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A CROSS-SECTORAL EVALUATION OF SUSTAINABILITY FOR USAID/ECUADOR

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Submitted to:

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EXECUTIVE SUMMARY

A CROSS-SECTORAL EVALUATION OF SUSTAINABILITY FOR USAID/ECUADOR

A. Purpose of the Evaluation

This report presents the findings and recommendations of a cross-sectoral evaluation of sustainability undertaken by Management Systems International (MSI) for USAID/Ecuador. The objectives of the evaluation were to:

Determine factors that assist and hinder sustainable organizations and benefits; and

Make recommendations and develop tools for achieving sustainable organizations and benefits.

B. Evaluation Methodology

This cross-sectoral evaluation of sustainability used as its base in-depth analysis of representative projects and organizations in the non-governmental sector, and "generic" analysis of a group of public sector projects. The group of NGOs selected for "in depth" study included organizations operating programs in environmental education; drug awareness; and agricultural research, education, and extension.

The group of public sector projects chosen for "generic" study included Forest Sector Development, Child Survival, and Water and Sanitation for Health.

Data and information collection were guided by two instruments, one focused on progress toward sustainability and the second focused on the achievement of being sustained without outside help. The instrument for assessing progress toward sustainability included the following categories: 1) Planning for sustainability, 2) Implementation for sustainability, 3) Potential and real sustainability of organizations, 4) Sustainability of service delivery mechanisms, and 5) Sustainability of socio-economic benefits. Achievement of being sustained was measured by matching organizations and systems to the components of a definition of sustainability developed by the International Development Management Consortium. The definition reads:

Sustainability is production by a system
in the face of time and change
of outputs that are sufficiently valued
so that enough inputs are earned
to continue production.

USAID/Ecuador should seriously consider using the sustainability instruments developed in this study as part of its mission-wide monitoring and evaluation system. The instruments focus on sustainability, but cover many important aspects of projects, and are applicable to virtually all projects, no matter the sector.

Sustainability of Public Sector Systems and Benefits

- 1) Planning for public sector projects, from a sustainability point of view, was found to be very weak. Specific weaknesses included: a) "lip service" sustainability strategies; b) no phase-out arrangement; and c) perfunctory recurrent cost analysis. A finding, which comes more from MSI experience elsewhere than from specific cases in Ecuador, is that Chief of Party job descriptions too often put little emphasis on installation of management systems.
- 2) For all the public sector projects studied sustainability became an issue for discussion either during mid-term evaluations, or project redesign. (Better late than never, but too late is too late.)
- 3) All the public sector projects suffer from an unfriendly bureaucratic environment consisting of: low morale, high turnover, low commitment to projects, non-acceptance of decentralized management, and frequent changes in leadership and policy.
- 4) All the public sector projects suffer from a hostile economic environment. All suffer from: a) beneficiaries inability or unwillingness to pay for services; and b) government inability to pay government employees well and cover other costs, including recurrent costs.
- 5) For public sector projects there appeared to be higher sustainability as the distance from central coordinating and management mechanisms increased. In particular there appeared to be: a) poor progress in the strengthening of such central coordination and management mechanisms; b) some sustainable service delivery at the local level; and c) some sustainable practices and benefits among project clients.

D. Major Recommendations for Achieving Sustainability of Systems and Benefits

Sustaining Non-Governmental Systems and Benefits

- 1) When NGOs enter into association with USAID they should be assisted through a planning exercise which spells out objectives (including those bearing on both effectiveness and sustainability), Logical Frameworks, strategies, and operational plans.
- 2) When USAID is the major supporter of an NGO, it must be established from the outset that USAID will periodically review the NGO's overall budget and balance sheet with NGO leadership. Of particular interest to USAID are results of NGO attempts at generating income through alternative sources, and the time and resources spent on such attempts.
- 3) The high potential of the Controller's Office to encourage and monitor progress toward financial sustainability should be exploited.

- 4) USAID should clearly communicate the rules governing NGO eligibility for local currency endowments, as well as rules and regulations that apply after such endowments are approved. For example, it must be clearly explained that if an NGO goes out of business, the endowment reverts back to USAID/Ecuador. Rules for NGO eligibility are set out in PL480, and ESF documents.

Sustaining Public Sector Systems and Benefits

- 1) Planning for public sector projects must include: a clear, feasible sustainability strategy; incentives for sustainability, phase out arrangements, and Chief of Party emphasis on management system design, installation and training. These issues and themes must characterize implementation as well as planning.

- 2) If a central coordinating mechanism is necessary to sustainability of project benefits, then:

Resources must be devoted to the development of a system for generating and managing sub-projects, as well as training in system use.

To maintain management systems in the face of rapid turnover of personnel: a) systems must be simple, and b) there must be frequent training of new personnel in those systems.

- 3) Under current economic and government budget conditions, undertake public sector projects should be undertaken only when effective service delivery is necessary - regardless of the sustainability of the service delivery systems. Undertake public sector projects which require strengthening of central coordination mechanisms with extreme caution, if at all.

E. General Lessons Regarding Sustainability

Two overall lessons regarding sustainability, drawn not only from the Ecuadorian cases but also from MSI's worldwide experience, are in the areas of: 1) incentives for sustainability; and 2) sustainability in the public sector.

1. Incentives for Sustainability

A major reason sustainability is not achieved more often by development projects is that neediness and dependence are rewarded, while sustainability is punished. Needy organizations and countries receive free resources and technical assistance, while sustainable ones do not. If sustainability is to be achieved, all projects, and public sector projects in particular, must include incentives for sustainability in their designs. The following questions must be answered by project designs if sustainability is to be achieved:

- a) Why would the implementing agency want to discontinue support from USAID?;
- b) Why would the technical assistance team want to work itself out of a job? and
- c) Why would the USAID Mission want to end support of the organization?

2. Sustainability in the Public Sector

A corollary of the basic definition of sustainability is needed for the public sector so that a monitoring and evaluation system plays the role that market mechanisms play in the private sector. Specifically we suggest that public sector systems be considered sustainable if:

- a) A monitoring and evaluation mechanism proves the value system outputs have for project beneficiaries;
- b) A communications program convinces controllers of resources to fund the system,
- b) so that resources are 1) reliable, 2) based on performance, and 3) allocated to increasingly ambitious objectives.

I. INTRODUCTION AND METHODOLOGY

A. Evaluation Objectives and Rationale

This report presents the findings and recommendations of a cross-sectoral evaluation of sustainability undertaken for USAID/Ecuador by Management Systems International (MSI).

The objectives of the evaluation were to:

- 1) Determine factors that contribute to and hinder sustainability of the organizations and benefits supported by USAID/Ecuador projects; and
- 2) Make recommendations and develop tools for achieving sustainable organizations and benefits. Tools are of the following types: a) planning, b) implementation, and c) monitoring and evaluation.

This cross-sectoral evaluation of sustainability took place between July 15 and September 15, 1990. The evaluation used as a basis in-depth analysis of representative USAID/Ecuador supported projects and organizations in the public and non-governmental sectors. Members of the MSI evaluation team were Dr. Roger Popper and Mr. Edward Glaeser.

In the evaluation Scope of Work USAID/Ecuador gave the following rationale for focusing an evaluation on sustainability .

"Sustainability is the ultimate test of development efforts. It requires not only that a project be successful in achieving its objectives during the project life but also that the benefits it generates continue beyond the time of the donor's involvement--the durability of success."

B. Two Central Concerns: Definitions and Incentives for Sustainability

Sustainability is a complex topic which can be interpreted and studied many ways. Therefore, before embarking on the evaluation, the MSI team spent time finding out exactly what USAID/Ecuador's concerns and problems regarding sustainability were.

Meetings with AID/Ecuador staff revealed that one central concern regarding sustainability drove all others. Above all, USAID/Ecuador felt the need for clear, usable definitions and success criteria for sustainability. Further, they suspected that different definitions and criteria would be necessary for different types of projects and organizations. Specifically they suspected that different definitions and criteria might be necessary for public sector, private sector, and Non-Government Organizations (NGOs). (For MSI's work defining sustainability see Section I-C and Chapter III).

During the preliminary meetings with USAID/Ecuador, the MSI team proposed a second central concern regarding sustainability.

MSI believes that a major reason sustainability is not achieved more often by development projects is that neediness and dependence are rewarded, while sustainability is punished. Needy organizations and countries receive free resources and technical assistance, while sustainable ones do not. (For more on incentives for sustainability, see Chapter III.)

C. A Definition of Sustainability for USAID/Ecuador

1. Some Past Attempts at Defining Sustainability

Below are several attempts at defining sustainability.

- a. A definition from "Sustainability of Development Programs: A Compendium of Donor Experience (November, 1988) reads;

"A development program is sustainable when it is able to deliver an appropriate level of benefits for an extended period of time after major financial, managerial and technical assistance from an external donor is terminated."

- b. A definition of sustainability developed by Practical Concepts Incorporated under AID contract in 1975 reads:

"A viable (sustainable) system is one which survives, grows, adapts, and innovates in response to and in commerce with its environment over the long term."

- c. In the Scope of Work, and in preliminary discussion with USAID/Ecuador staff, the distinction between self-sufficiency and self-reliance was made. Self-sufficiency is an extreme and unfeasible version of sustainability, where all financial, technical and management needs are met by an organization or system with no outside help at all. Virtually no modern organization, system or society is self-sufficient. Self-reliance is a less extreme, and more feasible form of sustainability. Self-reliance means that an organization or system can either provide or obtain what it needs through its own efforts.

- d. A definition of sustainability developed recently by the International Development Management Consortium (IDMC) reads:

"Sustainability is the ability of a system to produce outputs that are sufficiently well valued so that enough inputs are provided to continue production."

All of the definitions give insight, and they do not contradict each other in any important way. Of the definitions, the MSI team and USAID/Ecuador agreed the IDMC definition showed excellent promise of being useful to managers with the job of designing and implementing projects which leave behind sustainable organizations, systems and benefits.

2. Advantages of the IDMC Definition of Sustainability

The IDMC definition of sustainability has the following implications and advantages:

- a. The word system is used rather than the word organization, which means that sometimes sustainability refers to something other than the continued existence of an organization. Ultimately we are interested in the sustainability of benefits, which may or may not require that an intermediary organization be sustained. If an organization is created to eradicate malaria, and malaria disappears permanently, then perhaps there is no need for the organization to be sustained.
- b. The system must produce outputs to meet the definition of sustainability, which means the mere continued survival is not sufficient. In addition to surviving, an organization or system must perform to be considered sustained.
- c. The system must not only produce outputs, but the outputs must be well valued, presumably by the intended target population. In some instances outputs are valued by someone other than the target population. For example, a coca substitution project may be valued by the US, but not by the farmers.
- d. It is not enough for the outputs to just be well valued, but they must be sufficiently well valued so that inputs are provided to continue production.

3. Improvements on the IDMC Definition of Sustainability

For the above reasons, MSI finds the IDMC definition of sustainability to be powerful and useful. In fact, IDMC's definition is the central concept which holds this whole evaluation together. That said, however, MSI has made three small but important changes in the IDMC definition to render it even more incisive and powerful. We prefer to:

- a. Eliminate the word "ability" from the definition;
- b. Add the words "through time and change" to the definition; and
- c. Replace "so that sufficient inputs are provided" with "so that sufficient inputs are earned."
- d. Also, when we write the definition, we write it one line per component, so that the definition's richness of meaning is clear, and so that it can be used as a data collection instrument.

We eliminate the word "ability" because ability as such is worth nothing without performance; and "ability" is open to many and varied interpretations, and therefore difficult to measure.

We add the words "in the face of time and change" because: a) we are interested in long term sustainability, not just sustainability right now, and b) nothing is more certain than that conditions, needs, and markets will change over time, and perhaps change drastically. Covering costs at a particular point in time under a particular set of conditions is important, but what we really need is ability to cover costs over time and through change, even drastic change.

We replace "so that sufficient inputs are provided" with "so that sufficient inputs are earned" to emphasize that, to be considered "sustainable" inputs must be "earned" on the basis of performance, rather than "provided" for political, bureaucratic, or inertia reasons.

With the above three changes included, the IDMC/MSI definition of sustainability now reads:

Sustainability is production by a system in the face of time and change of outputs that are sufficiently valued so that enough inputs are earned to continue production.

A definition alone does not solve all of a manager's problems. During the cross sectoral evaluation of sustainability for USAID/Ecuador the MSI Team attempted to turn our definition of sustainability into a set of planning, management and evaluation tools. One attempt at doing so is presented in Table I-3, and others in Chapter III.

D. Evaluation Methodology

Table I-1 presents a summary of MSI's approach carrying out "a cross-sectoral evaluation of the sustainability which will involve an in-depth analysis of representative institutions in the public, private and NGO sectors. The summary is presented in the form of a "Logical Framework Narrative Summary column." The summary includes, not only evaluation tasks and products at the Input and Output levels, but also evaluation objectives at the Purpose and Goal levels.

Note in Table I-1 that the evaluation's Goal level objective is that there be USAID/Ecuador projects that fulfill the IDMC/MSI definition of sustainability. The evaluation's Purpose level objective is that there be planning, implementation, monitoring, and evaluation USAID/Ecuador and implementor organizations in accordance with "principles of sustainability."

Direct products (or Outputs) of the evaluation are:

- 1) Case studies of projects, organizations, and systems.
- 2) Definitions and criteria for sustainability,
- 3) Recommendations for planning, implementation, monitoring; and
- 4) Sustainability assessments for projects and types of projects;

TABLE I-1

SUSTAINABILITY EVALUATION LOGICAL FRAMEWORK

GOAL (Sustainable organizations and benefits)

Organizations and systems which produce outputs over time and change, and that are sufficiently valued so that inputs are provided to continue production.

PURPOSE (USAID/Ecuador and Implementor Behavior)

Projects and programs which are planned, implemented, monitored, and evaluated according to "principles of sustainability."

OUTPUTS (Evaluation Findings Recommendations)

Tools

Definitions
Indicators
Strategies

Recommendations

Planning
Implementation
Monitoring

Findings

NGOs
Public Sector
Other

INPUTS (Evaluation Activities)

1. Review sustainability models
2. Summarize, analyze documents
3. Develop information collection guide
4. Choose cases for study
5. Interview USAID/Ecuador
6. Interview implementers
7. De-brief with USAID/Ecuador
8. Write report

To achieve the products of the evaluation, it was necessary to complete the following major tasks (or Inputs):

- 1) Review of sustainability models and data collections schemes (in Washington, DC);
- 2) Review of the AID/Ecuador portfolio, and development of a data collection scheme and work plan;
- 3) Selection of projects and organizations as case studies; and
- 4) Application of a data collection scheme to case projects and organizations.

In the paragraphs below the following aspects of the evaluation methodology are discussed: selection of projects and organizations for case study; and a data collection scheme for evaluating sustainability.

Selection of Projects and Organizations for Case Study

Three Non-Government Organizations, and three Public Sector projects were chosen as case studies. The Non-Government Organizations were studied: 1) individually and in-depth, and 2) "generically" as a group. The Public Sector projects were studied only the second, "generic" fashion. The intention was not so much to evaluate the individual projects as to determine factors contributing to and hindering sustainability of organizations and benefits.

The group of NGOs selected for "concentrated" study included: Fundacion Natura, which works in the natural resource area; Fundacion Nuestros Jovenes, which works in drug awareness; and FUNDAGRO, which works in agricultural research, education, and extension.

The NGOs can be thought of as application of private sector style entrepreneurial spirit to areas normally covered by the public sector. The Non-Government Organizations (NGOs) can also be thought of as "sustainability laboratories" where mechanisms and strategies for achieving sustainability are developed which can be used, not only by NGOs, but perhaps also by other types of organizations implementing AID projects.

As a group the NGOs or foundations selected offered the following specific advantages for a study of sustainability:

- 1) All have clear possibilities of sustainability;
- 2) All have both histories and futures as recipients of USAID/Ecuador support;
- 3) Two are operating with an endowment mechanism for achieving financial sustainability;
- 4) Innovative fee for service operations are well represented; and

- 5) The organizations spread across the agricultural, natural resource and health sectors.

The group of public sector projects chosen for "generic" study included Forest Sector Development, Child Survival, and Water and Sanitation for Health. Due to time and resource limitations, it was necessary for the evaluation team to choose, in the public sector area, between in-depth study of one project, and less in-depth, generic study of several projects as a group. Choice of a "generic" study of three public sector projects was chosen over "in-depth" study of any one of them due to the following logic:

- 1) In Ecuador, under current economic and bureaucratic conditions, sustainability in public sector projects is extremely problematic;
- 2) If public sector projects are to produce sustainability, then changes in designs must be drastic and basic; and
- 3) Drastic design change must be based on a cross section of problems faced, rather than just "in-depth" study of one project.

Application of a Data Collection Scheme to Case Projects and Organizations

The instruments the MSI team used for collecting and organizing information on sustainability is presented in Tables I-2 and I-3.

USAID/Ecuador should seriously consider using the sustainability instruments as the basis for a mission-wide monitoring and evaluation system. The instruments focus on sustainability, but cover many important aspects of projects, and are applicable to virtually all projects, no matter the sector.

The items in Table I-2 focus on progress toward sustainability, and the items in Table I-3 focus on sustainability itself. (Another way of putting it is that Table I-2 focuses on to what extent a system has the potential for being sustained, and Table I-3 focuses on the extent to which a system is actually sustained.)

The general idea of Table I-2 is that progress toward sustainability passes through the stages of:

- Planning for sustainability;
- Implementation for sustainability;
- Potential and real sustainability of organizations;
- Sustainability of service delivery mechanisms; and
- Sustainability of socio-economic benefits.

TABLE 1.2

A SCHEME FOR COLLECTING DATA ON THE
SUSTAINABILITY OF ORGANIZATIONS, SYSTEMS AND BENEFITS

I. Planning for Sustainability

1. Choice of an implementor agency with evidence of a mission, and potential access to non-AID resources.
2. A logical, feasible sustainability strategy;
3. Phase out of assistance, and delivery of responsibility to Ecuadorians.
4. Incentives for achieving sustainability;
5. Financial analysis of future recurrent costs without AID assistance.
6. Chief of Party job description and qualifications.

II. Implementation

1. Decision making using sustainability criteria;
2. Provision of Ecuadorian counterparts; and
3. Delivery of responsibility to Ecuadorians and acceptance of responsibility by them.

III. Internal Factors

1. Consensus on, and dedication to, mission.
2. Financial, management, technical capacity.
3. Income sources: restricted, unrestricted, non-budgetary.

IV. Linkages

1. With clients;
2. With Ecuadorian resource sources; and
3. With international resource sources.

V. External Environment

1. Need and demand for services;
2. Economics at the beneficiary and government levels;
3. Ecuadorian political, and bureaucratic environment; and
4. International donor environment.

VI. Sustainability Assessment

1. Sustainability of central coordinating mechanisms;
2. Sustainability of local service delivery systems; and
3. Sustainability of socio-economic benefits.

TABLE I-3

THE DEFINITION OF SUSTAINABILITY AS SUSTAINABILITY ASSESSMENT TOOL

A SUSTAINABLE SYSTEM IS ONE WHICH:

1. PRODUCES OUTPUTS

- a. Quantity
- b. Quality

2. IN THE FACE OF TIME AND CHANGE

- a. Time, track record
- b. Change in markets, needs
- c. Change in economic environment
- d. Change in political environment

3. THAT ARE SUFFICIENTLY VALUED
(Results of M /E System)

- a. By clients
- b. By controllers of resources
 - 1. Within country
 - 2. International

4. SO THAT

- a. Market Mechanisms
- b. M-E System
- c. Communications system
- d. Decision making by allocators of resources

5. INPUTS ARE EARNED

- a. Amount
- b. Diversification
- c. Durability - time they could last without new resources

6. TO CONTINUE PRODUCTION

- a. Backlog of orders, requests for service

Progress toward sustainability of a project, organization or system can be analyzed for each of the stages. And at each of the stages there are external economic, political, socio-cultural and ecological factors which can help or hinder sustainability.

Table I-3, which focuses on sustainability itself, is derived directly from the definition of sustainability developed in previous paragraphs of this chapter. Note in Table I-3 that each clause or concept in the definition of sustainability is converted into a questionnaire item or data collection category.

E. Organization of the Evaluation Report

The bulk of this cross sectoral evaluation of sustainability for USAID/Ecuador is presented in the following chapters:

1. ■ Chapter II
- Chapter III; and
- Chapter IV, etc.

Chapter II consists of summary of findings and recommendations; Chapter III considers tools for achieving sustainability of organizations and benefits; and Chapter IV provides Comparisons, Contrasts and presents specific Case Studies.

The fourth chapter, "Comparisons, Contrasts and Case Studies" presents the raw material from which Chapter II and much of Chapter III are derived.

The evaluation "Findings" appear twice, once in Chapter IV together with the raw material from which these were derived and once in Chapter II together with the recommendations to which they lead. This redundancy may seem clumsy, but is essential in a sound evaluation.

The differences between the recommendations that are presented in Chapter II, and the tools that are presented in Chapter III are that whereas the recommendations in Chapter II are derived simply from evaluation findings, while the tools in Chapter III are derived from MSI experience elsewhere as well. The recommendations in Chapter I can be applied to project design and implementation; use of the tools will require some expertise and creativity.

II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

This chapter presents findings and recommendations regarding the sustainability of organizations, systems and benefits supported by USAID/Ecuador. The findings and recommendations were arrived at by comparing and contrasting among projects implemented by governmental (or public sector) and Non-Governmental Organizations (NGOs). The intention is not as much to evaluate sustainability for individual projects as to arrive at profiles of factors contributing to and detracting from the sustainability of organizations, systems and benefits; and recommendations to enhance the factors which contribute to sustainability, and diminish those which detract from sustainability.

Three non-governmental and three public sector projects served as core analysis units. Wherever possible our analysis draws on knowledge of other projects in the USAID portfolio as well. The analysis in the first section covers the non-governmental organizations and is based on planning documents, evaluations, interviews with AID project managers, and with key Ecuadorian NGO officers. The analysis in the second section covers public sector projects and is based almost exclusively on the study of project planning documents, project evaluations and reports, and interviews with USAID staff.

A. Findings and Recommendations Regarding the Sustainability of Non-Government Organizations Systems and Benefits

The projects that serve as raw material for the analysis of NGO projects were: Fundacion Natura, Fundacion Nuestros Jovenes, and FUNDAGRO (the Foundation for Agricultural Development). Fundacion Natura works in the area of natural resource protection and management; Fundacion Nuestros Jovenes works in drug education; and FUNDAGRO "catalyzes", coordinates and manages agricultural research, education, and extension.

Some details on the projects implemented by the organizations are:

FUNDAGRO is the implementing organization for the Agriculture Research, Extension and Education. The project is budgeted for \$7,000,000, over the years 1988-1993.

Fundacion Nuestros Jovenes (Our Youth Foundation) is the implementing organization for the Drug Information and Public Awareness project. The project is budgeted for \$2,775,000 over the years 1987-1992.

Fundacion Natura is the implementing organization for the Education for Nature project which is in its second phase. The project is budgeted for \$1,100,000 over the years 1988-1983.

The rest of this section on NGO projects covers planning for sustainability; implementation and management to arrive at sustainability; internal and external factors which determine sustainability.

Each section is divided into findings-recommendations pairs. For more detail on the findings see Chapter IVA.

1. Sustainability Planning for NGOs

Findings Regarding NGO Selection Criteria

Among the logical criteria for selecting NGOs for AID support, the following were satisfied by all three NGOs studied: 1) Strong charismatic leader; 2) Sector of high AID priority.

The following were satisfied by two of the three NGOs studied: 1) Existent prior to USAID support; 2) Dedication to clear mission; 3) Approached AID.

The following were satisfied by one of the three NGOs studied; 1) Proven management and administration track record. The following were satisfied by none of the three NGOs studied: 1) Proven financial management; 2) Clear demand for services.

Fundacion Natura satisfied eight of the ten prospective selection criteria; Fundacion Nuestros Jovenes satisfied six; and FUNDAGRO satisfied only two. If the selection criteria are valid, then: 1) the NGOs will have sustainability success in that order; and 2) problems will be related to the criterion the individual NGO did not satisfy.

Recommendation: For any new NGO USAID/Ecuador is considering for support, USAID/Ecuador should develop selection criteria. Such criteria should serve to:

- 1) diagnose a given NGO's strengths and weaknesses;
- 2) alert USAID to high risk situations; and
- 3) insure that the process of project design consider thoroughly all major factors of sustainability.

Recommendation: Based on the status at the time of association with USAID, pay special attention to the following areas for each of the NGOs:

Fundacion Nuestros Jovenes: management, administration, financial management, fund raising, and internal demand for services.

Fundacion Natura: Financial management, internal demand for services.

FUNDAGRO: Dedication to a clear mission, management and administration, financial management, fund-raising, internal demand for services.

Obviously some of the weaknesses that existed at the time of selection have been corrected during the course of implementation. Such is the case, for example, for financial management of AID funds.

Finding: Initial planning documents and objectives in the form of Logical Frameworks for two of the three NGOs studied were very sparse. For the three NGOs studied, effective sustainability objectives were not clearly and simply stated in writing.

Recommendation: When NGOs enter into association with USAID they should be assisted in defining objectives (including those bearing on both effectiveness and sustainability), Logical Frameworks, strategies, and operational plans.

Finding: In the case of one of the three NGOs, USAID support was improperly phased. Too much funding was delivered by USAID/Ecuador too soon, against the advice of a consultant firm contracted by USAID to analyze the situation. The result was a troubled period of initial implementation. Giving too many resources can be as damaging as not giving enough.

Recommendations regarding phasing of support for NGOs:

- Financial support for all NGOs, but particularly newly established ones, must be phased to coincide with the NGO's absorptive capacity.
- Effective and substantial programs of use to Ecuador must be viewed alongside the degree to which an NGO is succeeding in obtaining support from sources other than USAID.
- As far as its programming cycle permits, USAID should enter into clearly defined partnerships with NGO's allowing from the outset a period of from five to seven years.

2. Implementation and Management to Achieve sustainability.

Finding: USAID/Ecuador has used the implementation phase of the three projects reasonably well to make up for sustainability oversights in the design phase. Ways in which AID has fomented NGO sustainability of during implementation have been:

- Redesigning two of the three projects to make more explicit the expected sustainability outcomes.
- Nudging NGOs toward developing alternative income sources at appropriate times in their growth. (In one instance the nudge may have been too strong and early.)
- Insisting on compliance with AID accounting requirements, which has given the NGOs more disciplined financial management.
- In particular, NGOs have been moved from commercial "cash in, cash out" accounting toward public sector "budget" accounting.

- By requiring NGO compliance with sound accounting practices, Controller's Office staff have acted as powerful "development agents."

On the negative side of the ledger, USAID/Ecuador has not yet developed a systematic way of dealing with broader sustainability tracking and monitoring including:

- What was meant by sustainability for a given NGO.
- Ways of gathering, organizing and discussing information to measure progress toward sustainability inside USAID and with its grantees.
- Ways of keeping sustainability issues and prospects front and center in reporting, monitoring, mid-term evaluation and other points of contact between USAID and the grantee.
- Means to gauge the overall financial picture of any of the three NGOs.

Recommendation: USAID should incorporate a sustainability monitoring and evaluation component into its existing system, and insure that key information (including financial information wider than just USAID's contribution) is organized and reviewed in periodic sessions with NGO leadership.

The high potential of the Controller's Office to encourage and monitor progress toward financial sustainability should be exploited.

Findings: In Chapter IV are described the variety of income sources each organization already now has or is proposing to develop. The three NGOs studied operated as "sustainability laboratories" in experimenting with a wide range of income generation strategies. Among them are:

Restricted Income: agreements with local government, bilateral and multilateral grants, foundation grants, and contracts.

Unrestricted Income: investment interest, endowment earnings, corporate or individual donations, membership fees, barter agreements, overhead on projects, fees for service, profits from foundation owned businesses, and sales of promotional materials.

Non-budgetary income: community funding, village contributions, and in-kind contributions.

Of particular interest are sources of income available for unrestricted uses including the establishment of indirect cost rates. So far, the sources have yielded relatively little, sometimes at high cost.

Recommendation: NGOs should periodically meet with their Boards of Directors to discuss sustainability status and strategy. At the meetings, NGO controllers should put the full picture of the budget before NGO leadership. When USAID is the major supporter of an NGO, it must be established from the

outset that USAID will periodically review the NGO's overall budget and balance sheet with NGO leadership. The review might occur annually using as its basis an Audited Financial Statement done by a private accounting firm contracted by the NGO. Of particular interest to USAID are results of NGO attempts at generating income through alternative sources. A tool for classifying and analyzing income sources is presented in a discussion of Public Choice Theory in Chapter III.

Recommendation: USAID should clearly communicate the rules governing NGO eligibility for local currency endowments, as well as rules and regulations that apply after such endowments are approved. For example, it must be clearly explained that if an NGO goes out of business, the endowment reverts back to USAID/Ecuador. Rules for NGO eligibility are set out in PL480 and ESF documents.

Recommendation: USAID should continue to encourage NGOs to upgrade their accounting systems toward sophistication beyond that needed to just account well for USAID resources. NGOs should be encouraged to track restricted and unrestricted funds, and direct and indirect costs. Assistance could be offered to the NGOs through USAID's own controller staff, or through contracting of qualified outside firms.

Findings Regarding Internal Stainability Factors:

A rough assessment of internal strengths and weaknesses of the NGOs studied leads to the following tentative judgments about the general strengths of the NGOs:

- 1) Highly qualified staff,
- 2) Aggressive and qualified leadership, and
- 3) Adequate administration and management.

Weaknesses of individual NGOs seem to include:

- 1) Fundacion Nuestros Jovenes' capacity to diversify funding, and
- 2) FUNDAGRO's ability to relate to public, private and community organizations.

Recommendation: Internal weaknesses are generally easier to correct than external problems. NGOs should be formally praised for actions taken to strengthen sustainability prospects and asked about plans to correct their weaknesses.

Findings Regarding External Feasibility Factors:

A rough assessment of the external conditions confronted by the NGOs studied leads to the tentative judgments below.

- 1) A general strength of the NGOs appears to be that their missions are seen as important by outside donors; and
- 2) A general weakness of the NGOs appears to be lack of clear and articulated demand for services.

- 3) If the NGOs follow the "path of least resistance" they will progressively spend more time pleasing international donors, and less time satisfying the clients they were established to satisfy, and addressing the problems they were set up to solve.

Recommendation: External problems are more difficult to correct than internal weaknesses. Merely reminding NGOs periodically of external problems is not sufficient. Such problems need to be the subject of concerted action and may require for their solution: well thought through strategies, high level representations with USAID assistance, and even technical assistance from local or international sources.

In particular:

- 1) Advice and technical assistance in internal demand creation and awareness raising among potential Ecuadorian clients of NGOs may be in order.
- 2) FUNDAGRO might prepare a contingency scenario for operations through purely private sector research, education and extension organizations. Such an exercise may:
 - a) Tell FUNDAGRO whether it is sustainable through government crisis;
 - b) Uncover new private sector collaborators not previously considered.
- 3) NGO's Boards of Directors should periodically make rough assessments of the time and resources spent attending to the needs of donors compared to the time and resources spent on service delivery. The findings should be presented to, and discussed with, NGO staff.

B. Findings and Recommendations Regarding the Sustainability of Public Sector Organizations, Systems and Benefits

The following section presents a summary of findings and recommendations regarding the sustainability of representative USAID/Ecuador public sector projects. The projects that served as raw material for the analysis of public sector projects were: Forestry Sector Development, a series of two Child Survival projects (PREMI, and Child Survival) and a series of two Water and Sanitation for Health (WASH) projects. Each of the efforts is about ten years old, and each of the single or multi-project efforts represents a USAID Ecuador investment of between U.S. \$8 and \$14 Million. Sustainability strategies in the public sector projects take various forms such as:

- Development of a permanent, central coordination and resource allocation capacity within ministries;
- Development of lost local service delivery cost models and replication of those models nationwide;

- Sustainable decentralized management; and
- Self-financing private sector and social marketing approaches.

The rest of this section on the sustainability of public sector projects includes the following sections: Planning for sustainability; Implementation and management to arrive at sustainability; External factors which influence sustainability; and Sustainability assessment.

Each section is divided into summary findings from the public sector projects and recommendations. For more detail on the findings, and more discussion, see Chapter IVB.

1. Planning for Sustainability in Public Sector Projects

Finding: Two of the three public sector projects originally had very weak sustainability strategies in their original Project Papers. The third project had a strategy which, although it is logical, may have doubtful feasibility. Replanning for both the weak plans, concentrated on sustainability.

Recommendation: It is easy to say, "From now on let's have solid, simple sustainability strategies." But without definitions, strategies, indicators, and analysis mechanisms the recommendation does not mean much. The whole of this report is meant to fill the gap.

Finding: None of the projects does a simple, straightforward job of addressing the topic of phase out, where resources and assistance decrease, and responsibility is progressively delivered to Ecuadorians.

Recommendation: Obviously, planning documents and discussions need clear, agreed on and gradual phase out objectives and arrangements. Then the phase-out arrangements must be the subject of monitoring and evaluation, and the basis for decision making throughout the project.

Such planning, monitoring, and decision making would not completely solve the problem however. The real problem is that it is often not in the host country's interest to achieve sustainability (see the "incentives" paragraph below).

Finding: The notion that organizations might need incentives to become sustainable, and stop receiving essential resources and technical assistance, appears in none of the planning documents.

Recommendation: If sustainability is to be achieved, all projects, and public sector projects in particular, must be designed to include incentives for sustainability. The following questions must be answered: 1) why would the implementing agency want to discontinue support from USAID?; 2) Why would the technical assistance team want to work itself out of a job? and 3) Why would the USAID Mission want to end support of the organization?

The incentives for sustainability problem is too difficult and important for simple answers, and must be addressed on a project by project, organization by organization basis. Sometimes there will not be satisfactory answers, in which case the viability of the project itself must be questioned.

In special cases, incentives to achieve sustainability might be the promise of a new project in a new area, or directed at new objectives. In other instances, help in finding a new donor might be an incentive.

Finding: Financial sustainability analysis of future recurrent costs without AID assistance is either perfunctory, or focused at the local level.

USAID/Ecuador budgets for public sector projects should cover in some detail the important matter of recurrent costs. These should be forecast as the project is first designed and recalculated periodically as the activity proceeds. The periodic calculations should be done collaboratively between USAID and Government Counterparts and should attempt to identify with increasing sophistication all costs, major as well as minor, that the government will have to sustain after donor financing ceases. The obvious salaries, auto or computer replacement and maintenance - must be combined with the less obvious -- travel charges, telephone expenses, costs of retaining staff, costs of publications etc. - to arrive at the sum that will have to be paid by the government after donor funding ceases. This figure should be discussed with the government regularly before donor funding ceases to be certain that the government is unequivocally aware of what sums need to be budgeted as external donor support is withdrawn.

Finding: In one of the two instances where the MSI team had access to a Chief of Party job description and qualifications there was no mention of experience with the installation of management and financial systems which are central to the sustainability approach set forth in the Project Paper.

Recommendation: MSI believes, on the basis of much world-wide evaluation experience, that the criteria by which public sector project Chiefs of Party are selected should be shifted toward design, installation, and training in management systems. If you were to select one change in AID projects to better achieve sustainability, you could do much worse.

2. Implementation for Sustainability in Public Sector Projects

Finding: Mid-way through one of the three projects, and in a new Project Paper for both the others, sustainability became the object of discussion and re-design.

Recommendation (observation really): Better late than never, but late may be too late.

Finding: For at least one of the projects, qualified Ecuadorian counterparts were not provided;

Recommendation: On the one hand counterparts seem essential to technology transfer and sustainability. On the other hand, qualified counterparts are often not provided. The standard AID attempt at solving the problem is to include provision of counterparts as a covenant or condition precedent which means the Ministry will be punished for not providing counterparts. If ministries do not see the value in providing high quality counterparts and are forced to provide them, then how well qualified and how enthusiastic will the counterparts be? Also becoming a counterpart to USAID technical assistance is not necessarily a good career move. With regard to counterparts, we can think of no recommendation that is not a platitude.

Finding: For the one project where there was information on the topic, delivery of responsibility to Ecuadorians was resisted by them, apparently for incentive, confidence, and legal reasons. For one thing, taking on responsibility for funding and managing sub-projects means more work in exchange for nothing.

Recommendation: If a central coordinating mechanism is necessary to sustainability of project benefits, then:

- 1) resources must be devoted to the development of a system for generating and managing sub-projects, as well as training in the system;
- 2) some way must be found to make taking on responsibility worth the government employees' while; and
- 3) USAID must find a happy medium between avoiding waste of resources by the system, and allowing Ecuadorians to make their own decisions and learn from their own mistakes.

3. External Factors Affecting Sustainability in Public Sector Projects

Finding: For the two health projects need (according to Project Papers and Sector Assessments) is high although demand in economic terms may not be. All the public sector projects suffer from:

- 1) the inability or unwillingness of beneficiaries to pay for services; and
- 2) government inability to pay government employees well and cover other costs.

Recommendation: For the public sector we suggest a corollary of the basic definition of sustainability so that a monitoring and evaluation system plays the role that market mechanisms play in the private sector. (See an earlier section of this chapter.)

Finding: All the public sector projects suffer from an unfriendly bureaucratic environment consisting of: low morale, high turnover, low commitment to projects, non-acceptance of decentralized management, and frequent changes in leadership and policy.

Recommendation: To maintain management systems in the face of rapid turnover of personnel: a) systems must be simple, and b) there must be frequent training of new personnel.

4. Sustainability Assessments for Public Sector Projects

Finding: For the two projects which intended strengthening of central coordination mechanisms, there is pessimism about the sustainability of the mechanisms;

Finding: For all three projects, evaluations report some sustainable service delivery at the local level;

Finding: For all three projects, evaluations report some sustainable practices and benefits among project clients.

Finding: Concrete field projects originated through strengthening of central mechanisms end up being very expensive.

Recommendation: Under current economic and government budget conditions, undertake public sector projects only where effectiveness is absolutely necessary. Undertake public sector projects which require strengthening of central coordination mechanisms, with extreme caution, if at all.

Overview Comparison of NGOs and Public Sector

We have seen that while for the NGO projects, prospects for sustainability and benefits are good; for the public sector projects prospects for sustainability are not good. Major reasons for the difference are:

- 1) NGOs have continuity of leadership and personnel while the public sector does not;
- 2) NGOs can pay attractive salaries while the public sector can not;
- 3) NGOs can adopt innovative money making approaches such as fee for service, endowments, dues, barter, and separate money making businesses, etc.;
- 4) NGOs have taken on achievement of sustainability as a challenge.

In addition, AID has in recent years taken a special approach to working with the NGOs. In some ways, USAID/Ecuador seems to have treated the young NGOs the way that venture capitalists treat new businesses. The MSI team gets the impression that, in the case of the NGOs, USAID/Ecuador made decisions more on basis of "intangibles" than on the basis of fulfillment of formal requirements. NGOs seemed to have been selected for support above all on the basis of:

- 1) Coincidence of an NGO's mission with an important USAID objective; and
- 2) Proven NGO commitment to that objective.

First, USAID/Ecuador came across a promising organization with a mission congruent with an AID objective. Then there seemed to be a period of "flirting", perhaps accompanied by some financial support by USAID. Then USAID/Ecuador and the NGO found a medium sized project both wanted to do, and USAID/Ecuador gave the new NGO resources to work with. The first "investment" in an NGO was perceived as a risk, and an "act of faith." During the project, the NGOs seem to have been "given their heads", which does not mean that USAID/Ecuador do not look over the NGOs' shoulders with concern, and make pointed comments at times. Rather than tell the NGOs how to do things, USAID/Ecuador seemed to operate by setting objectives for the NGOs.

III. TOOLS FOR ACHIEVING SUSTAINABLE ORGANIZATIONS AND BENEFITS

In this chapter tools are presented for achieving sustainable organizations and benefits. The tools are different from the recommendations in Chapter III in the following ways:

- 1) They are wider reaching; they correct strategies rather than details;
- 2) They are more difficult to use; productive use will require some expertise and innovation.
- 3) Whereas recommendations are derived from specific case study "findings"; the tools come from many sources, including theory and MSI experience in other countries.

The "sustainability tools" presented in this chapter are of two types. Some are derived from the IDMC definition of sustainability presented and discussed in Chapter I, and some come from a variety of other sources. The "sustainability tools" presented in this chapter are the following:

- A. Public vs. private sector sustainability;
- B. A public sector definition of sustainability;
- C. Monitoring, evaluation, and market mechanisms;
- D. Sustainability for governments;
- E. Public Choice Theory;
- F. Sustainability vs. effectiveness ;
- G. Incentives for Sustainability;
- H. Phasing for Sustainability; and
- I. Endowments, debt swaps and sustainability.

The top four tools are elaborations on the IDMC/MSI definition of sustainability which reads:

A system is sustainable when it produces outputs in the face of time and change that are sufficiently valued so that enough inputs are earned to continue production.

A definition alone does not solve a manager's problems. During the cross sectoral evaluation of sustainability for USAID/Ecuador the MSI Team attempted to turn the IDMC definition of sustainability into a set of planning, management and evaluation tools. Table I-3 shows how the elements of the IDMC/MSI definition of sustainability can be converted into an information collection instrument for assessing the sustainability of organizations, systems and benefits. In the following chapters, further applications of the definition of sustainability are presented.

A. Public Sector vs. Private Sector Sustainability

A question left open by our definition of sustainability is how valued system outputs get translated into system inputs. In the private sector the connection from valued system (goods and services) to system inputs (money and resources) is handled by fees for products and service, and market mechanisms (Adam Smith's "invisible hand").

However, in the public sector (and for many NGOs) fees are often not charged for products and services, and therefore the link from valued system outputs to system inputs is made up of one or more mediaries. In the public sector, the mediary chain between system outputs and inputs may include: allocations by service delivery organizations, Ministerial budgets, and debates in parliament or Congress.

Clearly, in the public sector, the translation of valued system outputs to system inputs can be inaccurate. In the public sector the two following perverse results are possible.

Organizations which produce outputs valued by their intended clients can, through lack of political support, die due to insufficient inputs.

Organizations which do not produce outputs valued by their intended clients can, through political support, survive and thrive.

Throughout this chapter, much discussion and some recommendations are directed at making the translation of valued system outputs into system inputs accurate, either through market mechanisms or monitoring, evaluation, and communications systems.

B. A Public Sector Definition of Sustainability

The basic IDMC/MSI definition of sustainability is meant to apply to both public and private sector system. Clearly, however, it applies most directly and clearly to private sector systems where fee for service, market mechanisms, and supply and demand operate straightforwardly.

For a definition of sustainability to be of wide use to AID, it must apply easily to situations where there is need in human terms, but not demand in classic economic terms. The definition must not confine us if it confines us to situations where beneficiaries can pay enough to cover costs.

Services offered by public sector organizations and projects are often needed but not demanded in economic terms because: 1) most project beneficiaries are poor; 2) public sector services are traditionally thought of as being free; and 3) beneficiaries are not aware they need services (as is frequently the case for Forestry and Natural Resources).

However, if our definition of sustainability can not also cover public sector instances where there is need in human terms, but not demand in economic terms, then it has failed. The definition is of little use if it confines us

to situations where beneficiaries can pay. An emphasis on sustainability must not confine us rigidly to projects where private sector market mechanisms can operate.

C. Monitoring, Evaluation, and Market Mechanisms

For the public sector we suggest a corollary of the basic definition of sustainability so that a monitoring and evaluation system plays the role that market mechanisms play in the private sector. Specifically we suggest that public sector systems be considered sustainable if:

- 1) A monitoring and evaluation mechanism proves the value that system outputs have for project beneficiaries;
- 2) A communications program convinces those who control resources to fund the system,

so that
- 3) resources are a) reliable, b) based on performance, and c) allocated to increasingly ambitious objectives.

According to our corollary definition of sustainability for the public sector, designing and managing the M&E and the communications system necessary to make the link between valued system inputs and system outputs is part of program or organization management.

For the communications system to be effective, the chain between the clients who value the service and those who make decisions must be traced. In a democracy the chain passes through public opinion, to the congress or parliament, and also through Ministries. In other systems of government the chain is different, and for every country perhaps there are unique linkages. Management must determine what the linkages are and design and present M & E information accordingly.

D. Sustainability when Governments Are Broke?

Obviously the public sector corollary to our basic definition of sustainability is little solace if there are no resources to be allocated to systems which prove themselves. Government of Ecuador resources, for example, are prisoner to: 1) Ecuador's overall economy; 2) oil prices; and 3) the political difficulty of streamlining government so there is money to pay employees better; and pay operating and capital costs of projects.

The question arises then whether we should allow our definition of sustainability to include obtaining resources from other international donors. Perhaps the answer should be "yes" if (1) the host country government is truly unable to provide recurrent costs; and (2) the resource allocated by other donors is based on monitoring and evaluation data which proves the system's value to beneficiaries.

If, however, the resources a client organization gets from a new donor are for institutional strengthening, this means, not sustainability, but that the organization and AID's assistance have failed.

E. Public Choice Theory

As projects and organizations strive for sustainability, they must rummage through their portfolio of actual and possible services and products looking for possible money makers. A body of theory and research called "Public Choice Theory" may represent a tool for distinguishing between money makers and non-money makers, and for determining the appropriate charging mode (fees, dues, taxes, subsidy, etc.) and management mechanisms.

Public Choice Theory holds that whether making money for a good or service is feasible, and which charging mode is appropriate, depends on the type of goods and services being offered. Further, Public Choice Theory holds that goods and theories can be classified usefully according to two variables:

1. **Excludability:** Is it possible to exclude some people from consumption while including others? For example if I buy an apple I can exclude you from eating it.
2. **Separability (or zero sumness):** Does my consuming a good mean there is less of it for you to consume? For example if I breathe air does that mean there is less air for you?

Excludability and separability (or zero sumness) can vary independently, that is all four cells in the table below are possible, and each cell has specific implications for: 1) whether money can be charged, and 2) the appropriate form for charging money (fees, dues, tolls, taxes, etc.)

	<u>Excludable</u>	<u>Non-Excludable</u>
Separable	Pure Private Apple	Open Access National Park
Fee	Toll	
Non-Separable	Common Recreation Center Air Dues	Pure Public Tax

Pure private goods are both excludable and separable (zero sum) and require simple private sector market mechanisms to realize profit. Pure public goods are both non-excludable and inseparable, and only governments with the power to tax can everyone can make money to keep the air clean. Excludability determines whether you can charge users or not. Separability determines whether there is any reason to charge users.

Problems with the simple two by two Public Choice matrix arise because:
1) There are degrees of excludability and separability and few examples of totally pure private, public, common, and open access goods and services; and
2) There are hybrids called Common and Open Access goods or property.

Pure private is no problem because charging users is easy, and pure public is easy because there is no real reason to charge anyone. The hybrids are problematic, however, because there are free riders, people who use more than others and perhaps damage the property, but pay the same amount.

Table III-1 is an attempt at classifying typical goods and services offered by AID supported organizations. It is not clear whether Public Choice theory:
1) merely confirms common sense regarding whether and how one can make money off goods and services, or 2) contradicts common sense and opens up new money making opportunities that would not have been thought of before.

Modes of charging are tariffs, tolls, dues, and taxes. MSI's interpretation of the differences among the modes of charging are as follows. Tariffs are determined by the amount consumed, dues by time with rights to consumption, tolls by the frequency of consumption, and taxes are not related to consumption at all.

For technical assistance in applying Public Choice Theory and designing modes of self-financing, there exists an AID/Washington "buy in" contract called the Decentralized Financial Management Contract (DFMC). The DFMC is administered by Dr. James Thomson of Associates in Rural Development, a firm with offices in Washington, DC, and Burlington, Vermont. To a large extent, the DFMC makes use of the work of the University of Indiana Department of Public Administration, who are pioneers in Public Choice Theory, and other public finance approaches.

F. Effectiveness vs. Sustainability

Written questions submitted to the MSI team by USAID/Ecuador staff included the following:

To what extent can a balance be struck between a project's short-term performance and the goal of long term sustainability?

In many, if not most AID projects, there is an apparent or real conflict between achieving effectiveness and building a country's capacity to achieve effectiveness without outside help in the future. Project technical assistance is often presented with the quandary of deciding between going out and getting things done on the one hand, and teaching and letting local people make mistakes as they climb the learning curve on the other. The former is often more satisfying to technical assistance staff, especially when confronted by lack of counterparts or frequent counterpart turnover, etc.

The decision between effectiveness and sustainability also presents a quandary to the evaluator because effectiveness is relatively easy to measure, while sustainability seems relatively hard to measure, especially in the absence of a clear definition.

TABLE III-1

**USE OF "PUBLIC CHOICE THEORY" TO CLASSIFY PRODUCTS
AND SERVICES PROVIDED BY AID-SUPPORTED ORGANIZATIONS**

	EXCLUDABLE	NON-EXCLUDABLE
	PRIVATE (Fee for Service)	PUBLIC ACCESS (Tolls)
	Agricultural products	National Parks
	Small enterprise products, services	Rural Water
SEPARABLE ZERO-SUM	Family Planning devices	
	Anti-drug publications	
	Training services	
	Technical assistance	
	COMMON PROPERTY (Dues)	PUBLIC GOODS (Taxes, Pro Bono)
NON-SEPARABLE NON-ZERO SUM	Family Planning information	Legislation
	Health, nutrition information	National Strategies
	Anti-drug videos	
	Natural resource education	

In practice it seems that sustainability and effectiveness are often in conflict. That is if we strive for more of one we must sacrifice some of the other. Theoretically, however, they needn't always be in conflict. In fact sometimes, striving for sustainability would seem to bolster effectiveness, even over the medium and short term. Some basic principles would seem to be as follows, and the trick may be to balance them so that effectiveness and sustainability support each other rather than conflict.

The Effect of Charging for Services Effectiveness

- 1a. On the one hand, charging for services to achieve sustainability cuts demand for the services and therefore effectiveness.
- 1b. On the other hand making money through service sales increases the vigor of the sales force if they stand to profit, and increases effectiveness. USAID/Ecuador gave examples from the Family Planning field where attaching prices to products indeed increased coverage, and therefore effectiveness, the MSI Team gave examples of the same phenomenon for fertilizer sales in Bangladesh.
- 1c. Charging for products and services may increase effectiveness by increasing the care and correctness with which they are used by beneficiaries. When a product, fertilizer say, is distributed free of charge, then beneficiaries may waste it. But they are less likely to use the fertilizer and waste it if it represents a substantial cost to them.

Perhaps the trick is to make "1b" offset "1a". Clearly, whatever the effect of price increase on sales, the effectiveness will be skewed toward benefits to rich people who can pay to the detriment of poor people who can not.

In Ecuador, examples were found where the above equilibrium may be operating: in family planning projects charging for services; Fundacion Nuestros Jovenes, which charges for drug education publications; in the FUNDAGRO project where yucca and coffee growers' association charge for technical assistance.

The Effectiveness of Training and Advising Instead of "Doing"

- 2a. On the one hand, it would seem that for high technology services, where people become proficient slowly, the effectiveness loss during training might take a very long time to make up.

- 2b. On the other hand, it would seem that for low technology services, where people become proficient quickly, the effectiveness loss during training is quickly made up by the increase in number of service providers.

If we believe the above, then the way to configure a project so that effectiveness and sustainability reinforce each other is to arrange things so that: any price increases do little damage to demand, especially among the poor; and the vigor of sales efforts off-sets the damage to demand done as a result of price increases. The idea is to try to create a Laffer type paradox where price increases actually increases sales (effectiveness).

3. Technologies are simple, so that the multiplier effect of training people quickly makes up for effectiveness lost by not being able to "get it done" while training people.
4. Do not waste time (and therefore effectiveness) trying to transfer high technology skills. Perhaps the organization or system is better off buying high technology skills from foreigners, even over the long term.

G. Incentives for Sustainability

1. Why would an AID-supported organization want to achieve sustainability when it means reduction or disappearance of "free" resources and technical assistance?
2. Why would an expatriate technical assistance professional want an organization he or she is helping to achieve sustainability when it means he or she is no longer needed and out of a job?
3. Why would a technical assistance professional sit back and watch his counterparts learn and make mistakes, when it is easier and more professionally satisfying to go "do it yourself"?
4. Why would a USAID professional want an implementor organization to achieve sustainability when it means he or she must go through the agony of developing a new project to invest in?

H. Phasing for Sustainability

Sustainability for public sector organizations is difficult to achieve, largely because incentives for sustainability are weak. Therefore, to achieve sustainability there must be distinct phasing which develops capacity and then forces sustainability "like it or not." For succeeding phases, external technical assistance and resources pull out while local expertise and resources take over.

Table III-2 presents a possible model for designing phases. Table III-2 is presented in the form of two successive Logical Frameworks. The first phase is dedicated simultaneously to: short term effectiveness, establishing momentum, and training local expertise. The second phase is dedicated to long-term effectiveness, sustainability, and turning responsibility over to local expertise and resources.

I. Endowments, Debt Swaps and Sustainability

Wherever feasible, an important tool to assure some degree of organizational and programmatic sustainability is to set up an endowment. Such funds, invested wisely and providing interest income (or capital at critical times) represents an investment in the future. The endowment mechanism is a relatively new device being used by donors in developing countries. Local currency derived by USAID can under some circumstances be made available to create such endowments as can the new debt-for-development mechanism. The advantages to making such arrangements are clear. The funds are a means for a local organization to derive local currency for immediate project expenditures, or more importantly, to create an investment portfolio or endowment to provide interest income on funds for major capital expenditures. Most importantly, carefully squired, an endowment can assure an organization has funds to operate effectively during any transition, for example, when one of its major donors withdraws, or to sustain itself in the longer-term whatever donor support it does or does not have. An endowment can provide an organization a crucial measure of assured permanence with all that means in terms of practical and psychological sustainability. It should be quality added, however, that a substantial endowment is no guarantee of an organizations independence. Endowment funds in the volatile economic conditions of many countries may lose value relatively quickly especially if an agency is found to use portions of its principle for capital expenditures. In short, endowment is only effective if it is part of an organization's overall fund-raising strategy which includes a diverse set of income sources.

TABLE III-2
LOGICAL FRAMEWORK PHASING TO ACHIEVE SUSTAINABILITY

PHASE ONE	PHASE TWO
<p>GOAL</p> <p>Short-term Socio-Economic Benefit</p>	<p>GOAL</p> <p>Long-term Socio-Economic Benefit</p>
<p>PURPOSE</p> <p>Effective organization</p>	<p>PURPOSE</p> <p>Sustainable organization</p>
<p>OUTPUTS</p> <p>a. Momentum, strategy, operations b. Qualified counterparts</p>	<p>OUTPUTS</p> <p>a. Continued momentum b. Increasing TA/local ratio</p>
<p>INPUTS</p> <p>a. TA "does it" b. Long Term training</p>	<p>INPUTS</p> <p>a. Deliver responsibility b. Phase-out of TA, resources</p>

IV. COMPARISONS AND CONTRASTS AMONG NON-GOVERNMENTAL ORGANIZATIONS AND PROJECTS

A. Background

The non-governmental sector in Ecuador has grown rapidly in recent years. As it has, USAID has become increasingly involved, particularly with a number of Ecuador's proliferating private non-profit foundations and institutes (some of which also have private non-profit charters, others of which are semi-autonomous State organizations). Such institutions offer many advantages, perhaps the main one of which is that they have the ability to operate independently from Ecuador's troubled, overstuffed and underpaid mainline government ministries. The Mission has supported a wide variety of such institutions in an effort to enter into, as the CDSS puts it, "...a constructive working partnership with the GOE, elected local officials, the private sector and the PVO community based on a shared commitment to address the priority development constraints identified."

MSI studied with intensity three of the over a dozen foundations and institutes USAID currently supports. The three USAID projects and the foundations involved:

- Agriculture Research, Extension and Education, \$7,000,000, over the years 1988-1993 and implemented by the Foundation for Agriculture Development (FUNDAGRO).
- Drug Information and Public Awareness, \$2,775,000, 1987-1992, implemented by the Fundacion Nuestros Jovenes (Our Youth Foundation).
- Education For Nature II, \$1,100,000, 1988-1983, implemented by Fundacion Natura (Nature Foundation).

The rest of this section discusses sustainability in the context of the process of selecting NGOs for support; the planning and design of projects; and the key internal and external factors influencing the likelihood of an organization being able to establish itself as a solid continuing contributor to development and change. Each subject is divided in two parts: findings, and discussion and recommendations.

1. Sustainability Planning for NGOs

Findings from Table:

Table 1 presents potential criteria for selecting NGOs to implement USAID projects, and roughly classifies the three NGOs studied on the basis of whether the criteria were satisfied or not.

Among the logical criteria for selecting NGOs for AID support, the following were satisfied by all three NGOs studied: 1) Strong charismatic leader; 2) Sector of high AID priority.

TABLE I
NGO SELECTION
FOUNDATION

	Fundacion Nuestros Jovenes	Fundacion Natura	FUNDAGRO	NUMBER "YES"
Existent prior to USAID support	Yes (5 years)	Yes (5 years)	No	2
Proven Track Record In Dedication to Clear Mission	Yes	Yes	No	2
Managmt. & Admin.	No	Yes	No	1
Financial Mgmt.	No	No	No	0
Fund Raising	No	Yes	No	1
Clear Demand for Services	No	No	No	0
Strong Charismatic Leaders	Yes	Yes	Yes	3
Strong Voluntary Component	Yes	Yes	Yes	2
Approached AID	Yes	Yes	No	2
Sector of High AID Priority	Yes	Yes	Yes	3
NUMBER "YES"	5	8	2	

The following were satisfied by two of the three NGOs studied:
1) Existent prior to USAID support; 2) Dedication to clear mission;
3) Approached AID.

The following were satisfied by one of the three NGOs studied;
1) Proven management and administration track record. The following
were satisfied by none of the three NGOs studied: 1) Proven financial
management; 2) Clear demand for services.

Fundacion Natura satisfied eight of the ten prospective selection
criteria; Fundacion Nuestros Jovenes satisfied six; and FUNDAGRO
satisfied only two. If the selection criteria are valid, then: 1) the
NGOs will have sustainability success in that order; and 2) problems
will be related to the criterion the individual NGO did not satisfy.

Discussion and Recommendations

Donors can, in the first instance, make judgments about potential
sustainability at the time of project selection. At that point problems of
sustainability can be minimized by being alert to high risk situations.
Decisions at the pre-project stage can be key determinants of sustainability.

As shown in a beginning way in the table, the three foundations under study
had certain characteristics at the time they were being considered for
support by USAID. Behind the yes-no answers are other subtleties that have
to be considered.

- For example it is true that two of the three foundations
existed prior to receiving USAID support. However,
FUNDAGRO, more than the other two, was a USG invention
seen as a key solution to pressing research, extension
and education coordination challenges in which USAID had
a deep seated strategic interest.
- All three proposed activities were in sectors of USAID
priority. Perhaps of highest strategic priority was
FUNDAGRO in the agriculture sector. The EDUNAT project
of Fundacion Natura was a natural corollary to earlier
and continuing USAID involvement in forestry sector.
Support of narcotics awareness was the exigency of
overall USG interests in that issue.

Whatever USAID's separate rationales for support, the table gives some
indication that all three foundations were of relatively high risk as related
to sustainability in the long term judging from their pre-project
circumstances.

This analysis does not suggest that in any of the three cases USAID was in
error in its initiative in providing support. Indicated earlier was the fact
that the Foundation, and indeed the whole NGO sector, is a growth industry in
Ecuador in recent years. While a selection from a large number of agencies
with proven track records and experience may not have been possible a few

years ago, today, as USAID considers new grants, it is much more a possibility.

The MSI team believes that the criteria included in the table 1 list make sense as diagnostic and prescriptive criteria. It remains to be seen which serve as selection criteria. Selection criteria should be those that predict ultimate sustainability. If we assume that all three NGOs studied will sustain themselves, then: 1) Charismatic leader, 2) Sector of high AID priority, 3) Existent prior to USAID support; 4) Dedication to clear mission; and 5) Approached AID would seem to be good selection criteria because they apply to at least two of the three NGOs. Such predictive criteria would, however, have to be reviewed regularly to gauge their actual effectiveness, and changed accordingly.

Recommendation: USAID/Ecuador should develop criteria which it can apply as it first considers an NGO for support. Such criteria should serve to 1) diagnose a given NGO's strengths and weaknesses; 2) alert USAID to high risk situations; and 3) insure that the process of project design consider thoroughly all major factors of sustainability, including technical assistance and other actions needed to increase the chances for eventual self reliance. Selection criteria should be winnowed and changed as they are found to predict or fail to predict sustainability.

Recommendation: Based on the status at the time of association with USAID, pay special attention to the following areas for each of the NGOs:

Fundacion Nuestros Jovenes: Management, administration, financial management, fund raising, and internal demand for services.

Fundacion Natura: Financial management, internal demand for services.

FUNDAGRO: Dedication to a clear mission, management and administration, financial management, fund-raising, internal demand for services.

Obviously some of the weaknesses that existed at the time of selection have been corrected during the course of implementation. Such is the case, for example, for financial management for basic accountability for AID funds.

2. Planning Documents for NGO Projects

Finding: Initial planning documents and objectives in the form of Logical Frameworks for two of the three NGOs studied were very sparse. For the three NGOs studied, objectives in neither the effectiveness nor sustainability areas appear were clearly and simply stated in writing.

Discussion and Recommendations

A key opportunity to consider sustainability is when AID and an NGO first begin to discuss the possibility of a project's design. At this early point in the project cycle, the design framework, its logical hypotheses and assumptions including those bearing on sustainability can be made explicit. Initial financial analyses can project capital, recurrent, maintenance and project operations (service delivery) costs. Against these costs, other analyses can begin to address potential sources of income to be developed over time. Finally, organizational development actions should be covered in some detail in design documents.

Having read key documents and interviewed a range of staff and NGO leaders, MSI applied a simple diagnostic instrument to gauge as either high, medium, or low the sensitivity to sustainability issues shown by USAID and its grantee in the planning phase. FUNDAGRO scored quit high, Nuestros Jovenes and Natura considerably lower.

MSI went on to look at project documents, cooperative agreements or operational program grants to see how the idea of sustainability was turned into specific actions. References to sustainability were found spread throughout documents and expressed in a variety of ways. Taking FUNDAGRO as an example--the best example--the project paper includes throughout, and in considerable detail, discussion of institutional development and sustainability, the political viability of the organization and a series of concrete references and annexes concerning financial sustainability with specific projections. Whether these hold up --and remembering that FUNDAGRO in its way is more "of" USAID than the other two Foundations--the pattern of analysis in the FUNDAGRO project papers represents an instrument for use in future Foundation grants.

In the cases of the other two foundations, ideas (not to mention calculations concerning sustainability) were initially left much more vague. The sustainability of Fundacion Natura seemed in early documents almost a leap of faith, something like the action of venture capitalists taking a big chance on intuition. In the case of Nuestros Jovenes there arose the question of whether the Foundation had sufficient capacity, including absorptive capacity, to handle such a large amount of the AID resources.

Recommendation: When NGOs enter into association with USAID they should be assisted in constructing objectives (including those bearing on both effectiveness and sustainability), Logical Frameworks, strategies, and plans.

3. Phasing of Support for NGO Projects

Finding: In the case of one of the three NGOs, too much funding was delivered by USAID/Ecuador too soon, against the advice of a consultant firm contracted by USAID to analyze the situation. The result was a particularly troubled period of initial implementation. Giving too many resources can be as damaging as not giving enough.

Discussion and Recommendations

The Nuestros Jovenes grant was clearly a case of too much, too quickly, over too short of time to a well intentioned group with an important mission. USAID was forewarned of this possibility. The reason we mention this here is that it is important in the early life of an organization, that it be strengthened and grow and build its reputation over time. This early process, of course, may have much to do with a given NGO's later prospects to command attention and resources in a context wider than AID. Nuestros Jovenes has emerged intact from a very troubled period of organizational development which probably could have been avoided. It now enjoys a second phase cooperative agreement with many clear sustainability concepts explicitly included.

Reaching a degree of self sufficiency takes time and a consistent partnership between and among donors and a given NGO. The leadership of all three NGO's studied readily acknowledged that USAID support has been vital to their organizations being established on a solid basis and being taken seriously in their respective fields. Two of the three stated that to become firmly established and to plan to and begin to diversify funding sources for at least a modicum of self-sufficiency would take, at a minimum, five to seven years. USAID has now given all three organizations a period of five years. In two cases, however, this was not the period projected from the onset.

It should also be remembered that while an agency enjoys substantial USAID support, that support may act as a disincentive to other donors, especially other governments and international foundations. Thus, in regards to raising other funds from such sources, it may be difficult to obtain results until the last years of USAID support. This disincentive can be overcome by NGO leadership being able to argue convincingly that USAID is only financing core activities, which need to be supplemented by funds from others for key project areas, or that USAID funds are available on a clearly descending annual scale, to cite two possible examples. These, and other techniques of providing incentives for early investment by other donors, should be considered in a project's design phase. This was not done in the case of Nuestros Jovenes grant and seemed implied in the Natura grant, in which USAID's EDUNAT II covered a specific component. However, no analysis of how that might affect ultimate sustainability was written.

Recommendation: Expectations concerning NGO's establishing enhanced programs and diversified financial support must be properly phased and be allowed time to materialize. Effective and substantial programs of use to Ecuador must be viewed alongside the issue of the degree to which an NGO is succeeding in obtaining support from sources other than USAID. As far as its programming cycle permits, USAID should enter into clearly defined partnerships with NGO's allowing from the outset a period of from five to seven years.

Recommendation: Wherever possible USAID support should be tied to a strategy for obtaining other donor support over time.

4. Implementation and Management to Achieve sustainability.

Finding: USAID/Ecuador has used the implementation phase of the three projects reasonably well in the general sense to make up for sustainability oversights in the design phase, and has fomented sustainability in the following ways:

- 1) Encouraging NGO maturity by nudging them toward developing alternative income sources at appropriate times in their growth. (In one instance the nudge may have been too strong and early.)
- 2) Insisting on compliance with AID rules and regulations, particularly accounting requirements, has enhanced NGOs abilities to persuade other donors that accountability can be assured.

In particular, NGOs have been moved from commercial "cash in, cash out" accounting toward public sector "budget" accounting. By requiring NGO compliance with sound accounting practices, and tracking compliance with rules and regulations, USAID project managers and the staff of the Controller's Office have acted as a powerful "development agents."

- 3) Redesigning two of the three projects to make explicit the expected sustainability outcomes.

At the same time, on the negative side of the ledger, USAID/Ecuador has not yet developed a systematic way of dealing with broader sustainability tracking and monitoring:

- 1) What was meant by sustainability in any given case was not always clear.
- 2) Sensitive and informed ways of gathering, organizing and discussing information to measure progress toward sustainability inside USAID and with its grantees were not developed.
- 3) Sustainability issues and prospects were not kept front and center in concrete ways in reporting, monitoring, mid-term evaluations and other points of contact between USAID and the grantee.
- 4) USAID had yet to develop concrete means to gauge the overall financial picture of any of the three agencies.

Discussion and Recommendations

MSI's analysis made clear that to whatever degree the original design and planning period for the three grants did not adequately identify and analyze sustainability issues, during implementation USAID has begun to set up processes to do so.

In general, USAID and its grantees have shown high sensitivity to sustainability issues as implementation has proceeded. Only the Fundacion Nuestros Jovenes was unable to seriously consider the issue in the initial phase of the grant. The present Executive Director of the Foundation characterized the attention her predecessor, herself and others were able to give to the long term survival of the agency as minimal during the first two years of AID support. "USAID staff and consultants mentioned self reliance, of course, but we were too busy responding to short-term crises to think about the long-term."

We said above that "in general USAID and its grantees" showed high sensitivity to sustainability because we found frequent references to such matters scattered throughout documents, memorandum and reports. In a more specific sense USAID and its grantees, for any number of reasons, appeared to perform inconsistently. What was meant by sustainability in the context of a given organization was not always clear. Nor, as pointed out in the preceding section, was the timeframe for attaining sustainability. Amid changing USAID personnel, the continuity and clarity of USAID's commitment was sometimes in doubt. Informed sensitive ways of organizing and discussing information, both inside USAID and with its grantees, were not fully developed.

Thus, whatever was understood to be meant by sustainability in any given case, MSI found that USAID had only general information and impressions about each foundation's overall program successes and weaknesses. In many cases USAID management seemed to tend mainly toward small but important administrative matters, for example, the quality of the NGOs financial management systems and internal controls, the degree to which the NGO adhered to the grants general provisions and other such matters. This management focus had its effect: all three NGOs had improved their financial management tremendously, and all had become more disciplined in terms of adherence to rules and regulations. Such things can be of considerable importance to future sustainability as these same NGOs handle resources from a range of other donors.

Finally, despite the good work done, USAID had yet to develop a means to gauge in the overall financial picture of any of the three agencies. Without such knowledge USAID remains uncertain about whether each grantee actually provides counterpart funds called for in the grant agreements--an early indicator of an agency's capability to work toward financial viability--much less the degree to which an agency is meeting its broader sustainability objectives set for itself and/or agreed upon with USAID.

Recommendation: USAID should work on developing a particular sustainability monitoring and evaluation component of its existing system, and insure that key information (including financial information wider than just USAID's contribution) is organized and regularly reviewed, and used in periodic review sessions with NGO leadership.

Recommendation: The high potential of the Controller's Office to encourage and monitor progress toward financial sustainability should be exploited.

5. NGO Income Sources

Findings: Table II shows the variety of income sources each organization already now has or is proposing to develop. The three NGOs studied operated as "sustainability laboratories" in experimenting with a wide range of income generation strategies. Among them are:

Restricted Income: agreements with local government, bilateral and multilateral grants, foundation grants, and contracts.

Unrestricted Income: investment interest, endowment earnings, corporate or individual donations, membership fees, barter agreements, overhead on projects, fees for service, profits from foundation owned businesses, and sales of promotional materials.

Non-budgetary income: community funding, village contributions, and in-kind contributions.

Of particular interest are sources of income available for unrestricted uses including the establishment of indirect cost rates. So far, the sources have yielded relatively little, sometimes at high cost.

Discussion and Recommendations

The main significant income sources for all three agencies remains either AID itself along with other international donors and a few international foundations. Most of the income sources listed as yielding the crucial unrestricted income are as yet relatively undeveloped and are bringing in only minor sums. Endowment income could be the exception at a later time. At present, the two foundations fortunate enough to have endowments do not use interest earned on these funds as unrestricted income; Natura's Board has tied income to conservation projects, and FUNDAGRO has a policy of reinvesting interest in the endowment for the balance of the period USAID funds remain available.

The Natura endowment was derived from two Debt for Nature swaps, of \$1,000,000 in 1987 and \$9,000,000 in 1989; Local currency from both is available for programs. Natura's privately sponsored swap arrangement, and the one other USAID-CARE "Debt for Development" swap may well presage another means of deriving local currency for immediate project expenditures or the creation of an investment portfolio or endowment to provide interest income, or funds, for future major capital expenditures. It is too soon to gauge the impact such swaps will have on the financial independence of NGO's. It is clear that Ecuador has particularly targeted not-for-profits as its only eligible investors, and that at the present time participating NGOs can leverage their support for programs in Ecuador about five times through use of this mechanism.

TABLE II
INCOME SOURCES

	Fundacion Nuestros Jovenes	Fundacion Natura	FUNDAGRO
<u>SOURCES OF RESTRICTED INCOME</u>			
Agreements with Local Government	X		
Bi-Multilateral Grants	X	X	X
Foundation Grants	Proposed	X	X
Contracts	Proposed		
<u>SOURCES OF UNRESTRICTED INCOME</u>			
Investment Interest	x		
Endowment Earnings		x	x
Corporate or Individual Donations	Proposed	x	x
Membership Fees	x	x	
Barter Agreements		x	
Overhead Projects (Or Management Fees)			
Fee for Services/Consultant Contracts	Proposed		x
Profits from Foundation Owned Businesses	Proposed		Proposed
Sales of Promotional Materials	x	x	
<u>NON-BUDGETARY INCOME</u>			
Community Financing/Village Contributions	x	x	
In-Kind Contributions	x	x	

Meanwhile, MSI found many NGOs experimenting with a variety of potential income sources. These range from selling holiday cards and services to thinking about setting up foundation-owned businesses such as a printing establishment or a silo plant for cleaning, drying and storing rice and corn.

Some of these sources have a hidden and sometimes high cost. For example, membership fees may yield little in comparison to the cost of soliciting, tracking and acknowledging such contributions. (Fundacion Natura's membership is now 6,000, each paying Sucres 5,000 a year. This approximately \$37,000 costs more than half that to raise due to printing, mailing and staff expenditures. However, the purpose of having members in this case has less to do with income than outreach and development education.)

Selling services like computer models and the design of research surveys, as proposed by Fundacion Nuestros Jovenes, may take more staff time and attention away from the Foundation's basic mission than is warranted. Even here, however, the Foundation's Executive Director contends such services not only bring in income but "enhance the Foundation's reputation." For example, it is hoped that a study of epilepsy among youngsters in Ecuador being done by the foundation for Ceiby-Geigy may lead to further support in the form of future grants.

Buying real estate or spin-off businesses may offer advantages but requires considerable financing through loans or other means, and returns on the investment are uncertain. Nevertheless, the range of thinking about how to earn or find resources among the three foundations shows their concern about their financial future.

What the NGOs are searching for and working toward is a diversified diverse portfolio of restricted and unrestricted income. This makes NGO budgeting unlike the more straightforward profit and loss accounting of the private sector or the expense budgeting of the public sector. Effective non-profit financial management involves the tracking and allocation of unrestricted and restricted funds across various cost centers in a way that insures the organization can "turn on the lights" and keep its core staff paid, while also using funds effectively to perform key service delivery functions. (As part of unrestricted income, NGOs should be working toward accounting systems of sufficient sophistication to be able to distinguish direct from indirect cost rates. Thus far only Foundation Natura has been able to establish a USAID approved 12% indirect cost rate.)

Ideally this would mean developing a diverse but limited set of income sources. If an organization has too few it can be disrupted by any one that fails or for some reason diminishes precipitously. With too many, an organization's management runs the risk of becoming preoccupied with fund-raising details and losing sight of the NGO's overall mission and program. As a rule of thumb, a properly diversified portfolio would mean that the loss of any one source of income should effect no more than 1/3 of an NGO's program.

Tracking and planning for sustainability requires having the full picture before NGO management and key Board committees (and USAID as a key sponsor concerned with sustainability benchmarks), and continually figuring out how

to best maneuver toward the maintenance of a solid financial base for the delivery of services. It is clear that all three are maneuvering and have a number of interesting ideas. As we said earlier, USAID is not yet in the habit of looking at the overall budget and balance sheet of each organization.

In conclusion, none of the three Foundations has reached the stage of having a dynamically balanced portfolio of financial resources. Perhaps Fundacion Natura is closest, followed by FUNDAGRO and then Fundacion Nuestros Jovenes. Of course, each organization's ability to do so depends on many non-financial variables. Some of these are discussed in the next section.

Recommendation: NGOs should periodically meet with their Board of Directors to discuss sustainability status and strategy. To do this the NGO controllers should be able to put the full picture of the budget before NGO leadership. For its part, USAID should seek to record and analyze the results of AID/Ecuador-supported NGOs in generating alternative income to know what sources generate what quantities of income under what conditions. In cases in which USAID is the major initial supporter of an NGO's overall program, it should be established from the outset that USAID will periodically review with NGO leadership the NGOs overall budget and balance sheet (using an Audited Financial Statement done annually by a private accounting firm contracted by the NGO). A tool for classifying and analyzing income sources is presented in a discussion of Public Choice Theory in Chapter IV.

Recommendation: USAID should set clear guidelines concerning NGO eligibility for local currency endowments, as well as rules and regulations that apply if such endowments are approved.

Recommendation: USAID should continue to encourage NGOs to upgrade their accounting systems toward sophistication beyond that needed to adequately account for USAID resources, eg. to improve chart of accounts, track restricted and unrestricted funds and direct and indirect costs. This could be done through the good offices of USAID's own controller staff as far as time permits, or through contracting of qualified outside firms.

6. Internal and external sustainability factors--Strengths and Weaknesses.

The prospect of eventual sustainability of any NGO operation depends, of course, on a constellation of factors. Table 3 and 4 attempt to identify some of the key factors and "rate" the present situation of the three foundations as to each factor. Such a rating, based as it is on impressions gleaned over the short-term, is admittedly somewhat speculative. Whatever errors it contains, it is meant to suggest, in outline, a way of looking at the sustainability issues which can be assessed prior to funding a project or during implementation, especially at points of review and evaluation. A few of the findings from each of the two tables are indicated below.

Findings from Table 3 (Internal Sustainability Factors):

A rough assessment of internal strengths and weaknesses of the NGOs studied led to the following tentative judgments about the general strengths of the NGOs:

- 1) Highly qualified staff,
- 2) Aggressive and qualified leadership, and
- 3) Adequate administration and management.

Weaknesses of individual NGOs seemed to include:

- 1) Fundacion Nuestros Jovenes' inability to diversify funding, and
- 2) FUNDAGRO's inability to relate to public, private and community organizations.

Findings from Table 4 (External Sustainability Factors):

A rough assessment of the external conditions confronted by the NGOs studied led to the tentative judgments below.

- 1) A general strength of the NGOs appeared to be that their missions are seen as important by outside donors; and
- 2) A general weakness of the NGOs appeared to be a lack of clear demand for their services.

Discussion and Recommendations

In tables 2 and 3 MSI is not making an actual sustainability diagnosis based on the relatively brief time spent with a given foundation. Rather, we have developed a framework for such analysis and discussion between and among USAID and its constituents, a framework for use in analysis and discussion at any point in the project cycle and the findings of which would likely change regularly.

Take for example the findings concerning Fundacion Nuestros Jovenes. The first "possible problem" indicated pertains to whether the Fundacion has enough funds at present, and enough time, to be able to engineer its financial survivability. Other possible problems or negative findings included the lack of an endowment, a still unproven capacity to diversify funding sources, an unclear demand for its services and the two possible problems on the external list--its mission perhaps not seen as crucial (at least locally), and a lack of prestige and credibility internationally--represent the overall challenge to the foundations sustainability. (MSI went over these findings with FNJ's Executive Director and Controller and there was some disagreement over several factors and lots of discussion on the interpretation of others.)

TABLE III
INTERNAL-EXTERNAL FACTOR ANALYSIS -- STRENGTHS AND WEAKNESSES

	Fundacion Nuestros Jovenes	Fundacion Natura	FUNDAGRO	"POSITIVE" minus "NEGATIVE"
INTERNAL CONSIDERATIONS				
<u>RESOURCES</u>				
Qualified adequately remunerated staff	+	+	+	3
Agressive and united leadership	+	+	+	3
Adequate administration & management	+	+	+	3
Solid funding and enough time to engineer sustainability	0	+	+	2
Endowment to provide some stability	0	+	+	2
<u>LINKAGES</u>				
Demonstrated capacity to diversify funding	-	+	+	1
Clear process to create demand	+	+	0	2
Mission clear to complementary actors	+	+	0	2
Demonstrated capacity to relate program to other public, private-community organizations	+	+	+	3
NUMBER "POSITIVE" - "NEGATIVE"	6	9	7	
EXTERNAL CONSIDERATIONS				
<u>WITHIN ECUADOR</u>				
Clear economic demand for services	0	0	0	0
Socio-culturally acceptable to beneficiaries				
Operating relatively free of competition	+	+	0	2
National political commitment	+	+	0	2

EXTERNAL CONSIDERATIONS (cont'd)

WITHIN ECUADOR (cont'd)

Acceptance that private foundation can play the role	+	+	0	2
Ability to operate despite political-economic instability	+	+	0	1

INTERNATIONAL

Mission and objectives seen as important by donors	+	+	+	3
Sufficient prestige to be credible internationally	0	+	+	2
NUMBER "POSITIVE" - "NEGATIVE"	5	7	2	

KEY:

- + Positive Funding
 - 0 Possible Problem
 - Definite Problem
-

Of course, NGO and USAID management know more than is on the Table 3 and 4 list. For example, it is known that the Foundation is today 90% dependent on USAID; that it is proposing to experiment with a wide range of possible funding sources, some perhaps problematic--with "opportunity costs" taking time away from the Foundations basic mission, possibly creating legal problems, or costing considerably to bring in fairly minor resources (analyses have yet to be done); that the Foundation has a straightline budget, equal amounts each of the next two years and at that point, USAID support ends precipitously.

If this represents an accurate picture, how should the Foundation and USAID proceed to think together to maximize impact and outcomes? Considering that the major motive force of the international drug problem rests in the U.S., and that there is a definite shared interest between the USG and the Foundation in not having Ecuador become a major actor in narcotics use and trafficking, perhaps it might suggest that USAID choose to insure that the Fundacion focus as much of its energy and attention on the drug problem itself, and not become overly preoccupied with numerous small scale and marginally yielding income producing schemes. This in turn might suggest that USAID and the Foundation agree now on a simplified sustainability strategy, perhaps including an endowment (providing the GOE agreed), or other assurances from USAID of longer term support, say a phase down budget cut by half of the present level over an additional two years? Natura, FUNDAGRO, or Fundacion IDEA each require different strategies.

The chart shows FUNDAGRO, as the Mission is fully aware, to be at risk in terms of its capacity to relate its program to other public, private and community organizations. More than most foundations it is subject to political circumstances; more than others, FUNDAGRO requires the cooperation of capable other actors. The moral support of USAID, and other donors, in terms of expanding support for cooperation with FUNDAGRO is perhaps the most crucial factor as far as FUNDAGRO's eventual sustainability.

The chart also shows that demand for services of FUNDAGRO is an issue. (In fact the issue seemed the case with all three agencies. All three in different ways have as part of their grants, the building of understanding of the problem and the demand for services or action in their respective sectors. This has been left on the chart as a "possible problem" for all three agencies. In fact this unclear demand probably was evident at an earlier time in each grant. Meanwhile, Natura made a strong case to us that it is receiving ever more requests for service or to push for action in one way or another. Nuestros Jovenes demonstrated to us the same trend. FUNDAGRO, meantime, may suffer from confusion about whether the demand it is building is for it to do research rather than "catalyzing" research.)

In other words, external, international demand in the form of willingness to fund FUNDAGRO projects may be high, but internal demand in the form of Ecuadorian recognition of the importance of the problems addressed by the NGO is shaky.

A specific external problem of FUNDAGRO appears to be that Government instability and budget problems can greatly hinder FUNDAGRO's effectiveness. If public research and education organizations are weak, FUNDAGRO becomes like a body without arms and legs.

The point is that without a clear understanding of demand, and continual concentration on whether demand for a given Foundations service is building, one might be left with a sustained organization still in no position to provide "the goods."

In conclusion, sustainability, like any other aspect of program management (with which sustainability has always been included in one fashion or another) has to be planned for and monitored. We have suggested in the earlier public sector section that the means to do so are relatively intangible and have to be done through surrogate measures. In the private sector the market directly tied to a product or service is much easily identified. The NGO sector is the middle ground. Although not tied directly to a market there are some relatively straightforward indicators of potential sustainability to watch. Organizing to do so is the main challenge.

Recommendation: Internal weaknesses are generally easier to correct than external problems. The strengths and weaknesses of NGO programs, using an assessment like that displayed in outline on Tables 2 and 3, and the preceding discussion on financial factors, should be discussed regularly with NGOs. NGOs should be formally praised for actions taken to strengthen sustainability prospects and asked about plans to correct their weaknesses.

Recommendation: External problems are more difficult to correct than internal weaknesses. Merely reminding NGOs periodically of external problems is not sufficient. Such problems need to be the subject of concerted action and may require well thought through strategies for their solution, high level representations with USAID assistance, and even local or international technical assistance.

In particular:

- 1) Advice and technical assistance in internal demand creation and awareness raising among potential Ecuadorian clients of NGOs may be in order.
- 2) FUNDAGRO might prepare a contingency scenario for operations through purely private sector research, education and extension organizations. Such an exercise may:
 - a) Tell FUNDAGRO whether it is sustainable through government crisis; and
 - b) Uncover new private sector collaborators not previously considered.

IVB. COMPARISONS AND CONTRASTS AMONG PUBLIC SECTOR PROJECTS AND ORGANIZATIONS

This chapter analyzes factors contributing to the sustainability of benefits for USAID/Ecuador public sector projects. The analysis is based on Project Papers, project evaluations, and interviews with USAID personnel for three representative public sector projects selected by USAID/Ecuador personnel. The intention is not to evaluate sustainability for individual public sector projects. Rather, the intention is to compare and contrast the projects to arrive at a profile of factors contributing to, and detracting from, the sustainability of public sector organizations, systems and benefits.

Project Purpose Statements and Sustainability Concepts

The projects that served as raw material for the analysis of public sector projects were: Forestry Sector Development; a series of two Child Survival projects (PREMI and Child Survival); and a series of two Water and Sanitation for Health(WASH) Projects. All the projects grow conceptually out of the same Rural Health Delivery project. Each of the efforts is about ten years old, and each of the three single or multi-project efforts represents a USAID-Ecuador investment of between U.S. \$8 and \$14 Million.

Table IVB-1 serves as an introduction to the individual projects. Table IVB-1 includes Purpose statements and other key sustainability concepts from planning documents for the three projects which make up the generic case study. The table shows that sustainability strategies in the public sector projects take various forms such as:

- Development of a permanent, central coordination and resource allocation capacity within ministries;
- Development of local service delivery cost models and replication of those models nationwide;
- Sustainable decentralized management;
- Self-financing private sector and social marketing approaches; and
- Coverage of maintenance costs through user tariffs.

A. Planning for Sustainability

1. Findings from Table IVB-2

Table IVB-2 shows key components to a sustainability plan for public sector projects to be:

TABLE IVB-1
SUSTAINABILITY CONCEPTS FOR THREE PUBLIC SECTOR PROJECTS

CASE ONE

FORESTRY SECTOR DEVELOPMENT

To strengthen the capacity of Ecuadorean forestry sector institutions to undertake afforestation- reforestation activities and to manage productive and protective forests.

CASE TWO

CHILD SURVIVAL AND HEALTH
(Two project sequence:
PREMI, Child Survival)

PURPOSE STATEMENTS

PRECURSOR TO BOTH HEALTH
PROJECTS:

To develop a model, low cost health delivery system through application in three geographic areas, and to replicate successful delivery systems nationwide.

To improve the effectiveness child survival programs in eight provinces with the greatest potential for an infant mortality reduction.

CASE THREE

WATER AND SANITATION FOR HEALTH
(Two project sequence)

To strengthen the Sanitation Institutes capability to assist rural communities in eight provinces to: 1) install cost-effective safe water supply systems; 2) use the water and latrines to improve family health status; and 3) maintain and improve the systems in the future.

ADDITIONAL SUSTAINABILITY CONCEPTS

Shift of central office from implementation to coordination.

Functional planning, coordination, training, and information capacity.

Capability to provide technical assistance.

Local capacity to to originate, manage sub-projects.

Focus on decentralized management systems.

A wide array of private sector initiatives.

Develop model, and then spread it via the Sanitation Works Institute.

Local ownership of water sources.

Cover maintenance costs through user tariffs.

Social marketing of hygiene information.

TABLE IVB-2
SUSTAINABILITY SUMMARY FOR PUBLIC SECTOR PROJECTS

PLANNING FOR SUSTAINABILITY

FACTOR	PROJECT ONE FORESTRY SECTOR DEVELOPMENT	PROJECT TWO CHILD SURVIVAL (A Two Project Sequence: PREMI, Child Survival)	PROJECT THREE WATER AND SANITATION FOR HEALTH (A Two Project Sequence)
Logical, feasible strategy for achieving sustainability	Logical yes, feasible less so. Conversion from implementation to coordination is a big leap.	Original design ignored development of permanent planning and management system. Second project focuses on management systems, and private sector service delivery.	Model development-replication approach. Replication mechanism not convincing. Second project focuses on strengthening of the Sanitary Works Institute in maintenance, management and not just construction.
Phase Out Strategy	Nothing explicit.	Nothing explicit.	Nothing explicit.
Sustainability Incentives	None.	Second project: Ministry of Health ability to negotiate on equal terms with the Ministry of Finance may be an incentive.	Some at local level, none for the Sanitary Works institute
Financial sustainability analysis	Very little. PP asserts there will be no problem.	Second project: Ministry of Health to be given tools, practice at negotiating future budgets with Ministry of Finance.	For local communities, yes for central coordination, no.
Chief of Party job description focusing on installation of management systems	Administrative, technical, not management systems.	An institution building, management systems focus.	

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- A logical, feasible sustainability strategy;
- Phase out of Assistance, and delivery of responsibility to Ecuadorians;
- Incentives for achieving sustainability;
- Financial analysis of future recurrent costs without AID assistance; and
- Chief of Party qualifications.

Table IVB-2 shows (according to the MSI team's reading of planning documents) that:

- 1a. Finding: Two of the three public sector projects had very weak sustainability strategies in their original Project Papers. The third project had a strategy which, although it is logical, may have doubtful feasibility. Replanning for one of the weak plans, concentrated on sustainability.

None of the projects addresses simply and straightforwardly the topic of phase out, where resources and assistance decrease, and responsibility is progressively delivered to Ecuadorians.

The notion that organizations might need incentives to become sustainable, and stop receiving resources and technical assistance, appears in none of the planning documents.

Financial sustainability analysis of future recurrent costs without AID assistance is either perfunctory, or focused at the local level.

In one of the two instances where we had access to Chief of Party's job description and qualifications there was no mention of experience at installation of the management and financial systems which are central to the sustainability approach set forth in the Project Paper.

B. Discussion and Recommendations

Sustainability Strategies

Table IVB-2 shows that sustainability strategies tend to be weak or complex. Possible reasons for weak strategies are: 1) designers care about effectiveness more than about sustainability; 2) there are no proven accepted definitions of sustainability, and strategies for achieving it, especially for public sector projects. Some ideas on how to design sustainability into public sector projects are presented in Chapter III.

Recommendation: It is easy to say, "From now on lets have solid sustainability strategies." But without definitions, guidelines and analysis mechanisms it is an empty recommendation which the whole of this report is meant to remedy.

Phase-Out of USAID Resources and Technical Assistance and Delivery of Responsibility to Ecuadorians

Table IVB-2 shows that only one of the public sector planning documents we reviewed gave any attention to withdrawal of assistance progressive delivery of responsibility to Ecuadorians. Often, in AID projects throughout the world, projects ends are abrupt, and they are accompanied by surprise, resentment, and frantic lobbying for follow-on projects. Even successful projects end often with bad feelings between USAID and the implementor because implementors feel abandoned.

Recommendation: Obviously, planning documents and discussions need clear, agreed on and gradual phase-out objectives and arrangements. Also the phase-out arrangements must be discussed throughout projects.

Incentives for Achieving Sustainability

Table IVB-2 shows that the notion of incentives for achieving sustainability occurs in none of the planning documents. We might add that incentives for achieving sustainability have appeared in no planning documents for public sector projects we have ever seen. Such incentives are important however. All rewards are for remaining dependent. Why would a government agency strive for sustainability when achieving means a reduction in free resources and technical assistance?

Recommendation: For public sector projects, incentives for achieving financial, managerial, and technical sustainability might be the promise of a new project in a new area, or directed at new objectives, which might serve as an incentive for achieving sustainability. In other instances, help in finding a new donor might be an incentive. Neither alternative resolves an intractable issue.

Financial Analysis of Future Recurrent Costs

Table IVb-2 says that financial analysis of future recurrent costs after AID assistance is withdrawn is usually perfunctory. A typical analysis of future recurrent costs to a public sector agency is as follows:

"The institutional development of the organization that will occur as a result of the project will mean that organizations will have to bear certain recurring costs, particularly to maintain the research, coordination and information dissemination functions which will be developed as a part of the project. Because these functions will be developed with minimal additional staff, recurring salary expenditures related to institutional development to \$30,000 per year, i.e., an increase of one percent in the organization's current operations budget."

Recommendation: USAID/Ecuador budgets for public sector projects should cover in detail the important matter of recurrent costs. First as these were originally forecast at the inception of the project and, later, as these are recalculated as the project is under implementation or nearing completion. Project managers, technical assistance team members and the staff of the public sector agency involved should always be aware of the monthly or annual

recurrent costs of a given project. USAID/Ecuador should take the lead in insuring this is so. \$30,000 per year in the above example for salary expenditures does seem minimal, but add to that other costs such as maintenance and/or replacement of project vehicles, computers, telephone charges, travel expenses etc. which invariably also are paid by donor funds and the "minimal" may be actually insurmountable to the recipient organization. There is no magic formula for calculating recurrent costs. These can and should be "tensed out" of USAID budget and expenditure data by means of thoughtful analysis, and the results shared widely with program staff in order that they know unequivocally what sums need to be considered as external donor support is withdrawn.

Chief of Party Job Description and Qualifications

Table IVB-2 says that in one of the two instances the Chief of Party's job description was administrative. In the job description there was no mention of design and installation of management systems which are central to the project's Purpose and sustainability strategy.

To make much of one Chief of Party's job description (and presumably the criteria by which he was selected) would of course be silly. However the sustainability of most of more than 20 public sector projects evaluated by one of the MSI team members have suffered seriously from such a weakness. Top project management expertise too often has concentrated on technical matters to the detriment of management systems and institution building.

A Chief of Party's position can be understood on several levels: technical, administrative, installation of management systems, and management training for public sector personnel. The evaluation team believes that in many public sector projects, the Chief of Party should be neither an administrative position (although this person must have administrative skills) nor a technical position (although technical knowledge is useful), but rather a management systems and training (institution building) position.

Logic for concluding that making the Chief of Party position concentrate on a management systems and training position is as follows:

1. Project evaluations usually show that projects achieve their Outputs but not their Purpose.
2. In well designed projects Outputs are largely technical while Purpose contains a strong element of sustainability in one form or other.
3. In well managed projects the Chief of Party's job is achiever and guardian of project Purpose. It is the job of other Technical Assistance or local staff to achieve the Outputs.

Recommendation: MSI believes that the criteria by which public sector project Chiefs of Party are selected should be shifted toward design, installation, and training in management systems. If you were to select one

change in AID projects to better achieve sustainability, you could do much worse.

C. Implementation of Projects to Achieve Sustainability

1. The Findings in Table IVB-3

Table IVB-3 shows some key components of implementing a public sector project to achieve sustainability to be:

- Decision making using sustainability criteria;
- Provision of Ecuadorian counterparts; and
- Delivery of responsibility to Ecuadorians and acceptance of responsibility by them.
- Distinction between recurrent and project costs.

Table IVB-3 shows (according to the MSI team's reading of evaluations) that mid-way through one of the projects, and during redesign for all three, sustainability became the object of discussion and re-design;

- For at least one of the projects, qualified Ecuadorian counterparts were not provided;
- For the one project where there was information on the topic, delivery of responsibility to Ecuadorians was resisted by them.

2. Discussion and Recommendations

Mid-course Design to Incorporate Sustainability

Table IVB-3 shows that in all three of the public sector projects reviewed, sustainability became the important issue of project re-design. In one of the projects (Forestry Sector Development), there already was a sustainability strategy, and re-design signified a return to and simplification of the original design. In the other project (Child Survival) sustainability was introduced in the form of activities with potential for self-financing (private sector initiatives and social marketing). It goes without saying that achievement of sustainability is more probable (although still difficult) if it is designed into projects instead of attempted after the project is underway.

**TABLE IVB-3
SUSTAINABILITY SUMMARY FOR PUBLIC SECTOR PROJECTS**

IMPLEMENTATION TO ACHIEVE SUSTAINABILITY

FACTOR	PROJECT ONE FORESTRY SECTOR DEVELOPMENT	PROJECT TWO CHILD SURVIVAL (A Two Project Sequence: PREMI, Child Survival)	PROJECT THREE WATER AND SANITATION FOR HEALTH (A Two Project Sequence)
Sustainability a topic for discussion and decision making	Yes. Following the Mid-term evaluation project was redesigned to focus on central coordination.	Yes. The second project was redesigned to focus on decentralized management, private sector options and social marketing .	Evaluation of first project says project is sustainable without defining what is meant.
Progressive delivery of responsibility to Ecuadoreans	In Ministry, reluctance to take on funding and management of sub-projects. Some assumption of responsibility in local sub-projects.		Sanitation Works Institute weak at follow-up, maintenance, and appropriate technology.
Distinction between operating, recurrent costs			

Provision of Counterparts

The Mid-Term Evaluation of one of the public sector projects states:

"Institution building was seriously hampered because the Ministry did not provide highly qualified counterparts to participate in project management."

Non-provision of counterparts is endemic in development projects. Some reasons we've heard for non-provision of counterparts in other projects are:

- 1) Lack of government funds. If this is the case, then the project has little chance of financial sustainability. If the government organization can not find money to pay counterparts now while it is receiving AID funds, the probability that they will find the funds in the future is greatly diminished.
- 2) Sometimes USAID projects do not have official status within government organizations. Therefore government employees are afraid they will fall off the career track by working in a USAID project.
- 3) Sometimes ministries consider U.S. advisors to be employees whose job is to provide services rather than advise. Therefore they see assigning counterparts to the advisors as a duplication of effort.
- 4) To be an assistant to the "gringo" rather than head of your own operation may be considered of low prestige and even insulting.

Recommendation: Counterparts are essential to accomplishing technology transfer and sustainability. Qualified counterparts however, are often not provided. The standard AID attempt at solving the problem is to include provision of counterparts as a covenant or condition precedent. If ministries do not see the value in providing high quality counterparts and are forced to provide them, then how high quality and how enthusiastic will the counterparts be? With regard to counterparts, we can think of no recommendation that is not a platitude.

Reluctance by Ecuadorians at Taking Responsibility

Table IVB-3 shows that in one project (Forestry Sector Development) Ecuadorians resisted delivery of responsibility to them. Reasons why Ecuadorian officials were reluctant to take on responsibility are important to understanding why achieving sustainability in the public sector is difficult.

The Mid-Term evaluation collected the following reasons for Ecuadorian officials reluctance to take on management of sub-projects and spend funds:

- Lack of experience, expertise and confidence;
- The shift from implementor to coordinator is a loss of power.
- The amounts of money involved in sub-projects were larger than employees were accustomed to handling, and this scared them.
- Funding and managing sub-projects means more work in exchange for nothing. There is little incentive for taking on subproject responsibility. (Consider that a mid-level employee made US\$200 to US\$250 per month then and much less now.)
- On the one hand, AID professes to have been favorably disposed toward funding a number of the proposed sub-projects. On the other, there is the feeling that AID is very bureaucratic and lacks agility.
- Legal problems needed to be clarified or solved to allow disbursement to sub-projects including: 1) relationship of subproject loans to the national debt; 2) conflict of interest implied by the Ministry awarding funds to itself; and 3) the status of international PVOs.

D. External Factors Affecting Sustainability

1. Findings from Table IVB-4

Table IVB-4 shows key external factors affecting the sustainability in public sector projects to be:

- Need and demand for services;
- Economics at the beneficiary and government levels; and
- Political, and bureaucratic environment.

Table IVB-4 shows that:

- For the two health projects the need (according to Project Papers and Sector Assessments) is high although demand in economic terms may not be.
- For one project (Forestry Sector Development), expressed need in the form of requests for assistance was high at the beginning of the project.

TABLE IVB-4
 SUSTAINABILITY SUMMARY FOR PUBLIC SECTOR PROJECTS
 EXTERNAL FEASIBILITY FACTORS

FACTOR	PROJECT ONE FORESTRY SECTOR DEVELOPMENT	PROJECT TWO CHILD SURVIVAL (A Two Project Sequence: PREMI, Child Survival)	PROJECT THREE WATER AND SANITATION FOR HEALTH (A Two Project Sequence)
Demand	Many sub-project requests at beginning of project.	Need is high. Demand in economic terms is lower.	Need is high. Demand in economic terms is lower.
Politics and bureaucracy	Low paid personnel. High turnover. Low morale. Frequent leadership change.	Low paid personnel. High turnover. Low morale. Non-acceptance of decentralized management.	

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- Within the economic environment, all the public sector projects suffer from: 1) the inability of beneficiaries or their unwillingness to pay for services; and 2) government inability to pay government employees well and cover other costs.
- All the public sector projects suffer from an unfriendly bureaucratic environment including low morale, high turnover, low commitment to projects, non-acceptance of decentralized management, and frequent changes in leadership and policy.

2. Discussion and Recommendations

Recommendation: For the public sector we suggest a corollary of the basic definition of sustainability so that a monitoring and evaluation system plays the role that market mechanisms play in the private sector. (See Chapter II.)

Recommendation: If a central coordinating mechanism is necessary to sustainability of project benefits, then resources must be devoted to the development of a system for generating and managing sub-projects, as well as training.

To maintain management systems in the face of rapid turnover of personnel: a) systems must be simple, and b) there must be frequent training of new personnel in those systems.

Also USAID must find a happy medium between avoiding waste of resources by the system, and allowing Ecuadorians to make their own decisions and learn from their own mistakes.

E. Overall Sustainability Assessment

1. Findings from Table IVB-5

Table IVB-5 shows that components of overall sustainability assessment are:

- Central coordination and management mechanisms;
- Local service delivery systems; and
- Socio-economic benefits.

Table IVB-5 shows that:

- The two projects which intended strengthening of central coordination mechanisms are pessimistic about the sustainability of the mechanisms;
- For all three projects, evaluations report some sustainable service delivery at the local level; and

TABLE IVB-5

**SUSTAINABILITY SUMMARY FOR PUBLIC SECTOR PROJECTS
THE SUSTAINABILITY OF BENEFITS**

FACTOR	PROJECT ONE FORESTRY SECTOR DEVELOPMENT	PROJECT TWO CHILD SURVIVAL (A Two Project Sequence: PREMI, Child Survival)	PROJECT THREE WATER AND SANITATION FOR HEALTH (A Two Project Sequence)
Sustainable central management, and coordination.	Little sustainable central management improvement, and generation of new sub-projects.	First project: Little sustainable central management improvement.	First project: Local ownership and maintenance of water sources. But tariffs too low to cover recurrent costs.
Sustainable local service delivery	Some sustainable local technical assistance delivery in the Sierra.	First project: Stable infant mortality and morbidity in target regions.	
Sustainable benefits	Some sustainable agri-forestry and reforestation practices and benefits.		

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- For all three projects, evaluations report some sustainable benefits among project clients.

The last two items in the above list are conjectural, but are included because they help us understand the relation between sustainability of delivery systems and sustainability of benefits.

2. Discussion of Findings from Table IVB-5

It appears that efforts at sustainability in the public sector have the most success farthest from the center. The implication is that public sector projects should avoid the central bureaucracies at least until:

- 1) The government "bites the bullet" and streamlines itself so it can fund worthy services; or
- 2) The country's economy and government revenues increase such that streamlining is not necessary.

Recommendation: Under current economic and government budget conditions, undertake public sector projects only where effectiveness is absolutely necessary. Undertake public sector projects which require strengthening of central coordination mechanisms, with extreme caution, if at all.

IVC. CASE STUDY OF FUNDAGRO

Project Title and AID#: Agriculture Research, Extension, Education (FUNDAGRO), (0068)

Amount: \$7,000,000 Counterpart: \$4,000,000

Life of Project: 1988-1993

Implementing Organizations: FUNDAGRO (and FENECAFE, UOCAM, ECAE, AGSO, UAPPY, Universities and the Ministry of Agriculture)

Intermediary: None (One USAID-contracted coordinator)

Project Purpose: Serve as catalyst for the establishment of an improved agriculture research, education and extension program focused on selected commodities.

I. INTRODUCTION

FUNDAGRO (Foundation Development of Agriculture) is expected to fortify and expand Ecuador's existing public and private research, extension and education (REE) efforts to deliver a steady stream of productivity increasing and cost reducing technologies to a wide spectrum of small and medium sized farmer client groups.

FUNDAGRO's origins were in a visit to Ecuador in 1984 of a team of experts designated by the Reagan administration to assess the agriculture sector. The task force included among others Nobel prize-winner Norman Borloug. One of its recommendations was that an organization overseeing coordination of research and related matters be strengthened considerably. After a false start--an organization called FIDEA, which included government representation on the Board of Directors--FUNDAGRO was the result.

FUNDAGRO, founded in mid-1987, receives USAID funds to institutionally strengthen the Foundation, and to finance programs, in the first instance, dealing with coffee, milk cassava and a number other special commodity production, marketing and consumption challenges. Over the long term FUNDAGRO is expected to coordinate its own REE agenda working through agreements and protocols negotiated the wide range of organizations, public and private, operating in the agriculture sector.

FUNDAGRO was born amid considerable controversy in and outside of the Mission. The main issue was and remains the degree to which a private non-profit entity can be relied upon to set research priorities and fund REE programs, a task previously seen as mainly one of government and the private sector.

FUNDAGRO, in effect, replaced or supplemented, depending on how one looks at it, the previously established National Institute of Agriculture Research (INIAP) which had been founded in the 1950s and functioned with considerable good effect with over 14,000 studies until the early 1980s. At that time, INIAP's program, budget and staff began to erode and falter badly

in the midst of Ecuador's economic difficulties, and charges that INIAP, among other things, was badly managed, failed to properly set research priorities or effectively transfer research findings to producers. Still as can be seen by the project purpose statement FUNDAGRO is intended to continue working with INIAP.

Likewise FUNDAGRO is to work with both Ecuador's private and public extension and education systems both of which function with only a modicum of efficiency, and with little coordination. Thus the challenge to FUNDAGRO is clear: how to play a coordinating and catalytic role amid a largely dysfunctional system.

II. SENSITIVITY TO SUSTAINABILITY ISSUES

A. Planning and Design

There is ample evidence in the documented record that USAID (and AID/W) thought deeply during the design process about how representative FUNDAGRO would be in relation to the broad interests of the agriculture sector, the organization's political and financial viability and its relationships with the many Ecuadorian REE organizations. FUNDAGRO emerged with a score showing "high sensitivity to sustainability issues" as MSI applied its standardized questionnaire to the case.

However, the questions MSI formulated about sustainability were not weighted. And pertaining to FUNDAGRO perhaps two of the most important asked had to be answered in the negative. These were:

1. "Is it clear that the project responds to expressed desires and is the idea of the government or host organizations, especially those which will play key roles in implementation?" 2. "Is the plan realistic in terms of project size and concept as related to expectations about local capacities (including absorptive capacity), the complexities of control and coordination between and among key actors?"

Like many USAID projects in Ecuador MSI studied, especially those that preceded the 1987 Project Paper for this project, the design of the FUNDAGRO project is ornate and complex. Its lack of straightforward linkages and its many assumptions at all levels of its hypotheses show quite accurately the challenges to having the project succeed, and hence be sustained in the long run.

It is also worth highlighting that in 1986 USAID, in addition to the funds listed above, furnished a PL-480 financed endowment of \$1,000,000 to FUNDAGRO. Interest from this amount (minus some funds used to build FUNDAGRO's office-building) will be available for FUNDAGRO's programs at the termination of USAID support in 1993.

B. Implementation

Initially the challenges to FUNDAGRO's sustainability were formidable. It got started and, among other things, attempted to recruit high quality staff; locate office space; get administrative and management systems set up; make beginning linkages with a range of public and private agencies; and

obtain the support of the Ministry of Agriculture in a period of time just preceding a major change of government.

With its high visibility USAID support it managed to survive the transition between governments, and was able to start work in some of the priority commodity sectors identified in its USAID agreement. In fact, FUNDAGRO continued to have some problems with obtaining the unqualified support of the Ministry of Agriculture; for example, FUNDAGRO was unable to obtain the disbursement of the full amount of its PL-480 endowment until late 1989, more than a year after implementation began in earnest. FUNDAGRO also had the usual growing pains associated with handling USAID funds, for example adhering to procedures for claiming reimbursement.

As might be expected, FUNDAGRO also had problems getting started with the large number of actors involved in REE. Nevertheless by September 1989 many agreements between FUNDAGRO and a range of other organizations had been signed and progress had been made on research, extension and education activities in cassava, coffee (despite inadequate credit available to cooperatives involved in these crops), dairy, and in some special programs (cocoa, tomato, watermelon and mangos).

In late 1989 FUNDAGRO attracted some initial support from other donors. Agreements were signed with the Kellogg Foundation for potato research, the CIID (Canada) for research in yellow corn, and with the Corporacion Andina Fomento for research on non-traditional crops. It is FUNDAGRO's hope and intention to use such beginning non-AID grants to build relationships with a few potentially substantial donors, perform well, and follow-up with further requests for funds. Although at the time of this study (August 1990), FUNDAGRO remains well over 90% dependent on USAID, the Foundation is discussing further activities with Kellogg, and has initiated contacts with Canada's International Development Research Center (IDRC) and the European Economic Community.

Meanwhile FUNDAGRO is also aggressively exploring the possibility of the management of a silo, storage and processing plant which could yield several hundred thousand dollars annually for FUNDAGRO operating costs and programs. FUNDAGRO's bid included little cash but offered the plants owners (a government corporation) 60% of the profits.

FUNDAGRO programs might also benefit indirectly from other donor investments, for example, the substantial investment by the BID in Ecuador's extension system.

As of the time of this study most of FUNDAGRO's growing pains are over. It now has signed several dozen agreements for substantial research, extension and education activities. The number of workshops, training conference, technical demonstrations and farm visits connected with FUNDAGRO sponsored activities is substantial. Staffing is complete now that USAID has fielded its project coordinator as of the spring of 1990.

FUNDAGRO has established itself as a strong and functioning independent agency. Although USAID has had some hesitation about the degree to which FUNDAGRO is involved in implementation (rather than acting as catalyst) and whether or not it should be involved in managing a profit making business on

the side (should FUNDAGROs bid be accepted), overall USAID staff seem satisfied that FUNDAGROs activities are technically sound and the Foundation's presence in the agriculture sector is being felt.

FUNDAGRO, for its part, feels that USAID's overall support has been well devised and clearly crucial, including USAID's assistance, however painful it may have been at the time, in getting proper accounting and voucher systems set up. Only in regard to the effect these minor accounting problems had on cash flow is FUNDAGRO concerned. Often reimbursement takes many months and this makes the day-to-day management of FUNDAGRO difficult, and often delays substantive activities of the Foundation.

III. SUSTAINABILITY ISSUES

In its two and a half years of existence, FUNDAGRO has demonstrated the technical capacity to establish itself relatively firmly as an important institution in the Ecuadorian agriculture sector.

Had the idea of FUNDAGRO not received major impulsion from USAID, the Foundation would not have been created in the first place, or if it had been created, would have had little chance to survive in the minefield of competing Ecuadorian institutions and political actors. USAID's political and financial commitment has been a crucial aspect of sustainability in FUNDAGROs early years.

But that, of course, is not all that has assisted FUNDAGRO get started and survive to date. The organization pretty quickly established its own identity and creditability in Ecuador and abroad. Domestically, to be sure, some if not most of this is purchased with USAID funds. But FUNDAGRO's leaders have also been clearminded about more subtle ways of assuring the Foundation is well-regarded--matters of who one consults, who to ask to serve in the Asamblea General, the Executive Committee, and on special committees (including a non-voting group of external assessors, whose members are important, and include government people), and how one relates to leaders of producer organizations, universities, and others in the REE network. The fact of its own office building, however that came to be, also makes a statement about FUNDAGROs longevity, as does its compact, well-qualified and remunerated staff.

At the present time it seems in terms of programs, management, appearances and even financial prospects, the future looks fairly bright for FUNDAGRO as a long-term actor in Ecuadorian agriculture.

There are, of course, some aspects of the Foundation's future that are hard to foresee. No matter how cleverly set up to be apolitical, FUNDAGRO still is at some risk over the long term as broker of REE among public sector agencies. It is conceivable, if unlikely, that government might decide to try to reinvigorate public sector institutions which might be less collaborative and more competitive with FUNDAGRO, including Government insistence that donor funds go directly through these institutions. Or even without newly capacitated public sector organizations, the government could of course simply turn on FUNDAGRO as an unwarranted, overly independent

interloper in setting research and other priorities. A government so disposed could make like difficult for the Foundation.

Many organizations, quite vigorously alive and with assured futures, even though it is their charge to serve the purposes of equity and distribution of income, may not serve well such objectives. USAID's rationale of creating FUNDAGRO to deliver a steady stream of productivity increasing and cost reducing technologies to a wide spectrum of small and medium farmers may, of course, not be realized even if FUNDAGRO remains in existence. Ecuador's political-economy and structural incongruities keep access limited to but a relatively few of its citizens. Such matters are clearly beyond the purview of the FUNDAGRO's mandate. But having its services coopted by these same society-wide tendencies is clearly a risk. A sustained organization not meeting USAID's original intentions--thus a failed project overall unsustainable in terms of beneficiaries--is quite possible.

IV. CONCLUSIONS

USAID's Agriculture Research, Extension and Education project with FUNDAGRO at its center, in terms of potential sustainability represented a high risk project with potential high gain at its inception. Substantial resources and political support on USAID's part, and strong and committed Foundation leadership have brought FUNDAGRO through its early years.

For now, FUNDAGRO has made excellent progress in establishing itself as a key actor in the REE sector through over three dozen agreements with a bewildering array of public and private institutions. Approximately half of these are with relatively weak public sector agencies. FUNDAGRO and others are actively pushing to strengthen these institutions and much of FUNDAGRO's future success depends on these efforts.

TABLE
FUNDAGRO, SUSTAINABILITY ASSESSMENT

1. PRODUCES OUTPUTS

a. RESEARCH OUTPUTS

INIAP projects coordinated by FUNDAGRO personnel yucca, potatoes, Embryonic relationships with universities, considered high potential, there is much research talent in universities

b. EXTENSION OUTPUTS

Sustainable extension, TA services for yucca, coffee established. Spin-offs, largely independent of FUNDAGRO now

Dairy extension, still not cost-covering

Extension, piece meal through growers associations

Major relationship with large extension organizations, government and that of private growers associations

Government, BID extension project, protera a failure so far

Research - INIAP and/or universities, still up in the air

Link between Ecuadorian universities and international donors

c. EDUCATION OUTPUTS

Seminars, workshops, off-share training

2. IN THE FACE OF TIME AND CHANGE

They have survived transition from Febres Cordero to Borja administration

They have proven political viability

3. THAT ARE SUFFICIENTLY VALUED

a. CLIENTS

Yucca and coffee pay for technical assistance

b. DONORS

They seem to have high prestige, Nobel Prize winner helps reputation

Kellogg, CIID

4. SO THAT

a. MARKET MECHANISM

Coffee, yucca technical assistance covered by user fees

b. M&E

They still seem largely to be selling potential rather than performance

5. SUFFICIENT INPUTS ARE EARNED

a. AMOUNT

PL-480 financed endowment
Interest for building, programs

Money from research managed

Potential - run a grain and seeds cleaning and storage operation for profit

b. DIVERSIFICATION

Still highly dependent on AID money, but may be moving out of dependency

6. TO CONTINUE PRODUCTION (Time assured resources would last without new resources)

MSI did not undertake this analysis

IVD. CASE STUDY OF FUNDACION NATURA

Project: Education for Nature, EDUNAT III,

Operating Program Grant OPG 0079

USAID Contribution: \$1,100,000; Counterpart Contribution: \$210,809

Intermediary: None

The case study of Fundacion Natura is divided into the following sections: 1) objectives, 2) origins and early history, 2) organization, human, and physical resources, and 2) current sustainability status.

1. Fundacion Natura Objectives

Fundacion Natura's objectives are stated in their literature as:

- Obtain adequate management of Ecuador's natural resources with equity of benefits for all Ecuadorians; and
- Ensure: 1) effective control of damage to the environment, and 2) incorporation of ecological considerations into national development.

The Purpose level objective the Fundacion Natura's EDUNAT project funded by USAID/Ecuador is: To expand and strengthen environmental awareness to motivate public and private actions to conserve the environment and natural resources.

2. The Early History of Fundacion Natura

Fundacion Natura was founded in 1978 by a small group of people as a voluntary organization with a conservationist mission. To hear Fundacion Natura tell it, their original motivations were basically sentimental, and directed toward protection of animals and birds threatened by distinction. Steadily, however, the original motivation broadened to include ecological concerns, with man as part of ecology.

For the first two years Fundacion Natura worked out of a twenty meter square office with few concrete projects other than administering research studies carried out with support the World Wildlife Foundation. In 1979, after some preliminary meetings, USAID/Ecuador's Mission Director and Fundacion Natura took a decisive step for the organization's growth. In 1979 USAID funded EDUNAT I, \$340,000 a project directed at increasing the knowledge and awareness of environmental and ecological matters among Ecuadorian leaders.

EDUNAT I had three components: 1) an environmental awareness survey, 2) design of a multi-faceted, multi-media education campaign, and 3) the education campaign itself. In institutional strengthening terms, EDUNAT I had

the advantage of developing demand in the Natural Resources area, and developing image of Fundacion Natura. Important aspects of Fundacion Natura's popularity were: 1) environmental and ecological concerns were above politics and ideology, and Fundacion Natura's research and analysis were primarily carried out by Ecuadorians.

During the first months following signing of EDUNAT I, Fundacion Natura had to grow fast, and had the inevitable growing pains and management problems. Roque Sevilla, who was President of Fundacion Natura, is credited with bringing the same disciplined, aggressive management to Fundacion Natura that he used in his successful insurance company.

EDUNAT I was followed by EDUNAT II in 1985, and by EDUNAT III in 1989. Whereas EDUNAT I was directed at Ecuadorian leaders, EDUNAT II and III progressively included the public, the young, and finally industrialists. For the first five years Fundacion Natura was largely dependent on the USAID/Ecuador support.

In about 1984, however, Fundacion Natura began to diversify its projects and sources of financial support. Now Fundacion Natura's education activities include not only EDUNAT, but also presentation of TV and radio programs on the environment, and regional seminars attended by people from other countries. In addition to educational activities, Fundacion Natura is involved in the establishment of National Parks, formulation of environmental legislation, and various important environmental studies.

Now Fundacion Natura and its projects receive financial support from approximately seven international donors, and from a number of Ecuadorian businesses and industries. Fundacion Natura has engineered an endowment of \$10 million based on debt-for-nature swap the proceeds of which are used to establish and maintain national and regional parks in Ecuador.

3. The Fundacion Natura Organization, Human and Physical Resources

Fundacion Natura officers claim Fundacion Natura's strength is largely due to its organizational structure. A key aspect of the organizational structure is the Board of Directors. The Board is made up of six principle members and six replacements chosen from an assembly of 64 members who have paid 5000 sucres per year in dues. The Board is chosen to include well known leaders of industry, politics, and art. It is essential that Fundacion Natura in general, and the board in particular, have no political party affiliation. The Board, including the President and Vice-President, receives no salary, and is renewed every year. In addition to making policy decisions for Fundacion Natura, the Board has important fund raising responsibilities, which are facilitated by personal and professional friendships throughout Ecuadorian society.

Human Resources

Fundacion Natura also places importance on having the highest quality staff. Staff includes anthropologists, sociologists, educators, foresters. They must have solid experience before being hired. There are 22 professionals, who together with support staff make up a total of about 80 people.

Fundacion Natura salaries correspond approximately to average private sector salaries. Due to the project nature of much of Fundacion Natura's work, an average stay of a professional is about two years. If there is a weakness on Fundacion Natura staff, it is probably at the support staff level, where employees tend to be young and inexperienced.

Physical Resources

Fundacion Natura staff feel that their physical plant is not the ideal. Fundacion Natura does not own their own building, and they do not have a solid telephone and computer system. Most equipment is acquired through gifts and barter. One way for getting furniture and equipment, for example is to exchange to let a company sponsor a nature program on television exchange for equipment. Regional chapter offices support specific education projects, and are paid for by local business contributions.

4. Current Sustainability of Fundacion Natura

The sustainability assessment of Fundacion Natura in this section uses the IDMC/MSI definition of sustainability as an analytical tool. In the tool each of the definition's elements is turned into an information collection item as follows:

A sustainable system

1. produces outputs
2. over time and change
3. which are sufficiently valued
4. so that
5. inputs are provided
6. to continue production

In Table IVD-I a rough attempt to apply the definition/data instrument to Fundacion Natura. In the future, USAID/Ecuador should undertake the exercise more rigorously.

TABLE IV-D-I

FUNDACION NATURA CASE STUDY

1. PRODUCES OUTPUTS

Formal and informal education, including Education EDUNAT:

- Programs in schools
- Publications, OIKOS newsletter to teachers
- TV spots, FN buys and presents them in collaboration with Ecuadorian companies
- Radio spots, 37 stations daily, 8 less frequently
- Workshops on specific topics, national and international such as pesticides, environmental health

Legislation

Parks

- Eight parks, shared credit with municipalities, companies
- FN receives requests, defines and delimits park, lobbies for park status, hires grad student to thesis cataloguing flora and fauna
- Fundacion Natura undertakes community development with residents within park

Others

- Environmental profiles, Amazonia
- Zoocreadero - raise jungle animals for indian food
- Ecotourism including Paso Ochoa

2. OVER TIME AND CHANGE (Economic, Political, Leadership)

- FN has existed and grown since 1978
- FN has survived several changes in government with no problems
- Transfer, depth of leadership (Roque Sevilla, Yolanda Kakabadse)
- FN successfully passed through growing pains of transformation from small, voluntary organization, to medium sized professional organization 1980, 1984
- EDUNAT I, II, III educational program has been sustained over a fourteen year period, from 1979 to 1993

3. THAT ARE SUFFICIENTLY VALUED (Results of formal, informal M&E)

a. VALUED BY CLIENTS AND BENEFICIARIES

- There are numerous
 - Complaints regarding pollution, destruction of environment
 - Proposals,
 - Requests for training, workshops
- A 1989 evaluation of EDUNAT II counted over a 44 month period: 515 letters primarily from primarily level teachers, students including congratulations, requests for additional material;

- Radio stations receive letters, 50% asking for more technical information
- b. VALUED BY DONORS, GOVERNMENTS, PEOPLE WITH RESOURCES
 - High prestige in international donor community, based on?
 - Presentations at conferences? Scientific work?
- 4. SO THAT
 - a. MARKET MECHANISMS
 - Fee for service operations for publications and TV spots
 - b. M&E SYSTEMS
 - There is formal evaluation under EDUNAT
 - c. COMMUNICATION SYSTEMS TO DONORS, GOVERNMENT, RESOURCE ALLOCATORS (MSI collected No specific information)
- 5. SUFFICIENT INPUTS ARE PROVIDED
 - a. AMOUNT
 - This analysis would require more access to financial records than the MSI Team had or requested
 - b. DIVERSIFICATION: Sources are diversified, but amounts from other donors may not surpass AID yet.
 - Dept Swap interest - for park development, maintenance
 - 1987, WWF paid \$354K for \$1M converted into local currency bonds and transferred to FN
 - 1989, WWF and Nature Conservancy paid \$1.08 M (12 cents on the dollar) for \$9M, same arrangement?
 - Institutional Development - MacArthur Foundation
 - Project money (sometimes including overhead)
 - USAID-EDUNAT
 - FIA - education pesticides
 - EEC - education in environmental health
 - British Embassy - Amazonia WHAT IS IT?
 - Ford Foundations - Zoocreadero - raise jungle animals as food source for Indians
 - Environmental workshops for the Latin America region
 - TV Revenues
 - FN buys nature programs, charges companies who sponsor the programs, sometimes charge is "in kind" equipment, furniture, etc.
- 6. TO CONTINUE PRODUCTION
 - (Time assured resources would last without new resources)
 - The MSI Team did not undertake this analysis

IVE. CASE STUDY

Project: Drug Information and Public Awareness

Amount: Phase I (Operational Program Grant)--\$1,600,000
Phase II (Cooperative Agreement)--\$1,125,000

Life of Project: 1987-1994

Implementing Organization: Fundacion Nuestros Jovenes

Intermediary: Fisk Associates (released 10/88)

Project Purpose: Increase public awareness of the seriousness of the social, economic and political problems related to the illegal production, trafficking and usage of narcotics. (strengthen FNJ, research, info dissemination)

I. INTRODUCTION

In 1982 the Fundacion Nuestros Jovenes (FNJ) was formally incorporated as an Ecuadorian non-profit institution. The FNJ had evolved as a group of concerned citizens, some of whom were parents or relatives of youngsters who had drug problems. In the process of dealing with such familial issues it became obvious that in Ecuador the extent of the overall drug problem had not been studied, and little or no assistance on drug related matters was available to young people or their parents. The Ministry of Health had interest but could give little attention to the matters of drug treatment much less the matter of addiction prevention. Drug abuse had yet to be recognized as a real or potential problem in Ecuador.

Thus the Foundation Nuestros Jovenes was born to study the drug problem, and to support and encourage prevention and treatment activities. Essentially composed of volunteers, some with highly specialized knowledge of research, addiction and treatment, the Fundacion persisted for several years in attempting to highlight the drug problem and threat among Ecuadorian authorities and the general public while simultaneously soliciting resources from local and international sources. In the period 1982 through 1986, the Fundacion had some success in landing a series of small grants from various donors. These early days are characterized by key staff as a time of looking for funds seventy percent of the time and doing something in the drug area with these funds the remaining thirty percent of the time.

These years of searching came to an abrupt end when AID/Ecuador responded favorably to a proposal submitted by the Fundacion in early 1987. In quick order, USAID subjected the proposal to an analysis by Development Alternatives Inc., received that firms report in April, and signed an Operational Program Grant agreement with the FNJ for a two year program in July 1987.

II. SENSITIVITY TO SUSTAINABILITY ISSUES

A. Planning and Design

Reading of documents and interviews concerning the design of the project clearly show an unusual degree of haste in trying to strengthen the FNJ both institutionally and programmatically, and through the FNJ be of use to the yet to be studied but presumably needy youth of Ecuador at risk of drug addiction or already somehow involved. The coincidence of FNJ's capable and persuasive founder along with a handful of excellent staff, and the U.S. Government's grave concern over narcotics apparently led to USAID's decision to move speedily to support the FNJ despite the warning by consultants of Development Associates Inc. that

"...without intensive technical assistance support, the [FNJ] does not possess...the administrative, management and technical capabilities that are minimally required to successfully implement the proposed drug abuse effort. Moreover, the absence of a concrete plan of action for the implementation of the three major project components will be a serious obstacle to the eventual efficacy of the project."

The MSI team's study of this project shows it to be in the lowest category of sensitivity to sustainability issues in its design phase.

The plan did not seem realistic in terms of project size or concept as related to expectations about local capacities (including absorptive capacity). A \$1,600,000 infusion over two years and the idea of a small mainly volunteer group recruiting a professional staff of up to forty in that same amount of time is problematic.

The plan included little in the way of important assumptions as to eventual sustainability, nothing convincing in terms of a financial analysis demonstrating eventual financial self-reliance, no concrete or at least realistic incentives such as Conditions Precedent, a phase down over time of AID resources, the provision or promise of an endowment which would bear on eventual sustainability.

Only in the effort to assure organizational development assistance, an allocation of \$250,000 did the plan convincingly tie AID resources to eventual sustainability. As it turned out, however, even this aspect of the project went badly. The firm contracted by FNJ using AID resources made the FNJ unhappy, and was eventually terminated after a series of altercations and recriminations. The project did score positively in that it was clearly a response to a local groups felt needs or expressed desires, although perhaps confused somewhat--in terms of size and speed--with U.S. Government priorities.

In any case, handled as it was, the planning and design phase not surprisingly yielded a difficult first couple of years for the FNJ as discussed in the next section.

B. Implementation

The present Executive Director of the FNJ characterized the attention her predecessor, she and others were able to give to thinking about long term survival of agency as minimal to non-existent during the first two years of AID support. "AID staff and consultants mentioned staff reliance, of course, but we were too busy responding to short-term crises to think about the long term."

The record shows that while the FNJ designed and conducted some first class field studies--epidemiological and opinion, ethnographies, legal structures, the relationship of drugs to other social problems--all vital to framing the Ecuadorian drug environment and designing interventions, and indeed did start some programs of outreach, treatment, and prevention, the first two years were mainly a period of institutional confusion and frustration. The main issues were how to recruit and organize people, define their roles and relationships, account for funds, and contract and use technical assistance. None of these proceeded smoothly.

Since the worst of the FNJ's growing pains appeared to be over, and the FNJ had done some excellent work, quite logically AID concluded that support of the FNJ should continue. The original two year project was extended until April 1990, and a second phase of the project has been authorized. The new cooperative agreement is for four years and anticipates AID funding of \$1,125,000.

MSI's measure of Mission and FNJ's present sensitivity to and consideration of sustainability questions, shows considerable attention devoted to the subject. In recent months the FNJ has raised some funds from outside sources, has developed a small investment account of about \$25,000 in the bank to which they hope keep adding, has sent its Executive Director on a trip to the U.S. to reconnoiter and establish contact with a range of potential donors and has put together a beginning fund-raising plan (July 10, 1990) against AID-set goals, which has been discussed by USAID and FNJ staff.

Meanwhile the FNJ now seems to have stabilized its administrative and financial systems. The staff has been trimmed to approximately 30 people, a new organizational structure has been worked out by a local consulting firm and the FNJ is now efficiently tracking expenses and income.

III. SUSTAINABILITY ISSUES

In the pantheon of subjects crucial to the development of Ecuador one might ask how much is the now and future use of illegal drugs a factor. Studies done by FNJ do not show it to be a major problem as yet, either as far as local consumption or in the field of trafficking. Yet it is clear it could become so, so study and early action in prevention and treatment is probably justified.

Rapid urbanization coupled with less than fulsome opportunities for youth in cities is a fact of life in Ecuador. So is its dramatically high alcoholism rates--11%, the highest in the nation, among males in Pinchincha Department, which includes Quito where the FNJ is headquartered. If drugs

were to catch on as a way of waving the world good bye as much as alcohol, Ecuador would hold a world record for drug abuse. Its geographical setting astride drug crazed Peru and Columbia also militates caution.

But the demand for drug prevention and treatment and legal reform is still not clear. Thus the sustainability of FNJ as anything at its originally envisaged \$800,000 per annum rate of expenditure (which of course included start-up costs) or even its \$711,000 FY 90 allocation and levels of descending magnitude in subsequent years may have little relationship with what the FNJ will be able to raise on its own to replace AID funds. As the Mission itself wrote, "...sustainability [of the FNJ] will ultimately depend on the extent to which Ecuador's involvement in the drug problem grows or recedes."

The MSI team agrees that a key determinate of sustainability is as the Mission predicts. The demand must be there. But so must creditability and institutional prestige. And in its formative difficulties the FNJ, with more than a little USAID culpability, but an image of an organization with a dysfunctional administration. Numerous people know of the FNJ's early days of continual reorganizations (at least seven since AID funding began), fired consultants, and feuds between financial and program staff. Such negative images do not disappear overnight. They bear on people who might work for the FNJ, on potential donors, domestic and foreign. Not planning carefully and in consonance with potential absorptive capacity organizationally and financially can be significant deterrent to eventual sustainability.

So too might to much concern about sustainability. We have implied that if the need and demand become clear the possibilities of a range of good spirited and generous donors are likely to follow. Before this is clear, however, continuing quality studies and activities including outreach in order to tap community participation in treatment and prevention are key. this is what will bring in donors. Any fund-raising strategy should concentrate on just such matters.

The FNJ's recent fund-raising "think-piece" is a good start but too much does not keep to the thing itself--the FNJ's mission as stated in its amended by laws of 1987. The think-piece has an air of desperation that is probably unnecessary and perhaps even counterproductive. Some of its fund-raising ideas stray towards selling FNJ services in areas like research, computer modeling, training in organizational development which are not directly related to the organizations mandate. Some like starting commercial publications or audio visual branches which would give clear priority to FNJ programs but also possibly make a buck are less problematic. They would not take a good part of the core FNJ staff's time away from FNJ's mandated area of program concentration.

Internally the FNJ has suffered from about every sustainability problem mentioned in the literature--unclear demand, service delivery problems (an empty treatment facility for example), and organizational development inefficiencies like high turnover of staff and unclear roles and relationships. Externally it has benefitted from a neutral to friendly environment.

IV. CONCLUSIONS

The Executive Director of the FNJ predicts that the organization has less than a fifty-fifty chance of maintaining beyond 1984 of a program of the size and content which AID funds are permitting in the first two years of Phase II of AID support. She was quick to add that she is confident that FNJ itself will exist even if the program is considerably small than at present.

The MSI team speculates a similar outcome. Assuming drug problems grow somewhat in Ecuador, the FNJ is likely to emerge post-AID with a diminished resource stream but still of sufficient size to permit continued research and outreach efforts.

TABLE

1. Produces Outputs

- Informal - non-formal education materials
- Formal education system materials
- T.V. sports Radio sports
- Phone assistance
- Workshops
- Drug Treatment Centers
- Community outreach
- Lobbying for new laws and policies

2. Overtime and Change

- FNJ has existed since 1982
- FNJ has survived changes in government
- Transferred leadership
- Passed through extensive changes from organization relying on volunteers to one having a professional staff
- Changed by laws and reconstituted Board in 1987

3. That are Sufficiently Valued

- a. Valued by Clients and Beneficiaries
 - Correspondence and requests for community outreach and use of phone hotline substantial
 - Enrollment in Narcotic Anonymous (NA) Substantial
 - Legal changes being seriously considered
- b. Valued by Donors, Governments, People with Resources
 - International Linkages and Invitations Proliferating
 - Some support locally materializing
 - Volunteers still native
 - Extending to new areas

4. So that Sufficient Inputs are Provided

- Dissertation of sources beyond USAID has not yet occurred but plans are being made
- Government has assisted with some research funds
- Private firms have provided some support
- Contacts internationally have been made

5. To Continue Production

(MSI did not undertake this analysis)

TABLE I
FUNDAGRO, SUSTAINABILITY ASSESSMENT

1. PRODUCES OUTPUTS

a. RESEARCH OUTPUTS

INIAIP projects coordinated by FUNAGRO personnel-yucca, potatoes, Embryonic relationships with universities, considered high potential, there is much research talent in universities

b. EXTENSION OUTPUTS

Sustainable extension, TA services for yucca, coffee established. Spin-offs, largely independent of FUNDAGRO now

Dairy extension, still not cost-covering

Extension, piece meal through growers associations
Major relationship with large extension organizations, government, and that of private growers associations

Government, BID extension project, PROJECA, a failure so far

Research - INIAP and/or universities, still up in the air

Link between Ecuadorian universities and international donors

c. EDUCATION OUTPUTS

Seminars, workshops, off-shore training

2. IN THE FACE OF TIME AND CHANGE

They have survived transition from Febres Cordero to Borja administration

They have proven political viability

3. THAT ARE SUFFICIENTLY VALUED

a. **CLIENTS**

Yucca and coffee pay for technical assistance

- b. **DONORS**
They seem to have high prestige, Nobel Prize winner helps reputation

Kellogg, CIID

4. SO THAT

- a. **MARKET MECHANISM**
Coffee, yucca technical assistance covered by user fees
- b. **M&E**
They still seem largely to be selling potential rather than performance

5. SUFFICIENT INPUTS ARE EARNED

- a. **AMOUNT**
PL-480 financed endowment
Interest for building, programs

Money from research managed

Potential - run a grain and seeds cleaning and storage operation for profit
- b. **DIVERSIFICATION**
Still highly dependent on AID money, but may be moving out of dependency

6. TO CONTINUE PRODUCTION

(Time assured resources would last without new resources)

MSI did not undertake this analysis