

## AGILE ADAPTATION MATTERS. IT'S TIME TO MAKE IT EASIER TO REALISE IN GRANTS.

#### Our sector recognises the value of adaptation

The aspiration of adaptive management is easy to agree with. Its goal is continuous improvement through ongoing learning and informed experimentation.

Adaptive management is born of a recognition of the inherent complexity of the challenges we address and the contexts we enter. Systems thinking tells us that the route to change is rarely linear or simple. Contexts vary, often dramatically, and what worked in one context may not work in another. Progress requires an approach sensitively attuned to the reality we face and an ability to adapt in response.

Our aspiration to make grants adaptive reflects our desire to get better faster, to make programs more resilient to the complexity of the real world, and, ultimately, to make aid more effective.

Its obvious potential means the desire to manage adaptively is arguably as old as our sector itself.

#### Yet grants do not always enable adaptation

Grantees can find themselves tied to plans, logframes, and budgets that inhibit course correction. The incentives built into grants can discourage frank discussions about program performance.

The operating procedures and behavioural incentives of the aid industry typically favour a logic of bureaucratic control and predictability. As a result, development programmes are frequently planned and executed in a linear, technocratic, and rigid way.

- Doing Digital Development Differently (2017)

Grants do not always build in time and budget to pause & reflect or to experiment to find the best approach. And the grant selection process can encourage grantees to give a potentially unrealistic sense of certainty about outcomes' achievability.

#### How to make grants adaptive is not always clear

There are many reasons that it can be challenging to make grants adaptive, from low risk appetite to pressures to demonstrate accountability for use of funds. In this document, we seek to address one critical reason. Despite our desire to do so, <u>how</u> to make grants adaptive is not always simple or clear.

Donors increasingly 'recognise a disconnect between the potential value of adaptive management approaches on the one hand, and some of their processes which emphasise accountability for adherence to pre-determined plans, budgets and targets on the other.' (Bond 2016)

But how can donors do things differently?

#### **Critical Questions for Donors**

This guide seeks to answer questions such as these:

- How can donors encourage and enable continuous feedback and iteration in grants?
   What practical steps can donors take?
- How can grants be designed to include continuous feedback and iteration?
- To achieve this, do grants need to be designed differently?
   Do ways of working need to change?
- How can donors and grantees balance the need for structure, oversight, and accountability with the desire for flexibility?

#### Role of this Guide: From Aspiration to Realisation

The purpose of this guide is to help bridge the gap between an aspiration to adaptive grants and its realisation in practice.

The guide's goal is to synthesize and make more readily actionable the approaches, advice and examples from across the sector. In addition, the guide includes some perspectives from other fields such as business, contract theory, and more where these provide a fresh angle on adaptation's practical achievement.

In the process, we suggest ways to address many of the issues that can discourage adaptability in grants, from complex decision structures to the justifiable need for accountability.

#### Practical Steps & Promising Practice

The guide is organised into practical steps for maximum actionability (Figure 1). Each step is broken down into:

- Principle Explains each step and why it helps to create and manage adaptive grants
- What to Do Specific actions donors can take to apply this principle to creating flexible grants
- Promising Practice Case studies and practical examples of this principle in action, ready for donors to adopt, adapt, and apply

This document does not aspire to contain all advice and examples in full so much as provide a tour and overview with links to further reading.





Figure 1: How to Create Adaptive Grants

#### Our hope for this guide: Donors' crucial role

If adaptive grants are to become the norm in the sector, donors' support and leadership is critical.

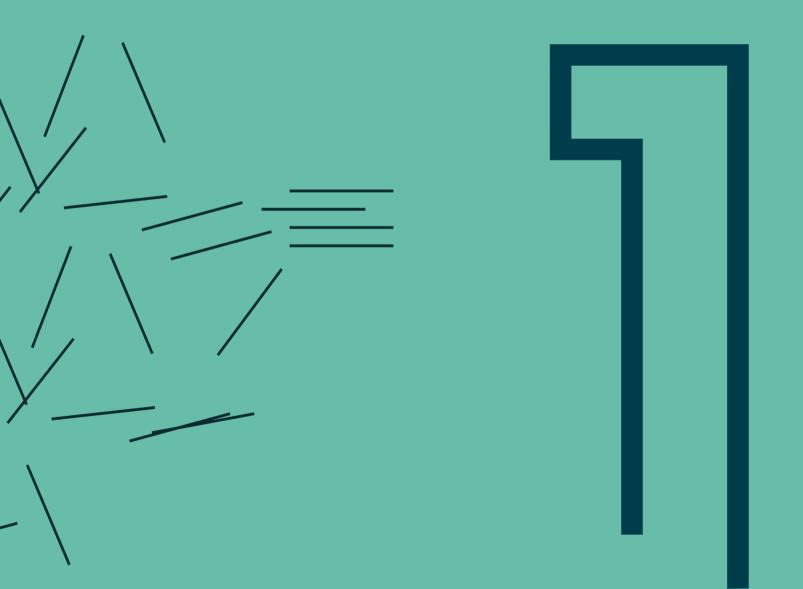
It's hard to overstate the importance of donors in setting the agenda in development. Grantees are responsive to donor priorities, so donors can help to lead a sea change in development toward the use of responsive feedback and action loops. Donors can help to ensure that responsive feedback loops are prioritised in grants from the beginning.

This guide is intended to be one small step in that direction.



### STEP BY STEP





#### A. Prioritise projects in which causation or context are poorly understood

#### **Principle:**

If the program involves well-known causal links in a thoroughly understood context, adaptive management may be less relevant. But if knowledge of causation or context is lacking, iteration and experimentation can be indispensable tools.

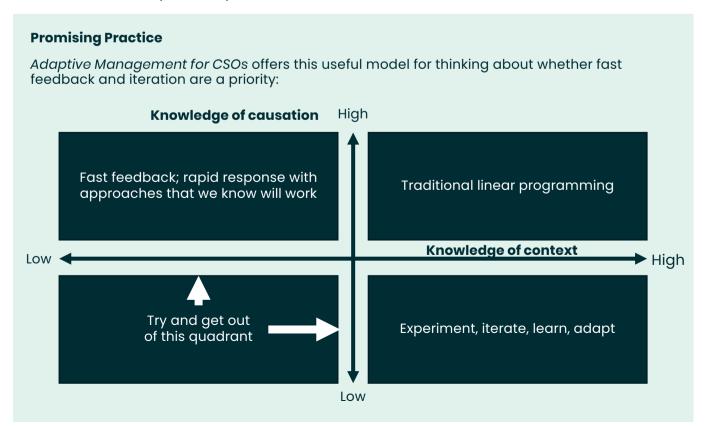
#### What to Do:

#### Ask these questions to consider whether knowledge of <u>causation</u> may be lacking:

- Will the project apply a well-known causal mechanism in which there is high confidence that X will result in Y?
- Even if the mechanism is well-understood, could there be variables in the situation that may cause it to operate differently or unpredictably? Is there any room for doubt that X will cause Y in this project? Do we believe there are known or unknown elements of past success that may not hold true for us?

#### Ask these questions to consider whether knowledge of the context may be lacking:

- · Have we operated successfully in this context before?
- Do we thoroughly understand all aspects of this context such as political economy, power structures, customs & traditions, beneficiary behaviours and beliefs?
- Could there be factors at play in this context that we are unaware of or that could affect our success in unanticipated ways?



#### B. Prioritise projects in which uncertainty is high

#### **Principle:**

Rapid iteration is particularly relevant when there is uncertainty about what will work. Uncertainty is often higher in the early stages of projects, or in new contexts.

#### What to Do:

- Apply a healthy skepticism to a planned project. Ask: How confident are we that the intervention
  will work in just the way we expect? What assumptions are we making? What might the unknown
  unknowns be?
- Take the time to work out a Theory of Change. Are we confident in all the causal links in our theory? Are there places that we need to test our assumptions?
- Pay particular attention to parts of the program that require dealing with people as these can be especially unpredictable. Do we know that people will react in the way we want? Do they really have the incentives, beliefs, and desires that we think?
- Consider whether projects like ours have ever failed. Do we know the reasons for that? Have these issues been satisfactorily addressed in our project?
- Make sure you build in time to test & learn about any areas of uncertainty. And remember that areas of uncertainty are not inherently a bad thing. They can be great opportunities to learn, and spotting them early helps ensure project success.

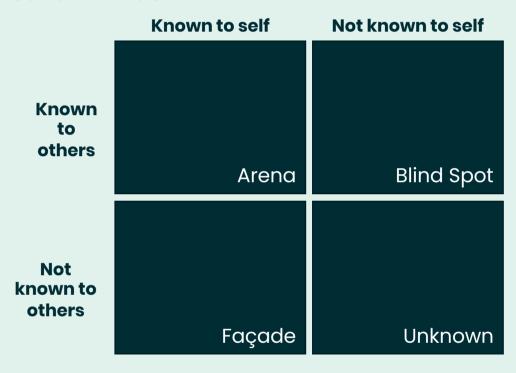
Embrace and articulate your areas of uncertainty, and make them the focus of quick, early testing

– <u>USAID Learning Lab</u>

- The Curve webinar on <u>Theories of Change</u> can help you build your theory and use it to question your assumptions and reveal areas of uncertainty.
- The <u>Cynefin Framework</u> can be useful for deciding if your project involves known, predictable processes, or if there are significant unknowns, in which case there is a greater need for feedback loops.
- Harvard recommends tools to identify unknown unknowns such as war-gaming potential
  failure with a 'premortem.' A premortem helps to correct optimism bias, and it helps to
  reveal assumptions in thinking.

• The <u>Johari Window</u> (below) can help you think through what your 'blind spots, facades, and unknowns' might be.

#### **Johari Window**



#### C. Consider the range of roles for feedback loops

#### **Principle:**

Feedback loops can play many roles to help projects get better faster. Feedback loops can make projects' true performance – and the reason for it – more transparent. Feedback loops can enable test & learn experimentation. They can reveal unexpected realities to inspire new thinking and approaches.

And they can inform intelligent adaptation, whether short-term pivots or longer-term redirections.

#### What to Do:

Ask which of these potential roles for feedback loops (from <u>USAID</u>) could provide the most value to your grant:

- To identify where performance is being achieved and where it is not (i.e. analyzing parallel interventions, to show which are working or where course correction is needed in real time)
- To highlight and map emerging individual and group needs, interests, and opportunities (in a given sector, area)
- To spot unexpected behaviors, incidents, or patterns (e.g., conflict shifts or health behavior changes)
- To reallocate resources more quickly in response to outcomes or trends (e.g., changing targeting of cash transfers in humanitarian settings)
- · To generate new insights and ideas about a specific process, issue, or challenge
- · To support strategic reflection about overall program direction and effectiveness
- · To inform new discussions about the purpose and ambition of organizations or alliances

Keep in mind your areas of uncertainty. These can be especially fruitful areas for feedback.

Make sure you build into the grant time and budget for these feedback loops.

- Doing Digital Development Differently recommends short-term feedback for quick pivots and
  - longer-term feedback to inform reconsideration of broader strategic direction. <u>Both types of loops</u> should be built into a project plan as an explicit component.
- Johns Hopkins University and the Red Cross spotted a clear role for feedback in a humanitarian crisis. They recognised that unhelpful rumours can increase deaths from ebola so built an agile engine to track and combat rumours in ebola zones.

CHOOSE
GRANTEES WHO
CAN BE
PARTNERS IN
ADAPTATION



## CHOOSE GRANTEES WHO CAN BE PARTNERS IN ADAPTATION

#### A. Choose grantees for their capacity to evolve

#### **Principle:**

If we aspire to continuously improve, the ability to adapt is a critical skill for grantees. A demonstrated capacity to adapt when needed should be a criterion for grantee selection.

#### What to Do:

- Ask for evidence of past learning and adaptation including systemic use of learning from evidence to adapt work.
- Score staff on how well they have worked adaptively in the past, potentially prioritising this over years of experience.
- Ensure that stories of adaptation show not just that a program changed but why this was a wellreasoned change and how it led to greater success. This can help to prevent 'examples for examples' sake.'

- A request for proposals from the Dutch Ministry of Foreign Affairs includes a requirement for
  evidence of flexibility and adaptation including a demonstration of how the organisation
  has used learning to adjust processes or change approach. See page 10.
- USAID's <u>new guidelines</u> to implementing partners seeking funding requires 'Learning from performance monitoring, evaluations, and other relevant sources of information to make course corrections as needed and inform future programming.'

## CHOOSE GRANTEES WHO CAN BE PARTNERS IN ADAPTATION

### B. When evaluating proposals, give significant weight to planning for adaptation

#### **Principle:**

What gets planned gets done. Score proposals on the quality of their planning for adaptation. This, in turn, will encourage grantees to make planning for adaptation a priority.

#### What to Do:

- Make it clear in Requests for Proposal/Requests for Application that adaptation planning will be a factor in selection.
- · Specify points to be scored for credible plans for ongoing learning and adaptation.
- Consider weighting suppliers' plans for inception periods (when learning can be most intense) more heavily as compared to following activities.

#### **Promising Practice**

- USAID's Program Cycle Operational Policy (<u>PCOP</u>) now includes as an explicit core principle 'Managing Adaptively through Continuous Learning.' In addition, PCOP's Project Implementation guidelines now require Learning & Adapting.
- DFID's Scoring & Evaluation criteria for certain grants now includes a section called Learning and Knowledge Management that grades applicants on:

How your organisation will identify, assess, implement, measure, and monitor learning, improving practice and knowledge sharing: 1. Continually throughout the programme life cycle and 2. Embedding lessons learned from previous programmes.



#### A. Define goals but leave room to flex activities

#### **Principle:**

Define the destination but not the precise path to get there. This can maintain accountability while giving grantees flexibility in program design.

#### What to Do:

- Ask what the project *must* achieve to be considered a success. Distinguish these non-negotiable outcomes from negotiable aspects of the project that could be left to the grantee's discretion.
- Prescribe final outcomes but leave activities and intermediate outcomes as flexible as possible.
- Instead of a single final outcome, consider a range of acceptable outcomes.
- Make the Terms of Reference no more prescriptive than necessary. A ToR should set minimum necessary 'guardrails' on a project, but do not over-specify activities beyond this.
- In the most adaptation-heavy situations for example ,when the form a program will take cannot be clearly foreseen, when a high degree of iteration is required, or when a program is operating in a completely new context –ask more precision in how grantees will intelligently grapple with a problem than in the solution they will ultimately use.

This means requiring from grantees a clear plan for context-sensitive experimentation and learning informed by feedback loops.

The ambition doesn't change but the means to get there can.

– Grantee in Curve formative research

- Oxfam recommends defining the 'direction and ambition' of programmes but leaving room for activities to adapt.
- DFID's Peter Vowles has proposed using <u>'low ambition logframes'</u> that set broad ambitions and minimum performance levels rather than inflexible targets. One DFID team has set 15 targets and agreed to pay for delivery of any 4 in recognition that the program could take many forms.

- <u>DFID's Smart Rules</u> distinguish Prescriptive and Stripped-Back Terms of Reference (TOR):
  - Use prescriptive TORs with suppliers when you are sure of the tasks and indicators needed to achieve outputs/outcomes.
  - Use stripped-back TORs when the program requires innovation and expertise to propose and develop a methodology to deliver outputs/outcomes.
  - Stripped-back TORS should avoid being too prescriptive on inputs, especially where we want to incentivise innovation, learning, and risk transfer. And they should build in flexibility to scale up or scale down project requirements.
- '<u>Adaptive logframes'</u> define clear outcomes but leave relatively open how they might be achieved.

Here is an example of an adaptive logframe:

Logical framework example 2: Adaptive programme				
(Because of complex interactions, solutions are unknowable in advance)				
	Project summary	Indicators	Means of verification	Risks/assumptions
Goal	10% increase in the number of Grades 5-6 primary students continuing on to high school within 3 years.	Percentage of Grades 5-6 primary students continuing on to high school.	Comparison of primary and high school enrolment records.	N/A
Outcome or purpose	Improve reading proficiency among children in Grades 5-6 by 20% within 3 years.	Reading proficiency among children in Grades 5-6.	6-monthly reading proficiency tests using the national assessment tool.	Improved reading proficiency provides self-confidence required to stay in school.
Outputs	There is one Output, consisting of the trialling, in sequence or in parallel, of each of the several (say, half-dozen) possible entry points, combinations of actions or intervention strategies that might benefit the reading capacity of Grade 5-6 students, including teacher incentives, more frequent inspections, improved materials, prizes, summer camps and different combinations of the above.	A time limit (say, 9 months) and an 'actionable metric' (Ries) is set in advance for each trial, to provide fast feedback and robust information on the question 'is it likely to work?' Timely adjustments to the approach are then made, to permit a similar trial of the 'next best guess' (Faustino) about what may work, until a sufficiently promising formula is discovered.	The learning and adjustment cycle or 'strategy testing' process (Ladner) is monitored by a critical friend, coach of mentor, who may be part of the programme but not involved in implementation, or alternatively a separately contracted M&E person, also responsible for annual reviews.	In spite of the complexity of the problem, the process of 'failing fast' and adapting promptly to knowledge gained leads eventually to the identification of an effective solution and achievement of the outcome.
Activities	A workplan is prepared for each of the strategies to be trialled.	Indicators provided in each workplan, for activity monitoring only.	Means of verification provided in each workplan.	Activities are pursued with suffi- cient vigour that useful feedback can be obtained on the strategy being tested.

Source: ODI 'Putting Learning at the Centre'

Define higher-level outcomes the project hopes to achieve but leave lower-level ones undefined or illustrative' – USAID Discussion Note: Adaptive Management

#### B. Build flexible budgets that demand accountability, not predictability

#### **Principle:**

Overly prescriptive budgets can make it difficult to redirect activities when it is justified. Aim for transparency and accountability in financial management, not predictability.

Rigid 5 year plans with immovable budgets are unhelpful. They put grantees in a straitjacket. – Donor in Curve research

#### What to Do:

Here are some potential ways to build flexibility into budgets while maintaining accountability.

- · Include an inception or design phase to test approaches after which budgets will be set
- · Create budgets that give grantees room to adjust. For example:
  - · Instead of rigid budgets have budget envelopes
  - · Have broad budget headings with flexibility to adjust line items
  - · Leave some funds unallocated.
- Pre-define how the budget might change. Build in triggers, gates, or contingencies that specify when and how budgets can change or funds can be re-allocated.
- Create processes for budget re-negotiation. Consider whether these should be planned checkins or permitted whenever necessary. Naturally the grantee must provide justification for
  changes. Think ahead about what sources of insight or evidence might indicate program and
  budget changes.
- Build closer working relationships between program teams and finance teams so they can work together to dynamically adapt financial plans. Regular budget reviews and continuous forecasting are essential.
- Re-negotiation requires a close working relationship between grantee and donor.. Make sure you
  can accommodate this.

#### **Promising Practice**

- <u>DFID's LASER project</u> had a long design phase and did not determine budgets up front.
- USAID has used <u>Windows of Opportunity</u> which reserve part of the budget to fund a learning-driven change of direction.
- The <u>Three Millennium Goals Development Fund</u> combined an inception phase with flexible funding lines.

Write contingencies into grants so funds can be re-aligned without going back to contract officer

– Donor in Curve research

Identify alternative pathways so that if the situation changes we have automatic approval to change the way we work – Grantee in Curve research



#### A. Make learning an explicit program component

#### **Principle:**

Learning is not just the province of the M&E team, nor should it happen just at the end of a project. Build in learning as an explicit program element, and set aside staff time and budget to support this.

#### What to Do:

- Ringfence time and budget for learning as an explicit part of a program.
- Put particular emphasis on learning in the early 'design' phases of a project.
- Build in 'Pause & Reflect' sessions so staff can take stock of learnings and translate into action plans.
- Ensure insight flows to all staff, not just the M&E team.

- <u>DFID's Smart Rules</u> recommend incorporating specific procedures and processes for learning, flexibility, and adaptability to facilitate program changes based on learning and changes in context.
- USAID's <u>CLA toolkit gives</u> guidance on how to hold effective 'pause and reflect' sessions.
- Oxfam recommends '<u>bite-size</u>' evaluations for ongoing insight (not just rare large-scale ones).
- RF MERL (Rapid Feedback for Measurement, Evaluation, Research, and Learning) budgets in advance for <u>'closeout workshops'</u> to reflect and act on learnings.
- MercyCorps's and IRC's ADAPT framework recommends <u>'reflective analysis'</u> as a critical step to adaptive managements.
- Unilever's Behavioural Science Director Richard Wright (and leader on development projects such as NaijaCare) ringfences time and budget for an initial design phase for a new project.
- A USAID project in Haiti was designed with multiple stages of <u>'sequential</u> learning' including an inception phase, experimental 'small bets,' and reflection sessions.
- 'USAID procurements are beginning to merge design and implementation by calling for an
  inception period during which... targets and outputs are revisited and revised. DFID and DFAT
  procurements have applied this methodology for some time.' Adapting to Learn and
  Learning to Adapt, 2018

#### B. Use a Theory of Change as a tool for iteration

#### **Principle:**

A Theory of Change is an indispensable tool for continuous improvement because it 'makes our forward-thinking narrative explicit.' (Viswanath, Agha, Synowiec 2019). A Theory of Change lays bare our beliefs about how change happens – and the assumptions we are making. This helps us see areas of uncertainty, spot assumptions we should test, and find opportunities for getting a better understanding.

A Theory of Change should always be in pencil. It is a living document that informs the design of a project, but is also informed by – and evolves in response to – new information. A Theory of Change should be seen as a tool for continuous learning, not just a method of securing funding.

A Theory of Change needs to focus on process rather than product, uncertainty rather than results, iterative development of hypotheses rather than static theories, and learning rather than accountability' – <u>USAID Learning Lab</u>

#### What to Do:

Ensure grantees take the time to write out a Theory of Change. Use it as a tool to identify areas of uncertainty where testing and iteration could be particularly fruitful.

Plan in time to revisit and refine the Theory of Change with the grantee while the grant is still live. Have any parts of the ToC been called into question by feedback from the field? Does the ToC need to be refined?

Make sure you Define Flexible Grants (see Section 3) so that grantees have the freedom to change their activities and flex their budgets as they refine their ToC.

- RF MERL uses <u>Theories of Change</u> as a tool to help social impact organisations test, validate, and adapt their assumptions and approaches.
- USAID's review of the literature on collaboration, learning, and adaptation found that the
  most cited example of a holistic approach to continuous learning is <u>The Toyota Way</u>.
  Inspired by the Toyota company, this tool enables continuous refinement of our
  understanding of how processes really work by, for example, continually asking Why. The
  Toyota Way could be used to continually refine a Theory of Change.

<u>Problem-Driven Iterative Adaptation</u> is a process for continuously challenging our understanding of an issue in order to iterate intelligently. One of PDIA's tools is a <u>framework</u> for repeatedly asking 'Why' to get to the root causes of an issue – much as a Theory of Change does. <u>Here</u> is a short training course in PDIA created with the development sector in mind.

#### Table1: An example of "5 why" conversations in action

Your problem as a question: why is money being lost in service delivery?

#### CAUSE 1

C1: Funds budgeted for services are disbursed for other purposes.

#### Why does this happen?

SC 1.1: Loopholes in disbursement systems allow reallocation.

#### Why does this happen?

Disbursement systems are missing key controls.

#### Why does this happen?

Disbursement system designs were insufficient and have never been improved.

#### Why does this happen?

We lack resources and skills to improve system designs.

#### CAUSE 2

C2: Procurement costs are inflated, leading to fund leakages.

#### Why does this happen?

SC 2.1: Procurement processes are often half implemented.

#### Why does this happen?

Procurement processes are often rushed.

#### Why does this happen?

Decisions to procure goods are delayed and delayed again, every year.

#### Why does this happen?

Budget decisions initiating purchase decisions are delayed.

#### CAUSE 3

C3: Local officials divert resources to personal purposes.

#### Why does this happen?

SC 3.1: Officials feel obliged to redistribute money.

#### Why does this happen?

Constituents expect officials to redistribute money.

#### Why does this happen?

Local norms make it appropriate to 'share' in this way.

#### Why does this happen?

Local communities are poor and depend on this sharing.

#### C. Create 'spaces of authority' closer to the frontline

#### **Principle:**

Frontline implementers are embedded in the local context. They are best positioned to see how programs are playing out in reality and how they might best be adapted.

Devolve decision-making for adaptation closer to the frontline.

#### What to Do:

- In grants, define the scope of decision-making authority at different levels, putting maximum authority at the frontline.
- Simplify and streamline approval processes. Shorten chains of approval.
- Specify decisions that require donor authorization. All other decisions, by extension, do not. This makes grantee discretion the default, expanding the universe of decisions the grantee can take independently.

- DFID's Smart Rules increase the decision-making authority of designated <u>Senior Responsible</u> <u>Owners</u> who are embedded in the local context, close to the program in question.
- MercyCorps and IRC's 2016 study of the aid sector found that successful adaptation is more likely to occur on teams that place <u>decision-making authority with frontline staff</u> and partners as much as possible.
- Oxfam recommends that programme upper <u>management enable and support</u> rather than drive delivery.

#### D. Build in ongoing insight, not just endline M&E

#### **Principle:**

Continuous improvement requires ongoing insight. Build in ongoing sources of insight so that the performance of the grant is continually revealed, enabling adaptation.

Prioritise sources of insight that can inform critical decisions or critical levers of change.

Learning should be everyone's responsibility, not just the M&E team's.

#### What to Do:

- Build closer working relationships between M&E/insight and implementation teams so feedback can more readily be acted on.
- Write into the grant feedback loops that will provide continuous insight to inform critical decisions and enable stepchanges in understanding.
- Focus on collecting data that can inform 'decision points,' or that can illuminate key steps/assumptions in the Theory of Change.
- Start with the decisions staff need to make, then work backward to find data sources that can inform those decisions.

We need to distinguish evidence and decision data. M&E seeks rigorous evidence while implementers welcome a lower standard of evidence that can guide on-the-ground decisions.

– Donor in Curve formative research

- <u>Feedback Labs</u> recommends identifying critical decision points for the grantee, and then identifying the data required to inform them.
- USAID has included <u>M&E specialists</u> on its management team so decisions to embed feedback into senior decisions.
- <u>RF Merl</u> uses a Theory of Change to identify critical beliefs or assumptions that need to be monitored and tested.
- The <u>World Bank</u> reports that M&E should be incorporated into project management, not viewed as a separate activity.
- The business sector offers <u>many strategies</u> for the intentional collection of data related to critical processes and outcomes: Total Quality Management, Continuous Quality Improvement, Lean, Agile, and Six Sigma.



#### A. Create results frameworks to better recognise success in complex settings

#### **Principle:**

Standard logframes can inhibit adaptation by creating a focus on the pre-specified means rather than the ends. Overly rigid specification of activities can discourage course correction. And it can create a myopic focus on activities rather than a broad consideration of whether the activities are taking us where we want to go.

Create results frameworks that balance necessary planning and accountability with flexibility.

Our focus is not making a grant but solving a problem – Leader at the Gates Foundation

#### What to Do:

There is a range of approaches. Some may be applied in combination.

- Focus on 'ultimate KPIs' more than intermediate KPIs. Ask what the true non-negotiable definition is of success. (A Theory of Change can help. What ultimate outcome are all of our activities driving to?) Then leave flexibility for the grantee in how they get there.
- Expand the 'success envelope' so that an outcome viewed as successful can occur in a range of ways. Have menus of indicators, any of which may mark success.
- Instead of pre-set indicators, have ongoing monitoring of the key outcomes in play. Understand that these may change over time. This can be especially relevant to humanitarian situations when the on-the-ground reality is changing rapidly.
- · Recognise justified adaptation as a positive result in its own right.
- Include inception periods after which more exact results may be specified.

Ask 'did we do the right thing' rather than 'did we do what we said we would do'
– Adaptive Management: What it means for CSOs

#### **Promising Practice**

Focus on ultimate KPIs more than intermediate KPIs

- <u>Adaptive logframes</u> set a clear destination but allow experimentation with multiple paths to get there. Each experiment has an actionable metric so its success can be judged, and there is a time limit on the experimental phase.
- <u>'Adaptive contracts'</u> delegate decision making responsibility to grantees, but terminate the project if no success is apparent after a stated period of time. In this way, adaptive contracts strike a balance between freedom and accountability.
- <u>Payment by Results</u> has gained attention in development in recent years for giving grantees greater freedom in how to achieve outcomes. PbR has been criticised for, among other things, transferring risk to grantees. Here is a useful <u>checklist</u> for designing PbR projects so that issues like risk transfer can be mitigated.

Expand the 'success envelope.'

• DFID's Peter Vowles has proposed using <u>'low ambition logframes'</u> that set broad ambitions and minimum performance levels rather than inflexible targets. One DFID team has set 15 targets and agreed to pay for delivery of any 4 in recognition that the program could take many forms.

Instead of pre-set indicators, apply complexity-relevant monitoring.

- USAID recommends 'complexity-aware monitoring' for situations in which cause-effect
  relationships are uncertain or contextual factors make results unpredictable. In complexity
  monitoring, the emphasis shifts from advance planning to early detection. Traditional
  performance monitoring is expanded to include contextual monitoring and complementary
  monitoring to try to reveal unknown unknowns, unintended consequences, and non-linear
  change.
- MercyCorps learned that pre-defined output measures can be counter-productive when a program needs to adapt rapidly. For its rapid response humanitarian work in Syria, MercyCorps crafted <u>'context-appropriate compliance measures.'</u>

Recognise justified adaptation as a positive result in its own right.

The Overseas Development Institute recommends incorporating accountability for learning
itself. BRAC created the <u>Failure Report</u> as a positive celebration of learning from experience
in the field. The report highlights not just what was learned but how BRAC is improving as a
result.

#### B. Judge quality of decisionmaking

#### **Principle:**

Sometimes the smart decision is to deviate from the original plan. Do not see the decision to change direction as a negative sign in itself. Instead, analyse the quality of the decision-making.

Similarly, when an activity or program has a negative outcome, distinguish 'good failure' from 'bad failure' by focusing on the quality of the decisionmaking.

#### What to Do:

Distinguish 'good failure' and 'bad failure':

- 'Good failure' is a negative outcome from actions/decisions that were based on solid thinking and good evidence. Even decisions that turn out to be wrong could have been the best ones at the time. Because it was based on the best available knowledge, good failure by its nature reveals something we didn't know. So good failure is a productive learning experience, illuminating blind spots that we can now work to address.
- 'Bad failure' is a negative outcome from poor decisions, bad management, or another cause that was within managers' control. In other words, the poor quality of inputs is to blame for the poor output.

To try to distinguish good failure and bad failure, ask about the reasoning for the action or decision. Was it justified and reasonable based on knowledge held at the time? Are we now judging the decision harshly because it failed or because we can call its wisdom into question for other reasons? Without knowing the outcome, would we still make the same decision? If yes, then this is probably good failure.

Judge course correction in a similar way. Was it based on justified and reasonable thinking and evidence? Was course correction the smart response to new information?

#### **Promising Practice**

- The Asia Foundation has used a <u>third party auditor</u> to ensure that flexible decisionmaking is still quality decisionmaking.
- DFID's Smart Rules require 'evidence of sensible and <u>pragmatic decisionmaking'</u> rather than blind adherence to 'box-ticking.'
- Harvard's framework for Problem-Driven Iterative Adaptation provides guidance on which
  new approaches to a problem are the most <u>sensible and justified</u>: latent practice, positive
  deviance, and external best practice.

A. Existing practice is the first area of opportunity in the design space ("A" in the bottom right corner of the figure). We believe there is always some existing practice or capability which provides an opportunity, to learn about what works in your context, what does not work, and why. Common tools to help in this process include gap analysis, program evaluation, site visits, immersions and inspections etc. It is the practice that agents in your context know best and starting from where they are is a potentially empowering way of ensuring that these agents develop a clear view of the problem and provides local ownership of the find and fit process

**B. Latent Practice** is a second area of opportunity in the design space ("B" in the figure). This is the set of potential ideas and government capabilities that are possible in the context — given administrative and political realities — but require some focused attention to emerge. Rapid results type interventions where groups of people are given a challenge to solve a focal problem in a defined period with no new resources is an example. These can be incredibly motivating and empowering for local agents who get to see their own achievements in short periods. Ideas that emerge from these rapid initiatives can also become the basis of permanent solutions to existing problems.

C. Positive deviance is a third area of opportunity in the design space ("C" at the top-right corner of the figure). Positive deviance relates to ideas that are already being acted upon in the change context (they are thus possible), and that yield positive results (solving the problem, and thus being technically correct), but are not the norm (hence the idea of deviance). Finding these positive deviants, celebrating them, codifying them and broadly diffusing the core principles of their success is crucial.

D. External best practice is the final area of opportunity in the design space ("D" at the top-left corner of the figure). These are often the first set of ideas reformers and policymakers look at and suggest. There are often multiple external good/best practice ideas to learn from and the find and fit process should start by identifying a few of these — rather than settling for one prematurely. Then, these ideas need to be translated to your own context.

We advocate trying more than one new idea at a time in any change context.

Source: Problem-Driven Iterative Adaptation Toolkit

#### C. Use evaluation methods that support rapid learning

#### **Principle:**

If we're going to learn rapidly, we can't always do a randomised controlled trial (RCT).

Support grantees' use of faster forms of feedback that provide enough information to make a better decision today than yesterday (even if they don't rise to the standard of RCT-based 'proof').

#### What to Do:

Support the use of evaluation methods that provide useful feedback without a full randomised controlled trial.

In many cases, continuous improvement requires 'pointers' rather than definitive proof.

When evaluating results, consider whether you require a randomised controlled trial to isolate the sole effect of the intervention, or whether it is sufficient to conclude that the intervention made a positive contribution.

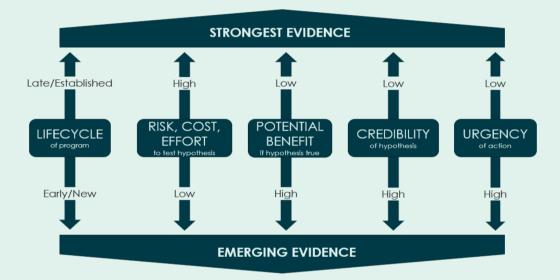
This means being open to feedback that may not take the form of traditional M&E. Consider all types of feedback such as suggestion boxes, beneficiary views, staff input, data from the field, windshield surveys, quasi-experimental methods.

Seek and expect a contribution to change rather than results that can be attributed solely to one intervention. – Adaptive Management: What it means for CSOs (2016)

The bar isn't necessarily causality but contribution. If you can be clear about your outcome, say 10,000 users of family planning, and you launch your iterative effort and you get to 10,000, you can talk about contribution to 10,000 without saying we exclusively caused it. – Leader at the Gates Foundation

#### **Promising Practice**

The Curve has created practical guidance for choosing the right evaluation method to support decisions to course correct. Here are 5 considerations to help you decide when emerging evidence (as opposed to a stronger evidence like a randomised controlled trial) is appropriate.



USAID Learning Lab recommends openness to feedback methods that may not take the form of traditional defined indicators. Useful information may come from more <u>informal sources</u> such as staff feedback, meetings with beneficiaries, or stories related to tacit knowledge and experiences.



#### A. Encourage and reward continuous learning by grantees

#### **Principle:**

Donors should actively value and reward adaptive learning by grantees. If the donor-grantee relationship has been defined by the grantee's adherence to pre-determined goals, this can require a major cultural shift.

The perception of rigidity on the part of the donor can be as much at fault in stifling change as real rigidity. Implementers can assume donors are more judgmental of failure or inflexible to change than they really are. When grantees do not believe that adaptation will be viewed favourably, 'the wiggle room for innovation gets lost.' (Byrne et al. 2016)

Grantees should feel confident that frank debate, avid questioning, and smart adaptation are valued and rewarded. Grantees must trust that justified course correction will truly be welcomed by the donor.

Achieving this cultural shift will be most effective if done through actions, not just words.

Defend grantees externally. Make the case for adaptive learning to external audiences such as the public who can look harshly on changes of direction as indicating failure. Advocate for intelligent adaptation as the way to make aid smarter and more effective over time.

Enabling adaptation is a cultural challenge as much as a technical challenge.

- Adaptive Management: What it Means for CSOs

Change the cultural impossibility of saying 'we don't know' while simultaneously asking for funding. – Oxfam blog 'From Poverty to Power'

#### What to Do:

- · Vocally encourage and reward learning, questioning, and continuous improvement.
- Make it clear that identifying areas of underperformance or uncertainty will be seen as finding opportunities, not admitting weaknesses.
- Make it okay to say 'We don't know yet.'
- Set the tone that changes to plans and budgets are acceptable when justified.
- · Legitimate time and resources spent to pause, reflect, and adapt.
- Define accountability appropriately. Success is not whether we stuck rigidly to a plan, but whether we did the right thing in the circumstances.
- Create a 'flat hierarchy of ideas' in which it is recognised that good ideas can come from people at any level.
- Make the case to external audiences that intelligent adaptation makes development work *more effective* (e.g. 'When we stop learning, we stop improving.')

#### **Promising Practice**

- Adapting to Learn (2018) defines a key question: 'Does the implementer <u>trust</u> that the donor will not impose a penalty in practice on changes in plans and admissions that something did not work as anticipated?'
- USAID's <u>Collaboration</u>, <u>Learning</u>, <u>and Adaptation toolkit</u> defines the open culture needed for adaptive management: comfort in sharing ideas, openness to hearing alternatives, and willingness to act on new ideas.
- <u>ODI</u> emphasises the need for 'courageous leadership' to overcome 'risk-averse institutional environments.'
- MercyCorps provides a useful <u>guide</u> for building an organisational culture that supports adaptive management including self-diagnostic questions to evaluate progress.
- Harvard's <u>Problem Driven Iterative Adaptation toolkit</u> recommends: 'Create an authorising environment to encourage experimentation plus enhanced accountability for problem solving.'
- <u>USAID</u> recommends building champions who are particularly dedicated or incentivised to improve program impact, have the seniority and authority to authorise experimentation, and are willing to act on evidence ahead of political expediency.
- The evidence base for adaptive management emphasises the value of <u>frank debate</u>, embrace of failure, and team 'psychological safety.'
- USAID discusses the value of an <u>enabling culture</u> that promotes a climate of creativity, the free flow of ideas, and questioning assumptions.

Are staff expected to have all the answers or is not knowing the answer always a bad thing? Is wanting to change logframes and budgets seen as a result of bad planning or a smart response to new understanding?

– BEAM Exchange on Adaptive Management (link)

The strongest learning happens when there is openness to talking about challenges and unexpected outcomes.

– USAID, M&E for learning

#### B. Seek and nurture adaptive skills in grantees

#### **Principle:**

Donors do not have primary responsibility for selecting and managing grantee teams, but where possible donors can encourage and support the selection and nurturing of grantee teams with the enthusiasm and ability to question, experiment, and improve.

#### What to Do:

Support grantees to seek and nurture these skills in their teams:

- · Innovative, exploratory mindset. Curiosity.
- · Appetite for change and innovation.
- · Ability to thrive in conditions of uncertainty and complexity.
- · Ability to empathise. A sensitive awareness of the human element of program success.
- Knowledge areas: qualitative and quantitative data analysis, critical thinking, human centred design, theories of change as a tool for inquiry and improvement, <u>Problem Driven Iterative</u> <u>Adaptation</u>.

#### **Promising Practice**

MercyCorps provides a concise <u>guide</u> to selecting, developing, and supporting an adaptive team. Includes a self-diagnostic checklist.

Nurture 'growth mindsets.' Psychologist Carol Dweck defines a <u>growth mindset</u> as a belief that the ability to succeed is not innate but developed through effort. This mindset encourages people to embrace challenges, learn from setbacks, and believe that dogged effort can solve most anything.

Adapting Aid (2016) cites the value of adaptive/growth mindsets to development success.

## PRACTICE FLEXIBLE WAYS OF WORKING



#### PRACTICE FLEXIBLE WAYS OF WORKING

#### A. Free grantees to make justified changes

#### **Principle:**

'For decades the development sector has been dominated by a paradigm based on rigid designs and centrally controlled management procedures that aim to guarantee control and accountability.' (Ramalingam 2014)

Free your grantees to adapt agilely when evidence indicates they should.

Delegate decisionmaking and streamline processes of approval.

#### What to Do:

Delegate decisionmaking.

- Delegate as much decisionmaking authority as possible, especially to frontline implementers who are closest to conditions on the ground.
- · Agree the desired destination with the grantee, then free them to find the best way to get there.
- Ringfence a (minimum) set of decisions/areas that require donor authorisation. The default for other decisions is grantee discretion.

Streamline processes of approval.

- Ensure processes and oversight controls do not unduly hinder justified actions.
- · Simplify and shorten chains of approval.
- Help build bridges between implementation, finance, and M&E teams so that they can work more
  easily in concert.

Help grantees overcome bottlenecks to approval

- Experimentation is by definition innovative, so it can be unclear to a grantee what can be made to work under current rules/processes or who to approach for approval. Novel approaches may cut across silos and lines of approval.
- Advocate for your grantee, paving the way and opening doors to getting the necessary parties on board.

#### PRACTICE FLEXIBLE WAYS OF WORKING

#### **Promising Practice**

- Oxfam recommends altering training to deemphasize rigid project management styles in favour of equipping people to be <u>independent decisionmakers</u> at their level.
- Tools like RACI (defines sets of people who are Responsible, Accountable, Consulted, and Informed) enable decisionmaking that integrates the views of a wide set of people while keeping decisionmaking authority to a small, nimble few.
- USAID's Bridging Real Time Data explains how to identify the <u>key approvers</u> and then secure their approval.

One of the biggest barriers to adaptive management is a lack of knowledge of what is allowed according to existing rules and procedures. [There is often] a natural default to the most conservative interpretation, and uncertainty how to get permission to change.

- Getting There from Here, Byrne et al. 2016

Expand the authorizing space... that gives actors the freedom and confidence to take risks, experiment, and learn

- Adapting to Learn (2018)

#### PRACTICE FLEXIBLE WAYS OF WORKING

#### B. Have an 'always-on' relationship with your grantees

#### **Principle:**

To truly achieve agile adaptation, donors need to work closely with grantees during the lifetime of the grant (the opposite of 'approve and forget').

This doesn't mean donors need to be involved in every part of the grantee's operation. But donors should be close to discussions about ways to improve, not least to streamline approval of new approaches.

#### What to Do:

- Keep lines of communication open. Speak regularly and informally (not just in official meetings).
- Take the role of partner more than judge. Welcome frankness from the grantee about areas for improvement.
- Be involved in sessions on insight/M&E, pause & reflect, and future planning about ways to improve.
- · Visit the field and experience the on-the-ground challenges for yourself.

#### **Promising Practice**

The Center for Effective Philanthropy recommends <u>donors be actively involved</u> in pause & reflect sessions and personally experience the on-the-ground situation that grantees face.

Oxfam explains the importance of a <u>close working relationship</u> between donor and grantee.

