

Tool 12: Developing an Exit Strategy

The “exit strategy” is the plan that clarifies how the WSI will end or transform (e.g., once goals have been achieved, or at the end of the project or funding cycle), or that provides for the withdrawal of participants. Fostering sustainability and mitigating risks of failure lie at the heart of this strategy. It needs to be designed jointly from the onset and revisited regularly as the initiative evolves.

Why and when to develop an exit strategy?

WSIs are usually perceived to be temporary vehicles set up to pioneer and mainstream new collaborative approaches to shared water challenges. Whereas public sector and civil society participants will likely continue to be engaged in these initiatives, companies tend to want to disengage once the water concern has been addressed. Therefore, some WSIs will either transform into, or be handed over to, more permanent structures with little or no business involvement, while other WSIs will simply terminate, becoming a source of inspiration for future initiatives. Because of their transient nature, WSIs generally emphasize the importance of sustaining their positive outcomes and impact. It should be noted that exiting an initiative is difficult, because the beneficiaries come to expect the benefits and link the participants to this delivery. An exit strategy therefore guides the termination or handover of a successful WSI and related communications.

Tool	A set of basic principles to support practitioners in developing exit strategies for WSIs.
Question Addressed	What are some key criteria for deciding how the WSI should end? What are some drivers for its conclusion or renewal? How does the local operating context factor into these decisions?
Purpose	<ul style="list-style-type: none"> ✓ Clarify what success looks like for WSI participants. ✓ Establish when and how to terminate, hand over, or transform a WSI. ✓ Make provision for the withdrawal of participants.
Potential Users	WSI participants.
Level of Effort	With proper context analysis and existing work related to M&E tools and written agreements, the exit strategy discussion might be included in these processes, lessening the burden.
WSI Phase	1: Incubation and Initial Analysis; 2: Formalization.

Golden tips — Keep your exit strategy...

Participatory: Establish the strategy jointly with **WSI participants**: it has to be “owned” by the local partners (e.g., government, community stakeholders, farmers) who will support the changes brought by the WSI.

Flexible and iterative: Regard the WSI exit strategy as a “living document” meant to evolve as the context and circumstances of the partners change. Not all eventualities can be anticipated; it is the spirit and general mechanisms that matter most. Agree on the profile of a facilitator if needed.

Staggered: In the case of a handover of the WSI, a gradual exit will allow gauging stakeholders’ ability and commitment to meet their obligations and provide a chance to assess the success of the strategy.

Communication-wise: Foster frank and transparent communications. Ensure that achievements are recorded and celebrated, and that credit is given. Agree on a strategy to communicate about the exit (i.e., partner responsibility, targeted audience, content, channels, etc.). Consider substituting other terms for “exit strategy” (e.g., transition, move on), as it can hold negative connotations.

The circumstances leading to the termination of a WSI or the withdrawal of a partner may generate risks (e.g., reputational, financial) for participants and trigger tensions. The latter can be alleviated by previously negotiated procedures, drawing a clear path toward the resolution of critical issues. Exit strategies should also allow participants to effectively respond to severe challenges such as the misconduct of a participant, the unexpected withdrawal of a key funder, or the failure of activities.

Jointly building an exit strategy in the early phases allows participants to clearly outline what they want to have achieved at the end and to define or revisit their sustainability plan. Critically, the process will also highlight discrepancies in participants' levels of ambitions and expectations with regard to the sustainability of a WSI, providing a window of opportunity to foster shared understanding of constraints to longevity and to enhance the design of the program at the outset. Because activities carried out as part of exit strategy development (e.g., capacity building of local participants, post-project monitoring) require planning, budgeting, and sometimes the mobilization of extra funds, it makes sense to elaborate this strategy once the broad objectives, structures, and processes of the WSI have been defined and before they have been implemented. Table 13 outlines some considerations when developing an exit strategy.

Unforeseen exits

The WSI may not fully achieve the expected outcome, but a situation may arise that prompts a participant to want to exit or the initiative to terminate prematurely. Typical reasons include:

- End of available funding
- Reduction in or withdrawal of resources at WSI level or at participant 's level
- Initiative failure, i.e., the WSI fails to meet non-negotiable expectations of some participants in terms of performance, accountability, values, etc.
- Participant failure, e.g., non-performance, lack of compliance with agreed code of conduct
- Conflicts between participants
- Changing priorities of participant(s)
- Changing context, including environmental, political, or economic shifts or crises

Guidance for implementation



Table 12: Exit Strategy Scenarios for WSIs

Driver	Action by participants	Key characteristics of the exit strategy
1. Reduction in or withdrawal of resources	Redesign the program of the WSI, its structure and processes	Greater self-reliance (e.g., through increased efficiency or new participants bringing different resources to the table) or handing over to existing local institutions.
	Abandon the WSI	Participants leave the WSI or hand it over.
2. Completion of goals & objectives	Conclude	Publicize success, internalize and share lessons. Further collaboration possible on something new.
3. Continuation of projects beyond original timeframe	Maintenance	Continue and adjust (e.g., recruit new participants).
	Handover	Hand over the WSI to a mainstream delivery system or institutions, or create a new mechanism (transition or transformation).

4. Failure of projects	Leave or handover the successful part of the WSI	WSI concluded — participants move on by reverting to “business as usual.”
5. Perception of new initiative potential	Begin a new project cycle	Review the WSI; renegotiate program, participant, structure, and processes.
6. Change in participant priorities	Some or all participants move on and away	Participants separate; some may continue on with or without new participants, depending on progress to date and remaining work.
7. Shift in context	Adjust or terminate partnership	Review and readjust or terminate the WSI.

Table 13: Considerations when Building the Exit Strategy Throughout the WSI Life Cycle

Phase	Key aspects to address	Challenges
Phase 2: Formalization	<ul style="list-style-type: none"> • Are further efforts needed to strengthen the foundation of participant relationships? • Have participants explored the concept of the WSI as a transitory mechanism oriented toward achieving sustainable outcomes? Do they agree that WSIs move on at some stage with a range of options worth considering? Is this understanding shared by all participants, considering their various cultural contexts and perspectives? • Have exit criteria and drivers (individual and collective) been agreed upon? • Have participants shared their expectations in terms of the lifespan and achievements of the WSI? Has the meaning of success been clarified, notably in terms of sustainability? Have programming implications been discussed? • Do they agree on general principles guiding the exit of the WSI (e.g., phasing out, handover, transformation)? • Have objectives, milestones, benchmarks, and triggers been clearly defined? Has this been done for a monitoring procedure (including regular WSI productivity checks) to assess progress toward the moving-on point? • Do participants agree on the need to keep the exit strategy flexible and to ensure that it can be implemented in a staggered way? • Is the whole process participatory and transparent enough? 	<p>Balancing firm commitments with flexibility.</p> <p>Allowing adequate time to develop capacity, while working within the program funding cycle.</p>

<p>Phase 3: Implementation</p>	<ul style="list-style-type: none"> • Are participants dedicating sufficient time during implementation to track and discuss WSI sustainability issues such as unforeseen matters related to a lack of capacity, resources, ownership, and incentives? • Is the WSI effectively addressing these issues (e.g., adjusting activities, bringing in additional partners), and thereby setting up the conditions for sustainability? • Is a regular (e.g., annual) review of participants' expectations and positions carried out, allowing participants to revisit the exit strategy in light of changes in circumstances both within and outside the WSI? • Are the agreed monitoring processes and accountability mechanisms effectively applied? Does the resulting information on exit criteria lead to the enforcement of decisions as stated in the exit strategy plan? • Is the impact of the different moving-on options on all stakeholders being appraised? • Have participants finalized the exit process (e.g., staggered actions to hand over the WSI) and a communication strategy? 	<p>Tracking capacity building. Staff turn-over. Providing appropriate, sustainable incentives. Review of sustainability.</p>
<p>Phase 4: Completion, Renewal, or Upscaling</p>	<ul style="list-style-type: none"> • Inclusion: Have a sufficient number of stakeholders been involved in the handover of the WSI? Are all relevant senior managers and leaders well engaged? Has the responsibility of the handover process been sufficiently shared with all participants? • Transparency: Is the handover process discussed openly? Are participants transparent about the bad news and difficulties? • Clarity: Are participants handing over roles and responsibilities based on accurate and verifiable information? Are the risks involved in the handover process well articulated and addressed? • Patience: Are participants allowing enough time for the process to unfold? Are they recognizing that some stakeholders need more time to share their views internally and possibly address conflicts? 	<p>Funding. Availability of all participants.</p>

Source: Adapted from Halper (2009) and Gardner et al. (2005).

Further reading:

- Alison Gardner, Kara Greenblott, and Erika Joubert. September 2005. "What We Know About Exit Strategies: Practical Guidance for Developing Exit Strategies in the Field." C-Safe. <http://reliefweb.int/sites/reliefweb.int/files/resources/A02C7B78FB2B408B852570AB006EC7BA-What%20We%20Know%20About%20Exit%20Strategies%20-%20Sept%202005.pdf>.
- John Ford. 2002. "Beware Partnerships." <http://www.lincoln.ac.nz/PageFiles/1421/Beware-Partnerships.pdf>.
- Eva Halper. 2009. "Moving On: Effective Management for Partnership Transitions, Transformations and Exits." International Business Leaders Forum. <http://c.ymcdn.com/sites/www.gbsnonline.org/resource/collection/6623F089-321E-4C3B-B859-5408F4F46045/MovingOnToolbook.pdf>.

On accountability mechanisms, termination procedures, conflict resolution and sanction mechanisms:

- Ken Caplan. June 2005. Partnership Accountability: Unpacking the Concept. Practitioner Notes Series. (London: Building Partnerships for Development (BPD)). www.bpdws.org
- Barbara Evans, Joe McMahon, and Ken Caplan. November 2004. "The Partnership Paperchase: Structuring Partnership Agreements in Water and Sanitation in Low-Income Communities." (London: Building Partnerships for Development (BPD)). www.bdpws.org.