SUSTAINABILITY ISSUES FOR PVO/NGO ACTIVITIES[1]

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PVOs and NGOs have a special place in USAID's development strategy, largely because of the Agency's belief in NGOs' and PVOs' capacity to implement sustainable development activities. This perception is founded on a number of assumptions. PVOs and NGOs

* Adapt simple, often innovative, labor-intensive technology to local conditions
* Build long-term relationships with local communities
* Have wide information networks, local counterparts, and other institutional contacts
* Are less dependent on government inputs for their programs, compared with other organizations
* Historically, have made deliberate attempts to foster and draw on local capacities for self-help (VanSant 1987)

Although these assumptions may be true in certain circumstances, they are not always valid. Characteristics of NGOs and PVOs that may decrease the likelihood of project sustainability include

* Limited ability to leverage formal systems or access decision makers
* Inadequate attention to market forces
* Staffing problems, such as high staff turnover and lack of professional (technical) qualifications
* Inconsistencies in program implementation
* Dependency on external financial support (VanSant 1986)

This article presents findings from a number of sources: interviews with several hundred NGO, PVO, and USAID staff; a field survey of more than 20 completed projects; and an extensive literature review.[2] Topics discussed in this article include definitions of sustainability, cost sharing; project design considerations, and implementation considerations, including monitoring and evaluation.

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1 This article is excerpted from the forthcoming USAID study, *Strengthening the Public-Private Partnership: An Assessment of USAID's Management of PVO and NGO Activities*.

2 The literature review, completed by Tami Fries of Development Alternatives, Inc., consisted of an analysis of 50 reports, evaluations, and studies on USAID's PVO and NGO programs. It is available from CDIE as a working document.

DEFINITIONS OF 'SUSTAINABILITY'

"Sustainability" is best defined in the broadest possible way. Definitions limited to financial, social, or institutional sustainability are insufficient. Issues concerning impact and potential trade-offs need to be addressed and incorporated into a workable, flexible definition.

Addressing local conditions is important to defining sustainability. Not all project components may be sustainable; they may change according to circumstances. Sustainability of one project component may have unintended repercussions or hinder other ongoing community initiatives. A useful definition of "sustainability" will be broad and well suited to individual environments.

Interviewees generally expressed a strong interest in sustainability.[3] Most PVOs and NGOs believe sustainability to be a critical part of their work. Beyond this enthusiasm for the concept, respondents noted that sustainability needs to be better defined by both donors and implementers. The literature review supports this, illustrating that USAID does not apply a uniform definition of sustainability to its activities. PVOs and NGOs distinguished three types of sustainability: benefit, institutional, and financial.

Benefit Sustainability

Benefit sustainability involves the indefinite continuation of benefits that result from or flow from an activity, rather than continuation of specific project outputs. It is the *demand* for particular outcomes that gives them value and provides a test of whether they continue. According to VanSant, benefit sustainability is

> the continuation of valued benefit flows or outcomes with or without the programs or organizations that stimulated those benefits in the first place. The nature of these benefits may change, their source may shift, or responsibility for their costs may be assumed by a new mix of benefactors. What is important is that the benefits or outcomes be valued by the intended beneficiaries and that they continue [VanSant 1987].

Defining "sustainability" as the continuation of benefits is the most comprehensive view. This is also is the definition most often used by PVO and NGO respondents and is considered the most prevalent in USAID programs. But both PVO and USAID staff recognize that achieving benefit sustainability takes a great deal of time, effort, and resources.

Many PVOs and NGOs expressed concern about the amount of time and resources required to achieve benefit sustainability. Most respondents say that achieving benefit sustainability takes from 10 to 20 years, depending on the level of institutional development. PVOs and NGOs believe USAID programming generally runs counter to this need, since project funding averages 3 to 5 years.

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[3] Sustainability is one aspect of the sustainable development process. For a further discussion on sustainability and sustainable development, see Russell et al., *Sustaining the Vision: Lessons for USAID's Move Toward Sustainability and Sustainable Development*, USAID/PPC/CDIE, 1994.

Factors in Benefit Sustainability

* Broad-based participation
* Understanding local social and cultural patterns and choosing compatible approaches
* Partnerships with private agencies, community organizations, and local government
* Careful consideration of long-term implications during project planning and design
* Implementer's strong organizational capacity
* Sensitivity to financial and economic realities -- attention to market forces
* Structuring the project to ensure a sustained flow of financial support
* Attention to physical environment constraints
* A supportive (or at least neutral) policy environment
* Capacity to build a base of experience and share lessons learned with other organizations (ACVFA 1988)

Discussions of benefit sustainability with PVOs, NGOs, and USAID staff included deliberations about differences in implementation methods. NGOs and PVOs often said their development approach deals more with sustaining behavioral changes (as a result of project activities), whereas USAID seems to pay more attention to project sustainability.

PVOs and NGOs see their long-term local commitment as critical to achieving benefit sustainability. A 1988 ACVFA report supports this. It states, "PVOs have a comparative advantage in achieving sustainable benefits where sensitivity to local conditions, cooperation of local institutions, and lean operating costs are particularly critical to project success" (ACVFA 1988).

Evidence of Benefit Sustainability

* A 1988 study found that only 11 percent of USAID projects had a strong likelihood of benefit sustainability after Agency funding ended (IRIS 1991)
* A 1992 analysis found that 48 percent of 71 USAID projects reviewed were sustainable (Finsterbusch and Wilkin 1992)
* A recent review of 268 USAID evaluations (FYs 1989 and 1991) found that only 9 per cent had a high probability of sustainability after USAID funding ceased (MSI 1992)

Several of the assessment's field case studies provide examples of benefit sustainability, with mixed results. One USAID-funded South Africa NGO has labored to develop programs that deal with community needs, such as adult literacy, income generation, and children's issues. Although the NGO's goal is developing sustainable projects, staff question whether the programs will achieve sustainable benefits. They are taking steps to realize greater success in this.

Mexico provides another example of an activity emphasizing benefit sustainability. A USAID-funded microenterprise initiative there has attempted to build the confidence and skills needed to bring sustainable benefits to local communities. According to the NGO implementer, an important aspect of the project has been to prepare people to participate in development projects. Beneficiary participation is seen as having a strong influence on the success and sustainability of the activity.

Reflections on Benefit Sustainability

A South African NGO that has been carrying out development projects for many years recently has begun to reflect on its own capacity to achieve benefit sustainability. This has always been a major goal, but NGO managers feel there is room for improvement.

Helped by an external evaluation, the organization concluded that it could achieve greater sustainability with a more participatory approach to project decision-making. To address this, the NGO has begun an aggressive campaign to include beneficiaries in all levels of decision-making.

Called People's Participation in Planning, the initiative is designed to make the NGO's programming more of a bottom-up process. The program seeks to help communities identify their own needs and develop programs to meet these needs. It emphasizes building local capacity and empowering communities (especially women) for self-reliance. The NGO hopes the initiative will excite communities about becoming involved in and responsible for their own development.

Institutional Sustainability

Key components of a sustainable organization include the following:

* A clear organizational "mission"
* Strong leadership, including housing necessary technical and management resources
* Ability to plan strategically and an aptitude for recovering costs
* Support from the local community and capacity to mobilize beneficiary participation
* Ability to supply a continuous stream of benefits (Kean 1987).

Recent studies indicate the importance of building sustainable organizations to achieve sustainable development benefits. The 1988 ACVFA report is a well-referenced account that links organizational capacity to sustainable benefits (ACVFA 1988).

Training Local NGOs To Take the Reins

The Philippines Mission offers a creative approach to institutional development of NGOs. The Mission's idea is to identify and support the best indigenous organizations and teach them about working with USAID (including administration, management, accounting, and evaluation) and to develop their human resources capacity.

Under this program, the Mission awarded grants to U.S. PVOs, with part of their role being to develop the organizational capabilities of local NGOs. The PVOs provided technical assistance and training that brought local groups to a point where they could take over local activities at the end of the initial grant. This program has supported development of a large, competent NGO community in the Philippines (USAID 1993).

PVO and NGO interviewees voiced their desire for greater attention to organizational capacity building. Many respondents say the Agency's projects and programs provide insufficient resources for capacity building. Several suggested that USAID emphasize this area by helping NGOs develop long-range strategic plans, financial management capabilities, and human resources. A recent USAID-funded study noted that

> The best way for USAID to ensure institutional sustainability among its grantees is to enable them to attain management skills necessary to continue securing . . . funding from a variety of donors as well as to continue to implement effective development programs [MSI 1992].

PVOs and NGOs offered several reasons why, in addition to providing activity funding, donors should support institutional strengthening. First, NGOs serve as a voice for the public and provide a system of checks and balances for government actions.[4] Second, supporting and strengthening NGOs provides them with the capacity to serve marginal and underserved groups.

PVOs and NGOs suggest that USAID provide funding for longer periods -- for 10 to 15 years instead of 3 to 5 years. This would allow them time and resources to strengthen their organizations while devoting appropriate attention to project implementation.

Interviewees also recommend that USAID encourage greater networking and sharing of knowledge and resources among the PVO/NGO community. PVOs and NGOs say USAID's programs could foster better collaboration and learning from both sides. Local networking is seen as critical to long-term organizational sustainability as well as the sustainability of the entire NGO community.

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[4] A 1987 evaluation of the Indonesia PVO Cofinancing Project (Betts, *A Strategic Assessment of NGO Development in Indonesia*) found that local NGOs' capacity to create a positive policy environment is a more important contribution than direct delivery of services.

Financial Sustainability

There are two types of financial sustainability. One pertains to NGOs and PVOs as organizations. The other concerns project activities.

Research suggests the importance of gaining control over key resources, including financial and human resources (Fries 1994). Sustainability thus goes beyond organizational development to developing income-producing activities and control over funds generated. Financial sustainability of an organization refers to a group's ability to recover costs, allowing it to continue to provide services. It can be considered a component of organizational sustainability; the two often are confused.

Many USAID evaluations state or imply that self-reliance -- the ability of an organization to develop a mixed portfolio of financial support -- is a valid measure of financial sustainability. This mix of financial resources might include fees for service, local or national government funding, donor grant funds, charitable contributions, and endowment proceeds (Fries 1994).

Project financial sustainability is achieved when an activity is financially supported by those it serves. This can include in-kind support, financial or technical assistance, or both. As beneficiaries support ownership of the project, including a role in its design and cost, the activity can take on more importance to the community, bolstering its potential for sustainability.

Informants gave examples of project financial sustainability when beneficiaries shouldered part of project costs. Ideally, beneficiaries would be involved in project design, support project activities, be willing to accept a portion of the project's expenses, or have the capacity to maintain the project once initial funding ends.

PVOs and NGOs encourage the Agency to think more creatively about activity funding. Support for endowment and trust funds, income-generating activities, fund-raising techniques (including obtaining funding from U.S. private sources, other donors, and the host country government), and developing innovative cost-recovery techniques all are seen as avenues that can contribute to long-term growth and financial sustainability.

Replication

Many project implementers consider replication an element of a sustainable program. A host of new problems can arise, though, when a project that is designed and implemented by local beneficiaries is expanded into new areas.

Some evidence links expansion or replication of benefits with risks to benefit sustainability. The risks are that expansion or duplication of a program requires different skills from those of the original project concept and may generate significantly different kinds of costs. At least in some instances, expansion of benefits to new persons and new areas may not be sustainable. The trade-offs between these concepts should be explored before a project is designed and implemented, since replication may not always be an attainable goal (Borton 1992).

COST SHARING

Cost sharing is a mechanism that requires PVOs and NGOs to make financial or in-kind contributions to the overall costs of a project. The Agency's Handbook 3 (Project Design) long has included a 25 percent cost-sharing requirement for U.S. and indigenous organizations registered with USAID as PVOs. This requirement is in addition to the guidance in USAID Policy Determination 16, of October 1987, which simply encourages the financial participation of recipients.

USAID began requiring cost sharing for PVO/NGO activities for a number of reasons:

* Cost sharing is seen as a means of leveraging USAID development assistance with other sources of money
* Cost sharing is considered a mechanism to prevent NGO and PVO dependence, both financially and programmatically
* Cost sharing encourages PVOs and NGOs to gain a sense of ownership of programs by financing a portion of the costs
* Cost sharing makes it less likely that USAID will be able to force its own agenda on organizations that are accountable to other sources or constituencies (USAID 1982)

NGO and PVO interviewees provided a number of reasons why cost sharing is useful. Cost sharing

* Fosters ownership and commitment
* Promotes greater financial involvement of beneficiaries
* Encourages PVO and NGO financial independence
* Allows PVOs and NGOs to simplify procurement by using their own funds for certain purchases
* Prevents reliance on one donor for funding
* Requires strategic planning for cost recovery once project funding ends

Asked if the Agency should require cost sharing for PVO/NGO activities, PVO, NGO, and USAID interviewees overwhelmingly said "yes." Nearly all USAID staff support cost-sharing requirements, closely followed by PVOs. About three fourths of the NGOs interviewed support USAID cost-sharing requirements.

Most NGO and PVO respondents indicate that USAID's cost-sharing requirements are understandable and are a way for them to show their commitment to a given activity. But many expressed their concern about the inflexibility of cost-sharing rules. They felt cost sharing should be approached with greater flexibility, depending on circumstances, and should take into account an organization's financial limitations.

Respondents who favor cost sharing in general oppose it under certain circumstances, such as when activities are not intended to be financially self-sufficient. Examples are education, policy research, legal assistance to the poor, drug prevention and education, nutrition and family planning programs, women's empowerment activities, and human-rights initiatives.

On the negative side, some USAID and PVO respondents say monitoring of PVO and NGO contributions is time consuming. There appear to be no set guidelines on establishing dollar values for in-kind contributions, making them difficult to calculate. Some Agency staff say cost-sharing arrangements have entailed additional monitoring, management, and paperwork requirements.

Several NGO staff feel the standard 25 percent contribution is inappropriate for many organizations. They consider this percentage onerous, especially for young or smaller organizations. NGOs feel this financial burden could prevent them from seeking initial funding from USAID and could limit the types of organizations that work with the Agency.[5] USAID staff also expressed the belief that NGOs should not be required to cost-share until they have established a certain level of institutional viability.

The literature review supports NGO, PVO, and USAID perceptions. Although the objective of cost sharing may be to reduce dependence on Agency funding, it does not always succeed. Strict cost-sharing formulas may not be as useful as other arrangements that more accurately reflect an organization's financial capacity. In addition, some groups need assistance to identify other mechanisms to achieve financial sustainability.

In general, respondents believe the Agency should have flexible cost-sharing guidelines. Some NGOs suggest that USAID review its cost-sharing requirements on a case-by-case basis. Interviewees recommend that cost-sharing requirements be established in Missions and that they show flexibility in relation to an NGO's capacity and the activity's goals and objectives. In some cases the Agency may want to provide funding (without cost sharing) to an organization that is implementing a USAID initiative, or if it cannot contribute to costs.

There also were suggestions that USAID require limited cost sharing for smaller organizations. These cost-sharing arrangements could range from 5 to 10 percent and increase each year. Resources also could be devoted to training organization staff in fund-raising and providing information and training on other income-generating activities.

In July 1994, in response to recommendations made by a joint PVO–USAID task force (part of the Agency's Advisory Committee on Voluntary Foreign Aid), the Agency eliminated the 25 percent cost-sharing requirement for registered PVOs that was mandated in USAID Handbook 3. Instead, all PVOs and NGOs will follow Policy Determination 16. It encourages the "largest reasonable and possible financial participation" of recipients but does not prescribe a formula. In collaboration with PVOs and NGOs, USAID staff now have flexibility to develop situation- or organization-specific cost-sharing plans for PVO/NGO activities.

PROJECT DESIGN CONSIDERATIONS

Defining and incorporating sustainability concerns into projects is difficult. But methods do exist for incorporating sustainability elements into project designs. They are discussed in this section.

Asked if they believe sustainability to be an appropriate goal for USAID–funded PVO/NGO activities, respondents overwhelmingly said "yes." PVOs and NGOs feel strongly about achieving greater sustainability. They made a variety of suggestions for improvements. Among them:

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[5] This finding is supported by a 1982 General Accounting Office report, which noted that rigid cost-sharing requirements discouraged smaller (and perhaps more innovative) organizations from applying for programs that require a matching component (GAO 1982).

* Build from the most basic grass-roots level
* Involve the target community at all levels
* Ensure that project decision-makers are the project beneficiaries
* Help groups make their own decisions
* Emphasize empowerment of women
* Use volunteers from the community to implement projects
* Coordinate with available government programs
* Develop implementers' management information system capabilities
* Ensure that adequate training is incorporated into every project, for project beneficiaries as well as project managers

Other themes regarding the design of sustainable activities emerge from the literature review, field case studies, and key informant interviews.

Flexibility

Project planners need to consider sustainability early in the design of new activities.[6] The appropriate definition of "sustainability" must be determined for each new project, taking into account its particular context and developing indicators against which sustainability can be measured. Issues that must be considered early in the project design include the following:

* Is there community level demand for the project and its benefits?
* How will the project contribute to sustainable development of a community (or region or country)?
* What are the attitudes of the central and local governments toward NGO activity in the sector?
* How will the project be sustained by the local community? (Russell et al. 1994)

Ability to test and revise the project design -- and its underlying assumptions -- is critical to sustainability. Initial errors can be corrected if the implementer and its partners are sufficiently informed and flexible in making adjustments. When the implementer encourages feedback and project modification, sustainability is enhanced (USAID 1989).

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[6] See the International Development Management Center's paper *The Logical Framework and Benefit Sustainability*, 1991, for further information on incorporating benefit flows into project designs.

Broad Participation

Some sources indicate there is a link between beneficiary involvement and sustainability. According to a 1988 ACVFA report:

> Of all the factors that affect sustainability, local organizational capacity to identify and solve problems with the involvement of beneficiaries is the most important [ACVFA 1988].

The field case studies also indicate that beneficiary participation in design and implementation of projects is a main ingredient of success, since it is the beneficiaries who have the most to gain or lose from an activity. Their participation creates an opportunity for interventions that are relevant to local needs and that provide a sense of ownership for beneficiaries.

PVO and NGO implementers also need to work in partnership with community groups, private associations, local government, and other donors, among others.[7] Project designers should try to incorporate into the planning process powerful local interests and local decision-making bodies (e.g., village chiefs, the military) (Russell et al. 1994).

Successful NGOs often learn to collaborate with government officials as well as with targeted beneficiaries and local groups. These NGOs keep the government fully informed of ongoing and planned activities and give officials public credit for project success. At the same time they maintain credibility with their constituents. Project planners should be cautious, though, about proposed NGO activities that replace or bypass government services. These efforts can foster a difficult relationship between implementer and government. Or they could result in government neglect of a service area.[8]

Sustainable projects need the support of local institutions to run and maintain activities. Sometimes local institutions must be established, but often existing organizations can be adapted or strengthened.[9] Project planners must assess the capacity and the interest of existing local institutions to continue activity benefits (VanSant 1987).

Implementer Capability

Capacity of an organization to implement a project is critical to sustainability. While there is no formula for selection, time must be set aside to learn about and understand proposed implementers. For example, many foundations have an interview process, including multiple site visits, for prospective implementers. Identification of an organization's strengths and weaknesses during this period is important. Since no implementer is likely to have all the technical and administrative skills that designers find important,

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[7] For example, the success of a USAID-funded activity in Belize suggests it was the solid partnership between the government, the private sector, and PVOs that allowed resources to be directed most effectively and that directly contributed to the project's sustainability (Harkins and Quan 1990).

[8] This occurred in the Zio River project in Togo, where a PVO took over provision of many agricultural services in a given area. As a result, the government was discouraged from providing assistance to the region and discontinued extension services to this area (and other areas) that had been taken over by PVOs or donor programs (USAID 1989).

[9] Efforts also can be made to look to informal groups (e.g., neighborhood associations, ethnic groups, and extended families) through which investments can be channeled.

it is essential to understand and address implementer limitations, and to build on the implementer's strengths.[10]

Morss stipulates that institutional capacity is a critical element of project sustainability, saying that few project ideas are so compelling that they will perpetuate benefits without institutions equipped to carry them forward (Morss 1982). Other studies support this assertion, such as a 1987 study that found a high correlation between organizational capacity and overall sustainability.[11]

Taking the Measure of an NGO

One approach to selecting an organization is "performance-based training." This is a 1- or 2-day process in which project planners visit an NGO to assess its normal working environment. During this short period, project designers take a close look at the capacity of an organization with respect to its administrative and managerial skills; leadership styles; material, financial, and political resources; and understanding of the local context.

Project planners must consider a number of factors when selecting an implementer.[12] Screening questions include the following:

* What is the organization's leadership like? Have leaders been involved in setting up other NGOs? If so, were they successful?
* Does the organization have a sectoral specialization?
* What are the organization's current funding sources?
* Does the organization recover its program costs?
* How long has the organization worked in the region? country? community? Has the organization a strong constituency?

In essence, program planners need to look for NGOs (and leaders) with an entrepreneurial spirit, that is, they are pragmatic problem solvers. They are strategic planners able to develop the organization to carry out their ideas. They are, moreover, motivated by the desire to create significant grass-roots change.

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[10] Case studies from Indonesia and the Philippines show that training exercises to increase NGO skills in financial management, project monitoring, and evaluation are critical to project success (Cotter 1988).

[11] In this study, 55 percent of the projects with high organizational capacity ratings also had high overall sustainability ratings (Kean 1987).

[12] The Agency has developed a set of guidelines to be followed when working with local organizations in microenterprise development. These guidelines are outlined in Policy Determination 17, *Microenterprise Development Program Guidelines*.

Financial Concerns

Activities often take longer to attain goals and objectives than project planners anticipate. Designers need to maintain realistic expectations of the time frame necessary to achieve project results. For several reasons, donors may need to consider longer term funding arrangements. First, benefit sustainability is a long-term process. If sustainability is to be achieved, activities may need to continue for more than 3 to 5 years (the usual funding span). Second, longer term funding arrangements allow NGOs and PVOs to look to longer range financial and strategic planning for continuation of activity benefits.

Prospects for self-funded project activities -- the phasing-out of donor resources -- should be considered during project design. Issues to consider include possible income-generating schemes, cost-recovery approaches (e.g., fees for service), use of endowments, and fund-raising techniques (Fries 1994).

Another issue raised by development practitioners is whether activities can be sustainable if they compete with government services[13]. The issue of private sector provision of public services has several sides. NGOs may be able to provide services more efficiently and effectively than the public sector, but some point out that equal access to services may be less likely when impoverished users must pay private providers. Others contend that public service delivery is more easily controlled by elite and ethnic groups, making equal access less likely (Russell et al. 1994).

MANAGEMENT CONSIDERATIONS

USAID's management of PVO and NGO activities can affect their sustainability. Some management considerations are the Agency's procedures and regulations, its short-term funding approach, attention to monitoring and evaluation, and measuring project impact. These are discussed below.

USAID Practices

Several case studies and interviewees suggest that the Agency's procedures and regulations can hinder sustainability. That, in the long run, has negative implications for NGOs' capacity to achieve benefit sustainability. One example is the inflexibility of grants: once a grant is signed, NGOs say, they have difficulty adapting their projects to changing conditions even though adaptation is critical to sustainability. Other unsustainable practices mentioned by interviewees include English-language reporting requirements, infrequent USAID site visits, and minimal implementation support.

Funding Approach

USAID's project-oriented approach to development usually means short-term perspectives and programming. According to several interviewees, the Agency's short-term funding practices hinder sustainability. Projects often are designed with a 3- to-5-year time frame; after this period, implementers are encouraged to seek other funding sources. This short-term approach often is unrealistic for long-term project results, which can require many years or even decades of continuous support. As a result, NGOs and PVOs continually search for new funds and are limited in their ability to undertake long-term financial and management planning.

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[13] A USAID respondent referred to a U.S. PVO in Swaziland that worked in a sector the government seemed unable to service. After several years of PVO success in distributing commodities, the host government appeared resentful of the organization's funding. Although the PVO continues to operate, it now receives no government support. The PVO may be forced to cease services if outside donor assistance ends.

Monitoring and Evaluation

Evaluations and reports consistently indicate the importance of devoting resources to monitoring and evaluation, but managers often give this area insufficient attention. From the time of project conception, short-term objectives and long-term goals must be clear and realistic. Responsibility for defining goals and objectives is central to sustainability, since all partners need to agree, explicitly and in advance, on the project's scope and what it hopes to accomplish. Case studies, interviews, and the literature review all suggest that the *demand* for an activity drives its success, and that goals and objectives that are closely linked to the immediate needs of local communities have a greater likelihood of sustainability.

Benchmarks must be established during project design to allow for progress monitoring. In addition, indicators that look at sustainable impact also must be incorporated into a monitoring and evaluation system. Developing benchmarks and indicators allows implementers to track progress while ensuring activity sustainability.

Both USAID and implementers can do more in the areas of monitoring and evaluation. the Agency can provide NGOs and PVOs with additional training and resources for establishing benchmarks, developing realistic impact indicators, setting up management information systems, and conducting evaluations. NGOs and PVOs can increase the amount of resources devoted to their own monitoring and evaluation activities and can work to improve their skills in these areas.

Measuring Impact

Several interviewees raised the issue of trade-offs between sustainability and project impact. They say that some development objectives, such as behavioral changes (e.g., for health projects) or acquiring new skills (e.g., through training programs) are difficult to measure and to sustain. In these examples, respondents consider project impact to be more important than sustainability.[14]

An ACVFA report notes that although sustainability is vital, it is not the sole indicator of success; "[while] project benefits may be sustained over time, the magnitude of a project's impact may be insignificant. Sustainability is not synonymous with impact" (ACVFA 1988).

Other studies indicate that donors often overlook NGO project impact while centering attention on project implementation activities and operational performance. In addition, failure to establish clear and measurable indicators at the project level makes impact evaluation difficult (VanSant 1986).

The Agency currently is undertaking a major initiative on design and measurement of performance-based activities. USAID staff are developing indicators to effectively measure results. But NGOs and PVOs often have difficulty demonstrating broad-based results. They may devote limited resources to developing impact indicators and monitoring results. In addition, small-scale initiatives may work effectively in one village but have limited application in others.

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[14] Some informants say that USAID places too much emphasis on sustainability, to the detriment of examining project impact.

CONCLUSIONS AND RECOMMENDATIONS

USAID has a long history of employing sustainable development concepts in its projects and programs. Its NGO and PVO activities are considered central to these endeavors.

In the assessment, three types of sustainability have been defined: benefit, organizational, and financial (pertaining to both the organization and project activities). Benefit sustainability is the continuation of valued benefit flows after USAID funding ends and with or without the programs or organizations that stimulated those benefits in the first place. Benefit sustainability is the approach generally used by PVOs, NGOs, and USAID.

Cost sharing was overwhelmingly supported by interviewees, but there was widespread agreement that the strict 25 percent cost-sharing requirement for registered PVOs should be relaxed and that PVO/NGO shares of project costs should be determined more flexibly. In fact, the requirement was eliminated in July 1994 (after completion of study interviews). The Agency's guidance now is for the "largest reasonable and possible financial participation" of recipients.

Sustainability should be considered early in project design. To the extent possible, projects should have flexible designs that allow revisions based on changing environments. In addition, extensive beneficiary participation and local involvement in project design and implementation, and the capabilities of the proposed implementer, are essential to the sustainability of project benefits.

PVOs and NGOs indicated that USAID's short-term funding approach -- financing activities for 3- to 5-year periods -- may have a negative effect on sustainability. PVO/NGO experience indicates that long-term project impact often requires 10 years or more of continuous intervention.

The literature review and interview respondents indicate the Agency places insufficient attention on sustainability aspects of project monitoring and evaluation. Clear, measurable benchmarks and impact indicators should be established at the beginning of activities. There can be trade-offs, however, between sustainability and impact, as projects that have significant impact may not be sustainable.

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