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Integrating Sustainability in International Development Cooperation

MFAT Sustainability Integration Project

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Terms and Acronyms

ADB	Asian Development Bank
ACA	Activity Monitoring Assessment
AMA	Activity Monitoring Assessment
ASI	Adam Smith International
DAC	Development Assessment Committee
DFAT	Department of Foreign Affairs and Trade (Australia)
DFID	Department for International Development (United Kingdom)
EU	European Union
OECD	Organization for Economic Cooperation and Development
GIZ	Gesellschaft für Internationale Zusammenarbeit
ICAI	Independent Commission for Aid Impact
IMF	International Monetary Fund
KfW	German Development Bank
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MFAT	Ministry of Foreign Affairs and Trade (New Zealand)
NONIE	Network of Networks for Impact Evaluation
ODA	Official Development Assistance
O&M	Operations and Maintenance
PIC	Pacific Island Country
SDG	Sustainable Development Goals
SIDS	Small Island Developing States
SPC	The Pacific Community
UN	United Nations
UNDP	United Nations Development Programme

1. Executive Summary

1.1. Aims and scope of the Sustainability Integration Project

'Sustainability' is a ubiquitous term in development. All donors, and all donor programs, would probably claim to be 'sustainable' in some way. However, what exactly people mean by 'sustainability' is not always clear, and meanings can vary between people and between organisations, between donors and aid recipients. There are multiple definitions of sustainability in use in development discourse, and while these all share certain commonalities, they also display important differences. These differences raise the possibility that what is considered 'sustainable' to one person is unsustainable to another.

Although 'sustainability' is clearly considered to be an important concept in development, there is surprisingly little guidance from donors and practitioners on how to actually achieve sustainability and how to build-in sustainability considerations into development cooperation strategies and program design and evaluation. There have also been relatively few attempts to synthesise the conceptual frameworks and evaluation evidence to identify what the key drivers of sustainability are.

The aim of the Sustainability Integration Project is therefore threefold:

- › Help the Ministry of Foreign Affairs and Trade (MFAT) to develop a conceptually clear understanding of 'sustainability', which can be consistently applied across the organisation;
- › Synthesise the literature and available evaluation evidence to provide MFAT with a list of the necessary and sufficient conditions for sustainability; and
- › Help MFAT think about how sustainability should be considered across the strategy or program lifecycle, from design to ex-post evaluation.

Given MFAT's specific focus on Pacific Island Countries (PICs), and the particular challenges to sustainability in these contexts, at each step the project considers if and how the findings and recommendations need to be modified for PICs.

This report provides the findings and recommendations of the extensive research and analyses undertaken by the research team. The final output of the project is a set of recommendations designed to help MFAT consistently integrate sustainability considerations in the design, implementation, and evaluation of strategies and programs in a way that is applicable across the wide range of geographic and thematic contexts in which MFAT works.

1.2. Report outline and summary findings

The report structure, main observations and findings are as follows:

Section 2 provides a short description of the project methodology, including the main research questions.

Section 3 examines how 'sustainability' is currently defined and conceptualised, both within MFAT and by MFAT stakeholders and other bilateral and multilateral donors.

- › Three common definitions are in use: Sustainable Development, Environmental Sustainability, and Sustainability as Lasting Impact. Although these three definitions share certain commonalities, there are important differences.
- › There are systematic differences in how the term 'sustainability' is used by different groups of people within organisations. Most notably, high-level donor policies and strategies tend to refer to Sustainable Development, whereas evaluation teams, MFAT staff and some country level stakeholders tend to refer to Sustainability as Lasting Impact.

Section 4 looks at the drivers of sustainability, including the main conditions for sustainability highlighted in the theoretical frameworks, but also from evaluation evidence. Sustainability as Lasting Impact is primarily considered as the theoretical underpinnings of Sustainable Development and the evaluation evidence is relatively thin.

- Five broad conditions necessary to achieve Sustainability as Lasting Impact are suggested: strong local ownership and incentive compatibility; a supportive political economy; adequate local capacity; adequate local resourcing; and a well-functioning local system and enabling environment. Definitions and frameworks of Sustainability as Lasting Impact that emphasise only one or two conditions such as national capacity and national ownership are therefore overly simplistic.
- The same set of necessary sustainability conditions are applicable in small, low-capacity country contexts, although the challenges in achieving sustainability are more acute and raise a more fundamental question as to whether full Sustainability as Lasting Impact is always the right objective.

Section 5 examines how MFAT currently incorporates sustainability considerations into program design, and contrasts this with the approach of other donors.

- Existing MFAT design guidance adopts a Sustainability as Lasting Impact definition of sustainability. This creates something of a disconnect between high-level strategy documentation, which talks primarily about Sustainable Development, and country and program design guidance.
- MFAT design guidance has focussed more on process, without providing more in-depth guidance on approaches to sustainability and how these impact on key design parameters.
- During consultations with MFAT stakeholders, there was a consistent view that the treatment of sustainability issues needed to be improved across the board – at the activity design stage, when thinking about country strategies, when developing operational plans, and when conducting monitoring and evaluation (M&E).
- These issues are very similar across the range of bilateral and multilateral donors surveyed, including the existence of only limited donor guidance on sustainability considerations at the design stage (at least in the public domain).

Section 6 discusses the methodological challenges of monitoring and evaluating sustainability and examines how MFAT and other donors currently approach sustainability in M&E.

- MFAT evaluation guidance as it relates to Sustainability as Lasting Impact is relatively advanced, although some gaps are identified. In practice, the quality of the sustainability assessments, and the supporting evidence, is variable, again pointing to the need for more in-depth guidance.
- No examples were found of guidance relating to the evaluation of Sustainable Development (as opposed to Sustainability as Lasting Impact). It means that donors currently have no way of comprehensively and consistently assessing the extent to which their programs are contributing to high-level Sustainable Development objectives.

Section 7 provides a set of recommendations, listed below, which focus on how MFAT can better integrate sustainability considerations into strategy and program design, implementation and evaluation. Guiding questions are also proposed to help MFAT develop further direction and guidance on integrating sustainability in its development cooperation efforts.

1.3. Summary recommendations

MFAT's forthcoming policy on Development Cooperation Quality is looking to include 'sustained development' as one of four quality domains that will need to be considered and applied at all levels and at all stages of New Zealand's development cooperation effort. If approved, the policy's sustained development domain would provide the policy framework on which to buttress further direction and guidance for integrating sustainability across strategies and programs. The recommendations in this report are made with a view to operationalising this forthcoming policy as it relates to sustained development.

Conceptualising sustainability in the aid programme overall

- **Recommendation 1:** Sustainable Development and Sustainability as Lasting Impact should be recognised as complementary but distinct sustainability concepts. The definitions developed or adopted for each should promote a common understanding in MFAT and also be consistent with definitions promulgated by international institutions and understood internationally.
- **Recommendation 2:** The conceptualisation of Sustainability as Lasting Impact should be both forward-looking (the likelihood that development benefits will be

sustained into the future) and backward-looking (that development benefits have in fact been sustained up to a point in time). It is important that sustainability is addressed across the strategy or program lifecycle, from design to ex-post evaluation.

- **Recommendation 3:** The assessment of Sustainability as Lasting Impact should distinguish between a range of possible sustainability outcomes based on both the proportion of developmental benefits that are sustained (depth) and proportion of target beneficiaries that still enjoy developmental benefits (breadth). For example, a simple three-tier assessment framework would be full, partial or no sustainability,

Sustainability at the country and regional level

- **Recommendation 4:** All country and regional strategies should explicitly set-out how they will contribute to one or more of the three dimensions of Sustainable Development – economic, social and environmental – and align with one or more of the Sustainable Development Goals (SDGs). They should also include an initial Do No Harm sustainability assessment across the three dimensions to identify potential risks.
- **Recommendation 5:** Country or regional strategy development should include an initial ex-ante assessment of Sustainability as Lasting Impact against the development outcomes specified. At least three dimensions of Sustainability as Lasting Impact should be assessed: local ownership and incentive compatibility (including political economy); local capacity; and local resourcing, including financing.
- **Recommendation 6:** Country or regional programme evaluations should evaluate sustainability from the perspectives of both Sustainable Development and Sustainability as Lasting Impact. An important aspect of the evaluations is to provide evidence and learning on the implementation of MFAT's policies and commitments on sustainability.

Sustainability at the activity or project level

- **Recommendation 7:** During activity or project design, sustainability should be considered in relation to all key activity design parameters: activity objectives, activity duration, results framework, activity scope, and activity approach and aid modalities.
- **Recommendation 8:** Ex-ante assessment of Sustainability as Lasting Impact should guide the formulation of designs, including a clear understanding of the desired sustainability outcomes and the dimensions (i.e. local ownership and incentives, capacity and resourcing) needed to be addressed to achieve the outcomes.
- **Recommendation 9:** Activity or project implementation should be guided by a sustainability plan that: explains the sustainability outcomes sought, be it full, partial or no sustainability; is right-sized to the local context in order to maximise sustainability; is regularly revised and informed by on-the-ground learning; and helps to mitigate risks to sustainability.
- **Recommendation 10:** Mid-term, end-program and post-program evaluations at the activity level should evaluate both the activity contribution to Sustainable Development and the activity approach to achieving Sustainability as Lasting Impact. Evaluation of sustainability at different points along the program lifecycle is essential to ongoing learning and adaptation in development cooperation efforts.

2. Project Methodology

This section sets out the project methodology, including the main research questions and the data collection methods used.

2.1. Research questions

The project research questions can be grouped into four broad themes:

Defining and conceptualising 'sustainability'

- › How does MFAT define and conceptualise 'sustainability'? Is there consistency in how MFAT staff define and think about 'sustainability' across the organisation?
- › Outside of MFAT, how do MFAT stakeholders and other bilateral and multilateral donors define and conceptualise 'sustainability'? Does this align with MFAT staff?
- › What other useful frameworks exist for thinking about 'sustainability'?

Drivers of sustainability

- › What do the theoretical frameworks and evaluation evidence tell us about the drivers or conditions for sustainability? Which conditions are necessary and sufficient?
- › How do the conditions for sustainability differ, if at all, in the context of small, low-capacity countries (e.g. Pacific Islands)?
- › What are the main exogenous risks to the attainment of sustainability?

Sustainability in program design

- › How does MFAT currently incorporate sustainability considerations at the program design stage? Are these considerations applied consistently?
- › How do other bilateral and multilateral donors build-in sustainability at the program design stage? What other useful guidance exists?
- › How do sustainability considerations at the design stage need to differ, if at all, in the context of small, low-capacity countries?

Sustainability in monitoring and evaluation

- › How does MFAT currently monitor and evaluate sustainability?
- › How do other bilateral and multilateral donors approach sustainability in monitoring and evaluation? What other useful guidance exists?

The research team adopted a qualitative mixed-methods approach to this assignment, incorporating a literature review and semi-structured interviews with key informants. Qualitative methods used open-ended questions to collect non-numerical data. Semi-structured interviews were conducted with a relatively small group of participants and the results are not intended to be generalizable to a larger population. Instead the focus was on generating in-depth understanding, with a focus on meanings, perceptions, and understandings.

2.2. Data collection: literature review

A selection of literature was reviewed including from the New Zealand Aid Programme and other donors globally, as well as academic and practitioner literature and research papers relating to sustainability concepts and sustainability in the context of PICs. The literature was analysed to explore conceptual understandings of sustainability from a range of perspectives, and how this understanding is applied in programming, through the review of high-level donor policies and strategies, design and evaluation guidance, and a small non-representative sample of actual design and evaluation documents.

The following New Zealand Aid Programme documents were reviewed:

- › New Zealand Aid Strategic Plan 2015-19, New Zealand Aid Programme Investment Priorities 2015-19, New Zealand Strategic Results Framework;
- › New Zealand Aid Quality Policy 2015;
- › New Zealand Aid Programme Results-Based Management Toolkit;
- › Internal New Zealand Aid Programme guidance on the design, appraisal, approval, implementation and monitoring and evaluation of programmes;
- › A selection of Activity Monitoring Assessments and Activity Completion Assessments;
- › A selection of New Zealand Aid evaluations, including individual programme evaluations and Country Programme Evaluations (a breakdown of the evaluations reviewed is provided at Annex 1);
- › Examples of New Zealand Aid Programme design documents.

Documentation from other donors was also reviewed, including aid policies, evaluation guidance notes, and a small sample of project design documents and project evaluations. The following donors were included in the sample:

- › The three largest bilateral donors: US (USAID), UK (DFID), and Germany (KfW Development Bank (KfW) and the Gesellschaft für Internationale Zusammenarbeit (GIZ));
- › The two largest multilateral donors: the World Bank, and the European Union (EU), plus the United Nations Development Program (UNDP) as the largest UN development organisation;
- › Other regionally-relevant donors: Asia Development Bank (ADB), and Australia (DFAT)

2.3. Data collection: key informant interviews

Key informant interviews were used to collect further qualitative data and triangulate the findings and insights from the literature review. The selection of appropriate informants was critical to the depth and validity of the data collected and the research team worked closely with MFAT colleagues to select the most appropriate informants in New Zealand and PICs. Semi-structured interview guides were developed for key informants (see Annex 2), which included:

- › New Zealand government stakeholders directly involved in delivering, and/or monitoring and evaluating aid projects in PICs including: MFAT Development Officers, Development Managers and Deputy Directors with control of activities in PICs from both bilateral and non-bilateral funding sources; the MFAT Evaluation and Research Team; MFAT Senior executives with oversight of PICs; MFAT officers formerly posted to PICs or those with significant experience with the PIC context; other New Zealand government officers who implement projects in PICs with MFAT funding;
- › Representatives from regional bodies in the Pacific, including multilateral agencies and Pacific regional bodies;
- › Stakeholders from selected PICs (see below) who are involved in the management of aid programmes, who set country level policy direction, or who have particular involvement in sustainability-related issues in their countries, including: aid coordination and Ministry of Finance staff in PICs; staff from service delivery departments in PICs; and representatives from civil society groups;
- › Third party experts who have particular experience with sustainability in the Pacific, or who have evaluated New Zealand-funded aid programmes, including academics, and consultants who design, appraise or evaluate activities for MFAT.

Stakeholders from three countries in the Pacific region (Samoa, Fiji and Kiribati) were consulted encompassing government, CSO and private sector representatives. This allowed for representation of countries across Polynesia, Melanesia and Micronesia respectively and to take into account culturally

different perspectives and experiences of sustainability between small and large countries in the region with varying levels of dependence on aid support, and varying relationships with the New Zealand government.

Ten interviews were held with representatives from MFAT in Wellington, New Zealand in November 2016; nine interviews were held with stakeholders in Samoa remotely from Sydney in July 2017; 28 interviews were held with stakeholders in Kiribati, in combination with field work associated with a Country Programme Evaluation; and approximately 24 interviews were held with stakeholders in Fiji, also during a Country Programme Evaluation consultation process.

2.4. Sustainability recommendations: feedback and review

Section 7 sets out recommendations to MFAT on the integration of sustainability into international development cooperation. This is aimed at helping MFAT staff consider how best to incorporate sustainability considerations into regional and country strategies, program design, implementation and evaluation.

The project requires the recommendations to be centrally reviewed by a small number of MFAT staff before being reviewed by MFAT staff across a number of country offices and thematic areas. To ensure broad applicability, this internal review step will include staff that cover:

- › Both the design and evaluation stages (ideally including mid-term, end-term, and post-program evaluations);
- › A variety of geographies, including PICs;
- › A variety of thematic areas, including economic growth, governance, and basic service delivery.

Feedback from MFAT staff will be sought on the following (via remote consultations or presentation and discussion in Wellington, as preferred by MFAT):

- › Clarity of the recommendations;
- › Relevance and usefulness;
- › Compatibility with MFAT processes and requirements; and
- › Any areas for improvement

Based on the feedback, the project will be finalised with the MFAT Evaluation and Research Unit.

3. Defining and Conceptualising Sustainability

3.1. Introduction

This section examines how MFAT, MFAT stakeholders, and other donors and practitioners define and conceptualise ‘sustainability’. A short summary of the most useful sustainability frameworks is included. Three common definitions are in use: Sustainable Development, Environmental Sustainability, and Sustainability as Lasting Impact. Although these three definitions share certain commonalities, there are important differences – it is therefore important for any guidance on ‘sustainability’ to be clear about which definitions one is referring to.

There are also systematic differences in how the term ‘sustainability’ is used by different groups of people within organisations. Most notably, high-level donor policies and strategies tend to refer to Sustainable Development, whereas evaluation teams, MFAT staff and some national stakeholders tend to refer to Sustainability as Lasting Impact. As Section 4 and 6 show, this contributes to certain disconnections, evident both in MFAT and all the donors surveyed, particularly between donor high-level strategies and subsequent evaluation guidance and practice.

3.2. Common definitions of ‘sustainability’

‘Sustainability’ is a ubiquitous term in development. Often, ‘sustainability’ is a pleonasm – used more for emphasis or effect – which has led some to regard ‘sustainability’ as just another development buzz word. For others, however, the term carries real meaning, although exactly what is meant by ‘sustainability’ can vary from person to person. Below is a summary of the three most common meanings of the word found in development discourse, incorporating findings from the literature reviewed and from interviews that were conducted.

‘Sustainability’ as Sustainable Development

Perhaps the most common use of the word ‘sustainability’ in donor policy and strategy documents is in reference to Sustainable Development. The best-known definition of Sustainable Development was provided by the Brundtland Commission (UN, 1987): “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

This definition has been expanded on by the UN in relation to the SDGs, which replaced the Millennium Development Goals in 2015. The UN postulates three dimensions of Sustainable Development: economic, social and environmental. Sustainable Development “recognizes that eradicating poverty in all its forms and dimensions, combatting inequality within and among countries, preserving the planet, creating sustained, inclusive and sustainable economic growth and fostering social inclusion are linked to each other and are interdependent” (UN Sustainable Development website, accessed 16/01/2018).

In the context of the SDGs, ‘sustainability’ refers to a process of development that can be maintained over time without creating damaging negative externalities or undermining the conditions for its own continuation, for example through the depletion of natural resources, exacerbating social inequality and conflict, or the accumulation of unserviceable debts. It takes a multi-dimensional view of development, emphasising three primary dimensions of development (economic, social, and environmental) and the interconnections and interdependencies between these dimensions.

‘Sustainability’ as Environmental Sustainability

Perhaps the most common use of the term ‘sustainability’ outside of development is in reference to Environmental Sustainability. For example, the sustainability strategies of most multinational corporations focus mostly on environmental and green issues. Within development too, ‘sustainability’ is sometimes used in a primarily environmental sense.

Environmental Sustainability can be defined as the ability of ecological or biological systems to remain diverse, healthy, and productive over time. ‘Sustainability’ in this context is concerned with issues around environmental degradation; the responsible management and use of natural resources such as fisheries and forests; action to tackle climate change; and green growth. This can also encompass notions of resilience, here in relation to the resilience of ecosystems or communities to climatic or ecological shocks.

This definition of sustainability is obviously narrower than the definition of sustainability as Sustainable Development, and has limited relevance to donor programming that does not have a material environment impact (e.g. most governance, health, education, justice and security, and women’s empowerment programs).

‘Sustainability’ as Lasting Impact

A third common definition of ‘sustainability’ is the continuation of program-induced benefits beyond the lifetime of the program. This is usually what evaluators, program staff and many country level stakeholders mean by sustainability, in part because sustainability in this sense is one of the five OECD-DAC criteria that frames many development evaluations: “Sustainability is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn” (OECD-DAC Criteria for Evaluating Development Assistance, OECD website, accessed 19/01/18).

The OECD (2002) offers a slightly expanded definition: “The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time.” Market Systems Development practitioners also use a similar definition of sustainability (see Section 3.6).

This definition is built on the recognition that donor projects are temporary, funded by actors that are in some sense ‘external’ to the recipient countries. From this perspective, a key concern is to what extent a donor project delivers only short-term impact, which vanishes once donor support and funding is withdrawn, versus projects that contribute to a more lasting, long-term development process. Unlike Environmental Sustainability, this definition of sustainability can be usefully applied to any donor project.

A related concept of sustainability, that does not commonly appear in the wider development discourse, but that was mentioned frequently by MFAT staff and stakeholders (particularly recipient governments – see Section 3.4), is the idea of Sustainability as Graduation from Aid. In this meaning, ‘sustainability’ implies the transition to middle-income status in which a country may be less reliant on external technical or financial aid. Sustainability in this sense is a country-level concept (whereas Sustainability as Lasting Impact is a program-level concept). For many developing countries the goal of graduation from aid will only be attainable over much longer time horizons than any single donor program. It is also worth noting that Sustainability as Lasting Impact does not necessarily imply that further donor intervention is not needed or justified. For example, an agricultural development program might succeed in sustainably doubling the yields of 10,000 smallholder farmers. But this does not mean that a further program, aiming to double yields again, or targeting a different set of farmers, would not be justifiable (not to mention donor programming in other areas). It is therefore important that Sustainability as Lasting Impact is not confused with Sustainability as Graduation from Aid (which seemed to be the case in several consultations with MFAT staff – see Section 3.3).

Commonalities and differences

The three definitions set out above contain some commonalities, but also important differences. They are all concerned with the idea of continuation over time, looking not just at what has been achieved to date, but at the prospects for continued benefit and growth into the future (including resilience to shocks). Environmental Sustainability is a narrower definition than Sustainable Development or Sustainability as Lasting Impact, and can be incorporated into these more expansive definitions without any conceptual difficulty. Because it is a narrower definition, Environmental Sustainability is necessary but not sufficient to achieve Sustainable Development or Sustainability as Lasting Impact. For example, as the OECD-DAC notes: “Projects need to be environmentally as well as financially sustainable” (OECD website, accessed 19/01/18).

Sustainability as Lasting Impact is different to the other two definitions in that it is predicated on a donor viewpoint (concerned as it is with the sustainability of *donor program* impacts), whereas Sustainable Development and Environmental Sustainability can accommodate a variety of viewpoints. For example, national governments can pursue Sustainable Development and Environmental Sustainability, as can

donors, but it is nonsensical for national governments, as non-temporary actors, to evaluate their own actions in terms of Sustainability as Lasting Impact (as defined above). Or, to put it another way, as long as they have the resource base, national governments can fund public education indefinitely, for example, whereas a given donor program or initiative cannot (or will not).

Given the differences in meaning, it is possible for a given donor program to be regarded as 'sustainable' according to one definition but not another. For example, an agriculture development program that provides free organic inputs and training directly to smallholder farmers with the aim of spurring rural economic growth, reducing inequality, and safeguarding the environment, could be regarded as consistent with precepts of Environmental Sustainability and Sustainable Development but not with Sustainability as Lasting Impact (because once the program ends, so does the donor-funded inputs and training).

Given these differences, to avoid confusion, when talking about 'sustainability' it is important to clarify which of the three meanings one is referring to. It is also helpful to recognise that different groups of people tend to mean different things by 'sustainability'. For example, evaluators, MFAT staff and some country level stakeholders typically mean Sustainability as Lasting Impact when talking about 'sustainability'.

3.3. How does MFAT currently conceptualise 'sustainability'?

From a corporate perspective, MFAT uses the term 'sustainability' to cover all three definitions at various points. High-level strategies make frequent reference to Sustainable Development, particularly in relation to the SDGs. PIC Country Representatives also primarily spoke about Sustainable Development and the SDGs. In contrast, M&E guidance and documents typically refer to Sustainability as Lasting Impact, drawing on the OECD-DAC criteria. In consultations with MFAT staff as well as stakeholders in the field, the most common usage was Sustainability as Lasting Impact as well as Sustainability as Graduation from Aid. Environmental Sustainability was also commonly understood by staff, particularly in the Pacific Islands context given the environmental vulnerability of the region (usually as a sub-topic within the broader concepts of sustainability).

'Sustainability' as Sustainable Development

The New Zealand Aid Programme Strategic Plan 2015-19 makes frequent reference to Sustainability Development. For example: "The mission of the New Zealand Aid Programme is to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world" (MFAT, 2015). MFAT's Strategic Plan aims to contribute to the UN Agenda 2030 for Sustainable Development and identifies themes that support sustainable development, including: sustainable economic development, private sector development, and building resilience.

The more detailed Investment Priorities 2015-19 document closely aligns with the idea of Sustainable Development, outlining its approach to economic development in very similar terms: "Taking a sustainable approach to economic development ensures that growth is economically, environmentally and socially sustainable, and that outcomes we are working towards now don't compromise development opportunities for future generations" (MFAT, 2015).

New Zealand's Framework for Measuring Sustainable Development (Statistics New Zealand, 2009) reflects sustainable development thinking, considering environment, economic and social resources and balancing current and future generation's needs. Updates to the New Zealand Aid Programme strategic results framework in March 2017 also incorporate the new UN SDGs. In interviews with MFAT staff, references to the SDGs were often made. One respondent noted that Country Sustainability Frameworks tend to align with the SDGs, but were not necessarily realistic, may not include other issues of concern such as socio-economic transformation, and may not be aligned with recipient country priorities. Another respondent viewed the SDGs as a menu of goals for countries to choose from and tailor to their own contexts and priorities.

'Sustainability' as Environmental Sustainability

Environmental Sustainability is a commonly understood concept within MFAT, generally as a subset within broader concepts. MFAT's Strategic Plan targets building resilience in the region, environmentally and economically: "To strengthen the sustainability of our aid, our priorities also support resilience to climate change, natural disasters, and external economic events". Within the Plan's investment priorities, resilience is targeted through disaster preparedness, risk reduction, and climate change adaptation, with the intention

of mainstreaming these work-streams across New Zealand's aid program (MFAT, 2015). MFAT's Investment Priorities 2015-19 document also highlights environmental sustainability as a cross-cutting issue (MFAT, 2015).

During consultations, MFAT staff highlighted that PICs are dynamic environments and sustainability definitions need to consider adaptability and resilience. They pointed to environmental changes such as rising sea waters as a major risk to sustainable development outcomes.

Sustainability as Lasting Impact

New Zealand Aid's Aid Quality Policy (2015) reflects the OECD-DAC definition of sustainability as lasting impact: "the likelihood of continued long-term benefits after major assistance (e.g. donor funding) has been completed."

Consultations with a selection of MFAT staff, including desk and field-based staff, revealed they predominantly conceive of Sustainability as Lasting Impact, frequently coupled with the concept of Sustainability as Graduation from Aid. This was consistently tempered with an acknowledgement that total autonomy in many PICs and eventual economic independence was unlikely to be a reality even in the long-term, coupled with an expressed desire for MFAT to be more 'realistic' and apply greater nuance when thinking about sustainability. It was felt that sustainability should be decoupled from assumed economic independence and that sustainability goals should be reconsidered to determine what level of economic and other independence is possible and pragmatic, particularly in the context of small island states. Several respondents noted that where the full sustainability of outcomes is not feasible, MFAT should aim to support sustainability to the extent possible, while minimising the level of subsidies, support or supplementation.

Respondents thought New Zealand's aid program would endure in many PICs. Examples were provided of MFAT programs that continue to be funded over time, either by MFAT or other donors, with several respondents commenting that there should be active consideration of when it is appropriate to sustain programs and when it is not. The question was posed whether exit was always necessary and if the concept of Sustainability as Lasting Impact was always appropriate.

3.4. MFAT stakeholders' perspectives of sustainability

Discussions with MFAT stakeholders undertaken in Samoa, Kiribati and Fiji, as well as pan-regional bodies are summarised below. The focus is on how stakeholders define and conceptualise 'sustainability' – the challenges in achieving sustainability in the context of PICs is discussed further in Section 4.5.

Pan-regional perspectives

The third International Conference on Small Island Developing States (SIDS), held in Samoa in September 2014, focussed on fostering the sustainable development of small island states, based on a conceptualisation of 'sustainability' as Sustainable Development. The conference reaffirmed previous commitments to SIDS and adopted the Small Island Developing States Accelerated Modalities of Action (also called the "Samoa Pathway"). The pathway acknowledged the unique nature of SIDS and their vulnerabilities (particularly environmental) and constraints, and their efforts to integrate sustainable development into national and regional development plans. Local leadership as well as ongoing local, regional and international partnerships and coordination were seen as tools to support sustainability.

A study on sustainable development in the Pacific region undertaken by the University of the South Pacific and UNESCO echoes this conceptualisation. Sustainable development is described as "a process for improving the range of opportunities that will enable individual human beings and communities to achieve their aspirations and full potential over a sustained period of time, while maintaining the resilience of economic, social and environmental systems" (UNESCO, 2008).

Pacific Island Forum Leaders have developed a Pacific SDG Roadmap (2016-2030) to provide transparent selection of SDGs appropriate for the regional context and to guide regional efforts towards monitor progress towards SDGs, the Framework for Pacific Regionalism, and the Samoa Pathway.

In Fiji, stakeholders from regional bodies such as the SPC and PIFs were interviewed. A strong theme was the ability of PICs to assert ownership over their own development agenda, and the ability of PICs to implement their national development plans – both seen as critical to sustainability. In general, regional actors wanted to see PICs have ownership over their development agenda, to be able to clearly

communicate that agenda and link it to national level development plans that regional bodies and donors can align with. It was felt that PIC's need to do more to proactively coordinate donor resources in a way that aligns with their own conception of sustainability. At the same time, it was acknowledged that the ability of PICs to implement their own national development plans is often weak. In larger countries like Tonga, Samoa and Fiji it is possible for countries to improve their own capacity, but in smaller countries it is felt that it is difficult to move away from dependence on capacity and resources supplemented from outside.

Stakeholders noted that to achieve Sustainability as Lasting Impact, it was important that the transition of donor- or NGO-led programs to government ownership is handled correctly, with both sides recognising that a successful transition can take time. They suggested there is a need for aid donors to synchronise their processes and to use country systems, rather than creating parallel systems. It was noted that in some cases, national Governments are by-passed by donors where they do not have the capacity or capability to support the project, which undermines local ownership and sustainability.

Ownership was seen as an important element of sustainability. There is a need according to some stakeholders for ownership to come from the community level to ensure sustainability and for projects to not be foisted on communities without their proactive involvement. There was a recognition that community engagement can be problematic in the Pacific due to differing views, but it was important to address these issues and try and reach consensus before moving forward. Strong community ownership is seen as a cornerstone of sustainability.

Capacity building was highlighted as a central aspect of sustainability. It was noted that given the different levels of capacity across the Pacific region, programs need to be designed in cognisance of the specific capacity and institutional context. It was noted that in some cases capacity substitution or supplementation might be required. Staff churn and outward migration were cited as continued risks to sustainability. It was felt that a more systematic approach to capacity development was required, including programs that focus on capability transfer. The SPC Land Resource Division was given as an example, which has developed a long-term sustainability vision, identified capacity building needs, developed a method for imparting knowledge, and identified gaps requiring on-going capacity supplementation.

With regards to the sustainability of results, regional actors commented that project cycles are probably too short and there is a need for a longer-term perspective to ensure sustainability. An important part of this is predictability of funding and an appetite on behalf of donors to guarantee predictable funding levels over the medium-to-long term.

Samoa perspectives

During consultations, Samoan government counterparts largely viewed 'sustainability' as referring to Sustainability as Lasting Impact and as Graduation from Aid. One respondent described this as: "taking ownership and the ability to take on responsibility for, and impact of, successful implementation of projects, so that Samoa is able to continue these once development assistance ceases". Graduation from Aid was seen as a long-term goal, requiring the effective mobilisation of domestic resources and the prioritisation of development needs. Several respondents noted that Samoa may not ever be "aid-free" due to the environmental and economic vulnerabilities of PICs.

Sustainability as Environmental Sustainability was raised by many Samoan respondents. Samoa is a leading regional voice on adaptation and mitigation against climate change, with several respondents stressing the importance of developing climate resilience and mainstreaming this across sectors.

Sustainability was viewed by one respondent as Sustainable Development – notably a representative from the SDG Taskforce. This respondent highlighted that sustainability, in this definition, emphasises the interconnectedness and indivisibility of development goals, requiring close coordination and collaboration across sectors.

One Samoan interviewee from a state-owned enterprise described sustainability in financial terms (profit) as well as eventual graduation from aid. They felt that the Samoan government did not always appear to have a clear long-term view of what 'success' should look like: some projects had not effectively thought through how outcomes would be sustained after project closure, for example by providing sufficient human resources, skills or funding to maintain particular systems.

Several respondents were of the view that 'sustainability' needs to be contextualised to the specific country, to reflect their unique set of challenges, capacity, and resources. Sustainability concepts could relate to the

continuation of program activities through capacity building or through ongoing financial support by the Samoan government, taking on responsibility to sustain activities following the exit of donor funding.

I-Kiribati perspectives

Consultations with I-Kiribati stakeholders showed that ‘sustainability’ is widely viewed as Graduation from Aid. Some respondents commented that while certain services or aspects of the economy, such as fisheries, could potentially graduate from aid in the long-term, on the whole it was felt that Kiribati’s size, its reliance on external financial flows, its remoteness, its geographical dispersion, and lack of capacity means that graduation may be not a realistic outcome. Graduation from Aid was not seen as a reality for Kiribati, even though it may be aspirational for development partners and for the country itself. Based on this assessment, stakeholders advocated for a more realistic view of ‘sustainability’.

The Government of Kiribati’s vision for the next 20 years, known as KV20, identifies tourism and fisheries as priority sectors, which may allow the country overall to graduate from aid, though it was felt some type of external assistance would always be required to keep pace with technology or highly capital intensive infrastructure development projects. There was a strong view that a long-term perspective of sustainability needs to guide the efforts of development partners.

Interestingly, the impact of climate change was not identified as a key issue by I-Kiribati stakeholders – their narrative on sustainability is not about the sustainability of the country per se, but more about the sustainability of service delivery and economic independence. Of note were strong views about leadership and sovereignty as part of a sustainability concept.

The different models of capacity substitution, capacity supplementation and capacity building were discussed within the context of sustainability. While in the past, capacity substitution may have been appropriate (as Kiribati had poor capacity to manage agencies and deliver services), this approach is no longer seen as needed except in exceptional circumstances (e.g. the National Economic Planning Office, where there is a DFAT funded position to run the budget process and coordinate aid across all donors, and also the CEO of the Public Utilities Board, which is a position funded by MFAT). The general sense amongst respondents was capacity substitution ‘undermines the confidence and self-worth of the people’ and their ‘belief in driving their own destiny’.¹ Stakeholders noted that, as a sovereign nation, the country has to have control over its key functions, and they are looking to development partners to help them manage these functions.

Stakeholders regarded capacity supplementation and capacity building more favourably. Technical assistance in parallel with budget support is seen as an appropriate and relevant approach to facilitating the implementation of the national development agenda. From a sustainability point of view the challenge is determining whether capabilities are transferred during the capacity supplementation process. Most often supplementation occurs through the creation of a position within a ministry or agency, however, there are issues regarding the continuation of these roles and the transference of capabilities from technical advisors to local staff.

There was a strong view among stakeholders that a long-term perspective needs to guide the efforts of development partners. It was felt that expectations of achieving sustainability through short-term projects were misplaced, although for certain short-term activities, sustainability may not be an ultimate goal. It was felt that more needs to be done to ensure long-term aspirations are clearly determined, exit plans are developed to ensure the continuity of services, and that monitoring aligns with these long-term objectives.

On the issue of regional governance, the idea of the Pacific as a community of small nation-states sharing common interests and engaged in mutual support was seen as a ‘myth’ by some respondents. While development partners may believe and want to encourage the idea of greater regionalism, Kiribati stakeholders highlighted a range of problems with regional cooperation efforts. In their view, Kiribati would like to preserve its unique national identity and character and does not want to be absorbed into the rest of the Pacific.

¹ Capacity substitution was also seen by some informants as a form of ‘cultural imperialism’, which signaled that somehow expatriates were better than locals. Recent issues relating to the reputation of I-Kiribati workers on merchant vessels (e.g. as lacking work ethic, prone to alcohol abuse etc.), and the perceived poor communication skills of seasonal workers has heightened sensitivities in this regard.

3.5. How do other donors conceptualise ‘sustainability’?

How other select bilateral and multilateral donors define and conceptualise ‘sustainability’ is looked at below, including drawing out differences and similarities with MFAT.

United States (USAID)

As with MFAT, USAID uses all three meanings of ‘sustainability’. Given that USAID is a strong supporter of the UN SDGs, a lot of references are made to Sustainable Development, particularly in high-level policy statements. USAID offers an interesting conceptualisation of sustainability that uses systems thinking to build on the definition of Sustainability as Lasting Impact. On its website, USAID states that: “Working with countries to build systems that become self-sufficient over time is the best way to cement development gains for the long-term” (USAID website, accessed 11/01/2018).

This idea is expanded on in “Local Systems: A Framework for Supporting Sustained Development” (USAID, 2014). Similar to market systems frameworks (see Section 3.6), USAID defines a local system as the set of public, private, and civil society actors that together produce a given development outcome (such as education, or wealth creation):

› “Local system refers to those interconnected sets of actors—governments, civil society the private sector, universities, individual citizens and others—that jointly produce a particular development outcome. The ‘local’ in a local system refers to actors in a partner country. As these actors jointly produce an outcome, they are ‘local’ to it. And as development outcomes may occur at many levels, local systems can be national, provincial or community-wide in scope.”

Sustainability is then defined as the strengthening of these local systems so that local actors, by themselves, can produce the desired outcomes over time: “Sustainability refers to the ability of a local system to produce desired outcomes over time. Discrete projects contribute to sustainability when they strengthen the system’s ability to produce valued results and its ability to be both resilient and adaptive in the face of changing circumstances” (USAID, 2014). Similarly: “...external aid investments are more likely to catalyze sustained development processes when they reinforce a country’s internally determined development priorities (country ownership) and arrangements (country systems)” (USAID, 2014).

Other bilateral donors: United Kingdom (DFID), Germany (KfW and GIZ), Australia (DFAT)

These bilateral donors all make frequent references to ‘sustainability’, covering all three meanings of sustainability discussed above.² As with MFAT, many high-level policies make reference to Sustainable Development. In the context of evaluations, ‘sustainability’ usually refers to Sustainability as Lasting Impact, often with reference to the OECD-DAC definition of sustainability (see Section 6.4). None of the donors explicitly articulate their own definition of sustainability.

European Union

The EU makes reference to all three meanings of sustainability. Many of the high-level EU documents refer to Sustainable Development, incorporating the UN (1987) definition. For example:

› “Sustainable development has since long been at the heart of the European project. The EU Treaties give recognition to its economic, social and environmental dimensions which should be addressed together. The EU is committed to development that meets the needs of the present without compromising the ability of future generations to meet their own needs. A life of dignity for all within the planet’s limits that reconciles economic prosperity and efficiency, peaceful societies, social inclusion and environmental responsibility is at the essence of sustainable development” (EU, 2016).

In the evaluation sphere, the EU refers primarily to Sustainability as Lasting Impact, adopting the OECD-DAC definition (see, for example, EU 2015).

United Nations (UNDP)

Perhaps unsurprisingly, UNDP talks extensively about Sustainable Development. As per the SDGs, UNDP conceptualises Sustainable Development as consisting of three pillars: economic, social, and environmental:

² ‘Sustainability’ is best translated as Nachhaltigkeit in German. ‘Sustainable development’ is best translated as nachhaltige Entwicklung.

- › “Our goal is to strengthen capacities and provide an enabling environment for access to opportunities, focusing on the most vulnerable and excluded population groups – in ways that are sustainable from economic, social and environmental standpoints... To achieve this goal, we work with countries to build their capacity to integrate environmental considerations into development plans and strategies, to manage and sustainably use natural resources; ensure that natural wealth is used to promote economic recovery and livelihoods, and effectively target policies to reduce poverty and provide social protection for those in need” (UNDP website, accessed 11/01/2018).

In its Handbook on Planning, Monitoring and Evaluating for Development Results (UNDP, 2009), UNDP identifies two core aspects of sustainability – national ownership and national capacity – which also came out strongly in the interviews with MFAT staff and stakeholders:

- › Ensuring or promoting *national ownership*: “Ensure that, as appropriate, processes are led or co-led by the government and/or other national or community partners and that all plans, programmes, projects, and monitoring and evaluation efforts are aimed primarily at supporting national efforts, rather than agency objectives.”
- › Promoting *national capacity* development: “Ask throughout the processes: ‘Will this be sustainable?’; ‘Can national systems and processes be used or augmented?’; ‘What are the existing national capacity assets in this area?’; ‘Are we looking at the enabling environment, the organization or institution, as well as the individual capacities?’”

World Bank

Similarly to the bilateral donors discussed above, the World Bank employs all three meanings of sustainability. In the context of Sustainable Development, the World Bank identifies three pillars that closely match the UN framework: economic growth, environmental stewardship, and social inclusion: “Sustainable development recognizes that growth must be both inclusive and environmentally sound to reduce poverty and build shared prosperity for today’s population, and to continue to meet the needs of future generations” (World Bank website, accessed 11/01/2018).

In terms of Sustainability as Lasting Impact, the World Bank developed a definition similar to the OECD-DAC definition: “The ability of a project to maintain an acceptable level of benefit flows through its economic life” (World Bank, 1990). In the context of World Bank evaluations, in 2006 the concept of ‘sustainability’ was replaced with ‘risk to development outcome’, defined as: “The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized)” (World Bank, 2011). This conceptualisation recasts ‘sustainability’ as a set of risks regarding future states, rather than an assessment of the current state.

Asian Development Bank

ADB offers an interesting expansion on the definition of Sustainability as Lasting Impact. Sustainability is defined as: “The probability that human, institutional, financial, and natural resources are sufficient to maintain the outcome achieved over the economic life of the project and that any risks need to be or can be managed” (ADB, 2010). This expands on the OECD-DAC definition which mentions only financial and environmental sustainability. Similar to the World Bank, the ADB definition is probabilistic, conceptualising sustainability as a set of probabilities over future states of the world (rather than a simply binary assessment of current affairs), as follows:

- › “The basic idea of project sustainability is that any project should be designed to produce a continuous flow of outputs, services, and outcomes for a long time over its useful or economic life. Some definitions refer to the continuation of benefits after development assistance has been completed. Because sustainability includes project effects after implementation, some definitions refer to the likelihood that project results will be maintained over time” (ADB, 2010).

ADB (2010) emphasises two aspects of sustainability: continuation of benefits (or the likelihood that project results will be maintained), and resilience to risk. With regard to resilience, ADB sets a relatively high bar: “Project results should be sustainable even where there are several risks to outputs and outcomes; the notion of building resilience to risk is part of the reason for focusing on capacity development activities in a project scope, and for identifying mitigating measures”.

ADB provides a useful extension to the idea of financial sustainability. According to ADB (2010), this requires continuing demand for the development outcomes, and an ability and willingness of local actors to pay for these outcomes:

- › “Sustainability depends on a continuing demand for what the project delivers. For projects that include a physical investment component, sustainability requires continued funding of operations, maintenance, and expansion. The funding can come from direct customers, other beneficiaries, or the government as owner of a project, or a combination of the three. It will depend upon both the beneficiaries’ willingness to pay and perception of affordability, and the government’s ability and willingness to charge. Nonrevenue-generating projects rely heavily on government funding.”

ADB (2010) also offers a useful distinction between sustainability of effects versus sustainability of the project as an organisation, which sometimes causes confusion: “Project sustainability refers to the sustainability of project effects rather than any particular project organization, which can be dissolved at the end of project implementation.” In other words, the sustainability challenge is not to sustain the donor project itself, but to sustain the development outcomes which the project brings about.

3.6. Other tools and frameworks for conceptualising sustainability

A brief summary of other useful tools and frameworks for thinking about and conceptualising sustainability is provided.

The Springfield Centre

By far the most comprehensive sustainability framework is provided by The Springfield Centre in the ‘Making Markets Work for the Poor (M4P) Operational Guide’ (Springfield Centre, 2015). Similar to USAID, Springfield offers a definition of Sustainability as Lasting Impact from a systems perspective: “Sustainability is the capability of market systems to respond to changes and provide a means by which poor women and men can continue to derive social and economic benefits, beyond the period of intervention.”

In Springfield’s framework, ‘market systems’ are similar to ‘local systems’ as defined by USAID (see Section 3.5). Springfield recognises that market systems are both multi-player, incorporating private, public, and civil society actors, and multi-function: “A market system is a multi-function, multi-player arrangement comprising the core function of exchange by which goods and services are delivered and the supporting functions and rules which are performed and shaped by a variety of market players.” In this conception, sustainability requires development actors to bring about a fundamental shift in the wider market system, which is only possible with a shift in the capacity and incentives of actors within the system.

Springfield provides three conceptual tools for thinking through sustainability: Market Systems Framework, Sustainability Framework and Systemic Change Framework. Each is described below.

The *Market Systems Framework* helps donor programs to comprehensively map the ‘supporting functions’ and ‘rules’ required for a well-functioning market system. To provide a concrete example, for an agricultural market such as maize, the ‘core functions’ cover the primary supply functions such as planting, cultivation and harvesting. The poor can benefit from the core transaction on the supply-side, as smallholder farmers or as employees in commercial farms, and/or on the demand-side, as consumers of maize. Supporting functions might include: agro-inputs, agronomic information, financial services, transportation, storage and warehousing, and so on. ‘Rules’ might include: agricultural policies, quality standards, certification, and so on.

In a typical developing country context, one or more support functions or rules work imperfectly, reducing the flow of pro-poor benefits in the core demand-supply transaction. The task of the donor program is to catalyse a lasting improvement in these dysfunctional support functions and/or rules so that the system can, by itself, generate pro-poor outcomes beyond the lifetime of the intervention. Every function and rule is performed and paid for by a set of actors (unless it is absent). To be sustainable, by the end of the program every function and rule must be performed and paid for by local system actors (not the donor program).

The *Sustainability Framework* is to help donor programs think through a sustainable vision for the market system in terms of ‘who will do’, and ‘who will pay’, once the program ends. The first step is to comprehensively list the core functions, supporting functions, and rules required in a well-functioning market system. The second step is to analyse the current picture. For each function or rule, which actors currently

perform it, which actors currently pay for it, and what is the current level of performance (adequate, inadequate, mismatched, or absent).

The third step requires the donor program to specify how they want the performance of each problematic function or rule to improve, and crucially from a sustainability perspective, which local actors will do and pay post-program. To be a sustainable vision, it cannot be the donor who does or pays. The vision also needs to be compatible with the incentives and capacities of the stipulated local actors, as well as local contextual factors.

The *Systemic Change Framework* provides a tool for tracking the uptake and sustainability of a particular innovation or practice or behaviour change. The definitions applied are (emphasis added):

- Adopt: “A market player has successfully adopted a behaviour/ practice change to the ultimate benefit of the poor producer/ worker/consumer, recognises the value of continuing with these changes irrespective of programme inputs, and has accordingly made plans to invest in upholding these changes and covering associated recurrent costs.”
- Adapt: “The market player that adopted the behaviour/practice changes pioneered during the pilot has made qualitative and/ or quantitative investments that allow them to continue with or augment changed practices, without programme support. *These actions, independent of the programme, constitute an ‘acid test’ for whether pro-poor outcomes will be sustained.*”
- Expand: “A number of market players similar to those that pioneered the pro-poor behaviour/practice changes have adopted comparable changes – either direct copies or variants on the original innovation – that are upheld *without programme support.*”
- Respond: “The emergence and continued presence of the pro-poor changes lead market players in supporting systems to react by re-organising, assuming new/improved roles, developing their own offers, or repositioning to take advantage of opportunities that have been created. This response enables pro-poor behaviour/practice changes to further evolve. It indicates a new capability within the system and suggests it can support pro-poor solutions to emerge and grow in future.”

The tool is designed to help program staff assess the degree of sustainability achieved. It provides clues as to what to monitor at each stage of the systemic change process. It also provides a useful way of assessing the different degrees of sustainability (for example, evidence of all four changes represents a higher degree of sustainability than if only ‘adopt’ is evidenced).

Other academics and practitioners

Mog (2004) builds on the idea of resilience by incorporating the notion of learning and adaptation to the definition of sustainability:

- “Most evaluation frameworks focus on assessing specific indicators of sustainability without investigating the nature of the processes responsible for such change. A sustainable approach must be one based upon continuous learning and adaptation if the participants of development are to have any success in a world where conditions—e.g., environmental health, resource constraints, policies, technologies, markets, etc.—are in constant flux. *Experience with many development projects that have not incorporated learning and adaptation but have, instead, focused on onetime improvements in policy, practices, infrastructure, technology, or public health has demonstrated that such progress can be easily eroded over time.* While these individual changes are vital to development, they alone are insufficient and hold no promise of sustainability” (emphasis added).

This tallies with the systems view of sustainability emphasised by The Springfield Centre and USAID. Rather than focusing on a one-off improvement in agricultural yields, for example, donor programs instead need to create resilient and adaptable systems that can deliver these improvements on an on-going basis.

Mog proposes a number of elements of sustainability, including:

- Character of participation. “The critical concerns for successful and sustainable community involvement are: the respect and attention given to the opinions, ideas and perspectives of locals; the degree of control locals have in setting goals, making decisions, planning, implementing, and evaluating the program; and the extension to the community not only of information, but also the capacity to solve problems on their own through appropriate means of assessment, analysis, and experimentation.”

- Success and nature of institution- and capacity-building efforts. “Whatever the particular aims of an individual development program, if changes (or the process of change) are to be sustained over time, then local people and their institutions will ultimately have to be responsible for making them last.”
- Diversity, multiplicity and adaptability of ideas. “Every development program promotes certain ideas—whether they are technologies, policies, or methods—designed to help achieve program goals. No matter what the source of the ideas, though, to tackle adequately the full spectrum of challenges presented by sustainable development requires a great diversity and multitude of ideas that can be adapted locally. This is necessary to meet the variable and evolving economic, ecological and social demands of sustainability.”
- Recognizing the influence of external conditions, markets and policies. “Even when a program is intended to influence only one particular community, if it hopes to have a sustained impact, it cannot afford to ignore the broader context in which that community is embedded.”

Khan (2000), expanding on the notion of economic, social, and environmental sustainability commonly cited in the literature, defines six dimensions of sustainability:

- Logistics Dimension: “Continued operation and maintenance of project facilities – i.e., has the project received necessary support (both budgetary and institutional) to enable it to maintain required level of facilities?”
- Economic Dimension: “Continued flow of net benefits – i.e., (for economic sector projects) has all the cost and benefits under varying conditions weighted properly and does the project guarantee an acceptable level of financial and economic return?”
- Community Dimension: “Continued community participation (in projects where active community participation is crucial for both stimulating new actions as well as for cost recovery) – i.e., has the project involved the community? has it succeeded in maintaining a desirable level of participation of the community in the project activities?”
- Equity Dimension: “Equitable sharing and distribution of project benefits – i.e., has the project incorporated mechanisms that guarantee equitable access to and distribution of project benefits on a continuous basis?”
- Institutional Dimension: “Institutional stability – i.e. has the project considered adequately the institutional requirements and thus made provisions so that management support to project operations continue, during the life of the project?”
- Environmental Dimension: “Maintenance of environmental stability – i.e., has the project considered environmental implications so that negative impacts on environment are either avoided or mitigated during the life of the project?”

Khan suggests that all these dimensions are critical to sustainability: “Experience suggests that weakening of any one of these has the potential to jeopardize the sustainability of the entire project, in the long run”.

4. Drivers of Sustainability

4.1. Introduction

This Section examines the conditions and factors that support sustainability based on a review of evidence from a sample of MFAT evaluations and the ADB sustainability meta-evaluation (ADB, 2010)³, critical reflections on the theoretical sustainability frameworks presented in Section 3, and consultations with MFAT staff and stakeholders.

Sustainability as Lasting Impact is the primary consideration as the theoretical underpinnings of Sustainable Development, as well as the evaluation evidence, is relatively thin. A list of five broad conditions necessary to achieve Sustainability as Lasting Impact are identified. Definitions and frameworks of Sustainability as Lasting Impact that emphasise only one or two conditions (such as OECD-DAC, which mentions only financial and environmental conditions, or UNDP, which focuses on national capacity and national ownership) are overly simplistic.

The conditions supporting sustainability in small, low-capacity country contexts are also considered. The same set of necessary conditions are applicable, although the challenges in achieving sustainability are obviously more acute and raise a more fundamental question as to whether full Sustainability as Lasting Impact is the right objective (see Section 5 on program design).

4.2. Conditions supporting Sustainability as Lasting Impact

Presented is a list of conditions suggested in the theoretical frameworks, evaluation evidence, and/or consultations with MFAT staff and stakeholders, including whether the conditions are necessary or sufficient to achieve Sustainability as Lasting Impact.

Local ownership, strategic alignment, and incentive compatibility

Many of the expanded definitions of Sustainability as Lasting Impact highlight local ownership as critical to achieving sustainability. It seems incontestable that, unless there is strong ownership by local actors of the development outcomes and the on-going functions required to sustain those outcomes, once donor support and funding is withdrawn the flow of benefits will diminish or cease.

This hypothesis is supported by evaluation evidence. For example, the ADB meta-evaluation found government ownership was critical across a range of sectors, including education, trade, and infrastructure, concluding:

› “All those [programs] rated *most likely* [to be sustained] cited the government’s strong ownership and commitment in the design and implementation of the program... The fundamental importance of government ownership and commitment to program outcomes was universally recognized and cited as the main risk to program implementation and sustainability” (ADB, 2010).

Similarly, the MFAT Tongan Country Programme Evaluation (ASI, 2016) cites several sectoral examples in which local ownership and leadership was a significant driver of on-going program successes, including in energy and law and justice, evidenced by a clear strategic vision and a high level of Government ‘buy-in’. In contrast, weak ownership by the Ministry of Education and Training, coupled with low capacity, meant programming in education was largely ineffective and generated no lasting gains. Similarly, in tourism, limited government leadership (combined with unclear roles and responsibilities and an overly ambitious design) undermined program success and sustainability.

Perhaps a more interesting question is the extent to which *local* ownership necessarily means *government* ownership, or whether ownership by other stakeholder groups is also important. In development discourse, often local ownership is implied to mean government ownership. An alternative view suggests that

³ We could find no other publicly available meta-evaluations of sustainability outcomes, although GIZ is currently undertaking a sustainability meta-evaluation, due for publication in the first half of 2018.

ownership operates at multiple levels including, for example, community ownership. During the Samoa consultations, some respondents viewed community ownership as the cornerstone of sustainability; community level capacity, planning and ownership of development processes through local level structures and institutions (including village councils, women's committees, youth groups, and the church sector) were all emphasised.

The Springfield Sustainability Framework (see Section 3.6) provides a tool for thinking through the question of 'whose ownership is important?' Sustaining a flow of developmental benefits typically requires a range of 'functions' and 'rules', which can be performed by a range of different actors (both public, private, and civil society). What matters for sustainability is that whichever actors are expected 'to do' and 'to pay' for each function or rule have 'ownership' of that function or rule in some sense. In other words, each actor is happy to take responsibility for either performing or paying for a given function or rule (and without on-going donor-inducements).

Exactly which actors are important, therefore, depends on the particular system or developmental outcome the program is targeting and the country context. It may or may not include government actors. A voice and accountability program designed to support civil society actors to better hold government to account does not require government ownership to ensure the sustainability of its outcomes (and in fact, government ownership may actually be detrimental to program outcomes). A private sector development program may or may not require government ownership of one or more of the functions or rules depending on the government's role and importance in the targeted sectors.⁴ Where government ownership is undoubtedly important is in the continued provision of basic services, such as health, education, justice and security, and infrastructure, where in most countries government plays a key role in the performance and funding of key functions and rules.

Unpacking what constitutes genuine ownership is another interesting consideration. The Paris Declaration emphasises alignment with national development strategies, and sometimes it is implied that alignment with these strategy documents is sufficient to ensure local (i.e. government) ownership. An evaluation of New Zealand's infrastructure investments found that projects in the Solomon and Cook Islands that aligned to national plans and priorities were more likely to be sustainable than those that were more ad hoc and responsive to sudden needs (MWH, 2015). However, seeing 'strategic alignment' as a sufficient condition for local ownership would be critiqued as overly simplistic by political economy practitioners. They emphasise the potential for divergence between the stated objectives and motivations of political actors and their actual aims and objectives, particularly in contexts of weak governance and accountability structures (see, for example, Hudson et al, 2016, and below).

What comes through very clearly in the Springfield Sustainability Framework is the importance of thinking through the *actual incentives* of local actors. Unless local actors have the incentive to perform a particular function or rule to an acceptable standard, or to pay for a particular function or rule in the absence of any temporary donor inducements (such as stipend payments or subsidies), then that function or rule will not be sustained. In the case of commercially-oriented actors, this means thinking through the commercial viability of any new innovation or business practice. For example, commercial financial service providers will only continue to provide financial services to lower-income, rural populations if the services generate an adequate risk-adjusted return on investment. In the case of public sector actors, incentives are equally at play, even if these incentives are not (or not primarily) material incentives.

Thinking about incentives requires programs to consider sustainable solutions to well documented incentive problems identified by economists, such as principal-agent problems, public good and free-rider problems, and collective action problems. Different target groups generate different incentives for system actors. For example, because of the geographic dispersion and lower incomes of the rural poor, it is generally more difficult to construct a viable business case for commercial actors to target these groups. These incentive problems can also bedevil public service provision. The final evaluation of the DFID Maternal and Newborn Health (MNH) Programme documents the difficulty of sustaining rural MNH services due to a lack of incentives for community midwives:

⁴ Sectors with higher incidences of externalities, public goods, collective action problems, anti-competitive market structures, and other forms of 'market failure' typically require greater government involvement to function effectively, although in some cases some of these problems can be addressed by non-governmental bodies such as industry associations.

- › “A further concern is that provinces and regions... are ill-prepared to sustain inputs that the MNH Programme has put in place, particularly the community midwives... *the lack of incentives for working in rural areas* places serious constraints on providing adequate staffing of public sector facilities by specialist and female staff” (DFID, 2015, emphasis added).

Incentive compatibility also implies that, where local actors are expected to pay for a particular good or service, there is a real demand for that good or service, thus ensuring a willingness to pay (which needs to be matched by an ability to pay – see below on local resourcing). As noted by ADB (2015):

- › “A demand for the output or service provided is a prerequisite for achieving outcomes. This is not just a problem of forecasting, but also of how the good or service can be made more available and accessible to the beneficiaries.”

Whilst local ownership is therefore critically important for sustainability, it seems useful to complement the concept of local ownership with the concept of incentive compatibility. In this view, achieving genuine local ownership depends on the following factors:

- › Clear demand for the development outcome (or product or service delivered to achieve the development outcome, e.g. mobile money services);
- › Alignment with the *actual* incentives and motivations of relevant local actors (which may in some cases diverge from stated aims and objectives as expressed, for example, in national development strategies);
- › Strong feedback loops, to ensure that those local actors required to sustain the development outcomes themselves receive sufficient on-going benefits (either material or non-material); and
- › Creating a strong feeling of ownership and buy-in among relevant local actors and avoiding the perception of being a donor-driven initiative (for example through the co-development of solutions, close consultation with relevant local actors at both the design and implementation stage, and working through local delivery systems).

Political economy

As noted above, the incentives and motivations of political actors and stakeholders are important drivers of sustainability. Although not commonly cited in donor discourses on sustainability, the ADB meta-evaluation (ADB, 2010) supports the view that a broadly supportive political economy is critical to achieving Sustainability as Lasting Impact:

- › “Government ownership and commitment to program outcomes were cited as the main risk to sustainability in the financial and small and medium-sized enterprise sector. It was necessary to identify (i) incentives and disincentives for government—including subnational levels—to implement reforms, and (ii) constituencies for or against the reforms.”
- › In the energy and power sector: “Good corporate governance and institutional capacity are not a sufficient condition for financial sustainability in the context of other factors like tariff setting. Hence, broader policy dialogue, and tariff and institutional reforms supported through program loans, with specific actions to improve institutional and financial sustainability of the sector, play an important role in ensuring the sustainability of investment programs. *Such policy-based interventions critically depend on complex political economy issues*” (emphasis added).
- › In the water and sanitation sector: “Sustainability of investments in capital works... depended on cost-cutting measures, improved revenue collections, and unpopular tariff increases”, which often encountered political resistance.

In basic terms, a supportive political economy requires the relative number and strength of supporters of a particular development outcome and associated activities to be stronger than the relative number and strength of opponents. From a resilience perspective, sustainability also necessitates a broad level of support that can withstand, for example, the loss of an individual ‘change champion’ or ‘reform champion’, or a change in government that may have different priorities. One of the biggest risks to sustainability is the risk of policy reversals following a change in political leadership (see, for example, Davies 2017).

Local capacity

Along with local ownership, local capacity is frequently cited as a necessary condition for Sustainability as Lasting Impact. Again, it seems self-evident that without the capacity of local actors to continue to perform on-going functions, the flow of development benefits will diminish or cease once donor support is withdrawn even if there is strong local ownership and the will to continue. Perhaps a more interesting discussion involves the types of capacity that are important, for what purpose, and capacity of whom.

The M4P Operational Guide (Springfield Centre, 2015) identifies five different forms of capacity and emphasises that what type of capacities matter most, and for whom, depend on the particular function or role, which therefore varies on a case-by-case basis: “Understanding the capacities of market players means assessing their ability to perform relevant functions in market systems. Capacity can be viewed at different levels: individuals, groups and organisations. Capacity can be:

- › Technical: the knowledge and ability to execute actions to a required standard;
- › Financial: the money to execute actions;
- › Physical: the structures, assets, human resources, scope or outreach (customer base, distribution system) to execute action;
- › Strategic: the vision, governance and networks to perform appropriate roles in the system;
- › Personal or cultural: the ethos, attitudes and leadership to shape effective performance.

Programmes tend to consider capacity in superficial terms, overestimating the capacity of players to perform a function. Be careful to assess capacity realistically: look for tangible evidence of it (or the lack of it).”

In discussions with MFAT, respondents reported that a significant driver of sustainability in PICs is the capacity of government. This includes human resource capacity, management capacity, organisational capacity, and the capacity to plan and prioritise within sectors and across government more generally. Respondents felt that more effective capacity development approaches need to be identified in all of these areas to ensure the sustainability of MFAT (and indeed domestic government) investments.

As with the case of local ownership, whose capacity is important depends on the configuration of system actors expected ‘to do’ each of the on-going functions and rules. Again, government capacity is not always necessary, as in the case of a voice and accountability program where it is the capacity of civil society actors that will be critical to the sustainability of outcomes.

Another nuance is the capacity of individuals versus the capacity of organisations and institutions. From a resilience perspective, outcomes will be more sustainable if they are not vulnerable to the departure of a small number of key staff. To this end, it is important that any capacity building of individuals is at some point institutionalised within the wider organisation. The importance of institutionalisation was noted in the ADB meta-evaluation (ADB, 2010), for example:

- › “For the health and social protection sector, the institutionalization of new structures and systems was identified as a key factor for enhancing sustainability.”

One form of local capacity commonly cited is local delivery systems. The extent to which donor programs work with, and strengthen, these local systems, versus create parallel systems, is an important sustainability consideration (both in terms of local capacity but also local ownership). An MFAT evaluation concluded that there was greater success advancing education in the Pacific when assistance was delivered through national government systems and when national Ministries have existing leadership and capacity to drive policies and plans (ASI, 2015). Similarly, an evaluation of MFAT’s visual impairment services in the Pacific found that while considerable workforce capacity was developed, there was low integration into, and alignment with, national health systems, which created considerable dependency on external partners (Allen and Clarke, 2016).

Local resourcing

Another often cited condition for sustainability is local resourcing or local financing. For development outcomes to be sustained, local actors have to be both willing and able to pay for all necessary on-going functions and rules. The willingness to pay for on-going functions and rules touches on the issue of incentive compatibility and strategic alignment discussed above. Where it is expected that government is to provide

the funding, this is more likely to happen when the program objectives and outcomes are aligned with national strategies and priorities. However, as in the case of local ownership, strategic alignment is insufficient to ensure the availability of local resourcing, as it is only a weak indicator of *willingness* to pay (given the potential divergence between stated and actual interests and priorities noted above) and does not consider the *ability* to pay. Where programs fail to achieve sustainability, a common cause appears to be the lack of robust ex-ante financial analysis of the on-going costs required to sustain a particular developmental outcome, and a commitment from local actors to assume these costs post-program.

Several evaluations of MFAT PIC country-programs (ASI, 2016; ASI, 2015) have found that a significant proportion of MFAT funding is not reported on-budget and there has been little engagement with the finance and treasury ministries on the eventual budget implications of MFAT projects upon completion. This includes Operations and Maintenance (O&M) in the case of infrastructure. Many PICs face severe budget constraints and have limited fiscal capacity to take on the financing of activities once donors exit. Similarly the ADB meta-evaluation found that:

- › “A key issue in the roads sector is the appropriate balance between investment for network expansion and dealing with the growing maintenance requirements for existing roads... *The fiscal implications of O&M requirements of nonrevenue-generating roads are often not analyzed at project level*” (ADB, 2010, emphasis added).

Ensuring the affordability of solutions for local actors requires programs to think about the cost and sophistication of the proposed solutions. Sometimes this may necessitate the promotion of lower ‘quality’, yet lower cost solutions, as in the case of ASI’s Business Environment Reform program in Nigeria (ENABLE):

- › “Thinking hard about sustainability forced ENABLE to think about ways in which solutions could be delivered at lower cost. The question became not ‘can we as a donor programme afford to implement this solution?’, but ‘could a local actor afford to implement this solution in the absence of donor funding?’ Very often this involved aiming for solutions that were ‘good enough’ rather than ‘best practice’. For example, in the case of media, ENABLE2 realised that the cost of conducting extensive field-based reporting was too high for many media partners. ENABLE2 therefore piloted a community journalism intervention, whereby partner media houses were trained to recruit and train a network of citizen journalists, thereby allowing expanded rural coverage at lower cost (albeit at lower quality than professional journalists could provide)” (Davies, 2017).

In some cases, such as infrastructure programming, higher quality, *higher* cost investments may actually have *lower* O&M requirements later on, improving the on-going affordability for local actors (see, for example, ADB 2010, which found that better construction standards for roads at the start can reduce cost of O&M later).

Other evaluation evidence supports the view that affordability is an important determinant of sustainability. The Independent Verification and Evaluation of the End Child Marriage Programme: Ethiopia; Mid-term Evaluation (DFID, 2015) found that:

- › “Long-term sustainability of the current approach (intensive and expansion), with national take-up, has been found to be unlikely. *The approach is too expensive for government to afford...* and it relies heavily on an externally imposed model... which are outside any existing government or social structures. Capacity of the Ministry of Women, Children and Youth Affairs remains limited. At regional level, the government needs greater staff and *resource capacity...*” (emphasis added).

Consultations with MFAT stakeholders in Samoa revealed similar examples. One was of donor support in education where free schooling was provided for children during the program, yet full government financing for the policy after project closure has proven challenging. Respondents suggested transitional approaches should be considered while long-term funding strategies can be developed.

Local systems and enabling environments

A central insight of systems or systemic approaches to sustainability is that sustaining a given development outcome often requires an array of functions and rules, sometimes referred to as the ‘enabling environment’. In the case of education, a critical support function is teacher training. Without the sustained provision of teacher training, to an acceptable standard, any donor education program will struggle to achieve lasting

improvements in educational standards. A critical rule is quality standards and school inspections. A donor program may temporarily perform and enforce this rule during the lifetime of the program (formally or informally), but once the program is gone, any improvements to educational standards are unlikely to be maintained for long unless this rule is sustained locally.

In these frameworks, a well-functioning local system is also seen as critical to resilience. For example, if capacity building is embedded within the local system, local actors are less dependent on the capacity building efforts of donors and are able to withstand the loss of skilled staff. Similarly, the presence of a capable and representative industry association performing key functions and rules such as advocacy, policy development and sector coordination can make an industry more resilient to shocks.

The importance of local systems is supported by evaluation evidence. The Independent Evaluation of the Laos-Australia Rural Livelihoods Program identified a range of support functions and rules required to sustain the provision of financial services to rural populations:

› “... developing a financial system that reaches deep into rural areas requires a *systemic change that providing direct benefits to individuals or establishing isolated village funds will not accomplish...* A *sustainable system* requires strengthening retail financial services providers, establishing technical and supervisory mechanisms that will work in the long run to shore up the system to provide adequate oversight, offer technical advice and training, develop new products and services to serve new customers and programs to strengthen customer awareness about the risks and the benefits of financial services” (DFAT, 2016, emphasis added).

In the case of infrastructure, a key support function is infrastructure maintenance, with a corresponding rule of formal and informal commitments to maintenance. Evaluation evidence suggests that these are often overlooked by donor infrastructure programs resulting in poor sustainability outcomes, for example:

› “a number of concerns over a potential lack of sustainability were identified... There were concerns over the maintenance of the infrastructure for those components of area-based and targeted poverty reduction programmes and for the rural roads activities. It was noted that there was a *lack of appropriate operation systems to provide maintenance, a lack of local commitment to maintain, and the absence of a ‘maintenance culture’*” (Evaluation of the Long-term Development Cooperation Between the UK and Vietnam, DFID, 2015, emphasis added).

Similarly, the ADB meta-evaluation (ADB, 2010) found problems in the policy environment which constrained tariffs thereby reducing the financial viability of water and sanitation investments:

› “The water supply and sanitation sector featured several constraints to sustainability, including lack of revenue-generating powers and capacities of local governments, and lack of central budget transfers for O&M. Central government policies can also constrain tariffs” (ADB, 2010).

Several MFAT evaluations provide further examples. The Tonga evaluation (ASI, 2016) concluded that, in the case of energy, MFAT support to the sector was largely sustainable, supported by a clear strategic vision, a high level of national buy-in and a high capacity energy partner. The enabling environment required strengthening, however, to support sustainability through improved policies and regulations and the development of the regulatory and financial systems surrounding service provision.

Environmental and climatic factors

A final sustainability condition highlighted in many conceptual frameworks is environmental and climatic factors. For example, the OECD-DAC definition of sustainability mentions both financial and environmental sustainability. In the Samoan consultations, environmental sustainability was highlighted as particularly important, especially the sustainability and protection of natural resources, including forests and fisheries. From a resilience perspective, the ability of target groups and even entire countries in the case of PICs to respond effectively to environmental and climatic shocks is an important aspect of sustainability.

From the perspective of an individual donor program, environmental factors will only be a necessary condition for sustainability in a sub-set of cases. For example, governance or justice programming will have limited if any substantive environmental considerations.

Which conditions are necessary and sufficient for sustainability?

A consideration of the above sustainability conditions suggests that the following conditions are necessary for Sustainability as Lasting Impact: strong local ownership and incentive compatibility; a supportive political economy; adequate local capacity; adequate local resourcing; and a well-functioning local system and enabling environment (covering all on-going functions and rules necessary for the sustainability of the development outcome). In a sub-set of programs, sound environmental stewardship and resilience will also be necessary.

All these conditions appear to be necessary, with none individually sufficient. For example, strong local ownership is not sufficient to achieve sustainability if adequate local capacity does not exist. Note that the above list is agnostic as to *whose* ownership, or capacity, or resourcing is necessary – this will vary on a program-by-program basis and may or may not include government actors. This means that many definitions and conceptualisations of Sustainability as Lasting Impact are incomplete. For example, the UNDP definition explicitly mentions only national ownership and national capacity; the OECD-DAC definition explicitly mentions only financial and environmental sustainability.

Some evaluations acknowledge that sustainability depends on a longer list of conditions than is commonly assumed. Therefore assessing the sustainability of outcomes is more complex than many of the standard definitions imply. For example, consider the following excerpt from the ‘Evaluation of the Long-term Development Cooperation Between the UK and Vietnam’ (DFID, 2015):

› “Is [DFID’s] contribution sustainable?... Our short answer to this question is yes, since DFID’s operating principle of working with and through others meant that much of what DFID supported were the very programmes of the Government of Vietnam (thus ensuring ownership) and that the agency had many successes in building the capacities of the government. As such it is reasonable to expect that, in large part, the gains that DFID has helped achieve will be sustained. Yet we acknowledge that the matter of sustainability of DFID’s achievements is more complex than this... Three of the key linked issues in this regard are whether the Government of Vietnam has the willingness and ability to provide sufficient levels of funding for those programmes supported by DFID, whether it can maintain sufficient levels of economic growth and whether environmental vulnerability (noting that Vietnam is among those countries most vulnerable to adverse environmental change) will halt or even reverse rates of development achievement.”

The authors acknowledge that ownership and capacity, two commonly cited sustainability conditions, are by themselves not sufficient to make a judgement on sustainability. This view is echoed by the ADB meta-evaluation (ADB, 2010):

› “The determinants used for assessing [the sustainability of] projects and programs... are rarely made explicit. A common practice is to reduce sustainability considerations to ‘financial viability and institutional capacity’. The present determinants could be elaborated further...”

The authors advocate for, among other things, “a better approach to assessing commitment to reforms needs to be developed, with greater analysis of the incentives in the relevant institutional and political structures” (included under incentive compatibility and political economy in the above list).

4.3. Conditions supporting Sustainable Development

Articulating a clear set of necessary conditions for Sustainable Development is more challenging as the concept of Sustainable Development is itself less clearly defined and involves certain value judgements. There is also much less extensive evaluation evidence on Sustainable Development given that most evaluations adopt a Sustainability as Lasting Impact definition of sustainability (in line with the OECD-DAC evaluation criteria).

Articulating a set of Sustainable Development conditions requires first identifying what Sustainable Development consists of, then identifying what conditions are necessary to support their attainment. This first step involves a set of value judgements that may differ from person to person and country to country. However, based on the UN SDGs, it seems reasonable to assume the list would include the following:

- › Material well-being and an absence of poverty and hunger;
- › Access to good quality housing, affordable energy, and clean water and sanitation;

- › Good health and wellbeing;
- › Good educational opportunities;
- › Peace and security and justice

The ability of countries to meet these needs for all citizens, without compromising the ability to meet the needs of citizens in the future, would seem to require the following conditions:

- › A vibrant private sector, to provide jobs, raise incomes, and deliver essential goods and services;
- › Efficient tax collection, combined with sound public financial management, to support the delivery of public services and avoid unsustainable debt burdens;
- › Effective government, to deliver public services, regulate economic activity, and provide peace, justice, and security; and
- › Environmental stewardship, to preserve the sustainability of natural resources, minimise negative externalities, and increase resilience to climate change.

Some people, particularly in Western democracies, would include democracy and accountable government in these lists, although this view has been somewhat challenged by the rise of China. Given the extensive literature on this topic and the value judgements involved, this debate is beyond the scope of this paper.

4.4. Exogenous sustainability risks

Returning to the concept of Sustainability as Lasting Impact, what are the main risks to achieving sustainability? A review of the evaluation evidence, theoretical literature, and stakeholder consultations suggests the following:

- › *Economic risks*, such as deteriorating macro-economic conditions. This can undermine the ability of local actors to pay for on-going functions and rules (local resourcing), or render the provision of certain products or services unviable (incentive compatibility).
- › *Political risks*, such as a change in political leadership or a shift in political economy dynamics. This can undermine support for a given development outcome or initiative or lead to a change in priorities (local ownership), or lead to a loss of the necessary broad coalition of support (political economy). Several examples are provided in the MFAT Tonga Country Programme Evaluation (ASI, 2016)
- › *Socio-cultural risks*, such as changing social norms, or a backlash against a perceived undermining of 'traditional' norms. This might include, for example, a backlash by husbands who feel threatened by the growing financial independence of their wives, which has been documented in several Women's Economic Empowerment programs (see, for example, Taylor, 2015).
- › *Environmental and climatic risks*, which could include one-off weather-events such as drought, or more gradual longer-term climatic changes such as rising sea levels. This can undermine, for example, the sustainability of agricultural programming through crop failure and the subsequent retrenchment or bankruptcy of agro-dealers or out-grower schemes (thereby undermining incentive compatibility, local capacity, and local resourcing).
- › *Conflict and security risks*, such as wars or insurgencies. This can undermine a host of sustainability conditions, including local capacity, local resourcing, and local systems.
- › *Other donor initiatives*. For donor programs pursuing a sustainable approach, outcomes can be undermined by other donor programs adopting a more 'direct delivery' approach or creating parallel systems. This can also undermine local ownership and local resourcing, where multiple and uncoordinated donor programs make competing demands on recipient government resources and priorities (as reported by interview respondents in I-Kiribati, for example).

The notion of resilience suggests that to be considered sustainable in the first place, a development outcome needs to be resilient to these potential shocks. These factors therefore need to be considered early in project design and factored into risk management and mitigation strategies. As noted by the ADB (2015): "Project results should be sustainable even where there are several risks to outputs and outcomes; the

notion of building resilience to risk is part of the reason for focusing on capacity development activities in a project scope, and for identifying mitigating measures.”

4.5. Sustainability in the context of small, low-capacity countries

Findings from the literature on PICs and the MFAT and Pacific stakeholder consultations support the view that the sustainability conditions and risks above remain relevant for thinking about sustainability in the context of small, low-capacity countries such as most PICs. However, what is different is that for many PICs, the challenges to meeting the conditions, and the severity of the risks, are more acute than in many developing countries. PICs are particularly vulnerable to climatic and environmental risks. The geographic isolation and small size of most PICs also makes it harder to access markets, deliver services, and create a vibrant and diverse private sector necessary for Sustainable Development. These issues are discussed in further detail below.

Local ownership and strategic alignment

In many cases there is often a lack of ownership at both government and community level. Ownership was variously understood as implying the paying for the ongoing delivery of benefits, and the graduation from aid flows – and is therefore closely tied to concepts of incentive compatibility, alignment, and financial resource capacity (see below). Budgetary capacity is often limited in PICs and in some case may never be able to fully resource services required to sustain benefits. Because of the conflation with local resourcing, some stakeholders suggested that ‘local ownership’ as an objective needs to be unpicked and explicitly reconsidered, possibly moving towards local *leadership*, where the locus of decision-making and control is locally-based and resourcing might be shared.

The issue of ownership is made more complex by the unique relationships between New Zealand and the realm states (Tokelau, Niue and Cook Islands). Concepts of ownership and leadership (and sovereignty) have possibly become blurred within the question of ongoing resourcing. Niue and the Cook Islands are self-governing, and while Niue remains highly dependent on New Zealand aid, the Cook Islands is set to graduate from OECD ODA status. Tokelau is non-self-governing and the most aid dependent state in the world, predominantly supported with ODA from New Zealand in the form of budget and project support. In a recent MFAT Country Program Evaluation for Tokelau, it was recommended that New Zealand move to a non-ODA relationship through a more direct transfer arrangement that “is one not based on an aid-donor relationship rather one that is built on the foundations of the statutory obligations enshrined in its Constitution” (ASI, 2015). The economy of Niue is fragile, with tourism becoming increasingly important. GDP is high, thanks to New Zealand general and budget support which operates more like an unconditional operating subsidy. Niue wants to remove the ‘development’ perspective, and moves to do this and to remove the associated administration of ODA by New Zealand has improved the relationship (ASI, 2015). Box 1 provides further discussion on whether MFAT should move to a non-discretionary aid relationship in some cases.

Box 1: PIC Sustainability Debates: should MFAT move to a non-discretionary aid relationship in some cases?

Many MFAT staff and stakeholders were of the view that the provision of some services in PICs could never be sustained without ongoing support. Stakeholders suggested that if the capacity of a PIC was weak in a critically important area then New Zealand’s support should be non-discretionary. In such areas the issue of shared sovereignty should be prioritised. The possible conditions for non-discretionary investment were identified as:

- › **Where there has been a demonstrable lack of human resource capacity over time and little chance the capacity will ever exist in the partner country.** This is a particular concern in micro states such as Tuvalu and Tokelau, but also in bigger states that have limited technical expertise in key areas.
- › **Where the absence of support poses a high level of development risk.** For example, the risk to economic and human development or stability and safety is high if the support is not continued. Various

examples were given including: New Zealand's support for air safety in countries where tourism is a high proportion of GDP⁵; support for the judiciary in some small island states; and support for the provision of some health services. Projects in these areas have been ongoing for many years and it is unlikely that small PICs will ever be able to fully deliver these services. In these cases New Zealand should consider institutionalising support through new funding mechanisms. This might include providing a mandate for state sector agencies to continue to deliver these services from domestic budgets.

- › **There is a lack of technical capacity in regional bodies to address key issues.** Stakeholders noted that the performance of Pacific regional bodies was variable and as such the only way to ensure that risks could be effectively addressed was through the deployment of New Zealand expertise. This does not mean that issues couldn't be addressed at a regional level (e.g. the Pacific Judicial Development programme and similar programmes) but that reliance upon regional bodies was imprudent noting their own capacity constraints.
- › **The political relationship between New Zealand and the recipient country is at a level of maturity that lends itself to practical discussions regarding shared sovereignty and 'non-discretionary' support.** Stakeholders recognised that discussions around 'non-discretionary' investment would pose political challenges. As evident in discussions with MFAT stakeholders, there is sensitivity around sovereignty issues in many PICs. That being said, if the issue of shared sovereignty could be broached diplomatically then there are a number of advantages that leaders in PICs should be appraised of, including the consistent provision of high quality services, the reduction of development risk, and increased regional stability and security. It was noted by some respondents that New Zealand was effectively investing in a non-discretionary way in many PICs already and that this should just be made more explicit, and form part of country strategies and operational plans.

Strategic alignment with PICs has been prioritised by New Zealand. Strategic alignment is, however, difficult to achieve in many PICs. A recent evaluation of New Zealand aid to Fiji exemplifies this point (ASI, forthcoming). Two issues, largely out of the control of MFAT, impeded the achievement of strategic alignment in Fiji:

- › The Fijian Government did not have a development strategy in place at the time the Development Cooperation Agreement was signed that could provide a single framework for New Zealand to align with (which is often the case in PICs more generally). Either such documents do not exist or they are so broad in scope they are challenging to use for planning purposes. They enable some level of symbolic alignment but not functional alignment.
- › Alongside this lack of strategic documentation, there is a lack of clarity at the Ministerial and senior departmental level on strategic direction at a programmatic level, and concomitant deficiencies in corporate planning. The highly centralised nature of decision-making in Fiji (and in many PICs) militates against strategic planning and alignment at the ministerial and departmental level. For example in Fiji, the Budget and Aid Coordination Committee is the central aid-related priority setting mechanism; this body has strong control over the setting of aid priorities while line agencies have minimal input at this central level.⁶ This insight is supported by research undertaken by ODI in 2014.⁷ Understanding these priorities and aligning to them is made harder when there is a lack of consistent, high level policy dialogue between the primary political decision-makers and MFAT, which is the case in Fiji.

Weak donor coordination in PICs inhibits alignment with strategic priorities and knowledge of these priorities by donors. Evaluation findings and stakeholder consultations suggest that weak donor coordination is ubiquitous across the Pacific islands. Senior representatives from donor agencies interviewed for a large number of evaluations have lamented the lack of strong aid coordination and the need for the PIC Governments to more forthrightly steer aid investment decisions.

⁵ If PICs with a reliance on tourism fail to adhere to international air transport guidelines such as those promulgated by the International Civil Aviation Organisation, then airlines could suspend travel to those islands which would have a significant impact on small island state economies.

⁶ The BACC is comprised of permanent secretaries from central agencies including Finance, Strategic Planning, National Development and Statistics, Foreign Affairs and representatives from PMO.

⁷ Schmalijohann, M and A. Prizzon (2014) The age of choice: Fiji and Vanuatu in the new aid landscape, ODI report, September 2014.

Political Economy and political risks

The state of the political economy in PICs has been cited as significantly affecting both the effectiveness of development and its sustainability. Complex national social structures that reflect family connections and customs play into the state of the political economy, and can influence incentives of key players (socio-cultural issues are discussed separately below).

It is worth noting most PICs are relatively young, like many developing countries, earning independence only in the 1960s. There have been considerable periods of conflict and insecurity in several countries. The evolution of key institutions and political processes continues to impact on development progress and sustainability across the region. For example, in Tonga, development has been constrained by “the state of flux that is characteristic of this period of Tonga’s national development. Leadership changes at ministerial and chief executive levels affect strategic direction and result in constant policy shifts” (ASI, 2016).

Another consideration around political economy is the state of the relationship between New Zealand and PICs, how roles and responsibilities are perceived between countries and the power dynamics that exist as a result, notably with realm states such as Niue (see above).

Local capacity

Local human and institutional capacity in many PICs is often cited as low, exacerbated by small population sizes, a thin pool of skilled technical staff, and an ongoing drain on these scarce resources due to educational and outward migration patterns. Absorptive capacity constraints across public and private sectors are common, making capacity building more challenging. Human resource planning capacity is also often limited (i.e. the capacity to forecast resourcing requirements and then meet these needs).

There are heightened risks from the loss of one or two key staff in a particular ministry or department. Structural reforms around public service human resource management, including improvements in salary scales and transfer of temporary to permanent contracts, can reduce turnover and attract returning scholarship graduates, as was noted during Samoan consultations. Nonetheless, it is important to focus on creating institutional and systems sustainability in order to combat the disproportionate impact of staff losses in small governments, thin markets, and small communities.

Specific types of capacity were raised by stakeholders, often around leadership and planning, as critical to building local ownership. This high level strategic capacity requires both human and skills development as well as systems to support decision-making with robust information, including basic data and high quality evaluations. Strategic planning also feeds into the capacity of governments and other stakeholders to consider exit and transition planning, and the possibility of ongoing resourcing.

There was widespread commentary from stakeholder consultations on the need to strengthen and align with local delivery systems. As with strategic alignment, there are a number of barriers to working through partner systems in PICs. These include the lack of financial and planning capacity within ministries, and poor regulatory frameworks in many areas. A central issue is it takes longer to deliver results working through government systems in PICs than implementing through parallel arrangements. This conclusion has been reached in all the country programme level evaluations undertaken over the last three years; the recent evaluation of PNG’s New Zealand Country Programme again affirms this conclusion (ASI, forthcoming). This conundrum is not, however, unique to PICs (see, for example, the findings of the ICAI review on DFID aid programming, and their calls for DFID to adopt longer time horizons in recognition of the greater length of time needed to build local capacity and achieve sustainable outcomes – see Section 5.4).

Local resourcing

Local resourcing is a key challenge frequently raised in PIC sustainability discourse. The capacity of small economies to financially sustain benefits to the desired level, with limited economies of scale and high costs of delivery, is constrained and is often unrealistic. For instance, quality medical services are often highlighted as an example where it may not be feasible for a small country to finance the requisite medical skills and infrastructure to service the national population.

For PICs, resourcing is subject to additional economic pressures brought about by their unique environments. PICs rely on a scarce resource base and natural resources to support their economies with limited primary goods (fisheries and agriculture). Aside from environmental events that can disrupt agriculturally based economies, PICs experience further vulnerability from their open economies which can

suffer significant shocks from changes in international trade conditions. They are also disadvantaged through distances from global markets and the high costs of inputs for productive activities, such as transport, energy, infrastructure and communication.

Budget support was discussed as a potential, albeit unsustainable, solution to limited local resourcing. Budget support also increases fiduciary risk for the donor, especially where local governance and fiduciary systems are weak, and raises certain political sensitivities (on the MFAT side). These issues were highlighted in a number of MFAT programme evaluations (e.g. Niue, Tokelau, Samoa, Cook Islands). However, in all these cases the fiduciary risk associated with the provision of budget support (or working through government budget systems) was not considered high.

With the graduation from Least Developed Country (LDC) status for some PICs, there are changes to the accessibility of development partner funds, although the availability of increasing climate change or 'green' funds softens the impact from graduating. Respondents noted challenges in accessing alternative finance for small PICs, where impact can be perceived by funders as low and risk high as compared to more populous nations. As recently highlighted by the IMF, the macro-economic impact of disasters disproportionately exposes PICs to high risks and holds back sustainable growth (IMF, 2016), and this can undermine the incentive of investors.

The 'special' case of PICs is widely recognised. It was re-highlighted in the Samoa Pathway, particularly in relation to the need for consideration by financial institutions, including to access appropriate levels of support to combat the impacts of climate change (UN, 2014) and to support sustainable development more broadly. Regionalism has also been seen as a potential solution to capacity and resourcing constraints in PICs, which is discussed further in Box 2.

Box 2: PIC Sustainability Debates: Is regionalism the way forward?

Regionalism has been long discussed by Pacific Island nations and New Zealand as a potential solution to capacity and resourcing constraints. The New Zealand Aid Programme's Strategic Plan (2015-19) supports the Pacific Island Forum Framework for Pacific Regionalism and commits to improving the effectiveness of regionalism. The recent Framework for Pacific Regionalism (2014) promotes regionalism to maximise sustainable economic, socio-cultural and environmental development, improved services and governance and sets out the process by which Pacific Island nations would identify regional priorities (PISF, 2014). This presents opportunities to share resources, between neighbouring Pacific countries or supported by donors such as New Zealand.

Stakeholders identified numerous basic services that are suitable for regional, shared responsibilities. This may be due to a lack of finances in the PIC in question or institutional or human capacity shortages. It may be impossible for some microstates to ever autonomously deliver some services in their country. The Tonga Country Program evaluation highlighted the challenge for the government to resource a full health service, including with specialist and emergency provisions – "there is a need to identify which specialisations are practically capable of being developed in a sustainable fashion and those that are not, within the context of a small medical service in a small island State" (ASI, 2016).

There are opportunities for regional shared services, such as the Solomon Islands eye care facility and associated human resource capacity, which could be developed as a "hub" for regional services (Allen and Clarke, 2016). In Samoa, New Zealand has provided support for intensive care with specialists supporting capacity development within the health system. However, health programs have varying levels of sustainability and patients are still sent to New Zealand for some treatments and health needs in some PICs may always outweigh resourcing. The health benefits accrued regionally from this support underpin sustainability by protecting both countries (the donor and recipient). Interconnectivity and the transboundary nature of a range of services should be taken into account.

This shared, regional perspective also applies to other sectors, such as customs and border security, which can provide regional benefits and facilitate trade (Sapere Research Group, 2016). However, stakeholder consultations pointed to certain political sensitivities around the concept of regionalism, including the loss of sovereignty and national identity.

Environmental and climatic factors

The physical location and attributes of PICs render them highly vulnerable to the impacts of climate change relative to larger countries (IMF, 2016). Many PICs face a number of additional environmental sustainability issues such as fresh water provision and the depletion of natural resources. Growing population density is presenting a further strain on scarce natural resources. Environmental vulnerabilities are widely acknowledged amongst regional stakeholders as a critical risk to PIC sustainability.

PICs were described as having lower resilience to environmental shocks and subject to significant impacts of climate change on fragile eco-systems. At its most devastating, low lying countries such as Kiribati, with most of its land less than three metres above sea level, and Tuvalu situated just five metres above sea level are faced with rising sea-levels that trigger questions surrounding continued habitation. Environmental impacts in turn affect agriculturally based economies and alternative industries such as tourism.

In the face of these threats, sustainability requires countries to build resilience, adaptation and disaster preparedness strategies. PICs have demonstrated high commitment to both environmental protection and development of resilience in signing global environmental conventions (Framework Convention on Climate Change, Convention on Biological Diversity and Convention to Combat Desertification, Barbados Programme of Action, Mauritius Strategy). The resourcing of actions supporting these agreements is, in turn, dependent on limited national and global resourcing (IMF, 2016).

Socio-cultural contexts and risks

In a study conducted by the University of the South Pacific, together with UNESCO, Sustainable Development is explored in the Pacific context (UNESCO, 2008). Interestingly, the report highlights the importance of the cultural and traditional backgrounds of Pacific Island Countries, the ongoing influence of culture on development and the requirement to mainstream local knowledge and practices into modern development planning. The report notes “The Pacific PICTs have one of the highest level of indigeneity of any part of the world, with over 90% of Pacific populations comprised of indigenous Pacific people. Traditional culture and societies are therefore strong and form a key part in shaping lifestyles and responses to globalisation” (UNESCO, 2008). Customary approaches to environmental sustainability, specifically natural resource management, were particularly emphasised as being able to contribute to sustainable development outcomes. The report placed people (“human-centred” development) and culture at the centre of sustainable development in the Pacific (UNESCO, 2008).

5. Sustainability at the Program Design Stage

5.1. Introduction

This Section considers sustainability at the program design stage, including how MFAT currently builds-in sustainability considerations in program design, and similarities and differences with other donor practices.

Existing MFAT design guidance adopts a Sustainability as Lasting Impact definition of sustainability, drawing on the OECD-DAC development effectiveness criteria. This creates something of a disconnect between high-level strategy documentation, which talks primarily about Sustainable Development, and country and program design guidance (which was evident across all the bilateral and multilateral donors surveyed).

To date, MFAT design guidance has focussed more on process, without providing more in-depth guidance on approaches to sustainability and how these impact on key design parameters. During consultations with MFAT stakeholders, there was general consensus that the treatment of sustainability issues needed to be improved across the board, at the activity design stage, when thinking about country strategies, when developing operational plans in support of country strategies, and when conducting M&E. These issues are very similar across the range of bilateral and multilateral surveyed. We found only limited guidance on sustainability considerations at the design stage (at least in the public domain).

5.2. Sustainability considerations at the program design stage

What kind of sustainability considerations do donors need to consider at the program design stage? The typical starting point for a new program is a broad development objective and target group (or groups), based on an acknowledged development need (for example: 'improving rural incomes for poor men, women, and youth in country X', or 'improving maternal health outcomes for women in country Y'). Given this high-level objective, sustainability considerations are relevant to a number of key design parameters:

- › **Program objectives.** What is a realistic sustainability objective for the program, given the overall development objective, target group, and operating context? What 'quality' of development outcome can realistically be sustained by local actors? Should the program aim for: full Sustainability as Lasting Impact for all target groups; or partial sustainability (recognising that continued donor funding may be required, for example); or simply aim for short-term (unsustainable) impact (as might be appropriate in certain humanitarian emergency situations, for example)? If full sustainability is the objective, what would a realistic exit or transition plan look like? How do the program objectives align with overall Sustainable Development objectives and commitments (e.g. SDGs), as well as the priorities and interests of local actors? How does the sustainability objective shape the trajectory of results and impact that can be expected over the project lifecycle⁸? What are the potential trade-offs between sustainability objectives and other developmental objectives, such as reaching the most marginalised, and how should these be navigated?
- › **Program duration.** How long does the program need in order to achieve its sustainability objectives, given the operating context? If a program is aiming for only partial sustainability (e.g. putting in place certain building blocks), what are the longer-term implications for the donor (for example, the need for a second phase or successor program, or on-going financial support)?
- › **Program scope.** What is the appropriate scope of the program and the likely activity areas and outputs? What are the necessary on-going functions and rules (or enabling environment factors) required for Sustainability as Lasting Impact? For example, is it sufficient for a financial inclusion program to work only

⁸ More sustainable approaches are expected to take longer to achieve high-level results and impact than more 'direct delivery' (unsustainable) approaches. For example, agriculture programs can achieve relatively quick farmer-level impact by directly providing agro-inputs and training to farmers; more sustainable approaches must first work with local actors to strengthen local delivery systems, build local capacities, shift incentives and business practices, and so on.

with financial service providers, or will the program be required to also work with other actors to put in place the necessary support functions and rules (such as functional credit bureaus and collateral registries, or appropriate regulations)?

- › **Program approach and aid modalities.** What are the implications of the sustainability objective for the program approach and aid modalities, based on an understanding of the needs on the ground? For example, is capacity building for local actors likely to be required to achieve the sustainability objective? If so, technical assistance will need to be one of the aid modalities available to the program.
- › **Program risk assessment.** What are the key risks to the attainment of the program's sustainability objectives? Is the net risk assessment (post mitigation measures) within the risk tolerance of the donor? From a Sustainable Development and Environmental perspective, potential risks include the risk of harm to economic, social, and environmental processes. Conversely, if a program is pursuing a direct delivery approach, what is the risk of causing harm to local systems?⁹

The program operating context has implications for each of these design parameters. For example, in small, low-capacity countries (such as many Pacific Island Countries), the context will have a bearing on what is a realistic sustainability objective, the length of time required to achieve the sustainability objective (with weaker local systems requiring longer periods of donor support), the aid modalities required, and the level of risk. To what extent are these consciously factored into the key design parameters?

Comprehensive design guidance would need to provide tools, frameworks, and guidance to donor staff to answer these key questions. The rest of this Section looks at how MFAT and other bilateral and multilateral donors currently contend with these issues during the program design process.

5.3. How does MFAT currently consider sustainability at the program design stage?

This section provides a brief summary of current MFAT design guidance as it relates to sustainability, as well as emerging thinking within MFAT regarding how this guidance can be strengthened.

Current MFAT design guidance

MFAT's Aid Quality Policy (2015) provides guidance as to how sustainability should be considered across design, implementation and monitoring and evaluation of programs. The policy outlines Quality Criteria using the OECD-DAC evaluation criteria and 'Best Practice' criteria within MFAT, which are then applied using a ratings system during concept development, design, monitoring and completion assessment processes. Guidance is applicable across all countries. Short guidance is provided for each criteria, including sustainability as follows:

- › Partner commitment to, and ownership of, long term planning;
- › Mutual accountability arrangements;
- › Quality of transition or exit planning to address sustainability of outcomes;
- › Institutional environment;
- › Political and financial viability of partners;
- › Long term cost implications of changes from the Activity including asset maintenance;
- › Cross-cutting issues; and
- › Any other risks to long term positive outcomes.

Existing MFAT guidance on the development of activity level designs (MFAT, 2016) provides over-arching process guidance for the development of a design document, including development of a results framework, including a diagram or logic and measurement table, M&E workplan and exit or transition plans.

⁹ For example, an ASI program in Sierra Leone found that the number one business constraint cited by commercial agro-dealers was the distribution of free or subsidized agro-inputs by other donor programs and NGOs.

The most relevant section pertaining to sustainability is a summary on undertaking exit or transition planning. The stated purpose of exit or transition planning is: “to support the long-term sustainability of Activity outcomes” (MFAT, 2016). It is recommended to undertake this during concept and design phases and refine throughout implementation. The guidance promotes participatory exit or transition planning to “foster a shared understanding of what is proposed by way of sustainability and / or follow-up, and when an Activity will end, and improves ownership of preparing for completion and sustainability of outcomes.” A final checklist suggests: “If known, outline of key steps prior to and post-completion that are necessary to address issues likely to affect the sustainability of outcomes, including monitoring and evaluation tasks” (MFAT, 2016).

The Activity Design templates requires designers to consider Sustainability as Lasting Impact issues, including exit or transition issues and issues that would affect sustainability following the removal of funding. Guidance on design appraisal draws on development effectiveness principles. Using the OECD-DAC evaluation criteria, design appraisers are required to use a 3-point rating system for concepts and a 5-point rating scale for each criteria, considering these in combination rather than in isolation. While guidance comprehensively address process issues, inputs from MFAT staff and consultants is reportedly subjective and quality can vary greatly.

Emerging review of design guidance at MFAT

Emerging thinking at MFAT recognises that the existing design guidance, as outlined above, focusses primarily on process and could go further in providing policy guidance to support development quality. The development of macro level country strategies require significant analysis to inform strategic decision-making about what is feasible at a country level. More recent thinking suggests that over-arching MFAT development policies could be developed to enhance development quality in particular domains including inclusion, environmental considerations, dynamic development (for example, enhancing adaptability) and ‘sustained development’.

‘Sustained development’ would examine which institutions or systems are most appropriate to ‘own’ development problems and drive their solutions in the long-term and deliver lasting benefits, and the implications this may have for financial flows and aid modalities. This approach would specify *who* to work with to develop sustained benefits and what ownership might mean in practice, recognising there will be varying degrees of ownership in PICs contexts. This emerging thinking is interesting as it could draw in issues related to relevance and alignment, both strategically in terms of country-led development priorities as well as use of local systems (and associated capacity development). Taking a sustained development approach would broaden the perspective of sustainability from the more traditional perspective currently in use and require an in-depth analysis of context.

A number of MFAT evaluations supported the need for rigorous contextual analysis supporting the quality of designs. The importance of in-depth and nuanced analysis of local contexts was found to be critical, including macro-economic, geographic, demographic, social and environmental, local capacity and capability, governance arrangements and leadership issues. Incorporating country level contexts presents challenges for regional programs, but without taking these into account goals can be overly ambitious (ASI, 2016). Caution is also needed when transferring approaches from one country to another, as impact and sustainability can be heavily context dependent (Allen and Clarke, 2016). Samoan stakeholders commented on the application of evaluation results to improve designs and the need to ensure designs are realistic, noting some had been overly ambitious.

The Tonga Country Programme Evaluation emphasised the necessity to develop a deep appreciation of the cultural context: “Understanding the local political, economic and socio-cultural context is vitally important for effective aid delivery, particularly in a highly fragmented aid programme like New Zealand’s in Tonga” (ASI, 2016). The evaluation suggested that the development of dialogue and ownership in support of stability in Tonga is necessary and that a “Tongan lens” needs to be applied to ensure this forms an effective part of programme designs and performance review processes (ASI, 2016).

5.4. How do other donors consider sustainability at the program design stage?

The guidance provided by other bilateral and multilateral donors regarding sustainability considerations in the design of new programs is summarised below. It is interesting to note that all the donor guidance found relating to ‘sustainability’ at the program design stage adopts a Sustainability as Lasting Impact definition.

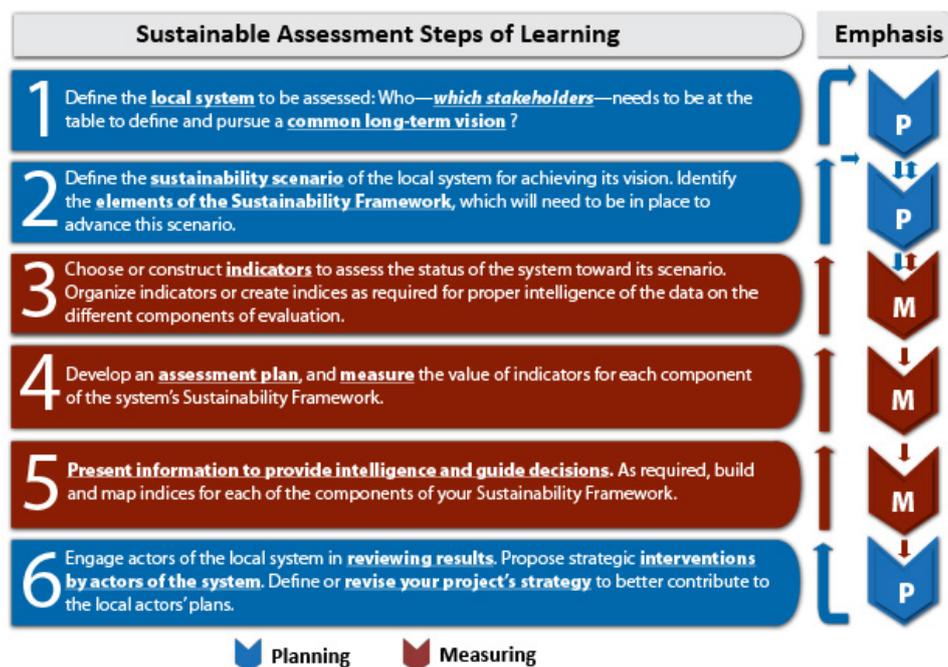
United States (USAID)

The USAID ‘Framework for Supporting Sustained Development’ (USAID, 2014) provides guidance on how to incorporate a systems-focused conceptualisation of sustainability into program design. The guidance emphasises the importance of developing, at the design stage, a deep and holistic understanding of the local systems the program will engage with, which then informs the key intervention areas and choice of aid modalities. The guidance also recognises that the most suitable aid modalities may change – program design should therefore ‘embed flexibility’, allowing modalities and interventions to change over the program lifetime. The key design principles are reproduced below (emphasis added):

- › **Map local systems:** “The center-piece of a systems approach is a deep and nuanced understanding of the systems we engage. Drawing on local knowledge, the aim is to sift through varying perspectives to reveal the contours of a local system—its boundaries, the key actors and their interrelationships, and system strengths and weaknesses.”
- › **Design holistically:** “A good project design will engage a local system holistically. Building on the understandings of a system’s contours elicited during the mapping phase, a good project design will address that system as a whole, incorporating discrete activities and interventions that together will strengthen the system and produce sustainable results. In doing so, *project designers will need to draw artfully from the full range of available development modalities*, including technical assistance and capacity development through grants, contracts or from USAID staff directly; policy reform and other forms of performance-based assistance; localized aid; facilitation; and public-private partnerships and multi-stakeholder alliances—and *in all cases choose the combination that is most likely to foster sustainability.*”
- › **Embrace facilitation:** “Our systems strengthening mantra should be: facilitate; don’t do. In other words, our engagements with local systems should facilitate system interactions without assuming responsibility for performing them directly. When we facilitate, we recognize that *the strength of the local system and its prospects for sustainability depend on its ability to operate unaided*, and that intervening too heavily robs local actors of opportunities to craft a true local solution.”
- › **Embed flexibility:** “If we wish to promote adaptability within systems, then we need to engage them in ways that are themselves adaptable. We need to design and manage all of our interventions—be it technical assistance, localized aid, policy reform, or another arrangement—in ways that allow adjustments in the face of shocks or in response to learning. This emphasis on implementation flexibility is partly about modeling good practice, but it is also about having the ability to support—and strengthen—those adaptive responses that emerge during a project’s lifetime.”

Similar guidance has been developed by the USAID-funded Child Survival Technical Support Plus (CSTS+) project in the context of health programming (CSTS, 2008). They propose a six step sustainability assessment, which incorporates both planning and monitoring (see Figure 1).

Figure 1: Sustainability Assessment Steps, CSTS+



Source: Child Survival Technical Support Plus (CSTS+) Project (2008)

Step two is a key step in the design and planning process, and closely matches the Sustainability Framework proposed by The Springfield Centre (see Section 3.6 **Error! Reference source not found.**):

- “The sustainability scenario is a short description of how the local system can expect to achieve and maintain its vision in the long term. It broadly identifies the roles and responsibilities of stakeholders, the capabilities they need to have to fulfil these roles, the flows of inputs needed, and the attributes of an environment that would be properly supportive. The sustainability scenario is not an operational plan, but rather presents the big picture in terms of roles and essential components of capable and viable key partners in a local system producing an adequate level of health in the population.”

United Kingdom (DFID and ICAI)

In its ‘Smart Rules’, DFID provides guidance on designing new programs, including developing the Business Case (which is a key step in the design and approval of any new DFID program). The Smart Rules include a brief discussion of sustainability: “Ensure sustainability and resilience. How will you generate lasting benefits for citizens in the face of possible future shocks (e.g. political, economic, security, environmental, social, climatic)? How do you support resilient households, firms, institutions, societies and environments capable of coping with uncertain futures?” (DFID, 2014)

The Smart Rules list three aspects of sustainability for consideration in the business case:

- “How would a programme fit within a long-term plan in the identified sector or (in the case of core funding) the multilateral organisation?”
- Does the partner government and/or the international community support a programme by DFID and what is the evidence for this? If not, be explicit about the logic of the intervention at this stage.
- How would the benefits of the programme be sustained beyond the period of DFID support?”

One of the ten approval questions to consider when drafting the business case also relates to sustainability: “Is the programme coherent with the wider international community and partner government response? Has the programme set out a sustainable exit strategy?” Similar to MFAT guidance, it is implied that DFID programs are required to develop a sustainable exit strategy right from the start of the program, during the design stage.

The Independent Commission for Aid Impact (ICAI), which reviews aid spending by DFID and other UK Government departments, has also provided some guidance on good practice in incorporating sustainability

into program design as part of its 2015 DFID review. The review starts by acknowledging the trade-off between short-term impact and long-term, sustainable impact:

- › “To achieve lasting impact at scale, development programmes often require sustained engagement over several phases of programming. Alongside delivering direct improvements to the lives of poor people, they need to influence the policies and priorities of partner countries and to build institutions and organisational capacity (at national, regional and community levels), in order to achieve lasting impact. Getting the balance right between direct impact and policy and institutional change emerges as a critical factor for successful impact. It calls for clear, long-term goals, combined with considerable flexibility as to the steps required to achieve them” (ICAI, 2015).

The reviewers go on to recognise the longer time horizons involved in delivering sustainable impact, which should be explicitly acknowledged at design stage:

- › “We conclude that core elements for achieving more consistent, deeper, maximised and sustainable impact include the following... Invest in long-term impact rather than short-term results: With average programme length of just three years, transformational impact will often be possible only over several programme cycles. *This should be recognised explicitly in programme design.* For complex objectives, this means gradually putting in place the building blocks for lasting impact, including the right policies, priorities, institutions and capacities in steps appropriate to the context” (emphasis added).

ICAI emphasise the importance of understanding the country context. Business cases should set-out a realistic long-term vision, then work backwards to identify the required building blocks that need to be put in place, again with any long-term or multi-phase engagement explicitly acknowledged up-front:

- › “Getting the business case right is at the heart of the impact equation. The pressure on country offices to aim for impressive-looking results, in order to secure approval, is not necessarily conducive to a focus on sustainable impact. At present, business cases are primarily about describing activities, rather than thinking through the path to sustainable impact. They need more realistic assessments of what can be achieved in the country context and what it takes to deliver meaningful change. *Designs should begin with long-term impact and work backwards to the building blocks that need to be in place (policies, institutions, market systems, community structures) and the activities required to achieve them.* Where this is likely to require a long-term engagement, over several programme cycles, this should be explicit in the business case” (emphasis added).

Finally, mirroring the DFID Smart Rules, the reviewers note that “aid interventions usually need a clear exit strategy, to ensure sustainability”.

Australia (DFAT)

In its quality assurance guidance for program designs (DFAT, 2018), DFAT includes Sustainability as Lasting Impact as one of the eight quality criteria that designs must meet: “Will the investment lead to benefits and partnerships that will last beyond the duration of the investment?” Specific reference is made to the policy, institutional, behavioural, financial and environmental changes that are expected to last beyond the life of the program. Each program design is required to provide a definition and strategy for sustainability and explain the issues that are likely to affect whether the program will be able to be sustained in the absence of direct donor support.

Several examples were identified of Sustainability as Lasting Impact being explicitly considered in program design documents. A good example is the ‘Laos – Australia Rural Livelihoods Program (2012-16) Program Design Document’ (DFAT, 2012). Similar to the MFAT and DFID guidance, the document emphasises the importance of developing exit strategies early on (although in this case they are not developed at the design stage but specified as a requirement of the inception phase): “All components will have exit strategies developed by the implementing partners during their inception periods.” The document considers some of the sustainability requirements for both the private sector and public sector actors:

- › “The program will address this [risk to sustainability] by ensuring that there are good business cases for the micro-enterprises that are established by providing technical assistance from experts in small businesses. This should ensure the survival of a higher proportion of enterprises than would otherwise be the case.”

- “AusAID will also actively engage with government to develop social protection policies that will ultimately lead to the establishment of national and sustainable programs for the poor and vulnerable funded from national financial resources.”

Interestingly the document shows an active consideration by DFAT of what constitutes a realistic sustainability objective for each component of the program. For example, in relation to the Unexploded Ordinance (UXO) component, DFAT recognises that the need for donor intervention will remain for the foreseeable future (whilst nonetheless encouraging the Government of Laos to take on a greater share of the funding responsibility):

- “A significant challenge with the UXO Action program is that it will take many decades to clear priority land of UXOs, if the current rate of clearance is maintained. Therefore, it is likely that AusAID – alongside other donors – will continue financing UXO clearance for the foreseeable future. It will, however, be important for the Government of Laos to increase its own funding to the sector. Having ratified the Convention on Cluster Munitions, it has legally assumed responsibility for clearance. AusAID... will encourage the government to transfer more resources to the sector.”

European Union

The EU’s Project Cycle Management Guidelines (EU, 2004) make repeated references to integrating ‘sustainability’ into project design but without providing specific guidance. The Guidelines adopt the OECD-DAC definition of sustainability, and suggest a number of factors that impact on the likelihood of sustainability:

- “[Sustainability is defined as] the likelihood of a continuation in the stream of benefits produced by the project after the period of external support has ended. Key factors that impact on the likelihood of sustainability include: (i) ownership by beneficiaries; (ii) policy support/consistency; (iii) appropriate technology; (iv) environment; (v) socio-cultural issues; (vi) gender equity; (vii) institutional management capacity; and (viii) economic and financial viability.”

The European Consensus on Development (EU, 2017) also suggests that EU initiatives should indicate how they will contribute to Sustainability Development (in the context of the EU’s support for the UN 2030 Agenda):

- “Sustainable development requires a holistic and cross-sector policy approach and is ultimately an issue of governance which needs to be pursued in partnership with all stakeholders and on all levels.... Policy initiatives should, wherever relevant, indicate how they contribute to sustainable development in developing countries.”

Asian Development Bank

In its meta-evaluation of sustainability outcomes, the ADB identifies a number of lessons relevant to the project design (or ‘preparation’) stage. An important lesson is the need to conduct, at the design stage, a comprehensive identification of the full range of processes and commitments required for the sustainability of outcomes. For example, in relation to education programming:

- “*The projects as designed lacked built-in measures*—such as government commitment to finance major recurrent costs, preparation of regular [Operations and Maintenance] plans, identification of potential local stakeholders, and retention requirements for staff trained by the project—to sustain project outcomes and impacts... Important aspects of the projects—the institutional outcomes and sector-specific outcomes and impacts—and not just physical outputs, are those that need to be sustained and should be the focus when assessing sustainability” (ADB, 2010, emphasis added).

Another important lesson is the need to analyse the full costs required over the full economic life of an asset, including for example any on-going maintenance costs that will need to be borne by the Government and an assessment of their ability to meet these requirements:

- “Funding requirements for nonrevenue-generating projects, or those generating revenues that meet only some of the costs, need to be estimated during project preparation for the full economic life of a project, including all maintenance and replacement needs. Although this is generally done for financial and economic calculations, it is not reflected in financing plans... Maintenance funds are often in short supply. Financing of maintenance cannot be resolved at the project level; it requires a fiscal assessment at the sector and country level, including borrowing capacity” (ADB, 2010).

5.5. Other guidance for building sustainability into program design

Other useful guidance for building sustainability into program design is summarised.

The Springfield Centre

The 'Making Markets Work for the Poor (M4P) Operations Manual' (The Springfield Centre, 2015), provides some useful guidance on sustainability in the design of program interventions, using the Market Systems Framework and Sustainability Framework (see Section 3.6). The first stage is to develop a vision for how the local system will function in the future, built on a comprehensive systems-level diagnostic:

- › “The diagnostic process has identified what is not working in the market system and why it is not working. Programmes must now look forward and think through how the system will work better in future. Programmes should plan for their exit before intervening. This means developing a clear and realistic vision of how the... market systems in which the programme intervenes will continue to serve poor women and men effectively after intervention in that system has ended.”

Springfield propose a four-step approach to developing a sustainable future vision and program strategy:

- › Step 1: “Take stock of the current picture: Review your understanding of how the market system functions at present, in terms of who does what, who pays for what and their capacities and incentives.”
- › Step 2: “Develop a realistic picture of how the system will work after intervention, i.e. the future picture: Define which players will perform or pay for which functions, to ensure that the system better serves the target group.”
- › Step 3: “Decide the main focus of programme intervention needed to bring about the vision: Specify the support required to strengthen the incentives and capacity of market players to take on new or improved roles.”
- › Step 4: “Elaborate a more detailed strategic framework for the market system: Construct a causal logic linking interventions to system-level change, benefits for the target group from economic growth or access to basic services, and poverty reduction.”

Similar to the lessons identified by ADB, Springfield emphasise the need to comprehensively identify the 'market functions' required to achieve improved system performance. It distinguishes between the 'market functions' and the 'market players' that perform and pay for those functions:

- › “This is done by defining market system capability in detail, by identifying: (a) market functions that need to work more efficiently and inclusively if the system is to benefit poor women and men, and (b) specific market players who have the requisite capacity and incentives to perform those functions more effectively. In simple terms, this means answering two sets of questions: Who 'does' what currently, and who will do what in future? Who 'pays' for what currently, and who will pay for what in future?”

Echoing the MFAT guidance and DFID Smart Rules, Springfield also emphasises the need to consider sustainability right from the start:

- › “Consider sustainability from the start: your exit strategy should be your entry strategy. Programmes tend to only consider how pro-poor benefits might continue at the point when their interventions are ending. Avoid this mistake. When you first plan how to intervene, consider the day when your programme is no longer there. It takes time to get your partners to take responsibility for changes, so start early. You will only succeed when you send the right signals and establish the right motivations from day one, not in the last few months of the programme.”

Finally, Springfield echoes the importance of flexibility in implementation identified by USAID, which should be reflected in the project contracting arrangements:

- › “Effective contracts should safeguard the need for flexibility in implementation. They should emphasise poverty and system-level outcomes and sustainability rather than detailed inputs and activities.”

Khan (2000)

Khan offers similar guidance in terms of the need to undertake rigorous sustainability analysis right at the start of a program:

- “To enhance project sustainability, a rigorous sustainability analysis is needed at the time of formulation of a project or a programme. It is expected that such an analysis which is to be followed up by development of a sustainability strategy will assist in incorporating the elements of sustainability, right at the design stage of a project.”

Completing a sustainability analysis involves the: “identification and analysis of... the factors that are likely to impact, either positively or negatively on the prospects of sustained delivery of project benefits”. Khan proposes a Sustainability Checklist for assessing aspects of sustainability at the project design stage:

- Relevancy: “refers to [the] consistency (or lack of it) between the objectives of the proposed project with national, sectoral, provincial and district priorities. Quite often, it is seen that when a project is taken up without due regard to various priorities set by the government, its ability to attract required support from various parties and its capacity to operate in a conducive environment, gets severely restricted.”
- Acceptability: “the level and degree of acceptability of a project to the community, the local representatives, the executing agency etc. Weak acceptability by anyone or more of these parties has the risk of compromising long term sustainability of a project.”
- Economic/Financial viability: “refers to economic and financial profitability of project induced products and services. For these products to be of benefit, both to the producers as well as the economy, the product cost must reflect real market costs and the product prices, the real market prices, and that the latter should be consistently higher than the former.”
- Environmental Sustainability: “relates to project induced environmental impacts – both positive and negative. If negative impacts are foreseen and no mitigational [sic] measures are planned, then ultimately the project may yield benefits at a reduced rate or worse...”
- Implementation and Monitoring strategy: “refers to consideration of project management arrangements – e.g. is the implementation period realistic? is there a well-defined implementation plan with clearly defined functions and responsibilities and have necessary provisions been made thereof. Quite often weak management and inadequate monitoring provisions contribute to implementation problems which... weakens... project sustainability.”
- Post implementation operation and maintenance (O&M): “refers to management support (either by the executing agency or the community or both) required after implementation of a project. Quite often projects tend to encounter sustainability problems due to weak or inadequate O&M support.”

The final stage is the development of a sustainability strategy, informed by the sustainability analysis:

- “The sustainability strategy is a follow up activity of sustainability analysis and is expected to indicate the way various elements of sustainability are to be identified, assessed and incorporated into a project or a programme, right at the design stage. The strategy is expected to specify various complements / constraints to sustainability and make provisions for their incorporation / tackling during: (i) formulation/design; (ii) implementation, and (iii) operation and maintenance stages of a project... It is, therefore, important that the project planner becomes aware of these elements and develops a strategy for enhancing sustainability.” For example, “if a certain project envisages joint responsibility between the executing agency and the community to undertake post-implementation operation and maintenance” then a strategy is required, from the start, to make this happen.

6. Monitoring and Evaluating Sustainability

6.1. Introduction

This Section examines sustainability at the M&E stage of a program. It considers how MFAT and other donors currently monitor and evaluate sustainability.

Compared to most of the bilateral and multilateral donors, the MFAT guidance as it relates to Sustainability as Lasting Impact is relatively advanced. However, a consideration of the necessary sustainability conditions, and risk, outlined in Section 4, as well as the methodological challenges in evaluating sustainability, points to a number of gaps. In practice, there is also a feeling that the quality of the sustainability assessments, and the supporting evidence, is variable, again pointing to the need for more in-depth guidance.

A common theme in the design guidance (Section 5) is that planning for sustainability needs to start right from the design phase, through the development of exit strategies and/or transition plans, and that waiting until the last few months of a program to begin thinking about sustainability is leaving it too late.

Similarly, it is important that sustainability assessments and evaluations are not left to program completion or post-program evaluations. MFAT evaluation guidance explicitly acknowledges this, for example by building sustainability questions into annual Activity Monitoring Assessments (unlike DFID, for example, where sustainability is not assessed until the Programme Completion Report).

No examples were found of guidance relating to the evaluation of Sustainable Development (as opposed to Sustainability as Lasting Impact). It means that donors currently have no way of comprehensively assessing the extent to which their programs are contributing to high-level Sustainable Development objectives.

6.2. Methodological challenges in monitoring and evaluating sustainability

Depending on how it is defined and conceptualised, evaluating 'sustainability' presents a number of methodological challenges. Evaluating 'sustainability' as Sustainable Development is challenging because most conceptualisations emphasise the holistic and interconnected dimensions of sustainable development, making it a difficult concept to apply in evaluations, particularly at the level of individual donor programs. In other words, evaluating Sustainable Development first requires a clear conceptualisation of the term and then an explanation of how a particular donor program is expected to contribute to Sustainable Development outcomes (including incorporation into the theory of change) against which the program could be evaluated. This second step is typically missing from most program design documents – see Section 5.

In terms of Sustainability as Lasting Impact, there are two, non-mutually exclusive conceptualisations that each pose their own evaluation challenges. In the first view, Sustainability as Lasting Impact is a retrospective concept. In this view, evaluating sustainability means asking, looking backwards, whether the developmental benefits of the program continued beyond the lifetime of the program up to the current point in time. It means sustainability outcomes can only be evaluated post-program. This is implicit in the OECD-DAC guidance, for example: "When evaluating the sustainability of a programme or a project, it is useful to consider the following questions: To what extent did the benefits of a programme or project continue after donor funding ceased?" Taken literally, this question can only be answered post-program.

In the second view, sustainability is a probabilistic concept concerning the likelihood of developmental benefits being resilient to future shocks (see, for example, the World Bank conceptualisation of sustainability in Section 3.5). This is a forward-looking concept and strictly interpreted would involve making assessments of resilience against a range of different potential risks: economic, political, environmental and so on. In this view sustainability can be assessed during a program, upon completion and post program.

These two views of sustainability are non-mutually exclusive because a post program evaluation could make both a forward and backward assessment – i.e. have developmental gains actually been sustained up to now, and are they likely to be sustained going forward.

Backward looking evaluations of sustainability are methodologically easier as it involves making an assessment of observable events. However, guidance is still required in a number of areas:

- › How long after a program ends should an assessment of sustainability be made? For example, if developmental outcomes are shown to have lasted one year after the end of the program, is that sufficient to declare the program sustainable?
- › Is sustainability a binary outcome, or is there a range of sustainability outcomes (e.g. fully sustainable, partially sustainable, unsustainable)? How should different dimensions of developmental outcomes be assessed and weighed? For example, an agricultural program designed to sustainably increase the incomes of poor male and female smallholder farmers could be evaluated in terms of the sustainability of the income gain (depth), the number of beneficiaries sustaining higher incomes (breadth), and the profile of the beneficiaries (equity).¹⁰
- › How should attribution be considered? For example, if another donor funds a second phase of the program, does this mean the program was sustainable from the perspective of the first donor?

Forward looking evaluations of sustainability involve making assessments about future states of the world, which are not directly observable to the evaluator. As well as the methodological challenges mentioned above, evaluators need guidance as to how to make assessments over non-observable states of the world. For example, what types of risks should be considered, what observable factors support sustainability and resilience, and how can resilience be assessed (in the absence of actually observing how a particular development outcome copes with an actual shock)?

Given that forward and backward-looking assessments of sustainability require different methodological approaches, guidance is needed for each stage of the evaluation cycle: annual or mid-term evaluations, project completion evaluations, and post-program evaluations.

6.3. How does MFAT currently monitor and evaluate sustainability?

MFAT programming is monitored through the production of Activity Monitoring Assessments (AMAs) and Activity Completion Assessments (ACAs), annual programme reports, country programme level evaluations and other independent evaluations of the larger aid activities.

Sustainability as reported in Activity Monitoring and Completion Assessments

AMAs are completed annually by activity managers using a standardised MFAT reporting template, based on Partner Progress Reporting, monitoring visits, evaluations and any other engagement with programs over the year. AMAs contribute to MFAT's aggregated annual reporting, particularly using Direct Results Indicators recorded in the AMAs. On the AMA form and, as guided by the Aid Quality Policy, sustainability is ranked according to a ratings scale and given a brief qualitative assessment against the OECD-DAC criteria. Guidance asks for reflections on exit / transition planning, how the activity will ensure sustainability of outcomes and challenges to sustainability.

The content of completed AMAs tend to be brief summaries of activities against annual plans, reflecting progress on activities and outputs and providing observations and commentary on progress towards the achievement of outcomes. Overall, there seems to be little reflection within completed AMAs on alignment and cohesiveness with government plans and processes, or with MFAT strategic plans. Exit planning is not often linked to sustainability issues. The quality and depth of AMA reporting is highly variable, as are insights into progress and ramifications of contextual constraints.

Challenges to sustainability reported in AMA's included: institutional and human resource capacity constraints in government departments; dependence on New Zealand financial support and national budgetary constraints; limited MFAT engagement on Partnership Agreement activities; lack of harmonisation; political uncertainties and unstable governance and decision-making contexts. Positive factors strengthening sustainability included: development of local ownership; strong relationships between supporting organisations and local partners; and the development of institutional structures, processes and capacity. In some instances, Activity Managers explicitly state that sustainability does not apply to particular

¹⁰ For example, the income increase might be sustained only by male farmers, or the least poor.

activities and government services. However, how sustainability should be addressed within the confines of annual reporting needs more explicit guidance and supporting analysis. As noted in one AMA: “There is not enough information provided to adequately assess the long term sustainability of the investments. It is anticipated that a longer term results framework, along with a risk management plan will contribute to ensuring sustainability of investments” (Niue Tourism AMA, 2011).

ACAs are documented by MFAT activity managers following the end of activities, reflecting on performance and providing recommendations for future programming and aims to provide an assessment based on the OECD-DAC criteria, with sustainability assessed on whether (and which) benefits are likely to be sustained. Guidance also asks for reflections on challenges to sustainability.

Completed ACAs are similar in scope and content to AMAs although they tend to go further in reflecting alignment with recipient government and New Zealand plans and strategic frameworks. ACAs make additional observations relating to sustainability such as the need for policy frameworks to support programs and ensure alignment; planning for exit / transition strategies (if applicable) at the outset of activities; assessing and planning for capacity development, including assessment of risks; inadequate monitoring and evaluation data to assess progress; the need for MFAT to be realistic about challenges around development of national capacity in small island states and acknowledgement when there is the need to supplement national capacity.

MFAT also has an evaluation policy to guide evaluations they commission, outside of the use of AMAs and ACAs and other reporting requirements. The policy can apply to activity, programme and country levels of evaluation. Evaluations apply the five OECD-DAC criteria, although this does not exclude the use of other criteria where appropriate.

6.4. How do other donors monitor and evaluate sustainability?

A brief summary of donor guidance in relation to M&E of sustainability is provided. Surprisingly there is little mention of sustainability in publicly available M&E guidance and policy documents from most bilateral and multilateral donors.¹¹

United States (USAID)

The USAID ‘Framework For Supporting Sustained Development’ (USAID, 2014) provides brief guidance on monitoring and evaluating sustainability. Given the systems-focus, the framework emphasises the need to look beyond the development outcomes to also consider the strength and functioning of the local system that produces (and sustains) those outcomes:

- › “Seeking a broader set of results: The first step is to expand the conception of a result to include key attributes of a well-functioning system as well as the outputs and outcomes it produces. The second step is to develop reliable ways to measure those attributes. Adding measures of system durability and adaptability to existing indicators of project outcomes will provide a more insightful basis for assessing the effectiveness of investments and for reporting progress in meeting near-term targets and attaining longer-term sustainability.”

United Kingdom (DFID)

DFID provide limited guidance on the M&E of sustainability. The DFID ‘How To Note: Reviewing and Scoring Projects’ (2011) includes no explicit requirement to assess sustainability in Annual Reviews. For Project Completion Reviews, the report template includes a section on ‘impact and sustainability’. Reviewers are required to consider the following:

- › “What do the results and the evidence base tell us about progress towards achieving the Impact? Comment on the likelihood of the benefits arising from this project being sustained beyond the end of project, and any challenges to sustainability.”

Australia (DFAT)

¹¹ For example, there is no mention of ‘sustainability’ in USAID’s Evaluation Policy or in the USAID Meta-Evaluation of evaluation quality, or in DFID’s Evaluation Strategy or Evaluation Policy.

DFAT published a set of Monitoring and Evaluation standards (DFAT, 2017), which include multiple references to sustainability. Starting with the program logic or theory of change, programs are required to explicitly identify the sustained behaviours and practices by each key actor:

- › Program logic / theory of change: “Where appropriate, key actors in the investment that are expected to adopt and sustain new behaviours or practices are clearly identified. The expected changes in behaviour or practices by the last day of the investment (or beyond) are described for each key actor.”

The Standards recognise that the achievement of sustainability is context dependent, necessitating the monitoring of material contextual factors:

- › “Important indicators or evaluation questions about the context are monitored or evaluated. Information is gathered on... any factors which are impacting on the achievement of sustained outcomes or equitable outcomes for different group.”

The Standards place a high emphasis on sustainability, which must be included in the executive summary of any ‘Progress Report’:

- › “An assessment of the adequacy of progress toward sustained end-of-program outcomes is described... Where relevant, a distinction is made between end-of-program outcomes and those outcomes that are expected to be sustained beyond the life of the investment. A firm judgement of the adequacy of progress toward these outcomes is described... A simple list of immediate and/or intermediate outcomes or achievements is not sufficient. A judgement of the adequacy of this progress must be explicit, and explained with reference to appropriate criteria, standards and evidence.”

A small non-representative sample of recent DFAT evaluations found several evaluations that explicitly evaluate program sustainability (in the Sustainability as Lasting Impact sense). An example of the sustainability evaluation questions from a recent DFAT evaluation are provided in Table 1.

Table 1: Sustainability Evaluation Questions from a Recent DFAT Evaluation

Evaluation question / sub-question	Evidence required	Data collection method & source	Analytical approach
How successful has CAVAC been in ensuring that irrigation infrastructure, once renovated, is appropriately managed and maintained? (S3)	<p>1.3. Are CAVAC supported water user groups still functioning? Are water user groups working effectively with government authorities? Have appropriate budget allocations been made for repairs and maintenance?</p> <p>1.4. Does visual inspection of a sample of CAVAC irrigation schemes confirm they remain in good working order?</p> <p>1.5. Were the Local water supply system designed with Level of Service fit for purpose with agreed water sharing and system operation arrangements – it will only be maintained if it meets the needs?</p> <p>1.6. Are there other aspects of water management that limit outcomes? i.e. Government Policy/Water resource management/irrigation (primary/secondary canals) system management</p>	<p>Key informant interviews: MOWRAM & MAFF officials</p> <p>Focus group meeting: Water user groups, smallholder farmers</p> <p>Field inspection: purposeful sample of at least 6 irrigation schemes</p>	<p>Test that maintenance and management arrangements remain in place. Visual inspection of selected irrigation schemes.</p>

Source: Phase One Completion Evaluation of Cambodia Agricultural Value Chain Program (DFAT, 2017)

World Bank

The World Bank provides comprehensive guidance on the evaluation of sustainability. World Bank evaluations use a four-point scale to rate the prospects of sustainability: “Sustainability can be rated at the project level as highly likely, likely, unlikely, highly unlikely, or, if available information is insufficient, non-evaluable” (World Bank, 2011).

As noted in Section 3.5, the World Bank takes a probabilistic approach to sustainability, looking at the likely resilience of development outcomes to future shocks. For example, when evaluating country programs,

“sustainability measures the resilience to risk of the development benefits of the country program over time” (World Bank, 2011). The assessment takes into account eight factors:

- › Technical Resilience
- › Financial Resilience
- › Economic Resilience
- › Social Support
- › Environmental Resilience
- › Ownership by governments and other key stakeholders
- › Institutional support (including a supportive legal / regulatory framework, and organizational and management effectiveness
- › Resilience to exogenous effects, such as international economic shocks or changes in the political and security environments”

European Union

In its Results Oriented Evaluation Handbook (EU, 2015), the EU provides a list of monitoring questions relating to sustainability:

- › “Is an adequate level of human and institutional capacity (avoiding unnecessary parallel mechanisms) put in place in order to continue delivering the action’s benefits?”
- › Is the role of the EUD/HQ in the management and the monitoring of the operation sufficiently respectful of the leading role of the partners in order to enhance their capacities?
- › If there is a financial contribution needed for continued access to the benefits of the action, can target groups afford such a payment?
- › Are the relevant authorities taken the financial measures to ensure the continuation of services after the end of the action?
- › Has the private sector been involved to ensure the sustainability of the action?
- › Have the necessary measures been taken to address the environmental sustainability?
- › Have the necessary measures been taken into account to ensure equal participation and benefit for women and men?”

The Handbook includes a Red-Amber-Green scale for grading sustainability in a program (see Figure 2). This incorporates factors such as institutional and managerial capacity, financial sustainability, and policy support.

Figure 2: EU Sustainability Grading Reference Table

Grade	Detailed grading reference table at criterion and monitoring questions level
Green	(Good/very good): The project contributes to improve the institutional and management capacity, local structures and institutions are strongly involved in all stages of implementation and are committed to continue producing and using results after the end of EU funding. Financial/economic sustainability is very good; costs for services and maintenance are covered or affordable; foreseeable external factors will not change that.
Orange	(Problems) Capacity building has not been sufficient to fully ensure sustainability. Project sustainability may be limited due to lack of policy support. Financial/economic sustainability is critical. Corrective measures are needed to guarantee the continuation of the overall results, but it is not too late to implement them.
Red	(Serious deficiencies) The project depends completely on ad-hoc structures; no reinforcement of capacities is attained. Policies have not been and are not likely to be in line with/in support of or even in contradiction to the project. Financial sustainability is not guaranteed in any way. The project is not sustainable unless fundamental changes are undertaken.

Source: EU, 2015

According to the Handbook, sustainability should be assessed “through individual final or ex-post project evaluations to take place at the end of or after project implementation” (there is no mention of sustainability in mid-term evaluations).

Asian Development Bank

The ADB meta-evaluation of sustainability outcomes (ADB, 2010) provides a useful summary of the ADB approach to the evaluation of sustainability. Interestingly ADB is the only donor we found that systematically conducts multiple post-program evaluations in order to assess sustainability:

› “A sustainability rating is one factor in the overall success rating of ADB-assisted projects and programs. [Project Completion Reports] provide a preliminary assessment of sustainability 1–2 years after project completion. [Project Performance Evaluation Reports] provide an assessment of sustainability some years later, and at least 3 years after completion.”

Similarly to the World Bank, ADB takes a probability- and risk-based assessment of sustainability:

› “The evaluation guidelines specify that the sustainability criterion should look at the probability that the human, institutional, financial, and natural resources are sufficient to maintain the outcome achieved over the economic lifetime of the project and that any risks need to be or can be managed... Important factors affecting the sustainability of an investment project are the project’s financial arrangements (such as tariffs and other cost-recovery arrangements or recurrent budget allocations), the performance of any operating or service entity, and the profitability of beneficiaries’ enterprises. Other factors are human resource issues; institutional and market conditions and incentives; government ownership and commitment; and environment, social, and other risks.”

Sustainability ratings for a project or program follow a four-point scale: “most likely, likely, less likely, or unlikely”. ADB (2010) identifies a number of important determinants for assessing the sustainability of investment projects, reproduced in Figure 3 below.

Figure 3: Determinants of Sustainability, ADB

Table 1: Important Determinants of Sustainability for Assessing and Rating Projects and Programs

Project Sustainability Subcriteria	Program Sustainability Subcriteria
<ol style="list-style-type: none"> 1. Availability of adequate and effective demand for the project’s services or products 2. Pricing of outputs 3. Financial viability of operating entities 4. Presence of appropriate policies and procedures to ensure continued funding for operation and maintenance of both public and private enterprises 5. Application of appropriate policies to ensure the maintenance of required human resources 6. Adequacy of policies, institutions, markets, and regulatory conditions and the risks of change 7. Political will to ensure government ownership of and commitment to the project 8. Adequacy of incentives for continued stakeholder participation 9. Environmental, social, technological, and natural resource risks 	<ol style="list-style-type: none"> 1. Likelihood that human, institutional, and financial conditions are sufficient to support program outcomes <ol style="list-style-type: none"> a. Political will on the part of government to maintain support of key stakeholders b. Institutional capacity to take appropriate follow-up actions c. Degree that the outcome of policy reforms is resilient to changing financial, social, economic, and political conditions 2. Continued support for program outcomes from key stakeholders <ol style="list-style-type: none"> a. Distribution of benefits and continued sociopolitical support from adversely affected groups b. Resilience to changes in government and institutional arrangements 3. Absence of major policy reversals

Source: Compiled from IED Guidelines, footnote 3.

Source: ADB, 2010. ‘Project’ refers to individual ‘investment interventions’. ‘Programs’ are more encompassing development interventions, such as sector-level reform initiatives.

The ADB meta-evaluation provides an interesting assessment of the quality of ADB evaluations in assessing government ownership and commitment. They emphasise that it is not enough to examine past policy performance but to assess the incentive structures within government and the wider political economy:

- › “The fundamental importance of government ownership and commitment to program outcomes was universally recognized and cited as the main risk to program implementation and sustainability. Evaluating the extent of commitment and measures taken to reinforce it was generally limited, with an overreliance on policy conditions that had been met. The analysis needs to identify incentives or disincentives for governments (including provincial and local government entities) to implement the proposed reforms, as well as constituencies for or against these reforms” (ADB, 2010).

6.5. Other guidance on monitoring and evaluating sustainability

Other guidance on M&E of sustainability are summarised.

OECD-DAC

Despite sustainability being one of the five OECD-DAC evaluation criteria, OECD-DAC offers limited guidance on how to actually evaluate sustainability in programs. The OECD-DAC website (accessed 22/01/2018) provides the following guidance: “When evaluating the sustainability of a programme or a project, it is useful to consider the following questions:

- › To what extent did the benefits of a programme or project continue after donor funding ceased?
- › What were the major factors which influenced the achievement or non-achievement of sustainability of the programme or project?”

It suggests that according to OECD-DAC, sustainability can only be evaluated post-program, looking back at the extent to which program benefits were actually sustained. This contrasts with, for example, the World Bank approach, which assesses the risks to the sustainability of outcomes *looking forward*.

NONIE¹²

In the NONIE guidance note on impact evaluation (Leeuw and Vaessen, 2009), NONIE emphasise the importance of evaluating ‘long-term impacts’, which include sustainability considerations. They note that while the sustainability of impacts is only likely to be evident in the longer term, evidence around these impacts is needed sooner rather than later so as to inform decisions around program next steps. Evaluations therefore need to make forward looking assessments of long term impacts and sustainability (cf. OECD-DAC), using methods such as early warning indicators and well-articulated theories of change:

- › “Focusing on short- or intermediate-term outcomes may underestimate the importance of [evaluation] designs that are able to measure effects (positive or negative) in the long term. One example is an effective strategy to reduce child malnutrition in a certain population that may quite quickly produce impressive results, yet fail soon after in the absence of systems, resources, and capacities to maintain the work—or follow-up work—after termination of the intervention.
- › Few impact evaluations will probably provide direct evidence of long-term impacts, and in any case results are needed before these impacts become evident to inform decisions on continuation, next phases, and scaling-up. Impact evaluations therefore need to identify short-term impacts and, where possible, indicate whether longer-term impacts are likely to occur. To detect negative impacts in the long term, early warning indicators are important to include.
- › A well-articulated intervention theory that also addresses the time horizons over which different types of outcomes and impacts could reasonably be expected to occur can help to identify impacts that can and should be explored in an evaluation. The sustainability of positive impacts is also likely to be evident only in the longer term. *Impact evaluations therefore can focus on other impacts that will be observable in the short term, such as the institutionalization of practices and the development of organizational capacity, that are likely to contribute to the sustainability of impacts for participants and communities in the longer term* (Leeuw and Vaessen, 2009, emphasis added).

The Springfield Centre

¹² NONIE is a Network of Networks for Impact Evaluation comprised of the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD/ DAC) Evaluation Network, the United Nations Evaluation Group (UNEG), the Evaluation Cooperation Group (ECG), and the International Organization for Cooperation in Evaluation (IOCE).

The Springfield Centre also recommend the inclusion of sustainability indicators, at each level of the theory of change:

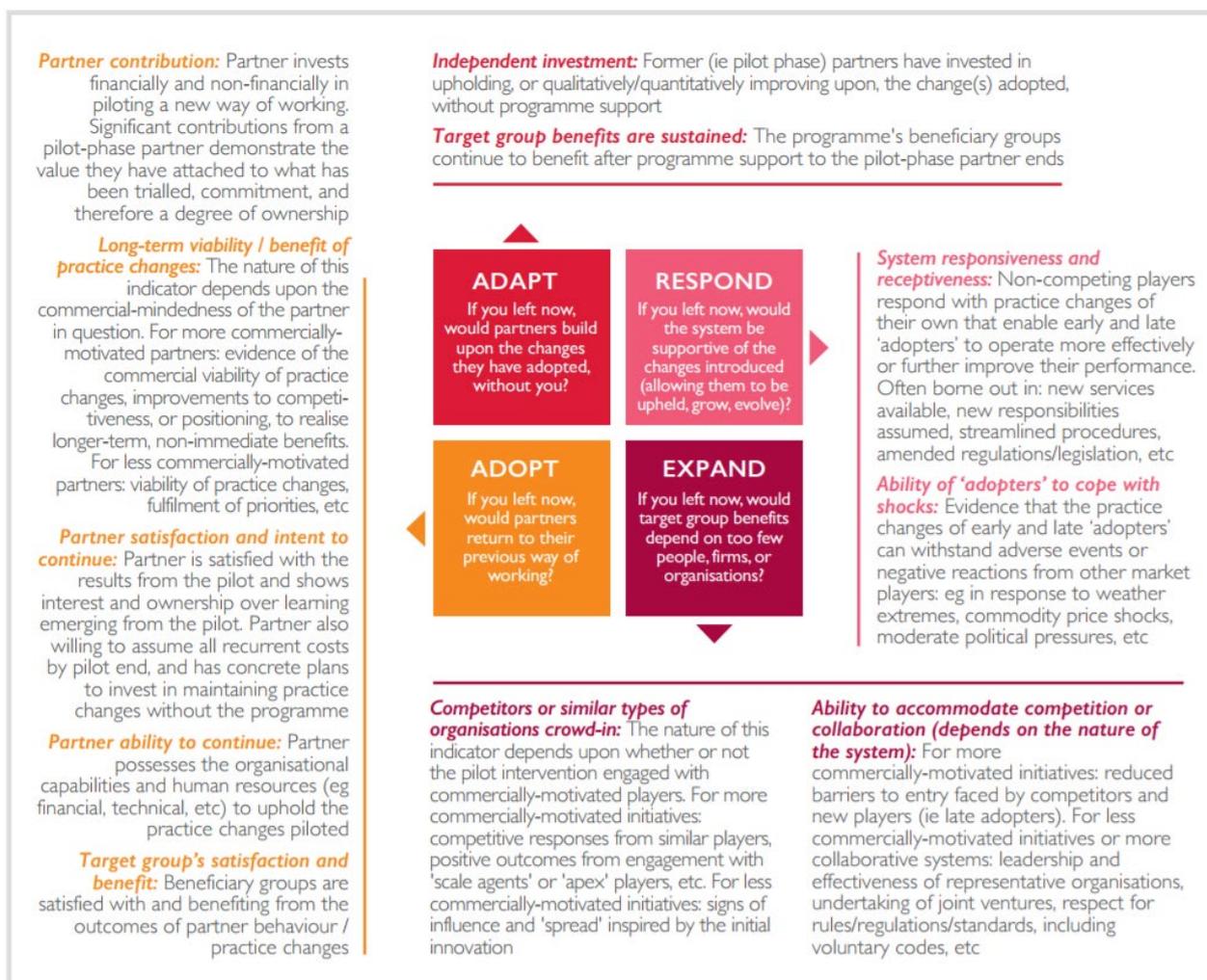
- › “The results chain and its indicators are only meaningful in a market systems development programme if the sustainability of output, outcome, and impact changes are also measured. Assigning sustainability indicators will ensure that your programme takes sustainability seriously” (Springfield Centre, 2015).

These sustainability indicators help programs to:

- › “Track changes in partner behaviour, capacity and motivation, drawing attention to those partners who are struggling to continue with new roles;
- › Track changes in the level of partner ownership, and signs of the shift from ‘adopt’ to ‘adapt’ (i.e. independent actions);
- › Assess whether scale and sustainability depend on too few players;
- › Identify whether other players in the systems are responding positively to changes introduced, or where the wider environment remains unsupportive of pro-poor change” (Springfield Centre, 2015).

The Springfield Centre (2015) suggests a framework for monitoring and evaluating the sustainability of systems change based on the Systemic Change Framework (see Section 3.6 **Error! Reference source not found.**). For each box in the framework, programs are asked to consider what would happen if the intervention ended now – to be fully sustainable, by the end of the intervention programs need credible evidence that the answer is ‘yes’ to each of the four questions posed (see Figure 4). For each box the framework provides indicative examples of the types of evidence the program (or evaluation team) could look for. For example, at the initial stages (‘adopt’) a program might monitor the commercial viability of a new practice change or innovation (depending on the commercial-mindedness of the partner), or the organisational capabilities of the partner to uphold the practice change. At the later stages, a program might monitor the ability of the ‘adopters’ to cope with adverse shocks (‘respond’).

Figure 4 The Springfield Centre Framework for Monitoring and Evaluating Systemic Change



Source: The Springfield Centre, 2015.

The Springfield Centre (2015) recommend the use of quantitative and qualitative measures in assessing sustainability:

- › “Qualitative methods help you assess why something has changed: in-depth interviews, focus group discussions, and observations by programme staff and enumerators will help you to understand the reasons behind the changes emerging from quantitative data. This is necessary for estimating attribution, but also for assessing the sustainability of outcomes and results.”

Khan (2000)

Similarly to NONIE, Khan (2000) recommends the regular tracking of sustainability during the lifetime of the program in order to spot any sustainability concerns early and make the necessary programming adjustments:

- › “Sustainability monitoring and development of a strategy for sustainability monitoring form the core of... programme management... Therefore, it is imperative that a well-planned monitoring mechanism is put in place to assess the status of sustainability, at a regular interval [sic]. This will help tracking sustainability related problems early and provide necessary feedback for adjustments and enhance the prospects of sustainability. It is useful to base such monitoring on pre-determined indicators.”

Khan recommends the development of a comprehensive set of sustainability indicators covering each dimension of sustainability:

- › “The Sustainability Monitoring indicators are signposts which reveal status of sustainability at a certain stage or point of time of a project. Since the issue of sustainability concerns a variety of factors and since

these are multi-dimensional (e.g. 'economic', 'community', 'equity', 'institutional', 'logistics' and 'environment'), the monitoring indicators representing each of these dimensions needs to be identified...”

Khan proposes a three-point scoring system (from 1 (poor) to 3 (strong)) against each dimension of sustainability.

7. Recommendations for Integrating Sustainability

MFAT's forthcoming policy on Development Cooperation Quality is looking to include 'sustained development' as one of four quality domains that will need to be considered and applied at all levels and at all stages of New Zealand's development cooperation effort. The other three domains are inclusive development, resilient development and effective development. If approved, the policy's sustained development domain would provide the policy foundation on which to buttress further direction and guidance for integrating sustainability.

The recommendations in this section are made with a view to operationalising this forthcoming policy. Guiding questions are also proposed to help MFAT develop further guidance aimed at supporting the effective implementation of the policy with regards to sustainability and achieving sustained development.

7.1. Conceptualising sustainability in the aid programme overall

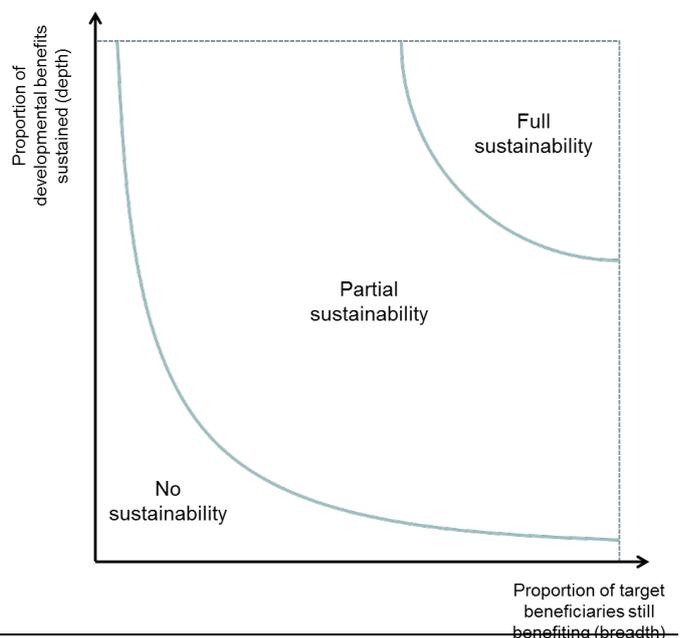
'Sustainability' is a commonplace term, yet can mean different things to different people (as evidenced by the literature review and stakeholder interviews). It is therefore important to clarify terms and promote a common understanding across MFAT. MFAT should therefore develop (or adopt) common definitions relating to two complementary but distinct sustainability concepts, to apply across strategies, programmes and activities: Sustainable Development; and Sustainability as Lasting Impact.

Given MFAT's commitment to the SDGs, MFAT should align with UN definitions of Sustainable Development. The Brundtland Commission (UN, 1987) offers a commonly accepted definition of Sustainable Development: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Reference needs to be made to the three inter-related dimensions of Sustainable Development – economic, social, and environmental – which are widely referenced in the discourse on Sustainable Development and the SDGs.

Similarly, any definition of Sustainability as Lasting Impact should align with the OECD (2002) definition, which is widely used and understood by evaluation practitioners in particular: "The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time." Sustainability as Lasting Impact can be both a forward-looking (probabilistic) concept – how likely is it that development benefits will be sustained into the future – and backward-looking – following the end of program activities, that is - have the development benefits in fact been sustained up to this point in time.

MFAT should adopt a conceptualisation of Sustainability as Lasting Impact that recognises sustainability as the combination of the proportion of developmental benefits that are sustained (depth) and proportion of target beneficiaries that still enjoy developmental benefits (breadth), as illustrated in the diagram. A simple three-tier assessment framework would be:

- › Full sustainability – high proportion of benefits sustained for high proportion of target beneficiaries beyond lifetime of Activity;
- › Partial sustainability – least some level of benefits sustained for at least some target groups beyond lifetime of Activity; and



- No sustainability – low or zero proportion of benefits sustained and/or low or zero proportion of target beneficiaries continue to benefit.

Recommendation 1: Sustainable Development and Sustainability as Lasting Impact should be recognised as complementary but distinct sustainability concepts. The definitions developed or adopted for each should promote a common understanding in MFAT and also be consistent with definitions promulgated by international institutions and understood internationally.

Recommendation 2: The conceptualisation of Sustainability as Lasting Impact should be both forward-looking (the likelihood that development benefits will be sustained into the future) and backward-looking (that development benefits have in fact been sustained up to a point in time). It is important that sustainability is addressed across the strategy or program lifecycle, from design to ex-post evaluation.

Recommendation 3: The assessment of Sustainability as Lasting Impact should distinguish between a range of possible sustainability outcomes based on both the proportion of developmental benefits that are sustained (depth) and proportion of target beneficiaries that still enjoy developmental benefits (breadth). For example, a simple three-tier assessment framework would be full, partial or no sustainability,

7.2. Sustainability at the country and regional level

Country and regional strategy development

Given MFAT’s commitment to Sustainable Development, all country and regional strategies should explicitly set-out how they will contribute to MFAT’s Sustainable Development objectives. When developing country or regional strategies, MFAT staff should consider the following:

Dimensions of Sustainable Development	Guiding strategy development questions: how will MFAT...
Economic	... contribute to sustained <i>economic</i> development (e.g. a more vibrant private sector; improved macro-economic and public financial management)?
Social	... contribute to sustained <i>social</i> development (e.g. improved educational or health outcomes, strengthened rule of law and justice)?
Environmental	... contribute to sustained <i>environmental</i> development (e.g. improved climate change resilience, strengthened natural resource management)?

Country or regional strategies should contribute to one or more of the three dimensions of Sustainable Development and align with one or more of the SDGs. They should also include an initial Do No Harm sustainability assessment, along the same three dimensions, to identify potential risks of MFAT ‘compromising the ability of future generations to meet their own needs’. For example:

- Economic risks – reduced economic diversification or increased reliance on a narrow set of exports; creating unsustainable recurrent expenditure requirement
- Social risks – increased geographic or ethnic tensions due to widening economic or developmental inequalities; exacerbating or further entrenching marginalisation of women or other vulnerable groups
- Environmental risks – environmental degradation; overexploitation of natural resources

From a Sustainability as Lasting Impact perspective, MFAT should conduct an initial ex-ante sustainability assessment to determine the likelihood that the development outcomes specified in the country or regional strategy will be sustained post-MFAT support. Development outcomes should be assessed against at least these three dimensions: local ownership and incentive compatibility (including political economy); local capacity; and local resourcing, including financing. Each dimension could be assessed on a five point scale:

Likelihood of continuation of development benefits beyond the lifetime of MFAT support:				
1 – very low	2 – low	3 – moderate	4 – high	5 – very high

In making the ex-ante sustainability assessment, for each development outcome, first map out on-going functions required to sustain the development benefits and the local actors – public, private, civil society – that are likely to play a role in ‘doing’ or ‘paying’ for these on-going functions. Second, score each development outcome against the three dimensions of Sustainability as Lasting Impact (1 to 5), taking into account the spectrum of on-going functions and the incentives, capacities, and resources of local actors, as follows:

Dimensions of Sustainability as Lasting Impact	Guiding strategy development questions
Local ownership and incentive compatibility (including political economy)	<ul style="list-style-type: none"> › Are there local organisations or groups that demonstrate strong ownership regarding the development outcome and the requisite on-going functions? Have initial commitments been secured? › Where significant public sector involvement is envisaged in order to sustain the development outcome, to what extent does the envisaged role align with government strategies and priorities? › Where significant private sector involvement is envisaged in order to sustain the development outcome, to what extent is the envisaged role commercially viable for local enterprises? › Beyond published strategies and pronouncements, to what extent is there genuine government and elite support for the development outcome? How broad-based is support for the development outcome? Is this support likely to be sustained beyond any possible change in political leadership, for example?
Local capacity	<ul style="list-style-type: none"> › To what extent do the local actors that are expected to sustain the development outcome have the capacity to adequately perform their required roles? If they do not currently have the required capacity, what is their absorptive capacity? › To what extent can local capacity be institutionalised in order to last beyond any changes to, or loss of, key local personnel?
Local resourcing	<ul style="list-style-type: none"> › To what extent do the local actors that are expected to sustain the development outcome have the Ability To Pay and Willingness To Pay for the required on-going functions? › Where sustaining the development outcome will require significant recurrent expenditure, have these requirements been estimated and discussed with the relevant local actors?

For a high likelihood of sustainability overall, the development outcome would need to score 4 or 5 for each dimension. If the score is less than 4 on any given dimension, either MFAT should consider changing the development outcome (e.g. aim for less ambitious qualitative improvement, or reduced quantitative targets, or remove development outcome altogether), or reduce the sustainability objective to ‘partial sustainability’ or ‘no sustainability’. If this is the case, country strategies should explain why sustainability is not required in this case (e.g. meeting temporary humanitarian need), or why full sustainability is not realistic (e.g. PICs). If the latter, the long-term implications for MFAT country or other development actor support should be explored. For example, if the assessment shows low local capacity, continued capacity supplementation / substitution may be required. If the assessment shows low local resourcing, continued MFAT / other donor support may be required.

For PICs, MFAT should explore whether regional solutions can address sustainability challenges. For example, regional delivery of essential services could pool country level resources or achieve the economies of scale necessary to support specialist skills. MFAT could explore, for specific development outcomes, whether sufficient commitment exists at national level for regional solutions to maximise sustainability.

Recommendation 4: All country and regional strategies should explicitly set-out how they will contribute to one or more of the three dimensions of Sustainable Development – economic, social and environmental – and align with one or more of the SDGs. They should also include an initial Do No Harm sustainability assessment across the three dimensions to identify potential risks.

Recommendation 5: Country or regional strategy development should include an initial ex-ante assessment of Sustainability as Lasting Impact against the development outcomes specified. At least three dimensions of Sustainability as Lasting Impact should be assessed: local ownership and incentive compatibility (including political economy); local capacity; and local resourcing, including financing.

Country and regional programme evaluations

For country and regional programme evaluations, the evaluation of Sustainability as Lasting Impact should use the same methodology as the activity or project level methodology below (combining post-activity and mid/end-term evaluations), and then collate and synthesise results across activities and up to country or regional development outcomes.

The evaluations should include an evaluation of Sustainable Development outcomes to provide evidence and learning as to whether country strategies are contributing effectively to MFAT’s Sustainable Development policies and commitments. The evaluation should mirror the strategy development considerations above and evaluate against the three dimensions of Sustainable Development. Evaluators should look for evidence of positive contributions and unintended negative outcomes:

Dimensions of Sustainable Development	Guiding evaluation questions at country and regional level: to what extent has MFAT...
Economic	<ul style="list-style-type: none"> › ... contributed to sustained <i>economic</i> development (e.g. a more vibrant private sector; improved macro-economic management)? › ... potentially compromised <i>economic</i> sustainability (e.g. increased government debt burdens, less diversified private sector)?
Social	<ul style="list-style-type: none"> › ... contributed to sustained <i>social</i> development (e.g. improved educational or health outcomes)? › ... potentially compromised <i>social</i> sustainability (e.g. increased inter-regional or inter-ethnic inequalities or grievances)?
Environmental	<ul style="list-style-type: none"> › ... contributed to sustained <i>environmental</i> development (e.g. improved climate change resilience)? › ... potentially compromised <i>environmental</i> sustainability (e.g. accelerated natural resource depletion)?

Recommendation 6: Country or regional programme evaluations should evaluate sustainability from the perspectives of both Sustainable Development and Sustainability as Lasting Impact. An important aspect of the evaluations is to provide evidence and learning on the implementation of MFAT’s policies and commitments on sustainability.

7.3. Sustainability at the activity or project level

Activity or project design

Sustainability should be considered in relation to all key activity design parameters: activity objectives, activity duration, results framework, activity scope, and activity approach and aid modalities.

Setting objectives

Activity objectives should specify the targeted development outcomes, target beneficiary groups (who and how many), and in which geographic areas (regional, national, sub-national) they will be implemented. Activities should also align with MFAT’s Sustainable Development commitments, including details regarding

how the activity will contribute to one or more of the three dimensions of Sustainable Development (as above). An ex-ante Sustainability Assessment at activity level (as above) should be considered as well as use of the system mapping to ensure comprehensive mapping of functions and rules.

MFAT should set Sustainability as Lasting Impact outcome that is realistic, given the programming context (full / partial / no sustainability). If an activity is not aiming for full sustainability, activity designs should consider the implications for MFAT, target groups and local organisations and systems post-activity. For instance, will further MFAT support be required (e.g. second phase, on-going capacity-supplementation, on-going funding or alternative financing options)? What will be the consequences for target groups of any ending of development benefits? Is there a risk of doing harm to local systems by creating parallel delivery systems (e.g. providing free agri-inputs that crowds-out commercial agro-dealers)?

MFAT should explicitly acknowledge trade-offs between activity objectives and sustainability objectives in design documents: e.g. the more ambitious development outcomes, or for activities targeting more marginal / harder-to-reach groups, or more beneficiaries – it is generally harder to achieve full sustainability. MFAT may need to adjust the level of activity objectives to increase the chance of achieving desired sustainability objectives (e.g. aim to support lower-quality but lower-cost healthcare improvements, or reaching fewer people, that will be more affordable and easier for local actors to sustain).

Guiding activity design questions:

- › How does the activity contribute to MFAT’s overall Sustainable Development objectives?
- › What is a realistic Sustainability as Lasting Impact objective given the programming context? If aiming for less than full sustainability, what are the implications post-activity for MFAT, target groups, and other stakeholders?
- › What are the potential trade-offs between sustainability and other programme objectives? How will these trade-offs be managed?

Activity duration

MFAT will need to consider how sustainability objectives influence activity duration. If aiming for full sustainability, designs need to ensure activities have sufficient time to build the necessary local capacity, or acknowledge that a second phase may be required, for each on-going function.

Guiding activity design questions:

- › What level of local capacity will be required to sustain the development benefits for target groups?
- › What is the current level of local capacity?
- › How long will it realistically take to build the requisite capacity?

Results framework

Milestones and targets in a results framework will need to align with sustainability objectives and create the right incentives for implementers. Unsustainable approaches typically deliver impact more quickly – e.g. direct delivery of agricultural inputs to farmers, versus working to strengthen the local agricultural inputs supply system. If an activity aims for full sustainability, it will be important not to create perverse incentives for implementers to pursue short-term, but unsustainable, results. Sustainability objectives also need to be built into results framework. E.g. indicators around capacity building, institutional strengthening, systems strengthening.

Guiding activity design questions:

- › Is the profile of milestones and targets realistic given the sustainability objective and the context?
- › Has sustainability been adequately incorporated into the results framework?
- › Does the results framework set the right incentives for the implementer, given the sustainability objectives?

Activity scope

System mapping should be used to identify on-going functions critical to sustainability. This can ensure that an activity has sufficient scope to address critical on-going functions. For example, for a financial deepening activity, do not limit a program to only work with financial institutions if they are unlikely to have the capacity and incentives to sufficiently expand financial inclusion, or if critical constraints also exist in the policy and regulatory environment or in financial infrastructure. If in doubt, it is recommended to provide the program with more rather than less flexibility / scope.

Guiding activity design questions:

- › What are the critical functions and rules required to achieve sustainable outcomes? Does the program have sufficient scope to address these functions and rules?

Activity approach and aid modalities

MFAT is advised to reflect on the ex-ante sustainability assessment when determining the approach and aid modalities for the activity. To achieve the desired sustainability objectives, MFAT should consider what elements of ownership and incentives, capacity and resourcing the activity will be required to address, and ensure the activity has the right tools at its disposal. For instance, if capacity building is likely to be required, do not limit an activity to budget support or grants, but ensure technical assistance is also an option. If in doubt, provide greater flexibility.

Guiding activity design questions:

- › What elements of capacity, incentives, resourcing, and political economy will the program likely be required to address in order to achieve the sustainability objective?
- › Does the program have the right aid modalities at its disposal?

Recommendation 7: During activity or project design, sustainability should be considered in relation to all key activity design parameters: activity objectives, activity duration, results framework, activity scope, and activity approach and aid modalities.

Recommendation 8: Ex-ante assessment of Sustainability as Lasting Impact should guide the formulation of designs, including a clear understanding of the desired sustainability outcomes and the dimensions (i.e. local ownership and incentives, capacity and resourcing) needed to be addressed to achieve the outcomes.

Activity or project implementation

Activities should ensure that Sustainable Development objectives are clearly built-in to the activity logic or theory of change. A Do No Harm risk assessment should be conducted (economic, social, environmental) to support development of a risk mitigation strategy. This can support on-going monitoring, learning and mitigation of Do No Harm risks.

For Sustainability as Lasting Impact, activities should be required to develop a sustainability plan and preferably for each intervention area. This should be done at the start of the activity or intervention and regularly revised based on on-the-ground learning. Leaving sustainability consideration to the end is less likely to result in sustainable outcomes. A sustainability plan should incorporate the following:

- › Map out the on-going functions required to sustain the development outcome;
- › Assess current performance of each function, including who currently does and pays;
- › Determine required level of performance, including who will do and who will pay post intervention (vision);
- › Demonstrate vision is incentive compatible, realistic given absorptive capacity of local actors, and realistic given local resourcing;
- › Develop strategy for closing the gap – e.g. new business models to improve incentive compatibility, strengthening resource-base of business associations to improve local resourcing, or building capacity.

A sustainability plan will need to include identifying risks to sustainability and develop a resilience strategy. For example, there is often a risk of staff churn / turnover within a counterpart ministry or department during capacity building, therefore a sustainability strategy for institutionalising practice change should be developed.

If an activity is not aiming for full sustainability, it is still recommended to develop an exit plan. MFAT should examine the potential negative impacts from the cessation of benefit flow and how to mitigate these; as well as include advance planning for any follow-up programming required from MFAT (or other donors).

If aiming for full or partial sustainability, consideration should be given to how best to implement activities in order to build strong local ownership. For example, working in partnership with local actors to co-develop solutions rather than pushing ‘best practice’ solutions imported from outside; ensuring local actors are able to claim credit for achievements and strengthening local feedback loops (e.g. association claim credit with members for advocacy successes).

When designing ‘solutions’, it is recommended that the implementer carefully considers sustainability considerations. For example, if promoting a particular healthcare solution, has it been right-sized to the local context in order to maximise sustainability (e.g. affordable given local budgets, implementable given local capacity and systems).

Guiding activity implementation questions:	
›	Have MFAT Sustainable Development objectives been built-in to the activity logic or theory of change?
›	Does the activity have an adequate framework for managing risks to Sustainable Development objectives (including Do No Harm)?
›	Is a realistic sustainability plan in place at the start of each activity or intervention? Are these regularly revised based on on-the-ground learning? Are there identified knowledge gaps that need supporting? Does the activity have a strategy for increasing resilience to likely ‘shocks’?
›	For interventions not expected to be sustainable, has an exit plan been put in place?
›	Are activities being implemented in a way that will build and strengthen local ownership?
›	Have ‘solutions’ promoted by the activity been right-sized to the local context in order to maximise sustainability?

Recommendation 9: Activity or project implementation should be guided by a sustainability plan that: explains the sustainability outcomes sought, be it full, partial or no sustainability; is right-sized to the local context in order to maximise sustainability; is regularly revised and informed by on-the-ground learning; and helps to mitigate risks to sustainability.

Activity or project evaluation

Mid-term Evaluations

Mid-term evaluations should evaluate activity contribution to the three dimensions of Sustainable Development. Evaluation should also consider any evidence of harm (see country-level above).

Regarding Sustainability as Lasting Impact, it is not possible to fully evaluate sustainability at this stage. However, it is important to still evaluate whether the activity is adequately considering sustainability in activity implementation, using similar questions to guiding implementation questions – e.g. does the activity have a realistic sustainability plan in place for each intervention, are there any gaps in the plan or further assessment required. An initial forward-looking assessment of the likelihood of sustainability should also be made, including using a 5-point rating against each of the dimensions, resulting in an overall 5-point assessment.

Dimensions of Sustainability as Lasting Impact	Guiding mid-term evaluation questions at activity or project level
Local ownership and incentive compatibility	› Is there emerging evidence of strong local ownership of the activity-supported

(including political economy)	<p>'solutions' or practice changes required to sustain the developmental benefits? Are local actors beginning to commit their own time and resources?</p> <ul style="list-style-type: none"> › Is there emerging evidence that the 'solutions' or practice changes are compatible with the incentive structures facing relevant local actors (e.g. the commercial viability of new bottom-of-the-pyramid business models)? › What elite interests are threatened by the changes, if any? Have any stakeholders mobilised against the changes or attempted to frustrate the changes? Have any stakeholders actively promoted or supported the changes?
Local capacity	<ul style="list-style-type: none"> › Is there emerging evidence regarding the capacity of local actors to adequately sustain the activity-supported 'solutions' or practice changes? › Are program capacity-building initiatives proving effective at building the requisite capacity (if required)? Do local actors appear to have sufficient absorptive capacity? › To what extent is this capacity likely to be resilient to staff turnover?
Local resourcing	<ul style="list-style-type: none"> › Is there emerging evidence of the Ability To Pay and Willingness To Pay for the required on-going functions? Are the program-supported 'solutions' or practice changes right-sized to the resource-base of local actors? › To what extent is this local resourcing likely to be resilient to possible exogenous shocks?

Note that answers may vary for different target groups – it is recommended repeating the exercise for different groups to draw out any differences. For example, the business model may not be viable for more marginalised groups; solutions for reaching these groups may be more costly and therefore less affordable for local actors etc.

End-term Evaluations

End-term evaluations should evaluate activity contribution to the three dimensions of Sustainable Development as well as consider any evidence of harm (see country-level above).

For Sustainability as Lasting Impact, the activity approach to sustainability should be assessed during the end-term evaluation. This is, of course, too late to generate internal learning within the activity, but can still be useful for external learning. The forward looking sustainability assessment should be repeated as it will be able to reach more concrete conclusions than the mid-term evaluation.

To achieve sustainability, all on-going functions should be being paid for and performed to an adequate standard by local actors (full transfer). All three elements will need to be in place – local ownership, capacity, and resourcing – (scoring 4 or more) to conclude that full sustainability is likely.

Dimensions of Sustainability as Lasting Impact	Guiding end-term evaluation questions at activity or project level
Local ownership and incentive compatibility (including political economy)	<ul style="list-style-type: none"> › Is there evidence of strong local ownership of the activity-supported 'solutions' or practice changes required to sustain the developmental benefits? › Is there evidence that the 'solutions' or practice changes are compatible with the incentive structures facing relevant local actors? › What elite interests are threatened by the changes, if any? Have any stakeholders mobilised against the changes or attempted to frustrate the changes? Have any stakeholders actively promoted or supported the changes?
Local capacity	<ul style="list-style-type: none"> › Are local actors currently delivering all the on-going functions required to sustain the developmental benefits, to an adequate standard? › Has the necessary capacity and know-how been adequately institutionalised?
Local resourcing	<ul style="list-style-type: none"> › Are local actors currently paying for all the on-going functions required to

	<p>sustain the developmental benefits?</p> <p>› To what extent is this local resourcing likely to be resilient to possible exogenous shocks?</p>
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Post-program Evaluations

Post-program evaluations should assess sustainability outcomes to date and the likelihood of continued sustainability, and consider applying the sustainability assessment 5-point scale. MFAT should conduct post-program evaluations for a sample of activities, approximately two years after activity end. This should be planned for prior to the end of the activity to ensure that, for example, evaluators have sufficient information to locate beneficiaries and local organisations in the absence of program staff.

For Sustainable Development, post-term evaluations should evaluate activity contribution to the three dimensions of Sustainable Development as well as consider any evidence of harm.

Regarding Sustainability as Lasting Impact, MFAT should first undertake a backward-looking assessment: up until this point, have development benefits delivered by the activity been sustained for target groups? This should include depth of impact, that is, the extent to which beneficiaries experience the same level of benefits (e.g. has the quality of healthcare delivery or infrastructure been maintained – which could require a ‘quality’ metric). The assessment should also consider the breadth of impact i.e. the number of beneficiaries that continue to benefit. Differences need to be assessed across groups (e.g. male versus female beneficiaries) and geographies (e.g. urban vs peri-urban vs rural). Evidence that benefits have proved resilient to any ‘shocks’ that may have occurred should also be sought.

If full or partial sustainability has been achieved up to this point, a forward-looking assessment should be undertaken to determine the likelihood that benefits will be further sustained – as above. This assessment should focus on resilience against each of the three dimensions of Sustainability as Lasting Impact.

Recommendation 10: Mid-term, end-program and post-program evaluations at the activity level should evaluate both the activity contribution to Sustainable Development and the activity approach to achieving Sustainability as Lasting Impact. Evaluation of sustainability at different points along the program lifecycle is essential to ongoing learning and adaption in development cooperation efforts.

Annex 1: List of MFAT Evaluations reviewed

Review of MFAT evaluations – List of evaluations

Year	Report	Sector									Geography			Reviewed
		Edu	Tourism	Ag.	Infra	Hlth	Eco	Justice	Gov	Sec	Micro	Mel	Poly	
2016	Evaluation of the Local Government Technical Assistance Facility for Pacific Island Countries								x		x	x	x	Yes
	Evaluation of the Partnership Arrangement for Customs sector development in the Pacific and Timor Leste								X		x	x	x	Yes
	Evaluation of New Zealand's development cooperation in Tonga	x	x	x	x	x	x	x	x	x			x	Yes
	Evaluation of Visual Impairment Activities in Pacific Island Countries					x					x	x	x	Yes
	Volunteer Service Abroad Core Funding Arrangement, April										x	x	x	No
	End of Programme Evaluation Samoa (Primary) School Fee Grant Scheme,	x											x	Yes
2015	Tonga Education Support Programme II	x											x	No
	Private Sector Support Facility - Samoa						x						x	No
	Fiji Women's Crisis Centre					x				x		x		Yes
	Stage 1 Infrastructure in the Pacific Learnings Report				x						x	x	x	Yes
	Stage 2 Renewable Energy Pacific Process Evaluation Report				x						x	x	x	No
	Evaluation of the New Zealand Aid Programmes in the Cook Islands, Niue, Samoa and Tokelau - synthesis	x	x	x	x	x	x	x	x	x	x		x	Yes
	Samoa Programme Evaluation	x	x	x	x	x	x	x	x	x			x	Yes
	Cook Islands Programme Evaluation	x	x	x	x	x	x	x	x	x			x	Yes
	Tokelau Programme Evaluation	x	x	x	x	x	x	x	x	x			x	Yes
	Niue Programme Evaluation	x	x	x	x	x	x	x	x	x			x	Yes
Evaluation of New Zealand Aid Programme support to the Curriculum Development Division of the Ministry	x											x	Yes	

Year	Report	Sector									Geography			Reviewed
		Edu	Tourism	Ag.	Infra	Hlth	Eco	Justice	Gov	Sec	Micro	Mel	Poly	
	of Education & Human Resources Development (Solomon Islands)													
	Parliamentary Counsel Office Legislative Drafting Assistance to Pacific Nations Evaluation Report							x			x	x	x	Yes
	Cooks Islands Education Desk Evaluation Final Report 2015	x											x	No
	Evaluation of the New Zealand Medical Treatment Scheme					x					x	x	x	No
	Evaluation Report for Cook Islands Tourism Sector Support		x										x	Yes
	Evaluation of the Strengthening Pacific Health Laboratory Systems Activity						x					x	x	x
2014	Evaluation of New Zealand support for the Marine Training Centre, Kiribati			x									x	Yes
	Fisheries evaluation factsheet			x							x	x	x	Yes
	Evaluation Report for Tonga Business Enterprise Centre*						x						x	No
	Review of the Transparency International (TI) Pacific Institutional and Network Strengthening Programme (PINSP)							x	x		x	x	x	No
	Evaluation of the Samoa Institutional Linkage Programme								x				x	Yes
	Review of the Commonwealth Local Government Forum								x		x	x	x	Yes

Annex 2: Semi-structured interview – Question guide

Introduction of Sustainability Project

The New Zealand Ministry of Foreign Affairs and Trade is funding a research project that seeks to develop ways to better integrate sustainability into the strategies, policies and processes of the Ministry. It will result in a Sustainability Framework that will help guide New Zealand's investments in Pacific Island Countries. We'd like to gain your perspective and insights on sustainability issues in Fiji and how these to consider these within the Framework.

- › **Anonymity:** Please inform respondents they can remain anonymous, if preferred
- › **Use of data:** Responses to be used to inform the sustainability project framework
- › **Consent:** Please ask for consent to conduct the interview and use their responses

Introduction of sustainability

The OECD-DAC definition of sustainability looks for continued benefits after the end of a program, with no further support required. This is the definition broadly used by MFAT, although they have noted there are several ways to interpret sustainability and also that the context of the Pacific may be different to other developing contexts in regards to sustainability and the extent to which this is achievable.

Semi-structured questions

How does your agency / Ministry's define and view sustainability? How would you define or characterize sustainability in the context of (country)? What does the term sustainability mean to you?

Follow-up questions:

- › What aspects of development does your agency consider when considering sustainability?
- › For some it means graduation from aid - how real/realistic is this idea when defining sustainability? What are the key enablers and challenges in fulfilling this aspiration?
- › Some define sustainability as capacity building - in the context of sustainability, what does capacity building mean? Is it about capacity substitution or capacity supplementation? When is each acceptable and for what contexts? What are some of the challenges in this regard?
- › How important is the sustainability of development *interventions* for (country)?
- › What is your agency's / Ministry's response to the OECD-DAC definition and its applicability in (country)/The Pacific more generally? Note: this may be covered by question 1 – if so, move to next question.
- › What challenges or risks do you think apply to sustainability in (country)/The Pacific?
- › How should these risks and challenges be considered or addressed when developing a sustainability framework?
- › How does your agency / Ministry evaluate and report on sustainability?

Follow-up questions:

- › What challenges or limitations do you find with this evaluation and reporting of sustainability?
- › What is missing in the way in which development partners currently define or understand this term? [focus on short term project cycles vis-a-vis long term development]
- › How can development partners improve from how sustainability is evaluated and reported currently?
- › Is there a role for regional Pacific governance bodies in sustainability discourse?

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