

MEDITERRANEAN TRANSPORT INFRASTRUCTURE NETWORK PROJECT (MTIN)

SESSION 12: INSTITUTIONAL ASSESSMENT AND SUSTAINABILITY

DR A M COSTAIN
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MEDA Transport Infrastructure Network Project



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HOW TO AVOID WHITE ELEPHANTS?



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SUSTAINABILITY

Definition of Sustainability

“development that meets the needs of present generations without preventing future generations from meeting their own needs”

Brundtland Report

or

“ a development programme is sustainable when it is able to deliver an appropriate level of benefits for an extended period of time after major financial, managerial and technical assistance from an external donor is terminated”

OECD, 1989



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DEFINITION OF SUSTAINABILITY

- Concept should cover all projects, but interpretation varies with sector
- It is the STREAM of benefits which should be sustained, not just the project
- Time period important
- Sustainability vs. Feasibility
- Sustainability vs. Viability



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SUSTAINABILITY VS. FEASIBILITY

- Feasibility relates to wide range of factors considered in determining whether a project should be carried out
- Can have technically and financially feasible projects which are not sustainable (because of long term institutional factors)
- Feasibility studies should include an estimate of the benefits of the project but also the likelihood of them being continued
- Sustainability is one aspect of feasibility



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VIABILITY

- relates to the ability of a scheme to meet its financial requirements
- normally based on calculating costs and revenue, cost recovery and IRR



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7 FACTORS OF SUSTAINABILITY

1. Policy Support
 - Commitment of beneficiary government
 - Influence of donor
2. Financial
3. Appropriate Technology
4. Environment
5. Socio Cultural
6. Institutional and Management
7. Assumptions, Risks and Flexibility



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POLICY SUPPORT

- Commitment
- Agreement on objectives
- Support from stakeholders

Problems

- Denial of foreign exchange
- Government pricing policies
- Protectionism and tariffs



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FINANCIAL

- Availability of annual recurrent budget for operating costs
- Budget for maintenance
- Self-sufficiency/revenue stream
- Need to design in financial plan
- Alternative financing and cost recovery



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PROBLEMS OF SUSTAINABILITY: MONEY

- Miscalculation of recurrent costs
- Poor integration of recurrent costs into the budget
- Financing for recurrent costs such as operations and maintenance squeezed by wage costs and interest payments
- Impact of foreign shocks, e.g., commodity price increases



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APPROPRIATE TECHNOLOGY

- Sophisticated technology not always appropriate
- Distinguish between “hard” and “soft” technology
- Cost of technology relative to benefits/ financial capacity of country
- Maintenance requirements
- Reliability



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ENVIRONMENT

- Need to ensure that benefits of project are sustainable and ecologically sound
- Awareness of trade-offs, e.g. transport and environment
- Will the next generation be better off?
- Prevention principle - avoid damage in the first place
- Precaution principle - avoid actions which are irreversible



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SOCIO-CULTURAL

- Projects must be compatible with their setting, part of social fabric
- Project design must take into account existing behaviour
- Involve local community



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INSTITUTIONAL SCREENING

- Part of project design
- Vital element in project implementation
- Who chooses
- What type of organisation?



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QUESTIONS TO ASK

- Did the project design phase include a deliberate choice of organisation?
- How comprehensive was the screening?
- Did it include alternatives?
- What was the main objective?



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INSTITUTIONAL ANALYSIS

- Structured interviews
- Flexible questionnaires
- Examination of documentary material
- Checklists to cover
 - management process
 - resource planning
 - manpower planning
 - personnel management



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INSTITUTIONAL ASSESSMENT

- Manpower resources
- Financial resources
- Physical resources
- Policy and decision making
- Procedural factors - workflow, communication, organisation style
- Organisation structure - how suitable for objectives, where are the bottlenecks



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INSTITUTIONAL ASSESSMENT MCKINSEY'S 7'S' FRAMEWORK

7 key dimensions of institutions

- structure
- strategy
- systems
 - skills
 - staff
 - style
- shared values



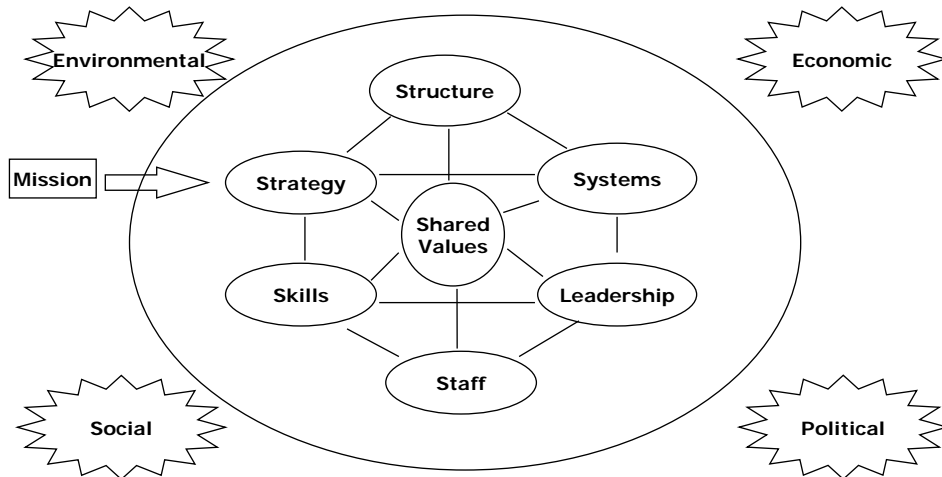
i.e. the software of the organisation



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ORGANISATIONAL SYSTEM MODEL



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INSTITUTIONAL AND MANAGEMENT

- Managerial leadership
- Administrative systems
- Personnel systems
- Training and retention
- Information systems



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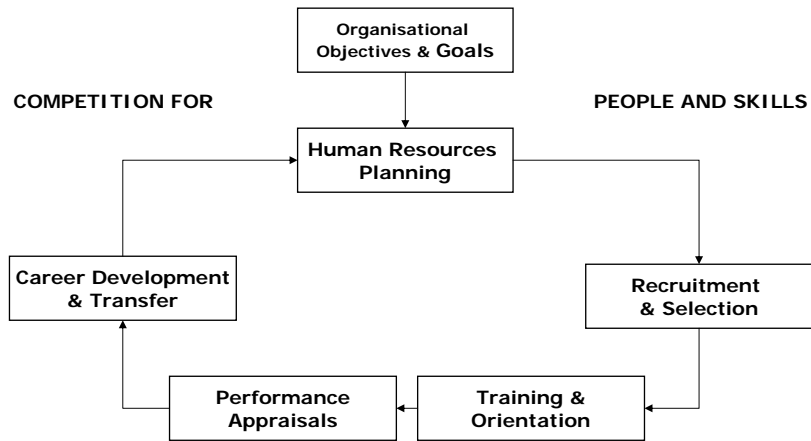
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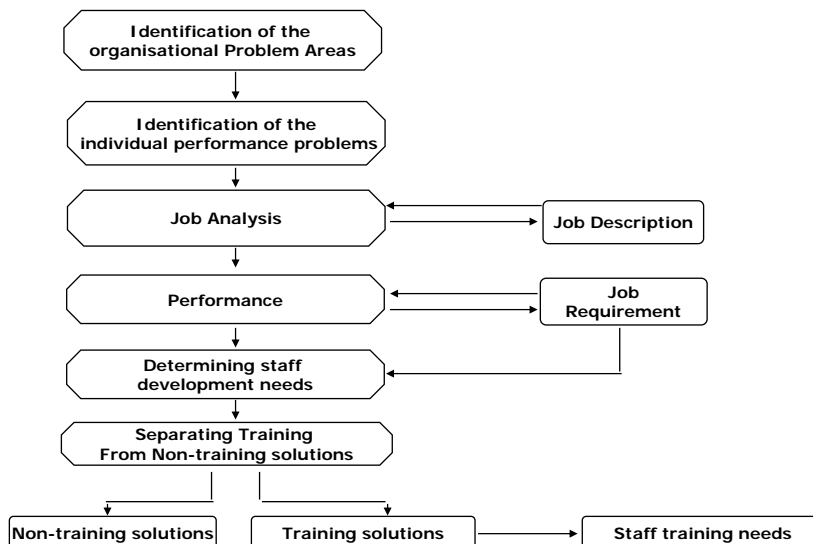
THE HUMAN RESOURCE PLANNING SYSTEM



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HRD FLOW CHART



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TEST OF SUCCESS FOR INSTITUTIONS

- Ability to survive
- Perception of intrinsic value
- Performance compared with other organisations



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HOW TO BUILD IN SUSTAINABILITY

- Set realistic goals
- Set realistic schedules
- Build in continuity
- Build in flexibility and review
- Build in phasing
- Monitoring and evaluation systems
- Early warning systems
- Ensure that sustainability is incorporated directly into project cycle management



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LESSONS FROM SUCCESSFUL AID PROJECTS

- Regular creation of realistic plans or rolling public investment programmes; making policies known
- Inclusion of aid funded investment projects in the annual budget, separation of development and recurrent budget
- Good financial management systems
- Project screening and monitoring



EUROPEAN DEVELOPMENT COOPERATION INSTRUMENT

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5 CONDITIONS FOR FUNDING TO BE USED EFFECTIVELY

1. Ownership by the government and participation by the stakeholders
2. Strong administrative and institutional capacity
3. Sound policies and good public sector management
4. Close co-ordination by donors
5. Improvements in IFIs' own business practices



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