Project Sustainability and Designing your Exit Strategy

1. Introduction: The Importance of Project Sustainability

We learned in Module 5 that good projects continue to provide benefits even after the project ends. Therefore, the next step in concept note development is to develop an exit strategy that will ensure the sustainability of the impacts that your project has on society once the project ends. **Sustainability** (the ability of a project to provide benefits after the project has finished) is critical to the effectiveness of any investment and is part of the **paradigm shift potential**[1] of GCF investments. This means that your concept note's sustainability will be among the criteria GCF uses to evaluate it. A key element in demonstrating sustainability is the project's **exit strategy**, which should clearly describe how project activities, outputs, and outcomes will be **phased out**, and when appropriate, handed over to an in-country partner who will maintain/continue the project activities and outputs once funding has stopped. When planned with communities in advance, exit strategies have been proven to contribute to better project outcomes, as they encourage beneficiaries to commit to program sustainability. Conversely, without an exit strategy, program transitions are likely to be more haphazard, and project outcomes and benefits are less likely to be sustained. This has a direct impact on the feasibility of the project as an investment and is, therefore, a key consideration for financiers like the GCF.

Characteristics of an Effective Exit Strategy. Your exit strategy should clarify how your project will be brought to a close while sustaining its benefits. It is closely linked to the justification of the GCF funding request, as the removal of financial, institutional, social, gender, and environmental barriers will enable a project to be sustainable in the long term. Exit strategies are important because they:

» Help **resolve tensions** that may arise between the project implementer and beneficiary communities and host country as the project draws to a close;

» Create **certainty** about the future of the project's assets, deliverables, activities, and outcomes;

» Help **clarify and define a sponsor's role** to host communities and other partners as being time-limited, reducing the potential for misunderstandings and future dependency; and

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[1] "Paradigm shift potential" is one of six investment criteria that the GCF applies to concept notes and funding proposals.

> » Are critical to overall adaptation strategies as they contribute to continuity and create a bridge to the next phase of adaptation activities.

Both the SAP concept note template (Figure 1) and the SAP funding proposal template require project proponents to include an exit strategy and to describe how the project will ensure the sustainability of its benefits.

C.3. Exit Strategy and Sustainability (300 words)

Please explain how the project/programme sustainability will be ensured in the long run and how this will be monitored, after the project/programme is implemented with support from the GCF and other sources.

For non-grant instruments, explain how the capital invested will be repaid and over what duration of time.

Figure 1: Section C.3 of the GCF SAP concept note.

2. Exit Strategy Approaches

There are two commonly recognized general approaches to exit strategies. These are not mutually exclusive and can be used together. The approach that you apply depends mainly on the type of activities, outputs, and outcomes in your project. When designing your project, you will need to carefully consider which approach should be applied for the various parts of your project.

1. **Phasing Out.** Phasing out refers to ending support for activities and outputs that have served their purpose and no longer need to be maintained. In other words, once the enabling conditions are in place, there is no further need for the activity. Examples include activities to develop new regulations or to conduct risk/vulnerability assessments.

2. **Phasing Over.** Phasing over involves the transfer of ownership and responsibility for project activities and outputs from the project management team to host country governments, NGOs, CSOs, academic institutions, or other domestic stakeholders. Phasing over generally involves capturing and disseminating lessons, as well as activities to support knowledge and skills transfer. If your project involves activities and outputs that will need to be transferred to other organizations/agencies at the close of the project, be sure to include activities to ensure that the organization/agency can handle the job. These can be budgeted as part of your project; consider knowledge and skills transfer and peer-to-peer learning activities. At the concept note stage, it is not necessary to have firm agreements in place, but it is a good idea to have initial consultations with potential handover partners to gauge their interest and capabilities. You can include details of these discussions in your concept note.

Phase Down. Phasing down refers to a gradual reduction in the project activities in preparation for the end of the project. Phasing down can be a part of both approaches described above. For example, for a phase-out approach, phasing down would involve closing down the activity, consolidating lessons learned, and other related tasks. In cases where your project builds things (e.g., small scale irrigation works), this would

include developing an operations and maintenance (O&M) plan for the new infrastructure and assigning a responsible agency or organization to carry out the O&M plan.

3. Formulating the Exit Strategy

This section provides several questions and objectives that can guide you in identifying the information you need to demonstrate project sustainability and to develop an exit strategy. Once you have addressed all of the questions in this list, you will likely have all the information you need to complete the relevant section in the SAP concept note template. The final step is to summarize the relevant information into a short narrative. Make sure that the information you provide is realistic and feasible.

3a. Level of Ownership. How strong is the community's sense of ownership/commitment to continue project activities? If your project addresses needs that have been articulated by the beneficiaries themselves, they are more likely to feel ownership over the project and therefore commit to its sustainability. Make sure that your concept note provides evidence of ownership over the project's design and implementation processes. In other words, explain how the beneficiaries have been involved in the design of the project and selection of activities.

> **How:** Ensure that community needs are reflected in the planning of activities.

A. Are activities/outputs connected to specific user groups (e.g., farmers associations, women's unions, etc.)? Have these user groups been consulted in the design process, or are they aware that the project is being developed? Although project benefits should apply widely to different groups in the community, targeting specific groups in the planning process can help to increase ownership. Consulting with these groups before project implementation will help to increase buy-in and engagement and will improve the chances that the target groups will continue to support the activities and outputs after the close of the project.

B. Be sure to identify specific partners that can ensure that the activity/output will be sustained. Once willing partners are identified, clearly define and communicate their responsibilities. In other words, don't assume that a partner will materialize spontaneously. In many cases, even community assets that provide clear benefits will deteriorate over time if no one has been given the responsibility to maintain the asset.

3b. Ensure that the Community Values the Project's Outcomes. To what extent does the community value the project's activities?

> **How:** Demonstrate that that project will provide a tangible/observable benefit to the community.

A. Do activities/outputs produce benefits that will be recognized by the community? How will you raise awareness among community members about the value of the project? Will the community invest time in maintaining these benefits over time? What will ensure that they do?

B. Make sure the benefit received from a good/service outweighs the cost of maintaining the good or service.

3c. Capacity to Maintain the Activities/Outputs. Do community members, groups, and service providers have the knowledge and skills needed to implement the program activities on a continuing basis? Is a specific person, group, or organization specifically designated to take over responsibility for the activities/outputs, and do they have the requisite skills?

> **How:** Make sure that you have identified a handover partner. You do not need to have a concrete agreement at the concept note stage, but it is a good idea to have initial conversations with potential handover partners and to describe these in your concept note. Determine the potential partner's capacities, and if additional capacities are needed, mention in your concept note and exit strategy that your project will help to develop the necessary skills and capacities so that the handover partner can effectively continue the activities and outputs.

3d. Considering Political Risks. Are the beneficiary structures responsible for implementing phased over programs resilient to changes in the political and social environment?

> **How:** Ensure your project is resilient to political transitions.

> **A.** Is there anything in your project concept that will require ongoing sponsorship from elected officials? If so, consider adjusting your concept so that it does not require political approval.

> **B.** Make sure your project is consistent with community priorities and not political priorities.

3e. Considering Supplies and Recurring Costs: Is there a viable plan to generate the consumable supplies (e.g., maintenance parts/inputs) that are required to implement activities?

> **How:** Demonstrate that you are considering supply chains for activities.

> **A.** Examine activities and outputs that will be continued beyond the life of the project and make a list of any inputs that these activities/outputs need.

> **B.** Consider how these inputs will be provided after the project funding is finished.

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4. Example

This example comes from project #008 "Extended Community Climate Change Project-Flood," an approved SAP project being implemented in Bangladesh.[2] The sustainability plan in this project provides several good applied examples of the principles that have been discussed in this exercise. These include:

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[2] Click here to view the project documents. Be sure to read section C-4 (exit strategy) of the funding proposal.

Forming a Community Group
The project will establish a community level organization to oversee some of the project's activities, and this organization will continue after the project. Establishing and/or working through existing community institutions is a good way to encourage sustainability. If new institutions are created, to the extent possible, they should build on or be connected to existing community organizations, committees, or institutions.

Training the Community Group
The project will build the capacities of the community organization so that it can perform the tasks expected of it.

Community Maintenance of Infrastructure
The project will rely on the community members themselves to maintain the small scale infrastructure that is constructed for the project, and so no additional and ongoing budget is necessary.

Establishing Linkages with Government Agencies and Programs to Build on Project Outcomes
The project will connect the community to government programs and an existing microfinance program, which will provide access to capital and other resources that will empower the community to build on and strengthen the outcomes of the project.

Implementing Partner has Ongoing Activities in the Target Area
The project will be implemented by an organization that has ongoing activities in the project's target communities, and so the project's interventions can be incorporated into the regular and ongoing work of the implementing partner. The implementing partner will continue to be present in the community even after the project has closed.

Phase Out Workshop
Before the end of the project, there will be a workshop to reflect on the lessons learned from the project, synthesize them, and share them with relevant stakeholders. This helps to ensure that the experience and learning from the project will not be lost once the funding runs out. This will also facilitate replicating and scaling up the project.

Addresses a Need Identified by the Community
The project's activities and outputs address needs that have been identified by the target communities themselves. This helps to demonstrate community ownership over the project, and also indicates that the community will probably place a high value on the project's activities and outputs. As noted earlier, these are important elements in demonstrating sustainability.

Operations and Maintenance Plan
Lastly, the section indicates that the proposal package includes an O&M plan.

5. Conclusion and Best Practices

When developing an exit strategy, it is important to maintain positive relationships with partners and key stakeholders. In particular, it is important to:[3]

» Signal intentions in advance, stakeholders should be aware that exit is planned and be actively involved in planning for it;

» Formally communicate decisions when they are known;

» Discuss implications of an exit, including expectations for each main activity; and

» Allow time for scale-down of activities, as appropriate.

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[3] NFWF Planning for sustainability and responsible exits PDF here