

**IRC Business Plan 2012-2016**  
**End of Programme Evaluation**

**Final Report**

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## **Acknowledgements**

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**IRC Business Plan 2012-2016 – End of Programme Evaluation**

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## List of Abbreviations

AE	Aid Effectiveness
BMGF	Bill & Melinda Gates Foundation
BP	Business Plan
BRACWASH	WASH programme of BRAC (Bangladesh Development Organization)
CRS	Catholic Relief Services
DFID	Department for International Development (UK)
DGIS	Directorate-General for International Cooperation (Netherlands)
EPE	End of Programme Evaluation
EU	European Union
INGO	International Non-Governmental Organization
IRC	IRC International Water and Sanitation Centre
LCCA	Life-cycle Costs Approach
MDGs	Millennium Development Goals
MoWIE	Ministry of Water, Irrigation and Energy
MTR	Mid-Term Review
NGO	Non-Governmental Organization
NLLAP	National Level Learning Alliance Platform
NWP	Netherlands Water Partnership
PPP	Public Private Partnership
RCN	Resource Centre Network
RVO	Netherlands Enterprise Agency
SDA	Service Delivery Approach
SKMI	Sanitation Knowledge Management Initiative
SWA	Sanitation and Water for All
ToC	Theory of Change
Triple-S	Sustainable Services at Scale
UNICEF	United Nations Children’s Fund
WASH	Water, Sanitation and Hygiene
WASHCost	Quantifying the Costs of Delivering Safe Water, Sanitation and Hygiene Services
WASHTECH	Water, Sanitation and Hygiene Technologies

## **EXECUTIVE SUMMARY**

Since IRC's establishment in 1968, the Dutch Government, through the Ministry of Foreign Affairs (MoFA), has been the main funder of IRC's activities. DGIS granted an amount of € 9,6 million of core programmatic funding<sup>1</sup> for the period 2012-2016 upon submission of a 5-year business plan. The actual awarded amount is € 2,9m less than the amount of € 12,6 requested. In addition, DGIS has granted IRC a top-up of € 1m for 2016 to strengthen IRC's current business plan and its goals.

IRC's budget increased rapidly over the last several years from almost €20 million in the 2002-2006 period to €38 million for 2007-2011. IRC's planning for 2012-2016 is based on a total budget of €51 million. One result of this rapid growth is that the core programmatic funding IRC is seeking is at a substantially lower level proportionally than in previous business plans. In 2002, this funding accounted for 62% of the total amount and in 2006 for 51%. In the present business plan IRC aims to stabilise this funding at no lower than 25-30% of the total - considered the approximate level of financing needed to deliver the ambitious multi-country programme that donors and financiers expect from them. According to IRC, the inability to safeguard this minimum level of programmatic core funding would significantly constrain the ability to innovate or provide thought leadership in the sector and thereby jeopardize the specific niche and added value for the sector.

Without the minimum level of core programmatic funding, IRC's niche player role is at stake and with this its particular role as a knowledge broker, innovator and change agent. IRC's role in communication and contribution to strengthen the knowledge base responds to a clear public interest in the sector.

### ***Mission***

IRC's mission 2012-2016 is to act as a knowledge broker, innovator and enabler of change within the sector internationally and in selected focus countries and regions so that services are extended to the poor and are better attuned to their needs while being more sustainable and equitable, and better managed and governed. Business as usual approaches in WASH have to change. That change has to be systemic and systematic and it must start with a shared vision of services that meet people's needs. IRC is catalysing that change as expressed in the four goals of its current business plan.

### ***Main Goals***

Shaped by IRC's vision and mission and its understanding of the challenges facing the sector, the following four goals were identified for the (business plan) period 2012-2016: 1) The adoption by the sector of a service delivery approach; 2) The adoption by the sector of a strong learning and adaptive approach to service delivery; 3) Improved aid effectiveness; and 4) Improved inter-sectoral dialogue.

The overarching goal – the adoption by the sector of the SDA – has been largely achieved by IRC. Moreover, substantial progress has been made in achieving the 2<sup>nd</sup> goal regarding the sector that learns and adapts with special reference to the country level. Substantial progress has been made in achieving the 3<sup>rd</sup> goal with special reference to the strengthening of government organisations. The progress made in achieving the 4<sup>th</sup> goal remained limited.

IRC's achievements around the promotion of the Service Delivery Approach (SDA) have been very substantial. The global understanding and debates around costing, sustainability and service levels have been strongly influenced by IRC. Core concepts like service level monitoring, life-cycle costing, service sustainability and more recently national and local systems' strengthening are well adopted and contribute to a radical shift in how the WASH sector does its work.

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<sup>1</sup> Subsidie beschikking

### ***Results, Impact and Uptake***

Largely out of IRC's direct control, the translation of IRC's work into concrete results and impact "on the ground" will take some time. The increase in financing flows dedicated to non-capital expenditures appears to be limited but needs to be tracked more carefully. Too many investments still focus on new infrastructure with little attention to operations and maintenance (O&M) and sustainability. Further work is needed to determine the evidence that the increased awareness at all levels in the sector of the need for sustainable services has been translated into increased budget allocation and expenditures for O&M. IRC needs to continue working to align and coordinate to ensure that commitments turn into plans, plans turn into budget allocations, and budget allocations actually convert to tangible impact on the ground.

IRC makes considerable efforts to translate its findings, concepts and tools of key projects in simplified, concrete and doable messages for and actions to be taken by various stakeholders, particularly at the district level.

### ***The Agenda for Change***

IRC is a driver of change with the newly launched Agenda for Change in 2015 together with three other key organisations. The Agenda builds on the achievements and learning of the four IRC goals. This Agenda for Change, initiated by IRC, responds to the need for fundamental change to achieve SDG 6 with explicit district and country focus with special reference to increased government leadership and financing of the sector. This Agenda for Change has the potential of becoming an influential movement provided a number of problems can be sorted out. This includes further clarity on: 1) what IRC is really offering around the Agenda for Change and how it links to and grounds the global and high level work of Sanitation and Water for All (SWA), and 2) how to join, what joining actually means and what the expected role and contribution of the partners is.

### ***Decentralisation***

#### *Country level*

Since autonomy in 2006, IRC has been through a period of profound transformation. Most importantly, it has become a decentralised and internationally operating organisation. IRC is involved in activities in a total of 29 countries of which at present six are focus countries.<sup>2</sup> Four of these focus countries have country offices (Ghana, Burkina Faso, Uganda and Ethiopia). India and Honduras country programmes, not yet legally established as branch offices, are run by a small local staff complement with support from IRC Netherlands.

The six IRC focus countries can be grouped as follows:

- a. Strong, well established country offices with fully fledged programmes and potential for financial sustainability in the short to medium term (Ghana and Burkina Faso).
- b. Upcoming country offices with emerging programmes and potential for financial sustainability in the medium term (Uganda and Ethiopia)
- c. Focus country programmes without yet having a registered office with limited activities and unclear potential for financial sustainability (India and Honduras).

During the Business Plan (BP) period substantial progress has been made in the establishment and strengthening of the country offices in Ghana, Burkina Faso, Uganda and Ethiopia. The development of the country offices in Uganda and Ethiopia has been accelerated during the last three years thanks

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<sup>2</sup> Mozambique was a focus country until 2013 when the IRC office there was closed and it was replaced by India. The country office in Mozambique has been closed.

to investments in the establishment of these country offices originally through DGIS core programmatic funding and during the last few years through core funding from Bill and Melinda Gates Foundation (BMGF) exchange rate gains. Moreover, the start of new programmes has stimulated the development of these country offices as well.

#### *District level*

The principle of the district focus in IRC's business model on at least one district ensuring 100% coverage is solid, understandable and at the appropriate level for replication. That said, there is an implicit danger, which IRC is well aware of, of getting mired in one or two districts over a lengthy period of time seeking solid and substantial progress before lessons are taken to the national level. IRC is mindful of avoiding the "piloting" mentality of resource intensive approaches that are not replicable. IRC is also working with the original partners to the Agenda for Change initiative like WaterAid and Water for People as well as other groups like Safe Water Network in Ghana to share lessons learned about the approach.

#### **Value added**

A number of shifts in development assistance are impacting on organisations in the sector. Key elements of the DGIS WASH policy (2016-2030), for example, revolve around driving change in the sector through better governance, mobilizing domestic resources in target countries (financial and human), addressing equity, stimulating innovation and supporting learning at all levels. (Pg 9)

IRC is on track to become a key leading innovative organization and an appreciated player in the international arena. Indeed the various characteristics and approaches of the organisation feed directly into the delivery of DGIS' new water policy. As stated in the policy, "evidence indicates that the challenges in the area of WASH particularly revolve around sustainability of service delivery." (pg2) This speaks directly to IRC's approach.

At country level, IRC's footprint is very substantial as an appreciated, credible, neutral, professional key party. IRC is considered as a very influential party at this level through its special relation with and assistance to government institutions through its contribution in knowledge management, learning, and demystifying complex issues and tools. These are relevant for government as well as for all other stakeholders.

Stakeholder interviews revealed that no other organization works this systematically and over a consistently long period, pro-actively, with the government at the centre. This makes IRC a trustworthy and credible partner for governments without becoming an integral part of the government machinery itself. Moreover, it makes IRC at country level a crucial partner in achieving the SDG6 (as government leadership and competence is judged crucial in achieving this goal).

#### **Partnerships**

Albeit punching above its weight, IRC recognizes the leverage it has in partnering with other organizations. During the Business Plan period, IRC has made very substantial progress in developing strategic partnerships at global, country and at Netherlands level.

#### **Organisational change**

By all accounts, IRC has successfully and effectively navigated its way through a difficult period – downsizing, restructuring and decentralising. Working through a Management Team that also includes the Country Directors is increasingly facilitating greater ownership throughout the organisation creating more of a mutual flow of accountability, organisational learning and financial control. To ensure effectiveness, IRC has instituted an internal business model through the creation of independently operating business units, including the country offices.

In terms of financial management, as compared to the period around the Mid-Term Review, IRC now presents significantly more coherence around financial matters. Much work has been done to clarify

costs and their correlation to a viable tariff as validated to be “according to the rules” of good practice by a tariff audit.

IRC’s positive contribution notwithstanding, the goal-based approach is still a work in progress whereby goals have not as yet been systematically elaborated into activities and outputs with indicators of success. This does not facilitate an assessment of actual progress made against expected goals (as it is not easy to assess whether progress is satisfactory and/or to what extent and in which manner outputs from the monitoring system contribute to the achievement of the IRC goals).

### ***Finances and financial sustainability***

In terms of the 2012-2016 business plan, an ambitious target was set for a total turnover of €51 million for the 5-year period. Whilst complete figures for 2016 still need to be tallied up that include new grants recently announced, IRC can take pride in having achieved this target with a minor shortfall. (Latest figures suggest a shortfall of 2%.) Again, it should be noted that not all of this money is spent on and by IRC directly. For example, in 2016 roughly 40% of the €11+m income was allocated to partners and for external procurement of goods and services.

The evaluation team can say with confidence that the organisation has been diversifying its funding sources over the past few years with marked success. This has seen increased programmatic funding coming in from the Conrad Hilton Foundation including a planning grant with a likely follow on investment in the coming year, significant new funding from USAID through various consortia arrangements, contributions from the Osprey Foundation, and others. Efforts have also been made to enhance business acquisition at the country level to take advantage of local opportunities, although with limited capacity for developing proposals.

A significant challenge was posed to the organisation in 2015 given the lack of funding forthcoming from previously committed DGIS business plan funding (amounting to €2.9m). Heavy negotiations resulted in a €1m top-up contribution received in February 2016. Just over half of this was used to develop and test a number of tools to help operationalise the Agenda for Change roadmap exercises, contribute to various WASH events, finalise various publications, and other related activities. As noted, a sizeable exchange rate and interest gain of €2.9m on BMGF funded programmes also provided a lifeline in 2015 and 2016.

During the business plan period, DGIS core funding averaged 21% of IRC’s total core funding amount. Over recent years, IRC has seen a dramatic shift in reliance on DGIS for core programmatic funding from 49% of total income in 2007 to 26% in 2012 to 15% in 2016. Total core funding as a function of IRC total income has averaged 28% during the business plan, suggesting that every €1 received in core funding is helping to leverage a further €3.

At present, such funding is expected to come from the WASH International (WAI) partnership, the Osprey Foundation, the Watershed funding, and potential core programmatic funding from DGIS. Indeed some of the Hilton Foundation funding and that from other funding sources can be considered as having this flexibility albeit with some match funding requirements.

In terms of the coming few years, there are understandable gaps in IRC’s fundraising. The situation is dynamic though as new proposals are developed. IRC’s total ambition for the coming business plan period is €56m. With confirmed contracted funding of 78% of ambition for 2017, sufficient funding is available to ensure that the organisation can be categorised as a “going concern”, meaning that it is seen as financially viable for the year. For the entire period, the contracted plus weighted pipeline (proportional projected success rate) is a respectable 66%.

### ***Recommendations***

IRC is well placed to contribute to the achievement of SDG 6 with special reference to: 1) Policy influencing in its specific role towards government as an appreciated, neutral, professional player

geared to stimulate government leadership in a very operational manner through “tailor made” knowledge management, learning and the demystification of complex issues; 2) Financing the sector with special reference to public financing; 3) Planning, monitoring, evaluation and learning; and 4) Strategic advocacy (whom to reach, when, how, with what messages and follow-up).

IRC should continue to invest efforts in articulating the messages of the Agenda for Change, projecting out to what the initiative would ideally look like in 5-10 years, clarifying what IRC is concretely offering, and finding ways to encourage other institutions to join. There is hope that the Agenda for Change will indeed start to show some tangible results, combining with GLAAS, TrackFin and other initiatives to shift approaches of large implementers in the process.

In the development of IRC’s new business plan, in line with development programmes generally, greater specificity than in the previous Business Plan should be provided in terms of SMART indicators that more clearly show how IRC is successfully achieving its goals. Moreover, IRC should formulate a results chain in which goals are clearly and realistically defined, are interconnected and consistently elaborated in outcomes, intermediate outcomes, targets, etc.

### ***Scenarios***

In an attempt to give direction to the choices for the organization, a set of three scenarios was formulated in 2015. The three scenarios are largely conditioned by different fundraising goals. Scenario 1 allows the development of the IRC programme in focus countries and districts while maintaining a global advocacy programme through a high level of core programmatic funding. Scenario 2 has a much reduced global advocacy programme as a function of a low level of core programmatic funding and constraints in the development of the country level. Scenario 3 changes IRC into a consultancy structure and assumes no core programmatic funding

Without hesitation, the evaluation team concludes that Scenario 3 is untenable for the organization and Scenario 2, with its insufficient core funding, risks losing the growing strength to foster real support to national and local governments in a way that few other organisations provide. It also means losing the linking thought leadership role that IRC plays in terms of global to local and increasingly from local to global. Scenario 1 remains the viable option that optimizes IRC’s contribution to the sector, as expected from all stakeholders. As one stakeholder noted “not funding IRC in this way is like killing the goose that lays the golden egg”.

### ***Core programmatic funding***

IRC’s unique role in the sector as a driver of change, nationally and globally, including sector knowledge brokerage and communications, convening and coordination, evidence based policy advice to governments including DGIS with special reference to its unique role at country level can be continued provided DGIS makes a minimum of €1 million core programmatic funding per year available. This amount together with additional core programmatic funding from other sources will enable IRC to play its crucial role in the future as well. Non-availability of the DGIS additional core programmatic funding will endanger IRC’s role and position in the sector and contribution to DGIS’ WASH Strategy 2016-2030.

Core programmatic funding is essential to cover a set of core activities that are difficult or near impossible to source from the market. These areas all relate to IRC’s unique role in the sector as a driver of change (change hub), nationally and globally including: sector knowledge brokerage and communications; convening and coordination; and evidence based policy advice to governments and development partners including DGIS.

Country core programmatic funding is meant to underpin the national and district “Change Hubs” in focus countries through: 1) Convening national and district stakeholders; 2) Production of knowledge products from IRC and others for other districts and country level; 3) Supporting national governments in policy reform and the demystification/simplification/translation of approaches, methods and tools for use at various levels; and 4) Putting “oil into the government machinery”.

## **1. INTRODUCTION**

### **1.1. Background**

Since IRC's establishment in 1968, the Dutch Government, through the Ministry of Foreign Affairs, has been the main funder of IRC's activities. DGIS granted an amount of € 9,6 million of core programmatic funding<sup>3</sup> for the period 2012-2016 upon submission of a 5-year business plan. The actual awarded amount of € 9,6m is € 2,9m less than the amount of € 12,6 requested. In addition, DGIS has granted IRC a top-up of € 1m for 2016 to strengthen IRC's current business plan and its goals.

IRC's budget increased rapidly over the last several years from almost €20 million in the 2002-2006 period to €38 million for 2007-2011. IRC's planning for 2012-2016 is based on a total budget of €51 million. One result of this rapid growth is that the core programmatic funding IRC is seeking is at a substantially lower level proportionally than in previous business plans. In 2002, this funding accounted for 62% of the total amount and in 2006 for 51%. In the present business plan IRC aims to stabilise this funding at no lower than 25-30% of the total - considered the approximate level of financing needed to deliver the ambitious multi-country programme that donors and financiers expect from them. According to IRC, the inability to safeguard this minimum level of programmatic core funding would significantly constrain the ability to innovate or provide thought leadership in the sector and thereby jeopardize the specific niche and added value for the sector.

Without the minimum level of core programmatic funding, IRC's niche players' role is at stake and with this its particular role as a knowledge broker, innovator and change agent. IRC's role in communication and contribution to strengthen the knowledge base responds to a clear public interest in the sector.

DGIS commissioned the End of Programme Evaluation (EPE) of the IRC Business Plan 2012-2016 to evaluate achievement in implementation of the present IRC business plan and takes a special interest in the different scenarios for IRC to continue with its vision and mission under the different funding options of DGIS after 2016 (for ToR see annex 1).

### **1.2. Overall objectives of the End of Programme Evaluation (EPE)**

The EPE aims to respond to the following two main questions directly related to the IRC's two tier challenge as formulated in the current Business Plan, namely to achieve its mission while remaining financially solvent.

- To what extent has IRC achieved its goals as laid out in the present Business Plan?
- What are possible scenarios for IRC beyond 2016, under the different funding options of DGIS, that allows IRC to continue pursuing its mission while maintaining a viable financial basis?

In support of the above purpose the EPE team will therefore assess two main areas:

- Assess IRC's performance and progress in the implementation of the 2012-2016 Business Plan.
- Assess and make recommendations for consolidating IRC's finances to ensure long-term sustainability.

### ***Performance and progress in the implementation of the 2012-2016 Business Plan***

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<sup>3</sup> Subsidie beschikking

Firstly, the review will assess the outputs and results achieved by each of the programmes. Progress will be assessed against the result-chain and four main goal areas in the current BP. The programmes to be assessed are:

- The international influencing and innovation programme, including (strategic) communications and the regional and country activities in those countries that are not part of the (focus) country programmes.
- The (focus) country programmes: Burkina Faso, Ethiopia, Ghana (Mozambique), Uganda, India and Honduras.

In the assessment the reviewers will address the effectiveness of the IRC's performance in achieving its goals, the efficiency in implementation of its programmes and activities, the relevance of the progress made and results obtained. Attention will be given to review IRC's monitoring and Learning framework and its effectiveness in monitoring progress, lesson learning and corrective action when needed.

### ***IRC's financing base and long-term sustainability***

The second focus of the review will be on assessing and making recommendations for consolidating IRC's organizational robustness particularly its financial health to operate as a self-sustained and self-reliant mission-driven organization while maintaining IRC's internationally acknowledged independent think- and do- tank profile in the sector.

The EPE will assess IRC's past and present financial situation and its potential to generate the resources needed to achieve its goals. It will also assess the relevance and success in terms of fitness for the future of the restructuring process of the organization since 2014.

These assessments will be done against the context of a changing international (and Dutch) aid landscape and envisioned reduced availability of core programmatic funding. Opportunities and conclusions regarding IRC's potential financial robustness will be identified and assessed against with particular attention to:

- IRC's market position and competitiveness
- IRC's ability to generate (new) income
- IRC's flexibility to adapt to reduced programmatic funding and varying project fund flows
- Robustness of the individual IRC business units.

Scenarios will be developed for IRC that will take into account at least: core elements of IRC's mission; varying funding flows (project, programmatic and consultancy); varying DGIS funding options. Recommendations will be made as to how IRC can prepare itself (even further) for these scenarios.

### **1.3. Methodology to gather evidence<sup>4</sup>**

The review gathered evidence through country visits, meetings with IRC governance, management and technical advisory structures, consultations with international partner and global initiatives, representatives of donor agencies and other key informants.

A desk study included:

- Review of IRC documents and reports (including the BP, operational plan, programme logistics, progress reports)

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<sup>4</sup> A detailed inception report was produced and discussed with DGIS and IRC in October 2016.

- Review of information contained in IRC databases and monitoring dashboard
- Review of IRC website and other IRC publications displaying IRC's work during the present BP
- Review of other relevant sector documents

### ***Visits to focus countries***

IRC is implementing 54 projects each with a budget over euro 100,000 during the period 2012-2016 (for details see annex 2). IRC works in 29 countries including 6 focus countries. These focus countries are key within IRC's business and impact model. The EPE selected two focus countries for the field visits. These countries provide a mix of matured and evolving country programmes. Emphasis for the matured programme is on the evaluation of the track record and impact in the sector and how well the programme is positioned to be self-sustaining. The emphasis for the evolving country programme is on the potential to impact the sector and prospects for becoming self-sustaining. The limited time and resources available for the field visits should be kept in mind as a major constraint for a comprehensive and balanced judgement.

Based upon IRC's ambitions and planned financing for the indicative period 2016-2020, the six country units can be sub-divided into three groups:

- Mature country offices (Ghana and Burkina Faso) with well-established programmes and views and on the road towards financial sustainability.
- Upcoming country offices (Ethiopia and Uganda) with emerging programmes and views and substantial financial resources made available during the period.
- Focus countries without IRC registered offices (India and Honduras) with fewer projects and less substantial financial resources for the period.

Following a review of the country strategies, questions to be answered during the field visits in selected countries are directly related to the IRC result framework:

- 1) Progress made in achieving goals at country level
- 2) IRC's role and place in the WSS sector
- 3) IRC's value added
- 4) IRC's relative importance vis-à-vis other parties
- 5) Robustness of IRC's business model at country level and relations to other business units.
- 6) IRC's ability to generate (new) income and flexibility to adapt to reduced programme funding and varying project fund flows.

The EPE paid a field visit to Ghana and Uganda. The choice for Ghana is based upon the assumption that interesting lessons can be learned from the "mature" Ghana country programme. Moreover ideas about the future sustainability are probably best elaborated for the Ghana country programme. Uganda has an interesting and fairly elaborated "Agenda for Change" programme.

Moreover, the EPE focused on gathering information from all six focus countries through questionnaires and in-depth interviews with programme staff except for India and Honduras (see annex 3). Achievements per goal for each of the four goals per focus country have been assessed based upon documents, self-assessments of the IRC staff as well as discussions with other stakeholders.

### ***Discussions with international, national partners and global initiatives***

IRC collaborates with a large number of partner organisations. A large number of interviews were held with partner organisations, other stakeholders as well as with donors, funders and funding

partners. Interviews were also held with evaluation peers who have conducted recent evaluation of IRC programmes. Some discussions with non-WASH informants brought a broader perspective on policy issues. The discussions were based upon a standardized list of questions for stakeholders (see annex 4).

### **Limitations**

- The 2016 IRC EPE is more complex and comprehensive as compared to earlier reviews: (i) ToR questions are more comprehensive and explicit; (ii) IRC has become a larger and more complex organization; (iii) The new IRC intervention areas have major consequences e.g. for institutional arrangements, governance, management and funding; (iv) More focus on in-country activities and country offices; (v) IRC became a more important international player; and (vi) IRC budget increased substantially. In view of the complexity and comprehensiveness of the EPE, the team had to make choices as budget and time for the EPE exercise remained limited.
- The IRC EPE did make maximum use of recent and ongoing reviews as well as of data gathered in the monitoring process although as indicated earlier the whole result based framework is still “work in progress”.
- The EPE team focused on the broad lines regarding IRC’s financial situation, sustainability and independence in the context of IRC’s role and place in the market place (WASH arena). No detailed financial analysis will be made.
- The limited time and resources available for the field visits should be kept in mind as a major constraint for a comprehensive and balanced judgement.
- As noted in the Mid-Term Review, the Business Plan is not explicit in terms of criteria and targets against which to measure progress. Thus the EPE team have had to make a judgement based on the evidence available as to whether IRC has met its objectives. The EPE assessment of the achievement of the four main goals is to a large extent a qualitative assessment making maximum use of individual project reviews conducted, assessments made by parties interviewed, data from IRC’s monitoring reports and the EPE team’s own assessment based upon discussions held and countries visited.

## 2. PERFORMANCE AT INTERNATIONAL LEVEL

*The IRC result chain and monitoring framework is still a work in progress whereby goals and outcomes have not as yet been systematically elaborated into activities and outputs with indicators of success. This does not facilitate an assessment of actual progress made against formulated goals (as it is not easy to assess whether progress is satisfactory and/or to what extent and in which manner outputs from the monitoring system contribute to the achievement of the IRC goals).*

*The EPE assessment of the achievement of the four main goals is to a large extent a qualitative assessment making maximum use of individual project reviews conducted, assessments made by parties interviewed, data from IRC's monitoring reports and the EPE team's own assessment based upon discussions held and countries visited.*

*For details on the IRC results chain and monitoring framework, see paragraph 2.7.*

### 2.1. Vision, mission, central goal and approach

#### ***Vision***

IRC subscribes to a broadly shared sector vision of a world in which all people are able to enjoy their fundamental human right of access to appropriate and sustainable water and sanitation services that they use and can afford, and where these services are in turn based on sustainable use of water and environmental resources.

#### ***Mission***

IRC's mission 2012-2016 is to act as a knowledge broker, innovator and enabler of change within the sector, internationally and in selected focus countries and regions so that services are extended to the poor and are better attuned to their needs while being more sustainable and equitable, better managed and governed. Business as usual approaches in WASH have to change. That change has to be systemic and systematic and it must start with a shared vision of services that meet people's needs. IRC is catalysing that change as expressed in the four goals of its current business plan.

#### ***Goal***

IRC's central goal in the 2012-2016 BP is "to bring about a shift in perception in the sector as a whole", a shift that IRC summarizes as an adoption of a service delivery approach.

#### ***Approach***

The "IRC way" as expressed in the note "IRC Case for Support" describes that IRC works with practitioners in its focus countries via action research to identify specific local challenges and develop robust models for sustainable and equitable service delivery by using the lessons learned from these activities. IRC documents and shares what works and what does not work, with a wide audience to advocate at national and international levels for improved policy and practice and to ensure that sustainable solutions are created on the ground.

IRC intends to achieve its goals through a mixture of direct interventions in its focus countries and regions through innovation and action research (country and regional programmes) coupled with international level advocacy and policy influencing (International programme)(BP, p 5).

IRC does not provide WASH services directly, but instead works at a strategic level to coordinate key stakeholders and make activities more effective in delivering services to all citizens. Towards this end, IRC's work is divided into three overlapping and mutually reinforcing business areas (as taken directly from the Business Plan): 1) Knowledge management and innovation, 2) Innovation and action research, and 3) Market-based, demand responsive assignments.

To achieve its goals, IRC relies on five primary areas of expertise or competencies: 1) policy influencing, 2) knowledge brokerage, 3) thematic innovation, 4) capacity building and training, and 5) monitoring and learning.

## 2.2 IRC's Main Goals

Shaped by IRC's vision and mission and its understanding of the challenges facing the sector, the following four goals were identified for the (business plan) period 2012-2016:

1. The adoption by the sector of a service delivery approach
2. The adoption by the sector of a strong learning and adaptive approach to service delivery
3. Improved aid effectiveness
4. Improved inter-sectoral dialogue

According to IRC's Business Plan, "these four international-level goals will be nuanced and made context specific in all our work in focus countries and regions... and achieved through a combination of innovation, action research, advocacy and knowledge management, sharing our own and others' experience of what works and what does not."

These goals are described but not systematically elaborated in the Business Plan. Regarding these goals, the following general remarks can be made:

- The idea to bring IRC international, regional as well as country level under one set of interrelated main goals and to nuance these and make them context specific for countries and regions is excellent. IRC's goal based approach, including general goals, international programme goals as well as regional and country goals is a valuable instrument to show internal and external parties the interrelationships within the overall IRC programme. Moreover, project goals are related to the overall goals, wherever possible.
- However, the goals as originally formulated are somewhat unbalanced as was noted in the Mid-Term Review. Goal 1 in fact is the overarching "umbrella" goal (which was agreed by management after the MTR and incorporated as such in subsequent monitoring reports. This goal includes policy influencing which also could be considered as a major component of goal 2. Goal 3 is formulated as an extremely broad goal focusing on the whole Paris Agenda, on which IRC will have limited influence. This did lead to much confusion. The translation (and specification) of this goal in terms of IRC's contribution as "playing a role in the strengthening of national and local governments to play their key role in the sector/change/service delivery process" has been very useful. This reformulation of goal 3, as based on the recommendation from the MTR, is far more specific and better geared towards IRC's role and place in the sector. Goal 4 is also formulated in a very broad and general manner without indicating IRC's potential role and place regarding this issue.

### 2.2.1 Goal 1: Service Delivery Approach<sup>5</sup>

IRC's achievements around the promotion of the Service Delivery Approach (SDA) have been very substantial. The global understanding and debates around costing, sustainability and service levels have been strongly influenced by IRC. Core concepts like service level monitoring, life-cycle costing, service sustainability and more recently national and local systems' strengthening are well adopted and contribute to a radical shift in how the WASH sector does its work. The major achievements regarding goal 1 are summarized in table 2.1.

**Table 2.1: Major achievements – Goal 1: The adoption by the sector of a Service Delivery Approach**

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<sup>5</sup> For details see annex 5

<b>Goal 1</b>	<b>Service delivery approach – [Description from Business Plan]</b>		
	By 2016 the dominant paradigm in use at the international level will be based on the delivery of services rather than the construction of infrastructure. Future, post Millennium Goal (MDG) targets for water and sanitation will be couched in terms of sustainable and equitable service delivery and will include clear identification of the levels of service to be provided. As part of this objective IRC will lobby intensively for a commitment to universal coverage with clearly defined service levels by, at latest, 2025.		
<b>1.</b>	<b>Primary Achievements</b>		<b>Qualitative Assessment</b>
1.1	<b>Development partners, international organizations and countries will have adopted principles and concepts of a Service Delivery Approach to WASH in their policies, strategic planning and implementation guidelines and procedures.</b>		High  Uptake and impact remains the major challenge
1.2	<p><b>Development Partners, international organizations and countries apply approaches, methods and tools of a Service Delivery Approach to WASH in their funding mechanisms (life-cycle cost approach) and planning and implementation procedures for the full life-cycle of WASH services.</b></p> <p><b>Achievements:</b></p> <p><i>SDA is strongly embedded in the sector. The global level's understanding and debates around costing and service levels are strongly influenced by IRC through WASHCost and Triple-S. This makes IRC an important player in changing the sector's focus.</i></p> <p><i>IRC equips local government and service providers with the knowledge &amp; tools to sustain the delivery of WASH services in a "hands-on approach" at country and district level.</i></p> <p><i>A large number of Development Partners, NGOs and Governments adopted (elements of) the Service Delivery approach and Life Cycle Costing in their policy and planning documents, monitoring framework, project manuals, policy guidelines and planning tools.</i></p> <p><i>Use of IRC tools and approaches higher than expected. Tools and approaches for monitoring, sanitation and costing are the most in demand. To increase the visibility of IRC tools at international level (for monitoring services, for implementing SDA, for monitoring hygiene behaviour change, for using WASHCost calculator IRC has recently created separate section on the IRC website to promote the use of IRC tools.</i></p> <p><i>Uptake of direct advice by DGIS with regard to sustainability checks, scoping of Water Financing Facilities, etc.</i></p> <p><i>Increase in financing flows dedicated to non-capital expenditures remains very limited. Still most investments focus on new infra with little attention to O&amp;M. The increased awareness of the need for sustainable services hasn't yet been translated into increased budget allocations and expenditures for O&amp;M.</i></p>		
<b>Indicators from IRC monitoring reports</b>			
	<b>Indicator</b>	<b>Status end 2015</b>	<b>Trend and remarks</b>
	Annual increase among bi-laterals/ IFIs using SDA terminology	18	In 2015 8 new bilaterals/IFIs were reported. 10 continued from previous years. First measurement in 2012: 2 bilaterals/IFIs were reported
	Annual increase among I/NGOs using SDA terminology	24	In 2015 9 new I/NGOs were reported. 15 continued from previous years. First measurement in 2012: 2 I/NGOs were reported
	Annual increase among organisations actively funding SDA approaches	35	In 2015 17 new organisations were reported. 18 continued from previous years. First measurement in 2012: 2 organisations were reported
	Annual increase among organisations actively promoting SDA approaches	55	2015 value is baseline, because first measurement
	Country-specific elements of SDA agreed in a minimum of 2 countries/sub-national regions	9 countries 4 regions	In 2015 3 new countries and 2 new regions were reported. First measurement in 2012: 1 country

Number of projects with SDA elements	69	In 2014: 47 projects
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The major challenges regarding the SDA are the following:

- The uptake of relevant SDA products is still weak. An increase in financing flows dedicated to non-capital expenditures remains limited. The translation into large scale impact on the ground requires new policies, implementation of these policies, budgets, budget processes, investments and ultimately local WASH expenditures. At country level IRC makes efforts to stimulate the uptake in a very “hands on” manner.
- To accelerate uptake a detailed analysis of the “Dynamics of Acceptance”, in particular by governments is still urgently required.
- LCCA implies that WASH needs consistent financing, financing mechanisms and support from local government and the private sector. IRC at country level makes efforts to refocus on Local Government. IRC’s relation with the private sector remains limited.

2.2.2. Goal 2: A sector that learns and adapts.

IRC’s progress in stimulating a broad stakeholders’ dialogue, building learning mechanisms and creating consensus has been substantial in the countries visited. A major value added of IRC at country level is its recognized role as neutral, professional player with a specific, functional, highly appreciated relation with relevant government agencies. The presentation of relevant outputs is being focused on the translation (or simplification) of these outputs for major implementing parties with special reference to government agencies at various levels. The achievements of goal 2 are summarized in table 2.2.

**Table 2.2: Major achievements – Goal 2: The adoption by the sector of a strong learning and adaptive approach to service delivery**

Goal 2	A sector that learns and adapts: [Description from Business Plan]	
	By 2016, learning and adaptive management will be widely accepted as core elements of good practice in service provision.	
	Primary Achievements	Qualitative Assessment
2.1	<b>Development Partners, international organizations and governments actively champion the collection, analysis and use of data relating to service delivery as part of a commitment to a sector that is dedicated to innovation, learning and adaptation, based on evidence of what works.</b>	Medium/High
2.2	<p><b>Development Partners and international organizations facilitate global innovation systems for the development and testing of innovative concepts, approaches and methods around Service delivery Approach, aid effectiveness and learning and adaptive capacity.</b></p> <p><b>Achievements:</b></p> <p><i>The breakdown of complex issues, documenting and sharing is very important to support and stimulate learning process amongst stakeholders with special reference to national governments.</i></p> <p><i>UNICEF-WCARO works together with IRC in the period 2014-2016 to improve knowledge management and sector learning in WCAR and support to WCAR offices (part of DGIS programme).</i></p> <p><i>2015-2016 Agenda for Change as a focus of IRC’s work is being integrated to the common language across stakeholders. Increased collaboration between partners within Agenda for Change, e.g. in Burkina Faso, Uganda and Honduras. IRC took the lead coordinating role at global level as well as in Honduras and Uganda, where its role is highly appreciated.</i></p> <p><i>In 2015 international IRC programme reached 815,000 unique direct interactions with sector professionals. And 202,000 through web, and face-to-face events, trainings, webinars etc.</i></p> <p><i>Learning/sector platforms are useful. Innovations are better translated for “use on the ground”</i></p>	Substantial progress during last few years especially at country level.

	<i>and structured follow-up of key events is being undertaken during the last few years.</i>	
Indicators from IRC monitoring reports		
Indicator	Status end 2015	Trend and remarks
Number of IRC's focus countries with dedicated sector platforms	6	In 2012, 2 countries reported
Number of other countries, in which IRC work, with dedicated sector platforms	5	First measurement in 2013: 2 countries
Number of global / regional sector platforms and networks, in which IRC is involved.	17	In 2015 5 new regional/global platforms were reported. 12 continued from previous years. First measurement in 2013: 5 regional/global I/NGOs were reported

### 2.2.3. Goal 3: Improved aid effectiveness

Harmonisation and alignment in the sector remains a major concern. IRC's contribution to aid effectiveness in general terms has been limited. IRC's role in achieving such a broad goal has recently been better defined by IRC with "a focus on playing a role in the strengthening of national and local governments to play their key role in the sector change/delivery process". IRC's progress in contributing to this specified goal is substantial as an organisation with a substantial "footprint" through IRC country offices in countries concerned.

**Table 2.3: Major achievements – Goal 3: Improved Aid Effectiveness**

<b>Goal 3</b>	<b>Improved Aid Effectiveness – [Description from Business Plan]</b> <b>By 2016, major traditional donors will be largely committed to harmonise and align the financing of service delivery with country-defined frameworks supporting country-specific service delivery models. IRC also aims for a significant increase in the extent to which non-traditional and non-state actors (including international NGOs) allow their actions to be guided by nationally agreed frameworks. Programme management is result driven and stakeholders are mutually accountable.</b>	
	<b>Primary Achievements</b>	<b>Qualitative Assessment</b>
	<p><b>Development Partners and international organizations support WASH service delivery by applying internationally agreed principles of aid effectiveness (Paris Declaration, Accra Agenda for Action, etc.) to their work in the WASH sector, specifically by allowing their actions and investment decisions to be guided by nationally agreed frameworks.</b></p> <p><b>Achievements</b></p> <p><i>IRC's role in achieving this broad goal has not been properly elaborated and defined at the start of the BP. The elaboration/specification of this goal focusing on IRC's contribution as "playing a role in strengthening national and local governments to play their key role in the sector change/service delivery process" leads to a very positive assessment of IRC's contribution in the focus countries.</i></p> <p><i>Growing insight that government leadership and strong country systems are a condition for sustainable sector investments and effective aid. IRC's role in strengthening national and local governments is highly appreciated by all stakeholders and above all by the governments.</i></p> <p><i>IRC positioned itself as an advocate for and being knowledgeable on aid effectiveness and country leadership (requests from DGIS, RVO, NWP).</i></p> <p><i>Concretely contributing to the development of the "Collaborative Behaviours" of SWA, which are an articulation of "aid effectiveness" in behavioural terms at global / sectoral level</i></p> <p><i>Partnership in SWA country processes task team proves effective means for advocacy and dissemination of IRC experiences. Country studies done on aid effectiveness in Ghana, Burkina Faso and Honduras assisted in these processes.</i></p> <p><i>New SWA strategy around key concepts as country leadership, national sector strengthening</i></p>	<p>Medium</p> <p>Strong upward trend</p>

	<p><i>processes and collaborative behaviours is highlight of IRC's international influencing on activities for effective development cooperation. All SWA countries act accordingly.</i></p> <p><i>Start of two key sector initiatives: Agenda for Change and Public Finance for WASH led by IRC. Both will be crucial for realising the IRC vision that governments lead on sector change and service delivery.</i></p>	
Indicators from IRC monitoring reports		
Indicator	Status end 2015	Trend and remarks
By 2016 all IRC focus-countries aid effectiveness agenda are in line with global aid effectiveness initiatives	6	First measurement, 2014: 5
Annual increase in number of requests from WASH sector stakeholders for IRC inputs/work on aid effectiveness	5	First measurement, 2014: 4

The lessons learned as formulated in the 2013 IRC Annual Report (true aid effectiveness remains elusive, WASH is not a national priority, political economy of aid business is competitive which disincentivises aid effectiveness) are still valid. IRC's focus on support of national institutions in the WASH sector to ensure country leadership is important. Policy influencing becomes a more and more important component of IRC's activities, not only around influencing NGOs and donors, but especially around influencing and supporting government to strengthen their position to play the lead role in the sector.

IRC has maintained a high profile in sector finance since its WASHCOST programme. More recently it launched, together with WSUP, the Public Finance for WASH initiative, aimed at championing the role of Public Finance in WASH. This is directly linked to the 3<sup>rd</sup> objective, enhancing the leadership role of Government.

#### 2.2.4. Goal 4: WASH services – Everyone's business; improved inter-sectoral dialogues.

The WASH sector does not exist in a vacuum. Learning and dialogue about the contextual issues of water resources management, climate change, multiple-use systems for economic development becomes very important. IRC's activities and achievements in this field remain limited although promising with the successful creation and leadership of and fundraising for Watershed. The launch of the Watershed partnership will possibly give a boost to achieving this goal.

**Table 2.4: Major achievements – Goal 4: Improved inter-sectoral dialogue and planning alignment**

Goal 4	<p><b>Improved inter-sectoral dialogue and planning alignment: WASH Services - Everyone's business: [Description from Business Plan]</b></p> <p>By 2016, IRC expects to see better integration and alignment of plans and budgets across the departments, agencies and private sector organisations that play a central role in sustaining WASH service delivery in rural and urban areas (e.g. local government, energy, health and education). This will become increasingly important in areas experiencing rapid urbanisation and increasing water scarcity.</p>	
	Primary Achievements	Qualitative Assessment
4.	<p><b>Development Partners, international organizations and governments support the adoption of a livelihoods based approach to providing WASH services; one that seeks to maximize the impact on human wellbeing of WASH related investment by actively reaching beyond the traditional confines of the WASH sector.</b></p> <p><i>Achievements:</i></p> <p><i>More priority since 2014. WASH in emergencies and WASH away from home. Development of</i></p>	<p>Low</p> <p>Slight upward trend</p>

<p><i>WASH away from home toolkit.</i></p> <p><i>Recent creation and leadership of and successful fundraising for Watershed</i></p> <p><i>IRC organized multi-sectoral platforms in Ghana and Ethiopia and supported WASH in schools.</i></p> <p><i>Multiple use of water supply in broader water management context was implemented in Ethiopia.</i></p> <p><i>Whilst IRC has focused on sanitation and hygiene in the work of most country programmes, the organisation continues to be seen largely as having a focus on rural water.</i></p>		
Indicators from IRC monitoring reports		
Indicator	Status end 2015	Trend and remarks
Number of organisations who's policy clearly reflect (elements of) a cross-sectoral approach to WASH service delivery	12	In 2015 2 new organisations were reported. 10 continued from previous years. First measurement in 2014: 10 organisations were reported
Number of national platforms for intersectoral planning, dialogue and coordination, in which IRC participate	3	First measurement, 2014: 3

Domestic water supply is only a small portion of water uses. Sanitation is a major polluter of raw water resources. Protecting water resources from sludge is essential to protecting aquatic ecosystems. Protecting domestic water supply against climate risks and the competition from large scale agriculture and industries is crucial for sustainable water service delivery.

Attention paid to sanitation and hygiene within the context of the IRC programme remains somewhat limited perhaps given the recent legacy of Triple-S which was more about domestic water supply. A further reason may be the challenging aspect of coordinating the various government ministries and agencies that have a responsibility for different aspects of sanitation. Thus strengthening sanitation and hygiene within a complex institutional environment proves challenging.

### 2.3. The regional programme

The African regional programme reached key regional stakeholders, e.g. with a formalised partnership with AMCOW through a MoU which enables joint acquisition for monitoring, knowledge management and sector learning efforts that have policy impact, i.e. reach Member State decision makers. IRC developed the UNICEF Sanitation Monitoring Toolkit providing sanitation and hygiene sector professionals with access to current approaches to sanitation monitoring including guidance on how to use various monitoring instruments. The assessment of the Africa regional programmes is included in annex 6.

### 2.4. Theory of Change and the Agenda for Change

The Agenda for Change, launched in May 2015 by Aguaconsult, WaterAid, Water for People, Osprey Foundation and IRC, is a movement, one that puts government at its centre, and that brings other supporting partners together, from both the local private sector and communities to develop services that work for them. The Agenda for Change consists of a set of interlinked and mutually supporting activities in focus districts, countries and globally that are all designed to create an unstoppable momentum towards achieving SDG 6.

The Agenda for Change builds on the achievements & learning of the four IRC goals. The four IRC goals are critical but only a first step. These goals are insufficient to systematically create an improvement in the quality of the services delivered. Without strong government leadership and increased access to (public) finance, improved capacity and awareness interventions alone were not

sufficient to drive an improvement in service delivery. In 2015 based upon learning IRC started to advocate strongly for increased government leadership and for more public finance for WASH (IRC Monitoring report 2015).

The goals of the Agenda for Change have been formulated as follows:

- To promote harmonized district level work to ensure everyone in the district has adequate WASH services;
- To ensure that national level systems are in place to enable all districts to reach everyone and that systems are in place forever.
- Accelerate pace of change towards SDG 6 and mitigate impacts of climate change through development of sustainable water supply approaches

One of the major expected goals is a roadmap for each country that will build on current systems to achieve sustainable service delivery and the development of a set of core indicators to assess system strengthening including, capacity building, budget allocation and investment planning,

The Agenda for Change differs from earlier agendas as 1) it enhances government leadership of sector planning processes; 2) strengthens and use country systems; 3) uses one information and mutually agreed platform and; 4) builds sustainable water and sanitation sector financing strategies.

Roughly 50% of the €1 million top-up from DGIS in 2016 has been essential in the elaboration testing and rolling out of the Agenda for Change to the country and district level. The Osprey Foundation has also contributed €150k and Water for People provided \$31k for Agenda for Change specifically in Uganda. IRC has led this process in Honduras and Uganda, whereas Water For People leads this in Rwanda.

### ***A change hub***

Driving change in national systems over time requires a change hub to support and sustain the change process over time. A change hub is an organization (or a group of organisations) who have a strong vision on the change needed and the endpoint to be achieved. A change hub also has the credibility to convene other actors, to bring the evidence to the table and to suggest necessary changes. To serve as a change hub an organization must be both respected and seen as essentially neutral, without vested interests in changes to policy and practice. IRC has been widely accepted as a change hub in the countries and districts visited. This role is unique and very valuable.

### ***Poverty and equity***

The strong focus of the Agenda for Change on universal access at sub-country level (e.g. a district) implies a focus on extending water and sanitation services to the hard to reach populations, the most dispersed rural communities and the base of the pyramid. The most marginalized and dispersed communities will always need some level of subsidy. In IRC's focus on public finance and affordability these issues are incorporated.

IRC aims at various levels together with other stakeholders to review progress towards the realization of the human right to water and sanitation. Gender integration goes hand in hand with the promotion and protection of human rights to water and sanitation and support to capacity building and lobbying to eliminate discrimination of any kind.

## **2.5 Five areas of expertise**

To achieve its goals, IRC relies on five primary areas of expertise: 1) policy influencing; 2) knowledge brokerage; 3) thematic innovation; 4) capacity building and training and; 5) monitoring and learning (IRC Business Plan 2012-2016).

The appreciation of stakeholders for IRC’s competence and relevance in the five areas of expertise varied according to the type of stakeholder, the level (international or country level) as well as to the role and place of the specific stakeholder within the sector. In general stakeholder appreciation of IRC’s competence and relevance in the five areas of expertise was high. More specifically the following can be concluded from the summary as presented in the table below:

**Table 2.5: Summary – Appreciation of stakeholders for IRC’s competence and relevance in five areas of expertise**

Area of Expertise			International level	Country level
1.	Policy influencing and advocacy	<ul style="list-style-type: none"> <li>Engage in international policy arena and national and local policy arena</li> <li>Advocacy on key messages</li> </ul>	Substantial	High
2.	Knowledge brokerage	<ul style="list-style-type: none"> <li>A leader to secure, improve and promote accessibility and use of global and country knowledge related to sustainable WASH services</li> <li>Changing and growing role as information provider to WASH sector</li> </ul>	Substantial	High
3.	Thematic innovation	<ul style="list-style-type: none"> <li>To generate, consolidate and support development of new knowledge, based on practical experience and published as global public goods</li> <li>To strengthen innovation systems so that best ideas are taken into policy and practice at country level</li> </ul>	Moderate	Substantial
4.	Capacity building and training	<ul style="list-style-type: none"> <li>Action research bringing together practitioners and researchers.</li> <li>Training as key channel for catalysing sector change</li> </ul>	Moderate	Substantial
5.	Monitoring and learning	<ul style="list-style-type: none"> <li>Info and sharing lessons are fundamental</li> <li>Monitoring effectiveness supports social transformation by linking monitoring to learning.</li> </ul>	Substantial	High

Source: Interviews

The appreciation in the countries visited is very high as compared to the appreciation at the international level with special reference to policy influence and advocacy as well as monitoring and learning. This high appreciation at country level was shared by all type of stakeholders. The general appreciation for capacity building and training is relatively low as compared to other areas of expertise.

**2.6 Main shifts in the business plan period**

IRC intends to achieve its goals through a mixture of direct interventions in its focus countries and regions through innovation and action research (country and regional programmes) coupled with international level advocacy and policy influencing. Consequently, the following two major processes of change within IRC are highly relevant for the End of Programme evaluation:

1. Acceleration, deepening and scaling up of its regional focus and enhanced presence in a number of focus countries to achieve greater and more lasting impact.
2. IRC to develop and grow its role as a leading international NGO with a global outreach, that leads, catalyses and supports pro-poor change in the delivery of WASH services and as such contributes to a better performing sector.

IRC’s desire to reduce the number of countries and to focus on working more intensively in a limited number of countries to become a main player at country level in these countries is really getting off the ground. In the two countries visited IRC became a highly appreciated and crucial player (see also chapter 3). The lasting impact of IRC’s influence “on the ground” still needs to materialize (see also chapter 2.2.). The decentralisation process towards six focus countries is assessed in chapter 3.

IRC's growing role as a leading International NGO is described mainly under the assessment of goal 1. IRC has become an important player in changing the sector's focus. The SDA is strongly embedded in the sector, while the global level's understanding and debates around costing, service levels and sustainability are strongly influenced by IRC through its programmes like WASHCost and Triple-S.

Another main shift in the business plan period has been the restructuring and downsizing placing more emphasis on programmes of work at the country level (see also chapter 4.2).

## **2.7. The IRC Results Chain and Monitoring Framework**

During the BP period 2012-16, IRC has developed a result chain, starting from the high level goals and asking all country programmes and the international programmes to define their outcomes, intermediate outcomes, outputs and indicators and targets, contributing to these goals. Besides the four overall high-level goals, the programmes were given a high level of freedom to define their programme results chains, made specific for each context. During the BP period, refinements and improvements to the result chain(s) and the monitoring system have been made. However, the IRC results chain as well as the monitoring framework still have substantial weaknesses. It remains work in progress as described in box 1.

### **Box 1: IRC's results chain and monitoring framework; work in progress**

At programme level, IRC had a narrative for the logic of the four high level goals and related outcomes, which were meant to provide guidance for strategizing programmes and activities. The country and international programmes defined with their outcomes how they contribute to these goals.

The main achievements regarding outputs, outcomes, goals and impact of IRC should be assessed in relation to main goals, outcomes and intermediate outcomes for the international and regional level as well as for focus countries. However, the IRC results chain and monitoring framework still has the following limitations:

- The results chain (and milestones) is still a work in progress whereby goals and outcomes have not as yet been systematically elaborated into activities and outputs with indicators of success. This does not facilitate an assessment of actual progress made against formulated goals (as it is not easy to assess whether progress is satisfactory and/or to what extent and in which manner outputs from the monitoring system contribute to the achievement of the IRC goals).
- The goals and outcomes were formulated as relative significant steps where the direct logic of how one intermediate outcome would lead to the higher-level outcomes and goals was not so clear.
- The results chains of the country and international programmes did not make sufficiently clear to what extent these contributions were comprehensive and the most relevant for achieving these goals.
- No clear targets were set related to each of the goals at the start of the BP. Consequently a quantitative assessment of the achievements cannot easily be made. Only recently some specific targets have been elaborated. However, this does not resolve the difficulty of assessing progress against outcomes.
- The monitoring report contains a number of interesting quantitative data points based upon indicators formulated. These can be considered as possible broad indications to support a qualitative assessment of the achievements realised.
- Indicators as defined for each of the goals and outcomes of the overall programme as well as for the international and country programmes do not facilitate a reflection on progress and results of all efforts made by IRC at various levels.
- IRC itself indicates that "It is open to debate whether these ambitions will be achieved within the 2012-2016 period given the sluggish nature of WASH sector reforms and the profound changes required."
- Many outcomes are processes rather than concrete achievements. Concrete outputs as indicated in the monitoring and annual reports cannot easily be translated into contribution to the achievements of the goals and outcomes. Moreover, indicators tend to be incomplete or subjective (e.g. governments change their policies – by how much, to do what).
- Another problem is the issue of attribution as much of IRC's work is carried out alongside other

organisations (e.g. if an innovative idea is spread, how much of that influence can be attributed to IRC?).

- In the current business model, IRC is reflected as one organisation with one monitoring report. Country programmes submit individual monitoring reports to IRC NL. All monitoring activities happening in each programme are put into the dashboard. Through this dashboard, a single monitoring report is produced that includes all activities of individual country programmes. In the future, IRC will be decentralizing the monitoring, which will result in more emphasis on individualised monitoring reports from the different country programmes.

#### *Recent and intended actions taken (or to be taken) by IRC:*

In 2016 IRC has also started to work on the IRC strategies for 2030, for which IRC has chosen to use the methodology of the Theory of Change to describe IRC's interconnected outcomes to contribute to the impact of sustainable WASH for all. The monitoring of the ToC of IRC's programme will be combined with the monitoring of the performance of the WASH sector in selected districts (or similar geographic units) and at the national level in the focus countries. The choice for applying the ToC methodology is motivated by a number of experiences with monitoring and learning during the BP period 2012-16.

The results chain including milestones is also a work in progress. IRC recently formulated targets for the programme outcomes which in some cases are linked to milestones for sector progress. However, in the new monitoring system, IRC will aim to include key milestones in the pathways of change of the programmes.

Since 2015, indicators have been made smarter and targets set for most. Outcomes in the new Theory of Change will be formulated mainly as changes in behaviour of key sector stakeholders (e.g. "CSOs represent citizens and hold sector actors to account")

As noted, another problem is the issue of attribution. Attribution to broad sector changes will always remain difficult. However, by focusing on monitoring the behaviour change of the key actors in the sector, IRC's attribution to the programme effort will become much clearer.

In 2016 IRC has started with the development of the new Monitoring and Learning (M&L) IRC system. All programmes will report directly in this system and the results will be visualised directly on the website. In principle the public can follow IRC progress in real-time. In practice IRC expects that most progress updates will be done on a half-yearly basis.

During the whole BP period, some refinements and improvements to the results chain(s) and the monitoring system have been made. This includes the definition of indicators and targets in 2015 after the mid-term review and the start of the development of a new tool (2016) for entering the monitoring data and narratives, with the aim to have the new IRC monitoring system integrated in the IRC web CMS. The aim is that this system will replace the current dashboard in early 2017.

## **2.8. Characteristics of main projects**

IRC is implementing 54 projects with a budget over euro 100,000 during the period 2012-2016 (for details see annex 2). IRC works in 29 countries including the 6 focus countries. IRC projects are not stand-alone projects. There is a logic and interrelationship between most of the projects undertaken, e.g. lessons learned in Burkina Faso from WASHCost have been fed into Triple-S, WA-WASH work and recently in the new EU funded project for sanitation (SaniEst). This represents a substantial coherence around an overarching problem statement that drives the choice of activities.

The IRC projects are focused around themes as delivery models, costing and finance, sustainability, impact assessment and monitoring and sector learning. IRC is the lead agency in most of the projects. Table 2.6 includes thirteen projects of more than euro 1,000,000 during the Business Plan period.

**Table 2.6: Characteristics main projects IRC 2012-2016, over € 1,000,000 budget (in \*€1000)**

	Title	Contractor	Donor	IRC role	Budget <sup>6</sup>	Country	Theme	From -To
1.	Watershed	DGIS	DGIS	Lead	€16,353	International, Ghana, Uganda, Mali, Kenya, Bangladesh, India	Multiple themes	1-1-2016 31-12-2020
2.	TripleS	BMGF	BMGF	Lead	€13,974	International, Ghana, Uganda	Service Delivery Models	1-11-2008 31-12-2015
3.	WASHCost	BMGF	BMGF	Lead	€10,478	International, Mozambique, Ghana, India, Burkina Faso	Costing and Finance	1-1-2008 31-12-2013
4.	DGIS Core Program (Subsidy Agreement, incl. Top Up)	DGIS	DGIS	Lead	€10,670	International and all focus countries	Multiple themes	1-1-2012 31-12-2016
5.	SMARTer WASH Ghana PPP	DGIS	DGIS	Lead	€3,800	Ghana	Impact Assessment & Monitoring	1-4-2013 31-12-2015
6.	Exchange Rate Results from Triple-S disbursements	IRC	Gates Foundation	Lead	€2,944	International, all focus countries	Multiple themes	1-1-2015 31-12-2016
7.	BRAC WASH II (DGIS)	BRAC	DGIS	Partner	€2,500	Bangladesh	Sanitation & Hygiene	1-9-2011 30-4-2015
8.	EU Sanitation Service Delivery Burkina Faso	EU	EU	Lead	€2,500	Burkina Faso	Sanitation & Hygiene	29-4-2014 31-10-2017
9.	Strengthening Local Government Capacity to Deliver Water	Hilton Foundation	Hilton Foundation	Lead	€2,200	Ghana	Service Delivery Models	1-7-2014 31-12-2017
10.	WASHTech – Water, Sanitation and Hygiene Technologies	European Union	EU	Lead	€2,001	Ghana, Uganda, Burkina Faso	Sector Learning for Change	1-1-2011 31-12-2013
11.	WA-WASH	FIU	USAID	Partner	€1,734	Burkina Faso	Service Delivery Models	1-11-2011 31-7-2015
12.	Gates Foundation Core Funding	Gates Foundation	Gates Foundation	Lead	€1,449	International	Multiple themes	1-11-2008 30-11-2014

<sup>6</sup> If IRC is leading, it is the whole project budget going through IRC accounts. If IRC is a partner, it is IRC's share of the budget.

13.	SWITCH	IHE	EU	Partner	€1,210	International	IWRM & MUS	1-1-2008 31-12-2012
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Source: IRC files

## 2.9. Overall assessment of achievement of goals

IRC delivered well on the goals/outputs of the business plan with particular and special reference to the first overarching goal – the adoption by the sector of the SDA. Moreover, substantial progress has been made in achieving the second goal regarding the sector that learns and adapts with special reference to the country level. Substantial progress has been made in achieving the third goal with special reference to the strengthening of government organisations. The progress made in achieving the fourth goal remained limited but shows more promise towards the end of the Business Plan period.

The Agenda for Change is a movement, one that puts governments at its centre, and that brings other supporting partners together, from both the local private sector and communities, in order to develop services that work for them. However, there is still a lack of clarity on: 1) what IRC is really offering around the Agenda for Change and how it practically differs from SWA (“Old wine in new bottles”?) and 2) how to join, what joining actually means and what the expected role of the partners is.

The appreciation in the countries visited is very high as compared to the appreciation at the international level with special reference to policy influence and advocacy as well as monitoring and learning. This high appreciation at country level was shared by all types of stakeholders. The general appreciation for capacity building and training is relatively low as compared to other areas of expertise.

IRC has been very successful in attracting a total of 54 projects focused around IRC main themes and each with a budget over euro 100,000.

### 3. PERFORMANCE AT COUNTRY LEVEL AND DEVELOPMENT OF COUNTRY BUSINESS UNITS

#### 3.1. Main characteristics

Since autonomy in 2006, IRC has been through a period of profound transformation. Most importantly, it has become a decentralised and internationally operating organisation. IRC is involved in activities in a total of 29 countries of which at present six are focus countries.<sup>7</sup> Four of these focus countries have country offices (Ghana, Burkina Faso, Uganda and Ethiopia). India and Honduras country programmes, not yet legally established as branch offices, are run by a small local staff complement.

The main characteristics and findings of the country offices are summarized in table 3.1.

**Table 3.1: Main characteristics and findings of IRC’s focus country programmes**

Focus Country	Characteristics and Findings
Ghana	<p>IRC has worked with stakeholders in Ghana since the 1990s with the aim of improving delivery of water and sanitation services. In 2011, a formally registered IRC branch office was established. Central to IRC Ghana’s work is identifying areas in service delivery that need improvement. IRC Ghana works with government, development partners, private sector organisations, NGOs and research institutes to diagnose underlying causes of failure of water systems and together generate alternative solutions and ideas.</p> <p>The country office is well-established with major programmes and impact at country level. IRC initiatives include working with the Community Water and Sanitation Agency to develop innovative solutions for improved water services in a range of areas, among them a SMS model for reporting water systems breakdowns and sourcing repair services. The fact that Ghana became a low middle income country has had consequences for the WASH sector as grants and concessional loans disappear.</p> <p>Apart from Triple-S, SMARTerWASH and other IRC projects, the country office succeeded in acquiring projects from the local market. The IRC office created financial flexibility at office level to remain functioning under difficult circumstances. Financial sustainability is feasible in the short to medium term.</p>
Burkina Faso	<p>IRC had a country presence since 2008 through WASHCost and hosted by CREPA. Since 2012 IRC has a well-established country office with major programmes and impact at country level. A formal authorisation from the Burkina government to operate in the country as a foreign (Dutch) NGO. One MoU has been signed with the Ministry of Finance covering all international cooperation partnership and conditions. Another MoU has been signed with the Ministry of Water and Sanitation with more clarity on IRC’s contribution to the sector.</p> <p>The country office has reached a maturity level with a clear positioning as leader within the sector strategic players, a clear and depth understanding of the sector challenges and a specific added value and a clear vision of the future and the role IRC can play in Burkina and the surrounding francophone countries.</p> <p>Apart from WASHCost and other IRC projects, the country office succeeded in acquiring projects on the local market. Financial sustainability/independence is feasible in the short to medium term.</p>
Ethiopia	<p>Formal registration and country office has been established in 2015 (prior to that from 2013 IRC was hosted by Quest). Impact can be found at country level with special reference to self-supply as a major element of the government’s WASH policy. Situation improved since 2014; IRC has a liaison office in the Ministry itself;</p> <p>Not part of WASHCOST/Triple-S; The establishment of an IRC country office has been a gradual process; Agenda for Change is being picked up; IRC is in the process of upgrading registration to a branch office.</p> <p>IRC Ethiopia has potential for sustainability at medium term provided that additional investments are made by HQ.</p>

<sup>7</sup> Mozambique was a focus country until 2013 when the IRC office there was closed and it was replaced by India. The country office in Mozambique has been closed.

Uganda	<p>Since 2005 IRC has been working in Uganda. From October 2009 up to November 2014, IRC functioned under the IRC/SNV host agreement that facilitated the implementation of the Triple-S project. From December 2014 to December 2015, IRC Uganda was in a very difficult situation. The IRC country office was established in 2015 with IRC's own funds (Gates Foundation exchange rate and DGIS core funding). This investment in the establishment of the country office paid off. The country office developed fast during the last two years with the extension of Triple-S and the start of new projects.</p> <p>In collaboration with the Ministry of Water and Environment IRC has developed guidelines for national and local government on how partners at district level can work together to achieve full functionality in addition to the review and updating of the District Implementation Manual. The Agenda for Change is getting off the ground in a tripartite partnership with WaterAid and Water for People.</p> <p>Credibility and reputation have been built up but not (yet) translated in additional projects/funding. Recent proposals drafted not awarded. Acquiring projects from the local market is not easy as the WASH sector which still is managed under the SWAP. There is a need to attract funding in near future. Financial sustainability is feasible in the medium term provided additional investments are made in the country office by HQ.</p>
India	<p>Focus country since 2013 but not yet registered. Defined very broad tasks. PPP proposals ongoing. Future unclear. The potential for financial sustainability is unclear.</p> <p>A project office was started in Andhra Pradesh with WASHCost in 2008; Policy influence from national to state to panchayat level; Good manager appointed; In Delhi service office; Watershed and community water plus projects in India</p>
Honduras	<p>IRC supports the national government in the development and application of a service delivery approach. It does so through the Para Todos Por Siempre (Everyone, Forever) initiative, made up of government entities, NGOs and some 30 municipalities. This has been adopted as the first country following the Agenda for Change principles. Highly appreciated support to government at various levels.</p> <p>The IRC country office in Honduras is highly dependent on core funding from IRC. Whilst a new IADB bid has been won and The Osprey Foundation has provided strong assurance that they will continue supporting the programme, there is at present questionable scope for financial sustainability of the country office,</p> <p>The IRC country office in Honduras is managed from HQ, but with two local staff based in the Government Offices. The roadmap is a very interesting IRC tool. The country office is not registered..</p>
Mozambique	<p>No longer a focus country. Whilst all elements were present for a successful programme, IRC was not successful in attracting funding. The office was thus closed in 2013.</p>

Source: Findings for Ghana and Uganda are based upon field visits, findings for the other focus countries are based upon questionnaires sent, discussions, reports and interviews.

### 3.2. The IRC country office in the WASH arena

Table 3.2 shows that IRC's strength and status are considered high in Ghana, Burkina Faso and Uganda and medium in the other countries. The active involvement of IRC in Central and Local Government as well as in the NGO arena are generally considered high, while the involvement in the universities and private sector are considered low.

The IRC offices are very positive about their role and place in the national WSS sector, their relative importance vis-à-vis other parties and their value added as a player in the sector. This positive picture is confirmed during the field visits to Ghana and Uganda conducted within the context of this EPE. The relative strength of the country offices has substantially increased during the period 2012-2016.

**Table 3.2: Summary assessment IRC country office in the WASH arena at country level (in high, medium, low)<sup>8</sup>**

Assessment of the IRC Country Office &	Ghana	Uganda	Burkina	Ethiopia	Honduras	India
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<sup>8</sup> Much of this analysis is based on IRC's self-assessment as well as on discussions held.

processes of change 2012-2016			Faso			
Strength and status IRC	H	H	H	M	M	M
Active involvement IRC and partners in:						
• Central Government	H	H	H	H	H	M
• Local Government	H	H	H	M	M	M
• NGO	H	H	H	H	H	M
• Universities	H	L	M	L	L	M
• Private sector	M	M	L	M	L	M
Progress made in achieving IRC country goals	H	H	H	?	M	M
IRC's role and place in the national WSS sector	H	H	H	H	H	L
IRC's value added	H	H	H	H	H	L
IRC's relative importance vis-à-vis other parties	H	H	H	?	H	M
Relative strength of IRC's competitors	M	H	M	M	M	?

Source: questionnaires, field visits, reports, discussions and interviews.

### Impact in the sector at country level

IRC's influence on the sector capacity and enabling environment for sustainable service delivery is presented in table 3.3.

**Table 3.3: Summary assessment sector capacity (enabling environment for sustainable service delivery) and IRC influence**

	Country progress in WASH 2012-2016						(Recent) Influence of IRC + network on this process (2012-2016)					
	G	U	BF	E	H	I	G	U	BF	E	H	I
<b>Sector capacity – Enabling environment for sustainable service delivery</b>												
Existence of one sector policy and strategies, including sector targets and the adoption of a SDA approach	H	H	H	M	H	M	H	H	H	M	H	?
Institutional framework; the level of clarity on tasks and responsibilities for WASH service delivery	H	H	L	M	M	M	H	H	L	L	M	?
Existence and strength of sector dialogue and coordination mechanisms	M	H	L	L	H	M	M	H	L	M	M	?
Existence of a sector programme/plan and or planning system for WASH	H	H	L	M	L	M	M	M	L	L	L	?
Sector financing – priority of the WASH agenda in the national development agenda, allocation of public funding to WASH, existence of a sector financing strategy, investment plan and level of inclusion of a LCCA in sector financing	M	M	M	L	L	M	H	M	H	L	M	H
Existence of a sector monitoring and learning system that structurally monitors sectors' performance and service levels, assesses progress and has the capacity to adapt	M	H	M	L	H	L	H	H	H	H	H	?

Source: questionnaires, field visits, reports, discussions and interviews.

IRC's influence on the sector capacity and enabling environment for sustainable service delivery as presented in table 3.3 can be summarized as follows:

- The progress made at country level regarding the existence of one sector policy and strategies, including sector targets and the adoption of the SDA, and IRC's influence on this progress are considered high.
- The existence of a sector monitoring and learning system at country level provides a mixed picture. IRC's influence on the improvement of sector monitoring is considered high.
- Sector financing – priority of the WASH agenda in the national development agenda, allocation of public funding to WASH, existence of a sector financing strategy, investment plan and level of inclusion of a LCCA in sector financing is considered as medium in nearly all IRC countries. IRC's influence on sector financing is rated as relatively high (see chapter 4).

## ***Institutional capacity and IRC's influence***

Table 3.4 shows the institutional capacity at country level as well as an assessment of IRC's office influence.

- The capacities of responsible institutions are considered moderate with a substantial IRC influence in Uganda and Burkina Faso.
- The organisational capacity of service providers remains limited with a limited role for IRC.
- IRC's role in strengthening the capacity of civil society organisations to advocate for and hold government and service providers accountable for meeting targets and sustainable service provision is substantial. This role will be further strengthened through the implementation of the Watershed programme.

**Table 3.4: Summary assessment institutional capacities and IRC influence**

	Country progress in WASH 2012-2016						(Recent) Influence of IRC + network on this process (2012-2016)					
	G	U	BF	E	H	I	G	U	BF	E	H	I
<b><i>Capacities of responsible institutions</i></b>												
Institutional capacity of government institutions, national and local governments, to fulfil their respective roles and responsibilities (availability of HR, financial resources, systems, methods and tools.	M	M	M	L	M	L	M	H	H	M	M	?
Organisational capacity of service providers – or level of professionalism (availability of HR, financial resources, systems, methods and tools.	M	L	M	L	L	L	M	H	L	L	?	
Existence and capacity of external support agencies at local level such a availability of a supply chain, TA for monitoring and operations, training, etc.	M	H	M	L	M	M	M	H	H	M	M	?
Capacity of civil society organisations to advocate for and hold government and service providers accountable for meeting targets and sustainable service provision.	M	M	M	L	L	L	M	M	H	M	M	?

Source: questionnaires, field visits, reports, discussions and interviews.

The above table shows the following:

- The capacities of responsible institutions are considered moderate with a substantial IRC influence in Uganda and Burkina Faso.
- The organisational capacity of service providers remains limited with a limited role for IRC.
- IRC's role in strengthening the capacity of civil society organisations to advocate for and hold government and service providers to account for meeting targets and sustainable service provision is substantial. This role will be further strengthened through the implementation of the Watershed programme.

## **Sanitation and hygiene**

Sanitation lagged far behind water during the last round of assessments of the global development targets. Latest figures reveal there is a long way to go. The main challenges threatening the sanitation SDG success to-date include: 1) inadequate government priority; 2) business as usual with too much funding of hardware; 3) sustainability considerations; 4) costs of sanitation are hardly known; and 6) a lack of information, evidence & advocacy.

IRC provides a wealth of materials and evidence on technology selection and life-cycle costing tools (for both water and sanitation), fecal sludge management and assessment of markets for sanitation as well as behaviour change tools and methodologies including the costs of sanitation and behaviour change approaches. Hygiene promotion can only lead to sustainable behaviour change if users have access to the necessary facilities and receive consistent messages from multiple sources. However,

hygiene promotion often is not linked up to on-going public or environmental health services and initiatives.

IRC collaborates with governments and partners to develop practical instruments and approaches to be implemented at scale. One of IRC's strengths is its collaboration with (and credibility in the eyes of) government agencies. For sanitation, IRC has been advocating for sanitation and hygiene indicators in national monitoring systems. However, the institutional framework regarding sanitation is often problematic as the Ministry of Water often does not have a sanitation wing, Uganda being a notable exception. The Ministry of Health usually is responsible for sanitation, often to be implemented through an Environmental Health Unit within this Ministry. Again with Uganda as an exception, the priority and thus resourcing for sanitation within this ministry tends to be low.

IRC was recently brought in by WSSCC to advise on their Theory of Change and results framework with regard to sanitation. As the WSSCC National Coordinator, IRC is a member of the the Global Sanitation Fund (GSF) Programme Coordination Mechanism in Uganda for WSSCC and its role in stimulating the functioning of the National Sanitation Working Group sub-committee on sanitation monitoring in Uganda are important activities, amongst others, to strengthen the sanitation sub-sector at country level. IRC's work in Ghana regarding the Sanitation Challenge Fund was relatively weak, but improved after remedial actions taken. Sanitation gets recently more attention in Ethiopia. In Honduras, IRC assessed the unit costs both of water supply and sanitation interventions.

As noted above, although active in this space, interviews suggested that IRC is not necessarily seen as the go-to organisation on sanitation at this time.

### **3.3. Business model at country and district level**

IRC country offices, and the country programmes for which they are responsible, are the main mechanisms by which IRC achieves its mission. All fully established IRC country offices are led by a Country Director, who is a member of IRC's management team.

The guiding principle – pragmatically applied depending on strength and maturity of programmes – is of internal autonomy of country programmes, with support drawn from the different departments of the Netherlands Office.

The Country Director is accountable for positioning IRC and IRC's approach in country and for delivering an agreed Country Programme contributing to IRC's overall goals. The Country Director is equally accountable for ensuring the financial health of the Country Office, including the development of new business and management of existing relations. The Country Director provides leadership and management to the staff of the Country Team, as being a member of IRC's Management Team. For countries not yet fully registered, support is provided from the Netherlands to manage activities. The same team in the Netherlands also helps to identify potential new geographic areas to in which to work, in line with IRC's strategy.

#### ***Country level***

The six IRC focus countries can be grouped as follows:

- a. Strong, well established country offices with fully fledged programmes and potential for financial sustainability in the short to medium term (Ghana and Burkina Faso).
- b. Upcoming country offices with emerging programmes and potential for financial sustainability in the medium term (Uganda and Ethiopia)
- c. Focus countries without a registered office with a clear programme but limited number of contributing projects, a limited number of local staff and unclear potential for financial sustainability (India and Honduras). The country coordinators for these programmes are based in the Netherlands HQ.

During the BP period substantial progress has been made in the establishment and strengthening of the country offices in Ghana, Burkina Faso, Uganda and Ethiopia. The development of the country offices in Uganda and Ethiopia has been accelerated during the last three years thanks to investments in the establishment of these country offices originally through DGIS core programmatic funding and during the last few years through core funding from Gates Foundation exchange rate funds (for details see chapter 3.5.). Moreover, the start of new programmes has stimulated the development of these country offices as well.

The success factors in the establishment and development of the country offices have been summarized in table 3.5.

**Table 3.5: Overview of success factors for establishment and development of an IRC country office**

Aspect	Success factor
Staffing	<ul style="list-style-type: none"> <li>• Strongly positioned staff and knowledgeable in the sector at country level.</li> <li>• Quality of the country staff</li> </ul>
Systems	<ul style="list-style-type: none"> <li>• Registration and MOU with relevant government parties.</li> <li>• Willingness and structured procedures for decentralized operations by HQ</li> <li>• Issue of power of attorney for some country directors to manage the country office.</li> <li>• Operating financial systems</li> </ul>
National context	<ul style="list-style-type: none"> <li>• Political stability and openness of sector leaders to debates and innovations</li> <li>• Good understanding of the local context.</li> <li>• Formulate and claim niche in the sector.</li> <li>• Be a neutral, professional, reliable partner for government agencies builds up credibility among government agencies as well as among all other stakeholders.</li> </ul>
Products	<ul style="list-style-type: none"> <li>• Good quality and relevant products</li> <li>• Relevance of IRC’s work; IRC’s ability to adapt and support the sector with new ideas.</li> <li>• Blending of delivery mechanisms facilitates involvement in multiple projects and activities.</li> <li>• Demystifying documents, sharing and disseminating.</li> <li>• Evidence based work creates credibility</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• Investment in the establishment and development of the country office.</li> <li>• The need for core programmatic funding to create space for not fully/precisely planned innovations &amp; creativity and promoting the country office brand independently from donors and projects.</li> <li>• Project and programme funding through HQ</li> <li>• Country office should be able to adapt and diversify sources of funding beyond relying on HQ.</li> </ul>

Source; Questionnaire country offices and interviews.

***District level***

IRC has always worked at district level and sees districts as critical to the achievement of universality and sustainability. Districts and Local Government are critical actors in WASH in their role as service authorities. Over the last years IRC tried to build stronger and long term relationships with districts. These partnerships are now elevated to a central role within IRC’s Theory of Change and the Agenda for Change. IRC commits to long-term partnerships with focus districts in the IRC focus countries with the ultimate aim to get universal access and indefinite sustainability.

IRC’s hub role at district level (as at national level) is convening actors, stimulating experimentation and codifying and sharing knowledge. Moreover, at district level IRC will go a step further by working with districts to map assets, monitor services, develop realistic budgets and bankable plans and subsequently help the district level to identify financing for those plans.

IRC links their actions at district level to the national level and bring district experiences together with those of others.

Uptake at district level remains a major challenge. Scaling up is an essential component of achieving the SDG6. The focus on universality and sustainability at district level should not be at the expense of the scaling up to other districts and the national level. The work in specific districts is meant to be used to demonstrate to other districts. Recently initiated Agenda for Change with roadmaps and other activities will play a major role in shaping the district level involvement towards scaling up to other districts and the broadening towards the country level.

**Role of IRC HQ and IRC consult in developing country BUs**

The IRC HQ remains an essential player within the IRC with the following functions:

- Provide guidance on the set up and administrative procedures at country level.
- Support acquisition of multi-annual projects
- Provide specialised services like finance support, fundraising support, contents analysis, communications support, etc
- Coordinate multi country programmes
- Uses results from country as evidence to influence internationalisation of IRC mission
- Issue the power of attorney for country directors to manage the country office.
- Host joint events at international and regional level.

**3.4. Country contribution to four main goals**

The contribution at country level to the achievement of the four main IRC goals is summarized in table 3.6.

**Table 3.6: Summary assessment of IRC country office’s contribution to four main IRC goals 2012-2016**

Country	Goal 1 Service Delivery Approach	Goal 2 A sector that learns and adapts	Goal 3 Improved aid effectiveness	Goal 4 Improved inter-sectoral dialogue
Ghana	5(0))	4(+)	3(+)	2(0)
Uganda	4 (+)	5 (0)	3 (0)	2 (+)
Burkina Faso	5 (+)	5 (+)	5 (+)	1 (0)
Ethiopia	4 (+)	4 (+)	3 (0)	3 (0)
Honduras	4 (0)	2 (+)	3 (-)	1 (0)
India	3 (+)	3 (+)	2 (+)	2 (+)

Source: IRC questionnaire EPE IRC, documents and interviews.

These findings accordingly reflect resource and budget allocations (as per table 3.7) can be summarized as follows:

- Achievements in goal 1 (Service Delivery Approach) are considered high in most of the countries. The trend is upward (+) in most of the countries. However, the issue of the limited uptake of the SDA remains a major challenge. This will possibly reduce the effectiveness of the SDA in future (see also chapter 2).
- Achievements in goal 2 (A sector that learns and adapts) are considered fairly high with a strong upward trend. This is confirmed through the field visits to Ghana and Uganda.

- Achievements in goal 3 (improved aid effectiveness) are considered moderate except in Burkina Faso. It should be noted that India is less aid dependent for its WASH sector, and thus has paid less attention to this.
- Achievements in goal 4 (improved inter-sectoral dialogue) remain very limited with the exception of Ethiopia, the only country office with a clear focus on inter-sectoral issues within its programme.

### 3.5. The financial situation and financial sustainability of the country business units

#### *Income and expenditures at country level*

Table 3.7 shows that 49% of the expenditures during the BP period 2012-2016 were made in the focus countries.

**Table 3.7: IRC'S financing needs and resources at country level 2012-2016 in millions euro; Realized and planned expenses per year**

Focus country	2012	2013	2014	2015	2016	Total	%
Ghana	1,469	1,289	1,292	1,370	1,851	7,271	15%
Burkina Faso	789	656	748	1,320	1,680	5,193	10%
Uganda	1,286	1,132	822	460	920	4,620	9%
Ethiopia	362	442	342	760	586	2,492	5%
Honduras	203	167	47	80	128	625	1%
India	601	210	153	130	588	1,682	3%
Mozambique	1,069	284	-	-	-	1,353	3%
<i>Subtotal focus countries</i>	<i>5,779</i>	<i>4,180</i>	<i>3,404</i>	<i>4,120</i>	<i>5,753</i>	<i>23,239</i>	<i>47%</i>
Other countries, International	4,272	6,166	6,891	3,712	5,373	26,414	53%
Total expenses	10,051	10,346	10,295	7,832	11,126	49,650	100%
Comments per year	Gates projects	End WASHCost	End Triple-S	IRC downsize	Start Watershed		

Source: IRC Monitoring Reports 2012-2015, 8 M report 2016

Table 3.7 reflects the impact of the major projects at country level and the consequences of the start or ending of such projects. The subtotal of the focus countries fluctuates between 2012 and 2016. IRC's downsize in 2015 did not have a major effect on the financial budget for the focus countries (see also tables 3.9 and 3.10).

Table 3.8 provides insight into the total gross revenue, the net revenue, the gross operating result and the net operating result for Ghana and Uganda.

**Table 3.8: Planned expenses Ghana and Uganda 2016-2017 in euros**

Item	Ghana		Uganda	
	2016	2017	2016	2017
<b>Total Gross Revenue</b>	<b>2,084,493</b>	<b>1,520,346</b>	<b>999,606</b>	<b>1,111,723</b>
Of which contracted (in % of total gross revenue)	1,749,764 (83%)	1,202,133 (79%)	795,741 (79%)	854,657 (76%)
Of which contracted Core Funding (DGIS and Gates)	150,000	0	215,000	0
Of which contracted DGIS Core Funding	35,000	0	100,000	0
<b>Direct costs</b>				
Partners Contribution	1,016,106	572,318	325,477	330,000
External procurement of personnel & services	146,594	189,288	144,678	162,198
External procurement of goods	316,920	231,368	160,405	194,817
Total direct costs	1,479,620	992,974	630,560	687,015
<b>Net Revenue</b>	<b>604,873</b>	<b>527,372</b>	<b>369,046</b>	<b>424,708</b>

<b>Indirect costs</b>				
Formation costs own Business Unit	304,727	240,443	182,575	190,306
General admin costs own Business Unit	68,600	111,183	75,441	96,635
Organisation wide formation costs share	133,688	71,637	72,349	57,310
Organisation wide admin costs share	19,828	25,000	10,730	20,000
Continuity component	26,342	22,413	17,055	18,213
<b>Total indirect Cost</b>	<b>553,185</b>	<b>457,283</b>	<b>358,150</b>	<b>382,464</b>
<b>Gross Operating Result</b>	<b>51,689</b>	<b>56,696</b>	<b>10,896</b>	<b>42,244</b>
<b>Internal marketing</b>				
Internal procurement, i.e. additional formation costs	83,367	43,661	18,339	18,451
Internal sales, i.e. formation costs reduction	(23,608)	(9,025)	(22,664)	(324)
<b>Net Operating Result</b>	<b>(8,071)</b>	<b>22,060</b>	<b>15,221</b>	<b>24,117</b>

Source: Annual Plans 2016, 2017

Table 3.8 provides the following insights:

- Contracted funding as percentage of the total gross revenue in 2016 represents 83% in Ghana and 79% in Uganda. These percentages for 2017 are 79% and 76%.
- The DGIS core funding is being reduced while the core funding through the Gates Foundation exchange rate results increased substantially. However, it should be emphasized that the core funding through the Gates Foundation exchange rate results is a temporary phenomenon.
- The net operating result is generally positive.

Tables 3.9 and 3.10 show the realized and planned expenses with special reference to the role of the core funding from DGIS and the Gates Foundation exchange rate results.

**Table 3.9: Realised and planned expenses IRC Ghana, 2012-2016, €1000**

Item	2012	2013	2014	2015	2016 Plan
Total Gross Revenue	1,469	1,289	1,292	1,370	1,851
Of which contracted Core Funding (DGIS and Gates)	224	249	517	179	150
Of which contracted DGIS Core Funding	224	249	112	0	35
<i>Total Core Funding in % of total gross revenue</i>	<i>15%</i>	<i>19%</i>	<i>40%</i>	<i>13%</i>	<i>8%</i>
<i>DGIS Core Funding in % of total gross revenue</i>	<i>15%</i>	<i>19%</i>	<i>8%</i>	<i>0%</i>	<i>1%</i>

Source: Annual Accounts 2012-2015, Annual Plan 2016

**Table 3.10: Realised and planned expenses IRC Uganda, 2012-2016, €1000**

Item	2012	2013	2014	2015	2016 Plan
Total Gross Revenue	1,286	1,132	822	460	920
Of which contracted Core Funding (DGIS and Gates)	207	230	151	268	215
Of which contracted DGIS Core Funding	207	230	151	0	100
<i>Total Core Funding in % of total gross revenue</i>	<i>16%</i>	<i>20%</i>	<i>18%</i>	<i>58%</i>	<i>23%</i>
<i>DGIS Core Funding in % of total gross revenue</i>	<i>16%</i>	<i>20%</i>	<i>18%</i>	<i>0%</i>	<i>10%</i>

Source: Annual Accounts 2012-2015, Annual Plan 2016

Tables 3.9 and 3.10 show the following:

- DGIS core funding is the only source of core funding in 2012 and 2013 in Ghana as well as in Uganda (in Uganda also in 2014).
- The core funding of DGIS is negligible in 2015 and 2016 (and strongly reduced in Ghana in 2014).
- The contribution from the Gates Foundation exchange rate results as percentage of the total core funding is very substantial in 2014, 2015 and 2016.

- The Gates Foundation exchange rate results enabled the country offices to remain functioning and developing the country level (see also annex...realized and planned expenses for other country offices).
- The exchange rate gains from the BMGF €404,622 contribution (for Ghana in 2014) are used as project match funding and for specific district work.

### ***Flexibility to attract new sources of funding***

The potential of the IRC country offices to attract new sources of funding from the “local market” varies from one country to the other. The Burkina Faso office acquired substantial funding from the EU for sanitation projects from 2014-2018. The Ghana office acquired local funds for sanitation. The opportunities to attract local funding are probably highest in Burkina Faso with a large number of funding agencies still present in the WASH sector, while the attention for the WASH sector in Ghana is reduced due to the fact that Ghana is a lower-middle Income country not eligible for grants and “cheap loans”. The local market in Uganda is complicated due to the Sector-Wide Approach (SWAp) for the Water and Environment Sector, a development assistance approach that provides for sector support funding and a single expenditure program policy under government leadership.

However, a pro-active role in acquiring funds for studies, etc. at the local market could prove to be very successful at the end. The country offices made efforts to increase flexibility to adapt to varying fund flows.

### ***Ambition level 2016-2020 for the country level***

Table 3.11 indicates the latest ambition level 2016-2020 for IRC. From this table it becomes clear that the importance of the country programmes increases from 53% of the total budget in 2016 to 64% of the budget in 2020. The funding of new focus countries will take place from 2018/2019 onwards. The role of Honduras as a focus country remains limited.

**Table 3.11: IRC’s ambition level 2016-2020, \* €1000**

Business Unit	2016	2017	2018	2019	2020	Total
IRC Consult	500	750	750	1,000	1,000	4,000
HQ (Program Management & Business Development)	1,150	500	500	500	500	3,150
Netherlands	3,500	3,500	3,250	3,000	3,000	16,250
Ghana	1,500	1,250	1,250	1,250	1,250	6,500
Burkina Faso	1,500	1,250	1,250	1,250	1,250	6,500
Uganda	1,000	1,000	1,250	1,250	1,250	5,750
Ethiopia	1,000	1,000	1,250	1,250	1,250	5,750
India	500	500	750	750	1,000	3,500
Honduras	250	250	250	250	250	1,250
New focus country	100	-	500	1,000	1,750	3,350
<b>Total</b>	<b>11,000</b>	<b>10,000</b>	<b>11,000</b>	<b>11,500</b>	<b>12,500</b>	<b>56,000</b>
Of which in focus countries	5,850	5,250	6,500	7,000	8,000	32,600
Of which in focus countries (in % of total)	53%	53%	59%	61%	64%	58%

Source: Revised Ambition Levels, MT November 2016 - integrated in Overview Projects and Proposals 2016-2020, October 2016

### ***IRC office potential for financial sustainability***

Table 3.12 summarizes various components related to the potential for financial sustainability of the country office based upon an EPE questionnaire to the country offices as well as interviews.

**Table 3.12: Summary assessment of IRC country office potential for financial sustainability (in high, medium, low)**

Assessment of the IRC Country Office & processes of change 2012-2016	Ghana	Uganda	Burkina Faso	Ethiopia	Honduras	India
Financial sustainability						

What is the financial envelope for the coming years (income and expenses)	M	H	H	H	L	M
Is income for the coming years predictable?	M	H	M	M	L	M
Is income in the coming years stable?	M	M	M	M	M	M
IRC's ability to generate new income through the country office	H	M	H	H	M	L
Clarity about IRC's business model at country level	M	H	H	M	H	M
Clarity about HQ – country office relations and financial arrangements	M	M	M	M	M	M
Flexibility of country office to adapt to reduced or varying project fund flows	H	H	M	H	M	M
Is IRC's overall financial offer more attractive and competitive than previously	M	H	M	M	?	M
Is the financial sustainability of the country office at medium term (3 to 4 years) ensured?	M	H	M	H	L	M
Clarity of future role IRC at country level?	H	H	H	H	H	M
IRC's country office potential as a hub to other countries	M	M	H	M	M	L
Country office level of self-sufficiency (e.g. without significant support from HQ)?	H	H	H	M	M	H

Source: questionnaires, field visits, reports, discussions and interviews.

The findings of table 3.12 are as follows:

- The role of IRC at country level as well as IRC's business model at country level is clear, while the country office is very positive regarding its future level of self-sufficiency of the office (without significant support from HQ).
- The country office judges its flexibility to adapt to reduced or varying project fund flows as sufficient.
- The country offices are worried about the predictability and stability of the income form the coming years.
- The country offices are moderately positive regarding their ability to generate new income through the country office. This with the exception of Uganda, where the WASH sector SWAP does not facilitate acquiring additional funds from the local market. In other countries the opportunities are considerable provided the IRC office will play a more pro-active role in acquiring funds (e.g. formulating proposals for relevant WASH issues to be studied).
- The clarity about the financial arrangements between the country office and the head office is moderate. IRC's financial offer is considered less attractive and less competitive. In general IRC staff is considered to be expensive. This is partly due to the overall staff rate system and structure.

### **Core programmatic funding**

Core programmatic funding of the country offices has been essential during the BP 2012-2016 as indicated in tables 3.8 to 3.10 in this chapter. Initially core funding took place through DGIS while the last few years core funding through the Gates Foundation exchange rate results was predominant as DGIS funding was reduced as compared to DGIS' original BP commitment. Out of the euro 2,9 million total Gates Foundation exchange rate results approximately 44% has been used to support and strengthen the country offices during the period 2014-2016. However, it should be emphasized that this exchange rate result has been a temporary issue.

Core programmatic funding at country level is essential for the IRC country office and can be subdivided in the following three fields:

- Invest in country office strengthening (short to medium term) to enable country office to become financially sustainable in the medium term.
- Invest in “oiling” the sector machinery through the active participation of IRC country office (as a major appreciated, neutral, professional player). Examples:
  - Revitalising the sector working group on financing the WASH sector to convince Ministry of Finance of the need to fund the sector with a pro-active role of IRC country office
  - Influencing the sector group in parliament (not just members interested in WASH).
- In some places, pick up relevant parts of WSP work (with regard to research, tools, government support) as WSP is being incorporated more concretely into the World Bank with a focus more on supporting Bank lending and IRC at country level is one of the few stakeholders with knowledge in WSP fields of activity.
- Country-to-Country exchanges

In a number of cases the country level considers the global level as less relevant or the links need to be more clearly established. Achieving the SDGs will require action on the ground (country and sub-country level). A substantial part of core programmatic funding needs to go to the country offices. The global level remains important for sharing information and to some degree putting pressure on countries to deliver and show that they are making progress at country level. IRC is very much present at this level and making an appreciated contribution. That said, with limited resources, IRC needs to prioritize where it will have greatest impact. As a more crowded space to influence and with uncertain links to national and ultimately district plans, allocations and investments, activities at the global level may be less compelling and less likely to have direct and effective impact in the short and medium term.

### **3.6. The way ahead**

#### *Quality or quantity; breadth versus depth*

- The establishment of IRC country offices is getting off the ground. Two country offices are “mature”, while two others are in a process of fast development. The ambition and contribution of the country programmes in India and Honduras could be further elaborated in terms of IRC’s overarching strategy.
- IRC should be very cautious with the development of additional country offices as the six country offices still require support in the medium term. There is a main danger that the development of new offices will be at the expense of existing offices.
- Quality (focus on strengthening existing countries) should prevail above the quantity (more countries).
- The district focus should not intervene with the need of scaling up from district to the national level. Scaling up is one of the most urgent issues to address in achieving the SDG 6.
- A total of approx. euro 500,000 is required for period of 3 to 5 years from flexible programmatic funding to further develop the existing country offices.
- The success factors underlying the focus country development process (lessons learnt) can be used to develop a medium to long-term strategy for the establishment of additional country offices.
- The development of the existing country offices cannot be standardised as the national context is crucial for the further development of the country offices.

## 4. IRC'S POSITIONING IN THE MARKET, FINANCIAL BASE AND LONG TERM SUSTAINABILITY

### 4.1. IRC in context

#### 4.1.1 Key emerging global themes<sup>9</sup>

With the SDG goal to serve everyone, the WASH sector is forced to think differently. Growing natural resource constraints mean a closer link to water resources management. The policy framework also means positioning WASH within the climate change/climate resilience and disaster risk reduction discourse. Increased (attention to) vulnerability means appealing to and making connections with other sectors, like health, housing, land use, economic growth and other aspects. *In no small part due to IRC's own contribution, an emphasis on service delivery rather than putting in infrastructure is becoming the norm in the sector, joining up national and local processes necessary to maintain and gradually improve services over time. This means moving away from particular engineering approaches or point of service delivery.*

In terms of the sector's response to date, much emphasis has been placed on business models that tap into the incentives of the private sector, ICT as a way of harnessing data to capture information for monitoring and accountability, and the importance of domestic resource mobilisation. Financing the sector is a clear headline but underneath this lies a raft of capacity requirements. *IRC needs to continue working to align and coordinate to ensure that commitments turn into plans, plans turn into budget allocations, and budget allocations actually convert to tangible impact on the ground.*

Thus, organisations working in WASH will need to change the way they work to remain relevant. This requires joined up thinking but also clearer and more strategic targeting of work. There is an increased understanding that approaches and responses need to be framed in a national and local context with strengthened government agencies taking a clear lead. Whilst learning across comparable countries can be very useful, there is a question mark around how far global dialogue can go in really impacting on SDG6 delivery on the ground. Similarly, in the age of social media, traditional organisations must avoid being bypassed by a new generation keen to crowd source, create social enterprises, and create advocacy platforms in a more media savvy way. *For IRC as a resource hub, this means finding new ways to generate demand for its services and to create the 21<sup>st</sup> century equivalent of the resource library in the Hague/Delft that many of the older generation in the WASH sector remember using with great fondness.*

#### 4.1.2. Shifts in landscape of development assistance

A number of shifts in development assistance are impacting on organisations in the sector. Key elements of the DGIS WASH policy (2016-2030), for example, revolve around driving change in the sector through better governance, mobilizing domestic resources in target countries (financial and human), addressing equity, stimulating innovation and supporting learning at all levels. (Pg 9)

In terms of funding modalities, a clear shift is a growing emphasis on Payment by Results or Results Based Funding. This is a correct approach when there is a high degree of confidence in the solution proposed and plays well to Parliaments in terms of emphasising delivery numbers. It tends, however, to stifle experimentation and innovation. *Organisations like IRC have a clear role to play in educating funders not only about what works and doesn't work more generally in the sector about how funding modalities impact on much needed sector strengthening, continued experimentation, and risk-taking.*

Whilst the negotiation around the SDGs brought the whole water sector together to help determine a comprehensive SDG6, there is some sense that organisations and funders have retreated back into

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<sup>9</sup> Whilst not comprehensive, this and the following section provide overarching analysis that aims to offer insights that are of particular relevance to IRC.

their siloes of WASH and WRM. Similarly, interviewees suggested that even in the WASH subsector there is very little constructive building of learning across organisations all keen to position themselves for profile and ultimately funding. Again this flies in the face of the learning needed to construct more systemic approaches to ensure the delivery of the targets under SDG6. Thus *the role of a learning organisation like IRC that is able to dedicate space and resources to fostering sharing and learning in the sector becomes that much more important.*

Evolution of country status from lower income to lower-middle income (like for example in Ghana, Kenya and Honduras) is having a significant impact as countries have not been able to develop the capacity to respond to gaps in development assistance.

Finally, whilst the WASH sector could usefully be mapped in terms of which organisations bring what capacity and strength, the evaluation team notes in particular the organizational restructuring in the World Bank. The integration of the Water and Sanitation Program into the World Bank may provide an opportunity for organisations to try to influence Bank policy and practice, albeit from the more challenging position of being outside the Bank. (Influencing the World Bank then has a knock-on effect in terms of how other regional banks like the InterAmerican, African and Asian Development Banks tend to follow the World Bank's lead.)

#### 4.1.3. IRC's positioning in the marketplace and value added in the sector

**IRC's overarching strategic framework and broad theory of change** for 2017-2030 (with 2030 as the target date for the SDGs) sensibly starts with a clear focus at the country level to ensure that systems are in place to facilitate district capacity to ensure access to services. Alongside other organisations, IRC is keen to ensure 100% coverage in at least one district to demonstrate to other districts how it can be done.

IRC positions itself as a hub or backbone to broad change processes. *Much valued in the sector, IRC is able to convene, catalyse, innovate, inform and advocate for a broader movement toward shared sector goals. Stakeholder interviews revealed no other organisation that works as systematically and over a consistently long period with government at the centre.* Whilst vision and mission driven, IRC recognises that it needs to be flexible and responsive to the needs of partners as well as the market. Towards this end, it employs a flexible and nimble approach ("strategic opportunism") to forging its contribution in the sector.

In terms of **IRC's positioning in the sector**, through a series of interviews at the Dutch and global levels in combination with two country visits, *IRC is clearly held in high regard, particularly for its contributions to knowledge management and thought leadership to the sector.* The organisation "punches well above its weight" given its size and resources. Familiarity with and adoption of key concepts like a service level approach and service level monitoring, life cycle costing, and national and local systems strengthening are largely attributed to IRC and a small handful of other institutions (Aguaconsult and Water for People in particular). As a result, the language used in the sector has shifted in recent years even if evidence of how these concepts are applied in practice remains patchy. IRC's history of developing tools and fleshing out concepts has been useful for the sector but the organisation now needs to use the programmes in the focus countries to really put these to use. **IRC now needs to support the adoption and adaptation of tools and methods to support specific governments and related organisations in meeting their sustainability commitments.** Having shifted the dialogue to the service delivery approach, the focus is now on showing how real change and impact can occur at the district level, serving as a demonstration effect for other districts and at the national level. IRC is well aware that the credibility of the Agenda for Change movement hinges on such achievements.

Stakeholders in the WASH sector recognise that IRC has been through a challenging time and has successfully restructured / downsized, placing more emphasis on programmes of work at the country level. The staffing at the country level is recognised as growing in strength and influence. Unlike

most organisations in the sector, *IRC works particularly through and with government in a “low dose, high frequency”, supportive yet challenging way to enhance government leadership.* The size of the organisation allows IRC to be “more nimble than other more entrenched institutions”, particularly given that it does not need to report back to donors in the same way (citing specific numbers reached, for example).

With less capacity and resources at its disposal, IRC continues to recognise that it needs to **work strategically through partnerships** with other institutions in the sector to achieve its goals. The Agenda for Change provides a good albeit nascent example of IRC’s efforts to link institutions through a clear programme of work that emphasises a comprehensive approach to district level services. The Agenda for Change aligns with the overarching SWA Collaborative Behaviours but with a tailored roadmap determined to reach universal access at the district level. Universally positive about the Agenda for Change, interviewees noted in different ways that **IRC should continue to invest efforts in articulating the messages of the Agenda for Change, projecting out to what the initiative would ideally look like in 5-10 years, clarifying what IRC is concretely offering, and finding ways to encourage other institutions to join.**<sup>10</sup> There is hope that the Agenda for Change will indeed start to show some tangible results, combining with GLAAS, TrackFin and other initiatives to shift approaches of large implementers in the process.

The Dutch WASH Alliance International is another example with IRC playing a strategic role in influencing the direction of travel of a major partnership and its key focus areas. IRC is also constructively engaged in the Sanitation and Water for All alliance, the Rural Water Supply Network, the Sustainable Sanitation Alliance (SuSanA), the Millennium Water Alliance, and the newly awarded Watershed partnership, for which IRC is the lead partner.

At the country level, as noted above, IRC has a solid reputation for working in partnership with government. As a trusted partner, IRC helps government to convey messages to other stakeholders as well as feeding stakeholder messages into government. IRC helps analyse and mitigate risk for government partners in terms of programming and policymaking.

**IRC’s contribution to global knowledge and documentation** is universally appreciated. IRC hosts one of if not the most comprehensive websites in the sector with a mix of news, in-depth research and practical tools hosting over 22,000 resources. IRC maintains an active news service and social media presence with an impressive reach of over 35,000 in 2015 and over 10,000 twitter followers. In 2015 alone, IRC published 120 blogs in 4 languages, published 131 resources (briefing notes, working papers and research report), and organised numerous events with over 3,000 participants total.

In recognising and advocating for a systems change approach as noted in the sections above, **IRC needs to “move beyond its comfort zone,” continuing to reach out to organisations outside the sector that can influence WASH service delivery.** Efforts, for example, to link CWSA with the Ministry of Local Government in Ghana present a solid effort towards this end.

One issue raised a number of times from interviewees at the global level revolved around IRC’s instrumental work specifically regarding DGIS’ WASH policy, approach and portfolio. IRC is known to be a trusted advisor to the Ministry and that the Ministry has limited capacity to engage at multiple levels.

Even with its “more hands-on and less consultant based approach” as compared to WSP, interviewees were less convinced that IRC can influence key players in the sector (like the World Bank), but tends to stick to conversing “with more like-minded organisations”. (Truth be told, it is

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<sup>10</sup> Several representatives from different organisations suggested that the “ask” of the Agenda for Change in terms of “membership” as well as how to join was not obvious. There is a clear publication dated August 2016 however that provides this information.

unclear who in the sector can actively influence the World Bank in a sustained way.) To have any sway over groups like the World Bank requires “heavy hitters” who can speak with confidence, in the Bank’s language, and without being reliant on Bank funding. In-house interviewees noted that IRC has limited capacity held by specific individuals on particular topics. Should any particular content individuals leave the organisation, this would leave a significant gap to be filled. **IRC needn’t have all the skills in house but needs to partner with the right players or ensure it can draw on Senior Associates with the gravitas and seniority to bring people on board to have this level of influence. Not seen as a go-to organisation in these areas, IRC should be building up its expertise on urban, sanitation, and the role of the private sector.**

In terms of depth, IRC “has all the pieces in place from Kampala to the Hague” but **IRC needs to more effectively capture and package the experiences at the country level to provide the evidence on what works.** Interviewees suggested that IRC would quickly reach the limits of its influence if it could not effectively bring this evidence to the sector. The general consensus was that IRC should have sufficient depth to meaningfully seed ideas that would then be taken further by academics and research groups, and other NGOs with more resources and scope to test and refine the thinking across more geographic areas (ideally with IRC support). Efforts should then be placed on jointly seeking to shape donor programming.

IRC is largely recognised for and positioned around the components of WASH delivery – joining up the dots between sector planning, sector monitoring and accountability (particularly with regard to sustainability), and financing the sector. IRC’s key skills in generating and brokering knowledge, informing policy and practice through direct support to and work with policymakers and practitioners, and “thinking ahead of the curve” to spot trends likely to shape the sector are much appreciated. One interviewee suggested that *IRC is in a unique and trusted position, operating across a wide range of stakeholders at the country level, to “listen intently and then come with clear ideas on how best to respond”.*

#### 4.2. IRC’s new business model and organisational effectiveness

By all accounts, IRC has successfully and effectively navigated its way through a difficult period – downsizing, restructuring and decentralising. Working through a **Management Team** that also includes the Country Directors is increasingly facilitating greater ownership throughout the organisation creating more of a mutual flow of accountability, organisational learning and financial control. To ensure effectiveness, IRC has instituted an internal business model through the creation of independently operating business units, including the country offices. This is appropriately shifting the centre of gravity and power away from a historically primarily Hague-based to a far more international organisation. An internal market in skills and services each with its own “profit and loss” accounts encourages greater clarity on spend as well as the income needed to run the organisation. This aspect of the organisation has advanced dramatically since the Mid-Term Review two years ago.

Much effort has gone into building up stronger teams at the country level. That said, the **country programmes could be woven together into a global network more effectively to promote a wider IRC influencing strategy.** In other words, *it is not clear whether IRC is effectively aggregating learning across the country programmes. It is also not always clear whether global advocacy work is based on evidence from experience at the country level.*

There is a sense that this more joined up approach will come in time as country programmes get the chance to look up and out more at what other parts of the organisation are doing and how they can take advantage of skills and knowledge that the country staff bring. This would mean feeding off of and supporting each other more and jointly co-ordinating programmes of mutual interest (with less emphasis on this coordination needing to happen from the Hague). Seeking to maximise the effectiveness and contribution of the different business units, this could also mean keeping the Hague office on its toes to stay relevant and remain competitive in terms of its offer of services to

the country offices. For the moment though, there is much work going on to consolidate the effectiveness at the country level, particularly in terms of building up administrative and financial management capacity alongside the content capacity. (This is covered in some detail in chapter 3 above.)

Over the past few years, IRC has been in the process of establishing a trading arm for the organisation under the name of **IRC Consult**. The aim of this business unit is to take advantage of opportunities for short-term assignments where IRC could influence and build a relationship with different clients, build staff skills, and offer opportunities to expand IRC's area of expertise. However, IRC Consult has created some confusion for external stakeholders particularly in terms of the earlier relationship with Aguacconsult. Whilst seeking to remain mission driven, the findings of or results from consultancy assignments may not always align with the organisation's aims and IRC may not have intellectual property rights over the work. Thus IRC will want to be careful about which assignments it seeks through the IRC Consult business unit, seeking out those in particular in which it can weave in wider core IRC activities like advocacy, learning and documenting. Selling sector monitoring skills is a further possibility that could offer a potential income generation channel for the organisation. Unless it creates a separate entity, IRC will also want to consider the maximum percentage of consultancy income would be appropriate for the organisation lest it begin to jeopardise its not-for-profit profile.

In recent years, IRC has drawn more from a 15-member **Senior Associates** programme. (Some former staff let go during the downsizing have converted to this status for the organisation.) This is a potentially important asset for the organisation and IRC will want to continue to identify expertise at the right level and on the right themes to accompany IRC staff on different assignments and in support of different programmes. This will allow IRC to overcome any perception of or actual loss of thematic depth (on finance, sanitation, etc.) as a result of the downsizing in 2014. From a financial perspective, there is also a potential albeit not substantial margin to be made from contracting out Senior Associates.

The evaluation team notes a shift in involvement from a less engaged advisory function to a somewhat more involved supervisory role for the IRC **Supervisory Board**. This is welcomed particularly given the need for clear strategic guidance and oversight particularly around financial matters in recent years in the organisation.

As noted above, in terms of **financial management**, as compared to the period around the Mid-Term Review, *IRC now presents significantly more coherence around financial matters*. Much work has been done to clarify costs and their correlation to a viable tariff as validated to be "according to the rules" of good practice by a tariff audit. Several interviewees question whether IRC's rates should be more competitive – being based on costs rather than what the market will bear (usually somewhat lower than IRC's current tariffs), the relative value for money in terms of quality of contribution of specific staff members or levels of expertise. That said, few not-for-profits in the water sector are actually operating in an informed "quasi-commercialised" way with a clear understanding of the number of "billable" days required for each staff member. To make the budget work though, these numbers are substantial – so for example, the CEO is asked to recover 162 billable days and Country Directors over 170. In a working year, this leaves little time to think, manage, represent the organisation, support bids for work and fulfil other senior leadership functions.

Whilst the recent downsizing has not resulted in a reduction in tariffs, this is at least in part due to tariffs not having been formed in as comprehensive manner previously. Efforts are now underway to ensure that non-content functions (financial management, reporting, etc) are also incorporated more clearly in proposals with clear billable targets for all positions across the institution. Related to core or overhead costs, IRC has sensibly now incorporated 5% into the tariff structure as a contribution to reserves (framed as continuity costs to allow for "multi-annual expenses"). This will be booked as expenses in a budget line under Continuity Costs.

There is appreciation internally that country offices can “hire” or budget for HQ support. The flexibility allows for countries to hire locally where appropriate. In many cases though, country offices will prefer to “hire” IRC HQ staff as there is greater familiarity with the approach and the programmes compared to spending time to bring outside consultants up to speed. Given the built-in overhead requirement for the organisation, national staff tariff rates are seen to be too high to appeal to most funders at the country level. As senior management well knows, if IRC is increasingly seeking to appeal to local funders, including government, then this needs to be constantly revisited with potentially some flexibility around a dual tariff system.

Whilst the figures will be clear to IRC’s senior management team, what is less clear to external eyes is how much of IRC’s income should be classified as a pass through – where income is then allocated to partners, Senior Associates or otherwise.

From a **business acquisition** perspective, the team was not able to compare IRC’s capacity with similarly sized organisations (in terms of staffing, number of country programmes, income, etc.). Also bearing in mind that the evaluation team did not assess capacity of different functions across the organisation, business acquisition was an area that came up on numerous occasions as needing further capacity both at the country and headquarter levels. At the Hague level, only three staff members are dedicated to this function in the organisation.

**4.3. IRC’s present and short-term financial situation**

As noted in the section on Financial Management above, the evaluation team recognises the significant efforts made in the last two years to further clarify IRC’s financial position, costings, tariff rates and reserve requirements. The downsizing has left a “lean and mean” organisation with a much reduced operating / formation cost from €4.5m in 2014 to €3.1m in 2015 to €2.8m in 2016. Without moving out of the Hague or letting further staff go, it is hard to see how significant further cuts could be made to the operating expenses without seriously jeopardising the running and effectiveness of the organisation.

The evaluation team can say with confidence that the organisation has been diversifying its funding sources over the past few years with marked success. This has seen increased programmatic funding coming in from the Conrad Hilton Foundation including a planning grant with a likely follow on investment in the coming year, significant new funding from USAID through various consortia arrangements, contributions from the Osprey Foundation, and others. Efforts have also been made to enhance business acquisition at the country level to take advantage of local opportunities, although with limited capacity for developing proposals. As noted, a further challenge to local fundraising at the country level is the tariff levels that have a built-in allocation for a contribution to organisation-wide operating costs. By all accounts, these rates are somewhat higher than the local market will usually bear but there is the understanding that the rates also help to buy in quality assurance and other support from the Netherlands.

In terms of the 2012-2016 business plan, an ambitious target was set for a total turnover of €51 million for the 5-year period. (See Table 4.1 below) Whilst complete figures for 2016 still need to be tallied up that include new grants recently announced, IRC can take pride in having achieved this target with a minor shortfall. (Latest figures suggest a shortfall of 2%.) Again, it should be noted that not all of this money is spent on and by IRC directly. For example, in 2016 roughly 40% of the €11+m income was allocated to partners and for external procurement of goods and services.

**Table 4.1 – Realized and planned INCOME, \*€1,000** (with €10.7M DGIS core funding, which includes €1.0M Top Up).

Item	2012 Realized	2013 Realized	2014 Realized	2015 Realized	2016 Budget	Total
Core Programme						

DGIS subsidy agreement	€2,751	€2,727	€2,469	€997	€1,752	€10,696
Other sources than DGIS <sup>11</sup>	€342	€231	€412	€1,602	€930	€3,517
Sub total	€3,093	€2,958	€2,881	€2,599	€2,682	€14,213
DGIS Subsidy Agreement %	27%	27%	23%	12%	15%	21%
Total Core Funding %	30%	29%	27%	33%	23%	28%
<b>External projects</b>						
Subtotal	€6,984	€6,972	€7,411	€5,186	€8,596	€35,148
<b>Total</b>	<b>€10,077</b>	<b>€9,930</b>	<b>€10,292</b>	<b>€7,784</b>	<b>€11,278</b>	<b>€49,361</b>

Source: Annual Accounts 2012-2015, Annual Plan 2016

In terms of DGIS core funding support, the table 4.1 above provides an overview. During the business plan period, DGIS core funding averaged 21% of IRC's total core funding amount. Over recent years, IRC has seen a dramatic shift in reliance on DGIS for core funding from 49% of total income in 2007 to 26% in 2012 to 15% in 2016. Core funding as a function of IRC total income has averaged 28% during the business plan, suggesting that every €1 received in core funding is helping to leverage a further €3. *IRC has been able to maintain its profile globally and to ensure its knowledge brokering and related work at this level of core funding (28%) over the business plan period.*

In terms of income, the table provides the breakdown of core programme funding and the percentage from DGIS (again averaging 21% over the period). As can be seen, 2015 was a blip in the year-on-year income figures but with a solid recovery in 2016 with projected income exceeding all other years in the business plan period.

A significant challenge was posed to the organisation in 2015 given the lack of funding forthcoming from previously committed DGIS business plan funding (amounting to €2.9m). Heavy negotiations resulted in a €1m top-up contribution received in February 2016. Just over half of this was used to develop and test a number of tools to help operationalise the Agenda for Change roadmap exercises, contribute to various WASH events, finalise various publications, and other related activities. A sizeable exchange rate and interest gain of €2.9m on BMGF funded programmes provided the lifeline in 2015 and 2016. It is suspected that without this agreement with BMGF that IRC could keep this funding and spend it generally as it needed to, then the organisation would have significantly struggled to stay afloat. This spend was roughly split between the country offices and the headquarters / Netherlands budgets between 2014-2016, with over half being used in 2015 to help overcome the DGIS shortfall in funding. Specifically, just over 10% was used for general management and business development and 24% of the BMGF exchange rate gain was used for international influencing, innovation and communications.

Table 4.2 provides information on expenses for the business plan period showing a loss over the period of nearly €1.3m roughly 2% of the gross revenue of the period. The primary cause of this loss was the downsizing of the organisation with the requirement to cover severance payments and unemployment allowances dictated by Dutch labour law. In essence, IRC drew down its reserves (not shown in the income figures in table 4.1) to meet these costs. A contribution to reserves of €209,000 is also reflected in the expenses column for 2016 when in fact no such contributions were able to be made in previous years. With regard to IRC's position at present, reserves are being held that cover roughly 2 months of operating costs. Efforts are being made through the tariff structure to build this up to the 4-6 months' cover for operating costs as per NGO benchmarks.

**Table 4.2 – Realized and planned EXPENSES, \* €1,000**

Item	2012 Realized	2013 Realized	2014 Realized	2015	2016	Total
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<sup>11</sup> Gates Core Funding (2012-2013) and Gates Foundation Exchange Rate results (2014-2016)

Expenses						
Personnel costs	€4,880	€5,022	€4,409	€2,931	€3,244	€20,486
Other project related costs	€4,712	€4,927	€5,429	€4,623	€6,728	€26,419
General administrative costs	€459	€397	€457	€279	€945	€2,537
Continuity costs	€0	€0	€0	€0	€209	€209
Subtotal expenses	€10,051	€10,346	€10,295	€7,832	€11,125	€49,650
Operating result	€26	-€416	-€3	-€48	€153	-€288
Financial income & expenditures	€12	€244	€842	-€49	-€31	€998
<b>Annual result</b>	<b>€13</b>	<b>-€660</b>	<b>-€825</b>	<b>€1</b>	<b>€184</b>	<b>-€1,287</b>

Source: Annual Accounts 2012-2015, 8M Financial Report 2016

#### Notes on Table 4.2:

- General administrative expenses in 2016 stand out in comparison to previous years. The trend is misleading, as the presentation of the figures 2012-2015 have overhead recovery through admin and handling fees included. The real (gross) amounts for the general administrative expenses were of the order of €0.7 million (2015) to €1 million (2013) – excluding country general administrative expenses.
- The forecasted annual result of €0.18 million in 2016 is based on the assumption that the continuity component can be applied in the IRC Full Cost Rates. The annual result will be allocated to equity (reserves) and is not profit as such.

In terms of the coming few years, there are understandable gaps in IRC's fundraising as noted in the table 4.3 below. The situation is dynamic though as new proposals are developed. IRC's total ambition for the period 2016-2020 is €56m as per Table 4.3 below.<sup>12</sup> The table provides confirmed funding for the coming years as well as a weighted pipeline that incorporates potential funding at a proportional or weighted rate based on the likelihood of being awarded the funding. Likelihood is calculated on a proposal-by-proposal basis, based on historical data with the funder and other considerations for each proposal. (A full pipeline is also provided which is based on a 100% success rate of proposals submitted.)

As shown, the confirmed contracted funding is 78% of ambition for 2017. Adding in the weighted pipeline brings the figure to 94% leaving a gap of just over €600,000 to find. For the entire period, the contracted plus weighted pipeline (proportional projected success rate) is 66%. For 2017, sufficient funding is available to ensure that the organisation can be categorised as a "going concern", meaning that it is seen as financially viable for the year.

**Table 4.3: Total contracted and pipeline (2016-2020) (\*€1,000) (Dated 27.10.2016)**

	2016	2017	2018	2019	2020	Total
<b>Ambition</b>	11,000	10,000	11,000	11,500	12,500	56,000
Contracted	11,393	7,799	4,311	4,042	3,857	31,402
Full pipeline	-	3,426	2,495	2,405	2,180	10,507
Weighted pipeline	-	1,587	1,330	1,353	1,223	5,492
Contracted + weighted	11,393	9,385	5,642	5,395	5,080	36,895
Contracted + full	11,393	11,225	6,806	6,448	6,037	41,909
Deviation contracted on ambition	393	(2,201)	(6,689)	(7,458)	(8,643)	(24,598)
% contracted	104%	78%	39%	35%	31%	56%
% contracted + weighted pipeline	104%	94%	51%	47%	41%	66%
% contracted +full pipeline	104%	112%	62%	56%	48%	75%

<sup>12</sup> Note that the new business plan period is likely to be 2017-2021 – thus 2016 is provided as indicative.

#### 4.4. IRC's learning and influencing work, funding modalities and potential scenarios

##### 4.4.1. IRC's learning and influencing work

To maximise its impact and influence, IRC seeks to provide a full cycle of interventions as a “think-and-do” tank (see graphic taken from IRC presentation at University of North Carolina Water and Health Conference 2016<sup>13</sup>). Simply stated, this constitutes:

- conducting analysis on specific themes (like financing the sector);
- documenting the issues and developing analytical tools and frameworks that could support policymakers and practitioners to enhance their understanding of the issues;
- working with national and local level policymakers and practitioners to use and refine the analytical tools / approach in such a way as to help inform service delivery;
- supporting the wider adoption, embedding and uptake of the tools / approach at the national and local levels; and
- sharing the analysis and experience on a country-to-country basis, and at the regional and/or global levels to inform wider stakeholders but also to bring further refinements back to inform IRC's work in country at each of the stages noted above.



Working closely with government and other stakeholders, each stage involves “thinking” and “doing” that is ultimately aimed at tangible impact and influence on the ground that results in increased access to WASH services for underserved households. IRC's work, for example, on financing the sector and sustainable services at scale represent large funded programmes that worked through the full cycle. As noted in Chapter 3, IRC's increased decentralisation and solid positioning in countries like Ghana, Burkina Faso and Uganda and growing presence in Ethiopia and Honduras makes the organisation uniquely well placed to deliver in this way. Again stakeholder interviews revealed no other organisation that works this systematically and over a consistently long period with government at the centre.

*The challenge for IRC is that most funding sources either do not yet recognise the value of the full cycle, are interested primarily in funding infrastructure without seeing the wider systems strengthening requirements to ensure sustainability, allow too little time to successfully move beyond pilot projects, and generally do not consider funding the feedback loops beyond one-off presentations in Stockholm World Water Week or other events.*

*The Evaluation Team is convinced that IRC's added value is precisely in its ability to navigate through the entire learning and influence cycle. Consulting firms can do research and tool development. NGOs can work at the local level to put in infrastructure and then advocate at the national level for modifications to the system. IRC, on the other hand, puts forward a theory of change that requires this systematic and facilitated approach that is government-led. To provide this thought leadership, the team recognises that IRC requires core programmatic / unrestricted funding that will be blended with contract funding with assignments aimed at the delivery of particular knowledge products and programmatic funding that goes partway around the cycle but stops short of funding wide scale*

<sup>13</sup> It should be noted that the graphic does not explicitly reflect IRC's work at the international level to both feed into global discourse but also to provide feedback loops to IRC's work at the country level.

adoption. Indeed in recent years, IRC has been very effective at diversifying its funding sources to reduce its reliance on the Ministry, but also educating its funders (the Hilton Foundation in particular) to the value of giving IRC scope and space to operate across the full cycle. As one interviewee noted, “if we want IRC to play this role, we can’t underestimate the value of giving the organisation time to think.” Another interviewee noted a bit more colourfully that “IRC is a bit like Faecal Sludge Management: you can make a bit of money out of part of the chain, but to get the whole system to work from beginning to end, some public [core] funds are definitely needed.”

#### 4.4.2. IRC’s funding modalities

In essence, IRC has three forms of funding: project funding and consultancies, programmatic funding and core programmatic (unrestricted) funding. Each is used to help deliver on IRC’s aims. (This section describes these funding modalities. In the following section 4.4.3, these are discussed in terms of scenarios for IRC moving forward.)

##### **Project Funding and Consultancies** (Referred to in Business Plan as Advisory Financing)

Project funding and consultancies funding is where IRC’s receives money for very specific activities that are generally determined by the funder with some negotiation by IRC. This could be for a programme review, specific piece of research, communications activity, etc. Some examples include the UNICEF Sanitation Research in Ghana with Oxford Policy Management as the lead with approximately €60k going to IRC over 2 years, and IRC support to WHO GLAAS for TrackFin support at approximately €50k over a 6 month period.

There are benefits to IRC tapping into this kind of funding if it aligns with IRC’s mission (See also discussion above in Section 4.2 regarding IRC Consult). The team has serious reservations however about IRC becoming driven largely by **project funding and consultancies** (noted by IRC as *Scenario 3*) as it would not be maximising impact and influence; according to some interviewees, IRC would struggle to compete against more established consulting firms; and would lose much of its brand value in terms of its long-standing relationships with governments in particular. The team thus sees project funding and consultancies as a component of a blend of IRC funding that also brings some advantages if kept to reasonable levels (so as not to risk potentially distorting IRC’s overarching contribution to the sector).

**IRC should continue to bid (through IRC Consult presumably) on discrete, one-off short-term assignments that strategically enhance IRC’s credibility, draw on IRC’s expertise, and align with IRC’s overall objectives.** Although recognising that intellectual property may be limited in terms of using findings for wider dissemination, IRC can use these assignments to influence clients; to stay on trend; to build further skills, knowledge and exposure of IRC staff; and potentially to forge initial working relationships with other organisations and individuals in the sector. It may allow for some limited “profits” to be channelled back into the organisation to support other activities. The team notes some confusion by external stakeholders around the creation and direction of IRC Consult and is less convinced at the moment of the need for a separate trading arm (though exploring this option was not a key focus of the evaluation).

##### **Programmatic Funding** (Referred to in Business Plan as Project Financing)

In terms of **programmatic funding**, whereby IRC bids on or creates opportunities to focus on key aspects of the WASH sector, the team notes that these must also be strategic and align with IRC’s wider organisational goals. Historically such programmes have included WASHCost and Triple-S at the global level, SmarterWASH at the country level, for example, where IRC was provided with a funding package to explore, document, test, refine the thinking around a specific focus area seen as a gap in the sector.

Whilst such initiatives are likely to be conducted in partnership with other sector players including governments, IRC has proven it has the wherewithal to manage such programmes. With its more decentralised structure now, IRC has an ideal launch pad in the country offices to ensure that such programmes of work stem from, bring a contribution from and have direct relevance to the local contexts in which the organisation is working. IRC can now also co-ordinate such programmes of work across business units with appropriate number of days to make a solid contribution from the country level. The need to find a further 30-50 percent of the funding to “match” that provided by the grant maker adds an extra layer of complexity to these arrangements.

Where possible and recognising that the time allocations for delivering such programmes of work with meaningful impact on the ground tend to be unrealistic, IRC should encourage the funder to recognise IRC’s added value of expanding the work across the entire influencing cycle. (This is also part of IRC’s role of educating funders as to what can realistically be achieved particularly when much is out of the direct control of IRC, or even relevant Ministries.)

### **Core Programmatic Funding** (Referred to in Business Plan as Programmatic or Core Funding)

Sufficient **core programmatic funding** is unrestricted funding that IRC can use as it needs to advance its mission. Such funding could be used to strengthen the organisation’s capability to respond, to create greater efficiencies in IRC internal systems, or to advance specific initiatives – using such funding as matching funding for other grants. Core programmatic funding allows IRC to strategically deliver across the whole cycle, integrating its approach from the country to the global levels to have maximum impact. At the end of the day, such funding will allow IRC to optimise the learning, facilitation, and engagement that will lead to tangible impact on the ground. As mentioned in Chapter 3, the team notes that IRC needs resources to close the loop to ensure, for example, that commitments turn into plans and roadmaps, that plans and roadmaps turn into budget allocations, and that budget allocations then convert into tangible impact on the ground through better / expanded service delivery.

From a content perspective, core programmatic funding provides “oil in the machinery” that allows IRC to “follow an issue with policymakers and practitioners as it unfolds and evolves over a period of years.” This occurs both at the global level and at the country level, but also between the two. In this way, the organisation can be responsive to shifting circumstances and opportunities as they present themselves, but also with the space to develop, test, further refine and disseminate its learning. Such funding can fill the gaps in the cycle to ensure country-to-country / country-to-region / country-to-global content connections. This exchange is the hardest component to fund from the market. With the country level work where IRC is likely to have greatest impact going forward, core programmatic funding can help bring other experiences back to inform and refine country level policy and practice. This recognises that there is a limit to meaningful global, generalizable lessons.

Again much of IRC’s funding underestimates (or stops short of providing) all the resources needed to support embedding and uptake as well as the feedback loops. IRC has provided a clear and sensible list of projected activities at the country and global levels that would be funded out of core programmatic funds. At both the global and country levels, such funding would facilitate advocacy and campaigning through at least one major campaign per year, the wherewithal for IRC to participate meaningfully in memberships and alliances (like the SWA forums), continued efforts to “scan the horizon” to spot trends that will influence the sector in the coming years (a key IRC function noted by practically all interviewees), and further knowledge and dissemination work that is often mentioned as the core of IRC’s work. From a practical perspective, core programmatic funding can help to leverage much larger sums (as has been the case in numerous examples, most recently in Ethiopia with the advent of new funding from USAID on the back of small amounts of core funding.)

From an organisational behaviour perspective, core programmatic funding (seen by all stakeholders as crucial for IRC to maximise its true value add to the sector) ensures that IRC can be mission driven

rather than being contract driven. (Again, being seen as a consultant would undermine IRC's role in the sector and programmatic funding often does not allow sufficient flexibility and margins to bring to and take from the country level.) As several interviewees noted, albeit using different language, *core programmatic funding allows IRC to work in the interests of the sector rather than in the interests solely of perpetuating the institution.* It buys a way of working that allows IRC to be independent, sharing, constructive, and bridging at a time when the sector is increasingly becoming more and more competitive and organisations are more likely to hold ideas and analysis close to their chest until such time as they can find funding for them.

To confirm, having downsized and restructured effectively in the Hague, IRC is not seen as wasteful or extravagant. The team is confident that IRC would use such funding to maximise its strategic approach, regularly reviewing priorities and purpose. Core programmatic funding may give some flexibility to help lower tariff rates to reach target groups that IRC is keen to reach (beyond larger organisations that can afford to pay for IRC's support). Rather than reinventing wheels, IRC could usefully help to translate others' approaches (if it can continue to generate that kind of goodwill) for wider use, but also if it is willing to critically compare its own work with others for the benefit of the sector. It would also allow IRC to continue to position itself to influence larger implementing organisations.

Ideally core programmatic funding (from all sources) would amount to roughly 20-30 percent of IRC's total budget (or €2-3m per year at current annual ambition levels for the organisation going forward into the next business plan period). At present, such funding is expected to come from the WAI relationship, the Osprey Foundation, the Watershed funding, and potential core funding from DGIS. Indeed some of the Hilton Foundation funding and that from other funding sources can be considered as having this flexibility albeit with some match funding requirements.

*The evaluation team agrees with interviewees across the board who suggest without hesitation that DGIS should be providing core funding to IRC. As one interviewer noted, recognising IRC's key contribution to thought leadership in the sector, not funding IRC in this way is like "killing the goose that lays the golden egg". DGIS funding allows IRC to leverage significant sums of funding from other sources. Such funding allows IRC to connect the dots between its different programmes to bring lessons to the global level and then to use its global presence to bring feedback to the country level. DGIS would send the correct messages of confidence to the sector by contributing to IRC's learning and international presence, but also its flexible approach to responding to the sector and spotting trends that will influence. The evaluation team agrees that, using IRC's appropriately and realistically designated ambition levels as the basis, a 10% contribution per year from DGIS to core funding is a minimum that should be considered. IRC would then be encouraged to find the remaining core funding from other sources using the DGIS funding as leverage (which they have successfully started to do).*

#### **4.4.3. IRC's potential funding scenarios**

IRC foresees three different scenarios for organisational development over the coming years. These incorporate different levels of availability of core funding to be used across the organisation. Some description of the different funding streams is provided in the section above with a view that ideally project funding and consultancies, programmatic and core programmatic funding are blended – with IRC using these funding sources to maximise impact. The scenarios put forward below are more defined (rather than blended) exploring what a reliance solely on project funding and consultancies or programmatic funding would mean for the organisation.

Starting with the lowest in terms of prospects for the organisation (and also the least likely in practical terms), **Scenario 3** sees no core or programmatic funding being made available to the organisation. Under this scenario, IRC is not successful in its bids for longer term programmatic funding (or core funding) and in essence becomes much like a consulting firm operating on a

contracted basis to deliver short, discrete pieces of commissioned work for different organisations in the sector. This would constitute an extreme shift in the way that the organisation currently operates and would mean competing with other more commercial firms like Overseas Development Institute (ODI), Oxford Policy Management (OPM), Aguaconsult, etc. The evaluation team recognises that this shift would mean a significant loss of IRC's contribution to the sector and is thus not worth contemplating.

**Scenario 2** sees limited access to core funding but still with IRC gaining access to programmatic funding that would mean a longer 3-5 year set of programmes largely at the country level. In essence, IRC would lose much of its interface with global discourse and feedback loops under this scenario. It also suggests a business model where IRC would seek to generate margins and multipliers out of the development of IRC products that it then sells on the market. With the possible exception of selling monitoring services across the sector, it is widely viewed that IRC would not be able to generate sufficient extra income to have any significant impact on the sector in this way. IRC would struggle in this scenario to weave together a global advocacy programme for a wider vision for the sector from its work at the country level.

**Scenario 1** is the optimal situation that as explained in the section above sees IRC blending different funding sources including sufficient core programmatic / unrestricted funding that allows IRC the flexibility to work at many levels and in an integrated way towards sector change. Whilst recognising that IRC is better positioned "in the market" than previously with a wider range of funders and "clients", this would allow IRC the "space to think" which is what the sector has come to expect of the organisation. Again this affords IRC to play its unique role in the sector as a change agent and change hub nationally and at the global level for sector knowledge brokering and communications, convening and sector coordination support, and evidence-based policy advice to governments in particular. All of these functions are seen as essential to meet the SDGs.

Without hesitation, the evaluation team notes the following conclusions. IRC's finances are more effectively managed now. Whilst the organisation is not out of the woods yet, the diversification of funding sources and positioning in the sector (*vis-à-vis* the country offices) is certainly growing stronger. Whilst the financial outlook is unpredictable, the evaluation team is confident that IRC has the organisational clarity and strength to ensure a positive financial outlook going forward.

In terms of the IRC scenarios, Scenario 3 is untenable for the organisation as it would mean losing the essence of IRC's contribution to the sector. Scenario 2, with its insufficient core funding, risks losing the growing strength to foster real support to national and local governments in a way that few other organisations provide. It also means losing the linking thought leadership role that IRC plays in terms of global to local and increasingly from local to global. Scenario 1 remains the viable option that optimises IRC's contribution to the sector, as expected from all stakeholders.

## 5. KEY FINDINGS AND RECOMMENDATIONS

### 5.1. IRC Goals and Value Added

#### *IRC Goals*

The overarching goal - the adoption by the sector of the Service Delivery Approach – has been largely achieved by IRC. Moreover, substantial progress has been made in achieving the 2<sup>nd</sup> goal regarding the sector that learns and adapts with special reference to the country level. Progress has been made in achieving the 3<sup>rd</sup> goal with special reference to the strengthening of government organisations. The progress made in achieving the 4<sup>th</sup> goal remained limited.

**Table 5.1: Summary sheet achievements of IRC goals**

	Goal	Comments	Scale	Trend 2014-16
1.	Service delivery approach	SDA embedded in sector and IRC strong player in changing sector's focus. Policy influence at various levels. Major footprint in the sector.  Still major challenge that the focus remains on infra development, changes in reality are limited. The major challenge remains that the uptake and impact is limited.	High	Stable, but no progress in uptake
2.	A sector that learns and adapts	Learning platforms useful. Innovations better translated for use "on the ground" and structured follow-up key events undertaken specially during the last few years.  The breakdown of complex issues, documenting and sharing is very important to support and stimulate learning process amongst stakeholders with special reference to government at country level.	Medium/High	Strong upward trend in countries visited.
3.	Improved aid effectiveness	Recommendation MTR 2014: Role to be better defined as strengthening national and local governments instead of general non-focused activities.  Recently more focus on strengthening of government and civil society leadership (governance) at various levels. This is crucial in achieving SDG6.	Medium	Upward trend
4.	Improved inter-sectoral dialogue	Low priority. Few focused actions undertaken. The recent strategic partnerships with focus on watershed and civil society strengthening in watershed context can potentially contribute to achieving goal 4 in future.	Low	Upward

Core concepts, approaches and tools such as service level monitoring, life-cycle costing, service sustainability and national and local systems' strengthening as developed by IRC are highly relevant to the sector and have been spread to and adopted by all kinds of stakeholders at various levels. In no small part due to IRC's own contribution, an emphasis on service delivery rather than putting in infrastructure is becoming the norm in the sector.

IRC makes considerable efforts to translate its findings, concepts and tools of key projects in simplified messages with concrete and doable actions to be taken by various stakeholders, particularly at the district level. Some suggest, however, a confusion with regard to IRC in that the development and refinement of tools is not the end game, but rather the (tailored) use of tools to build/ensure capacity at all levels of the system is what is required.

There is little evidence to date that the increased awareness of the need for sustainable services has translated into increased budget allocation and expenditures for O&M. Limited uptake means limited impact. An analysis of the dynamics of acceptance has not yet been made. Thus, a clear understanding of how change happens at the country/district level is required.

#### *Value Added at the Global Level*

IRC is clearly held in high regard, particularly for its contributions to knowledge management and thought leadership, and is on track to become a leading innovative organisation in the sector. IRC is able to convene, catalyse, innovate, inform and advocate for a broader movement toward shared

sector goals. Stakeholder interviews revealed that no other organization works as systematically and over a consistently long period, pro-actively with the government at the centre.

To maximise its impact and influence, IRC seeks to provide a full cycle of interventions as a “think-and-do” tank. Simply stated, this constitutes:

- conducting analysis on specific themes (like financing the sector);
- documenting the issues and developing analytical tools and frameworks that could support policymakers and practitioners to enhance their understanding of the issues;
- working with national and local level policymakers and practitioners to use and refine the analytical tools / approach in such a way as to help inform service delivery;
- supporting the wider adoption, embedding and uptake of the tools / approach at the national and local levels; and
- sharing the analysis and experience on a country-to-country basis, and at the regional and/or global levels to inform wider stakeholders but also to bring further refinements back to inform IRC’s work in country at each of the stages noted above.

Working closely with government and other stakeholders, each stage involves “thinking” and “doing” that is ultimately aimed at tangible impact and influence on the ground, meaning increased access to WASH services for underserved households. IRC’s work, for example, on financing the sector and sustainable services at scale represent large funded programmes that worked through the full cycle.

As a further example, the largely IRC-driven Agenda for Change, initiated by IRC with other key sector organisations in 2015, responds to the need for fundamental change to achieve SDG 6 with special reference to the focus on increased government leadership and financing the sector. Agenda for Change has the potential of becoming an influential movement provided there is greater clarity on how organisations can join, what is expected of them, and how the initiative will be governed.

The challenge for IRC is that most funding sources either do not yet recognise the value of the full cycle, are interested primarily in funding infrastructure without seeing the wider systems strengthening requirements to ensure sustainability, allow too little time to successfully move beyond pilot projects, and generally do not consider funding the feedback loops beyond one-off presentations in Stockholm World Water Week or other events. Organisations like IRC thus have a clear role to play in educating funders, not only about what works and doesn’t work more generally in the sector but also about how funding modalities impact on much needed sector strengthening, continued experimentation, and risk-taking.

The Evaluation Team is convinced that IRC’s added value is precisely in its ability to navigate through the entire learning and influence cycle. With increased competition for resources, the role of a learning organisation like IRC that is able to dedicate space and resources to fostering sharing and learning in the sector becomes that much more important.

#### *Value Added at the Country Level*

The importance of the global level in achieving the SDG6 should not be over-estimated as the delivery of the SDGs will only take place at the country and district level. With this in mind, IRC has moved quickly and effectively to decentralize, seeing country-level work as the key to IRC’s programmatic impact.

At country level, IRC’s footprint is substantial as an appreciated, credible, neutral and professional key party. IRC works particularly through and with government in a “low dose, high frequency”, supportive yet challenging way to enhance government leadership. IRC is considered as very influential through its special relation with and assistance to government institutions through its contribution to knowledge management and learning, and demystifying complex issues and tools.

IRC is in a unique and trusted position, operating across a wide range of stakeholders at the country level, to “listen intently and then come with clear ideas on how best to respond”.

Largely out of IRC’s direct control, the translation of IRC’s work into concrete results and impact “on the ground” will take some time. The increase in financing flows dedicated to non-capital expenditures appears to be limited but needs to be tracked more carefully. Too many investments still focus on new infrastructure with little attention to operations and maintenance (O&M) and sustainability. Further work is needed to determine the evidence that the increased awareness at all levels in the sector of the need for sustainable services has been translated into increased budget allocation and expenditures for O&M. IRC needs to continue working to align and coordinate to ensure that commitments turn into plans, plans turn into budget allocations, and budget allocations actually convert to tangible impact on the ground.

The principle of the district focus in IRC’s business model on (just) one district ensuring 100% coverage is solid and understandable, but has the implicit danger of delaying essential scaling up of findings towards other districts (piloting is relatively easy and can easily lead to “digging in” at pilot level; as IRC well knows, scaling up is crucial and far more complicated). The main question to be answered is how that kind of comprehensive support to one district can be translated across other districts. Such a district focus may mean getting closer to other actors, like the Ministry of Local Government in Ghana. IRC will need to manage these relationships with government agencies carefully.

Whilst the country programmes are gaining strength, it is not clear whether IRC is effectively aggregating learning across the country programmes. It is also not always clear whether global advocacy work is based on evidence from experience at the country level.

### *Key Themes*

Along with the Service Delivery Approach, IRC is recognized for its contribution to greater clarity around financing the sector. IRC has effectively begun building on the WASHCost work through related activities and partnerships – like on Public Finance with WSUP as well as emphasising the costing and financing aspects under the Agenda for Change. With somewhat more limited in-house capacity as a result of the restructuring, IRC now needs to determine whether it will go deeper in this area, staffing up or working through Senior Associates to look at key gaps in understanding like affordability and demand, or whether it will broaden out its focus on other key areas.

The role of IRC in strengthening political and government leadership is getting off the ground through the specification of goal 3. However, this role has not strategically been formulated and implemented as of yet. The focus on strengthening CBOs in Watershed, IRC’s new strategic partnership, is complementary to the development of government leadership, although IRC’s key strength vis-à-vis its role towards government still needs to be further specified in this partnership. IRC has developed tools and been supporting the monitoring work of various organisations in the sector.

IRC continues to build up a body of work on sanitation and hygiene although, apart from the knowledge management contribution through Sanitation Updates and the like, numerous interviews suggested that this appears to be less visible to WASH practitioners at all levels. As suggested by IRC and in fairness to the organisation, much of the sanitation work occurs not so much in the focus countries but at the international level or in Asia.

### *Overview*

Table 5.2 below provides an overview of IRC as an organisation with further detail provided throughout the report.

#### **Table 5.2: Overview of relevance, effectiveness, efficiency and impact**

Issue & Score	Conclusions	Trend 2014-16
Relevance High	<ul style="list-style-type: none"> <li>• SDA, LCCA, sustainability and monitoring tools highly relevant and useful for sector</li> <li>• At global level IRC is well positioned through its membership of an important set of networks and alliances to play the role of a global change hub in pursuit of SDG 6.</li> <li>• The Agenda for Change, launched in 2015 by IRC and 3 other organisations, has the potential to become a major driver of change.</li> <li>• IRC vision and mission also highly relevant for the Dutch Water Ambition and the new Dutch Water Strategy 2016-2030.</li> </ul>	Slightly upward
Effectiveness Substantial	<ul style="list-style-type: none"> <li>• Growing linkages between IRC NL and country offices are better spelled out and increases effectiveness.</li> <li>• Translation of action research on the ground into lessons learned, replication and scaling up to the country and finally to the global level is a growing focus of IRC although much needs to be done.</li> </ul>	Upward
Efficiency Substantial	<ul style="list-style-type: none"> <li>• Major improvement through internal process of change and the reorganization process. Still much to be clarified.</li> <li>• Rate structure and financial relations between business units to be further specified.</li> </ul>	Upward
Impact Medium	<ul style="list-style-type: none"> <li>• Better understanding of LCCA, Triple-S and SDA is only starting to be translated in impacts on the ground (as reflected in World Bank country study with Aguaconsult)</li> <li>• Concepts and tools are only at the beginning of being translated into policy shifts.</li> <li>• WASHCOST has influence on NGO world.</li> <li>• Impact in numbers reached through IRC interventions are labelled as impact by IRC.</li> <li>• An analysis of the dynamics of acceptance still needs to be made.</li> </ul>	Slowly Upward
Sustainability Substantial	<ul style="list-style-type: none"> <li>• WASH promotion of sustainability, post-construction and capital maintenance have influence on global dialogue on service sustainability (Mainly rural).</li> <li>• Sustainability clause incorporated in a number of programmes and organisations (e.g. by DGIS).</li> <li>• Financial situation and potential for financial sustainability of IRC business units better clarified (issue not solved as of yet).</li> <li>• Financial sustainability of projects/programmes implemented under IRC need to get more attention (e.g. monitoring tools).</li> </ul>	Upward

## 5.2 Strategic Partnerships

Albeit punching well above its weight, IRC recognizes the leverage it has in partnering with other organizations. IRC has made very substantial progress in developing strategic partnerships at global, country and at Netherlands level. At global level, IRC is well positioned through its membership of an important set of networks and alliances to play an important role as a driver of change in pursuit of SDG 6. IRC's strategic partnership in 2015 with WaterAid and Water for People with the launch of the Agenda for Change has a high potential to contribute to the achievement of the SDG 6. The Watershed partnership with Wetlands International and others also has significant potential to address SDG6 as a whole (i.e. across WRM and WASH). Recently IRC has been successful in integrating into the "Dutch market" by teaming up with others in strategic partnerships, in for example the WASH Alliance International (WAI). IRC's partnerships with government agencies provide substantial added value as a credible and appreciated party at country level. Whilst relationships with WHO (through GLAAS in particular) are strong, efforts to influence major players like UNICEF and the World Bank are admittedly more challenging.

### **5.3 IRC's Business Model**

By all accounts, IRC has successfully and effectively navigated its way through a difficult period – significantly downsizing, restructuring and decentralising. As a result, IRC is seen as a stronger, more nimble organisation. Working through a Management Team that also includes the Country Directors is increasingly facilitating greater ownership throughout the organisation creating more of a mutual flow of accountability, organisational learning and financial control.

To ensure effectiveness, IRC has instituted an internal business model through the creation of independently operating business units, including the country offices. This is appropriately shifting the centre of gravity and power away from a historically primarily Hague-based to a far more international organisation. An internal market in skills and services each with its own “profit and loss” accounts encourages greater clarity on spend as well as the income needed to run the organisation. This aspect of the organisation has advanced dramatically since the Mid-Term Review two years ago.

During the BP period, country offices have been significantly strengthened. IRC leadership has proper understanding of the government institutional framework and is willing to work closely with government agencies to strengthen their capacity to move the sector on. Given their central role across stakeholder groups, IRC country offices fulfil a niche in knowledge management and learning.

Based upon IRC's ambitions and planned financing for the period 2016-2020, the six country units can be sub-divided into three groups:

- Mature country offices (Ghana and Burkina Faso) with well-established programmes and views and on the road towards financial sustainability.
- Upcoming country offices (Ethiopia and Uganda) with emerging programmes and views and substantial financial resources made available during the period 2016-2020.
- Small country offices (India and Honduras) with fewer programmes and less substantial financial resources for the period 2016-2020.

Decentralization is getting off the ground with more responsibilities for country offices. Investment in country offices (like Uganda) is paying off in terms of capacity, profile and impact. However there is still some way to go with regards to decentralizing decision making on projects and rate structure as well as to ensure sufficient capacity to seize opportunities as they emerge. Multi-year investing in country offices is thus essential to ensure continuity and growing capacity.

The result chain is still a work in progress whereby goals and outcomes have not as yet been systematically elaborated into activities and outputs with indicators of success. This does not facilitate an assessment of actual progress made against formulated goals (as it is not easy to assess whether progress is satisfactory and/or to what extent and in which manner outputs from the monitoring system contribute to the achievement of the IRC goals).

### **5.4 IRC's finances and funding**

IRC has more or less achieved its €51m funding target for the business plan period coming in at €49.3m. The evaluation team recognizes the significant efforts made in the last 2 years to further clarify IRC's financial position, costings, tariff rates and reserve requirements. The downsizing has left a “lean and mean” organization with much reduced operating/formation costs. Funding from the market has increased and diversified substantially during the last 4 years with core funding year-on-year representing a lower percentage of the total annual IRC budget (28% total and 21% from DGIS).

A significant challenge was posed to IRC in 2015-2016 given the lack of funding forthcoming from previously committed DGIS business plan funding. In 2015/2016, IRC was given a lifeline by the €2.9m exchange rate gains from the BMGF-funded Triple-S program, keeping the organisation in

business with a global profile. Funding from DGIS (€1m instead of the €2.9m originally committed) also helped and was used largely for the elaboration, testing and rolling out of the Agenda for Change to the country and district level.

IRC is financed through three funding mechanisms: project funding and consultancies, programmatic funding and core programmatic funding.

**Project funding and consultancies** is where IRC receives money for very specific activities that are generally determined by the funder with some negotiation by IRC. This could be for a programme review, specific piece of research, communications activity, etc. Some recent examples include the UNICEF Sanitation Research in Ghana with Oxford Policy Management as the lead with approximately €60k going to IRC over the coming 2 years, and IRC support to WHO GLAAS for TrackFin support at approximately €50k over a 6-month period. Project funding and consultancies allows IRC to take advantage of opportunities for short-term assignments where IRC could influence and build a relationship with different clients, build staff skills, stay on trend and remain relevant, and offer opportunities to expand IRC's area of expertise.

In terms of **programmatic funding**, whereby IRC bids on or creates opportunities to focus on key aspects of the WASH sector, the team notes that these must also be strategic and align with IRC's wider organisational goals. Historically such programmes have included WASHCost and Triple-S at the global level, SmarterWASH at the country level, for example, where IRC was provided with a funding package to explore, document, test, refine the thinking around a specific focus area seen as a gap in the sector. A recently approved example is the USAID Broad Area Agreement with University of Colorado (Boulder) in the lead for Ethiopia (roughly €500k per year for five years). Where possible and recognising that the time allocations for delivering such programmes of work with meaningful impact on the ground tend to be unrealistic, IRC should encourage the funder to recognise IRC's added value of expanding the work across the entire influencing cycle.

**Core programmatic funding** is unrestricted funding that IRC can use as it needs to advance its mission. Core funding of the business plan 2012-2016 was essential to ensure IRC's ability to innovate, to become a driver of change and provide thought leadership in the sector. Such funding can be and has been used to strengthen the organisation's capability to respond at the global and country levels, to create greater efficiencies in IRC internal systems, or to advance specific initiatives – using such funding as matching funding for other grants. Core programmatic funding allows IRC to strategically deliver across the whole cycle, integrating its approach from the country to the global levels to have maximum impact. At the end of the day, such funding will allow IRC to optimise the learning, facilitation, and engagement that should lead to tangible impact on the ground.

From a content perspective, core programmatic funding provides “oil in the machinery” that allows IRC to “follow an issue with policymakers and practitioners as it unfolds and evolves over a period of years.” This occurs both at the global level and at the country level, but also between the two. In this way, the organisation can be responsive to shifting circumstances and opportunities as they present themselves, but also with the space to develop, test, further refine and disseminate its learning through a wide range of knowledge products. Such funding can fill the gaps in the cycle to ensure country-to-country / country-to-region / country-to-global content connections. This exchange is the hardest component to fund from the market. Core programmatic funding allows IRC to work in the interests of the sector rather than in the interests solely of perpetuating the institution.

Specifically, core programmatic funding has allowed IRC to pursue the Agenda for Change initiative (widely viewed as a much needed focal point for the sector); bring lessons from district level work to national and global levels; share lessons learned on strengthening country level monitoring; innovate and document around public financing, support guidance on sustainability monitoring; and

demystified, simplified and translated a wide range of approaches, methods and tools for use at various levels.

On a separate note, IRC receives funds from the Ministry for direct services to DGIS provided in the following fields: 1) assistance to DGIS in the fields of capacity building, knowledge brokerage and policy influencing in the Netherlands; 2) the preparation of major conferences; 3) IRC’s analytical knowledge to support DGIS’ efforts to influence the international debate; and 4) assistance to the RNEs in the fields of capacity building, policy influencing, innovative approaches for the benefit of the Dutch WASH policy and programme development.

## 5.5 Scenarios

IRC foresees three different scenarios for organisational development over the coming years (described in some detail in Chapter 4). These incorporate different levels of availability of core funding to be used across the organisation.

**Table 5.3: Summary scenarios, modalities and consequences**

Scenario	Core programmatic funding	Characteristics	Consequences
1.	20-30% of annual budget	<ul style="list-style-type: none"> <li>• IRC is able to fund its full learning and impact cycle with feedback loops across the district to national to global levels.</li> <li>• IRC can continue to strengthen its country offices.</li> <li>• IRC can continue to fund the underestimated support needed for adoption, embedding of tried and tested tools and approaches.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures that IRC can be mission driven, operating in the interests of the sector rather than solely in perpetuating the institution.</li> <li>• Allows IRC to blend financing to strategically maximize impact.</li> <li>• Allows IRC to maximize opportunities through leveraged and matching funding.</li> </ul>
2.	10-20% of annual budget	<ul style="list-style-type: none"> <li>• IRC has limited flexibility on spend.</li> <li>• IRC would need to generate sufficient margins on programme funding to maintain its role in the sector.</li> <li>• IRC is forced to sell more of its services in the market.</li> </ul>	<ul style="list-style-type: none"> <li>• IRC would not be able to fund its global contribution.</li> <li>• IRC loses the country-global links and its significant influencing and thought leadership role in the sector.</li> <li>• IRC driven more by market forces and clients who can afford its services than by innovative trendspotting or other services to the sector.</li> <li>• IRC likely to lose its ability to play trusted hand holding role for governments that is largely not funded by the market.</li> <li>• IRC struggles to find the matching funding needed for certain funders.</li> </ul>
3.	0-10%	<ul style="list-style-type: none"> <li>• IRC becomes much like a consulting firm operating on a contracted basis to deliver short, discrete pieces of commissioned work. IRC thus loses the essence of its contribution to the sector.</li> <li>• Due to intellectual property and confidentiality clauses, IRC unlikely to be able to use much of its work to influence the sector.</li> </ul>	<ul style="list-style-type: none"> <li>• IRC is in direct competition with more established consulting firms.</li> <li>• IRC loses its key learning contribution to the sector.</li> <li>• IRC seeks to use such contracts to have some minimal influence on clients.</li> </ul>

## 5.6 Recommendations<sup>14</sup>

### *IRC Approach and Content – At the country level*

1. IRC needs to continue working to align and coordinate to ensure that commitments turn into plans, plans turn into budget allocations, and budget allocations actually convert to tangible impact on the ground. In other words, IRC needs to continue to elaborate how best to accelerate “uptake on the ground” through further analysis of “dynamics of acceptance” and how government leadership and capacity can be strengthened. IRC would set reasonable but ambitious targets at the country level to clearly show progress in this area.
2. IRC now needs to support the tailored adoption and adaptation of tools and methods to support specific governments and related organisations in meeting their sustainability commitments.
3. The district focus, albeit sound and appropriate, should not delay critical efforts aimed at scaling up from district to the national level. Lesson learning and sharing needs to happen continuously to avoid a piloting mentality.
4. IRC needs to more effectively capture and package the experiences at the country level to provide the evidence of what works.
5. The success factors underlying the focus country development process (lessons learnt) can be used to develop a medium to long-term strategy for the establishment of additional country offices. (Also see point 4 under Organisational recommendations below)

### *IRC Approach and Content – At the global level*

1. IRC should renew/revitalize its learning and advocacy agenda with a more targeted focus on key influential decision makers in the sector (at the global and national levels). Country programmes should be woven together into a global network more effectively to promote a wider IRC influencing strategy.
2. With limited resources, IRC needs to prioritize where it will have greatest impact. As a more crowded space to influence and with uncertain links to national and ultimately district plans, allocations and investments, activities at the global level are less compelling and less likely to have direct and effective impact in the short and medium term.
3. IRC should continue to invest efforts in articulating the messages of the Agenda for Change, projecting out to what the initiative would ideally look like in 5-10 years, clarifying what IRC is concretely offering, and finding ways to encourage other institutions to join.
4. Although IRC has a history of working across different water and sanitation silos, IRC needs to further develop its role and place in the broader water focus of both SDG6 and the DGIS water ambition making maximum use of its present value added. To achieve this, IRC may need to “move beyond its comfort zone,” continuing to reach out to organisations outside the sector that can influence WASH service delivery. (Watershed appears to provide a solid basis for this approach.)
5. In terms of thematic work, IRC should further develop and specify its strategy on financing the sector. As IRC is not seen as a go-to organisation in these areas, to maximize relevance, IRC should continue to build up its expertise on urban, sanitation, and the role of the private sector. IRC needn’t have all the skills in house but needs to partner with the right players or ensure it can draw on Senior Associates with the gravitas and seniority to bring people on board to have this level of influence.
6. For IRC as a resource hub, this means finding new ways to generate demand for its services and to create the 21<sup>st</sup> century equivalent of the resource library.

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<sup>14</sup> Numbering is for ease of reference and may not necessarily represent priority or sequencing.

### *Organisational*

1. IRC should continue to aim for Scenario 1, which sees IRC blending and optimizing different funding sources that allows IRC the flexibility to work at many levels and in an integrated way towards sector change.
2. IRC should continue efforts towards decentralization to the country level. This means increasing decision making power, further efforts towards financial sustainability including resources allocated towards business acquisition capacity to grasp national opportunities offered. (Approximately €500k is required for a period of 3 to 5 years from core programmatic funding to further develop the existing country offices.)
3. IRC should be very cautious with the development of additional country offices in the medium term as the six country offices still require support. Development of new offices is likely to be at the expense of existing offices. IRC should not spread itself too thinly, lest it jeopardise quality over quantity. With regard to new offices, IRC should have clear criteria to help determine where to expand – this should be related to the context, i.e. openness to IRC’s approach and ability for IRC to influence, but also around strategic questions of the added value of expanding to that country (does it offer a different context in which to test IRC’s approach and tools?).
4. IRC should specify the strategic role and contribution of the organisation in India and Honduras.
5. IRC should more clearly determine what needs to be standardised across the country offices, bearing in mind that the specific national contexts may determine partners, approaches, funding modalities, etc.
6. IRC should continue to bid (through IRC Consult presumably) on discrete, one-off short-term assignments that strategically enhance IRC’s credibility, draw on IRC’s expertise, and align with IRC’s overall objectives.
7. IRC should formulate a result chain/framework in which goals are clearly and realistically defined, are interconnected and consistently elaborated in outcomes, intermediate outcomes, targets, etc.
8. The terminology used should be consistent.
9. In the development of IRC’s new business plan, in line with development programmes generally, greater specificity than in the previous Business Plan should be provided in terms of SMART indicators that show how IRC is successfully achieving its goals.
10. Impact on the ground needs to be translated not only in institutional terms, but specially into key indicators referring to, for example: 1) existence of a district/local level water and sanitation plan; 2) the explicit incorporation of this plan into the district/local more year development plan; 3) the explicit division between capital expenditures for infrastructure and non-capital/non-infrastructure expenditures; 4) explicit financial allocation for different types of water and sanitation expenditures within the district/local development plan; and 5) actual expenditures under the district/local development plan for water and sanitation.
11. To assess impact on the ground, issues as mentioned under the previous bullet are crucial. IRC could consider developing a monitoring system to assess (progress regarding) impact on the ground in the same manner as monitoring of services has been elaborated in the past. All this provided that financial resources will be made available to implement such a programme.

### *DGIS*

1. The evaluation team agrees with interviewees across the board who suggest without hesitation that DGIS should be providing core funding to IRC. DGIS funding allows IRC to leverage significant sums of funding from other sources. DGIS would send the correct

messages of confidence to the sector by contributing to IRC's learning and international presence, but also its flexible approach to responding to the sector and spotting trends that will influence the sector going forward. The evaluation team agrees that, using IRC's appropriately and realistically designated ambition levels as the basis, a 10% DGIS contribution per year to core funding is a minimum that should be considered. IRC would then be encouraged to find the remaining core programmatic funding from other sources (Hilton Foundation, USAID, etc).

2. The advisory budget made available to IRC has proven useful for all parties concerned and should be continued.