

OCCASIONAL PAPERS

Knowledge for development effectiveness

Sustainability of rural development projects

Best practices and lessons learned by IFAD in Asia

by
Tango International

8

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Enabling poor rural people to overcome poverty

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It is the hope of the authors that this evaluation will accurately reflect the earnest efforts of IFAD staff and assist them in developing appropriate guidance on programme sustainability.

TANGO International

Acronyms

AIMS	Area Information Management System
ARRI	Annual Report on Results and Impact of IFAD Operations
CBO	community-based organization
CD	community development
CDF	community development facilitator
CDP	community development plan
CHARM	Cordillera Highland Agricultural Resource Management Project
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
CSG	community savings group
DPRPR	Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces
LCOV	local community outreach volunteer
LGU	local government unit
M&E	monitoring and evaluation
MFI	microfinance institution
NERCORMP	North Eastern Region Community Resource Management Project for Upland Areas
NMCIREMP	Northern Mindanao Community Initiatives and Resource Management Project
NRM	natural resource management
NRMG	natural-resource-management group
OCISP	Oudomxai Community Initiatives Support Project
OE	Office of Evaluation
PI	Asia and the Pacific Division
RFS	rural financial services
SHG	self-help group
VAC	village administration committee
VDP	village development plan
VSCS	village savings and credit scheme

Foreword

Sustainability is not only one of the principles of engagement central to IFAD's identity and role, but also a critical challenge for all international development agencies. It is not possible to claim lasting impact in terms of rural poverty reduction without ensuring this aspect of development. The IFAD Strategic Framework 2007-2010 establishes sustainability as one of IFAD's key concerns.

While there have been significant improvements in the sustainability of IFAD operations, especially over the past two years, this issue remains a major challenge. The 2008 Annual Report on Results and Impact of IFAD Operations – produced by IFAD's independent Office of Evaluation – confirms this: sustainability was satisfactory in 67 per cent of the projects evaluated in 2007, as compared to only 40 per cent in 2002. However, 50 per cent of the projects evaluated in 2007 are rated only moderately satisfactory for sustainability and 33 per cent remain unsatisfactory.

In 2008 IFAD's Asia and the Pacific Division placed a high priority on identifying the factors that affect the sustainability of investment projects. A multiphase research process was undertaken to provide guidance on sustainability, with the ultimate aim of ensuring the lasting development impact of IFAD-funded operations in the Asia and the Pacific region.

The research study involved, first, a comprehensive desk review analysing ongoing regional efforts to promote the sustainability of IFAD-funded programmes. The review was followed by a series of case studies highlighting best practices, constraints and lessons learned in achieving sustainability in selected countries with ongoing IFAD operations. The study was undertaken by TANGO International, in collaboration with the division.

This paper represents the final output of the process. It suggests a theoretical framework for approaching the concept of sustainability and its definition as they apply to the design and implementation of IFAD-funded operations.

We believe that the study's findings and recommendations will be of interest to policymakers, development practitioners, donors, academics and civil society, and will enrich our understanding of the various dimensions of programme sustainability.

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Executive summary

The present paper represents the culmination of a multiphase research process. The first step involved a comprehensive desk review of ongoing efforts to promote the sustainability of IFAD programmes in the Asia and the Pacific region. The review was based on an analysis of the sustainability issues encountered by a range of international development and lending institutions operating in the region and elsewhere, and of relevant internal documents, including IFAD policy and strategy initiatives, project design guidelines, supervision reports and monitoring and evaluation (M&E) findings. During the desk review, valuable information was also gained from individual interviews with the Office of the Vice President, the Director of the Asia and the Pacific Division (PI), IFAD country programme managers (CPMs), the Office of Evaluation (OE) and technical staff.

The lead consultant traveled to IFAD headquarters in Rome, where he held in-depth meetings with individual CPMs in PI and with OE representatives. The primary purpose of this trip was to develop a methodological note outlining: the rationale for selecting the country programmes to be visited, agreements reached on the scope of the field-based research on sustainability of IFAD programmes, an explanation of the methods used to obtain information on sustainability, and the time frame for data collection and reporting of findings.

Drawing explicitly on the desk review and methodological note, case studies of ongoing PI programmes in the region were carried out in February-May 2008. The case studies examined both successes and challenges in achieving programme sustainability in Bangladesh, India, the Lao People's Democratic Republic, the Philippines and Viet Nam. In each of the selected countries, IFAD has had a significant history of programming, has an experienced and committed staff, and has learned specific lessons that can inform an analysis of sustainability.

Multiple dimensions of sustainability

The IFAD Strategic Framework 2007-2010 (IFAD 2007j) gave the following definition of sustainability:

Ensuring that the institutions supported through projects and the benefits realized are maintained and continue after the end of the project

In order to effectively operationalize the concept of sustainability, IFAD field operations must move beyond the current focus on institutions to take a number of other dimensions of sustainability into account. Consideration of each is critical, due to the fact that they not only reflect different outcomes, but they also come to the fore at different stages of the project cycle. In order to ensure project sustainability, IFAD must consider four essential dimensions:

1. **Institutional sustainability** – functional institutions will be self-sustaining after the project ends.

2. **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 internal and external to the community.
3. **Environmental sustainability** – an environmentally sustainable system must maintain a stable resource base, avoid overexploitation of renewable resources and preserve biodiversity.
4. **Structural change** – the structural dimensions of poverty are addressed through the empowerment of poor and marginalized rural households.

Most internal discussions of the sustainability of IFAD-supported programmes have focused on institutional sustainability. The objective is to leave a legacy of functional institutions that will be self-sustaining once the project ends. These could be people's or private-sector organizations or governmental institutions.

The second dimension, household and community resilience, has not received much attention in IFAD-funded projects. Nor has the establishment of environmentally sustainable production systems had sufficient attention. Given the dependence of most rural communities on a limited natural resource base, environmental sustainability is critical to the maintenance of household income and asset streams.

Finally, the fourth dimension of sustainability, addressing the structural dimensions of poverty that perpetuate social inequality, is still not receiving enough attention in practice. This dimension involves empowering poor individuals and marginalized rural households to overcome poverty through the use of marketable skills and access to social services.

Project design

Two distinct programming models broadly characterize most IFAD-supported projects designed by PI. The first is a market-led programme model that implements infrastructure, microcredit and agribusiness projects, with the primary purpose of increasing access to markets. The desk review and interviews with CPMs suggest that linking households to markets and focusing on value chains and the private sector is an appropriate approach in areas characterized by stronger institutions, accessible markets and varied income-generating opportunities.

In the community-led model, the formation of self-help groups is emphasized as a means of promoting sustainability through community empowerment. The desk review and interviews with CPMs suggest that this approach is more appropriate in areas that are isolated from commercial centres, lack access to agricultural and other markets, and are characterized by distinct ethnic majorities, weak institutions and strong community cohesiveness.

While both market- and community-driven models focus to an extent on promoting institutional sustainability and sustained income streams for participating households, each of the projects reviewed also stands to strengthen household and community resilience to livelihood shocks considerably. In some cases, however, inadequate consideration of contextual issues, such as a lack of infrastructure or financial services, has led to the development of market-driven project designs where they might not be sustainable.

In addition, each of the projects visited demonstrated a certain amount of difficulty in effectively linking project components. Integration is essential: the sustainability of any particular project will depend on its overall impact on participating households and communities, rather than simply on the sum of the outcomes of individual activities.

Implementation

In addition to the initial design, the way a project is implemented can have considerable influence on its long-term sustainability. For instance, by fostering participatory approaches, remaining flexible in the face of inevitable setbacks, and strengthening the capacity of stakeholders to plan and manage future actions, IFAD country offices can help ensure that interventions have a lasting impact on the vulnerable communities they serve. Each of these principles of sustainable project implementation was seen in the projects visited as part of the case studies.

Supervision

Few supervision missions and annual reporting events have focused on the sustainability of project activities. IFAD's adoption of the direct supervision policy and its establishment of a country presence programme can greatly enhance monitoring of the sustainability of IFAD-supported projects. The posting of a CPM in-country allows more time for bottom-up project design, involving stakeholders and project participants at every stage of the design process. Outposted CPMs will also have a much better contextual understanding of their project environments and will thus be more able to conduct accurate and sophisticated problem analyses and needs assessments. All these factors will contribute to the enhancement of project effectiveness and greatly increase project sustainability.

Evaluation

In line with the findings of the desk review, the case studies revealed that none of the countries have established a consistent set of sustainability indicators as part of a comprehensive M&E plan. The case studies did, however, identify a number of promising practices in project M&E that may contribute to sustainability. One is the piloting of the Area Information Management System (AIMS) by the Northern Mindanao Community Initiatives and Resource Management Project in the Philippines as part of its sustainability framework. Project partners – such as local government units (LGUs) and community-based organizations – have continual access to information and knowledge through the system. AIMS contributes to the improvement of basic service delivery by enabling online tracking of LGU-sponsored community development initiatives.

Major lessons learned

A number of important lessons learned in the course of this review have implications for IFAD programme sustainability.

Development models leading to sustainability must be responsive to the operating environment

A market-led approach seems to be suited to areas where the infrastructure and services available will enable it to work. A community-led development model may be more

appropriate in areas that are more isolated and have marginalized ethnic minorities that have not benefited from macroeconomic improvements due to language, illiteracy and other cultural barriers. These areas lack the necessary infrastructure and services for effective market linkages. Some value-chain activities should still be piloted in these remote areas, but will be difficult to scale up until appropriate infrastructure and services are in place.

Key elements of a sustainability strategy should be introduced early in the project design phase

Several desirable elements have been identified for the sustainability strategies adopted by individual country programmes. These include, but are not limited to: a thorough analysis of both governmental and non-governmental institutions involved in project implementation, baseline assessments of household livelihood security and resilience, appropriate risk analysis, and formulation of exit strategies. The experiences of individual country programmes have underscored the importance of taking each of these steps as early as possible in the project cycle.

Promote household resilience by incorporating a risk management approach

A risk management lens should be used to screen any demonstration of agricultural productive activities. Projects should also concentrate on building farmers' capacity to effectively manage local risks (e.g. cold spells, typhoons, floods, etc.). Risk management components should be integrated into savings and credit activities to have insurance mechanisms in place, in the event that a major shock overwhelms the community and people are unable to repay their loans. Similarly, livestock and crop insurance should be evaluated on a pilot basis.

In order to help farmers manage local risk better, projects should facilitate the development of community-based risk management strategies that identify:

- what kinds of risk management capacity need to be in place at household and community levels to deal with idiosyncratic risk;
- what kinds of safety nets (crop or livestock insurance) need to be available at municipal and district levels if local capacity to manage risk should be overwhelmed;
- 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).

Country programmes should adopt flexible project design and implementation mechanisms responsive to changes in the operating environment

In order to achieve sustainability, it is essential that projects retain the ability to adapt to changes in the programming context. Overly rigid programme structures leave too little room for community input, cannot effectively incorporate important lessons and are ill-equipped to support vulnerable households and communities in a dynamic risk environment. Flexibility is particularly important to IFAD given its core strategies for institutional development. Institutional partnering arrangements must be able to evolve over time as opportunities for collaboration with new organizations emerge and others fade.

Special attention should be devoted to improved monitoring and evaluation systems that facilitate and document progress towards sustainability

Effective M&E of field operations supports sustainability in multiple ways. First and foremost, it identifies strengths and weaknesses in project implementation, which makes possible needed adjustments in response to changes in the operating environment. Second, it can highlight potential linkages among individual project components that enhance the overall impact of programme interventions. Finally, it can establish reliable indicators of project sustainability, which is a critical step in gauging progress towards key benchmarks and formulating effective exit strategies.

To achieve sustainability, IFAD should consider alternatives for improving interventions in natural resource management

IFAD's core strengths have traditionally been in enhancing agricultural productivity and supporting the establishment of community-based institutions. As the organization evolved, it began to integrate natural resource management (NRM) and environmental protection into its programmes. To integrate these two components effectively and sustainably, however, IFAD must address several key issues identified in the case studies.

Given the relatively slow achievement of results in NRM interventions and their focus on communal (as opposed to household) benefits, in some cases IFAD must re-evaluate its objectives for this sector. As currently implemented, progress towards NRM objectives is often outweighed by gains in agricultural production, establishment of microfinance institutions, and creation of community infrastructure. Project participants are thus less motivated to participate in NRM and have little understanding of the importance of resource conservation over the long term. IFAD must work to foster greater understanding of the balance between anticipated gains in fisheries, agricultural production and other livelihood outcomes and the macro changes needed for environmental protection.

In the interests of sustainability, projects should prioritize the involvement of existing community assets and structures over the establishment of new institutions

IFAD has earned a reputation for successfully establishing and building the capacity of community-based institutions. While this has proved an effective method of enhancing livelihood security through support for microcredit schemes, it may not be as sustainable for NRM, community infrastructure or community empowerment projects. The sustainability of impact in each of these areas is likely to be greater if IFAD can find ways to work through and build the capacity of existing community structures. This entails viewing NGOs and other community institutions as true partners, rather than as contractors, and involving them at an early stage of project planning and implementation.

Introduction

As a development organization, IFAD has long been concerned with the sustainability of its programming. However, while IFAD has continued to promote a conceptual understanding of sustainability throughout the organization, it continues to encounter significant obstacles to designing and implementing sustainable projects in the field. In an effort to move towards more effective implementation of sustainable programmes throughout the region, PI commissioned a consultancy to develop appropriate guidance on programme sustainability. The primary objectives of the commissioned study included:

- assessment of the sustainability of current approaches to programme design and implementation of IFAD-supported programmes;
- clarification of the different aspects of sustainability, with a view towards informing the development of a regional framework;
- compilation of lessons learned and factors that influence post-project sustainability; and
- identification of appropriate indicators of sustainability for incorporation into IFAD's performance-monitoring framework.

The present paper represents the culmination of a multiphase research process. The first step involved a comprehensive desk review of ongoing efforts to promote the sustainability of IFAD programmes in the Asia and the Pacific region. The review was based on an analysis of the sustainability issues encountered by a range of international development and lending institutions operating in the region and elsewhere, and of relevant internal documents, including IFAD policy and strategy initiatives, project design guidelines, supervision reports and monitoring and evaluation findings. During the desk review, valuable information was also gained from individual interviews with the Assistant President, Programme Management Department; the Director of the Asia and the Pacific Division; IFAD country programme managers; the Office of Evaluation; and technical staff.

The desk review proved instrumental in finalizing a set of key sustainability issues to be examined during the next phase of the study – a series of case studies of ongoing IFAD programmes in the region carried out in February-May 2008. The case studies examined both successes and challenges in achieving programme sustainability in Bangladesh, India, the Lao People's Democratic Republic, the Philippines and Viet Nam. Given the diversity of IFAD-supported projects implemented in the region, the selection of countries for the case studies presented a considerable challenge. Ultimately, selections were made with a view to gaining the broadest possible perspective on the factors influencing programme sustainability. In each of the selected countries, IFAD has had a significant history of programming, has an experienced and committed staff, and has learned specific lessons that can inform an analysis of sustainability.

This paper begins with a broad description of concepts and definitions related to sustainability. This introduction draws on the current definition of sustainability adopted by IFAD to guide design and evaluation of its field activities. It then considers the various perspectives on sustainability of IFAD project participants and institutional stakeholders that were encountered during the case studies. It concludes by presenting aspects of sustainability that may not have been fully incorporated into the design and implementation of current projects, but that will likely improve the sustainability of IFAD programmes in the future.

Section I synthesizes the findings of the desk review and case studies on a number of issues specifically related to the sustainability of IFAD programmes. It first discusses issues related to programme design, management and evaluation. It then examines aspects of sustainability that were revealed through analysis of IFAD operations in a range of technical areas, including microfinance, rural infrastructure, agriculture, natural resource management (NRM) and capacity-building for community organizations.

Section II uses the findings in previous sections as the basis for a broader discussion of the key determinants of programme sustainability and the lessons learned through IFAD's experience in the field. It pays particular attention to some of the common constraints on sustainability in the region, the need for reliable indicators of programme sustainability, and the importance of appropriate exit strategies in ensuring the lasting impact of IFAD's development programmes.

The final section summarizes IFAD's achievements in promoting the concept of sustainability throughout the institution, highlights the best practices identified during the case studies, discusses some of the critical shortcomings in programme design and management, and uses each of these to point the way forward towards more sustainable development interventions in the future.

The full texts of the case studies carried out in India, the Lao People's Democratic Republic, the Philippines and Viet Nam have been published separately and are available on request.

Definition of sustainability

Over the years, the definition of sustainability in development literature has varied widely and broadened in scope. The concept arose in response to economic growth models that characterized development approaches over the last half century. It was eventually recognized that such models did not adequately address social inequalities and led to environmental degradation. The concept gained wider use after the World Commission on Environment and Development published *Our common future* (Brundtland 1987).

The IFAD Strategic Framework 2007-2010 (IFAD 2007j) gave the following definition of sustainability:

Ensuring that the institutions supported through projects and the benefits realized are maintained and continue after the end of the project

IFAD's Office of Evaluation adds to this definition by considering resource flows. It acknowledges that assessment of sustainability entails determining "whether the results of the project will be sustained in the medium or even longer term without

continued external assistance". It further expands on the concept of programme sustainability by distinguishing among several factors that either contribute to or detract from the long-term impact of IFAD interventions (IFAD 2006a):

- **political sustainability** – government commitment, an enabling policy environment, stakeholder interests, strong lobby groups and political influence/pressure;
- **social sustainability** – social support and acceptability, community commitment, social cohesion;
- **ownership** – whether or not communities, local government and households accept and own the outcomes of the project in ways that are sustainable;
- **institutional sustainability** – institutional support, policy implementation, staffing, recurrent budgets;
- **economic and financial sustainability** – resilience to economic shocks, financial viability, reduced household vulnerability and increased capacity to cope with risk/shocks;
- **technical sustainability** – technical soundness, appropriate solutions, technical training for operations and maintenance, access to and cost of spare parts and repairs;
- **environmental sustainability** – projects' positive/negative contributions to soil and water preservation and management, resilience to external environmental shocks.

In 2006, IFAD disseminated an issues note on sustainability drawn from its Annual Report on Results and Impact of IFAD Operations (IFAD 2006a). It made an important observation regarding the scale at which sustainability is evaluated by noting that, at the field level, the sustainability of agricultural projects is likely to be assessed in terms of viable production systems and the satisfaction of basic social and economic needs. On the other hand, sustainability at the regional or national level often places greater emphasis on a population's adaptability to a changing natural environment, factors contributing to (or constraining) social equity, and the coherence of national policy frameworks.

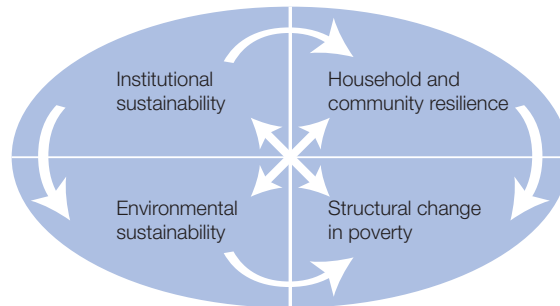
Given the critical role of project participants and partner institutions in ensuring the sustainability of IFAD-supported programmes, it is important to consider their perspective on the meaning of the term. A range of viewpoints on sustainability were revealed during the case studies. At the grass-roots level, community members and NGO partners made comments to the effect that sustainability meant that new enterprises would remain viable and markets would be stable.

Among project participants, the understanding of sustainability is most often centred on the continuation of production gains and increased income streams resulting from IFAD support. Essentially, most feel that if IFAD strengthens private-sector services, market functions and the enabling policy environment, all income-generating activities supported in the rural sector will be sustainable (TANGO International 2008e). Alternatively, government counterparts defined sustainability as sustained funding and government takeover of the services provided by IFAD-supported projects, as well as a continued flow of capital and credit into rural areas (TANGO International 2008b).

While each of these factors are important in ensuring the sustainability of IFAD-supported projects, the following section illustrates a number of other issues that should be carefully considered if the positive, long-term impacts of IFAD development interventions are to be enhanced.

Multiple dimensions of sustainability in field operations

In order to effectively operationalize the concept of sustainability, IFAD field operations must move beyond the current focus on institutions to take a number of other dimensions of sustainability into account. Consideration of each is critical, due to the fact that they not only reflect different outcomes, but they also come to the fore at different stages of the project cycle. In order to ensure project sustainability, IFAD must consider four essential dimensions (TANGO International 2008a):



Resiliency refers to a person's or a community's ability to bounce back or recover after adversity or hard times, and to be capable of building positively on the lessons learned and experiences of these hardships.

1. **Institutional sustainability** – functional institutions will be self-sustaining after the project ends.
2. **Household and community resilience** – resilient households and communities take intentional action to enhance the personal and collective capacity of their members and institutions to respond to and influence the course of change.
3. **Environmental sustainability** – an environmentally sustainable system must maintain a stable resource base, avoid overexploitation of renewable resources and preserve biodiversity.
4. **Structural change** – the structural dimensions of poverty are addressed through the empowerment of poor and marginalized rural households.

It is not unrealistic to expect the first two dimensions of sustainability to be achieved in one or two project cycles (5-10 years). However, the second two dimensions address larger, underlying issues and may take decades to be realized.

Most internal discussions of the sustainability of IFAD-supported programmes have focused on **institutional sustainability**. The objective is to leave a legacy of functional institutions that will be self-sustaining once the project ends. These could be people's or private-sector organizations or governmental institutions. Critical steps in promoting institutional sustainability include:

- promoting institutional ownership of project activities;
- supporting capable existing institutions rather than establishing new ones;
- securing successful transfer of decision-making to low administrative levels in line with decentralization policy;

- building sufficient follow-through capacity within key institutions (e.g. within governmental and community-based organizations); and
- building capacity to adapt to change (Elhaut 2007).

The second dimension of sustainability involves **building household and community resilience**. This dimension has not received much attention in IFAD projects. In addition to promoting interventions that increase household income and assets, it is important to create a situation in which households and communities are able to handle dynamic and unexpected changes without collapsing (Cascio 2007). Resilience refers to a person's or a community's ability to bounce back or recover after adversity or hard times, and to be capable of building positively on the lessons learned and experiences of these hardships. Essentially, resilient communities are readily able to anticipate and adapt to change (i.e. natural disaster, climate change, market volatility, etc.) through clear decision-making processes, collaboration, and management of resources internal and external to the community. This is congruent with IFAD's desire to strengthen the capacity and sustainability of rural poverty organizations in order to retain the benefits of IFAD-sponsored projects over time.

The third dimension of sustainability involves the **establishment of environmentally sustainable production systems**. Again, most IFAD projects have not given sufficient attention to this dimension. Given the dependence of most rural communities on a limited natural resource base, environmental sustainability is critical to the maintenance of household income and asset streams. Furthermore, as the case studies show, environmental sustainability is not likely to be achieved without well-functioning institutions involved in collective action. An environmentally sustainable system must avoid overexploitation of renewable resources and preserve biodiversity. This diversity is key to ecologically resilient systems that can respond effectively to climatic disturbances. Conservation of natural capital is an essential aspect of this dimension. Changes could take many years and are not likely to be achieved in the first cycle of a project.

The fourth dimension of sustainability, which is often the hardest to achieve, involves **addressing the structural dimensions of poverty that perpetuate social inequality**. Although this dimension is stressed in IFAD's Strategic Framework as important to its approach to rural poverty reduction, it does not receive enough attention in practice. This dimension involves empowering poor individuals and marginalized rural households to overcome poverty through the use of marketable skills and access to social services. In order to overcome the structural dimensions of poverty, development organizations must provide focused capacity- and confidence-building measures that empower vulnerable individuals and groups and encourage more-active participation in planning and decision-making processes by the traditionally unheard (IFAD 2007j). Changes in this dimension could take decades and are not likely to be achieved in the first or second cycle of a project.

An example from Viet Nam (Box 1) offers important lessons for sustainable, market-driven development in the region.

Box 1

Sustainable market-driven development in Viet Nam

IFAD-Viet Nam's country strategic opportunities programme (COSOP) (IFAD 2008c) reflects the country office's move towards market-driven development. The recently formulated COSOP addresses each of the four key dimensions of sustainability identified above – institutional sustainability, household and community resilience, environmental sustainability and structural change.

The COSOP envisions building sustainability on a pro-poor, market-driven agricultural foundation – from which poor people will respond to profitable business opportunities and benefit from productive safety nets. It views the safety nets – which are oriented towards public works activities and environmental protection services – as important in reducing vulnerability to life events and climate change. The COSOP will also promote environmental sustainability through an NRM strategy that includes forest conservation, promotes agroforestry, supports the registration and allocation of forest land-use rights to communities, and pays communities for environmental services (e.g. the piloting of carbon sequestration).

Sustainability will be furthered by aligning the programme with government policies, building the capacity of government agencies, engaging the private sector in generating employment and providing services, and addressing social equity by targeting the poor upland areas in which ethnic minorities reside.

I. Main findings of the desk review and field case studies

Taken together, the desk review and case studies reveal several important lessons regarding the sustainability of IFAD-supported field operations. The following discussion first considers important aspects related to programme design and management, and then examines sustainability issues encountered in a range of technical programming areas.

Programme processes supporting sustainability

Design

Two distinct programming models broadly characterize most IFAD projects designed by the Asia and the Pacific Division (PI). The first is a market-led programme model that implements infrastructure, microcredit and agribusiness projects, with the primary purpose of increasing access to markets. The desk review and interviews with IFAD country programme managers (CPMs) suggest that linking households to markets and focusing on value chains and the private sector is an appropriate approach in areas characterized by stronger institutions, accessible markets and varied income-generating opportunities.¹

In the community-led model, the formation of self-help groups (SHGs) is emphasized as a means of promoting sustainability through community empowerment. The desk review and interviews with CPMs suggest that this approach is more appropriate in areas that are isolated from commercial centres, lack access to agricultural and other markets, and are characterized by distinct ethnic majorities, weak institutions and strong community cohesiveness.

While the current draft guidelines for project design (IFAD 2007a) do not offer guidance on the incorporation of specific design elements or exit strategies in support of long-term sustainability, the division has outlined potential improvements in design and operational processes in an effort to promote programme sustainability (Elhaut 2007). The following list of priorities reflects its current thinking as it seeks to address the issue:

- **Results-based country strategies**

From the outset, country strategies should support project design oriented towards the achievement of realistic results. Results-based strategies must draw on adequate risk assessment and appropriate risk management strategies.

- **Improvement of the underlying analysis**

Project design must use accurate contextual, institutional and opportunity analyses to provide clear guidance on project design at the level at which sustainability is being sought.

¹ While some within IFAD view market-led models as the more promising approach to achieving sustainability, the desk review finds that this approach also comes with environmental and social risks that must be taken into account. Evaluations of market-led approaches suggest that they are not particularly effective in conserving natural capital. While they may, in fact, be effective in increasing production and promoting economic sustainability over the short term, activities that overexploit the natural resource base do so at the expense of long-term ecological sustainability. Accordingly, there is a risk of defining 'sustainability' solely as economic sustainability, particularly in instances in which economic sustainability either ignores or is a detriment to social equity and/or environmental health.

- **Integration of sustainability into all project components**
Sustainability must be intentionally addressed from the earliest stages of project design. In many cases, this will require: capacity-building for group members and organizations; investments in productive assets; improvements in access to markets, financial services and infrastructure; and support for locally appropriate approaches to resource management and conflict resolution.
- **Investment in institutional capacity and governance**
In order to ensure the long-term impact of interventions, project designs should explicitly address institutional capacity needs and should actively cultivate effective policy and strategy linkages between governmental and non-governmental institutions. Developing the quality of the institution is the key to improving its chances of being sustainable.
- **Adherence to sustainable project design principles**
Sustainable project designs are simple and flexible. Where possible, they build on both local and national implementation support systems in order to minimize recurrent costs and enable the development of clear exit strategies. Sustainable project designs also create explicit linkages between individual project components (e.g. agricultural production/infrastructure development/microfinance).

Constraints on sustainability in current IFAD programmes

Findings of the case studies suggest that this list of priorities accurately reflects some of the most common constraints on sustainability encountered in field operations throughout the region. For instance, despite exposure to a variety of natural hazards (floods, drought, typhoons, landslides), case studies carried out in the Lao People's Democratic Republic, the Philippines and Viet Nam reveal that IFAD CPMs did not conduct risk analyses prior to project design, and project documents do not identify concrete risk management strategies (TANGO International 2008c, 2008d, 2008e). In projects throughout the region, the adoption of a more consistent risk management orientation will be critical in protecting IFAD's investments in household and community assets against future calamities.

While both market- and community-driven models focus to an extent on promoting institutional sustainability and sustained income streams for participating households, each of the projects reviewed also stands to strengthen household and community resilience to livelihood shocks considerably. In some cases, however, inadequate consideration of contextual issues, such as a lack of infrastructure or financial services, has led to the development of market-driven project designs where they might not be sustainable (TANGO International 2008e).

Some constraints presented by structural poverty have apparently not been accounted for in current approaches to project targeting. Inadequate targeting can compromise the sustainability of a project if social inequities are reinforced or marginalized groups are neglected by interventions they need. For example, the project completion evaluation of the Cordillera Highland Agricultural Resource Management Project (CHARM) in the Philippines found that internal targeting mechanisms within participating barangays (districts) were not well developed. It noted that, although target communities were generally poor, households that were better off were able to capture a disproportionate amount of benefits from agricultural support services (TANGO International 2008d).

Finally, each of the projects visited demonstrated a certain amount of difficulty in effectively linking project components. Integration is essential: the sustainability of any given project will depend on its overall impact on participating households and communities, rather than simply on the sum of the outcomes of individual activities. In Viet Nam, agricultural demonstrations by the Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces (DPRPR) are not conducted in the same communities in which community savings groups (CSGs) are being formed. Similarly, infrastructure development schemes have not been specifically targeted to areas with reliable access to financial services.

A more pressing example of the lack of linkages among project components is seen in the Lao People's Democratic Republic. The Oudomxai Community Initiatives Support Project (OCISP) seeks to promote agricultural production and land-use planning practices that will provide alternatives to the traditional practice of shifting cultivation. However, through the provision of credit for seed and other inputs and the development of road infrastructure, OCISP may well have contributed to an increase in the area of land cleared for shifting agriculture, especially in areas where land-use planning has yet to be established (TANGO International 2008c).

An example from India (Box 2) offers important lessons for sustainable PI project design.

Implementation

In addition to the initial design, the way a project is implemented can have considerable influence on its long-term sustainability. For instance, by fostering participatory approaches, remaining flexible in the face of inevitable setbacks, and strengthening the capacity of stakeholders to plan and manage future actions, IFAD in-country staff can help ensure that interventions have a lasting impact on the vulnerable communities they serve.

The IFAD Strategic Framework 2007-2010 (IFAD 2007j) outlines the institution's approach to implementation, with an eye specifically towards ensuring project sustainability. The document describes IFAD's plans to improve project implementation processes in order to ensure that the expected net benefits will not only be maintained or exceeded over the life of the project, but will be sustained after project completion. This requires the identification of risks that threaten the continued stream of benefits to households and communities, and the inclusion of risk mitigation in project design. IFAD has identified several factors that are significant in determining sustainability, each of which is directly related to implementation and falls within project control (IFAD 2007j):

- Project objectives must be clear, must account for important assumptions, and should not be overambitious.
- Projects need to build systematic institutional, economic, social and risk analysis and risk mitigation into design and implementation.
- IFAD project management must be able to provide or arrange for the provision of consistent implementation support to institutional partners.
- A clear exit strategy must be planned and agreed on by key partners during the design phase and used as a reference point (benchmark) throughout project implementation.

Box 2 Sustainable project design in India

The North Eastern Region Community Resource Management Project for Upland Areas (NERCORMP) was initially designed to respond to a range of identified problems in remote areas of north-eastern India. Among these were the failure of previous top-down, 'culturally inept' development initiatives; economic stagnation and the resulting chronic poverty; and the inability of the traditional *jhum*² system to cope with increasing population density – which was determined to be a contributing factor to decreasing soil fertility and threats to the environment and biodiversity.

Although it did not adopt an explicit sustainability strategy, the NERCORMP appraisal report clearly outlines a strategy in which the development of income-generating activities by 'self-reliant' village groups would relieve pressure on the natural resource base (IFAD 1997). And though it is not necessarily new or unique in the global sense, the NERCORMP model of local contributions and ownership, community participation in decision-making and empowerment of women is considered quite innovative locally.

The project has 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 linked with the expansion of cash crop production and market linkages. In a slightly different illustration, women's groups in Ganol Songma, ostensibly formed around economic activities, have provided a forum for awareness of health and hygiene issues and have empowered women to become proactive in promoting education for their children and resolving social ills such as excessive alcohol consumption by men.

A core strategy of the project extension period (2006-2008) has been to seek increased convergence between NERCORMP activities and government initiatives. A major example relates to the National Rural Employment Guarantee Scheme, in which centrally funded infrastructure projects will be planned through village employment councils, thereby ensuring consistency with local priorities. Evidence of the effectiveness of this approach is seen in a World Bank-funded rural development project planned in eight states of north-eastern India. While not directly related to the sustainability of NERCORMP outcomes, the fact that the Government (in particular, the North Eastern Council and the Ministry of Development of North Eastern Region) is shaping the new project based on NERCORMP successes is evidence that the project has brought about a sustainable attitudinal change in the Government. More to the point, it is anticipated that the new project will provide follow-up support (e.g. in marketing) to enterprises created during NERCORMP.

In accordance with NERCORMP principles, local groups are given great latitude in selecting the activities that make the most sense to them. Community projects are also implemented with significant contributions of local labour, materials and sometimes cash, each of which promotes a sense of ownership of the project and gives participants a genuine stake in ensuring sustainability.

Project staff and their NGO partners have the role of facilitators, but remain flexible in their approach, allowing design modifications and an extension period in an attempt to ensure sustainability. Although the project may have played a more assertive role in selecting activities than was described during the field visit, it was obvious that the community groups feel a strong sense of ownership of both the processes and the products.

In addition to creating "viable, equitable and sustainable village institutions", the project design envisioned considerable training and capacity-building for government agencies and NGOs. NERCORMP staff feel that the emphasis on training for members of partner institutions has been an important factor in ensuring the sustainability of the institutions.

² *Jhum* is the local term for shifting or slash-and-burn cultivation. In the past, low population densities and long cycles between land clearing probably made *jhum* a reasonably secure and sustainable livelihood activity. Currently, however, land pressures and shorter rotations (from 15 years down to 5-7 years) have made *jhum* an economically inefficient and environmentally destructive activity. The case study found that *jhum* is often looked on as a last resort for households with unreliable sources of income.

External factors that compromise the sustainability of IFAD programmes

Other factors, such as external policies and institutional context, will also have a direct influence on project implementation, but are typically outside project control. For example, the sustainability of IFAD-supported interventions is likely to be compromised in areas characterized by weak institutions, lack of markets, lack of income-generating opportunities, or in fragile states experiencing civil conflict. IFAD has identified the following strategies to address potential risks and threats that may undermine its efforts to enable poor rural people to overcome poverty (IFAD 2007c):

- Projects must systematically identify, analyse and *respond to* risks in a way that ensures continuation of project benefits after completion of the project.
- Projects should seek ways to strengthen the capacity of individuals, households, communities and formal and informal institutions that will help them cope with future shocks.
- Projects should cause ‘no harm’ to the environment and should meet “the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland 1987).

In IFAD-supported projects, government commitment and ownership are among the most important factors in determining sustainability. For this reason, IFAD maintains a strategy of working closely with national, regional and local government agencies and makes efforts to ensure that activities are consistent with and supportive of government policies. Whenever possible, IFAD also seeks opportunities to use local technical capacity to assist in implementation. Ideally, governmental actors can help maintain project benefits by serving as technical and financial resources to community groups during implementation and after project termination.

The importance of community ownership to project benefits

Community ownership by poor rural people is another critical factor contributing to the sustainability of project benefits. Ideally, this should entail involvement of project participants at all stages of the cycle: design, implementation, and monitoring and evaluation (M&E). Drawing on its own experience and that of other international development institutions, IFAD places a high priority on engagement with potential participants, partners and other stakeholders prior to project design and attempts to support ongoing local initiatives whenever possible.

Each these principles of sustainable project implementation was seen in the projects visited as part of the case studies. NERCORMP in India adopted several innovative approaches to implementation that are likely to promote the long-term sustainability of project impact. The project has joined sets of SHGs and natural-resource-management groups (NRMGs) into clusters, federations and apex bodies as part of its sustainability strategy. Clusters of SHGs allow producers to obtain better prices through trade in commercial volumes and constitute associations that can register officially with the Government. As a result, these groups are better able to protect the interests of members, lobby for policies that benefit their constituents, and function as a source or conduit of services and credit to the individual groups (TANGO International 2008b).

By successfully integrating government stakeholders and NGO representatives into district societies as a proxy for project management units, this implementation strategy benefits project sustainability in several ways. First, by incorporating important

governmental and NGO representatives into the management of the project, NERCORMP is largely seen as a local initiative, rather than an external initiative put in place by an international agency. The arrangement has also significantly increased awareness of project interventions among key partner institutions. Finally, the establishment of a district society also enhances sustainability in that many of its representatives are from tribal areas and are thus familiar with the language and culture of project participants. As a result, they possess an innate understanding of the local context that has facilitated much greater interaction with local communities than would have been possible otherwise (TANGO International 2008b).

Experiences in India and the Philippines (Box 3) offer important lessons for the sustainable implementation of project activities.

Box 3 **Sustainable project implementation in the Philippines**

The case study of IFAD field operations in the Philippines looked at two separate projects, each of which provides insight into the sustainable implementation of project activities.

From the outset, the Northern Mindanao Community Initiatives and Resource Management Project (NMCIREMP) made significant efforts to include community, local government, NGO and service providers in both design and start-up activities, focusing on fostering a team approach and commitment to sustainable outcomes. The project was able to make use of strong local NGOs by involving them as partners throughout all phases of the project cycle.

In contrast, CHARM contracted NGOs to perform specific services. Procurement and other delays stalled the input and services of these NGOs, and in many cases other implementation activities had proceeded before the critical groundwork for participation was laid. Hindsight showed that, overall, the local NGOs were comparatively weak, and the use of a contracting mechanism instead of a partnership arrangement meant that little NGO capacity-building was achieved.

Based on the recommendations of a start-up workshop, NMCIREMP conducted 'quick thematic assessments' of 13 thematic areas of concern: community and gender development; cooperatives development; small rural infrastructure; livelihoods and enterprise (which helped define parameters of the Poverty Alleviation Funds); microfinance; land management; watershed development; fishery development; food security; health development; indigenous peoples' education; indigenous peoples' development; and peace and development issues. These assessments formed the basis not only for project design, but also for the formation of community groups through which activities might be undertaken. They contributed to the creation of community development plans (CDPs) that guide community involvement and are rolled out in three-year phases. Each CDP is integrated into development plans at the barangay level and then at the provincial level.

In another step towards sustainability, NMCIREMP has developed guidelines for institutional development with built-in flexibility. The guidelines help staff and partners remain consistent in their message and processes with communities, but also allow decisions to be based on local contexts and circumstances. This is especially important when working in diverse settings and with indigenous communities, where needs may be quite different from those in non-indigenous communities.

Finally, NMCIREMP has promoted the sustainability of project outcomes through the use of local community outreach volunteers (LCOVs). LCOVs are typically recruited by partner NGOs, primarily to organize and provide technical support to SHGs. By arranging incentives to LCOVs, NMCIREMP has taken steps to ensure the sustainability of NGO services that are currently dependent on continued IFAD funding streams. It appears that LCOV involvement has the potential to replace IFAD-funded services. Although they are volunteers, LCOVs are provided with stipends and needed technical resources through a number of sources, including funding from barangays, municipal governments and/or proposals to external funding sources. Findings of the Philippines case study suggest that LCOVs are increasingly being recognized as a focal point in facilitating local initiatives, a trend that bodes well for sustainable community development following project completion.

Supervision

Within IFAD, supervision is defined as “the administration of loans and grants, for the purposes of the disbursement of the proceeds of the loan and the supervision of the implementation of the project or programme concerned” (IFAD 2007d). Supervision activities are complemented by implementation support, which entails technical support, policy dialogue and programme/project design adjustments to ensure and improve project effectiveness and the achievement of mission objectives.

Under current policy, there are two supervision modalities:

- supervision by IFAD, comprised of input from headquarters staff, contracted service providers and consultants; and
- supervision by cooperating institutions (e.g. the United Nations Office for Project Services (UNOPS)).

The modality is generally determined by the country and project context, as well as by the capacity of the cooperating institution. It should be noted, however, that IFAD is “always responsible for providing implementation support related to IFAD financing” (IFAD 2007d).

In 2006, the Governing Council resolved to enable IFAD to appoint other national institutions to undertake supervision activities, as well as to supervise project implementation directly (with Executive Board approval). The decision to move towards direct supervision was guided by multiple evaluation recommendations suggesting that direct supervision by IFAD contributes to the effectiveness of IFAD projects and has allowed the organization to “further its objectives of innovation, policy dialogue, partnership development, improved impact, and knowledge management” (IFAD 2005a, 2007e).³ The decision was prompted by the hope that direct IFAD supervision and implementation support would cater to country-specific contexts and needs. This was substantiated by the corporate-level evaluation of supervision modalities, which identified a need for IFAD to develop “more suitable and sustainable modalities based on building local capacities for more relevant and consistent implementation support linked to a form of IFAD’s field presence” (IFAD 2004).

Field Presence Pilot Programme

The Field Presence Pilot Programme (FPPP) was approved by the Executive Board in 2003 to test the effect of greater field presence on IFAD’s ability to provide better implementation support, pursue policy dialogue, foster partnerships and improve knowledge management (IFAD 2007f). While some expectations of the pilot were unmet, the results had definite implications for supervision and implementation support policy. One of the primary conclusions of the evaluation was that outposting of CPMs was the most beneficial form of field presence tested to date. As the CPM is ultimately responsible for implementing direct supervision policy and coordinating implementation support in response to country needs, it follows that in-country presence would greatly inform and enhance supervision and support activities.

³ The most important of these were the OE evaluation of Supervision Modalities in IFAD Supported Projects (IFAD 2004) and the *Independent external evaluation of IFAD* (IFAD 2005b).

Direct supervision, implementation support and sustainability

IFAD's adoption of the direct supervision policy and its establishment of a country presence programme have great potential to enhance the effectiveness of IFAD projects. The posting of a CPM in-country allows more time for bottom-up project design, involving stakeholders and participants at every stage of the design process. Outposted CPMs will also have a much better contextual understanding of their project environments and will thus be more able to conduct accurate and sophisticated problem analyses and needs assessments. As a result of their presence in the field, CPMs will have a better knowledge of the institutional milieu and greater ability to identify potential partnerships. Implementation support that responds to specific country needs guided by an in-country CPM will undoubtedly enhance project impact and facilitate the achievement of mission objectives.

Country presence and policies supporting direct supervision also have significant potential to increase the sustainability of programmes. Each of the case studies provides useful insights into the ways in which supervision missions might consistently address programme sustainability. The case study in the Lao People's Democratic Republic – during which the consultant simultaneously participated in a supervisory mission and conducted an in-depth review of the programme's M&E systems – provides a particularly useful example. In addition to considering the quality of implementation support, the establishment of institutional relationships, and fiduciary aspects such as procurement review and loan contract administration, the supervisory mission focused on various aspects of programme design and M&E that are likely to have a direct influence on the sustainability of OCISP.

While it is important that supervisory missions are adapted to the specific programming context and type of activities implemented by the country programme, it is critical that future missions follow the example of the case studies by adopting a more specific focus on sustainability. At a minimum, future supervisory missions should specifically consider:

- provision of implementation support in accordance with community capacity-building needs;
- incorporation of community-level perspectives on and participation in supervision modalities;
- formation of institutional partnerships that empower vulnerable communities;
- promotion of best practices for ensuring sustainability within specific sectors (e.g. microfinance, infrastructure, agricultural production and marketing, natural resource management (NRM) and social mobilization);
- adoption of livelihood diversification and risk management strategies that support community and household resilience; and
- promotion of flexible project design and creation of direct linkages among various programme components.

Each of the case studies highlighted the potential of supervisory missions to support implementation by explicitly raising the issue of sustainability as early as possible in the project cycle. Missions can also contribute to improvement of M&E systems and the formulation of appropriate exit strategies by supporting the adoption of standard sustainability indicators (see section II, subsection "Establishing standard indicators of sustainability").

Box 4
Criteria for ARRI sustainability rating

The following criteria are used to determine the sustainability of project results:

- social support (continuing participation of project participants and local communities, robustness of grass-roots organizations);
- technical soundness of project design and implementation;
- government commitment (key central and local agencies and availability of operating funds);
- commitment of other stakeholders (including NGOs, local organizations, civil society and the private sector);
- economic viability (subsidy reliance, independence, agricultural prices);
- financial viability (funding of rural organizations, role of cost recovery, capacity to finance recurrent costs, operational and financial self-sufficiency, positive cash flows in market schemes);
- institutional support (legal/regulatory framework, organizational and management effectiveness);
- environmental impact and protection;
- resilience to exogenous factors (price variability and market access, natural disasters).

Evaluation

M&E is critical to considerations of sustainability in two ways. First, it is typically within the M&E system that sustainability criteria are identified and methods for measurement are described. Second, the M&E system should be the source of information for anyone seeking to determine the extent to which progress towards sustainable outcomes is being made.

IFAD's independent Office of Evaluation (OE) is responsible for carrying out regular evaluations of both field operations and institutional policies. With regard to sustainability, OE has developed a set of criteria against which the sustainability of project results will be gauged in the regular Annual Report on Results and Impact of IFAD Operations (ARRI) (Box 4).

However, despite OE's establishment of these sustainability criteria, they have yet to be consistently applied. The desk review revealed that application of the recommended criteria varies from country to country and that, in certain instances, evaluation teams continue to use subjective judgments in attempting to measure sustainability.

In an effort to rectify the continuing disparity in evaluation criteria, IFAD is in the process of developing a comprehensive manual for project and country programme evaluations (CPEs), planned for completion in 2008 (IFAD 2007g). The intent is to provide clear guidance that results in a consistent approach. This will enable OE to assess the performance of and attribute ratings to individual projects in a given country. The Office hopes that the new evaluation methodology will allow for the generation and dissemination of lessons learned on systemic and cross-cutting issues such as sustainability at the project level (IFAD 2007h).

Despite the continued efforts of OE and individual evaluation teams to improve the degree to which project sustainability is measured and promoted, personnel constraints present challenges to the effective evaluation of operations and policies within IFAD. As a result, a limited number of individual project evaluations are carried out within a typical year. For instance, in 2007 OE completed eight project evaluations in IFAD's five regions. While findings of these evaluations may provide useful insights into important operational successes and challenges, they represent a mere 3 per cent of total projects in IFAD's overall portfolio (198 loan projects and 47 grants) and do not provide a

representative picture of IFAD progress with respect to sustainability or other principles (IFAD 2007h, 2007i). Given the diversity of IFAD project designs, and the range of contexts in which they are implemented, these project evaluation results are unlikely to generate a great deal of applicable feedback and guidance regarding sustainability.

Opportunities for knowledge management and learning are lost when M&E is not used as a project management tool

Findings of the case studies confirm several underlying concerns regarding project M&E, most of which centre on inappropriate evaluation methodologies and inconsistent use of criteria for sustainability. Overall, it was reported that project M&E systems are not being effectively used as project management tools. While staff regularly track outputs (training, infrastructure projects, agricultural demonstrations, etc.), they are not actively engaged in tracking outcomes or impact of project activities. Thus opportunities for knowledge management and learning are often lost (TANGO International 2008e).

In line with the findings of the desk review, the case studies revealed that none of the countries have established a consistent set of sustainability indicators as part of a comprehensive M&E plan. In NERCORMP in India, challenges in achieving sustainability may have been heightened by a complex array of M&E formats that are potentially confusing to local institutions. As a result, the partner institutions in a position to assume responsibility for monitoring SHGs may not be well prepared for the required duties.

The case studies did, however, identify a number of promising practices in project M&E that may contribute to sustainability. One is the piloting of the Area Information Management System (AIMS) by NMCIREMP in the Philippines as part of its sustainability framework. Project partners – such as local government units (LGUs) and community-based organizations (CBOs) – have continual access to information and knowledge through the system. AIMS contributes to the improvement of basic service delivery by enabling online tracking of LGU-sponsored community development initiatives (TANGO International 2008d). Box 5 highlights a promising M&E practice from OCISP in the Lao People's Democratic Republic.

Sector-specific findings

The following discussion underscores several sustainability issues that were raised during the desk review and case studies regarding IFAD programming in individual technical areas.

Microfinance

Microfinance projects represent an important part of the PI programming portfolio. However, in the corporate evaluation of the regional strategy (IFAD 2006b), OE determined that while the importance attributed to microfinance as an overarching feature of the strategy is highly relevant, there is room for improving the effectiveness and sustainability of microfinance interventions. Evaluation findings from countries throughout the region⁴ illustrate that IFAD microfinance operations have helped

4 The Bangladesh (2006) and Indonesia (2004) CPEs; Thematic Evaluation on Rural Financial Services in China; the India Tamil Nadu Women's Development Project (2000); the Philippines Rural Micro-enterprise Finance Project (2002); and the Sri Lanka Small Farmers and Landless Credit Project (1999) (www.ifad.org/evaluation/index.htm).

Box 5
Important lessons in monitoring and evaluation from
the Lao People's Democratic Republic

OCISP, in the Lao People's Democratic Republic, has promoted a participatory planning process based primarily on village development plans (VDPs). The community institutions tasked with developing VDPs are the village administration committees (VACs). While the M&E unit has collected significant amounts of information on project outputs, relatively little data had previously been collected on outcome. The M&E unit responded to the need for increased outcome data by developing three primary data-collection tools: a village information questionnaire; an annual wealth-ranking assessment; and a participatory impact-monitoring questionnaire. VACs are responsible for collecting the basic data on each village needed for OCISP and government records. This practice holds particular potential for enhancing sustainability, as it mixes participatory M&E with capacity-building for VACs.

The nature of partner involvement has prompted the community development (CD) team to periodically assess the areas of support required to make the VACs more functional (e.g. training in specific areas, gender sensitivity, repeat training). Based on the findings, the IFAD country office has specified priority technical support activities in the annual workplan of the CD team, such as extra training for community development facilitators (CDFs). This type of monitoring also contributes to sustainability by responding to the changing needs of institutional partners.

However, while the case study found that VAC activities are monitored on an annual basis, the tools used to assess VAC capacity are overly subjective and limited. For example, 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 CDFs) has built the capacity of and supported the sustainability of VACs.

communities mobilize savings, generate incomes and generally improve livelihood security. They have also significantly contributed to the empowerment of poor rural people, especially women. However, despite these successes, evaluations of regional microfinance projects call attention to a number of issues directly related to sustainability. They include:

- the need for improved targeting of microfinance towards poorer rural people, including support to the outreach capabilities and infrastructure of institutions involved in microfinance;
- the priority of ensuring the sustainability of grass-roots microfinance institutions (MFIs), such as SHGs, by assisting them in developing federations or associations once the groups have reached an acceptable level of cohesiveness and capacity; and
- improved establishment of effective linkages between microfinance operations and income generation. This entails taking a more systematic approach to promoting on- and off-farm opportunities for poor rural people, and encourages groups to use their accumulated savings for income-generating purposes.

The corporate evaluation goes on to state that, within IFAD, the microfinance sector should emphasize increasing the quantity and quality of private-sector engagement – by establishing linkages with commercial banks and exploring opportunities for the processing and marketing of farm and non-farm produce – as well as the supply of technical assistance to project implementing agencies (e.g. training of project staff in M&E systems, provision of extension advice or undertaking project supervision and implementation support) (IFAD 2006b).

Microfinance projects implemented at the national level prove to be more sustainable than those implemented at the community level

A 2007 portfolio review of IFAD projects in the Asia and the Pacific region underscored the importance of microfinance to the regional strategy and assessed the sustainability of such projects positively. At the time of the evaluation, nearly 80 per cent of ongoing microfinance projects were found to have good prospects for sustainability. The review also found that projects implemented through nationwide MFIs, such as those recently implemented in Pakistan and Bangladesh, are particularly likely to prove sustainable, while those provided through non-professional CBOs are less likely to do so.

Findings regarding the sustainability of microfinance operations in each of the countries visited during the case studies were decidedly mixed. For instance, in India, the planned creation of a major MFI was eventually vetoed by IFAD because, as designed, it was not community-based, nor was it supported by an adequate regulatory framework. Ultimately, the NERCORMP experienced some success by replacing the planned MFI with smaller, revolving savings and credit schemes supported by SHG federations created by the project.

Similarly, the Viet Nam case study found that financial services were lacking in the project areas. In Ha Giang province, a microfinance component had not yet been initiated, and savings and credit groups were not connected to the major micro lender in the area, the Government's Bank for Social Policies. The bank's existing regulatory framework does not allow group lending or the mobilization of group savings, which are critical to financial sustainability. While the bank provides loans to individuals, poor people in this area do not have adequate collateral.

Case studies in both the Philippines and Viet Nam found that linkages between microfinance and other project components should be improved in order to ensure the sustainability of 'integrated interventions'. The case study in Viet Nam recommended that, where credit is offered, amounts should be increased to allow for more viable investments (IFAD 2008a). Given the exposure to natural hazards in Viet Nam, the case study also recommended the integration of risk management components into savings and credit activities. Insurance mechanisms would thus be in place in the event that a major shock overwhelms the community and people are unable to repay their loans. Finally, it suggested that training in adult literacy and numeracy, especially for women, would be essential in empowering CSGs to reach a sustainable level. Without these steps, the study determined that it would be unlikely that project participants could effectively control and sustainably manage their resources (TANGO International 2008e).

Agricultural production and marketing

IFAD's Strategic Framework highlights the organization's comparative advantage in "working with national partners to develop and implement innovative projects and programmes that enable poor rural people to increase their agricultural production, food security and incomes" (IFAD 2007j). It goes on to explain that, given limited access to cultivable land, future gains in agricultural productivity depend largely on the improvement of agricultural technologies and production services.

IFAD-supported agricultural production activities must be responsive to climate change and dynamic markets

In its Strategic Framework, IFAD states its intention to promote the development and dissemination of improved agricultural technologies and to support the provision of demand-driven production services. It also claims that it will promote the establishment of competitive, transparent and private-sector-led markets for agricultural inputs and products, as well as improve market access among poor rural producers, primarily through the formation of farmer organizations. Finally, it seeks to create opportunities for rural, off-farm employment by supporting the establishment and expansion of off-farm, agro-related, small and microenterprises (IFAD 2007j).

In terms of sustainability, a collection of recently published *IFAD learning notes* offers guidance on maintaining capacities and project impacts after disbursement (IFAD 2008b). The notes specifically address the sustainability of agricultural projects by recommending that they account and plan for the long-term impact of a variety of factors, including:

- rising input prices and stagnating farm-gate prices;
- continual overuse of water and land resources;
- adverse climate trends;
- a progressive shift towards non-agricultural livelihoods among vulnerable households.

The 2007 Portfolio Performance Report (IFAD 2007h) also raises issues regarding the sustainability of agricultural productivity in relation to ongoing climate change. In particular, it notes that current climate trends will have direct implications for agriculture productivity interventions, primarily with regard to crop planning and diversification, but also for malnutrition resulting from shortfalls in food production in resource-poor countries.

The case studies confirm the relevance of these issues and offer both successes and challenges in country programmes' attempts to address them. The case study in the Lao People's Democratic Republic (Box 6) found that, based on available indicators, improvements in cropping systems and access to credit have encouraged some income diversification in households and have led to a reduction in poverty among participating households. It also suggested that an increase in support from service providers, combined with improved access to knowledge and information, has improved the livelihood security of farmers. The study also determined that OCISP has forged strong linkages between credit and agricultural/livestock training, and to a lesser degree, marketing.

Market-led approaches to agricultural production must account for resource constraints and evolving land-use restrictions

Despite these successes, however, the case study concluded that the livelihood strategies of rural farmers in the project area may be unsustainable given the limited access to cultivable land. Long-term livelihood security in the Lao People's Democratic Republic is threatened by land-use restrictions that further constrain the ability of households to engage in shifting cultivation. As was found in other case studies, the study also

Box 6
Sustainable provision of microfinance services in the Lao People's Democratic Republic

Rural financial services (RFS) under OCISP centre on the development of village savings and credit schemes (VSCSs). It was planned that 63 VSCSs would be operational by project completion in the final quarter of 2008.

The RFS component has been set up with many of the best practices of microfinance 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 from the project once they meet criteria for receiving such funds.
- Joint liability groups are formed to make credit available for various income-generating activities.

The repayment rate is reportedly about 98 per cent. Even if this is slightly exaggerated, it still demonstrates the repayment discipline that has developed. There is a high likelihood that the RFS component will be sustainable.

In order to guarantee sustainability of the VSCSs, however, credit associations should be formed at the district level to consolidate and systematize the village-level experience. The formation of district VSCS associations to organize and manage aggregate production and marketing would also broaden the scope and depth of NRM practices supported by VSCSs in project villages. Finally, organization at the district level would enable greater interaction between VSCS member and line agencies, and the use of surplus funds available across VSCSs would ensure greater sustainability of improvements in food and livelihood security.

As with microfinance operations in other countries within the region, linkages among the credit and other project components could be strengthened in OCISP. While the programme has provided technical assistance for pig-raising to participants obtaining credit for livestock activities, similar linkages have not been made for livestock marketing. Comparable linkages between the provision of credit and project interventions in agriculture and land-use planning are also underdeveloped.

Source: TANGO International 2008c.

determined that OCISP has not focused on key issues related to agricultural marketing, including crop choices, market and value-chain analysis of selected crops, a market information system, capacity-building in negotiation and contracting, or development of cluster or production groups. Continued failure to do so could compromise the long-term sustainability of project outcomes.

The Philippine and Viet Nam case studies both describe the importance of marketing services and infrastructure to the sustainability of agricultural production activities. Specifically, they note that a market-led or value-chain approach to agricultural development can only be sustained in areas with access to the infrastructure and services needed to make it work. In areas where this is not the case, agricultural marketing activities may be piloted, but they are not likely to be sustainable until adequate infrastructure and financial services have been established. In such areas, this may require substantial investment in capacity-building for financial institutions and other service providers. The Viet Nam study also notes the importance of engaging in a thorough analysis of prevailing market risks before fully committing to a market-led development approach in rural communities.

Each of the case studies determined that the projects reviewed had not adequately incorporated risk management or environmental sustainability into the design and implementation of agricultural activities. Given the exposure of many project areas to severe climatic events, a risk management orientation is particularly important in ensuring the sustainability of gains made through IFAD's investment in agricultural productivity.

Infrastructure

IFAD views the development of community infrastructure as a critical means of developing physical links between poor rural communities and the outside world, reducing transaction costs within agricultural economies, and improving the competitiveness of rural producers (IFAD 2007j). However, both the corporate evaluation of regional strategy and the portfolio performance report identified a number of key constraints on the sustainability of infrastructure projects implemented in the Asia and the Pacific region (IFAD 2006b, 2007h).

The corporate evaluation attributed the sustainability 'problems' with infrastructure to a number of institutional and technical factors. It found that donors (including IFAD and its funding partners) often implement infrastructure projects with undue haste, forgoing rigorous institutional analyses and, in some cases, prematurely accepting government assurances that project interventions will be adequately maintained once in place. The evaluation concluded that, in many infrastructure projects, officials are motivated to achieve physical and financial targets and place little priority on facilitating a sense of community ownership. Finally, it observed a frequent mismatch between the technical standards of infrastructure projects and the human, social and financial capital available at the community level to operate them beyond project completion (IFAD 2006b).

IFAD's recommendations for improving the sustainability of infrastructure projects

In keeping with its findings, the corporate evaluation developed the following recommendations for improving the sustainability of infrastructure projects implemented in the region (IFAD 2006b):

- Exit strategies should be developed in every project at an early stage.
- Technical standards employed in service delivery and infrastructure development should be thoroughly reviewed to determine whether poor rural people can operate and sustain project interventions with the financial, social and human capital available to them once the project ends.
- In countries in which implementation is done through government line departments, it may be important to train technical experts to take a more realistic, less technically-demanding and more pro-poor approach to sustainability.
- Thorough institutional analyses should be carried out to determine whether the agencies charged with operation and maintenance of infrastructure are capable of carrying out the job. This judgement is more often assumed than analysed realistically.

Once again, the findings of the case studies on the sustainability of infrastructure largely conformed to the earlier findings of the desk review. The Viet Nam case study found that differences in access to infrastructure are an important determinant of the viability of a market-led approach in each of the provinces visited. At the same time, it noted that infrastructure development is constrained by the need to coordinate with other government projects. In particular, it determined that greater coordination with government partners on infrastructure projects would allow IFAD to focus its energy and resources on its comparative strengths in production and market-related infrastructure (TANGO International 2008e).

A case in point is offered by the relationship between P135, a government poverty project, and ongoing infrastructure projects implemented by IFAD-Viet Nam. P135 is not working in the same villages as IFAD's Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces. As a result, DPRPR is expected to provide schools, potable water and other long-term infrastructure improvements that are at times redundant with projects carried out by P135 and do not draw on IFAD's particular expertise in the provision of infrastructure in support of agricultural livelihoods.

Infrastructure improvements must create synergies with other project components

Each of the case studies also found it essential that provision of infrastructure be integrated into the project in a manner that effectively supports the livelihood security of participating communities – as is the case with other project components as well. For instance, the case study in Viet Nam concluded that, in order to promote sustainability, there must be a significant degree of geographical and functional synergy between the location of infrastructure projects, implementation of agricultural demonstrations, establishment of community savings and credit groups, and provision of technical training to participants. Similarly, in places where a value chain approach is being promoted, the market infrastructure should be developed in the same location in which improved varieties will be grown and sold.

In India, NERCORMP has been somewhat successful in integrating infrastructure development, such as road construction and maintenance, with the expansion of cash-crop production through market linkages. Moreover, a core strategy in the project extension period has been to seek increased convergence between NERCORMP activities and government initiatives. A major example of this relates to the National Rural Employment Guarantee Scheme in which centrally funded infrastructure projects will be planned through village employment councils, thereby ensuring consistency with local priorities (TANGO International 2008b).

OCISP infrastructure projects implemented in the Lao People's Democratic Republic have developed valuable experience in addressing the common problem of maintenance of rural infrastructure. The Provincial Department of Health has introduced monthly user fees to finance the operation and maintenance of gravity-fed water schemes (whose construction was financed by the project). The policy initiative has been institutionalized in the Government: each water point has a user group, which reports to a committee responsible for the whole scheme. Similarly, efforts are in progress to implement provincial-level planning, contracting and oversight for rural road maintenance. In the design and management of infrastructure projects, it is especially important that these and other creative maintenance strategies are defined early in the project and clearly established as part of project sustainability plans (TANGO International 2008c).

Natural resource management

To date, IFAD's experience has been grounded in agricultural development, and has focused to a lesser extent on natural resource management and environmental stewardship as part of its project design processes. Accordingly, it is no surprise that NRM is lagging behind the conceptual and technical advances made in other sectors

such as agricultural production and marketing, microfinance and institutional development. In an effort to address this disparity, IFAD has made a concerted effort to consolidate lessons learned in this field and apply them to its current pursuit of improved project sustainability. The corporate evaluation (IFAD 2006b) noted that NRM issues – including land degradation, water management and joint forest management – were given higher priority in country strategic opportunities programmes (COSOPs) following adoption of the regional strategy for 2005-2006 (IFAD 2005b).

However, despite the progress made towards improved NRM at the policy level, the desk review and case studies revealed several remaining constraints on effective natural resource planning and management at the field level. Overall, it was determined that if IFAD retains NRM as a key component of agricultural projects, and is committed to ensuring environmental sustainability, it must be much more strategic and systemic in its choice of interventions, in monitoring changes in the natural resource base of project communities, and in analysing the ways in which these changes impact the long-term livelihood security of households and communities.

Short project time frames pose critical challenges to sustainable NRM activities

One critical challenge in promoting the sustainability of NRM components in IFAD-funded projects is the different time frames in which results are realized. For instance, many IFAD-supported projects have two phases. During phase I, it is unlikely that any given project will demonstrate a discernable impact from natural resource interventions. Rather, the first phase of a project provides an appropriate platform for establishing the groundwork for important environmental change. It might not be until phase II that a project is able to demonstrate actual changes in the natural environment that can be accurately measured and attributed to NRM activities.

Given this reality, achieving sustainable NRM practices will require that IFAD-funded projects strike a balance between anticipated gains in fisheries, agricultural production and other livelihood outcomes and the more communal changes needed to ensure environmental protection. What is abundantly clear is that the pace of change in these two arenas is very different, and either the expectations of outcomes must be tempered to account for these differences, or the timelines of projects should be adjusted (TANGO International 2008d).

Project gains in other sectors may compromise the sustainability of natural resources

The case studies consistently found that gains in other priority areas may indirectly compromise the sustainability of natural resources in IFAD target communities. For instance, rural infrastructure (especially roads), while necessary and beneficial, will likely encourage more land encroachment, at least in the short term. Similarly, in one area visited in the Philippines (Box 7), part of the forest land cleared in an irrigation development scheme had been set aside for nurseries of forest species. In other areas, however, villagers said the continued, unabated reduction in forest cover was negatively impacting the flow of water.

These and other observations underscore the fact that gains in NRM are associated with livelihood systems. Where there is a clear link with livelihoods, people will

Box 7

Lessons learned in sustainable natural resource management in the Philippines

The NRM component of NMCIREMP was designed to assist LGUs and communities in the planning and implementation of watershed and coastal activities to sustain the resource base (i.e. through improved watershed management, land resource planning and fisheries/coastal development). The case study found that NMCIREMP has been fairly successful in engaging coastal communities in natural resource assessment, perhaps due to the more diversified nature of resource users and the convergence of resource issues along coastal areas. In more-upland areas, progress has been slower due to the challenges in simultaneously addressing both environmental and livelihood needs. However, despite the overall importance of the natural resource base in sustaining livelihoods in both coastal and upland areas, the NRM component has lagged behind the others. The lesson drawn from NMCIREMP's NRM experience is that where the logic of outcomes is predicated on changes in the natural resource base, the slow pace and tenuous nature of change can create problems in other sectors.

Alternatively, CHARM achieved nearly all its intended NRM outputs, including mapping, plantation establishment and seedling production. It also reported achievements in the recognition and use of traditional forest management systems, in natural resource planning through the Barangay Resource Management Plan, and in reforestation and enforcement of local environmental ordinances (IFAD 2007b). However, CHARM's outcomes for physical outputs in reforestation also provide some important lessons for sustainability. Much of the reforestation work was done under contract, with payments contingent on survival rates of at least 80 per cent. This placed considerable pressure on some areas in which even 70 per cent survival (due to slope, soil fertility and moisture availability) may have been technically acceptable. The rigid processes set up did not always promote good practice, as many noted an increase in forest fires and encroachment. Some communities received poor technical advice on agroforestry species and site selection. Enthusiasm for reforestation was also impacted by payment delays and poor plant performance.

become engaged in NRM activities if they see a potential short- or medium-term return. Where benefits take longer to materialize (watershed rehabilitation, agroforestry, soil regeneration), IFAD needs to adopt different strategies and more realistic expectations. Moreover, moving from the resource planning stage (usually a resource management or land-use plan) to the activity or implementation phase has proved challenging in almost all projects. The time horizon for observing measurable change is usually much longer than with other project components, so NRM activities quickly get out of sync with the others. This often results in communities losing momentum or interest in the NRM sector (TANGO International 2008d).

Improved and sustainable NRM is dependant on local knowledge and incremental implementation steps

The case studies produced several common recommendations for the improved sustainability of NRM interventions. First, it has been widely acknowledged that in order to contribute to the sustainable management of natural resources, projects should draw on and promote local knowledge and practices in farming, fishery systems, forestry, etc. (TANGO International 2008c, 2008d). Second, projects focusing on NRM should introduce the aforementioned issues early in the project design phase and take incremental steps to encourage community participation. A positive example was seen in India, where conservation work carried out by NERCORMP started incrementally, with a focus on water conservation, rather than delivering top-down dictates about preserving natural areas. In addition, the project made use of local traditions for sustainable management of natural resources in building community awareness of resource conservation issues (TANGO International 2008b).

Social mobilization and capacity-building for community organizations

As described earlier, the community-led development approach is one of two basic models adopted by IFAD programmes throughout Asia and the Pacific. The other is a market-led approach, which guides programmes that focus primarily on agricultural production and microfinance. Under the community-led approach, institutional capacity-building and social mobilization⁵ are emphasized as a means through which vulnerable communities can achieve sustainable improvements in livelihood security. Based on previous internal evaluations and interviews with IFAD CPMs, the review found that the community-led approach is most appropriate in areas that are isolated from commercial centres, lack access to agricultural and other markets, and are characterized by distinct ethnic majorities, weak institutions and strong community cohesiveness (TANGO International 2008a).

The 2006 corporate evaluation of IFAD's regional strategy determined that, on the whole, PI programmes have "generally been quite successful in social mobilization, promoting participation and contributing to building grass-roots institutions throughout the region" (IFAD 2006b, xv). It gave programmes in the region special credit for establishing a strong record of collaboration with NGOs, especially in South Asia. It noted that, throughout the region, NGOs working in partnership with IFAD have played a particularly useful role in social mobilization, training, rural finance, policy and advocacy, and direct supervision (IFAD 2006b).

Communities with strong traditional institutions are typically better able to internalize new approaches and technologies

In order to build on these successes, the corporate evaluation recommended that those IFAD-supported projects focusing on social mobilization and capacity-building of community-based institutions give special consideration to three specific issues. First, it called for improved identification and capacity assessment of institutions at the local level. Of particular relevance to sustainability, it noted that villages with strong traditional institutions are typically better able to internalize new approaches and technologies. Hence, they are often better equipped to participate in relatively intense project activities in the short-term, as well as to sustain effective practices over the longer term. On a similar note, the evaluation highlighted the importance of developing a coherent strategy to ensure the convergence of newly formed community institutions, traditional power structures and governmental institutions. Such a strategy is vital in ensuring that different institutions operating at the community level take complementary actions that lead to sustainable improvements in the lives of poor rural people (IFAD 2006b).

Programmes must strike an appropriate balance between empowerment, social capital formation and income generation

Second, while encouraging continued emphasis on social mobilization and capacity-building for grass-roots institutions as a means of empowering poor rural communities, the evaluation identified a need to ensure a better balance between empowerment, social capital formation and income-generating opportunities (from both farm and off-

⁵ "Social mobilization involves planned actions and processes to reach, influence, and involve all relevant segments of society across all sectors from the national to the community level, in order to create an enabling environment and effect positive behavior and social change" (CEDPA 2000).

farm sources). Finally, it called attention to the fact that government partners are not always the most appropriate channel for promoting social mobilization and community empowerment. This is likely due, in part, to their limited capacity to facilitate participatory assessment and planning, to personnel and resource constraints that limit outreach activities, and to the tendency to pursue centralized, top-down approaches to development that limit community ownership.

Again, each of these issues was verified by individual case studies. The Viet Nam case study determined that community savings groups established through DPRPR are likely to be sustained if the capacity of local service providers continues to improve. The study found that literacy and numeracy training has significant potential to improve savings and credit management for CSGs and to enhance the capacity of village management groups to implement user fees for the maintenance of infrastructure. In the interests of promoting sustainability, the study also recommended greater focus on strengthening grass-roots capacity for effective planning and monitoring at the village level.

While social mobilization and capacity-building of local organizations in the Lao People's Democratic Republic have led to success in formulating village development plans (see Box 5 above), the case study found that many local institutions need to significantly improve documentation of intervention priorities, timelines of activities, resource requirements, assignment of responsibilities and performance-monitoring measures. Finally, the Viet Nam case study highlighted the importance of developing systems to ensure that newly established institutions are held accountable to the interests of the entire community, rather than working solely for the benefit of influential groups.

NERCORMP in India also reported a significant degree of success in social mobilization and institutional capacity-building at the community level. The case study attributed much of this success to an emphasis on participatory group formation and a project design reflecting community priorities. Moreover, projects were implemented with significant local contributions of labour, materials and, in some cases, cash. Although this approach meant minimal tangible 'progress' during early years, it has led to the establishment of community-based groups with a high potential for sustainability. In accordance with the project goal to "improve the livelihoods of vulnerable groups in a sustainable manner", the project specifically emphasized the empowerment of women. The case study determined that NERCORMP represented a significant and innovative break from previous projects in target communities by providing technically appropriate, culturally sensitive and institutionally effective alternatives to traditionally top-down development schemes.

II. Guidelines for ensuring project sustainability

Drawing on the findings of the desk review and individual case studies, as well as the recent policy initiatives taken by IFAD, this section outlines general determinants of and constraints on project sustainability. It also identifies a comprehensive set of sustainability indicators for IFAD field operations in Asia and the Pacific and examines the lessons learned from previous attempts to ensure the long-term impact of IFAD development interventions.

Enabling factors in achieving sustainability

The desk review identified (and the case studies verified) a range of factors that significantly improve the likelihood of achieving sustainable outcomes and impact from IFAD-supported projects in the region. They are summarized below, and, when applicable, positive examples from the case studies are included.

Effective linkages between project components

A key element in sustainable project outcomes is a design based on a holistic consideration of livelihood systems, needs and opportunities. Narrow, sector-focused interventions can be a risk to sustainability in various ways. For example, gains made in household food security can easily be lost due to disease outbreaks or adult mortality. Similarly, improved economic status can be compromised by shocks – natural or man-made – that deplete or destroy household and community assets. In short, if households and communities lack resilience in the face of natural, social or economic shocks, project impacts can quickly be lost.

Specific examples of effective linkages noted in the field visits include:

- Broad mixes of interventions, as a set, responded well to the observed and expressed needs of communities (NERCORMP).
- Projects in India and the Lao People's Democratic Republic clearly link infrastructure development with the expansion of cash-crop production. NERCORMP additionally links the two to market activity.
- Women's groups in India, formed around income-generating activities, expanded to include a forum for awareness on health and hygiene and for community mobilization efforts that address education and social problems.
- OCISP has forged strong linkages between credit and agricultural/livestock training, and to a lesser degree, marketing.

Community participation

While many development programmes include participatory measures in project design, programmes that obtain sustainable results take the commitment seriously and put it into practice with sound concepts, focused dedication, careful monitoring, and appropriate adaptive measures when necessary. Successful programmes use bottom-up planning to determine priorities and then accurately reflect community needs in project design. Designs with promising sustainability results include plans for communities to

manage both external and internal resources, which in turn promotes a greater sense of ownership. The following are specific examples of successful community participation noted during field visits:

- Community priorities were assessed during the design of OCISP's activities using participatory approaches. At the time of the case study, community members expressed the view that the project still addresses key household and community needs.
- Designed as a community-led development project, DPRPR has taken on another dimension by incorporating the decentralization process.
- Community projects in India were selected based on community priorities and implemented with significant local contributions of labour, materials and sometimes cash. This approach strengthened groups, empowered members and ensured the maintenance and repair of outputs.
- India's project, NERCORMP, has fostered a sense of unity and group power for SHGs. The formation of the groups was a slow, patient process, with appropriate systems/structures put into place. The project strategy, in which SHGs access and repay ever-increasing loan amounts, has established a track record that should gain them future support.
- By successfully integrating government stakeholders into the district societies (essentially project field offices), NERCORMP helped establish local ownership of the project and significantly increased awareness among government stakeholders of the project development model.

Flexible design

Flexibility in design expands the ability of a project to be demand-driven, with home-grown initiatives that take advantage of local knowledge and practices and promote community ownership and sustainability. Moreover, flexibility facilitates quick adaptation to changing circumstances, as well as response to new opportunities. The flexible lending mechanisms currently in use by IFAD have improved the quality of implementation and have helped strengthen institutional capacity. The following is a good example of flexibility in project design:

- Project managers and IFAD supervisors in India allowed design modifications and an extension period in an attempt to ensure sustainability. Adjusting to changing circumstances, the project vetoed the planned creation of a major MFI designed to serve the project area. It was decided that the component was not community-based, nor was it supported by an adequate regulatory framework. The MFI idea was replaced by smaller revolving savings and credit functions within the project's SHG federations and apex bodies.

Institutional analysis

The design phase must undertake a comprehensive assessment of a project's institutional context. The ability and motivation of the country policy and institutional framework to promote sustainable results greatly impact project success. Achievement occurs in projects with objectives linked to existing national policies and programmes, government strategies geared towards poverty reduction and supportive of participatory design, and activities mainstreamed into existing agencies. Determining the strengths of existing village institutions and other community organizations prior to

Box 8**Institutional analysis: What to look at**

'Stakeholder and institutional analysis' simply means investigating what types of efforts are supported by CBOs, NGOs or the government. It is essential to know:

- Are these efforts successful?
- What can IFAD learn about improved risk management through the efforts of other groups?
- Are there partnership possibilities that may enable the scaling up of best practices?

Common tools used in institutional analysis

- Venn diagrams
- trend analysis and historical timelines
- institutional mapping
- partnership analysis
- force field analysis

Questions to ask during project design

- What various institutions is the project trying to establish?
- Is a thorough institutional analysis planned as part of project start-up?
- Which groups should be sustained?
- What steps are being taken to ensure that these institutions will be sustained?
 - Capacity-building?
 - Resources?
- What indicators are being used to measure institutional sustainability?

implementation helps a project focus on the important elements of sustainable institution-building (Box 8). Assessing the capacity of institutions to bear a progressively increasing share of recurrent costs during project implementation, and including this financial plan in project design, promotes fiscal sustainability. Some examples of successful practices for institutional analysis and sustainability noted during field visits include:

- Good practices for institutional sustainability are being followed in the Lao People's Democratic Republic. VACs supply the project and government line agencies with information for the village information questionnaires. This activity mixes participatory M&E with VAC capacity-building. Moreover, partnerships with the World Food Programme for rural infrastructure have worked very well in this country programme.
- The subprojects in Ha Giang and Quang Bin devoted significant effort to identifying potential partnering institutions within their respective areas.
- OCISP has facilitated a sustainable process for local water user groups. The Provincial Department of Health has introduced monthly user fees to finance the operation and maintenance of gravity water schemes (whose construction was financed by the project). The policy initiative has been institutionalized in the Government: each water point has a user group, which reports to a committee responsible for the whole scheme. User fees will be collected and managed by user groups once this is government policy, rather than simply a project proposal.
- NERCORMP has implemented its projects through host country institutions (government agencies, NGOs, CBOs, or some combination of these). Using this strategy, it has built the capacity and experience of partner institutions so they will be able to sustain the types of services provided by the project in the future.
- NERCORMP has joined sets of SHGs and NRMGs into clusters, federations and apex bodies as part of its sustainability strategy. Clusters of SHGs allow

Institutional sustainability is strengthened in projects with:

- Objectives linked to existing national policies and programmes
- Government strategies geared towards poverty reduction and supportive of participatory design
- Activities mainstreamed into existing agencies

producers to obtain better prices through trade in commercial volumes and constitute associations that can register officially with the Government. As a result, these groups are better able to protect the interests of members, lobby for policies that benefit their constituents, and function as a source or conduit of services and credit to the individual groups.

Longer project cycle

Participatory problem analysis is an essential component in designing projects capable of achieving long-term development impact – and it requires a lengthy project planning cycle. Moreover, institutional strengthening and capacity-building, NRM practices aimed at achieving environmental sustainability, and efforts to achieve structural equity are likely to require more than one project life cycle to demonstrate meaningful impact.

Risk assessment

Enhancing the risk management capacity of project participants is essential to long-term sustainability. This entails identifying risks that threaten the stream of benefits to households and communities and including risk mitigation in project design. Risk mitigation methods must be credible and implementable, particularly regarding responsiveness to social risks such as exclusion of key groups or lack of socio-political support by authorities or communities. Emergency savings accounts and weather and livestock insurance are methods of risk mitigation currently used in IFAD-supported projects, and which are likely to contribute to the sustainability of project activities and objectives. These types of analyses will become more important to project design as climate changes become more significant. The case study in India offers an example of a project enhancing the risk management capacities of project participants:

- Solidarity, women's empowerment and income generation are bolstering traditional social capital, allowing communities in NERCORMP's area of operation to support households facing difficulties. Participants are more resilient and better able to manage the risks they face.

Consideration of environmental appropriateness

The establishment of environmentally productive systems is critical to sustainable income and asset streams. Beneficial systemic changes in the environment can occur when project design emphasizes the linkage between poverty reduction and environmental protection. Project design that focuses on environmental fortification (local and global) and incorporates measures to mainstream environmental considerations into economic growth objectives is more likely to reap long-term benefits. Building partnerships with functioning, sustainable institutions that are involved in collective action is vital as well. Moreover, successful programmes include environmental risk mitigation and methods of measuring environmental impact over several project cycles. The following project design components that link poverty reduction with environmental protection were identified in the case studies:

- Conservation work in India started with a focus on water conservation and not with top-down dictates about preserving natural areas. In addition, the project made use of local traditions for the sustainable management of natural resources in order to rebuild awareness.

- New economic activities in which NERCORMP participants are engaged do not deplete the resource base and, to the extent that they replace the need for *jhum* cultivation, they represent a net gain in natural resource conservation.

Building on existing assets and knowledge

Community participation in and ownership of initiatives – and thus their sustainability – is much greater when implementing agencies draw on existing practices and engage established community institutions, as opposed to creating new structures and mechanisms. By building on existing community assets and knowledge, development agencies can promote positive community attitudes towards collaboration and collective decision-making, as well as support social cohesion by strengthening relationships between internal and external organizations.

- In India, the Lao People’s Democratic Republic and the Philippines, attitudinal and behavioural changes regarding protection of the environment have been brought about through links with cultural traditions and by first promoting self-interest (e.g. protecting sources of potable water), rather than by moralistic entreaties regarding biodiversity or heavy enforcement and stiff penalties.
- Projects in India have worked to reintroduce or reinforce tribal groups’ long traditions of sustainable environmental conservation.

Consistent and objective monitoring and evaluation

A consistent and objective approach to project M&E is essential in achieving sustainability. Without reliable information on both the intended and unintended changes resulting from project interventions, project managers will be unable to make adjustments in the design and implementation of activities in response to contextual factors. Nor will they be in a position to formulate or carry out appropriate exit strategies – a critical component for ensuring sustainability. Project M&E plans should also include a set of standard sustainability indicators against which progress towards intended goals can be measured. The following example from the Philippines is a promising M&E approach that may contribute to sustainability.

- In NMCIREMP’s pilot information management system, project partners such as LGUs and CBOs have continual access to information and knowledge through the Area Information Management System. AIMS contributes to the improvement of basic service delivery by enabling online tracking of LGU-sponsored community development initiatives (TANGO International 2008d).

Constraining factors

The desk review and case studies found that the likelihood of future sustainability among a number of programmes in Asia and the Pacific was constrained by the conspicuous absence of one or more key enabling factors. At the same time, it identified a number of factors that function as constraints on programme sustainability within IFAD and other development institutions (IFAD 2006a, 2007a, TANGO International 2008a). Each constraint is followed by a few examples of lessons learned during the case studies. Further recommendations are found in the subsection “Major lessons learned” later in this section.

Overambitious objectives that are poorly adapted to the livelihood context of a particular country

- Use accurate contextual, institutional and opportunity analyses to provide clear guidance on project design.
- Encourage the outposting of CPMs. By working in-country, they will have a much better contextual understanding of project environments and thus be better able to conduct accurate and sophisticated problem analyses and needs assessments.
- Certify that infrastructure and financial services are in place prior to developing market-driven project designs.
- Consider alternative income-generating strategies in areas where limited household landholdings are common.

Insufficient attention paid in the project design phase to creating effective linkages among different sectors

- Facilitate discussions with communities to help them see the importance of linking different components (such as field demonstrations, training, financial services and infrastructure).
- Build stronger linkages by providing credit against the framework of livelihoods found in particular agroecological zones.
- Link agricultural and livestock demonstrations to communities in which CSGs are being formed.

No unifying framework for analysing the impact of resource investments on risk/shock management

- Facilitate comprehensive risk management that includes risk reduction, mitigation and coping strategies.
- Consider 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.
- Improve shelter for livestock in regions subject to severe cold fronts.
- Develop infrastructure appropriate to local topographical conditions, weather elements and local capacity for maintenance.
- Integrate risk management components into savings and credit activities, so that insurance mechanisms are in place in the event that a major shock overwhelms the community and people are unable to repay their loans.

Underinvestment in institutional strengthening and capacity development

- Rather than engaging village community facilitators to streamline community mobilization, build the capacity of individuals within VACs to perform certain functions. Include these individuals from the start of projects so that they are viewed by VAC members as useful and as a good source of advice.

Preoccupation with achievement of major outputs and general neglect for fostering sustainable processes among community stakeholders

- Facilitate VDPs that support priorities outside of project categories – needs that are meaningful to the participants.

- When village-defined needs are not approved, communicate the reason to villagers so that they feel they have freedom to choose in the future.
- Undertake a thorough analysis to determine whether poor people are served by the output in question. Accuracy of targeting can help ensure that the poorest households are not excluded from project benefits.

Insufficient priority given to the promotion of community participation, collaboration and collective decision-making

- VDPs 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.

Persistent lack of access to inputs and markets to the detriment of technical and economic/financial sustainability

- Make sure that the promotion of inputs in remote areas having poor market access does not increase risks for farmers.

Insufficient technical and implementation support, coupled with short project time frames

- Provide more sustained access to technical support and assistance through partnerships with relevant networks at municipal and provincial levels (both governmental and non-governmental).

General lack of environmental analysis in assessments of institutional sustainability and household food and livelihood security

- Put all project designs through a rigorous environmental review process.
- Focus more on the identification, preservation and multiplication of promising local varieties.
- Ensure that programme interest in sustaining biodiversity is not compromised by fragmentation of natural areas. The size of areas and connecting corridors that IFAD wishes to protect must be sufficient to maintain protected species.
- Emphasize agricultural interventions that are more environmentally sustainable, such as green manures.
- In areas where fertilizer is promoted, ensure that water systems are not vulnerable to contamination.

Lack of an in-country institutional presence capable of advocating for needed policy change

- Continue to expand IFAD's country presence programme.
- Balance the number of communities that projects attempt to reach with the number of staff available. Ensure that an adequate number of staff have physical presence, as community organizations and line agencies implement activities.

Lack of a systematic approach to arranging or providing incentives and ongoing technical support for governmental and non-governmental partners responsible for sustaining activities (infrastructure maintenance, NRM, etc.) and

Limited capacity-building for enabling communities to acquire the ongoing financing needed to sustainably maintain programme improvements

- Request broad participation in the recruitment of technical staff. Key officers should be included as members of selection committees.
- Review and reach agreements on who will take over key management, technical support, operational and maintenance responsibilities once project-funded staff are no longer available.

M&E systems incapable of measuring programme impact, partner performance and institutional learning

- Tighten and focus M&E systems, particularly in terms of outcome/impact assessment. Ensure that opportunities for knowledge and learning are not reduced by the focus placed on outputs, rather than on outcomes or impact.
- In seeking to document impact through stories, ensure an unbiased approach so that information useful to comprehensive learning is not obscured.
- Identify sustainability indicators for the various components.
- Schedule an ex-post evaluation, approximately two years after project closure, to assess predetermined indicators and analyse factors related to sustainability. Track some of the households that have reportedly moved out of poverty.
- Develop assessment tools for VACs that are modeled after NMCIREMP's assessment tools.

Inadequate attention given to the formulation of viable exit strategies

Exit strategies are discussed in detail in the subsection "Major lessons learned" later in this section.

Establishing standard indicators of sustainability

Future investment in improving the sustainability of IFAD-supported projects should include better means for measuring whether sustainable practices and systems are being attained. Indicators currently used to measure aspects of sustainability are not mandatory, leading to subjective monitoring (TANGO International 2008a). It is essential that a modest number of key sustainability indicators be incorporated into existing monitoring systems. IFAD is already using the Results and Impact Management System (RIMS) – a comprehensive system for measuring and reporting on IFAD-supported country programmes. RIMS could be adjusted to accommodate key sustainability indicators. In addition, each project has its own M&E system that, with adequate guidance, could incorporate key sustainability output and outcome indicators.

The indicators selected should be consistent with the four critical dimensions of the 'sustainability lens' that formed the basis for the case studies: institutional sustainability, household/community resilience, environmental change, and empowerment. Examples of indicators for each of these dimensions of sustainability are provided in the annex "Indicators of multiple dimensions of sustainability".

In assessing sustainability, the tracking of core changes in the institutions of IFAD-supported projects is critical. Since institutions are complex – and within institutional strengthening there are a number of diverse elements to consider – the most practical approach to monitoring this dimension is through a type of scorecard. IFAD is using

**Institutional sustainability:
Areas for incorporation of
indicators**

- Organizational structure
- Financial management
- Governance
- Human resource management
- Linkages and outreach

such a system with NMCIREMP in the Philippines. The organizational assessment tools can easily be modified to incorporate the indicators identified in the sustainability case studies.

The key areas in which to incorporate indicators for institutional sustainability include: organizational structure, financial management, governance, human resource management, and linkages and outreach.

Indicators developed for monitoring and assessing community and household resilience are conspicuously missing from most IFAD M&E systems or review missions. Resilient households and communities share common characteristics across a variety of livelihood systems, socio-economic contexts and climates, thus indicators can be adapted to the context of IFAD-supported projects. Some key indicators include, but are not limited to: income diversification; amount of investment in natural resource areas such as soil conservation, water management and reforestation; existence of early adopters of new technologies; access to affordable credit; household propensity to save; and a strong work ethic.

In monitoring household resiliency, it is also useful to assess aspects of joint decision-making in households, the degree to which girls and boys are supported in their education (including how parents participate) and the amount of remittances flowing into the community.

At the community level, a number of enablers and inhibitors affect the opportunities for communities to become resilient across a range of rural livelihood systems. Programmes are more likely to support community resilience if they adopt approaches that build on the enablers. Indicators associated with an enabling environment include: communication and transportation links to urban areas, strong community social assets (such as women's and savings groups and traditional leaders) and access to adequate health facilities and services for all community members. Evidence of access to markets, communal management of natural resources and community participation in development decisions are also useful indicators.

Currently, IFAD-funded projects do not include sufficient indicators to measure the environmental changes resulting from project interventions. Systemic change in the environment is usually only monitored by IFAD-supported projects at the output level (e.g. number of trees planted or hectares of land under integrated-pest-management practices). An ideal set of systemic measures of environmental change would have indicators for both natural and managed environmental systems. Specific indicators for capturing environmental sustainability are context-specific, but need to include measures of change in resource quantity and quality.

For example, indicators for agricultural systems should include measures of soil fertility and soil moisture, pest management practices, genetic diversity and crop yields. For forestry, indicators need to include such measures as the quality of forests (genetic stock, tree circumference, resistance to pests and disease, and so on) and the nature of forestry practices. For fisheries, the size, health and age structure of the relevant population stocks and the management practices applied need to be assessed. For water quality, measures of eutrophication, turbidity, dissolved oxygen and other critical indicators are useful.

Because environmental changes are likely to be long term in nature, indicators tracking these changes should be part of the M&E system used to track the impact of agricultural or NRM projects that have completed at least two cycles. In projects that do

**M&E for community and household resilience:
Sample key indicators**

- Income diversification
- Amount of investment in natural resource areas
- Early adopters of new technologies
- Access to affordable credit
- Household propensity to save
- Strong work ethic

**Environmental sustainability:
Sample indicators for agricultural systems**

- Measures of soil fertility
- Measures of soil moisture
- Pest management practices
- Genetic diversity
- Crop yields

Sustainable structural change: Sample indicators

- Increased ability of poor people to organize
- Increased ability of poor people to take initiative
- Community control and management of resources
- Freedom of movement

not address NRM directly, efforts should be made to track environmental indicators to ensure that the project does 'no harm' to the environment and "meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland 1987).

Changes in underlying societal power structures and empowerment of the community are important indicators of sustainability. However, structural changes are typically the most difficult to achieve, as well as the most difficult to measure. These aspects of sustainability could take decades to achieve, but indicators for measuring them need to be included in country programme strategies. Several indicators to measure empowerment are in use by various organizations. Many of those used to measure structural change are relevant to IFAD's efforts to enhance programme sustainability. They include measures of community control and management of resources and of increased participation by poor people in institutions that make decisions and administer the resources that affect their lives (Binswanger 2003).

Main elements of exit strategy

In order to ensure the sustainability of its development initiatives, IFAD must find ways of complementing its technical capacity in development programming with appropriate project exit strategies. The timing and manner in which IFAD concludes its activities depends on a range of factors. Accordingly, for IFAD, an 'exit' may take the following forms: moving into a second phase of a project; terminating assistance under a specific project; or ending its country presence.

An exit strategy should include possible indicators or 'triggers' for exit,⁶ linked to IFAD's development strategy and specific project goals and objectives; systems for measuring progress; and identification of capacities to be built and left behind after IFAD assistance is terminated. In all cases, the focus is on sustainability rather than on exiting for exit's sake. Answers to a number of key questions can serve as the basis for initial formulation of exit strategies. First, how can IFAD best design assistance from the initial planning stage so as to facilitate eventual phase-out? Second, how will IFAD determine whether its assistance has contributed to a community's resilience and furthered its development? Most importantly, how can the gains made during IFAD's presence be continued after assistance ends? These questions should be applied not only to projects as a whole, but also to specific activities within projects as they are phased in or out.

Key questions for exit strategies

- How can IFAD best design assistance in order to facilitate eventual phase-out?
- How will IFAD determine whether it has contributed to community resilience?
- How can the gains made during IFAD's presence be sustained after project termination?

Exit strategies are explicitly linked to sustainability

An exit strategy for a programme is a specific plan describing how the programme will withdraw from a region or population while ensuring that the achievement of development goals is not jeopardized. It is explicitly linked to sustainability in that it also considers means of ensuring further progress towards these goals after the end of an agency's technical and financial support. 'Exit' refers to withdrawal from the operational area of externally provided resources, whether material goods, human resources or technical assistance. The goal of an exit strategy is to ensure the sustainability of programme impacts and activities.

⁶ Triggers may be bureaucratic (donor interest, timing), programmatic (progress towards goals, a change in the overall situation), or systemic (capacity of host government).

Alternatively, a programme may develop a graduation strategy, meaning it will withdraw resources from certain communities which have 'graduated' or met certain criteria within an operational area. The advantage of graduation strategies is that programme staff or graduated community members are able to oversee or mentor communities that have recently entered the programme. Moreover, the lessons learned from prior graduations will continually be fed back into the design of future graduation and/or exit strategies. This will be particularly useful for IFAD programmes seeking to use communities that were 'successful' in previous phases of a project to help define criteria for its exit strategy in subsequent phases.

In order to qualify as a strategy, the exit or graduation strategy must contain the following:

- specific criteria for graduation and/or exit;
- specific and measurable benchmarks for assessing progress towards meeting these criteria;
- clear action steps to reach benchmarks and identification of those responsible for taking these steps;
- measures to periodically assess progress towards meeting the exit criteria and possible modification of the plan based on any unforeseen difficulty in reaching the benchmarks;
- a timeline (flexible to a degree) specifying when these benchmarks will be reached and when the assessments will be conducted.

Exit strategies may be 'phase-out', 'phase-over' or 'phase-down'

Depending on the context, the exit strategy may be described as 'phase-out', 'phase-over' or 'phase-down'. The 'phase-over' is most consistent with previous IFAD strategies in that it seeks to transfer the full responsibility for programmatic activities to other organizations, governmental entities, community groups or individuals. This type of exit strategy requires significant management and technical capacity-building efforts, which must be initiated at the onset of the programme to ensure an effective transfer and the continuation of well-functioning activities. The success of this strategy depends on the current capacity, motivation and commitment of the group, organization or individual.

The 'phase-out' exit strategy involves the withdrawal of programmatic resources, but in the absence of transferring responsibility or ownership to another group. In this case, the programmatic inputs are believed to have brought about sustained changes that do not require continued oversight or input, such as marked behavioural change in a target group.

'Phase-down' exit strategies refer to the gradual reduction of programmatic inputs or resources, often prior to a 'phase-over' or 'phase-out' strategy.

The desk review found that a number of CPEs identified the absence of an exit strategy as a major constraint on sustainability. Only a handful of IFAD-supported projects were found to have an exit strategy. Those that did develop such strategies did so at a late stage of the project cycle and thus were often unsuccessful in carrying them out. None of the projects visited for the case studies articulated explicit exit strategies, though the need for this critical step had been noted in previous supervisory missions and mid-term evaluations. NMCIREMP in the Philippines has begun articulating an exit strategy and plans to finalize it within the year. While it would have been advantageous

to do this earlier, NMCIREMP is well-positioned to develop a strong exit strategy and has already done groundwork to ensure sustainability (e.g. commissioning a consultancy by Kasanyangan Rural Development Foundation on a framework for sustainability and a guide for action planning).

Major lessons learned

The following section highlights important lessons for IFAD programme sustainability, identified by both the desk review and the case studies.

Development models leading to sustainability must be responsive to the operating environment

A market-led approach seems to be suited to areas where the infrastructure and services available will enable it to work. A community-led development model may be more appropriate in areas that are more isolated and have marginalized ethnic minorities that have not benefited from macroeconomic improvements due to language, illiteracy and other cultural barriers. These areas lack the necessary infrastructure and services for effective market linkages. Some value-chain activities should still be piloted in these remote areas, but will be difficult to scale up until appropriate infrastructure and services are in place.

Key elements of a sustainability strategy should be introduced early in the project design phase

Several elements have been identified for the sustainability strategies adopted by individual country programmes. These include, but are not limited to: a thorough analysis of both governmental and non-governmental institutions involved in project implementation, baseline assessments of household livelihood security and resilience, appropriate risk analysis, and formulation of exit strategies. The experiences of individual country programmes have underscored the importance of taking each of these steps as early as possible in the project cycle.

Positive examples of this were seen in both India and the Philippines, where IFAD-supported projects have proven responsive to the expressed needs of communities and have involved them early in the project planning process. In the early stages of implementation, both NERCORMP and NMCIREMP committed relatively little funding to the community, choosing first to engage it in collective decision-making on how future funds would be spent. Projects in both countries are also enhancing the likelihood of sustainability by developing specific strategies for capacity-building, creating linkages with service partners, and conducting periodic institutional assessments to clarify the strengths and weaknesses of partner organizations.

Promote household resilience by incorporating a risk management approach

A risk management lens should be used to screen any demonstration of agricultural productive activities. Projects should also concentrate on building farmers' capacity to effectively manage local risks (e.g. cold spells, typhoons, floods, etc.). Risk management components should be integrated into savings and credit activities to have insurance mechanisms in place, in the event that a major shock overwhelms the community and people are unable to repay their loans. Similarly, livestock and crop insurance should be evaluated on a pilot basis.

In order to help farmers manage local risk better, projects should facilitate the development of community-based risk management strategies that identify:

- what kinds of risk management capacity need to be in place at household and community levels to deal with idiosyncratic risk;
- what kinds of safety nets (crop or livestock insurance) need to be available at municipal and district levels if local capacity to manage risk should be overwhelmed;
- 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).

This requires training local staff in charge of agricultural production activities to work directly with communities on risk management strategies.

Use of the following three strategies will assist IFAD in comprehensive risk management:

- *Risk reduction* (ex-ante) takes place prior to a shock. It includes intervention activities at household and community levels, such as protection from typhoons and floods, stall improvement for livestock, house reinforcement and livelihood diversification.
- *Risk mitigation* includes mechanisms to minimize the impact of a shock (weather and crop insurance, emergency savings groups or revolving funds). Planning takes place before a shock at household and community levels; implementation occurs during the shock.
- *Risk coping* (ex-post) takes place after a shock at household, community, municipal and higher levels. It includes household coping strategies such as liquid asset sales, and informal and formal safety nets operated at community and municipal levels. It also entails various social protection mechanisms (safety nets), which need to be in place at district and provincial levels in case the lower levels are not able to deal effectively with a shock.

Country programmes should adopt flexible project design and implementation mechanisms responsive to changes in the operating environment

In order to achieve sustainability, it is essential that projects retain the ability to adapt to changes in the programming context. Overly rigid programme structures leave too little room for community input, cannot effectively incorporate important lessons and are ill-equipped to support vulnerable households and communities in a dynamic risk environment. Flexibility is particularly important to IFAD given its core strategies for institutional development. Institutional partnering arrangements must be able to evolve over time as opportunities for collaboration with new organizations emerge and others fade.

Again, examples of project flexibility were identified in India and the Philippines. In what the Philippines case study described as an apparent contradiction, NMCIREMP has developed strict guidelines for institutional development with built-in flexibility. The guidelines help staff and partners remain consistent in their message and processes with communities, but also allow decisions based on local contexts and circumstances. This is especially important when working in diverse settings and with indigenous communities, where needs may be quite different from those in non-

indigenous communities. In India as well, NERCORMP project managers and IFAD supervisors were flexible in their approach, allowing design modifications and an extension period in an attempt to ensure sustainability. This proved critical, given that premature withdrawal of support at an inopportune phase would have compromised the gains made previously.

Special attention should be devoted to improving monitoring and evaluation systems that facilitate and document progress towards sustainability

Effective M&E of field operations supports sustainability in multiple ways. First and foremost, it identifies strengths and weaknesses in project implementation, which makes possible needed adjustments in response to changes in the operating environment. Second, it can highlight potential linkages among individual project components that enhance the overall impact of programme interventions. Finally, it can establish reliable indicators of project sustainability, which is a critical step in gauging progress towards key benchmarks and formulating effective exit strategies.

The case studies in the Lao People's Democratic Republic and Viet Nam identified critical information gaps that prevented projects from adequately linking individual components in order to improve agricultural production, NRM and the provision of infrastructure. Each of the studies acknowledged that the lack of adequate risk analysis may ultimately compromise some of the significant gains in livelihood security made through savings and credit activities or agricultural interventions. The Viet Nam case study also underscored the importance of encouraging participatory project M&E as a means of ensuring community ownership of project outcomes and determining appropriate measures of success.

To achieve sustainability, IFAD should consider alternatives for improving interventions in natural resource management

IFAD's core strengths have traditionally been in enhancing agricultural productivity and supporting the establishment of community-based institutions. As the organization evolved, it began to integrate NRM and environmental protection into its programmes. To integrate these two components effectively and sustainably, however, IFAD must address several key issues identified in the case studies.

Given the relatively slow achievement of results in NRM interventions and their focus on communal (as opposed to household) benefits, in some cases IFAD must re-evaluate its objectives for this sector. As currently implemented, progress towards NRM objectives is often outweighed by gains in agricultural production, establishment of MFIs, and creation of community infrastructure. Project participants are thus less motivated to participate in NRM and have little understanding of the importance of resource conservation over the long term. IFAD must work to foster greater understanding of the balance between anticipated gains in fisheries, agricultural production and other livelihood outcomes and the macro changes needed for environmental protection.

In India, the Lao People's Democratic Republic and the Philippines, attitudinal and behavioural changes regarding protection of the environment have been brought about through links with cultural traditions and by first promoting self-interest (e.g. protecting sources of potable water), rather than by moralistic entreaties regarding biodiversity or heavy enforcement and stiff penalties. The case studies also highlighted

the importance of drawing on indigenous knowledge systems and traditional practices in sustainable management of natural resources.

In the interests of sustainability, projects should prioritize the involvement of existing community assets and structures over the establishment of new institutions

IFAD has earned a reputation for successfully establishing and building the capacity of community-based institutions. While this has proved an effective method of enhancing livelihood security through support for microcredit schemes, it may not be as sustainable for NRM, community infrastructure or community empowerment projects. The sustainability of impact in each of these areas is likely to be greater if IFAD can find ways to work through and build the capacity of existing community structures. This entails viewing NGOs and other community institutions as true partners, rather than as contractors, and involving them at an early stage of project planning and implementation.

For example, the sustainability of community projects implemented by NERCORMP in India has been strengthened because project selection responded to community priorities, and activities were implemented with significant local contributions of labour, materials and sometimes cash. This approach strengthened the capacity of existing community groups, empowered members and increased ownership of outputs.

III. Conclusions

This review of issues related to the sustainability of IFAD programmes in the Asia and the Pacific region has touched on a number of factors that are particular to the organization, as well as many that are common to development agencies throughout the world. It has highlighted important gains made at both policy and field levels towards the lasting impact of IFAD interventions. It has also identified the remaining challenges in IFAD's organizational approach to programme sustainability and has provided further insight into various dimensions of sustainability, through analysis of activities carried out by a range of individual IFAD country programmes. The key findings of the review can be summarized according to the principal phases of the project cycle, in order to serve as the basis for formulation of IFAD's regional framework on sustainability.

Policy and strategy

IFAD has taken steps to promote sustainability through a number of recent policy initiatives. The establishment of the Performance-Based Allocation System (PBAS) and of rural-sector policy and institutional assessment criteria have enabled IFAD to assess and advocate national and local policy frameworks for ensuring programme sustainability. IFAD has also demonstrated its commitment to sustainable development in its Strategic Framework (IFAD 2007j), which provides guidance on ensuring sustainability through every phase of a project, as well as on assessing risk factors for sustainability. It reiterated this commitment in its guidelines for Quality Enhancement for Project Design (IFAD 2007k), which establishes sustainability as one of the universal principles of engagement. IFAD's current move towards establishing country presence and its growing commitment towards field-based supervision are likely to have a direct and positive influence on sustainability. Outposted CPMs will have a greater understanding of the country context and institutional milieu, enabling programme design to be appropriately tailored to the programming environment of each country.

IFAD has published various guidelines supporting the improved sustainability of programme outcomes and impact. With the notable exception of the guidelines for project design, each of these documents addresses the incorporation of sustainability into project design. Key themes include the need for clear exit strategies, consistent approaches to M&E, the importance of risk assessment, guidance on institutional and policy analysis, and means of achieving flexibility in programme design. OE has contributed to progress at the corporate level by establishing criteria for the ARRI sustainability ratings of individual country programmes. It is currently drafting a comprehensive programme evaluation manual and guidance notes on assessing project sustainability, in an effort to promote standard M&E practices across all programmes.

In relation to individual country COSOPs, the desk review and case studies identify a number of sustainability issues. Given IFAD's close working relationships with host governments and other institutional stakeholders, it is important that the COSOP process facilitate national policy dialogue on key issues of the individual country

programme. Similarly, IFAD's involvement in microfinance and agricultural production requires that COSOPs adequately emphasize the issue of markets. By giving full consideration to market forces from the outset of strategy development, COSOPs can play a critical role in facilitating improved farmer access to agricultural inputs and produce markets, while avoiding an overreliance on production outcomes to the detriment of other important issues, such as access to credit and agroprocessing opportunities. As with individual project designs, it is important that COSOPs retain the flexibility needed to adapt to significant changes in the country context. Finally, it is strongly recommended that all future COSOPs address programme sustainability and identify specific strategies for ensuring the long-term impact of interventions.

Project appraisal

This paper echoes the findings of previous internal IFAD evaluations, which identify the project appraisal process as a critical point in ensuring sustainability. Due to its position as the first major step towards selection and formulation of projects, it is vital that future appraisal reports analyse both the country context and strategic programming opportunities with an eye towards achieving sustainability.

One important conclusion is that appraisals should allow longer time frames for project identification to ensure that adequate institutional analyses are conducted. Improving the quality of such analyses will directly improve sustainability by clearly identifying capacity-building needs and by strengthening commitment to and future ownership of project outcomes.

The desk review and case studies also call attention to the importance of setting realistic goals and objectives, especially in programmes focusing on infrastructure, NRM and the establishment of CBOs. As discussed below, projects within each of these sectors often encounter unforeseen challenges that prevent the achievement of significant outcomes in the short term. On a related note, it is critical that future appraisals include a thorough analysis of risk. This should include, but may not be limited to, a discussion of the economic, institutional and environmental risks that a project may encounter.

Finally, given their primary role in project design, appraisals must instill a common understanding of the purpose of IFAD programming. In the interests of sustainability, CPMs and implementing partner staff should not feel bound by strict targets and templates, but rather be encouraged to take the initiative to adapt project design and implementation in response to changes in the programming environment. Project appraisals can support this process by including operational policies that discuss the sustainability of outcomes as a common reference point for project designers, implementers and evaluators. In keeping with the recommendations for COSOPs cited above, appraisal documents should, at a minimum, outline the key elements of a project sustainability strategy.

Project design

Within IFAD, project appraisal and design are complementary components of the overall process of project formulation. However, this review has highlighted several distinct elements of project design that warrant specific attention if sustainability is to be enhanced.

Among the most common and detrimental findings regarding the sustainability of IFAD programmes in Asia and the Pacific is the prevailing lack of clear exit strategies in project appraisals, design documents and implementation plans. It is essential that IFAD rectify this issue to substantially improve project sustainability. As stated earlier, an exit strategy is a detailed plan describing methods of withdrawing external financial and technical support in a manner that does not jeopardize the continued achievement of intended programme outcomes.

All future project design documents should lay out comprehensive exit strategies linked to IFAD's development strategy, as well as the specific goals and objectives of the project. Exit strategies should include identification of institutional capacity-building needs, a description of benchmarks for measuring progress towards project objectives, specific action plans for achieving the benchmarks, and a reasonably flexible timeline within which benchmarks will be met. It is also important that an exit strategy draw on a range of specific exit criteria, including indicators of institutional sustainability, community and household resilience, environmental change and community empowerment. Each of these elements should not only be identified for projects as a whole, but also for specific activities within projects as they are phased in or out.

Another common thread running throughout the desk review and case studies is the need for greater flexibility in project design. Flexible design not only allows implementing partner staff to adapt to dynamic circumstances, it also promotes community commitment to and ownership of outcomes by enabling the selection of demand-driven project activities. Retaining flexibility in project design also allows CPMs to achieve an appropriate mix of market-led and community-led approaches to development, according to the quality of infrastructure, institutional capacity, livelihood context and access to basic services. Flexible project designs may also allow for an extension of project activities where needed. This is especially important for initiatives involving institutional strengthening, improvement of NRM and community empowerment, because structural change is unlikely to be achieved in a single project life cycle.

Finally, in the interests of sustainability, it is strongly recommended that IFAD support the development of project designs that incorporate context-specific risk management measures into all activities. Risk mitigation methods must be credible and implementable, particularly regarding responsiveness to social risks such as the exclusion of key groups or lack of socio-political support by authorities or communities. Emergency savings accounts and weather and livestock insurance are the methods of risk mitigation currently used in IFAD-supported projects that are likely to contribute to the sustainability of project outcomes and impact.

Implementation of projects within specific sectors

The review of sustainability of IFAD programmes in Asia and the Pacific has revealed a range of issues related to project implementation. Some of these are common across all projects, but most are implementation issues encountered within specific technical sectors.

Microfinance

Within the microfinance sector, the review found a need to improve targeting towards poorer rural people – in response to findings that, contrary to intentions, some projects

have disproportionately benefited relatively secure households. Effectively targeting the most vulnerable households will entail strengthening the outreach capabilities of institutions involved in the provision of microfinance services. Sustainability of grass-roots MFIs can also be enhanced by helping them form larger associations, primarily for the purpose of agricultural marketing. Improvements should be made in establishing linkages between microfinance operations and income generation. This may include greater support for non-farm produce and adult training in literacy and numeracy specifically targeted towards women. Finally, the review found that projects within the microfinance sector should seek means of increasing the quantity and quality of private-sector engagement by establishing linkages with commercial banks and procuring technical assistance for implementing agencies.

Agricultural production and marketing

Support for improved agricultural production has been and will continue to be a relative strength of IFAD programmes in the region and throughout the world. The desk review and case studies identified a number of areas in which IFAD could enhance the sustainability of its investments within this sector. First and foremost, programmes must enable demand-driven approaches to community development by strengthening linkages with private-sector markets and strengthening community capacity to support off-farm, agriculture-based enterprises such as post-production processing. In response to national and global trends, IFAD should support the sustainability of agricultural interventions by promoting strategies for the management of climate risk, as well as adopting agricultural practices that conform to resource constraints and land-use restrictions. Finally, case studies demonstrate the potential benefit of forming agricultural production and marketing associations as a means of enhancing livelihood security in poor rural communities.

Infrastructure

A number of institutional and technical factors influence the sustainability of infrastructure development projects supported by IFAD in the region. In order to improve this sustainability, donors must avoid the temptation to focus solely on the achievement of physical and financial targets. This has too often led to a failure to promote community ownership and to the premature granting of responsibility for infrastructure maintenance to government partners. In order to address these shortcomings, it is essential that infrastructure activities be fully integrated into other components – agricultural production and marketing, NRM, microfinance – in a manner that effectively supports the livelihood security of participating communities. It is also important that the design and implementation of infrastructure projects be based on a thorough analysis of the technical capacity of partner institutions. This may help define capacity-building needs or changes in design that will ensure that participants are able to adequately operate and maintain technologies once the project ends.

Natural resource management

Achieving sustainability of NRM interventions will require that country programmes strike a balance between anticipated livelihood outcomes and the more communal changes needed to ensure environmental protection. This is particularly important given that gains in other priority areas (agroforestry, fisheries, infrastructure, etc.) may

indirectly compromise the sustainability of natural resources in IFAD target communities. There is often a disjuncture between livelihood outcomes, which may be realistically achieved within a few years, and systemic change in environmental conditions, which may take decades. IFAD-supported projects can support greater awareness of and participation in sustainable NRM practices by promoting those activities that demonstrate a clear link to livelihood security outcomes in the short and medium term. Case studies also consistently pointed to the need for NRM activities to draw on proven indigenous knowledge and practices in farming, fisheries and forestry.

Social mobilization

This review has highlighted several important lessons for the sustainability of social mobilization and community capacity-building efforts in the region. Sustainability will be increased where programmes enable a gradual and participatory process of community-led project design. While this may in some cases limit the level of outputs realized in the early stages of a project, it will support sustainability by promoting a sense of community ownership and facilitating a process of capacity-building appropriate to the local context. Social mobilization and capacity-building efforts may also realize greater sustainability by emphasizing support for traditional institutions and the formation of larger associations of individual community groups. In order to improve sustainability, interventions within this sector should also support participatory planning and project monitoring that ensures accountability to the entire community.

Supervision

The findings of this review are consistent with previous internal evaluations that have highlighted the failure of IFAD supervision missions to address, and in some cases even mention, issues related to project sustainability. In response to consistent feedback, IFAD has committed to the establishment of a country presence programme and the institution of policies supporting direct supervision that should significantly increase the sustainability of programmes throughout the region. In addition to considering the quality of implementation support, the establishment of institutional relationships, and fiduciary aspects such as procurement review and loan contract administration, future supervisory missions should give special consideration to various aspects of programme design and M&E that are likely to have a direct influence on project sustainability. This may include emphasizing implementation support more, particularly in countries with relatively weak institutional capacity and limited access to technical and financial resources.

It is critical that supervisory missions explicitly raise issues related to sustainability as early as possible in the project cycle. This will likely entail identification of community capacity-building needs, formation of institutional relationships that empower vulnerable communities, identification and dissemination of best practices for sustainability within specific sectors, adoption of risk management strategies and creation of direct linkages among programme components.

Monitoring and evaluation

The review found that the greatest shortcoming with respect to IFAD's programme M&E systems is the failure to consistently apply standard criteria for programme performance

as part of a comprehensive M&E plan. IFAD is currently taking steps to address this issue by developing an evaluation manual intended to provide clear guidance on conducting programme-level evaluations. Beyond this, several important steps can and should be taken to ensure that M&E systems actively support the achievement of programme sustainability. First and foremost, all M&E plans should include specific indicators that measure each of the four principal dimensions of sustainability – institutional sustainability, community and household resilience, systemic environmental change, and community empowerment. Second, IFAD country programmes should encourage staff to use M&E systems as important tools for building sustainability. This can be done by enabling the longer-term tracking of key programme outcomes and impact (access to services, adoption of NRM practices, livelihood diversification, etc.), rather than focusing solely on short-term outputs (training, infrastructure projects, agricultural demonstrations, etc.).

Ultimately, sustainability depends on continual learning. IFAD can support this process by ensuring that data on sustainability captured by M&E systems are reflected in subsequent project appraisal and design activities. Supporting this cycle of learning and programme adaptation also requires a commitment to the dissemination of best practices and lessons learned.

Annex

Indicators of multiple dimensions of sustainability

The following list presents potential indicators of institutional sustainability that could be adapted to IFAD-supported projects. Each is consistent with the four critical dimensions of the 'sustainability lens' that forms the basis for the case studies, the IFAD sustainability framework and the forthcoming sustainability guidelines.

1. Indicators of institutional sustainability

The following indicators provide information on the sustainability of what has been a core strength of IFAD's strategy throughout the Asia and the Pacific region – the formation of community institutions:

- project designs incorporating institutional analysis and risk analysis;
- collaboration with existing national and subnational institutions;
- creation of linkages between 'microcommunity' activities and 'meso/market-sector' facilities and services;
- phased project design that allows flexibility and internalizes performance incentives;
- investment in institutional capacity development;
- improved access to inputs and markets in support of technical and economic/financial sustainability;
- access to recurrent funding;
- exit strategies developed during project design phase and refined throughout implementation;
- appropriate/feasible technical specifications for project activities (infrastructure, finance, etc.) that promote post-project beneficiary ownership;
- follow-up, continued support and supervision of newly established organizations;
- effective project management based on risk assessment, transparent budgeting and sufficient institutional viability;
- a clear vision of the group – known and shared among all members;
- rules and norms of the group known by members;
- sanctions known and enforced when needed;
- regular group meetings held;
- demonstrated skills of members in conducting group meetings and solving problems such as conflict resolution;
- greater confidence among members, especially women, with regard to joining public activities;
- regular attendance at group meetings;
- member participation in decision-making;
- growth of the common fund through member participation in savings and credit activities; and
- capacity to manage savings, credit disbursement and credit repayment programmes.

2. Indicators of household and community resilience

Attainment of household and community resilience can be viewed as the ultimate measure of the sustainability of programme impacts. However, the desk review and case studies noted that livelihood resilience is not being captured by project M&E systems or review missions. Evidence from Ethiopia suggests that resilient households and communities share common characteristics across a variety of livelihood systems, socio-economic contexts and climates. These indicators can be adapted to the context of IFAD-supported projects to develop indicators and indices to measure changes in resilience.

Household resilience

Common characteristics (indicators) of resilient households include:

- *Income diversification*
Households across various livelihood contexts benefit from diversifying sources of income to manage climatic shocks more effectively. Limited available resources are used strategically to make investments that improve long-term livelihood security.
- *Investing in quality improvements in their natural resource base to raise production*
Resilient households often invest in soil conservation, water management, reforestation and other NRM practices to improve their yields.
- *Openness to change and early adoption of extension packages*
Resilient households are often the first adopters of new extension technologies and use credit effectively in investments.
- *Propensity to save*
Resilient households understand the value of saving income earned for future investments, rather than spending limited financial resources on non-productive items.
- *Strong work ethic*
Resilient households are capable of committing considerable effort over a period of years in order to achieve their objectives, often despite community pressure not to work so hard.
- *Joint decision-making with spouse*
The majority of household heads in resilient households have positive relationships with their spouses and regularly consult them on all investment decisions. This common household vision seems to be very important to successful income diversification strategies.
- *High value placed on education*
Although many heads of resilient households may not have considerable education, they recognize the value of education for income diversification and try to ensure education for all their children, regardless of gender.
- *Contingency funds*
Resilient households living in areas prone to erratic climate fluctuations demonstrate the value of investing in contingency funds to manage risk.
- *Reliance on remittances to make strategic investments*
Resilient households in resource-poor environments often use remittances sent by labour-migrating family members to make investments to manage risk more effectively.

- *Family planning*
Households with a large number of dependents often find it difficult to manage risk through savings or other mechanisms. Women with a greater number of children to provide for also find it more difficult to engage in income-generating activities. Resilient households understand the value of having spaced child births.
- *Engaging the community as change agents*
Many resilient households seek opportunities to share their ideas, and even resources, to enable other households to follow their example.

Community resilience

A number of enablers and inhibitors affect opportunities for communities to become resilient across a range of rural livelihood systems. Programmes are more likely to support community resilience if they adopt approaches allowing them to build on the enablers and reduce the effect of the inhibitors:

Enablers

- *Urban-rural linkages*
As communication and transportation links to urban centres become stronger, opportunities for diversifying income sources become more feasible.
- *Strong community social assets*
Collaboration and cooperation among community-level institutions (women's groups, savings groups, traditional leaders, faith-based organizations) provides an effective means of managing risk.
- *Support for human capital development*
Resilient communities see the value of and actively support education as a means of improving livelihood security. They also have a commitment to supporting access to adequate health facilities and services for all community members.
- *Resilient households as models in communities*
Resilient communities often have examples of households that can serve as positive role models in achieving resilience.

Inhibitors

- *Weak access to markets*
Communities that are isolated and have poor access to markets provide few opportunities for diversifying livelihood strategies to manage risk more effectively.
- *Poor communal management of natural resources*
Communities that are unable to formulate and sustain collective responses to factors such as soil erosion, deforestation, overgrazing and limited water resources are often not resilient in the event of a shock.
- *Limited community involvement in the selection and implementation of interventions*
Communities that are not actively involved in the design and implementation of interventions are less likely to achieve resilience over the long term.
- *Lack of educational and health facilities*
Communities lacking adequate access to education and health care are less able to rely on human capital as a means of building assets and managing risk.

- *Limited and/or inflexible credit packages*

Limited access to financial services and/or limited ability to negotiate terms (interest, repayment schedules) present serious constraints on the resilience of communities in increasing cash-based economies.

3. Indicators of systematic environmental change

IFAD projects currently do not include indicators to measure environmental changes resulting from project interventions. Thus systemic change in the environment is not being monitored by IFAD-supported projects other than at the output level (e.g. number of trees planted, hectares of lands under integrated-pest-management practices). An ideal set of systemic measures of environmental change would have indicators for both natural and managed environmental systems. The following list captures aspects of environmental change that could be adapted to IFAD projects:⁷

- cultivated systems, including measures of soil fertility and moisture, integrated-pest-management practices, genetic diversity and crop yields;
- managed forests, including measures of the quality of forests (genetic stock, tree circumference, resistance to pests and disease, and so on) and the nature of forestry practices;
- fisheries, including measures of the size, health and age structure of population stocks, as well as the management practices applied;
- water quantity, including measures of the availability of surface freshwater as well as groundwater;
- water quality, including measures of eutrophication, turbidity, dissolved oxygen and other critical indicators; and
- sensitive ecosystems, including measures of coastal, mountain and dryland ecosystem health.

Because such changes are likely to be long term in nature, indicators tracking these changes should be part of the M&E system used to track the impact of agriculture and/or NRM projects that have completed at least two cycles. In projects that do not address NRM directly, efforts should be made to track environmental indicators to ensure that the project does ‘no harm’ to the environment and “meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland 1987).

4. Indicators of empowerment

Changes in underlying societal power structures and empowerment of the community are important indicators of sustainability. However, structural changes are typically the most difficult to achieve as well as the most difficult to measure. These aspects of sustainability could take decades, but indicators to measure these changes need to be included in country programme strategies. Several indicators to measure empowerment are in use by various organizations. Many of those used to measure structural change are relevant to IFAD’s efforts to enhance programme sustainability. They include measures such as community control and management of resources, as well as increased participation by poor people in the institutions that make decisions and administer the resources that affect their lives (Binswanger 2003).

⁷ Adapted from Yale Center for Environmental Law and Policy 2005, Appendix G: “An Ideal Set of ESI Indicators”.

The Community Capabilities Index (Haziri and Heather 2007) is another measure of empowerment that may be well suited to the prevailing context of IFAD's development projects. The index uses the following indicators:

- ability to take initiative;
- ability to manage village funds;
- ability to organize;
- ability to manage communal lands; and
- level of achievements.

CARE Nepal developed an index to measure women's empowerment that uses indicators related to assets and opportunity – primarily with respect to literacy levels, levels of self-confidence, membership in external organizations such as credit/savings and user groups, and degree of involvement in reproductive decision-making (TANGO International 2006).

Drawing on the frameworks developed by diverse organizations, previous studies have developed potential indicators of women's empowerment at different levels of aggregation (Malhotra 2003). However, it is critical to note that changes in one or two indicators will not capture the state of women's empowerment. An index needs to be developed that captures a number of different aspects of empowerment. The following is a list of potential household- and community-level indicators of women's empowerment:

Household level

- women's control over income;
- relative contribution to family support;
- access to and control of family resources;
- freedom of movement;
- participation in domestic decision-making;
- ability to make childbearing decisions;
- use of contraception, control over spouse selection and marriage timing;
- freedom from violence;
- knowledge of legal rights; and
- domestic support for exercising rights.

Community level

- women's access to employment;
- ownership of assets and land;
- access to credit;
- involvement or representation in local trade associations;
- access to markets;
- visibility in and access to social spaces;
- access to modern transportation;
- participation in extra-familial groups and social networks;
- shift in patriarchal norms (such as son preference);
- representation of the female in myth and ritual;
- shifts in marriage and kinship systems, indicating greater value and autonomy for women (e.g. later marriages, self-selection of spouses, reduction in the practice of dowry; acceptability of divorce); and
- local campaigns against domestic violence.

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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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