

# ARRI ISSUES NOTE: SUSTAINABILITY

## 1. Introduction

The 2006 ARRI recommended that IFAD hold a broad based discussion on sustainability issues in order to better understand what is needed to resolve the continuing poor record on sustainability observed both in the IEE and in successive ARRI reports. The evaluation findings for 2006 confirm that sustainability remains a major challenge for IFAD.

Given this background, and the aim to make the ARRI a more learning-based document for IFAD, the 2007 ARRI will devote a short thematic chapter to the issue of sustainability. The emphasis will be on identifying the factors affecting post-project sustainability drawing on evaluations to date, and what this means for designing and implementing interventions for sustainability in the future.

This short summary note, which benefits from preliminary discussions with selected IFAD staff, identifies some of the issues that the ARRI chapter has identified as potentially important, and will be used as a basis for discussion with IFAD staff before the chapter is finalised.

## 2. Definition and measurement

In the development literature sustainability is often combined with notions of sustainable development, the two frequently being used interchangeably. Bruntland 1987 provided one of the earliest formulations of sustainability, defining it as “development that meets the needs of the present without compromising the needs of future generations to meet their own needs”. The intergenerational dimension of sustainability has remained a central concern, but the conditions necessary for ensuring sustainability are also dependent on the context and the level at which sustainability is being sought. At the farm level, for instance, the typical characteristics of sustainability – viable production systems, basic economic and social needs satisfied - are likely to be different (at least in magnitude) from those relevant at the regional or national level where characteristics such as the quality of the natural environment and peoples’ adaptability within it, the coherence of national policy frameworks and social equity considerations are critical. Moreover in situations of high potential the characteristics and determinants of sustainability are likely to differ from situations of low potential or ongoing conflict.

In recent years concepts of sustainability have risen up the international agenda once again, but this time as part of the wider debate about the effects of climate change. Climate change heightens the delicate balancing act between environmental, economic and social concerns that lies at the heart of development and, for poor countries and populations in particular, has potentially powerful implications for the future metrics of sustainability.

### ***Measurement challenges***

Whereas definitions of sustainability in the wider development literature abound, in the context of development cooperation there have been concerted efforts to offer both concrete definitions relating to development programmes and provide tools for measurement.

The OECD/DAC defines sustainability in development cooperation as “The continuation of benefits from a development intervention after major development assistance has been completed”. This is built on a twin assessment of (i) the likelihood or probability of continued long term benefits and (ii) the resilience to risk of the net benefit flows over time.

Some agencies have gone further, distinguishing between two types of sustainability – *static sustainability* which refers to the continuous flow of the same benefits and *dynamic sustainability* which refers to the use or adaptation of programme or project results to a different context or changing environment by the original target group and/or other groups. (UNDP cited in CIDA 2002 ‘Assessing Sustainability’). This latter concept, which allows for the possibility of spill-over and multiplier effects is similar to the one developed by the Global Environmental Facility (GEF) which explicitly includes *replication* as one of four contributing aspects of sustainability (Annual Performance Report 2005).<sup>1</sup>

Sustainability clearly needs to be defined to reflect the temporal nature of the initiatives it is associated with. A key challenge is between reconciling short term priorities with long term sustainability. A development project is by definition a temporary event; sustainability therefore refers to what gets left behind. The critical question then becomes how soon or how far into a development intervention is it reasonable to expect lasting benefits to be revealed, and how much can the development intervention itself do to affect or change the likelihood that outcomes will be sustained post-project. Because most self and ex-post evaluation studies are undertaken at project or programme completion, most evaluation systems assess sustainability in terms of the ‘likelihood’ or ‘probability’ that results will persist. In doing so, a number of critical dimensions of sustainability are considered including technical, economic/financial, environmental, political and institutional.

OE defines sustainability as ‘whether the results of the project will be sustained in the medium or even longer term without continued external assistance’. Evaluators are expected to consider the factors in the box below in assessing this. The IFAD Strategic Framework 2007-2010 acknowledges that ensuring sustainability is difficult – and a challenge for all international development agencies – but also that without sustainability it is not possible to claim lasting impact in terms of rural poverty reduction.

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<sup>1</sup> The other three are: financial resources, socio-political issues, and institutional framework and governance.

**OE Evaluation Manual (draft): Factors contributing to ensuring the sustainability of projects results.**

- (1) Political sustainability: government commitment, stakeholder interests, strong lobby groups and political influence/pressure;
- (2) Social sustainability: social support and acceptability, community commitment, social cohesion;
- (3) Ownership: do communities, local government, and households accept and own the outcomes of the project in ways that are sustainable, e.g., internalizing innovations, absorbing technical knowledge to be able to continue with operations and maintain them without external assistance, etc.;
- (4) Institutional sustainability: institutional support, policy implementation, staffing, recurrent budgets;
- (5) Economic and financial sustainability: resilience to economic stability and shocks, financial viability, household vulnerability/risks to falling back into poverty (if they have moved above the poverty line) or increasing vulnerability and food insecurity;
- (6) Technical sustainability: technical soundness, appropriate technical solutions, technical training for operations and maintenance, access to and cost of spares and repairs;
- (7) Environmental sustainability: projects positive/negative contributions to soil and water preservation and management, resilience to external environmental shocks.

**World Bank-IEG: sustainability as resilience to risk.**

Partly in response to the difficulties of defining and measuring sustainability the World Bank Independent Evaluation Group has recently clarified its definition. IEG's sustainability measure or measure of 'risk to development outcome' assesses the *resilience to risk of net benefit flows over time*. Resilience to risk is assessed over 8 domains including financial, political, institutional, environmental etc. The key questions are:

- What is the resilience of risks of the future net benefits?
- How sensitive is the project to changes in the operating environment?
- Will the project continue to produce net benefits as long as intended or even longer?
- How well with the project weather shocks or changing circumstances?

*outcome'* taking into account how the have been mitigated in the operational design or by actions taken during implementation.

Source: IEG Evaluation Approach [www.worldbank.org/ieg/oed\\_approach](http://www.worldbank.org/ieg/oed_approach)

Whether defined in broad or narrow terms, the role of recipient partners in prolonging benefits is critical to achieving sustainability. Hence the inevitable link in most of the evaluation literature between sustainability and institutional development. SIDA, which has supported some groundbreaking work on the topic (Ostrom et al 2005 Box), views the institutional and governance context as central to achieving sustainability in development cooperation. This includes the incentives that are both part of, and a function of, development assistance that may aggravate collective action problems rather than solving them. According to an evaluation of SIDA's area development programmes in 2002 the sustainability "*is related to the norms and values that emerge from the 'social capital' that forms in and around the project.*"

This link between formal and informal institutions and the sustainability of development outcomes is a theme that lies close to the heart of IFAD's strategic focus and operating model. But as the evaluation record in recent years shows it is also possibly the most difficult dimension of sustainability to achieve.

### **3. Evaluation findings to date**

The record on sustainability in the cohort of 2006 evaluations shows continuing weak performance, both in relation to IFAD's high expectations of itself in this area (the IFAD Action Plan sets a target of 80% of operations achieving likely sustainability or better by 2009) and in terms of other development organisations working in the rural and agricultural sector. The PPR for 2006 does not rate sustainability because many of the projects are too new to do so, but a review of PCRs carried out for the 2006 PPR exercise showed that 48% of projects were rated as partly satisfactory or better. This is broadly similar to the results in the ARRIs, which shows that around 40% of operations are rated as substantial or better. However, a further comparison with the rural portfolio of the World Bank for operations completed between 2001-2005 (ARDE 2006) shows a score of 75% operations likely to be sustainable or better.. While the level and context of IFAD support needs to be factored into any comparison of performance with other institutions, the fact that IFAD projects are underachieving on sustainability against the objectives they set for themselves, is a major cause for concern. It is also to be noted that IFAD did not until recently have the possibility to undertake its own supervision and implementation support and nor does the Fund have a country presence, which are two important ingredients to ensuring sustainability.

Previous ARRIs have identified a number of ways in which projects supported by IFAD are often not sustainable. Some of these are listed here:

- Underinvestment in institution strengthening and capacity development
- Persistent lack of access to inputs and markets to the detriment of technical and economic/financial sustainability
- Lack of recurrent financing, particularly for O&M, post-project
- Newly created organisations weakly supported
- Projects are over-designed in terms of technical detail but under-designed in terms of risk assessments, economic and social rates of return and the budgetary and institutional viability of project implementation arrangements.

There are clearly examples of real success too, lessons from these are discussed in more detail below, but it is worth noting that recent improvements in the sustainability of World Bank rural sector operations is crucially related to overall improvements in the achievement of results which, according to the latest ARDE, is linked to a combination of: the presence of a country formulated sector strategy, more realistic objectives, a clearly defined and monitored results chain and the appropriate choice of lending instrument. To this one may want to add country presence and direct supervision and implementation support.

### **4. Lessons going forward**

Out of the 'what' of project evaluations it is possible to discern a number of lessons about the 'why' and the 'how' which may prove useful in improving the chances of sustainable outcomes in IFAD supported operations. These lessons are drawn from three sources: independent project and country evaluations as summarised in the ARRI; occasional evaluations such as the IEE in 2005; and self-evaluation as summarised in the annual Portfolio Performance Reports

Most of the lessons fall into two related camps – those that are linked to the enabling environment that impinges on the likelihood of project success, sometimes

unexpectedly, and those that are more specific to the way projects are designed and implemented and the way in which they calculate and take account of the risks to development outcomes in any given context. A list of some of the lessons/factors is offered here for further discussion:

### ***Enabling Factors***

- A conducive economic climate, including the existence of markets, for rural economic activity (not necessarily to be read as 'high potential' but nevertheless a context in which value-adding economic activity is likely to be supported and grown over time)
- A conducive political and ownership context evidenced at the national/sub-national level by a commitment to basic governance reforms, particularly measures to improve public accountability and responsiveness to poor areas and groups, and at the local level by the presence of politically legitimate and (potentially) capable partners and organisations.
- A conducive policy and legal environment that sets the rules of the game for project implementation. Projects/programmes that are able to work with the grain of policy change (with the thrust of PRSs, with ongoing decentralisation processes or developments within the financial sector) have a higher likelihood of post-project sustainability.

### ***Project-specific factors***

- institutional and risk analysis should be routine at the project concept stage
- keep objectives realistic – perceptions of failure can undermine sustainability even if there are positive results
- analyse possible incentive effects and incentive compatible designs and implementation mechanisms. Ensure incentives can support positive collective action and are compatible with the type of the 'goods' being supported (public, private, toll or club goods).
- work with existing institutions as far as possible and package appropriate technical/advisory support for as long as possible/feasible
- move up the value-chain (link micro-community with meso-market/sector) for greater prospects of multiplication and replication
- use flexible design approaches and lending instruments to the phase and sequence. Use instruments that internalise performance incentives and encourage learning (such as the FLM)
- use grant-loan mixes much more creatively, in part to ensure adequate support to technical expertise particularly in rural finance projects and also to promote innovation.
- supervise, supervise and support local implementation support systems (avoid PMUs)
- provide predictable financing and in complement to and coordination with others
- plan different exit scenarios at project design, narrow down these scenarios during the project's lifetime.
- ensure that the technical specifications of infrastructure are such that beneficiaries themselves are able to adequately operate and maintain them after the project.

## **5. Issues for discussion**

1. Is the basic analysis of the challenge of sustainability right? What specific challenges/implications does it generate for IFAD?

2. Are the lessons for going forward the right ones? Are there others?
3. Are IFAD's current efforts to enhance development effectiveness well matched to taking the lessons on board? What else might need to be done and by whom?