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Enabling poor rural people  
to overcome poverty

## **IFAD's approach to sustainability**

Consultation on the Eighth Replenishment of IFAD's  
Resources — Third Session  
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For: **Review**

## **Note to Consultation members**

This document is submitted for review by the Consultation on the Eighth Replenishment of IFAD Resources.

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### Annex

#### Ensuring sustainability: lessons learned

## **Abbreviations and acronyms**

AfDB	African Development Bank
ARRI	Annual Report on Results and Impact of IFAD operations
IEE	Independent External Evaluation of IFAD
KSF	key success factor
PCRs	project completion reports
QA	quality assurance
QE	quality enhancement

## Executive summary

1. Sustainability is the continuation of benefits from a development intervention after major development assistance has been completed. The IFAD Strategic Framework 2007-2010 defines the achievement of sustainability as one of the organization's six principles of engagement for all country programmes and projects.
2. **IFAD's performance.** The Independent External Evaluation of IFAD (IEE) rated IFAD's performance on sustainability as satisfactory in 40 per cent of its projects during period 1994-2003. More recent independent evaluations suggest performance is improving, with 53 per cent of projects found to be satisfactory in terms of sustainability in 2006. This trend is confirmed by project completion reports: in 2006, 63 per cent of projects achieved a satisfactory rating for sustainability – a not dissimilar result to those achieved by other international financial institutions. Yet further improvement is needed to reach IFAD's ambitious target of 80 per cent by 2010.
3. Achieving strong results in project sustainability is a major challenge for all development agencies. However, IFAD faces specific difficulties: its commitment to targeting poor and vulnerable groups, frequently located in remote areas; its focus on innovation; and the weak governance and institutions, lack of enabling policies for private sector development and poorly functioning markets in many of the countries where it works, particularly in fragile states. In addition, given the time lag between project design and post-project sustainability, identifying performance indicators against which to measure improvements can be problematic. These considerations make it all the more important for IFAD to continue working on its performance in sustainability.
4. **Lessons learned.** A key lesson emerging from the IEE was that for performance in sustainability to improve, IFAD needed to establish systems for regularly measuring and assessing that performance. As a result, over the last three years, IFAD has sought both to measure and to analyse its performance in achieving sustainability, and draw lessons from the exercise. Country ownership of projects is a prerequisite for sustainability. At the project level, poor sustainability is most commonly a consequence of: (a) over-ambitious objectives, often ill-adapted to the context; (b) insufficient participation by the target group in defining project objectives and implementation strategies; (c) inadequate attention given to institutional, social and risk analyses, and to mitigating and resilience-building measures; (d) overly short project implementation periods; (e) implementation approaches that lack the flexibility to adapt to changing circumstances; (f) insufficient attention to ongoing and recurrent financing and to technical assistance requirements after project closure; and (g) lack of focus on phasing-out/exit strategies. Insufficient country-level engagement and implementation support by IFAD staff have also been identified as key factors affecting performance.
5. **Measures for enhancing sustainability.** On the basis of these lessons, IFAD is adopting some specific measures: (a) focus on the achievement of sustainability, and the necessary preconditions, from the design stage onwards; (b) promote enhanced national ownership, alignment and harmonization of the project through a collaborative design process; (c) empower project managers to manage for results, and absorb lessons learned and respond to new challenges and risks. Direct supervision by IFAD and strengthened country presence both support this approach; (d) work with the target group to identify and design project activities that respond to their priorities and the opportunities open to them; (e) build the skills and organizations of the target group so that they can engage in financially viable activities and maintain profitable commercial relations with market intermediaries, while building the capacity of the latter to provide productive services to the rural poor; (f) analyse risks (technical, economic, institutional, social and environmental) during project design and assist implementing partners in identifying and addressing

such risks as they arise; (g) use policy dialogue – through country-level donor coordination forums where possible – as a tool for enhancing the sustainability of project results; and (h) ensure that projects have fully taken into account the climate-related threats faced by the target group, and assist them in increasing their agricultural productivity and reducing their vulnerability to climatic shocks.

6. IFAD's new approach to project cycle management aims to improve overall development effectiveness – of which sustainability is a key element – and introduces specific compliance requirements to ensure that attention is paid to sustainability from the design stage (through the new quality enhancement and quality assurance [QA] processes), during implementation (through new supervision and mid-term review requirements), right through to project completion.
7. One of the six indicators of the IFAD Results Measurement Framework assesses the sustainability performance of IFAD-supported projects. Using data from the QA process, project supervision reports and project completion reports, IFAD Management can assess progress in improving sustainability performance at project entry, during implementation and at completion. The measurement of results provides a framework for improving performance and for building an institutional culture in which sustainability is considered throughout the project cycle not as an "add-on", but as central to the achievement of project objectives.
8. **Reporting results.** In 2007, for the first time, IFAD was able to report on achievements with regard to sustainability, with figures of 77 per cent satisfactory or better during implementation and 63 per cent at completion. IFAD's 2010 targets for sustainability are ambitious (90 per cent at entry, 80 per cent during implementation and 80 per cent at completion), and a major effort will be required to meet them. In 2009 (prior to the start of the Eighth Replenishment period), the sustainability targets will be updated for the period 2010-2012, in the light of evolving experience and the lessons generated and will be presented to the Executive Board in September 2009 for approval. Reporting on results achieved with regard to sustainability and country ownership, along with an analysis of any eventual shortfalls, will be synthesized and presented each year at the December session of the Executive Board through the Report on IFAD's Development Effectiveness.

## **IFAD's approach to sustainability**

### **I. Introduction**

1. Sustainability is defined as the continuation of benefits from a development intervention after major development assistance has been completed.<sup>1</sup> At the broadest level, sustainability refers to a development approach that meets the needs of the present without compromising the ability of future generations to meet their own needs.<sup>2</sup> It implies that the positive changes generated by a development intervention endure beyond the end of the project at the individual, household, community and institutional level. Sustainability is concerned with results, i.e. impact and outcomes rather than activities and delivery mechanisms. Sustainability depends on robust and enduring results at the beneficiary level, and is more easily achieved under conditions of low-risk exposure. Sustainability is impossible where development results are weak and dissipate once project support ends, and where external shocks undermine the results realized.
2. Assessing the likelihood of sustainability is a forward-looking concept. It requires an ex ante assessment of the achievement and continuation of development benefits. Judgements on sustainability are time-sensitive: over a longer time horizon it becomes increasingly difficult to predict the occurrence of external shocks and the resilience of project benefits to such shocks.
3. The IFAD Strategic Framework 2007-2010 explicitly identifies the achievement of sustainability as one of the organization's six principles of engagement for country programmes and projects; and it recognizes that without sustainability it cannot be claimed that a lasting impact has been made on rural poverty reduction. Under IFAD's Methodological Framework for Evaluation, sustainability is identified as a key criterion for assessing IFAD's performance. As a result, self-assessment systems now measure IFAD's performance in sustainability for all projects at the point of entry, during implementation and at completion.
4. As an international financial institution, IFAD finances projects that its Member States prioritize and that fit within and contribute to national policies, strategies and programmes for rural poverty reduction, demonstrating its commitment to the country ownership formalized through IFAD's signature of the Paris Declaration on Aid Effectiveness. Member States' demand for and their commitment to the successful implementation of these projects constitute a critical prerequisite for financing by IFAD. As will be seen, the issues of country ownership and sustainability are inextricably linked.

## **II. IFAD's performance and lessons learned**

### **A. IFAD's performance**

5. The Independent External Evaluation of IFAD (IEE) rated IFAD's performance on sustainability as satisfactory in only 40 per cent of its projects during the period 1994-2003. More recent evaluations – summarized in the Annual Report on Results and Impact of IFAD Operations (ARRI) produced by IFAD's independent Office of Evaluation (OE) – found 53 per cent of projects to be satisfactory for sustainability in 2006. This is similar to the figure appearing in 52 project completion reports (PCRs) prepared by borrower governments in 2006-2007: 57 per cent reported a satisfactory rating for sustainability (48 per cent for projects completed in 2005 and 63 per cent for 2006). Thus, recent figures suggest that performance in sustainability has improved with respect to the IEE. However, these figures also indicate that considerable effort will be required to achieve the target – set by

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<sup>1</sup> As defined by the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

<sup>2</sup> World Commission on Environment and Development, *Our Common Future* (New York: Oxford University Press, 1987).

IFAD's Action Plan for Improving its Development Effectiveness – of 80 per cent of projects with satisfactory sustainability performance by 2010.

6. Central to the achievement of project results, and thus to the sustainability of those results, is ownership of the project by the country. A major indicator of project relevance is consistency of the objectives with the country's current poverty reduction policies and strategies. The IEE rated IFAD's performance in terms of relevance as satisfactory for all the projects sampled, and the 2006 ARRI report rated 93 per cent of the projects sampled as moderately satisfactory or better. The Portfolio Performance Report recorded slightly poorer performance, with about 81 per cent of projects showing moderately satisfactory or better results. Overall, IFAD's performance in terms of country ownership provides an important starting point for the achievement of sustainability, but not the sole precondition for success.
7. Improving performance in sustainability continues to pose a major challenge that is not specific to IFAD alone. The World Bank reported satisfactory sustainability<sup>3</sup> rates for 63 per cent of its agricultural projects for the period 1991-2006, but only 40 per cent for projects in sub-Saharan Africa. The African Development Bank (AfDB) has reported satisfactory results for sustainability in 69 per cent of its agricultural operations; the ongoing joint evaluation of AfDB and IFAD operations in Africa will provide further information on AfDB's performance. The Asian Development Bank does not report results for sustainability of its agricultural portfolio.
8. While the challenge of improving sustainability performance is not unique to IFAD, it presents some difficulties that are IFAD-specific. IFAD's engagement in remote rural areas within countries characterized by weak institutions, inadequate infrastructure and scant market and income-generating opportunities inevitably exposes it to the risk of low project sustainability. Fragile states – states emerging from civil strife and conflict or suffering from chronic civil unrest or low-intensity insurgencies – present particular difficulties. Significantly, of the 37 countries defined as fragile by the Development Assistance Committee of the Organisation for Economic Co-operation and Development, IFAD is currently financing operations in 31 of them. IFAD's policy of targeting poor and marginalized groups within the rural population amplifies these difficulties, as the level of risk faced by the project increases in contexts characterized by a weak social and institutional environment, high levels of poverty and vulnerability, and low levels of skills and capacity. IFAD's emphasis on introducing innovations in its operations is yet another factor that can increase risk, and hence compromise sustainability performance.<sup>4</sup>
9. These observations are supported by the 2006 ARRI report, which identified difficult contexts, high level of risk, introduction of innovative practices and absence of enabling factors as the top contributors to poor sustainability in IFAD-supported projects. The findings were further corroborated by the 2007 Portfolio Performance Report, which showed that projects implemented in a country in which there was already a problem project ran twice the risk of becoming a problem project<sup>5</sup> when compared with projects in a country without any ongoing problem projects.
10. Of all the indicators of operational effectiveness, sustainability is perhaps the most difficult to improve upon. The 2006-2007 PCRs referred to above documented projects that were approved and became effective for the most part between 1994 and 1999; the explicit focus by IFAD on sustainability in project design over the last one to two years will yield results only after 2015. Immediate increases in the level of sustainability can be achieved only by strengthened implementation support. The

<sup>3</sup> Definitions of sustainability vary across organizations.

<sup>4</sup> The World Bank experience shows that when new initiatives are introduced, then sustainability remains weak (Annual Review of Development Effectiveness [International Evaluation Group], 2004).

<sup>5</sup> Project rated 1, 2, or 3 (6-point rating scale) on one or both of the following criteria: (i) progress achieved in meeting the development objectives; and (ii) project implementation progress.



earlier such support is introduced into a project, the more impact it will have, and the impact of support provided to projects nearing completion may be limited.

11. Taken together, these considerations suggest that as long as IFAD continues to prioritize working in difficult environments and remote regions, targeting poor and marginalized populations and promoting innovation, there may ultimately be a limit to what can be achieved in terms of sustainability performance. Added to the difficulties associated with reflecting rapidly improving sustainability rates for ongoing projects, these factors suggest that it will be a challenge for IFAD to achieve the Results Measurement Framework target of 80 per cent of the projects with satisfactory outcomes on sustainability by 2010. Nevertheless, IFAD will continue to do work to achieve this target – and there is much that can be done.

## **B. Lessons learned**

12. Until the IEE published its results in 2005, IFAD did not measure or report on the sustainability achievements of its projects. The first and most important lesson of the IEE, therefore, was that performance could not be enhanced if the organization did not measure current levels of performance. Put another way, if performance were to improve, then IFAD needed to establish systems for regular performance measurement and assessment. Today, through its Results Measurement Framework, IFAD assesses its operational performance in terms of sustainability, for projects at entry, under implementation and at completion.
13. Over the last three years, both IFAD's self-assessment and its independent evaluation systems have sought to measure performance in achieving sustainability and analyse the underlying factors affecting performance.<sup>6</sup> Some of these relate to the overall context within which projects are designed and implemented. This is created on one hand by IFAD's own mandate and objectives (focusing on poor and vulnerable groups, frequently located in marginal agro-ecological areas, promoting innovation, etc.) and on the other by country-level conditions (in extreme cases fragile states, or more commonly, weak governance institutions, lack of enabling policies for private sector development, poorly functioning markets, etc.). In addition, the level of investment in developing country ownership, strengthening institutions and building capacity all tend to affect the sustainability of projects. The sustainability of grass roots organizations promoted by the projects continues to be a particular concern; and organizations created specifically by the projects typically fare the worst.
14. At the project level, the common causes of poor sustainability performance relate both to design and to implementation (see annex): (a) over-ambitious project objectives, often ill-adapted to the context; (b) insufficient participation by the target group in defining the project objectives and implementation strategies; (c) inadequate attention given to institutional, social and risk analyses, and thus to the mitigating and resilience-building measures that help projects adapt to changing circumstances over time; (d) overly short project implementation periods; (e) implementation approaches that lack the flexibility to respond to lessons learned and changing circumstances; (f) insufficient attention to ongoing and recurrent financing and technical assistance requirements after project closure; and (g) lack of focus on phasing-out/exit strategies. Inadequate country-level engagement and limited engagement by IFAD in implementation support are also identified as key factors affecting performance; conversely, project evaluations have shown how strong support from in-country IFAD staff can make a major difference.

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<sup>6</sup> As part of the contribution to learning, the 2006 ARRI report analysed IFAD's sustainability performance (page 37-41). The 2007 Portfolio Performance Report, using the findings of PCRs, analysed operational factors affecting sustainability.

### III. IFAD's approach to sustainability

#### A. Specific measures for enhancing sustainability

15. While IFAD's mandate means that it faces greater challenges than other development agencies in achieving sustainability, many of the obstacles it faces are common across agencies. IFAD therefore emphasizes learning from its own experience and that of others. On the basis of the lessons learned to date, IFAD is implementing a number of direct measures to improve the sustainability performance of its projects and programmes. These are discussed below.
16. **Designing and implementing for sustainability.** IFAD's self-assessments show that ensuring sustainability needs concerted action – in terms of both defining a robust sustainability (or exit) strategy during design and implementing right from the outset. The new project cycle thus requires that sustainability is addressed during the design phase; and that it continues to receive attention throughout project implementation. The measures taken to ensure this focus is maintained through the entire project cycle are described in paragraphs 26-37 below.
17. **Promoting enhanced national commitment and ownership.** The likelihood of achieving project sustainability is significantly enhanced by actively promoting the partnership commitments of the Paris Declaration on Aid Effectiveness. Above all, IFAD and its partner governments work together to ensure that project initiatives are genuinely owned by the governments themselves; that they work within national policies, strategies and programmes; that they use strengthened country systems; and that they are effectively harmonized with the efforts of other donors. Reducing the use of parallel project management units is an important element of the alignment agenda, and IFAD has in large part moved away from using such units in order to work through and support permanent mainstream institutions.
18. The principles of the Paris Declaration are important; the challenge lies in their implementation. The participation of key government and other national stakeholders in the country programme management team (established to engage in the entire project process, from the design of country programmes and projects through to the completion of implementation), is a key mechanism for building national ownership of the project. This mechanism, along with a collaborative design process, not only helps ensure that projects are relevant to the target group's needs and suited to the local socio-cultural context, but also allow for enhanced dialogue with government and other donor partners. This dialogue in turn contributes to the development of a policy and institutional framework that will help project impact to be sustained over time.
19. Country ownership is best achieved where organizations such as IFAD respond to and support development initiatives that have emerged from country-driven processes. IFAD is using its new country presence arrangements and direct supervision of ongoing projects to enhance in-country engagement with potential beneficiaries, partners and stakeholders, and thus facilitate the identification, development and scaling up of national initiatives.
20. **Working with rural communities and strengthening their organizations.** In designing projects, IFAD works directly with the targeted rural populations in order to identify and design project activities that respond to their priorities and the opportunities open to them; build their skills and organizational capacity; and enhance their sense of ownership and commitment. IFAD uses a community-driven, demand-led approach in project design, informed by stakeholder and gender analyses. Throughout implementation, IFAD-supported projects involve the targeted communities in the ongoing processes of planning, managing and monitoring project activities. Ensuring this involvement right through the project cycle is considered critical for achieving sustainability.

21. Empowering poor rural people – building their individual skills and capacities and strengthening the organizations they have created – is one of IFAD’s principles of engagement and is pursued in all the projects it supports. Without new skills and strong organizations, smallholder farmers will be unable to maintain rehabilitated irrigation schemes; unable to continue experimenting with new crops in their fields; and unable to enter into new contracts with buyers for their products. They will also be unable to adapt to climate-related shocks or cope with soaring food prices. IFAD thus assists households and communities in improving their technical, management and business skills specifically with a view to ensuring the sustainability of project benefits. Wherever possible, IFAD avoids establishing new organizations and instead focuses on strengthening those already in existence.
22. **Analysing and managing risks.** In the past, at project design, IFAD tended to confine itself to analysing only the financial and economic risks related to production and prices and to assigning the project a rating based on the likelihood and significance of its environmental impacts. IFAD now recognizes the importance of a more systematic approach to risk and the scope of risk and sustainability analyses has been expanded substantially in recent years. Increasingly, IFAD is examining the trade-offs involved between achieving sustainability, operating in harsh environments and isolated communities, and promoting innovation; and it addresses the threats to sustainability by introducing risk mitigation measures in the project design. Managing sustainability-related risks is also critical. IFAD’s role is to assist implementing partners and communities in identifying technical, economic, institutional, social and environmental risks and in addressing each one in a way that helps the projects achieve sustainable impact. Where IFAD is concerned that its operations may have a negative impact on sustainability in any of these areas, it works closely with the relevant partners to help them avoid, reduce or mitigate such risks or compensate for the repercussions.
23. **Engaging the private sector.** IFAD places much emphasis on building the skills and capacity of its target group – smallholder producers, microentrepreneurs and home-based producers – both to engage in financially viable activities and to establish and maintain profitable commercial relations with market intermediaries. This emphasis is considered a prerequisite for both achieving and sustaining project results. Equally, building the capacity of local private-sector players to invest and expand their activities in rural areas can contribute to ensuring the long-term availability of goods and services to the target group. Guided by its Private Sector Development and Partnership Strategy, IFAD is deepening its engagement with the private sector, particularly with actors involved in serving the rural poor.
24. **Engaging in policy dialogue and partnership-building.** While projects remain IFAD’s basic instrument, policy dialogue is also an important tool for addressing sustainability. Here, the aim is to create the policy framework necessary for project results to be sustained or to feed lessons generated by IFAD-supported projects into national rural poverty reduction strategies and programmes. Increasingly, IFAD is working closely with other development agencies through country-level coordination forums, and conducting policy dialogue through donor groups, where these exist. IFAD is also harmonizing its efforts with those of other United Nations agencies – in particular those based in Rome – international financial institutions, national and international NGOs, and other public and private donors. The objective is to ensure complementarity and help address areas that are experiencing resource limitations.
25. **Responding to climate change.** Climate change is increasing the variability of weather conditions and multiplying the threats to rural poor livelihoods. It raises the level of risk that poor rural people face and it may have a significant bearing on the sort of new technologies or practices they will be willing to adopt. Above all, it threatens to undermine the sustainability of many projects. IFAD’s approach to project design and implementation support takes this into account. IFAD’s principal role is to understand the severity and relevance of climate-related threats in the

specific conditions of project areas, internalize these within the project design process, and provide instruments and approaches that enable the rural poor to adapt to climate change. A key challenge is to facilitate increased agricultural productivity while at the same time reduce vulnerability to climatic shocks by climate-proofing interventions, thereby ensuring that activities can be sustainable even under conditions of greater climatic variability.

## **B. Promoting sustainability throughout the project cycle**

26. IFAD's New Operating Model – based principally upon the new approach to managing the project cycle – is aimed squarely at improving IFAD's delivery of development results. Improved performance in terms of sustainability is a key element of those results, and the measures to improve IFAD's sustainability performance described above are internalized within the New Operating Model. The issue of sustainability is also addressed head-on through the introduction of specific requirements that must be met at the various stages of the project cycle – from country strategy development to project completion.
27. **Country strategy.** By emphasizing the establishment of a results framework and the promotion of learning and accountability, the new results-based country strategic opportunities programmes (COSOPs) are expected to improve IFAD's overall performance at the country level. Joint ownership of the COSOP by the concerned government and IFAD, and greater attention to policy dialogue, partnership building, and knowledge management will together assist in addressing factors that are beyond the immediate reach of IFAD projects. These, in turn, will enhance sustainability.
28. **Project design.** The new design process is a collaborative exercise between IFAD and national partners, and it reaffirms IFAD's commitment to the principles of the Paris Declaration. It is results-oriented and aims to ensure that the project is well-adapted to the local context. It also requires an explicit focus on sustainability: project design must propose a robust exit or phasing out strategy and concrete measures for post-project sustainability based on a comprehensive risk analysis. The aim is to build as much flexibility as possible into design and plan for a post-implementation transition towards steady and sustainable activities. To this end, IFAD's new guidelines for project design entail assessing the sustainability of development outcomes and the prospects for future scaling up.
29. Over-ambitious design objectives have been among the most recurrent causes of unsatisfactory project performance in sustainability. In response, project designs are now more realistic in setting and reviewing objectives. Objectives must be realistically achievable and the prescribed time frames for achieving them more reasonable. IFAD realizes that its projects should be given adequate time for the consolidation of changes, especially with respect to grass-roots organizations promoted by the projects. IFAD therefore ensures that the implementation period is of sufficient length to allow the project to achieve its objectives and to realize an exit strategy. It is also willing to consider supporting a second phase, if necessary, to achieve and sustain results.
30. The quality enhancement (QE) process for reviewing project design documents uses a template of standard questions, grouped around six key success factors (KSFs), to assess the readiness of the project design. One of these KSFs focuses explicitly on risks and sustainability. Questions cover four main areas: (a) whether project risks have been assessed comprehensively and in depth, particularly those affecting start-up and implementation; (b) whether the risk assessment gives adequate attention to country capacity, to the effectiveness of the organizations and partners chosen to manage and implement the project, to procurement capacity, and to reducing the vulnerability of the target group to growing climatic variability; (c) whether risk mitigation measures are credible and implementable, particularly in terms of environmental and social risks; and (d) what measures are proposed to

ensure the sustainability of development outcomes, particularly with regard to natural resources, institutional reforms, pro-poor mindsets, and the financial sustainability of the organisations supported.

31. Another of the KSFs looks specifically at the issues of country relevance, commitment and partnerships. These are assessed by using criteria such as the consistency of the project objectives with country and sector strategies, relevance of the project financing plan to national development plans and poverty reduction strategies, intensity of government involvement in project design, and the extent of consultation with the government's development partners.
32. IFAD has now also initiated an arms-length quality assurance system to assess the quality of the final design against all six KSFs. On the basis of this assessment, a rating is assigned for each of the KSFs, first to determine whether the project is ready for presentation to the Executive Board, and second to assess and report on the overall performance of the portfolio. This means that design of each project is expected to reach quality standards in the areas of (a) risks and sustainability, and (b) country relevance, commitments and partnerships. Projects that fail to make the grade will not be presented to the Executive Board.
33. **Strengthening project implementation.** Managing a project for sustainability is a process involving continuous adaptation as lessons are learned during the course of implementation, and new threats and challenges emerge. Project managers must be empowered to manage for results, while taking on board these lessons and responding to new challenges and risks. Implementation strategies will need frequent adjustment to achieve project objectives under changing circumstances, and IFAD must be prepared to encourage the necessary flexibility. Effective monitoring and evaluation systems are crucial for identifying risks at an early stage and responding to them, as well as for fostering a culture of learning – another necessary element for sustainability. Project managers will therefore need particular support to ensure rigorous monitoring, which must be accompanied by regular reviews and updating of implementation strategies.
34. In the past, IFAD's sustainability performance has suffered as a result of insufficient implementation support and less-than-adequate engagement with in-country partners. This is explained in large part by the lack of country presence and the outsourcing of the project supervision function to other international organizations (cooperating institutions). To address these weaknesses, in the last few years IFAD Management has taken two key measures. First, it has significantly increased the number of projects under IFAD's direct supervision, and these now constitute over half of the active portfolio. Staff have been trained in project supervision functions, and guidelines have been issued to all staff. Second, following the evaluation of the Field Presence Pilot Programme, IFAD is using its administrative resources to support country presence initiatives, and has strengthened systems for managing country-level staff.
35. The supervision guidelines require IFAD missions to assess risks for sustainability and analyse performance as part of the annual portfolio review exercise. Similar provision for a comprehensive review of sustainability and recommendations of appropriate future strategies will be made in the forthcoming guidelines for the mid-term review of projects. IFAD uses the project completion process as an opportunity to assess the durability of the impact made by the projects and to identify the activities needed to sustain this impact, and assign responsibility for the activities.
36. **Measuring results.** IFAD's Results Measurement Framework, approved by the Executive Board in September 2007, provides a mechanism to aggregate IFAD's results in terms of its operational effectiveness. Its six indicators measure the performance of IFAD country programmes and IFAD-supported projects against the objectives of the Strategic Framework, at entry, during implementation, and at

completion. One of the indicators measures the percentage of projects rated satisfactory or better for sustainability of benefits. Using data from the QA process, project supervision reports and project completion reports, IFAD Management is able to assess progress in improving sustainability performance at all stages of the project cycle. The Report on IFAD's Development Effectiveness presents this information annually to the Executive Board.

37. The measurement of results at all key stages of the project cycle enables IFAD to monitor, analyse and report on achievements in terms of sustainability of project benefits and provides a starting point for improving performance. It has also served to focus attention on the issue of sustainability and has helped build an institutional culture that monitors the issue throughout the project cycle, not as an "add-on", but as central to the achievement of project objectives.

#### IV. Results framework

38. The Results Measurement Framework sets ambitious targets for IFAD with respect to sustainability: 90 per cent of the projects should perform satisfactorily or better for sustainability at entry, 85 per cent during implementation, and 80 per cent at completion by end-2010. In 2007, for the first time, IFAD was able to report on achievements with regard to sustainability for all three of these stages. For projects at entry – that is new projects yet to be presented to the Executive Board – 61 per cent were rated as satisfactory or better at the QE stage.<sup>7</sup> A further 33 per cent scored between 3 and 4, suggesting that with extra attention to design, it should be possible to improve substantially the overall proportion of projects found to be satisfactory at entry. During implementation, 77 per cent of projects were rated as satisfactory or better. Recognizing the limitations of self-assessment, IFAD has made the strengthening of systems to report on and analyse supervision performance data a priority activity for 2008. For projects at completion, 63 per cent were rated as satisfactory or better. These figures are summarized in table 1 below.

Table 1

**Projects rated 4 or better for sustainability of benefits**

(1= worst performance, 6 = best performance)

<i>Timeline</i>	<i>At entry (percentage)</i>	<i>During implementation (percentage)</i>	<i>At completion (percentage)</i>
Baseline	61 in 2007-2008	77 in 2006	63 in 2006
Target for end-2010	90	80	80

Note: The end-2010 targets were set as part of the IFAD Strategic Framework 2007-2010, document EB 2007/91/R.2.

39. If IFAD is to meet the targets set for end-2010, it must achieve a sharp improvement in performance. Further analysis is needed of the key factors determining the sustainability of project benefits, and the findings need to be reflected at all stages of the project cycle. In view of the relatively weak performance of project design in terms of handling risk and sustainability issues, it is important to expedite this process of learning. Ensuring that this learning is shared with operational staff is also critical: IFAD Management will therefore ensure that key staff involved in designing and supervising projects are trained in issues relating to sustainability.
40. The current 2010 targets were approved by the Executive Board in September 2007. In 2009 (the year prior to the start of the Eighth Replenishment period), the targets for sustainability – and for all the indicators of IFAD's operational effectiveness – will

<sup>7</sup> The Results Measurement Framework's ratings of project quality-at-entry rely on the QA system. These data will not be available until the end of 2008, since the system was piloted only in early 2008. Nevertheless, data generated through the QE system can be used instead, with the important caveat that these represent assessments of project quality *not* at entry, but at a moment in which the design process is still ongoing. In view of this, the QE system tends to understate project quality-at-entry, since improvements are made to the project design after the QE review.

be re-set for 2012 (the last year of the Eighth Replenishment) in the light of evolving experience and lessons learned. These will be presented to the Executive Board in September 2009 for approval.

41. The need to respond to the multiple – and potentially conflicting – objectives of operating in difficult areas and hard-to-reach communities and households, introducing innovation and achieving sustainability will inevitably involve trade-offs and risks. The assessment of trade-offs and IFAD's evolving risk-resilience, in addition to IFAD's performance against the current targets will be major factors informing the sustainability target for 2012.
42. Reporting on results achieved with regard to sustainability and country ownership, along with an analysis of the underlying reasons for eventual shortfalls, will be synthesized and presented each year at the December session of the Executive Board through the Report on IFAD's Development Effectiveness (which includes, from 2008, the Portfolio Performance Report).

## **V. Issues for guidance**

43. Achieving sustainability of project benefits requires action by IFAD in a wide range of areas; however, the issues on which the Consultation may wish to provide guidance can perhaps be aggregated as follows:
  - The approach proposed for improving performance on sustainability; and
  - The approach proposed for defining and reporting on sustainability targets for the Eighth Replenishment period.

## Ensuring sustainability: lessons learned

### 1. **Few development interventions can individually address all dimensions of sustainability.**

The Rural Finance and Small Enterprise Development Project in Moldova succeeded in establishing a revolving fund for savings and credit associations. However, the export ban placed by a neighbouring country on all the products from Moldova is likely to have a negative effect on the enterprises promoted by the project.

### 2. **Unrealistic design assumptions affect development effectiveness and ultimately sustainability.**

The strategy for sustainability adopted by the Belize Community-Initiated Agriculture and Resource Management Project rested on a holistic, bottom-up approach that emphasized the strengthening of local public- and private-sector institutions for the co-execution of project initiatives. This approach proved unrealistic for two reasons: (i) the project staff and service providers were unfamiliar with the approach; and (ii) the availability, quality and delivery capacity of professional services were overestimated.

### 3. **IFAD projects often have to accept a trade-off between reaching the poorest and most disadvantaged countries, regions, communities and households and achieving a sustainable development path**

Through community mobilization and participation, the Ha Tinh Rural Development Project in Viet Nam succeeded in creating a sense of ownership among beneficiaries of the various infrastructure investments financed by the project. However, at the time of project completion, most of the commune-level institutions established were still in their infancy and in need of further support to attain full sustainability. The encouraging sustainability prospects were therefore fostered by the novelty of the changes introduced by the IFAD project, but at the same time challenged by the poor socio-institutional conditions prevailing in the area initially.

### 4. **IFAD needs to be flexible and ready to respond when project areas are hit by crises**

In Burundi, the escalation of civil conflict created instability in project management and loan disbursement had to be suspended for the Bututsi Agro-Pastoral Development Project. The project, however, was reformulated to adapt to the post-conflict socio-economic and environmental circumstances. Overall, the project succeeded in implementing some environmental protection measures, such as the construction of anti-erosion infrastructure and distribution of seedlings. Similarly, the Rural Development Project in the South Western Region in Honduras was designed and negotiated before the occurrence of Hurricane Mitch. After the hurricane, IFAD aligned project initiatives with the national plan for reconstruction and development. This ensured the ongoing relevance of the project to national development priorities.

### 5. **Inadequate awareness of the impact of natural disasters and failure to internalize such risks affect sustainability performance**

In Mongolia, the Arhangai Rural Poverty Alleviation Project offered an in-kind livestock credit scheme, under which the borrowers were to repay the equivalent of two mature offspring for each breeding animal. The *dzuud* (blizzard) that affected Mongolia during 1999-2001 caused a six-fold increase in livestock losses. This resulted in lower loan repayments, threatening the viability of the credit scheme. The completion evaluation argues that the "frequency of *dzuud* was known prior to the appraisal and it could reasonably be assumed that one of two would occur within the lifetime of the project".



The poor sustainability performance by this project is therefore attributable to the “inadequate awareness of the impact of dzuud” at the time of project formulation.

**6. Successful policy dialogue pays rich dividends and often requires building partnerships.**

In the Sustainable Development Project by Beni Indigenous People in Bolivia, the results achieved in securing land titling for the indigenous population will allow indigenous communities to formulate their own strategy for social and economic development. Similarly, the Farm Privatization Project in Azerbaijan, which IFAD cofinanced with the World Bank, made a significant impact on the country’s legal framework and agrarian reform strategy.

**7. Institutionalization is a lengthy process, but the gains achieved tend to be durable.**

The IFAD-financed Root and Tuber Improvement Programme in Ghana enhanced knowledge sharing and staff productivity and capability. Within the Ministry of Agriculture, it contributed to the institutionalization of a more efficient and rigorous approach to the multiplication and distribution of new varieties of root and tuber crops. Institutionalization is a lengthy process that is difficult to reverse. Hence, results achieved in terms of institutionalized practices or knowledge are likely to endure after project assistance has ended.

**8. Project relevance need to be sought be in the specific context of the intended target participants.**

In the Southern Region Cooperatives Development and Credit Project in Ethiopia, in response to the setback encountered in improving the financial viability of service cooperatives, a more appropriate vehicle for credit delivery was selected (OMO Micro Finance). This new credit scheme focused on less sophisticated income-generating activities and ensured wide participation by women. In Cote d’Ivoire, village banks were replaced by informal women’s groups as a simpler and more effective alternative to meet the credit needs of women and youth.

**9. Achieving sustainability needs concerted action - in terms of defining a robust phasing-out strategy during design and implementing it from the outset**

The potential problems of the Niassa Agricultural Development Project in Mozambique were identified in consultation with beneficiaries quite early in the process and appropriate measures were introduced to enhance the sustainability of the wells that had been constructed or rehabilitated. These measures included: allowing communities to choose the site, the technology and the management arrangements; involving district administrators in technical surveys on site suitability; providing capacity-building support for operation and maintenance; using technologies suited to the community’s organizational and financial capacity; clarifying the share of paid labour and community contributions during construction; and ensuring availability of funds for monitoring and evaluation.