DAC WORKING PARTY ON AID EVALUATION
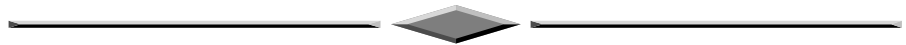
PROMOTING PRACTICAL SUSTAINABILITY

Submitted by
Australian Agency for International Development
(AusAID*)***

Agenda item 10

33rd Meeting
22-23 November 2000

Acronyms and abbreviations

APB	Activity Preparation Brief (AusAID)
AMB	Activity Monitoring Brief (AusAID)
CPRAMP	Country Program Risk Assessment and Monitoring Plan (AusAID)
CSG	Contract Services Group (AusAID)
EIA	Environmental Impact Assessment
HLC	High-Level Consultations (between Australia and partner country)
MOU	Memorandum of Understanding (with partner government)
NGO	Non-Government Organisation
OPRE	Office of Program Review and Evaluation (AusAID)
PCC	Project Coordination Committee (includes PG and AusAID staff)
PDD	Program/project Design Document (AusAID)
PG	Partner Government
PIA	Performance Information and Assessment Section (AusAID)
PNG	Papua New Guinea
QAG	Quality Assurance Group (AusAID)
RCF	Recurrent Cost Financing
TA	Technical Assistance
TAG	Technical Advisory Group(AusAID)
TAP	Technical Assessment Panel (AusAID)
TOR	Terms of Reference

Glossary

Basis of Payment	Part of a contract - describes how payments will be made
Country strategy	AusAID's strategy for development cooperation with a country
Desk	AusAID headquarters staff with day-to-day responsibility for a project or program
Post	AusAID in-country staff (located in the Australian Embassy) with day-to-day responsibility for a project or program
Scope of Services	Part of a contract – describes services to be provided

Table of Contents

THE SUSTAINABILITY TOOLS

1 Introduction

Sustainability is a key attribute of high quality aid. The Risk and Success Review (November 1999) conducted by the AusAID Quality Assurance Group found that the lack of a clear and explicit sustainability strategy was a major risk factor in all the projects assessed. This review recommended that a study of the practical aspects of sustainability be undertaken.

These Guidelines on Sustainability provide donor staff, contractors, NGOs and other implementing partners with practical guidance on how to address sustainability issues more explicitly and effectively throughout the activity management cycle.

2 What is sustainability?

2.1 Definition

In the context of donor-funded development programs and projects, sustainability can be defined as: *the continuation of benefits after major assistance from a donor has been completed.*

Key points to note in this definition are:

- The focus is on sustaining the flow of **benefits** into the future rather than on sustainable programs or projects. Projects are by definition not sustainable as they are a defined investment with a start and finish date. The concept of **sustainable benefits** does not necessarily mean the continuation of donor-funded activities. For example, an education sector project may assist in the re-structuring of in-service teacher training, sustainability does not necessarily mean that the activities required to develop new structures be sustained but rather that the new structures are appropriate, owned by the stakeholders and supported on an ongoing basis with locally available resources. They will therefore be maintained after major assistance from a donor has been completed up to the time they are no longer required or relevant.

- Managing sustainability is a process aimed at maximising the flow of sustainable benefits. It should be an ongoing process and needs to be reviewed and updated as circumstances change and lessons are learned from experience.

- Without being too risk averse with the initial selection of programs and projects, all our bilateral and regional aid activities should be designed and managed with the aim of achieving sustainable benefits; with the possible exception of one-off emergency and humanitarian relief activities. Because there is no one single way to achieve sustainability, country, sector, and program/project specific circumstances need to be taken into account. Each individual program or project should define its own sustainability strategy on a case-by-case basis.

- If an individual program or project is considered unlikely to provide sustainable benefits within a medium-term planning period (say the 'usual' 5, or even 10 years), then this should be clearly stated in the design document. There are some

bi-lateral programs where it might be expected that donor assistance will be required over much longer time horizons.

- Maintaining benefit flows after *major* external funding is completed assumes that the stakeholders (government, community groups, or private sector) will provide an appropriate level of financial, technical and managerial resources. However, a donor may consider providing some limited follow-on assistance, such as intermittent technical support (including sector adviser visits), or supplementary financial support to enhance the prospects for sustainability and to consolidate achievements.

2.2 Some main issues

Country strategies. While the sustainability of benefits needs to be assessed for each individual program or project, it is important that this analysis is set within the broader context of country-specific circumstances. Key factors impacting on the sustainability of benefits may vary between countries, such as their level of economic development, the role of the private sector in the economy, the government's ability to meet recurrent cost financing requirements, the available human capital, and the nature of political and administrative decision making systems, etc.

Guidance on using country strategy papers as a tool to achieve a more effective sustainability analysis at the country and program/project level is provided under section 4.2.

Programs, projects and the sector approach. The definition of sustainability provided above applies equally to programs or projects. A key indicator of success is the maintenance of benefit flows after external assistance has been completed. Hence the same analytical tools (to assess prospects for sustainability both during design and implementation) can be applied.

Maintaining benefit flows beyond external assistance also applies to the sector approach. This approach provides aid through the government budget, within an agreed strategy, for the sector being assisted. Again, the same analytical tools to manage sustainability in design and implementation are applicable.

Influence over outcomes. Development programs and projects are generally complex and high-risk activities, the results of which are influenced by the actions of a number of different stakeholders. While a donor can improve the way in which it addresses sustainability (from Country Strategy formulation through to project identification, and the preparation of a robust sustainability strategy in the design document), expectations regarding the its influence over the sustainability of outcomes should be realistic. Ultimate responsibility for sustained benefits often rests with the local stakeholders.

Donor coordination. Sustainability objectives can be compromised if individual donors promote different development agendas and have different management and accountability requirements. Mechanisms that promote coordinated donor strategies for policy reform or sector development are more likely to support sustainable outcomes. Other benefits of coordination is the sharing of knowledge.

Donor policy issues. Both donors and Partner Governments have often shown a preference for new projects instead of making existing projects or programmes work more effectively, which could be a more sustainable use of funds.

Sustainability objectives may sometimes sit uncomfortably with a reluctance to fund partner agency operating and maintenance costs during the implementation period (and sometimes beyond). These issues need to be treated realistically in the setting of program/project objectives and in undertaking sustainability analysis.

3 Key factors affecting sustainability

These factors have been drawn from AusAID's own experience including the results of its Quality Assurance Group (QAG) reviews, studies into such issues as asset maintenance, and the lessons learned by other bilateral and multilateral donors. The factors have been grouped under nine main headings, namely: (i) Partner Government and donor policies (ii) local participation and ownership (iii) management and organisation (iv) financial (v) awareness and training (vi) technology (vii) social, gender and culture (viii) environment (ix) external political and economic factors.[*] Most of these factors are aspects of good aid quality as well as being factors specifically affecting sustainability.

3.1 Partner government and donor policies

3.1.1 Partner government policies

Partner Government policies can have significant impact on the sustainability of program or project benefits. The main factors include:

Policy environment. Programs and projects are implemented within a wider policy environment. A policy framework that is compatible with and supportive of program objectives is a key factor in promoting sustainability. The policy framework therefore needs to be carefully analysed during design and policy factors taken into account. If it is appropriate, policy reform could be included as part of the design.

Policy fit. Programs and projects which 'fit ' with Partner Government policies have much better prospects for sustainability as they are more likely to have high-level political and institutional support both during implementation and beyond. Notwithstanding, in some circumstances programs and projects may be ahead of government policy (eg HIV/AIDS), and may need to initially emphasize awareness and policy change.

---

[*] Based on a categorisation in "Sustainability in Development Programmes: A Compendium of Evaluation Experience." OECD, Paris, 1989.

3.1.2 Donor policies

Donor policies can be important because they influence how contracts are prepared, the duration of funding, and what is funded. Important factors include:

Planning horizon. It is now recognised that the usual three to five year planning horizon for development programs and projects is often inadequate in terms of promoting sustainable benefits, particularly when behavioural and institutional change are included in the objectives or if there are multiple local agencies involved or a wide geographical spread. Open-ended commitments are not appropriate; however, phasing implementation over a longer period is a management strategy which may support sustainable benefits. Phasing requires that goals and objectives are clear from the beginning and that there are clear decision points at the end of each phase. Where there is uncertainty about local policy, capacity or commitment then an initial pilot phase, which may lead on to a number of subsequent phases, should be more the rule than the exception.

Delivery and contracting mechanisms. A strong sense of local ownership and genuine participation in design by both men and women are critical to successful implementation and sustainable benefits. However, donor policies on how their aid program is designed and delivered can work against this. Key concerns include:

- *Design process*. Designs which are expected to result in sustainable benefits should build on local demand and initiatives. This requires that the stakeholders (i.e. the beneficiaries and local personnel) play a core role in the identification and design process. Hence, adequate time must be given for all stakeholders to meaningfully participate. Design missions should therefore be appropriately phased over an extended time-line (i.e. one mission of three to four weeks is not usually adequate for larger more complex projects). More 'up front' time for design is not the only answer; an extended inception phase and allowance for a 'progressive design' process during implementation (using annual planning procedures to restructure the program/project scope) are practical responses to this issue.

- *Team selection*. The professionalism and inter-personal skills of TA (expatriate or locally engaged) is an important factor in sustainability. Selection policies and criteria should therefore ensure that as broad a labour market as possible is tapped and that the best consultants are selected. Position descriptions and team composition should not be overly restrictive and thus exclude potential candidates with other highly desirable professional or inter-personal skills. The trend of having Partner Government representatives as full participants in technical assessment panels (TAPs) selecting contractors is a positive factor in developing ownership.

- *Contract structures*. Contracts that focus on the detail of the contractor's outputs and inputs rather than on the *purpose* or *outcome* can impede efforts to achieve sustainability. Development is a dynamic and often high-risk activity, it is therefore important that designs have flexibility and can lead to contracting approaches that allow field-level managers to respond quickly to changing circumstances and which encourages them to keep sustainable benefits in mind.

- *Monitoring and reporting*. Monitoring and reporting frameworks based on logframes should look beyond the contracted activity and output levels and incorporate regular assessment of the movement towards achieving sustainable *outcomes*.

- *Partner selection*. The government-to-government nature of bilateral aid programs usually requires that high-level (national) aid coordination mechanisms be put in place. However, when programs and projects are being implemented in partnership with provincial or district agencies or communities, it is important for sustainability that donors have agreements with this level of government that documents their roles and responsibilities, and that there are appropriate channels for delivering resources and receiving feedback. This is particularly important when national level agency capacity is weak and is a bottleneck to effective communication and timely action on the ground.

Operation and Maintenance costs. Donor funding policies have often focused on new capital investments to the exclusion of supporting operation and maintenance budgets. This can have adverse effects on sustainability, particularly in economies undergoing severe internal budget deficit problems. New capital projects require additional operation and maintenance funds that have to be drawn from the same limited pool of funds that finance other ongoing programs. As a consequence, either the new investment is not maintained or existing infrastructure or services suffer funding cuts. A longer-term and more transitional approach to operation and maintenance cost funding is required, based on a rigorous and realistic assessment of the local capacity to meet these costs. We also need to consider whether or not some assets should be maintained or replaced (i.e. computers which rapidly become obsolete), and whether project-specific depreciation funds should be set up with the Partner Government.

3.2 Participation

The critical factor in promoting sustainability is the role of the stakeholders; i.e. those directly concerned with the program or project, especially the Partner Government and the implementing agency, and those who stand to benefit. Sustainability cannot be achieved without their involvement and support. Stakeholders, both men and women, should actively participate which means having the opportunity to influence the direction and detail of design and implementation. Allocating adequate time and resources for participatory analysis and responding to demand-led approaches are important ways to improve participation.

Donor-led and top-down projects generally fail to bring sustainable benefits because they do not lead to stakeholder ownership and commitment. Genuine participation (and ownership) is not being adequately addressed if the main strategy consists of simply running workshops or briefings to let '***them***' know what '***you***' are doing.

Some practical steps to achieve more effective participation include: (i) ensuring that the ideas for programs/projects are demand-led; (ii) ensuring that the design phase is thought of as an investment in a successful outcome and thus given adequate time and other resources; (iii) ensuring that the design incorporates specific activities and resources needed to implement participatory strategies; (iv) clearly defining who/which groups are expected to participate and who will benefit (a stakeholder analysis and a gender

analysis); (v) clearly defining what type and level of participation is to be achieved (from simple consultation through to full ownership of decision-making); and (vi) ensuring that key team members are appropriately skilled in participatory approaches.

3.3 Management and organisation

Management structures and local capacity. Programs and projects which integrate with, and build on, local management structures have better prospects for promoting sustainability of benefits than those which establish new or parallel structures. The capacity of local agencies to manage (or absorb) new structures, systems, ideas and funds is often not adequately assessed, and over-optimistic assumptions can be made. Getting the management structure 'right' requires an adequate institutional analysis during the project design phase and this requires specific knowledge, skills and field time.

Expatriate technical assistance is a common input of our aid programs and projects; how expatriate advisers work with their counterparts and colleagues can have a major influence on the prospects for sustainability. Their departure should not presage any significant weakening of key program/project supported benefits. Practical strategies to avoid weakening include: (i) locating counterpart and expatriate team members in the same office; (ii) emphasising teamwork approaches; (iii) having specific sustainability strategies in place, including a phase-out strategy, well before the completion of donor funded assistance; (iv) clearly defining 'advisory' and 'executive' roles; (v) limiting the number of expatriates to the necessary minimum; (vi) ensuring that short-term TA is not conducted on a 'hit and run' basis; (vii) if possible, identifying multiple counterparts per expatriate rather than only one or two; and (viii) working with counterparts who are in existing line positions rather than in newly created 'project' positions.

Administrative systems. Program and project designs must take adequate account of the capacity of local administrative systems to support staff and service delivery. For example: if local staff are not getting paid regularly, are not paid a living wage, travel allowances are not available, and their performance is not rewarded in any way, then their ability and willingness to work on program/project activities must be assessed accordingly. While projects may then 'intervene' by providing special incentives, sustainable outcomes are unlikely in such situations. Programs and project can only set realistic objectives in light of such practical constraints.

Flexibility in, and phasing of, implementation. Competent managerial leadership should be encouraged to guide adaptations and achieve sustainable outcomes. Donor supported programs and projects must be designed and managed so that they permit some flexibility in implementation. Designs must sometimes be phased and allowed to evolve as lessons are learnt, field-level managers must be able to respond quickly to changing needs and priorities, and administrative or financial management procedures must not be made burdensome.

3.4 Financial

In some countries and sectors financial sustainability is unlikely in the medium term. If aid is provided to support existing public sector activity in that situation then less effective outcomes are inevitable; at best we are arresting decline as well as buying time until reform occurs. To move towards sustainable approaches to service delivery new models and prototypes may need to be developed, tested, accepted and implemented. Aid therefore should be part of the process of change; we should ensure that our assistance is not delaying progress towards sustainability but actually supports it.

Financial and economic analysis. If a program or project does not deliver clear and equitable financial or economic benefits which are apparent to the stakeholders, it is most unlikely to be sustained after donor funding finishes. For example, health service users will not pay for government health services (either directly or through other taxes) if the service is poor, or their expectations of benefits are extremely limited. Benefits are not sustainable if the net benefit arising is negative or very small when all the costs are considered. Better financial analysis is often required, particularly in the formulation of economic sector programs and projects. Economic cost benefit analysis can also be useful but is methodologically complex; care should be taken to ensure that this procedure is not manipulated to produce 'desired' results, or that it obscures benefits that are difficult to monetise.

Counterpart contributions. Counterpart contributions, either in cash or in kind (like counterpart staff and office space) from the Partner Government or communities, are a sign of commitment to the program or project objectives. It demonstrates, in a tangible way, that our partners place value on the expected benefits. In order to ensure that commitments for counterpart contributions are honoured, program and project designers and managers should adequately analyse the planning, budget and financial management systems within which partner agencies are working. Without this understanding of the planning and financial environment, the capability of local agencies to take on responsibility for investing in and sustaining program or project benefits cannot be effectively assessed or supported.

Recurrent cost financing. Donors have traditionally been reluctant to cover recurrent costs, which are generally seen as the responsibility of the Partner Government, or other stakeholders, and treated as a sign of their commitment to the program or project objectives. However, it is increasingly clear that this policy requires re-assessment with respect to its impact on both implementation and sustainability of benefits, particularly in countries with very limited budgetary resources. If donors wish to see benefits sustained, they should, on a case-by-case basis, also consider taking on responsibility for contributing to solving operation and maintenance cost problems in a more direct way. Approaches to manage RCF include: (i) an appropriate level of direct financing of these costs over an extended period of time using a downward sliding scale of contributions; (ii) incorporating specific maintenance contracts/agreements within the scope of the program or project; (iii) putting RCF and asset maintenance issues higher on the agenda of both project and policy level consultative meetings; and (iv) donors collaborating within a sector.

An additional point is that programs and projects should not be designed or equipped with excessive amounts of equipment, or types of equipment, or deliver benefits, that are beyond the financial capacity of the stakeholders to operate and maintain.

User-pays. Payment is an expression of value. If people are willing to pay for a good or service, then they want it. Demonstrated demand is a strong indicator of likely sustainability, both for economic and social sector programs and projects. User pays approaches also generate revenue that can be used to continue the service. Even in very poor communities, user pays approaches can work, and may be the only sustainable solution to service delivery if the government is unable, or unwilling, to provide adequate operating funds.

Private sector involvement. There are many examples of mutually beneficial private sector involvement in development: this includes the role of private firms in road and bridge construction and maintenance; the involvement of industries in competency training and promoting HIV/AIDS awareness amongst their work force; private village-level health providers; and more broadly, the role of NGOs and the churches in community development and education.

The key is to identify complementarity between the program or project and the private sector (e.g. small-scale irrigation, food production and markets, training needs, health and veterinary services). These models mirror the traditional non-exploitative but commercial delivery of such services in many societies, such as traditional birth attendants, secular and religious teachers, etc. In this context, there is significant scope for donors to be more active in encouraging private sector involvement in development. Approaches can include: (i) contracting local companies or trained individuals (eg village 'vets') to directly provide services; (ii) funding some of the research and development costs of new commercial technologies; (iii) involving small business in development and providing training and management support services; (iv) extending appropriate credit facilities; (v) training NGOs and communities in local fund raising; and (vi) promoting policy reform beneficial to business activity.

3.5   Awareness and training

Training. The provision of appropriate training for identified target groups (government, NGOs, communities or private sector) is often a key strategy for achieving sustainable benefits. To improve the prospects for sustainability it should start at the right time (i.e. not near the end), be conducted throughout the program or project, and allow for repetition.

While the most appropriate type of training will depend partly on the nature of individual programs and projects, experience indicates that certain approaches are more likely to achieve sustainable benefits than others. Effective training should not only 'educate' but also motivate; trainees must be selected on merit, include both men and women, and be of direct relevance to their work. Trainees must also be given the opportunity to apply newly acquired skills on completion of training. In-country training, such as on-the job training, mentoring and short-course competency based training are more likely to support more sustainable benefits than overseas courses or long-term 'academic' training for a few. In cases where counterparts are transferred or leave over time, training must

also be repeated and refresher courses given if the required skill base is to be sustained throughout.

Information dissemination and networking. Generating an understanding of, and support for, a program or project's objectives among a wide group of stakeholders should be a component of any sustainability strategy. Such awareness needs to start early in the design phase. During implementation it can include the use of many types of different media and group events. Workshops, seminars, newsletters, personal contacts/lobbying, community meetings and the use of electronic media (radio, TV and web-sites) can all play a role in mobilising political, administrative and community support. Establishing more formal linkages with institutions of the donor country (e.g. medical or teacher training colleges) can also form part of an effective sustainability strategy.

3.6   Technology

Appropriate quality. To promote sustainability the technology to be transferred must be selected on the basis of its appropriateness in terms of technical and financial criteria, plus social, gender and cultural acceptability.

The quality of any asset or piece of infrastructure will have direct bearing on its economic life. The longer it lasts, the more sustainable the resulting benefits. However, the appropriate level of quality must be assessed against a number of criteria. Considerations should include: (i) user expectations and acceptance (i.e. in the design of houses or sanitation systems); (ii) costs and benefits, including how investment and maintenance costs will be financed; (iii) reliability of supply or delivery systems; and (iv) local capacity to maintain the asset including access to spare parts.

Stakeholder participation in the selection, testing and operation of new technology is a clear strategy for promoting its sustainable use. Demand-responsive approaches (such as for water supply and sanitation systems) are widely accepted as being more sustainable than supply-led.

Training. Training to support the introduction of new technology is usually an essential component of a sustainability strategy. Training must be relevant and appropriate, and the continuity of the training itself (including refresher and follow-up training) must also be considered. In many cases, one-off externally funded training activities will be inadequate. Building on (and actively supporting) existing local capacity to deliver training, provided by either public or private sector agencies, may be part of a sustainable strategy.

3.7   Social, gender and culture

Development interventions can fail to deliver sustainable benefits due to lack of attention to social, gender and cultural issues. To introduce appropriate new technologies there must be an understanding of the local decision-making systems, gender division of labour, and cultural preferences. For example, the design of rural water and sanitation systems must take in to account the traditional attitudes to managing human waste and the roles of men and women in collecting and using water.

Behavioural change. Many interventions aim to introduce or influence behavioural change; typical examples might include projects that deal with water and environmental sanitation, forest conservation and institutional change. There is evidence that a long period of time is often needed to make such changes sustainable. Longer-term planning horizons may therefore be required, and visible and tangible benefits must be delivered to target groups if the benefits are to be supported after donor assistance is completed.

Gender. A greater participation by women in identification, design and decision-making is a key part of a sustainability strategy. Their participation in all parts of the activity cycle is essential for almost all programs and projects. Ensuring that sex disaggregated data is collected during preparation and that a gender analysis is undertaken to determine the differential impact of costs and benefits on men and women will help to achieve sustainability. For sustainable outcomes, poverty reduction objectives must specifically address the needs of women given that they are over-represented in the poorest sections of many societies.

Cross-cultural awareness and training. Donor agency staff and contractors must be cross-culturally aware if they are to effectively contribute to providing relevant and sustainable solutions to development problems. Contractors should be able to provide appropriate cross-cultural training and in-country mentoring for new or inexperienced staff.

3.8   Environment

Environmental sustainable development can be defined as: *"development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs."* [1] Environmental sustainable development is strengthened if environmental issues are considered at all stages of the activity cycle.

Environmental impact assessment (EIA). This is a key tool for strengthening the environmental sustainability of programs and projects. The main concern is that programs and project do not over-exploit non-renewable resources, deplete the productive capacity of the soil, or damage the biophysical environment in such ways that future generations will be demonstrably worse off as a result.

EIA provides a framework for identifying, assessing and subsequently managing the environmental impact of proposed activities. It is an iterative analysis of environmental issues which should be initiated in the pre-feasibility phase so that it leads to the consideration of alternative design options and the mainstreaming of environmental management measures into designs. EIA is more effective if it involves communities in identifying and managing environmental risks, and when cultural and social impacts are assessed alongside biophysical impacts.

Environmental programs and projects. Environmental objectives are more likely to succeed and be sustainable if they tackle poverty issues. The rural poor often depend heavily on natural resources for their livelihood and therefore have a real interest in

---

[1] From 'Our Common Future – The World Commission on Environment and Development.' The Bruntland Report, 1987.

---

environmental sustainability. Environmental degradation often results if they have inadequate access to natural resources or are unable to enforce their rights to a resource. Sustainable environmental programs or projects therefore depend on: (i) progress towards distributional equity; (ii) giving the poor ownership or rights to the resources on which they depend; (iii) promoting community-based organisations and local government institutions capable of managing resources sustainably and representing the interests of the poor; and, (iv) working with the poor to identify less natural resource dependent livelihoods.

3.9   External political and economic factors

Political stability. Programs and projects do not operate in isolation from the wider world around them. Sustainability can be much more difficult to achieve in an unstable political or economic environment. Depending on the nature of the program or project, changes in government policy, lack of direction within the executive, a stalled legislative program, and failing business confidence, can have an adverse impact on prospects for sustainability. Civil unrest and war will make sustainable development almost impossible.

Level of development. The overall level of development of any particular country, region or district will influence prospects for sustainability. Unless the 'local' economy provides a secure base for meeting future operation and maintenance costs, no amount of good intentions or 'documented agreements' with donors will make these resources available. In a poor economy most program or project interventions should avoid being too complicated, ambitious and expensive.

External economic shocks and natural disasters. External economic shocks, such as rises in the price of oil or collapse of market confidence in the region, can frustrate a sustainability strategy. Natural disasters such as earthquakes, tidal waves, fires, floods, drought and disease epidemics can also have direct and devastating consequences on implementation, and thus the sustained flow of benefits. While these factors cannot usually be foreseen or controlled, contingency planning and risk management strategies can play an important part in reducing their negative impact. Many natural disasters are to some extent predictable, such as the pattern of cyclone induced flooding in some countries.

4 Promoting sustainability throughout the activity cycle

4.1 Introduction

The aim of this section is to provide practical guidance to designers and activity managers on how to analyse sustainability issues and develop and implement sustainability strategies. The procedures described below are not applicable to the design and management of humanitarian or emergency relief efforts when there is an acute and temporary need, although they are applicable to later rehabilitation phases and to development aid in general.

Sustainability analysis and strategy development represent two sides of the same coin, with the analysis directly informing the development and management of the strategy.

4.1.1 What is a Sustainability Analysis?

Sustainability analysis is the identification and analysis of the key factors that are likely to impact, either positively or negatively, on the likelihood of delivering sustainable benefits. It is closely allied to risk analysis and although there are differences (see section 4.1.3), sustainability analysis can be considered to be an extension of risk analysis. A broad sustainability analysis should be incorporated into the Country Strategy; the level of relevant detail should be expanded and refined at each stage of the activity cycle, starting from identification through to completion (see *Tools 1 and 2*). It should be appraised and reviewed at least annually during implementation and it should be evaluated in order to learn lessons.

4.1.2 What is a Sustainability Strategy?

The sustainability analysis will lead to the development of a sustainability strategy. The aim of the sustainability strategy is to define the benefits to be sustained and specify how each of the main constraints to sustainability will be addressed in implementation. The main elements of the strategy should be fed into the design so that sustainability will be strengthened in a systematic and comprehensive way. Hence the sustainability strategy will be reflected in the log frame and risk management; the activity, resource and cost schedules; plus position descriptions, organisational plans and training plans. The strategy should also be reflected in the Scope of Services and Basis of Payment of the contract for implementation, and the Memorandum of Understanding (or Subsidiary Agreement) with the Partner Government.

The design team should prepare a sustainability strategy matrix in a participatory way with the major stakeholders (see *Tool 3*, plus the worked example for asset maintenance adjacent to *Tool 3*). This should be done just after a hierarchy of objectives has been created and the risks to the achievement of the objectives have been identified .

The matrix is a summary of the sustainability strategy that can then be expanded into a separate section of the design document, under the heading of *'Sustainability Strategy.'* The matrix can also be inserted into the design document as an attachment.

Like the sustainability analysis, the sustainability strategy ought to be appraised and then reviewed and refined at least annually during implementation through the annual planning process, mid-term reviews and the updating of phase-out strategies. It should also be evaluated in order to learn lessons.

4.1.3   Sustainability and Risk

Sustainability is related to risk because many of the risks to achieving the objectives are also risks to achieving sustainability of benefits. However, some of the risks to the sustainability of benefits, such as a failure to plan for the financing of recurrent costs and asset maintenance post-project, and not leaving behind local language training materials and the means to up-date them, may not be risks to achieving the objectives. The significant difference between managing risk and managing sustainability is that sustainability makes us consider the long-term outcomes beyond the direct influence of project management, whereas risk analysis and management is about threats to implementation and the achievement of objectives within the defined period of the project.

Within the logical framework approach, the sustainability strategy should be prepared immediately after the potential risks have been identified for the risk management strategy, using the same participatory techniques with the same stakeholders. A workshop where interaction and feedback is encouraged may be the best forum to use.

Like risk management, the sustainability strategy requires a systematic process of assessing and then dealing with uncertainty. Both are iterative processes that involve monitoring and review. Because of their similarities, the risk management plan and the sustainability strategy can be presented together in the design document and the annual plans.

4.2   Donor policy and strategies

4.2.1   Country Strategies

Most donor country programs are implemented within a wider Partner Government policy framework which needs to be compatible with the donor's overall program objectives and the achievement of sustainable benefits. It follows that a sound basis for a country strategy is a careful analysis of the Partner Government policy environment. It also follows that the nature of interventions that will be pursued in a sector, or possibly even whether certain activities should be pursued at all, will be significantly influenced by the sector policy environment.

While promoting more sustainable outcomes at the country strategy level may take different approaches in different countries, the following factors should be considered:
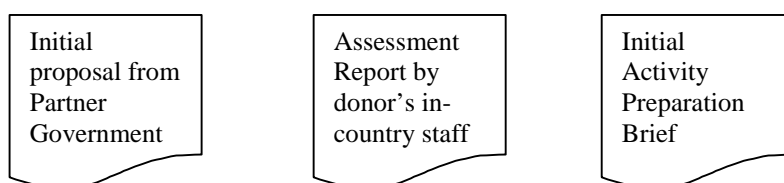
(i)   Ensuring that sector studies address the issue of the policy environment and make judgements about whether the environment is conducive to new and existing activities.

(ii)   Assessing the Partner Government's capacity to meet recurrent cost financing requirements.

(iii)   Assessing how governance and moral hazard issues affect particular sectors.

(iv)   Analysing institutional structures to determine if they have the capacity to absorb additional assistance.

(v)   Determining if there is a greater role for private sector involvement.

(vi)   Assessing the track record of government agencies in meeting their counterpart funding commitments.

Consistent with the need to monitor the performance of the country strategy, it will be necessary to develop a few robust indicators of the likely sustainability of program interventions. These might include: (i) trends in the overall sustainability of individual programs or projects in each sector; and (ii) trends in provision of counterpart funds both during and after their main investment period (as a percent of funds agreed with the partner government).

4.3   Identification

At identification and initial assessment, there are three main documents which require a preliminary analysis of sustainability issues, namely:
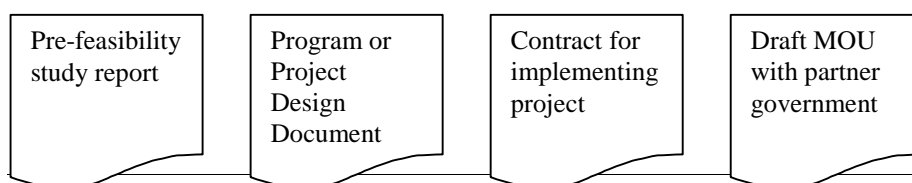
Initial proposal from Partner Government	Assessment Report by donor's in-country staff	Initial Activity Preparation Brief

A question checklist to guide this analysis is provided (see ***Tool 1***). Issues identified then need to be incorporated into the Assessment Report and initial Activity Preparation Brief (APB). ***Tool 1*** can be attached to the first report, and relevant sustainability issues taken from ***Tool 1*** should be included under the specific sustainability sub-heading of the Activity Preparation Brief prepared at headquarters.

Responsibility for undertaking this analysis should rest primarily with donor's staff in country. Most of the questions require local knowledge about preparation steps to date and the level of commitment and demand from the stakeholders.

While the questions are fairly broad and brief and there is often limited information available on which to work, it is essential that prospects for sustainability are adequately analysed at this first stage of the activity cycle. This should also apply to the results of High-Level Consultations. Proposals with very poor prospects for sustainability should not usually pass on to the preparation stage unless they are re-structured.

4.4   Preparation

Key documents requiring analysis of sustainability issues during the preparation stage of the activity cycle include:

Pre-feasibility study report	Program or Project Design Document	Contract for implementing project	Draft MOU with partner government

4.4.1   Project/Program Design Document (PDD)

Two procedures to support a structured analysis and the clear documentation of sustainability issues are given (see *Tools 2 and 3*). These are for preparing the Design Document. These tools are designed primarily for use by pre-feasibility, feasibility and design team members and they should be referred to in their terms of reference. Appraisal teams should also use them (see Section 4.5 below). They also provide useful guidance to donor staff who are responsible for preparing the TOR and for managing and appraising the work of these teams. These tools provide:

  i.   A list of guiding questions to help identify sustainability issues requiring specific attention in design (*Tool 2)*; and

  ii. A basic matrix for documenting these key issues and the proposed sustainability strategy (*Tool 3)*.

Both formats should be incorporated into the Project Design Document as a summary of key sustainability issues and the strategies to address them in the design. These issues and the strategies to address them should also be reflected in the logframe matrix and in other aspects of the design.

Project designers should also provide a program or project-specific narrative description of what benefits they expect to be sustained post-project and what the key recurrent activities and inputs are expected to be. This description should be included in the PDD as part of the sustainability strategy; it will provide the basis for identifying sustainability indicators.

4.4.2   Contracts

A procedure has been developed to provide a list of guiding questions specific to addressing sustainability issues in contract preparation and management (*see Tool 4*). It is clearly important that contractors are also encouraged to give appropriate attention to long-term sustainability issues, as well as the delivery of the more narrowly defined contractible deliverables.

Promoting sustainability in contracts requires, *inter alia*, that: (i) there is an appropriate design document with a clear strategy to achieve sustainability; (ii) a suitably skilled and experienced team of contractors is engaged to support implementation; (iii) the contract for implementation (based on the design) provides appropriate encouragement and guidance to the managing contractor to address sustainability issues, and (iv) the contract has flexibility to allow for the need to review and revise the scope of the contract as circumstances change 'on the ground.'

4.4.3   Memorandum of Understanding with Partner Government (MOU)

A procedure has been developed to provide a quick checklist of the key issues that most MOU's may need to address to promote sustainability of benefits (*see Tool 5*). The PDD should initially be the source of this information. Significant variations to the sustainability strategy should be reflected in Annual Plans, and (as required) amendments made to the MOU through an exchange of letters.

Given the critical importance of stakeholder contributions to achieving sustainable benefits, MOUs remain a key document in formalising Partner Government commitment for sustaining benefits after demobilisation of the expatriate team. The MOU (and the design document) should include a complete financing plan and responsibility table for the entire program or project up to the achievement of the logframe purpose or outcome. This must include how the PG proposes to allocate recurrent costs for maintaining the assets and skills.

While it is generally a requirement to have a project-specific MOU with the National Government, it can also be useful to have MOUs with other stakeholder agencies. Examples might include Provincial Governments, NGOs and community groups which have identified responsibilities for service delivery or asset maintenance. If a National Government has a policy of decentralisation, then MOUs should be signed with the appropriate 'lower' level of government.
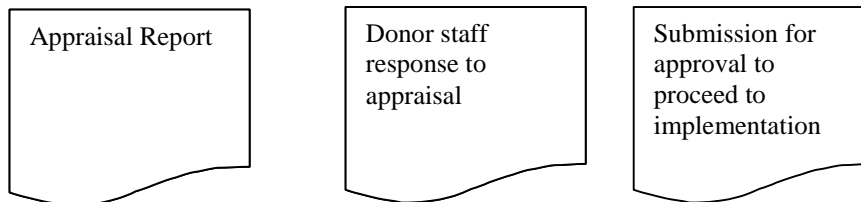
An MOU should define: (i) the objectives of the program or project; (ii) the contributions of both governments (financial and in-kind); (iii) mechanisms for providing and disbursing program/project funds; (iv) the conditions under which expatriate personnel are in-country; (v) coordination mechanisms; and (vi) respective responsibilities for monitoring and evaluation.

The MOU should be revisited on a regular basis to determine if mutual obligations are being met. This could be done on an annual basis through project coordination committee (PCC) meetings and the results of this review of compliance should be included in the Annual Plan.

4.5 Appraisal

The scope of the analysis of sustainability required at appraisal is effectively the same as that required during project preparation. The same guiding questions need to be asked and answered, the only difference being who asks the questions. *Tools 2 and 3* are therefore directly relevant to the appraisal of sustainability.

Key documents which are required on completion of the appraisal process (the third only if a decision is taken to proceed to implementation) are:

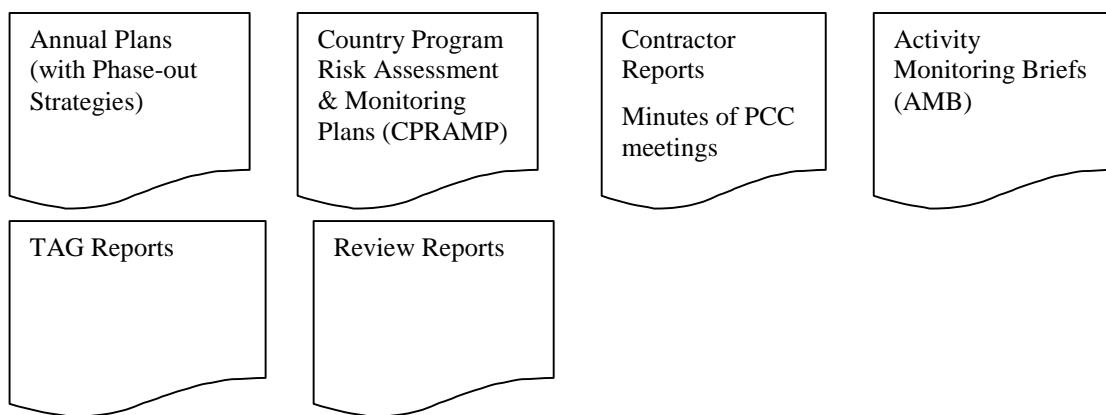| Appraisal Report	Donor staff response to appraisal	Submission for approval to proceed to implementation

The appraisal report format should contain four sections dealing specifically with sustainability issues, namely:

- Sustainability strategy

- Sustainability of grassroots benefits

- Sustainability of improved institutional capacity

- Maintaining future recurrent budget

4.6   Implementation and monitoring

For AusAID the key documents requiring analysis of sustainability issues during implementation include:

Annual Plans (with Phase-out Strategies)	Country Program Risk Assessment & Monitoring Plans (CPRAMP)	Contractor Reports Minutes of PCC meetings	Activity Monitoring Briefs (AMB)
TAG Reports	Review Reports		

4.6.1   Annual Plans

Annual plans include a review of project progress over the preceding year, and document the implementation strategy for the following year. It is an appropriate time for the contractor and partner agencies to reflect on and document issues pertaining to sustainability. An Annual Plan should report on the effectiveness of efforts to achieve sustainability using appropriate indicators of sustainability, drawn from the sustainability strategy and the logframe, and review and revise the sustainability analysis and strategy.

4.6.2   Phase-out Strategy

Program and project designs should include a strategy for the phasing out of donor support and the uptake of management and financing responsibilities by the appropriate stakeholders. This strategy should be further refined and detailed as implementation proceeds. The annual planning process is an appropriate mechanism to which this activity could be linked. Mid-term reviews should also report on progress and recommend any required changes (see below).

Tool 6 provides a list of key issues and guiding principles that are likely to require attention in the development of a phase-out strategy.

4.6.3   CPRAMPS

AusAID's Country Portfolio Risk Assessment and Monitoring Plans (CPRAMPs) are prepared and updated for all bi-lateral country programs on a six-monthly basis. They consist of a schedule of programs or projects ranked according to the risk which the Post and Desks attach to them. Initially the risk ranking is derived from the risk matrix and risk management plan included in the Project Design Document. As implementation progresses and monitoring reviews have been undertaken, the CPRAMP entry for a project is updated. The risks to the sustainability of benefits should be specifically monitored during these reviews and accounted for in the CPRAMP. If the activity monitoring brief (AMB) is used as the main source of information for updating the CPRAMP, sustainability should also be automatically accounted for in the assessment.

4.6.4   Sustainability Monitoring Indicators

Monitoring progress towards sustainable outcomes should be linked to the annual planning process and to key review activities such as technical advisory group (TAG) visits and mid-term reviews. The monitoring framework to use should be set by the program or project's sustainability strategy and the key indicators set out in the logframe.

The following is a useful list of generic sustainability monitoring indicators which cover the core issues of: (i) continued delivery of services and production of benefits; (ii) maintenance of physical infrastructure; (iii) long-term institutional capacity; and (iv) support from key stakeholders.

4.6.5   The Activity Monitoring brief (AMB)

The AMB has a reporting section specifically addressing sustainability issues. This provides the main opportunity for the Post and Desk to document their assessment of the progress being made towards promoting sustainable benefits.

4.6.6   Technical Advisory Group (TAG) Reports

As each TAG may have a different focus AusAID has no specific format or guidelines on what they should report on. Nevertheless, there is scope for using TAGs to assist in sustainability monitoring and forward planning, given that they provide an opportunity to look beyond the day-to-day management concerns. The Terms of Reference for a TAG should include a requirement to help monitor or plan for the sustainability of benefits.

4.6.7   Mid-term Review Reports

Mid-term reviews provide another key opportunity to reflect on the progress made towards achieving sustainable benefits and to recommend appropriate future strategies. Reviews should, *inter alia*, assess the potential benefits of an activity and their sustainability, and identify any necessary changes that may support sustainability. A review of the phase-out strategy should be included (see *Tool 6*).

4.7   Project Completion Reports

The key document AusAID requires at completion is a Project Completion Report (PCR). It should be completed no later than two months prior to the de-mobilisation of the team leader. Sustainability issues to be addressed include the extent to which the program or project:

- was appropriate to the available human resources and institutional capabilities.

- demonstrated strong ownership by implementing agencies and stakeholders.

- had an adequate organisational framework, managerial leadership and stakeholder participation.

- is likely to receive a sufficient flow of funds after donor assistance ends (either generated by the project or otherwise committed by the government or other stakeholders) to cover operating costs, maintenance and depreciation.

- demonstrated sufficient robustness in design and management to counteract adverse physical, economic and other external developments in the future.

If these core issues are addressed positively it may be assumed that the flow of benefits may be sustainable.

It is also important that the specific sustainability strategy and the phase-out strategy are objectively assessed. The completion report should also summarise follow-up actions that may be required by local stakeholders, the donor or co-financing institutions. However, the report should avoid appearing to make any commitment to future support.

Table 1. An overview of sustainability tools and how to use them*

No.	Name of tool	Primary users	How tool is used	Link to other documents and analytical tools
1	Sustainability analysis at activity identification	AusAID Post and Desk	Checklist of sustainability issues that can be referenced when screening PG proposals and results of HLC, used to identify areas of specific concern regarding sustainability and lead to appropriate further analysis.	Post Assessment Report Initial Activity Preparation Brief
2	Sustainability analysis during preparation	Design team Appraisal teams or panels	Checklist of sustainability issues that can be included in TOR of preparation teams. These issues may also need to be covered in the design document.	TOR for preparation teams Pre-feasibility and Design documents (including the logframe, risk matrix, etc) Appraisal Note
3	Sustainability strategy matrix	Design team TAG teams Review & Evaluation teams Contractors	Format for documenting key issues/risks to sustainability identified during preparation, also documents the strategy for addressing them in implementation.	PDD (including logframe, risk matrix, etc) MOU Scope of Service and Basis of Payment Annual Plans Reviews and evaluation reports
	Worked example of a sustainability strategy for asset maintenance	Design team	Format for summarizing sustainability issues and strategies related to asset maintenance. Could be incorporated into the risk management matrix.	Risk management matrix
4	Addressing sustainability issues in contracts	Design team CSG Contractors	Checklist of sustainability issues that need to be considered, including outputs and payment milestones related to sustainability.	Scope of Services Basis of Payment
5	Addressing sustainability issues in the MOU	Desk and Post	Checklist of sustainability issues that need to be considered.	MOUs
6	Phase-out strategies	Design team Contractors PCC	Checklist of sustainability issues that need to be considered in the phasing out of donor assistance.	PDD Annual Plans Reviews

* These sustainability tools are guides to thinking and should not be used in a formulaic way.

Tool 1 – Sustainability analysis at **Identification**

Guiding questions	Possible evidence/indicators	YES	NO	N/A
Have sustainability issues been specifically addressed in the proposal?	• Sustainability issues get specific mention in the proposal • The constraints to promoting sustainable benefits are recognized by proponents			
Is the proposal supportive of, and consistent with, key Partner Government policies?	• Relevant policy documents and decisions have been read and are referred to in the proposal document • Linkages between policies and program/project are described			
Is the activity genuinely demand driven?	• Proponents are well informed about the planned scope of their project and the expected benefits • The proposal builds on local initiatives and financial commitments already made • Stakeholder ownership (both men and women) is feasible and promoted in the proposal • High level support is demonstrated by attendance at meetings and in informal contacts • The community consultation process undertaken in preparing the proposal is described – who, when and how long			
Does the proposal address institutional strengthening needs within the implementing agencies?	• The proposal includes some analysis of underlying institutional capacity problems • Institutional strengthening activities (including Human Resource Management issues) are considered in the proposal			
Is there likely to be satisfactory stakeholder (male and female) participation in design and during implementation?	• The proposal identifies who the key stakeholders/beneficiaries are likely to be • Poverty, gender, ethnic and equity issues have been openly discussed with stakeholders • Stakeholders recognize the need for local resource commitments (personnel and financial) to support design and implementation			
Are recurrent cost financing requirements likely to be met?	• The likely recurrent cost financing implications are understood by proponents and stakeholders and are described in the proposal • The likely source of funds for recurrent cost financing is described (e.g. government budget, user-pays, profit from commercial operations, etc) • Expectations (based on past experience) are realistic			

Tool 2 – Sustainability analysis during **Preparation**[*]

Guiding questions	Possible evidence/indicators	YES	NO	N/A
Policy Framework Is the macro-economic policy environment supportive of program/project sustainability?	• An analysis of the partner government's budgetary processes is provided in the design • The partner government is effectively managing its domestic and foreign debt • Foreign exchange rates reflect market demand for the local currency • Inflation is being managed through appropriate monetary policy • Prices for key inputs and outputs provide appropriate incentives for producers and consumers			
Is the program/project consistent with, and supportive of, relevant Partner Government sectoral policies?	• Relevant policy documents and decisions have been read and are referred to in the proposal document • Linkages between policies and program/project are described			
Participation & Ownership Have the local stakeholders actively participated in the identification and design process?	• The stakeholder consultation process undertaken during preparation is clearly described – who, when and how long • Stakeholders and counterparts have been included in the design team • Design work has been appropriately phased, or sufficient time has been allocated, to support genuine stakeholder participation • Documented evidence of stakeholder contributions (men and women) to design are available			
Are senior representatives (men and women) of stakeholder groups clearly supportive?	• Senior stakeholder representatives attend meetings and actively contribute ideas • Representatives are well informed about the scope of 'their' program/project and the expected benefits			

---

[*] Preparation includes Pre-feasibility, Feasibility, Design, and Appraisal. The tool remains the same but level of detail should increase as the final design is approached.

(Continued)

Have beneficiaries/target groups been clearly defined?	• Adequately detailed and disaggregated demographic/population data is included in the design • Target groups are defined by: number, location, gender, age, socio-economic status, or other appropriate differences			
Have appropriate information and awareness activities been conducted during preparation?	• Stakeholders are adequately informed of the proposed program/project scope and realistic benefits • Stakeholder workshops have been conducted • Appropriate written materials and electronic media materials have been prepared and disseminated during the preparation phase			
Are participatory approaches a clear element of the implementation strategy?	Participatory approaches are included in the design, including such activities as: • Application of, and training in 'Participatory Learning and Action' methods for counterpart staff and community members • Establishment of, and support for, local management groups/committees • Use of participatory monitoring and review approaches			
Management & Organisation				
Is sustainability specifically included in the program/project objectives?	• The logframe narrative description contains specific reference to sustainability • The benefits that are to be sustained are specifically described in the design			
Has local institutional and absorptive capacity been assessed?	An institutional analysis of key implementing agencies is included in the feasibility or design study, which might include: • A clear description of organisational functions, structures, decision making arrangements and staffing levels • Analysis of human resource management policies, staff skills and motivation • Analysis of organisational culture and gender issues • An analysis of the capacity of the organisation to absorb new functions/activities and make required changes to its mode of operation			
Is the program/project timeframe sufficient to support sustainability objectives?	• The implementation strategy is clearly phased to allow for required institutional and behavioural changes • There is an inception phase during which basic management and administrative capacities are established • Allowance is made for possible successor activities, following appropriate reviews of performance			

Do proposed management and financing arrangements support flexibility in implementation?	• A clear analysis of financing mechanisms, for both donor and stakeholder contributions, is provided in the design • Workable financing mechanisms have been described, taking into account the need to integrate with local planning, budgeting and expenditure management systems • Financial authority is going to be appropriately devolved to field-level managers • The process for making plan, budget and expenditure variations is clearly described, such as through quarterly and annual review/planning procedures			
Are the organisational structure and the use of expatriate and local TA (male and female) appropriate?	• Counterpart positions/numbers are clearly identified • Counterparts are to be drawn from 'line' positions, funded through existing recurrent resources • The need for, and balance between, long and short-term expatriate and local TA has been adequately justified. • A strategy for how TA will work with counterparts has been described, such as the use of mentoring approaches, on-the-job training, and working with multiple counterparts • Local consultants are included in the team of TA • TA and counterparts will operate from the same office/location with equal access to similar levels of operational resources			
Has a sustainability monitoring framework been proposed in the design?	• Indicators for monitoring progress towards achieving sustainable benefits have been included in the design • The responsibility for, and approach to, monitoring sustainability is described • The use of AusAID TAGs, and/or a mid-term review procedure is included in the design • Arrangements for stakeholder participation in the monitoring framework promotes their ownership of the process			

(Continued)

Has a phase-out strategy been included in the design, or at least, how and when will it be more fully developed?	A phase-out strategy is described in the design. This might include such elements as: • A phased use of expatriate TA based on an analysis of local operational and absorptive capacity • Changing roles of TA over time – from executing to supporting • A phased approach to funding local costs (declining over time) • A clear training/skills development strategy • Consideration of some ongoing technical and financial support after the main period of funding has been completed • Establishment of long-term institutional linkages			
Awareness and Training				
Have the needs for ongoing information dissemination and awareness training been assessed and provided for in the design?	The design includes resources for such activities as: • Translation of key project documents and reports and dissemination of multiple copies • Newsletter production and dissemination • Use of media to raise awareness and inform rural people • Developing networks within and between key stakeholder agencies			
Has a training strategy been developed and described which addresses sustainability issues?	• A training needs analysis has been carried out and documented • It is clear in the design which, if any, training activities need to be continued on an ongoing basis in order to sustain benefits • Responsibilities for managing and funding any future or recurrent training activities are described • The training strategy makes maximum use of in-country resources, including the use of local training agencies • The proposed approach to on-the-job training, mentoring and performance assessment is described • Trainee selection processes and criteria have been described to ensure appropriate candidates (male and female) are trained • Overseas training/courses have been clearly justified in the context of promoting sustainability			

	• Counterpart trainers are to be involved when expatriates are designing and delivering courses			
	• Arrangements for course accreditation (with local or overseas training authorities or institutions) have been considered and described			
Financial				
Is it clear how local implementing agencies will access financial resources from 'own' sources both during and after implementation?	• A description of the main elements of local planning, budgeting and expenditure management systems is provided in the design			
	• The Department of Finance/Planning Office are aware of and support the proposal's financing requirements			
Are recurrent financing costs likely to be met?	• Past experience regarding recurrent cost funding is assessed in the design			
	• Recurrent cost financing requirements for staffing, operational support, and asset maintenance, etc, are clearly identified in the design, including an analysis of expected financing source			
	• Counterpart contributions are clearly identified			
	• User pays strategies have been considered in the design, based on an analysis of willingness to pay			
	• A phased approach to handing over operation and maintenance costs to local agencies within a realistic time-frame is provided for in the design			
	• Additional recurrent costs are kept to a necessary minimum in the design			
	• Implementing partners accept the recurrent cost implications as being manageable and can describe how these will be met			
Do the financial benefits outweigh the costs from the perspective of targeted stakeholder groups (i.e. is it financially viable)?	• Enterprise budgets have been prepared which demonstrate that financial benefits are greater than costs (at the market prices faced by stakeholder groups)			
	• Financial benefits to different stakeholder groups, including men and women, have been analysed			

(Continued)

Do the economic benefits outweigh the costs (i.e. is it economically viable)?	• An economic cost-benefit analysis has been prepared which shows an acceptable internal rate of return over a defined time period • Social and environmental costs and benefits have been identified and assessed in the design			
Is the proposed intervention the most cost-effective strategy/option?	• Alternative approaches have been considered in the design, cost effectiveness analysis carried out, and the most cost effective approach chosen			
Has the involvement of private sector stakeholders been appropriately considered and integrated into the design?	Strategies which involve or support private sector participation are included in the design such as: • Private sector groups have been consulted during design preparation and their role in implementation is clearly described • Local companies contracted to deliver goods and services to target groups • Support to the research and development costs of commercial technology beneficial to target groups • Training and management support services provided to local businesses • Provision of appropriate credit facilities • Support for policy reform beneficial to business activity			
Technology				
If new technology (i.e. equipment or buildings) is to be provided, is it of appropriate quality?	New infrastructure is designed, or equipment selected, with local needs and requirements in mind, including: • User expectations, and social, gender and cultural acceptance • The expected life/quality of the asset • Maintenance costs • Reliability of local supply systems for replacement parts and materials • Local capacity and skills to maintain the asset			
Have training and maintenance requirements been specifically addressed?	• An asset maintenance plan is included in the design • A skills development strategy is included to support asset maintenance			

(Continued)

Social, gender & culture				
Have social, gender and cultural issues been adequately assessed in the design?	• The consultation process with the stakeholders and target groups is clearly described • A sociologist has provided input to the design • Social/cultural norms and gender considerations which may impact on the acceptability of new technologies or approaches have been described • Time and resources are included in the implementation strategy to allow expatriate TA to understand local culture			
Do management arrangements incorporate feedback mechanisms which allow target groups to effectively voice their views on the type and quality of goods and services provided?	Feedback systems are described, which may include such elements as: • Sample surveys of men and women's views and satisfaction • Regular field trips by program/project managers • Community member participation in program/project management groups • Establishment of complaint or comment procedures			
Have gender strategies been proposed which will enhance the participation of both men and women in all the activities?	• Disaggregated data (quantitative and qualitative) is presented in the feasibility/design study • Constraints to gender equity/opportunity are described • Gender strategies are clearly reflected in the logframe and activity schedule • Resources to implement gender strategies are included in the input and cost schedules			

(Continued)

Environment				
Do the environmental benefits outweigh the environmental costs?	• An appropriate level of environmental impact assessment is included in the design • Issues of concern are identified and mitigating measures proposed			
Have appropriate incentives to achieve environmentally sound management practices been included in the design strategy?	• The costs and benefits of environmental protection/improved management to specific stakeholder groups have been assessed and documented • Incentives have been identified which will promote stakeholder commitment to environmental objectives			
External political, economic and natural factors				
Has the political stability of the target area been adequately assessed?	• The country strategy paper is appropriately referenced • Security issues have been assessed • Ability to attract and retain staff (local and expatriate) to the target area has been assessed			
Have the risks of external shocks and natural disasters been adequately assessed?	• The likelihood of such risks has been assessed • Lessons from past experience are referenced • An appropriate risk management strategy has been prepared			

Tool 3 – THE BASIC **SUSTAINABILITY STRATEGY MATRIX**

Beneath each of the relevant factors describe the key issues identified by the Sustainability Analysis	Describe the likely impact of these issues on sustainability	Probability of occurrence (low, medium or high)	Proposed strategy to address medium or high probability issues	Describe each strategy's expected effect on sustainability when strategy is implemented
Partner government policy framework: *(describe the key issue)*				
Participation and ownership:				
Management and organisation:				
Financial:				
Awareness and training:				
Technology:				
Social, gender and culture:				
Environment:				
External political, economic and 'natural' factors:				
Other				

An example of a sustainability strategy prepared for **Asset Maintenance**

Factor	Key Issue (from the Sustainability Analysis)	Likely Impact on Sustainability	Probability of occurrence	Proposed basic sustainability strategy	Expected effect on sustainability when strategy is implemented
PG Policy Framework	Weak policies and institutional structures, lack of capacity, strong centralisation, relation dynamics hierarchal	General failure of emergency repairs, and routine & preventative maintenance/ replacement. Problems intensify	High	-Analysis of policies and institutional structures in order to strengthen them - Undertake training in management skills, planning, budgeting, etc	- Beginning of an O&M culture - Supportive policies - Improved institutional structures - Better access to resources for O&M
Management and Organisation	Weak planning, poor contracting & supervision	Ad hoc or mis-directed work so sustainability problems intensify	Medium	- Establish local maintenance teams, provide guidance & develop experience on-the-job - Develop technical & tendering policies, procedures & standards - Allow sufficient time to build up local capacity and to 'embed' this approach	- Maintenance teams available - Documented policies, procedures & standards - Improved accountability - More cost effective - Stronger sense of ownership - Possibility of a national standard emerging - Central monitoring of implementation & standards
Financial	No funds available for adequate maintenance	Failure to do emergency repairs, routine & preventative maintenance, & replacement when needed. Sustainability problems intensify	High	- Build low maintenance type infrastructure - Build infrastructure requiring cheaper maintenance - Outsourcing maintenance & competitive tendering practices - Ensure adequate local funds available	- Less maintenance required - Cheaper maintenance - Maintenance undertaken when required
Training	General lack of knowledge & skills for maintaining infrastructure assets	General failure to undertake large maintenance jobs, and sub-standard work. Problems intensify	High	-Develop a training program on asset maintenance for youth - Develop training materials for continuous training -Include mentoring and on the job training - Select best trainees as trainers	-Trained maintenance teams available - Trainers and training materials available for continuous training
Technology	Lack of local knowledge & skills to maintain assets	As above & poor work, maintenance problems intensify	Medium	- Build structures with local materials but fit for purpose & acceptable to stakeholders - Tender out to local contractors	- More maintenance but within local skills to execute - More cost effective - Stronger sense of ownership
Social, gender and culture	Key person dependence. Maintenance due to expertise of one manager	Maintenance problems likely to appear only when manager leaves or gets sick	Medium	- Establish a trained infrastructure team - Involve PG staff at national or provincial level	- Team approach, no dependence - Central monitoring of implementation & standards

Tool 4 – Addressing sustainability issues in **Contracts**

Some guiding principles on how sustainability concerns can be factored into contract preparation are provided in the table below:

Document	Guiding principles
Scope of Services **(Describes services to be provided by the contractor)**	Based on information provided in the design, and making specific reference to the sustainability strategy, the scope of services should: • Specify the required **process** for producing contractible deliverables likely to achieve sustainability. Examples might include: (i) conducting participatory planning workshops with Partner Government and other stakeholder agencies when formulating annual plans; (ii) meeting and discussing PG and recurrent cost financing issues with the Department of Finance and Planning on a six-monthly basis prior to each PCC meeting; and (iii) conducting user needs/preference surveys during the design. • Specify deliverables which are identified **elements** of the sustainability strategy. Examples might include: (i) production of an updated phase-out strategy as an integral part of each Annual Plan; (ii) production of an on-the-job training and mentoring plan which is endorsed by counterparts; and (iii) the production of an asset maintenance plan.
Basis of Payment **(Describes the basis on which payments will be made to the contractor)**	The basis of payment should attach payments to outputs or milestones that are largely within the control of the contractor while encouraging the contactor to focus on their contribution to 'outcomes'. To help achieve this, the BOP should: • not include a large number of small milestone payments which can become an administrative burden (to the contractor and AusAID) and which promote a short-term view of achievements; • provide adequate cash-flow to the contractor so that the pace of development is not artificially forced by the contractor's need for payment, when sustainability (i.e. ownership) concerns require time; and • give appropriate encouragement to contractors to focus on sustainability issues, by linking payments to specific elements of the sustainability strategy as detailed in the PDD and the scope of services.

Tool 5 – Addressing sustainability issues in the Memorandum of Understanding with the Partner government (MOU)

This table provides a quick checklist of the key issues that (most) MOUs may need to address to achieve sustainability of benefits.

Key Issues	Key points to be addressed in MOU
Staffing	- The number and designation of staff who will be directly contributing to the management of the program/project - The use of multiple counterparts, and how issues of staff turnover are to be managed - The source of funding for these staff and the estimated cost both during the period of donor support **and** beyond, highlighting any additional staffing costs that will need to be picked up the PG - The time period for the phasing out of donor financial support and the uptake by the relevant stakeholders
Recurrent operational activities	The source of funding and estimated operating cost of supporting 'new' activities introduced through the program/project, which will need to be continued after donor funding is complete if benefits are to be sustained. Examples might include the costs of continuing to: - run new in-service training programs or refresher training - deliver an expanded program of services to beneficiaries - supply any additional materials or equipment - review and update any operational procedures and policies Matching any recurrent costs with a realistic assessment of ability to pay is clearly essential. The expected timeline for phasing out donor support should also be described.
Asset maintenance or replacement	The source of funding and estimated cost of either maintaining or replacing assets provided through donor funding. Specific examples might include setting up a specific depreciation fund so as to be able to continuing to: - replace computers and upgrade software on a 3 yearly cycle; - maintain a road, building or water supply; - maintain and replace vehicles; or - maintain and replace medical equipment at health centers and hospitals. The expected timeline for phasing out donor support should also be described.

Tool 6 – **Phase-out strategies**

Phase-out strategies are integral to the sustainability strategy. They should be prepared in a participatory way with the stakeholders, and agreement reached (as appropriate) with national, provincial and community level partners. Guiding principles for the formulation and management of such strategies are summarised in the table below:

Key issue	Guiding principles
Timing and process of formulation	A phase-out strategy should be incorporated in the original design document and described as part of the sustainability strategy. The overall duration of the program or project will have a determining influence over the phase-out strategy. Longer planning perspectives (more than the usual 3 to 5 years) are often required, particularly for complex programs, small economy states, etc. Phase-out may also be uneven with some components being under local responsibility sooner than others. Smooth phasing out is related to stakeholder ownership and capacity, therefore early stakeholder involvement in the design, the determination of needs, and implementation (including decision-making) is important.
Content and focus	The specific content and focus of the phase-out strategy will depend on the individual program or project's scope and objectives. Key generic elements are likely to include: • *Reference to the Country Strategy Paper.* Country specific sustainability issues need to be taken into account • *Management roles and responsibilities.* The responsibilities of the counterparts should increase while the expatriates' are phased out over the length of the project. This assumes that the counterparts have ability and are given professional roles in the project in line with their skills. The final year of a project may see minimal input from the TA in direct operation and management as their role shifts to one of consultation and support. Expatriate TA should be working themselves out of a job from day one, and have demonstrated collaborative work/mentoring skills. • *Training*. Training is an important element of phasing out. Training must not only be technical (eg maintenance skills), it should include management and planning skills, coordination with other bodies, analysis and problem solving, monitoring, training needs analysis and the training of trainers. Training materials in the local language should be left behind at completion as well as the skills and access to (local) resource needed to up-date them. • *Finance*. O&M costs which are met by the donor during implementation, and which must be continued to sustain benefits, should be phased out over time with the stakeholders taking on responsibility for meeting these costs. Mechanisms such as depreciation funds may need to be set up. The source of local funding should not be restricted to Partner Government budgets, and might include user pays, commercial operation by the private sector, or additional fund-raising activities by NGOs. • *Asset maintenance.* Equipment and asset maintenance procedures need to be well in place before project completion, but introducing a culture of O&M requires time and planning. Therefore this may still require some level of AusAID intervention post-project including: follow up visits, some funding for maintenance contracts and depreciation, etc.

PTO

(Continued)

Ongoing management	• *Annual plans*. Phase-out strategies need to be refined over-time, often developing a more intensive focus in the latter phases of the program or project. The annual planning process could therefore be the appropriate mechanism by which phase-out strategies are regularly reviewed and updated. • *Technical Advisory Groups (TAGs)*. Where used, their TOR could include reviewing and reporting on progress in implementing the phase-out strategy, and making recommendations on further action required. • *Mid-term reviews*. Mid-term reviews may be an important point in the project life to examine the quality of the phase-out strategy and how it is being implemented, and recommend amendments.