights specific features of OCISP that support or inhibit sustainability. More precisely, the study will: a) collect and document the views of the various projects' stakeholders on what sustainability means for them; b) document the experience and performance of the project in ensuring sustainability of project benefits beyond project implementation; c) help IFAD better understand how project designs, M&E systems, supervision and overall implementation relate to the issue of sustainability; and d) generate lessons learned on the specific approaches that have greater chances to lead to sustainability. Detailed Terms of Reference for the study are attached as Annex A.

B. Methods and Limitations of the Study

The case study was conducted using several methods. First, project documentation was reviewed and assessed to obtain a broad overview of project objectives and features. While this served primarily as an overview, it also provided some insight as to what the most prominent sustainability issues might be. In the case of OCISP, it is noteworthy that the author participated in a Supervisory Mission while gathering information for the case study. An additional role was that of reviewing, in depth, M&E systems associated with the project. Thus, there may be some imbalance in the level of detail associated with different aspects of the project, with an obvious bias towards the M&E systems.

A field visit was made to the project office in Oudomxai from 12 to 22 May, 2008. There, discussions were held for three days with a number of key project staff. A field visit was also made on 14-16 May to several project sites in Houn and Pak Beng districts. Discussions with local government staff and beneficiaries were held during the field visits. Project activities were also reviewed with the World Food Programme (WFP) staff, the technical assistance (TA) staff financed from the Luxembourg grant.

Two main constraints could affect the accuracy of the findings and conclusions presented later in this report. This was a short timeframe for a study covering a complex project overlaying a vast geographic footprint. Only two out of seven districts were visited where OCISP is operational. Discussions with staff made it clear that there is considerable variation among districts. In addition, the project works in a number of thematic areas and with numerous line agencies. Although other team members provided insight into sustainability issues, they were not responsible for the case study per se, and so not all subjects were covered in the same depth.

II. Design Elements and Their Relationship to Sustainability

A. Project Overview

A Participatory Social and Economic Study was undertaken in the two provinces during January and February of 2001. In March 2001, a project formulation mission subsequently developed project proposals suitable for financing by IFAD and potential co-financiers. A joint Appraisal Mission visited Laos from 26 October to 14 November 2001 to finalize the project design in the light of the issues raised and to subsequently prepare the IFAD Appraisal Report. During appraisal it was decided not to include Bokeo province in this project.

OCISP (IFAD Loan No. 586-LA) received IFAD Executive Board approval on 23 April 2002. The loan was signed on 17 July 2002 and became effective on 19 September 2002. The Project Completion Date is 31 March 2010 and Loan Closing Date is 30 September 2010.

The strategic goal of the project is *"poverty alleviation and improvement of the socio-economic living standard in the project area"*. The project objective is *"increased food security, return to land and labour in the project area based on sustainable farming practices."* It is worthy to note that the word sustainable is in the project objective. This places specific emphasis on ensuring that what is left behind after the project exits will endure.

The project strategy focuses on improving the ability of the poor to effectively use available natural resources services for their own social and economic development through a process of social mobilisation and participatory development. At the same time the project supports this approach by developing a community-based extension and demonstration programme to reduce slash and burn agriculture and opium production. It also provides supporting infrastructure and services including: (a) small-scale irrigation and water control schemes to improve farm productivity; (b) drinking water supplies schemes to improve health and labour productivity; (c) roads to give access to services and marketing opportunities; (d) dormitories for selected schools to increase the attendance of children from remote villages and build the capacity of the ethnic minorities; (e) rural financial services to support investment in on-farm and off-farm income-generating activities through two banks; and (f) institutional support to local service providers to strengthen their capacity for effective delivery of services to the target group in a demand-driven and participatory manner.

B. Basis for Sustainability

It is of particular interest to note that OCISP objective includes the word sustainability. This is, for all intents and purposes, a project that was designed with sustainability in mind. The central premise behind sustainability is that: a) if local governments have the capacity and authority to respond to local community needs; and b) if households are provided with appropriate technologies, access to modest credit and appropriate small-scale infrastructure, economic growth will occur and poverty will be reduced. The element that makes it sustainable is that, in a sense, a partnership evolves among households, local government and the private sector.

OCISP emphasizes institutional capacity building and sustained income streams. The project design does not incorporate the dimensions of resilience and risk management to screen interventions, which will be discussed later and is a major shortcoming given the complex physical environment in which the project operates. Environmental considerations and structural poverty were factored into the project design but, as elsewhere, have proved to be somewhat problematic.

C. Programming Models

The aim of OCISP is primarily income-oriented, and the design is grounded in community-level processes and is not market-focused per se. The programme model, while not explicit in its statements, appears to be grounded more in food security and income generation, rather than a market/cash economy approach. Natural hazards, changing weather and climate conditions, environmental degradation, shifts in economic conditions, etc. all have consequences on how households in Oudomxai will fare, and not all of these factors (e.g. drought due to climate change) are focused on in the project. There are obvious gaps in resilience of households and communities. This has implications in the choice of crops that have been promoted, how and why communities make certain decisions about land use, and what type of technical support is made available.

There has been discussion as to whether OCISP should use a more market-led approach. As the project area is still lacking in key infrastructure, service providers are limited in capacity and reach, and other processes such as land allocation are occurring. Access to and use of credit is rather new for many households. Radical changes are taking place in many areas as secondary roads are developed, credit is used, and more sustainable farming systems are introduced. Despite the lack of a market-led approach, households appear to be doing better because demand for maize crops is high and production has been reasonable. It may be possible to integrate more market-led concepts in the future and still base interventions on the community-led approach. For example, there are real and relatively simple things that could be done to promote tea in several areas. The institutional mechanism currently in place at the village level is not capable of efficiently and effectively addressing the issues of increased production taking place now and marketing in future. Efficient handling of volume of produce and assurance of its quality would be a key issue in developing an efficient market. In this respect, giving attention and support to institutional development at the village level plus significant project intervention inputs to strengthen production groups (i.e. clusters of villages) is urgently needed in the coming months before the end of the project.

D. Community Participation in Design

OCISP was designed with a reasonable level of community involvement. Although no detailed livelihood assessments per se were conducted as a design input, community priorities were assessed during design using participatory approaches. There are no specific details of how inclusive the processes were, but today community members still express the opinion that the project addresses key household and community needs. The major concerns of community members included capacity building on specific new income-generating techniques, construction of gravity-fed water systems, construction of irrigation canals, adult education, training for village health volunteers, road construction, provision of credit, etc. As a result, the project has worked in five key

areas: community development, agriculture and natural resource management, rural financial services, rural infrastructure, and institutional support (each are discussed later under *Implementation Issues Related to Sustainability*).

While there is a reasonable level of integration among the five components, community participation in choice of intervention could be strengthened, as could leveraging among the components. For example, while participants expressed the need for access to credit, the choices of what credit can be used for are not always integrated strategically with other interventions. There are links to training (for example, if credit is taken out for pig raising there is technical assistance also provided in this area), but no link to marketing pigs/pig products for those involved in pig raising. There are other potentials for increasing cash income (e.g. bamboo and rattan products, tea production) that have been considered but progress has been limited or modest.

E. Targeting Approach

IFAD's geographical targeting of Oudomxai province is justified due to the high rate of poverty and ecological challenges. The project targets 187 of the most vulnerable villages in the mid and upland areas in 19 clusters in 7 districts with a total estimated participant population of 71,000 (12,000 households), equal to about 32 per cent of the total population in the province (as of Year 5). The target group comprises mostly Lao Theung and Lao Soung ethnic minority groups who represent about 75 per cent of the poor households in Oudomxai.

For household/beneficiary-based targeting the project relies on participatory rural appraisal (PRA)-type wealth-ranking exercises that place each household into one of five categories. The ranking is conducted annually. In principle it is a good system for targeting, but has several shortcomings that need to be rectified for future IFAD targeting efforts. First, there is little quality control in the way wealth-ranking exercises are conducted. Participants in the exercises are not selected at random, so there is no guarantee of non-bias based on who participates. Second, there is no guarantee that groups do not 'learn' how to do the wealth-ranking over time. The objective is to move households out of the high poverty categories (4 and 5) over time, and there may be perceived pressure on individuals or groups to demonstrate that this is occurring. Third, there is no validation that PRA-based wealth ranking correlates with actual poverty, especially when comparing households from one category to the next (e.g. criteria for placing a household in category 3 versus category 4). It is a highly subjective ranking and may have high bias in the middle categories.

Despite the limitations of wealth-ranking exercises, OCISP has based its implementation on category 4 and 5 households and targeted the above-mentioned project interventions (production technologies, small-scale irrigation and water control schemes, drinking water supplies, dormitories and rural financial services) to reaching 149 remote villages in all 7 districts of Oudomxai Province. The strategy has been adhered to at the grassroots through the commitment of project management and staff, and the provincial implementing agencies.

There are ways to validate the process by combining wealth ranking exercises with small (LQAS-based¹) random surveys to assess the degree to which the exercises are accurately estimating poverty. Since this issue is so germane to the monitoring of project

¹ Lot Quality Assurance Sampling – a sampling process used by a select few NGOs but with high potential for routine project monitoring.

impact it is important that some type of validation take place. Other targeting methods are available. Asset-based wealth ranking, for example, is consistent with Results and Impact Management System (RIMS) impact measurement, and its use would be much more objective.

As of the end of project year five, the number of persons receiving project services is approximately 71,000, of which slightly more than half are women. The targeting of women is largely based on their participation in training and credit programmes. To date the project has succeeded in including substantial numbers of women in both the staff- and farmer-training programmes. Women from ethnic groups are now more exposed to new ideas and have increased awareness among them about their contribution towards development.

While the project has been successful in targeting remote and difficult villages and directly benefiting the target group in the project area, the question arises whether 'the results of the project could be sustained in the medium or longer term without continued external assistance'.² With better roads and infrastructure, improved extension services, rural financial services, and farmers' organization in place due to the efforts of the local government, including OCISP, these remote upland regions now have better marketing opportunities, which has been a key constraint for rural households in getting out of poverty. Sustainability in the longer run would mean that the rural poor need to access markets and economic growth.

F. Linkages among Components

For the most part, there is clear and useful integration in OCISP of project components, with the exception of rural credit which never met project expectations. The use of NGOs was not well planned or sustained, and more integration of NGOs into the development of self-help groups (SHGs) could have been useful. The NRM component can and should be better linked with other components.

Two of the most important changes that impact agriculture under OCISP include LUP and the introduction of credit. Access to credit allows households to make different cropping and other livelihood choices, and credit is one of the more important linkage components of OCISP. The project has forged strong linkages between credit, agricultural and livestock training, and to a lesser degree marketing. It is challenged to do this with all programmes in all places but it is succeeding overall. There are a few aspects that could strengthen the linkages – for example, if credit were provided against the framework of livelihoods within particular agroecological zones, the linkages would be even stronger. Households would be making more informed choices of what to do with credit given the livelihood context in which they live. To some extent this happens by default, but could be strengthened and made more sustainable by taking a more systemic approach to the credit programme.

Overall, for OCISP integration has been acceptable given the terrain the project works in and the number of districts it serves. More geographical focus could have improved this even more. The project had a broad mix of interventions that as a set respond well to the observed and expressed needs of communities, and are often complementary. For instance, infrastructure development such as road construction and maintenance is clearly linked with the expansion of cash crop production.

² IFAD's Office of Evaluation definition of sustainability.

The M&E unit has not been successful in producing reliable figures concerning the number of households reporting increased flock/herd sizes or increased production from their plots and establishing clear links to project activities.

G. Adequacy of Institutional Analysis

In general, OCISP has done an adequate job of identifying potential institutions to work with in their respective areas. Partnerships with WFP for rural infrastructure have worked very well. A paucity of qualified NGOs in Laos in general, and in Oudomxai Province in particular, has restricted the strategic use of partners to some degree. Where partners are not abundant it is even more critical to focus on capacity-building of local government since it is likely to be the main service provider after the project has been completed.

H. Factoring Risk Management into Design

Currently OCISP does not adequately incorporate a risk management lens in the intervention designs being promoted. Developing sustainable livelihoods on steep hillsides is itself a risk, but in the project area the likelihood of a climatic or ecological event negatively impacting agricultural is high.³ A risk management orientation is important to protecting household and community assets against such events and protecting the investments made by IFAD projects.

A risk management strategy in OCISP could focus on income diversification for rural households. Given the limited land holdings of many households, alternative income-generating strategies would be useful. Such a strategy might also consider some type of insurance for farmers willing to radically change their land and crop management, or a similar safety net for households that take out loans for livestock.

I. Consideration of Environmental Issues

The project does not address environmental sustainability directly but rather through its interventions in agriculture and LUP. Elements such as LUP and agricultural interventions have a potentially large impact (positive or negative) on the environment. Environmental sustainability can be threatened by watershed damage, deforestation, changing hydraulics, loss of biodiversity, etc. It should also be recognized that opening up areas with new rural roads, providing access to credit, and offering new cropping choices can potentially hasten environmental degradation, at least in the short term. LUP can result in reduced fallow periods in the short-term, which is likely going to require alternative income-earning (or at least more diversified) opportunities for households.

Although there is little time to address environmental sustainability in a more focused manner in the current project, the project could put more emphasis on agricultural interventions that are more environmentally sustainable, such as green manures. Given the importance of environmental sustainability to the watersheds in the project area, it would be beneficial to provide more training to district staff on the potential impacts on the environment brought about by changes in agricultural practices and other elements of the project. It would be beneficial for many of the line agencies to participate in such a training to bring the multi-dimensional aspects into account.

³ While no hard data for this exists, one District Agricultural and Forestry Office (DAFO) office estimated that one in five years there is an event such as drought, flood or disease outbreak that significantly lowers production.

J. Exit/Sustainability Strategy

An exit strategy for a programme is a specific plan describing how the programme will withdraw from a region or population while assuring that the achievement of development goals is not jeopardized and that further progress towards these goals will continue after the end of the programme.

OCISP management has not articulated an exit strategy nor has there been any mention of the need to do this in past missions or during the mid-term review (MTR). Each component of the project needs to specify how the activities being promoted will be sustained after the project ends. Discussion with the project director in Quang Binh indicated that the supervisor of each component will be producing a sustainability strategy for their respective activities in the near future. As part of these strategies, key indicators need to be identified to determine if key outcomes have been reached to clearly indicate sustainability of the respective project component.

Exit refers to the withdrawal of externally provided resources, whether material goods, human resources or technical assistance, from the operational area. The goal of an exit strategy is to ensure sustainability and government ownership.

A good exit strategy has the following attributes:

- Identifies sustainability strategies for each programme component
- Defines specific criteria for graduation of communities/organizations and exit of the programme from the region
- Includes measurable indicators for assessing progress toward meeting the criteria
- Has a time line
- Allows flexibility in approaches or time line if it is required
- Identifies action steps to reach the stated benchmarks and identify parties responsible for taking these steps
- Outlines mechanisms for periodic assessment of progress toward exit and for modification of the exit plan

Management should start with the elaboration of an exit strategy for rural finance institutions (Village Savings and Credit Societies (VSCSs)), then review the strategy with appropriate stakeholders and adjust as needed. This process should then be repeated for each of the major components of the project, using the VSCS experience as a model with the other project components.

III. Implementation Issues Related to Sustainability

Supervisory Missions and mid-term evaluators have focused on sustainability and it has had a positive impact on how project staff view sustainability and the actions taken to promote sustainability. Having the word *sustainable* in the main project objective may facilitate staff and reviewers thinking about sustainability.

Village Development Plans (VDPs) are incorporated into district level annual plans, and then up the institutional ladder to the provincial level. Village plans must incorporate needs according to project priorities in agriculture and natural resource management, capacity building and infrastructure. The plan must link capacity building, demonstrations and infrastructure improvements.

A. Community Development

At the grassroots level, OCISP has promoted a participatory planning process based primarily on the development of VDPs. The community institution tasked with developing the VDPs is the VAC. Out of a total of 149 VACs, 107 (72 per cent) are reported as 'working well' according to project-based criteria, including: mobilization of category 4 and 5 households to implement OCISP activities; mobilization of villagers to plan and implement OCISP activities; coordination of the CD team, Village Community Facilitators (VCF), District Agriculture and Forestry Office (DAFO) extension centre staff and other line agencies concerning OCISP activities; conducting meetings organized to solve OCISP problems; and monitoring of OCISP activities in the village.

Monitoring of VACs has been on an annual basis but the tools used to assess VAC capacity are overly subjective and limited. The results of VAC assessments generally define individual VACs as functional or weak. There is little sub-analysis regarding strengths and weaknesses of individual VACs, nor has there been a meta-analysis that explores how well OCISP (primarily through the CD team and village community development facilitators) has built capacity of and facilitated the work of VACs. The lack of a stronger assessment tool can impact the sustainability of institution-building. This means that weaknesses may not be fully identified for individual VACs and solutions developed. An assessment tool for VACs (and other institutions such as the VSCSs), modeled after NMCIREMP's assessment tools⁴, could positively impact on sustainability.

Some good practices for institutional sustainability are being followed. For example, VAC supplies the project and government line agencies with information for the VIQ. This is a good activity to replicate as it mixes participatory M&E with capacity-building for the VACs. The CD team has periodically assessed the areas of support (e.g. training in specific areas, gender sensitivity, repeat training) required to make the VACs more functional, and then included the support activities in the annual work plan of the CD team. This is good practice and has resulted in workshops being held, evaluations made and CDFs given extra training.

4 IFAD's Northern Mindanao Community Initiatives and Resource Management Project in the Philippines.

The VDPs are the primary link for individual and household-level involvement in the participatory planning process. Communities have decision-making processes that enable planning, equitable participation and implementation of shared goals and objectives, and the fine-tuning of VDPs. Perception surveys note general satisfaction with most institutions (even when not meeting the project standard of 85 per cent, most average satisfaction rates are high).

Most output-level targets related to VDPs have been met by OCISP, but it is yet to be determined whether the ability of the poor has been enhanced to use their natural resources and the services available effectively for their own social and economic development. The VAC assessments, even given the weaknesses described above, cited mobilization of villagers in general and of poor households in particular as the main weakness. Such a fundamental activity of VACs is essential for participation, project ownership and sustainability.

Another factor influencing sustainability is that VDPs often include activities that are not systematically linked. There is a need to revisit many of the VDPs and facilitate discussion with the community to help them see the importance of linking different components (such as field demonstrations, training, financial services and infrastructure). Moreover, the VDPs tend to adhere to the structure of the project components. Although the needs are currently identified at the village level, the District Coordination Unit (DCU) makes the final decision as to what is accepted and what is not. Priorities outside the project categories that are meaningful to the participants may not be approved by the DCU. This has implications for ownership of the interventions, which is key to sustainable impact. Even if something is not approved, villagers need to be informed as to why and to feel that they have freedom to choose in the future. VDPs also need to specify what resources the community will contribute to complete the plans, what resources will be needed from outside, a timeline, who will be responsible, and what indicators will be used to judge success.

Finally, VCFs were introduced after a Supervisory Mission to streamline the community mobilization process. After 2 years of experience, OCISP finds that the expectations of the VCFs have not been entirely met and, due to budgetary constraints, the project has decided to reduce the number of VCFs and also not to finance their activities during the last project year. In terms of sustainability, use of such individuals would be more beneficial from the start of a project, and individuals would have to be seen by VAC members as useful and somebody they could take advice from. A more sustainable approach would be to build up the capacity of individuals within the VAC to perform certain functions. The oversight for such capacity-building could initially be project-based (e.g. with the DCU) and later transitioned to local government.

B. Institutional Support

The project has continued training and mentoring of organizations, including VSCS's, VACs, and maintenance organizations, incrementally building the capacity of these institutions and the confidence of their members. Communities have decision-making processes that enable planning, equitable participation and implementation of shared goals and objectives, and the fine-tuning of VDPs. Perception surveys note general satisfaction with most institutions (even when not meeting the project standard of 85 per cent, most average satisfaction rates are high).

The sheer number of villages and organizations within villages limits the direct contact that District and project staff can have with communities. Two important elements that contribute to institutional sustainability – capacity of members and resources – exist in varying degrees both within and among communities.

Applying the cluster approach to institution-building will enhance sustainability. By meeting periodically in groups, needs and strategies can be jointly discussed. Together groups can solve their own problems or collectively submit their requests to line agencies. Having more power in numbers will increase the confidence of members and make their participation more meaningful.

C. Agriculture and Natural Resource Management

In general the Agriculture and Natural Resources Management (ANRM) component has made considerable progress after an initial slow start. By having the Provincial Agricultural and Forestry office (PAFO) Director as the Coordinator handle operational and coordination tasks for the component, coordination between the Province Coordination Unit (PCU) and the PAFO and subsequently between the DCU and the DAFO, the difficulties in management, timely allocation of funds and subsequent implementation of activities, monitoring and follow-up have been worked out.

Appropriate and sustainable technologies are at the heart of agricultural and natural resource management. Sloping Lands Agricultural Technologies (SALT) have been tested in three districts (M La, M Houn and M Pak Beng) under the supervision of CIAT⁵ but little of this has spread to the project area. There is a sense that the agricultural component has not totally focused on capturing indigenous sustainable practices, made use of other research and development in sloping lands agriculture, and then developed its own set of appropriate technologies on which to focus. Instead a rather large array of agricultural technologies has been offered through training and demonstrations. The result has been a diffused message – in many cases there has not been a critical mass that have been trained in a particular message, been exposed over several cropping seasons to field demonstrations, and then provided additional training and follow-up. OCISP has made efforts to reach upland areas using a key farmer approach, and creating appropriate demonstration models to support key farmer messages, but to improve sustainability these efforts have to be continued and, in many cases, amplified.

Due to the nature of agro-ecosystems in the upland/highland areas in northern Laos, land use issues are essential to livelihoods.⁶ LUP results in the reallocation of land units within the jurisdiction of a village, defining where agricultural activities, such as hillside farming, can be conducted. LUP was undertaken in 21 villages for 47 per cent of the annual work plan 2008 targets, where village borders were defined and land zoning was carried out. The PAFO staff predict that all 45 villages will be finished by the end of the current fiscal year ending in September. However, since LUP is so integral to sustainable farming practices, it is questionable whether or not the introduction of sustainable

⁵ International Center for Tropical Agriculture

⁶ There are various types of land use in the area: (1) forest lands where households hunt and gather forest foods, obtain essential raw materials for shelter and fuel wood, and collect non-timber forest products (NTFPs) for cash income; (2) hillside (even up to 50° in slope or so) production areas where farm households cultivate field crops for a season under shifting cultivation and then they rotate to another area where the land has been lying fallow, regenerating its soils for 6-7 years (thus the bush fallow rotation cycle continues); (3) paddy lands in limited areas on the flatter lands in these mountain valleys; (4) small areas near the residential area of the villages for fruit trees and home gardens; (5) fallow areas for large livestock to free graze in; whereas smaller and medium-sized animals are kept in and near the village; and (6) fish ponds are increasingly being dug to provide much needed sources of protein.

agricultural practices can proceed in the absence of land use management and the concomitant changes that farmers must make with respect to land use restrictions. A more sustainable strategy would be for OCISP to follow-on in areas where land use planning has progressed to a reasonable degree, then introduce agricultural practices compatible with land use changes.

Project monitoring data suggest that there has been a decrease in area under shifting cultivation. A total area of 8,530 ha is under shifting cultivation, according to the annual village questionnaire data in project year (PY)6 in all target villages, and the area of shifting cultivation has been reduced by 17 per cent compared to PY3. This data is collected through qualitative discussions, and no physical measurements, through field work or satellite/aerial imagery, have been used. In the few areas visited, however, these results seem questionable. OCISP provides credit for seeds and other inputs, it has created access via road construction (in many areas that never had roads before), and it has provided training on new technologies. The combination of these three factors is likely, at least in the short to medium term, to *increase* area under cultivation, especially in areas where LUP is not far advanced. In the absence of more technical and disaggregated information on shifting cultivation, it is impossible to say for sure that area under shifting cultivation is on the decline.

One of the more significant information gaps, and one clearly recognized by the M&E Unit, is the understanding of the changes brought about in agricultural production by project interventions. Insufficient information is available, either within OCISP or at District offices, on agricultural production, cropping choices, etc. For example, the latest available Country Portfolio Review Report⁷ estimates that shifting upland rice cultivation has declined by 24 per cent in target villages since the start of the project. No solid data exist for this and other key agricultural indicators in relation to specific project interventions.

Finally, it must be recognized that marketing plays a key role in the sustainability of changing agricultural practices. In a project such as OCISP, there have to be a number of interventions related to market development, including but not limited to crop choices, market and value chain analysis of selected crops, market information system, capacity-building in negotiation and contracting, and development of cluster or production groups. OCISP has not focused heavily on the marketing side of agricultural livelihoods. This could ultimately impact the sustainability of the programme.

D. Rural Financial Services

Rural Financial Services (RFS) under OCISP revolve around the development of VSCSs. Plans are to have 63 VSCSs operational before the end of the project. Reportedly 52 VSCSs are now active and 7 will have been set up by the end of the first quarter of this year.

The RFS component has been set up with many of the best practice principles of micro-finance in place: loans are provided on a graduated scale. As a household demonstrates the ability to manage a loan it qualifies for a larger loan; VSCSs are provided with matching funds after they meet criteria for receiving matching funds from the project; joint liability groups are formed to make credit available for various income-generating activities. Reportedly the repayment rate is around 98 per cent. Even

7 Department for Planning and Investment, 31/10/2005.

if this is slightly exaggerated it still demonstrates the discipline of repayment that has developed. There is a good chance for the rural finances component to be sustainable. In order to guarantee sustainability of the VSCSs, however, credit associations are to be formed at the district level so as to consolidate and systematize the experiences obtained at village level. The development and functioning of these associations is still largely an unknown.

VSCSs should now move to the next phase by forming district VSCS Associations to organize and manage aggregate production and marketing. This phase of institution building would broaden the scope and depth of the vision of villagers by sharing experience regarding how to manage natural resources across the villages. By achieving a closer interface with the line agencies, use of surplus funds available across VSCSs would ensure greater sustainability of their livelihoods and food security.

E. Rural Infrastructure

OCISP has supported a significant amount of infrastructure development, including rural roads, gravity-fed water systems, school dormitories, irrigation canals, and terraces. Spot checks of infrastructure suggest that it mostly remains in good condition, with only minor repairs needed on occasion. However, it is clear that there will be maintenance issues in the future, especially for rural roads but also for all other structures. Evidence clearly suggests that rural households in general, and farmers in particular, benefit from increased access to markets, improved water management, and improved access to inputs and services. Installation of gravity water systems is also seen as very beneficial. Almost every rural household interviewed cited improvements in rural infrastructure as the most important change.

OCISP has developed valuable experience around the issue of maintenance and the sustainability of rural infrastructure. User fees can be collected and managed by user groups when this is government policy rather than a project proposal. The Provincial Department of Health (PDH) has introduced monthly user fees to finance the operation and maintenance of gravity water schemes financed by the project; this policy initiative has been institutionalized in the government whereby each water point has a user group which reports to a committee which is responsible for the whole scheme.

The Project has made considerable effort to construct small-scale community and micro-irrigation schemes in order to allow farm households to cultivate paddy rice under irrigated conditions, giving them higher productivity and greater stability to their production. These types of rural infrastructure have great potential for sustainability because they are linked to household livelihoods and they are controlled/maintained by a relatively small number of people. In order to guarantee operation and maintenance, some water user committees (WUCs) have been established. Others still need to be established and training needs to be provided. A similar arrangement could be made for the operation and maintenance of irrigation schemes similar to that of gravity-fed water systems.

The Department of Communications, Transport, Posts and Construction (DCTCP) is responsible for the elaboration of a maintenance plan for rural roads. While no detailed plans have been generated, much of the work is underway. Draft contracts between the Rural Maintenance Committees and DCTPC are in most cases ready. For other infrastructure there remains more work to do on formulating specific maintenance strategies (a framework for dormitories is 'generally in place' and stakeholders have been

duly involved). Moreover, there are committees in place for infrastructure maintenance and most have been provided some level of training. Where there has been road construction, 70 per cent of the tools used are left with the villages and the poorer households have priority to use these tools when not needed for road maintenance.

Routine road maintenance can best be financed by channeling project funds to the Road Maintenance Account and not through the national road maintenance fund. Funds for routine maintenance of roads should be provided to the Road Maintenance Account of the DCTCP and earmarked to finance regular routine maintenance of roads providing access to the project's target villages. However, it should be noted that prior to the release of such funds to the Road Maintenance Account, the Provincial Public Works and Transport should be required to produce a clear maintenance plan highlighting the major areas/roads where the funds would be utilised along with the details (villages participating, agreements, budgets, etc.) regarding the maintenance actions based on the national priorities of the Ministry. It is not recommended that funds be transferred directly to the national Ministry, as they are likely then to be pooled and used for road maintenance roads beyond the project area. Major road repair should be financed out of the allocations for the province from the Road Maintenance Fund operated by the DCTCP. This is all good strategy for when OCISP is operational, but maintenance budgets need to become commonplace at the district level.

For school dormitories the issue seems to be more focused on budget. Funds as well as budgeting for recurrent costs is likely to be an issue for all types of infrastructure.

F. Monitoring and Evaluation

Since the beginning of the project the M&E Unit has collected significant amounts of output data. A limited amount of outcome data is collected via three primary data collection tools: a VIQ; an annual Wealth Ranking Assessment (WRA); and a Participatory Impact Monitoring (PIM) questionnaire. This is in addition to all of the normal output monitoring data collected from line agencies participating in the project. The VIQ supplies basic information about each village needed for OCISP and government records. Information is supplied by the VAC.

Wealth ranking is conducted annually in each village by the CD and M&E staff. It divides households in each village into five categories (1=wealthiest; 5=poorest). These divisions are first made according to village-based criteria and then converted into a wealth ranking using Government of Laos standardized poverty criteria. It is important to note that the exercise is conducted using a group of villagers and not individual households. The poverty criteria include aspects of housing, rice self-sufficiency, cash crop sales, livestock ownership, asset ownership (including land), ability to send children to school, and ability to access medical treatment.

The PIM is a satisfaction survey based on 52 questions covering project activities in agriculture, rural finance, infrastructure and institutions. Questions are posed to small groups of individuals and after the results are tabulated they are discussed with the participants. A form is used to highlight problems, causes and solutions for each activity. The M&E Unit also developed a series of ten simple checklists covering most major activities. The checklists explore the perceptions towards the VAC and the village community facilitators as well as perceptions regarding the state of infrastructure.

The information needs change from that of routine monitoring of outputs to a focus on outcomes and eventually impact. Outcomes include changes in behavior (at the

household level) and systems (at the community level). This marks an important shift in the M&E system as it gears up to collect additional data that will be used to assess the effectiveness and sustainability of the project.

Although the M&E system is relatively strong today, there were gaps in data collection at the beginning of the project. The final survey will provide valuable information on project sustainability but needs to be modified from the baseline and should include all of the indicators used in the initial survey. This will allow full comparisons to be made with the baseline (2006) data. In addition, new indicators should be included in the final survey that capture multiple dimensions of poverty and food security in addition to other key anticipated behavioral and systemic changes that lead to sustainable practices and systems.

To date, the analysis of outcome data has included relatively little disaggregation. The exception has been limited analysis of wealth ranking data by District. The RIMS survey had no disaggregated analysis (with the exception of anthropometric results disaggregated for boys and girls). Disaggregating data either by survey design or by the use of categorical variables (such as wealth category) allows for more powerful analysis and insights, meaning the data is more useful for decision-making and assessment of change. Therefore, the final survey needs to be designed in a manner such that: 1) it enables statistical comparisons between the 2006 baseline RIMS survey and the final survey; and 2) it allows relevant disaggregation of data. The primary disaggregation should be by District since the project has been implemented at the District level using District staff. The survey should also include variables that allow disaggregation by social class (e.g. wealth ranking), remoteness and access to various services.

The baseline (RIMS) survey used the 30x30 Cluster Sampling approach. While this is standard for IFAD RIMS, it is not necessarily the best sampling approach, and when used incorrectly can make it difficult to look at disaggregated data. In terms of generating information to assess sustainability, OCISP surveys should use a multi-stage sample with the first stage being Districts, the second stage being selection of villages per cluster using probability proportional to size, and the final stage should be a random selection of households.

IV. Challenges and Opportunities for Addressing Different Dimensions of Sustainability

OCISP has a lot of sustainable best practices incorporated in its design and execution, such as a high degree of participation, a focus on poverty with a high chance of transforming households out of poverty or at least into higher income levels, and offers viable and technically feasible livelihood alternatives to households. It has managed to facilitate the development of a number of functional institutions that should be self-sustaining after the project ends, and there appears to be government commitment at the district and provincial levels to provide relevant services to households.

Where OCISP perhaps falls short is in two areas. One area is in environmental sustainability. The project design does not adequately address environmental aspects. Some environmental considerations are taken into account through appropriate cropping technology on slopes, but only in the context of agricultural production, and not environmental protection or enhancement. More focus on hillside protection, development of agroforestry (including tea and coffee production), cultivation and use of non-timber forest products (NTFPs), and protection of watersheds, to name a few environmental foci, would have strengthened the sustainable aspects of the project design. The challenge in the future will be for communities to maintain higher levels of production while population continues to grow, and while more land use planning and enforcement takes steeper hillside land out of production. Again, a more system-based approach to livelihood systems in Oudomxai, in hindsight, may have been a stronger base upon which to develop OCISP. What is needed is more understanding of how to balance anticipated gains in agricultural production and other livelihood outcomes with the more communal changes needed in environmental protection.

The second area where OCISP may be deficient is in household and community resilience. Resilient communities are readily able to anticipate and adapt to change through clear decision-making processes, collaboration, and management of resources both internal and external to the community. While community decision-making capacity has been enhanced through the development of VDPs, and management of resources has been strengthened, these activities have been primarily focused on agricultural production. More emphasis on risk management in the context of rural Oudomxai would be useful, especially if there is a next phase to the project.

In general, OCISP still faces challenges in linking components to insure that project interventions promote sustainable improvements in income and food security. The project still has the opportunity to explore how each component can be better implemented to contribute to improved market access and value chain development. Given the state of infrastructure and the favorable terms of trade for commodities, such a market orientation could be advantageous.

A. Institutional Sustainability

The current capacity of provincial and district level staff appears relatively high and well aligned with village needs and priorities. While the Government of Laos will absorb most of the staff after OCISP (most of the district-level PCU are government

employees), increased focus should be placed on strengthening their capacity in key areas before the end of the project. This would include M&E (especially in measuring key aspects of agricultural production systems), simple research and development of agricultural technologies (e.g. production trials), and community facilitation.

One threat to sustainability is the fact that a number of field agents for DAFO are not permanent government employees but on contract. The DAFO only have so many slots each year that they can convert to permanent staff, so in some cases it will be challenging to complete these conversions before the end of the project.

Other than village-level VACs and district/provincial line agencies, OCISP has not worked with many local institutions. There is a paucity of local NGOs, and other service providers, such as private sector input dealers or marketing agents, have not been part of the focus. This is linked to the fact that OCISP has not placed high emphasis on the marketing side of agricultural livelihoods. There is still opportunity to do so, however, as commodity prices may favor farmers for the next several years as demand for local products such as feed maize remains high.

B. Household and Community Resilience

OCISP has contributed positively to increasing community resilience, mostly by supporting local institutions, building rural infrastructure, and providing credit. The formation of livelihood groups could be an important contributor to household-level resilience but it has not had the required level of effort nor vision to do so. Improvements in cropping and access to credit have encouraged some income diversification in households. Indeed, available indicators suggest that household income has increased and poverty has been reduced. Increased support from service providers combined with improved access to knowledge and information can also improve the lot of farmers.

Despite obvious gains, most households under OCISP maintain livelihoods in areas that are unsustainable under current practices. Shifting cultivation itself may not be unsustainable, but with the amount of land for cultivation fixed, land scarcity will present increasing challenges to the sustainability of agricultural livelihoods unless alternatives to shifting cultivation are adopted. Restrictions enacted by land use planning regulations present another potential constraint to the resilience of households dependent on shifting cultivation.

OCISP also strives to improve the lot of women. This is a slow and arduous process in the seven districts where OCISP operates. Just the fact that women are now participating more and are talking to other groups in various forums likely increases their level of confidence and gives them a newfound sense of pride, more openness to new ideas and alternatives, a higher value on education, and more awareness of the economic impact of social issues.

C. Environmental Sustainability

Elements such as LUP and agricultural interventions have a potentially large impact (positive or negative) on the environment. Environmental sustainability can be threatened by watershed damage, deforestation, changing hydraulics, loss of biodiversity, etc. It should also be recognized that opening up areas with new rural roads, providing access to credit, and offering new cropping choices can potentially hasten environmental degradation, at least in the short-term. LUP can result in reduced

fallow periods in the short-term, as well as require alternative income-earning (or at least more diversified) opportunities for households.

Although there is little time to address environmental sustainability in a more focused manner in the current project, the project could put more emphasis on agricultural interventions that are more environmentally sustainable, such as green manures. Given the importance of environmental sustainability to the watersheds in the project area, it would be beneficial to provide more training to District staff on the potential impacts on the environment brought about by changes in agricultural practices and other elements of the project. It would be beneficial for many of the line agencies to participate in such a training to bring the multi-dimensional aspects into account.

If IFAD retains natural resource management as a key component of agricultural projects, and it wants to ensure environmental sustainability, it has to be much more strategic and systemic in its choice of interventions, how changes in the natural resource base are monitored, and how these changes impact on households and communities.

D. Social Sustainability

No single element of the project focuses explicitly on social sustainability. Rather, empowerment and changes in power structures and relationships come about mainly through participation in project training and activities, in participation in group activities such as infrastructure construction and maintenance, and through membership and participation in organizations.

Certain interventions may be particularly powerful for promoting empowerment of women and increasing the participation of poorer households. Access to and management of credit and savings is one of the more important elements of the project that can potentially empower women. Development of diversified income-earning strategies is important for poor households to increase their resilience and give them confidence to make more changes in the future (e.g. in crop management). It should be recognized that not all villagers have the opportunity to participate equally. In more remote villages the changes in social structures and norms will be quite slow simply because they are not exposed to such catalysts as credit and savings. The M&E section of the supervision mission has highlighted the need for a gender study to better assess the impact that the project is having on empowering women. Future data collection and analysis efforts should use more disaggregation based on wealth ranking in order to better understand if poor and female-headed households are benefiting equitably.

Although the project has done a good job of trying to strengthen the capacity of local service providers such as extension staff, staff turnover will be a problem in continuous service provision. Beneficiaries should be given the latitude to choose the service providers that they deem as the best at providing the information and training they need. For example, if progressive farmers in the community are viewed as the source for best practice information, they should have the choice to engage these individuals with capacity building funds.

E. Addressing Structural Dimensions of Poverty

Oudomxai is characterized by rural households that have not historically benefited from centrally-funded, macro-economic improvements due to language, illiteracy, and cultural barriers. Many project staff are not familiar with all the local dialects, which creates greater difficulties in social mobilization, conveying project messages and

encouraging the adoption of project sponsored interventions. It is critical to focus on ways to improve household and community participation by concentrating on communication strategies. Such strategies will provide important lessons learned that can be incorporated into other projects.

The hilly regions where OCISP operates have the highest number of poor households suffering from structural poverty. The project has made some inroads into addressing poverty (even though the number of households moving into higher wealth categories remains to be validated) and has developed an effective poverty reduction strategy for communities. Household incomes have been diversified through access to credit and adoption of new crops and technologies. Work remains to be done in order to complete the circle with effective marketing strategies that households control (through knowledge of marketing opportunities and use of basic commodity price information systems).

Women now play a larger role in household livelihood security through raising small livestock and engagement in other income-generating activities. While not fully engaged in all aspects of livelihood and food security, it is clear that women are gaining confidence and power, primarily through their involvement in VSCSs.

V. Conclusions and Lessons Learned

OCISP has distinct elements of a sustainable project and, thus, is a good case study to build on IFAD's sustainability experience. It still requires strengthening in some of its approaches, with respect to monitoring and evaluation, environmental sustainability, and marketing. Many VACs and VSCs are well advanced and already functioning with a reasonable degree of independence. They are creating ideas and plans, working together to identify and resolve issues, and seeking access to services both with and without the direct support of the project. The sense of local empowerment, particularly of women, and ownership of project outputs is high.

A number of factors can be cited that explain the OCISP's positive accomplishments regarding sustainability. Although the successes seen here may be due in part to local contextual factors, these points should also serve as lessons that can be applied to programming in other contexts.

- OCISP is very responsive to the expressed needs of communities, and works closely with communities in the planning process. In the beginning it commits relatively little funding to the community, which creates more analysis and debate on how these funds should be used. Later when communities have more capacity in this self-analysis and planning they receive more funding.
- OCISP places a lot of responsibility on line agencies at the district and provincial levels but at the same time supports them in their work. It takes on the role of facilitator more than a demander of services.
- The project has learned that strict guidelines, documented for project and partner staff to use, along with 'measured flexibility' produced the best results.
- OCISP has successfully introduced credit into rural communities in a relatively short time period.

Some important lessons related to sustainability emerge:

1. IFAD included the word *sustainable* in the project objective. While perhaps a subtle point, it does impose a higher level of attention to sustainability and may also serve as a reminder to implementors and evaluators to assess progress toward sustainability.
2. OCISP emphasizes institutional capacity building and sustained income streams. The project design did not incorporate the dimensions of resilience and risk management to screen interventions, and this is a major shortcoming given the complex physical environment in which the project operates. Environmental considerations and structural poverty were factored into the project design but, as elsewhere, have proved to be somewhat problematic.
3. There is a theoretical balance between the number of communities reached and the sustainability of the effort, given the local context and budget. In the quest to serve as many beneficiaries as possible, projects often end up spreading staff too thin, having minimal contact with community members and institutions, and unable to monitor areas that need shoring up. This is evident in OCISP,

where the need to reach a large number of communities comes into conflict with the need to have physical presence, as community organizations and line agencies implement activities.

4. Resource management must include the promotion of indigenous knowledge systems and practices, natural resource management and enhancement, and the use of natural resources in production systems. These concepts are largely lacking in OCISP as it has focused primarily on cropping systems. A focus on NRM would have to have been introduced early and in a manner that ensured participation in resource management (specially off-farm) in the long term. It may include strict land use allocation (recognizing the implications on production systems), cropping insurance, monetary or other incentives to invest in long-term enhancement, and the strategic use of hillside crops such as coffee and tea that can be grown under canopy.
5. While there is a reasonable level of integration among the five components, community participation in choice of intervention could be strengthened, as could leveraging among the components. For example, while participants expressed the need for access to credit, the choices of what credit can be used for are not always integrated strategically with other interventions. There are links to training (for example, if credit is taken out for pig raising there is technical assistance also provided in this area), but no link to marketing pigs/pig products for those involved in pig raising. There are other potentials for increasing cash income (e.g. bamboo and rattan products, tea production) that have been considered but progress has been limited or modest.
6. While the project has been successful in targeting remote and difficult villages and directly benefiting the target group in the project area, the question arises whether 'the results of the project could be sustained in the medium or longer term without continued external assistance'. With better roads and infrastructure, improved extension services, rural financial services, and farmers' organization in place due to the efforts of the local government, including OCISP, these remote upland regions now have better marketing opportunities, which has been a key constraint for rural households in getting out of poverty. Sustainability in the longer run would mean that the rural poor need to access markets and economic growth.
7. Some good practices for institutional sustainability are being followed. For example, VAC supplies the project and government line agencies with information for the VIQ. This is a good activity to replicate as it mixes participatory M&E with capacity-building for the VACs. The CD team has periodically assessed the areas of support (e.g. training in specific areas, gender sensitivity, repeat training) required to make the VACs more functional, and then included the support activities in the annual work plan of the CD team. This is good practice and has resulted in workshops being held, evaluations made and CDFs given extra training.
8. Risk mapping should be made a prerequisite and be instilled as part of the project design process. Sustainable strategies for remote areas and areas with diverse groups need a risk management lens to identify what kinds of risk management capacity need to be in place at the household and community level, what types of safety nets need to be available at various levels in case local capacity to

manage risk becomes overwhelmed, and what kinds of social protection mechanisms need to be in place at the provincial level in case the lower levels are not able to respond to a shock (productive safety nets to rebuild assets).

9. Attitudinal and behavioral change regarding protection of the environment was brought about through links with cultural traditions and by first promoting self-interest (e.g. protecting sources of potable water) rather than moralistic entreaties regarding biodiversity or heavy enforcement and stiff penalties.
10. Applying the cluster approach to institution-building will enhance sustainability. By meeting periodically in groups, needs and strategies can be jointly discussed. Together groups can solve their own problems or collectively submit their requests to line agencies. Having more power in numbers will increase the confidence of members and make their participation more meaningful.
11. Since LUP is so integral to sustainable farming practices, it is questionable whether or not the introduction of sustainable agricultural practices can proceed in the absence of land use management and the concomitant changes that farmers must make with respect to land use restrictions. A more sustainable strategy would be for OCISP to follow-on in areas where LUP has progressed to a reasonable degree, then introduce agricultural practices compatible with land use changes.
12. OCISP has developed valuable experience around the issue of maintenance and the sustainability of rural infrastructure. User fees for gravity-fed water systems have been imposed successfully, and work is in progress to implement provincial-level planning, contracting and oversight on rural road maintenance. These and other creative combinations of maintenance strategies are required to ensure sustainability, and sustainability plans are crucial for defining these strategies early in the project.

Annex A

Terms of Reference

1) Background

The issue of sustainability is a key concern for IFAD which has been highlighted by the Independent External Evaluation (IEE) and in successive Annual Reports on Results and Impact of IFAD Operations (ARRI). The 2006 ARRI evaluation confirms that sustainability remains a major challenge for IFAD with only 40 per cent of operations being rated as substantial or better.

The IFAD Strategic Framework 2007-2010 acknowledges that ensuring sustainability is a challenging endeavour – and for all international development agencies – but also that without sustainability it is not possible to claim lasting impact in terms of rural poverty reduction.

The Asia and the Pacific division of IFAD has undertaken initiatives on sustainability – especially of rural poor organizations – through its grant programme and the SCOPE project in particular, and consultations with the World Bank. It now plans to extend the investigation on the factors that affect the sustainability at large of the investment projects it funds in the region.

To this end, a study has been initiated which is to be conducted in three different stages:

- a) Desk Review: the desk review has involved an analysis of selected documents and interviews with key resource persons at IFAD Headquarters. The ultimate purpose of the review was to set the boundaries of a theoretical framework for approaching the concept of sustainability and to start defining the term as it applies to IFAD-funded operations.
- b) Case studies.
- c) Source Book preparation: the Source Book will be the ultimate output expected from the whole study. Building on the theoretical framework defined the context of the Desk Review and on the findings of the case studies, this user-friendly guide for development practitioners should among others:
 - Suggest a very clear and practical definition of the multi-faceted concept of sustainability as it applies to IFAD-funded field operations;
 - Identify enabling factors (or constraints) for sustainability;
 - Identify important criteria for improved project design;
 - Identify indicators that will measure progress towards sustainability during project implementation.

2) Objectives

Overall objectives: the present consultancy will focus on conducting a field case study in selected Asian country as a second step of the initiative described above. It will therefore build on the Desk Review work and further advance the multifaceted definition of sustainability as it applies to IFAD-funded operations.

The case studies will represent an opportunity to shed some light on the reality of IFAD-funded field operations as they are currently being implemented, supervised and evaluated

by IFAD and its countries' partners. The overall goal is to identify the enabling factors that led to sustainability or, in case of negative findings, the constraints that projects face (or may face) for sustaining project benefits after completion. The ultimate purpose is to improve the development effectiveness of IFAD-funded operations in the region.

Detailed objectives: more precisely, the objectives of the case studies are:

- a) To collect and document the views of the various projects' stakeholders on what sustainability means for them, with particular attention on the views of projects' ultimate beneficiaries (farmers, livestock owners, rural producers, farmers' organizations, women, etc.).
- b) To document the experience and performance of selected IFAD-funded projects in aiming at ensuring sustainability of project benefits beyond project implementation.
- c) To help IFAD better understand how project designs, M&E systems, supervisions and overall implementation in selected IFAD-funded projects and specific country contexts have addressed – or should address – the issue of sustainability.
- d) To generate lessons learned on the specific approaches that have greater chances to lead to sustainability and/or on the specific constraints that may impede prospects of sustainability.

3) Scope

The consultant will travel to the Oudomxai province.

4) Output

On the basis of the revised methodological note illustrating the methodology, processes and tools to be used in the development of the case studies and on the main results of the desk review, the consultant is expected to deliver a case study report.

5) Report's outline

While a detailed final report's outline will be agreed upon between IFAD and the consultant submission of the first draft, the report should at a minimum include the following:

- a) A brief methodological note.
- b) An assessment of the sustainability approaches and exit strategies used in IFAD-funded project and/or planned to be used, including the definition of sustainability.
- c) A documentation of project stakeholders' views on sustainability (definition and performance so far).
- d) A presentation of the key determining factors recognized as essential to ensure sustainability after project completion.
- e) A presentation of the key risks or potential obstacles to sustainability.
- f) An assessment of the indicators used to measure sustainability.
- g) A presentation of the major lessons learned.

The case studies reports will have to be of such nature as to feed into the final Source Book. The reports should be kept as short and practical as possible (max. 20 pages).

6) Methodology

The methodology will include focus group discussions and interviews with key informants (beneficiaries, project and government staff). Outlines developed for these discussions will have a sustainability focus covering economic benefits accrued by individuals and households as a result of project interventions, changes in power structures and social capital, enhancement in or protection of productive resources, resilience of household and community-level livelihood strategies.

Prior to the field trip, the consultant will review key project documents for each project (appraisal reports, supervision reports, annual workplan and budget, progress report, M&E documentation and others as available). These documents will be provided by IFAD and reviewed prior to field travel, and will influence the formation of qualitative field instruments.

7) Schedule

The consultant will report to the Portfolio Management Cluster of the Asia and the Pacific Division. The assignment will take place during 12-22 May 2008.

Annex B Itinerary

Date	Activity
12 May	Arrival in Oudomxai.
13 May	Meetings with project staff and provincial-level line agencies.
14-16 May	Travel to B Phou Luang, M Pak Beng and B Kong Meuang, M Houn. Discussions with participants, district line agencies and private sector.
17 May	Travel to PCU. Note review and write-up.
18 May	Meeting with M&E Unit to formulate and discuss M&E issues.
19 May	Write-up and discussions with PCU staff on specific sustainability issues.
20 May	Meeting with OCISP project team on Supervision Mission findings. Final write-up and submission.
21 May	Travel to Bangkok.
22 May	Informal consultation with the seven District Coordination Units.

IFAD

The International Fund for Agricultural Development (IFAD) is an international financial institution and a specialized agency of the United Nations dedicated to eradicating poverty and hunger in rural areas of developing countries. Through low-interest loans and grants, it develops and finances programmes and projects that enable poor rural people to overcome poverty themselves.

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