

TOWARDS MORE ADAPTIVE APPROACHES TO MANAGING THE NEW ZEALAND AID PROGRAMME

Phase 1 Report

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EXECUTIVE SUMMARY

This *Towards more adaptive ways of managing the New Zealand aid programme* project seeks to build an evidence base of the opportunities and challenges that MFAT faces in moving towards more adaptive approaches and develop and pilot a set of tools that could be used to support adaptive management in the future.

This document reports on Phase 1 of the project, which sought to identify the policies, processes, tools, and systems required for donor agencies and their implementing partners to support and enable adaptive management and develop a diagnostic tool to assess MFAT's current policies and practices. This is an interim report for the use of MFAT and the project team in documenting progress to date and agreeing on the diagnostic tool. As such, it is not intended for external publication. A final publishable report on the entire project, which includes the evidence collected in this Phase 1, will be produced upon completion of the project.

The approach to Phase 1 consisted of an international evidence review – drawing upon literature as well as interviews with key stakeholders in MFAT, other donor agencies, implementers, and thought leaders – and workshops with the MFAT adaptive management reference group. The review was structured around five thematic areas:

1. **Defining adaptive management:** There is no uniform defining of adaptive management, though common features include linking adaptation and learning, reframing project design and implementation, and managing through flexible-friendly and collaborative structures. Not all programmes need to be adaptive, only those facing significant an unpredictable operating environment or lacking evidence base. MFAT staff are receptive to the perceived benefits of adaptive management – indeed some teams appear to already be working adaptively – though the level of understanding varies widely, and there is concerned about the practical implications of adopting the approach.
2. **Authorising environment:** Donors like USAID, FCDO and DFAT appear to have accepted adaptive management, but have not systematised their approaches or embedded them in programming guides. Buy-in and authorisation from senior management at donor headquarters is regarded by as a helpful, enabler of more adaptive ways of working. MFAT's authorising environment is largely supportive at the agency-wide and programme levels. However, there is a concern that the organisational culture does not encourage risk raking.
3. **Design, approval, and contracting:** Adaptive programme design needs to provide strategic direction and accountability, with sufficient freedom for the implementer to test, learn, and adapt – it is outcomes-focused, yet agnostic on activities or outputs. In contrast, donor procurement and approval systems tend to struggle with uncertainty and flexibility, and instead default to output-based models and payment milestones. MFAT business case and design requirements are considered permissive. However, there is no guidance on when and how to incorporate adaptive elements, which would be helpful for the often-junior Activity Managers with limited experience in aid contracting.
4. **Activity management and oversight:** Robust and appropriate governance arrangements that facilitate learning and adaptation – especially MERL systems – are critical. However, corporate performance management requirements rarely deviate from traditional practice, and there is limited detailed guidance on how to support

alternative approaches. In MFAT, there is concern about the lack of sufficient resourcing and guidance for managing activities adaptively.

5. **Capabilities and culture:** Lastly, adaptive management tends to flourish wherever decision-making is decentralised, and staff display entrepreneurship, listening skills, critical thinking and comfort with uncertainty and change. Some donors have established a cadre of experienced champions or rely on commercial contractors with specialist adaptive management capability. Within MFAT, mixed roles, staff rotation, and high staff turnover make it difficult to build a critical mass of experienced champions. Moreover, the tendency towards a high number of small activities limits the bandwidth for staff to manage adaptively.

Building on the evidence review, this report presents a diagnostic tool for assessing MFAT's current organisational context against the key factors that enable or hinder adaptive management. The assessment will include a review of both the *policy* aspects – the set of formal, codified rules, guidelines, standard operating procedures, systems, processes, and organisational platforms – and *practice* aspects – the set of informal, often organic norms, rules of thumb, expectations, social conventions, and personal networks – that impact on MFAT's opportunities and challenges in moving towards more adaptive ways of managing the New Zealand aid programme.

Finally, the report sets out the general approach to Phase 2 of the project, which will assess MFAT against the diagnostic through a review of documents and systems, deep dives into a selection of Activities, and interviews with key stakeholders from MFAT and its implementing partners.

1. BACKGROUND

1.1. Context

Like in other parts of the world, the contexts in which the Ministry of Foreign Affairs and Trade (MFAT) is delivering development assistance are increasingly complex. New Zealand recently adopted a new International Cooperation for Effective Sustainable Development (ICESD) policy affirming a commitment to “[a]daptive approaches driven by local context and continuous learning.”

Adaptive management is an umbrella concept that focuses on testing, learning, and adapting, as well as working with decision-makers to ensure solutions are a good fit to the problem and context at hand. It can range from a very structured and quasi-experimental approach to a looser form of ‘purposive muddling’. Regardless of the approach, it requires collaborative, adaptive, and flexible approaches to design and delivery of aid activities, which engage with underlying social, political, and economic systems.

Though the strength of evidence in terms of effectiveness and outcome is varied, the challenges and successes of adaptive management are context dependent, driven by the specific development challenge being addressed and the specific organisational constraints. This requires different analytical methodologies, which usually combine design, procurement and contracting, implementation, and monitoring and evaluation tools that encourage more empowered accountability for local programme leads.

MFAT has, in response, begun to adopt increasingly adaptive approaches in some Activities, recognising, however, that this requires additional skills, resources, and capacity, and that it may not always be the right approach for every context and with every partner. While some of MFAT’s newer activities have therefore been explicitly designed to be more adaptive and flexible, there are currently no formalised processes, tools, or systems across the business to:

- Identify Activities that are best suited to adaptive approaches and design these in line with best practice approaches.
- Support decision-making by leadership on investing in adaptive programming, including building awareness of potential trade-offs and benefits.
- Contract or partner with implementing agencies in a way that enables adaptation.
- Ensure an evidence-driven iterative and adaptive approach is maintained throughout delivery.
- Develop the capacity and capability of staff to apply and/or use adaptive management where appropriate.
- Systematically collect knowledge and information from across MFAT on the value of the approach and how to practically work more adaptively.

In particular, it is not clear what changes, if any, would be required to both the systems and ways of working of the Pacific and Development Group (PDG) to enable more adaptive approaches and more broadly within MFAT to create the permission space for adaptive management.

1.2. Purpose

Against this background, MFAT is seeking, through this project, to better understand whether and, if so, how to move towards more adaptive approaches. There is, at this point, no firm decision or intent for wide-scale roll-out of adaptive management throughout the New Zealand Aid Programme. This project will build an evidence base of the opportunities and challenges that MFAT faces in moving towards more adaptive approaches and develop and pilot a set of tools that could be used to support adaptive management in the future.

The project is taking an iterative, phased approach:

- In Phase 1, a diagnostic tool based on key factors that enable or hinder adaptive approaches will be developed based on an international evidence review.
- Phase 2 will see the implementation of the diagnostic to assess MFAT's current organisational alignment to these factors. This will identify opportunities and challenges, and areas where change may be required to enable adaptive management.
- In Phase 3, a set of amended or new tools will be developed and piloted on a selection of Activities to identify and document implementation outcomes and build MFAT's evidence base for decision-making on any next steps related to adaptive management.

This is a report on Phase 1 of the project. Section 2 of this report outlines the approach with the findings of the evidence review in Section 3. The diagnostic tool is described in Section 4 and a brief overview of the next steps and approach to Phase 2 is outlined in Section 5.

2. APPROACH

2.1. Overview of Phase 1 approach

The approach to Phase 1 consists of an international evidence review and workshops with the MFAT adaptive management reference group. Specifically, we:

- Held a scoping workshop with the reference group to understand the current status of adaptive management in MFAT at a high level
- Sourced and reviewed international literature
- Interviewed key stakeholders from MFAT, other donor organisations, implementers, and thought leaders in the sector. A list of all stakeholders consulted is included in Annex 1.
- Facilitated a workshop with the MFAT reference group feeding back our key findings and initial approach to the diagnostic framework.

This report builds on the outcomes and feedback of the workshop with the reference group.

3. FINDINGS

This section presents an overview of the findings from the literature review and stakeholder interviews. It is presented in the following five sub-sections, reflecting the main lines of enquiry used in the interviews with stakeholders: defining adaptive management; the authorising environment; design, approval, and contracting; activity management and oversight; and capabilities and culture.

Each sub-section begins with a boxed/bulleted summary of our initial impressions regarding MFAT's readiness to manage the aid programme more adaptively.

3.1. Defining adaptive management

Opportunities for MFAT:

- Staff were generally positive as to the perceived benefits of adaptive management in complex settings or reform environments, and the shortcomings of traditional, linear programme models it is intended to address.
- In general, there was a strong understanding of key adaptive management concepts such as it being a response to complexity and uncertainty, systems dynamics, and to developments in the local context, and that it involves diverging from a 'blueprint' approach. Some felt that certain programs and teams were already operating adaptively.
- Overall, it seemed staff felt there would be value in a common MFAT definition – or at least common principles – to promote a more consistent understanding across the organisation, though noting application was function and context-specific.

Challenges for MFAT:

- There is a broad acknowledgement within MFAT that there is no agreed definition of adaptive management, and that understanding varies widely, which was evidenced through the interview process. Few staff were able to differentiate between flexibility and adaptation or had a good grasp on the centrality of learning. Many staff expressed discomfort that adaptive management language was being used widely (often as a 'buzz word') without a genuine understanding of its meaning, application, and implications.
- Some felt that they were trying to operate adaptively but did not have the knowledge, tools or capacity to support aspects of adaptive management.
- The degree to which staff felt empowered to work adaptively seemed highly dependent on the permission space/culture created within teams (often by the responsible Unit Manager) and/or the initiative of the teams or individuals involved. Staff regularly stated that they needed tools to help diagnose when adaptive management should apply.
- The general interest and enthusiasm to explore more adaptive programming was often tempered by a generalised concern over the practical implications of applying adaptive management more consistently. There were also pockets of scepticism around the feasibility of the required change (perceived), and that this assignment needed to demonstrate the cost-benefit to staff for organisation-wide adoption.

Based on a review of available literature and findings from the interviews we carried out with donors, implementers and thought leaders, there is no uniform definition of adaptive management or consensus on the specific circumstances in which it is most appropriate. However, there are common points of convergence on the general features of the approach, and the situations and problem-areas in which it can add value. For example, there is agreement that adaptive management is a response to complexity and uncertainty; that it involves engaging with system dynamics and/or unpredictable developments in the local context; and that it is a departure from the 'blueprint' approach where project inputs, activities, and outputs are predetermined strictly at the programme design stage.

The available literature highlights that common features of adaptive management include linking adaptation and learning, reframing project design and implementation, managing through flexible-friendly structures, integrating monitoring, evaluation and learning, and effective collaboration (An overview of monitoring & evaluation for adaptive management, 2020) (Brinkerhoff, 2018). Adaptive approaches are typically well suited to aid investments where high level outcomes have been identified, but the path to reform remains uncertain or ill-defined (Pasanen, 2019).

The terms ‘flexible’ and ‘adaptive’ are often conflated or used interchangeably. However, in addition to the points of convergence noted above, there is a growing consensus that it is both conceptually important and operationally helpful to draw a distinction between the two. Those who are aware of the distinction tend to draw it in the following way. Flexibility is about adjusting resources and activities if needed - for example, in response to contextual changes. Being adaptive builds in deliberate learning and experimentation in circumstances where there is uncertainty and/or a lack of evidence on how best to achieve the desired programme outcome. Adaptive approaches are designed to overcome that uncertainty by testing what works and generating evidence and learning to inform programming decisions.

3.1.1. Other donors’ experience

In the UK Foreign Commonwealth and Development Office (FCDO)¹, the Swedish International Development Agency (SIDA), and the US Agency for International Development (USAID), there is a common agreement that all development programmes need a degree of flexibility, but not all programmes need to be adaptive. A commonly held view is that adaptive working comes with significant resource-implications and would likely be unnecessary in a predictable operating environment, or where there is a strong evidence-base for delivering results. However, all adaptive programmes do need to have flexibility to make changes to programme activities based on evidence and learning. Similarly, guidance on results-based management from SIDA states:

Adaptive management implies more than a general commitment to working flexibly and learning from experience. It requires methods, tools, routines, and the mindset to regularly question whether current ways of working are making progress towards the desired change or not and, if not, have the freedom and courage to change them accordingly.

In addition to this rather broad outline from SIDA, the only donor we engaged with that has an official institutional definition of adaptive management is USAID: “an intentional approach to making decisions and adjustments in response to new information and changes in context” (USAID, 2020). This definition has been incorporated into USAID’s aid programming guidance and there is a clear institutional mandate for working adaptively, engaging with risk, and learning from experimentation.

Interviewees typically made the point that adaptive programmes have clear overarching goals or outcome-level results. Uncertainty applies to the inputs, activities and outputs needed to achieve those higher results. These are the areas which are tested and potentially revised as implementation proceeds. One stakeholder we spoke to emphasised that whilst civil society partners often grasp intuitively the need for flexibility and learning, the technical jargon of adaptive management is not always a helpful way of discussing the approach with them.

¹ All references to FCDO relate interchangeably to DFID and FCDO, noting the majority of lessons learned predate the recent integration of DFID into FCDO

According to one implementer we spoke to, there is an important distinction between adaptive delivery, adaptive governance, and adaptive programming. Adaptive delivery is the daily, on-the-ground work undertaken by a delivery team. Adaptive programming is a slower and more structured process, usually in the hands of the senior team within the programme office. Adaptive governance sits with the donor agency responsible for funding the programme and following its progress. Trust between these various players and levels is key to successful adaptive management.

3.1.2. MFAT's experience

Within MFAT, there appears to be a fairly broad range of views on how to define adaptive management and on when it should be applied. Some staff are concerned that it has entered the organisational vocabulary as a 'buzzword' rather than an approach that is genuinely understood and applied in a structured way. Others are concerned that it is used as a shield to protect poorly planned activities from criticism.

Notwithstanding these concerns, as with other organisations, most MFAT staff typically regard adaptive management as an appropriate operational response to complex delivery or reform environments, where there is considerable uncertainty about how to achieve outcomes. Adaptive management is broadly understood as an alternative to delivery models which do not permit departure from a pre-agreed set of outputs. At the implementation level, this is sometimes articulated in terms of having freedom to revise outputs, and/or a greater focus on outcomes.

Within this framing, we found a somewhat limited emphasis on the centrality of learning. This speaks to a broader tendency amongst MFAT staff, we noted, to conflate flexibility and adaptation when defining the approach. As we have noted, this is not atypical in the wider development community.

However, there are distinctions to be drawn between different MFAT teams with respect to their definition and application of key concepts. For example, we were told that the agriculture and education teams understand and practice the more purposive learning element of adaptive management and have team cultures that are supportive of trial and error and learning from setbacks. Similarly, the Partnerships team have recently entered into the first three Negotiated Partnerships, which marks a change from previous approaches to working with NGOs. The process includes an assessment of capability and relevance of adaptive programming to the partner and problem that is to be addressed, with specific approaches to adaptation built into the contracting model. This is still a relatively new process and the lessons learned merit investigation. Amongst MFAT Monitoring, Evaluation, Reflection and Learning (MERL) advisors there is also an appreciation of the flexibility/adaptation distinction and the importance of learning. This has been reflected partly in efforts to promote more evaluative thinking for learning and improvement, rather than a narrow focus on delivery.

3.2. Authorising environment

Opportunities for MFAT:

- At an agency-wide level, MFAT policy was generally considered to be permissive of adaptive management. The International Cooperation for Effective Sustainable Development (ICESD) policy was commonly cited as providing high-level cover to pursue more adaptive approaches, while recent moves away from prescriptive reporting at an organisational and country-level are considered permissive of flexible programming.
- At the programme level, the policy and system authorising environment (e.g. MERL, Value for Money (VfM), etc) is also largely permissive with respect to adaptive management: there seem to be few policies or structures that actively prohibit or discourage people from working flexibly. This has allowed for ‘pockets’ of more flexible and adaptive programming to emerge at different Posts, often initiated and driven by experienced Posted staff and local partners. However, there is also little positive guidance or proactive support. The Governance Group was one mechanism identified as having significant authorising power across programs, with potential for a greater role in supporting more consistent adaptive practice.
- Respondents felt that MFAT has a relatively high degree of risk appetite at the delivery level, with the organisation generally prepared to fund activities working on complex problems in challenging operating environments: these features are considered supportive of adaptive management.

Challenges for MFAT:

- At the agency-wide level, the one commonly noted exception to the otherwise permissive authorising environment level was financial spend targets reporting requirements, which were considered rigid and constraining of flexibility.
- At the programme level, permission is highly dependent on Posts and Activity Managers receiving support from individuals in leadership positions.
- Some staff described a generalised organisational culture that did not encourage risk-taking and where staff feared sanction for failure.

Amongst the donors, implementers and thought leaders we spoke to and across the available literature, there was a consensus on the importance for adaptive management of a permissive authorising environment in the relevant funding body. The literature suggested that adaptive management is now widely accepted, and in some cases, embraced by major donors. In some cases, such as for USAID and FCDO, it is seen to have received a ‘seal of approval’ (Desai, 2018). How this kind of environment has come about in different organisations, and the ingredients that contribute to and sustain it, varies both in the literature and according to stakeholders interviewed.

There is little available evidence to suggest that donors have embedded or systematised their approaches to adaptive management. Some donor programming guides are largely silent on how to create the enabling conditions for adaptive management and the resources and capabilities required by donors and implementing partners (DFAT, 2018). USAID, building on a concerted investment and focus over time, is further advanced than most donors in this regard, with adaptive management included in aid policy and programming guides and a dedicated

Collaboration, Learning and Adaption (CLA) Unit established to support the uptake of adaptive management.

Creating an authorising environment based on trust with an implementing partner can be a 'leap of faith' for donors, as it is not possible to detail all aspects of an adaptive programme up front or to define predictable results (Derbyshire, 2016). However, the literature is consistent in asserting that the quality of the authorising environment established by donors impacts the donor-implementer relationship, the ability of implementers to programme and budget flexibly, and the space and time available to trial, learn, and adapt (Booth, 2018) (Derbyshire, 2016) (Wild, 2016).

Buy-in and authorisation from senior management at donor headquarters is regarded by most as helpful, but not always essential, at the outset of an organisational reform process towards more adaptive ways of working. While senior management buy-in is important, there are notable examples of successful adaptive management facilitated by individuals or small groups of "champions" within donor organisations who are prepared to "swim against the tide" and take risks, creating a space for adaptive management (Derbyshire, 2016) (Ruffer, 2018).

3.2.1. Other donors' experience

In a number of donors, the drive for more adaptation largely came from mid-level bureaucrats and experienced country-level staff, and took place in spite of, rather than because of, the wider authorising environment. In FCDO, for example, this kind of 'bottom-up' pressure culminated in 2014 in a wide ranging review of operational guidelines (the 'End to End Review') that sought to strip away unnecessary red-tape and create space to design and implement programmes in more flexible and adaptive ways (resulting in a pared-back design and approval process called the 'Smart Rules'). While this created a more permissive design space, some feel it should have been accompanied by more positive guidance to enable staff to step into that space more confidently.

For example, the Smart Rules removed the general requirement to use logframes in programme design, opening the space for not using a logframe when working in partnership with others who are leading a programme, when the team believed that an alternative format would offer a better way of measuring performance, or when a programme is expected to experiment and generate learning as well as (or instead of) delivering predetermined outputs. Alternative formats would be allowed so long as they were compatible with the Annual Review scoring methodology (i.e. performance areas, impact weightings, and performance expectations to be scored against). That being said, no guidance was provided by the Smart Rules on what such alternatives might look like, and the logframe continues to be the default results framework format for FCDO programmes, even the explicitly adaptive ones.

Amongst our other donor interviewees, there was a consensus that, at the country-level, having a sympathetic head of office or portfolio manager was critical in defending the space for adaptive programming. This is reflected in certain country offices becoming associated closely with the adaptive agenda – Nepal and Myanmar being two recent examples in the context of UK aid and Pakistan cited by USAID as a forward-leaning mission with respect to adaptive programming. Similarly, implementers universally pointed to the importance of support and buy-in from their key donor counterpart.

In the Australian Department of Foreign Affairs and Trade (DFAT), the integration of foreign policy and development has increased appetite for measuring policy influence and promoted a move away from overly detailed monitoring and evaluation and reporting frameworks. Specifically, DFAT's Annual Aid Quality Check, which needs to be completed for all investments over AU\$3 million, has been simplified from six detailed criteria to three criteria.

Partner Performance Assessments for implementing partners have also been simplified, and DFAT designs no longer require fully developed M&E Plans upfront. M&E plans and systems can now be developed during the inception period, which allows for greater flexibility. In addition, some DFAT Posts have moved towards a performance system focused on reporting significant policy change, which supports more iterative and adaptive programming. However, a recent challenge in supporting adaptive programming, and effective programming more broadly, has been DFAT's decision to disband its Office of Development Effectiveness. This means less opportunity for formal evaluation and building an evidence base of what works in adaptive programming.

3.2.2. MFAT's experience

With respect to MFAT, a number of people said the specific recommendation regarding increased use of adaptive approaches in response to the Inquiry into New Zealand's aid to the Pacific (2019) had signalled high-level support for adaptive management, which has been articulated in New Zealand's International Cooperation for Effective Sustainable Development (ICESD) policy (2020). It also appears that organisational/corporate and country-level results monitoring, and strategic frameworks do not constrain the potential for flexible programming by, for example, requiring quantitative output targets.

In terms of more day-to-day policies and systems, the authorising environment is also largely permissive with respect to adaptive management: there seem to be few policies or structures (e.g. on project design and approval, MERL, VFM, etc) that actively *prohibit* or *discourage* people from working in these ways. However, as we expand on in the next section, MFAT's financial forecasting/accountability was routinely cited as an exception to the generally permissive policy/structural agency requirements. Similarly, highly restrictive contracting practices, focused on outputs at the best but more typically on inputs and deliverables, do not lend themselves to adaptive practice.

In a manner comparable to the situation in FCDO at the culmination of the End to End review, the relatively permissive authorising and policy environment in MFAT has not yet translated into positive guidance or more proactive support. It has allowed for 'pockets' of more flexible and adaptive programming to emerge at different posts, often initiated and driven by a local partner. However – as with the other donors in our sample – these programmes are also highly dependent on the experience and skill of the Activity Manager and support from the Unit Manager. In addition to partner commitment, individual interest in the agenda, (perceived) risk appetite, and experience of navigating MFAT systems, seem to have a significant bearing on whether and how an adaptive approach gets designed, approved, and implemented successfully. The level of empowerment afforded to activity managers to use adaptive management also varies substantially and depends on factors such as the number of activities they are managing, the expectations set by senior managers, and the capacity and interest of implementing partners.

The risk appetite in MFAT is another important variable. While the organisation is prepared to fund activities that come with various risks at Post and is comfortable working in challenging operating environments and on complex problems, the level of reputational risk tolerance is relatively low. Specifically, concerns that either the organisation or individual staff might be publicly or internally criticised or sanctioned (formally or informally) by for example, not delivering against a set of pre-determined output targets, or not achieving good value for money generally constrain the appetite for working in more adaptive ways.

3.3. Design, approval, and contracting

Opportunities for MFAT:

- MFAT business case and design requirements are considered permissive. The expectations on detail varies across Governance Groups, however, with some prepared to approve less detailed business cases that could lend themselves to adaptive management.

Challenges for MFAT:

- The absence of guidance on how to know when a programme should incorporate adaptive elements and how to design a programme to do so, are considered constraints.
- Many Governance Groups require highly detailed descriptions of activities and inputs, which limits the space for adaptive management.
- MFAT is unusual amongst the donors with regards to implementation modalities. There was a consistent view that a high level of trust is required in a partnership for MFAT to feel comfortable not to require up-front agreement around, or contractual accountability for, pre-defined outputs. A common view across all parts of the organisation that this largely precludes commercial contractors from being suitable partners to deliver adaptive programs. For this reason, there was a consistent, strong preference towards working with trusted, long-term partners, while acknowledging there was a limited pool with familiarity or capacity to work adaptively.
- Activity Managers are often quite junior and do not typically have much experience of contracting for aid programmes. In the absence of guidance, it is considered unlikely they can design and contract programmes to work in adaptive ways. There's appetite to see the language reflected at the design and approval stages, but this does not necessarily mean it is supported properly at the implementation stage. Importantly, there is also no clear sense, at the pre-design stage, of how to decide whether a programme should be adaptive or not.

Adaptive programme design needs to provide strategic direction and accountability, with sufficient freedom for the implementer to test, learn, and adapt. There is a consensus amongst the stakeholders we consulted that the design phase is important for creating an effective adaptive programme. However, whilst flexible and adaptive language often helps get a programme approved in donors such as FCDO and DFAT, until recently there has been no formal guidance in either organisation on how to design an effective approach, or the kinds of contracting modalities that are most appropriate. While most donors, with the exception of USAID, are yet to codify planning and design processes for adaptive projects, the literature recommends that business cases and designs should set out the governance or management arrangements and outline 'how' the programme will identify its focus as opposed to detailing 'what' it will focus on (Wild, 2016). This type of design is described as "long on governance, short on detail", in that they are focused on governance rather than pre-specified programming pathways (Wild, 2016).

A well-defined Theory of Change (TOC) is described by a number of experienced practitioners as a critical design tool for adaptive programming. It is used to identify the key knowledge gaps or areas of uncertainty that the programme will respond to, and the kinds of learning strategies that will be deployed to generate evidence.

A key principle of adaptive programme design is the merging of (or at least close interplay between) design and implementation (Wild, 2016). Whilst in principle this could apply to discrete

parts of the programme throughout its lifespan, the most active period of design iteration often happens during an extended inception phase. For example, it is quite common for FCDO and DFAT adaptive programmes to have an inception phase of anywhere up to a year, during which time the original theory of change, logframe (or other similar tool), and strategic approach are tested and reviewed. This also creates an opportunity to revisit assumptions, partnerships, and intervention areas suggested in the business case.

Some adaptive initiatives are designed as part of larger programmes that blend traditional linear and adaptive approaches. For example, big FCDO or USAID health or education projects sometimes have small adaptive umbrella funds as a component of the programme.

3.3.1. Other donors' experience

Our interviews with donors revealed that donor procurement and approval systems can struggle with the requirements of adaptive programming given the high degrees of uncertainty, need for budget flexibility, and unpredictable levels of risks. Almost all donor respondents, with the exception of USAID, cited challenges in creating sufficient flexibility and room for experimentation within defined parameters for implementing teams. The literature was consistent in asserting that donor approval and decision-making mechanisms need to be 'light touch' for effective adaptive management (Wild, 2016).

One recurring theme in the literature is the need for 'adaptive' contracts that incentivise learning and iteration and focus on delivery of outcomes. The literature asserts that contracting for outputs is likely to disincentivise adaptation as implementers tend towards delivering contracted products rather than seeking the best pathway to results. There are multiple approaches to contracting for outcomes that have shown promise, including grant funding (typically to NGOs) to make progress towards an agreed result, Payment by Results (PbR) mechanisms that reward implementers for achieving mutually agreed outcomes, or contractual arrangements where the quantum of inputs to achieve a step towards the outcome is agreed through a governance mechanism for example (Wild, 2016). Other contracting mechanisms that may incentivise adaptive management if applied appropriately include hybrid contracts with only a portion tied to achievement of milestones, annual breaks in contracts allowing for re-negotiation of terms and conditions ('stop-go' clauses or 'pause and reflect' points) and different categories of milestone with different risk profiles (Derbyshire, 2016) (USAID, 2018). Some donors (DFAT, 2018) have explored using 'design-implement' procurement and contracting approaches to allow more flexible contracting. Importantly, all these mechanisms afford implementing partners the flexibility to change or modify activities and outputs throughout implementation to maximise prospects for achieving outcomes.

Contracting in ways that accommodate flexibility and incentivise learning and adaptation continues to be a challenge for donors. According to FCDO staff, the procurement process can be constraining, with many contracts still requiring output-based models and conventional payment milestones. Designing outputs based on learning processes and setting payment milestones at outcome level are two common responses, but they have to be calibrated carefully to avoid being 'gamed' by the implementer, and to appropriately recognise programme achievements. While standard output-based/milestone contracts are still the norm in DFAT, outcome-based payments and fixed-price contracts have been used to good effect for adaptive approaches. In contrast, SIDA works primarily through distributing grants, rather than designing and contracting programmes. Prospective partners are provided guidance on interacting with SIDA, and there is a framework that outlines how they can apply to use SIDA funding in a more adaptive manner.

Adaptive programmes tend to have a greater management workload because they adjust activities more regularly than conventional programmes. An ODI review of complexity in management structures in FCDO found that trying to accommodate programme flexibility via contract amendments is particularly administratively onerous for all parties, involving many intermediaries and pre-meetings to secure approval (Sharp, 2019). This suggests that an important part of minimising the workload involved in managing adaptive programmes is designing built-in flexibility to adjust activities, budget lines, partnerships, etc, without re-contracting.

3.3.2. MFAT's experience

Turning to the design, approval and contracting procedures in MFAT, the separation of business case approval from activity design provides an important opportunity for reflection on whether (and what kind of) an adaptive approach is suitable and feasible for the problem and context at hand, before detailed programme design. However, guidance is needed on how to make those judgements.

With regard to design and contracting in MFAT, there was a consistent view that a high level of trust is required in a partnership for MFAT to feel comfortable not to require up-front agreement around, or contractual accountability for, pre-defined activities. A common view in the organisation is that this largely precludes commercial contractors from being suitable partners to deliver adaptive programs, and strongly points to the importance of grant-funding.

As previously noted, the new approach to partnering with NGOs through Negotiated Partnerships has sought to enable a more adaptive approach in delivery. The process of capability mapping, due diligence, and co-design with a focus on outcomes enables a closer partnership with reflection and joint decision-making mechanisms built in for adaptive management. However, at first investigation, the level of granularity of the budgeting at input level and the contractual arrangements for course correction appear to constrain adaptation. This will be further explored in Phase 2.

A significant issue seems to be a lack of positive guidance (and accumulated experience), rather than a structural barrier, that makes it harder for programs to be designed and contract programmes to work in adaptive ways.

In addition, whilst treasury reporting requirements are flexible, the rules on financial forecasting seem to promote linear and predictable spend. Further, the supporting IT system, and the Enquire system in particular, were described as time-consuming and ill-suited to the demands of adaptive programming. This will be further explored in Phase 2 to identify any specific aspects of the systems that these comments refer to.

3.4. Activity management and oversight

Opportunities for MFAT:

- Overall, MFAT does not appear to impose a heavy corporate reporting load on programs (relative to other donors)

Challenges for MFAT:

- Despite some examples of successful adaptive practice in MFAT, largely based on individuals, there is general concern as to whether MFAT was sufficiently resourced to manage adaptively, and that ‘adaptive governance’ was a more realistic ambition. Other donors bring models and experience in adaptive governance that are worthy of further consideration.
- MFAT has little guidance or training to support more adaptive activity management. Significant thought and effort have gone into establishing MERL processes and tools that encourage and provide space for more reflective practice, but by the MERL team’s own admission, there is insufficient guidance and support on MERL for adaptive management. This has created issues with many MFAT partners being inexperienced with adaptive management, and MFAT being unable to communicate their expectations clearly.
- Contract management and reporting systems (Enquire) were cited as cumbersome and time-consuming.

Establishing robust and appropriate governance arrangements which facilitate learning and adaptation is critical. While there is no ‘one size fits all’ governance model for adaptive management, there are a number of high level governance principles for adaptive management, including: building in external checks and validation at different levels; specifying how decisions will be taken, based on what data and by whom; and setting clear expectations both within the donor itself and between donor, suppliers and partners (Wild, 2016).

Adaptive management requires MERL systems that serve a dual purpose of embedding learning and facilitating adaptation, balanced with donor accountability and reporting needs. This marriage can be a challenge as it requires a reporting frame that supports the learning process while also providing a high level of results-based accountability (Booth, 2018).

Adaptive MERL systems promote a move away from long lists of indicators in favour of multiple data collection and analysis methods, with the intention of providing useful information about how a programme is operating, what contributions are being made to change, the impact and relevance of this contribution. The aim is to intentionally build in opportunities for structured and collective reflection, course-correction and decision-making during the implementation to improve the programme effectiveness and ultimately the impact of the programme (Institute for Human Security and Social Change, 2018) (Pasanen, 2019).

These systems can and should be ‘adaptively rigorous’ – that is they transparently document the implementer and donor intentions, decisions and actions (Ramalingam, 2019). This ensures that programme adaptation is done on the basis of MERL mechanisms that support rigorous evaluative thinking, interrogation of data, and analysis and collective decision-making. This type of adaptive MERL is tightly focussed on the activity level, often including action learning and frequent reflection and review.

Adaptive MERL is supported by tools that help document learning and course corrections, particularly practical data collection and applied political economy analysis (PEA) tools that evolve to meet programme needs. Some examples include programme diaries (Yanguas, 2019), and strategy testing (Ladner, 2015). Practical tools should be developed iteratively based on experimentation and learning to bring together programme management, strategy, learning, and MERL (Yanguas, 2019).

To achieve adaptive MERL, donor and implementer investment in and resourcing of MERL and learning is critical. Because adaptation relies on good data and a robust system designed to facilitate iteration - as well as a 'whole of team approach' - adaptive MERL requires resources, planning and management attention (Desai, 2018) (Institute for Human Security and Social Change, 2018).

3.4.1. Other donors' experience

Other donors felt that corporate performance management requirements, despite contractual/performance assessment experimentation described above, generally remained consistent with more traditional approaches. In FCDO, both donor and implementer staff felt this had in fact become more stringent in recent years (e.g. due diligence and VfM reporting), further burdening donor and implementer staff. However, both FCDO and DFAT felt that, provided compliance with these corporate requirements could be met, there was space beneath this to manage activities adaptively. One implementer described this as a critical 'adaptive governance' role that the donor could play, to give space to programme teams, while implementation leadership were in turn responsible for 'adaptive management' which gives space for the team at the coal face to do 'adaptive delivery'. This was seen as a pragmatic conceptual model for balancing inevitable donor corporate requirements with the needs of adaptive programming.

DFAT consider activity governance as central to their delivery approach, which they actively apply through a portfolio management approach, either at a country programme level, or within the governance structure of larger facilities or programs.

Amongst all donors, only USAID have produced detailed guidance for activity managers in support of their CLA approach. This was generally acknowledged by implementers as good for consistency while, in certain situations, overly prescriptive and limiting of adaptation. Other donors had limited formal guidance around how MERL could support adaptation, and it was largely left to implementing partners to develop.

3.4.2. MFAT's experience

The term adaptive governance was also raised by MFAT staff as a practical response to their perceived lack of resources to play a 'hands on' role on every activity. Several MFAT staff commented that - with some adjustments to mandate/composition - the Governance Group might be able to play a more explicit adaptive governance function, particularly at a portfolio level.

At MFAT, MERL guidance and processes have made a deliberate shift away from a narrow focus on quantitative output targets towards better outcomes-level reporting, and explicitly encouraged reflection and adjustments informed by learning. This was seen as permissive for adaptive management, though a lack of clear guidance undermined changes in practice. Similarly, MFAT staff recounted scenarios where implementing partners acknowledged they did not know how to meet MFAT's adaptive management expectations, and MFAT did not feel confident to guide.

3.5. Capabilities and culture

Opportunities for MFAT:

- Experienced staff have (with senior staff support) been able to work effectively within the current organisational set-up.
- Posts were seen as critical resources, and their capacities greatly impact success.
- MFAT felt that several of their trusted implementing partners were capable of working in partnership with MFAT for adaptive management, though few seemed to have experience in doing so.

Challenges for MFAT:

- There is a generalised concern across MFAT around the capability and capacity of staff to adopt or support more adaptive practice. Primary reasons include: mixed foreign policy / aid roles, staff rotation, and high staff turnover making it difficult to build a critical mass of experienced aid management professionals; as well as perceived under-resourcing across the organisation meaning staff had little bandwidth to take on the additional workload commonly associated with adaptive management.
- MFAT's tendency towards a high number of relatively small activities within a country or portfolio, and its preference for trust-based partnering approaches, were both mentioned as contributing to heavy staff workloads, particularly at Post.
- The potential for adaptive work is hindered by the limited delegated authority that posts seem to enjoy, with activity management described as highly centralised, with key decisions being made by Wellington-based Activity Managers.
- There was concern about the dearth of partners with experience working adaptively. Staff felt they needed to both be able to give more guidance to existing partners and consider options for expanding their access to experienced implementing partners.

The literature outlines a number of skills and attributes of adaptive managers including curiosity, communication and listening skills, critical thinking, entrepreneurial skills and comfort with uncertainty and change (Pasanen, 2019) (USAID, 2018). Because a number of these capabilities and skills have not traditionally been prioritised and valued in the development industry, donors and implementing partners need to encourage and reward staff for demonstrating these skills and deliberately recruit for individuals with non-traditional skills and experience. One stakeholder we spoke to emphasised the importance of kindness and empathy when working adaptively with local partners, particularly when encouraging reflection on programming challenges and setbacks.

Decentralised decision-making and empowering locally led leadership are important for adaptive management. This is particularly noteworthy in light of a tendency by some donors to privilege programme leaders that offer a 'safe pair of hands.' International advisers who are perceived to know and understand the aid business are often selected over national staff with deep local knowledge and connections (Booth, 2018). Because networks and relationships of individuals are key to the success of locally-led, adaptive approaches, teams should be made up of individuals with strong local networks where possible, and supported by other team members with specific technical expertise as required (Booth, 2018) (An overview of monitoring & evaluation for adaptive management, 2020). By decentralising decision-making – and empowering local team leaders – both donors and programme teams put themselves in a stronger position to respond to

opportunities as they emerge and to invest time and resources where there is most potential for impact (Arora, 2019).

Programme leadership has a role in establishing the culture of learning that facilitates whole of team reflection foundational to adaptive approaches (Desai, 2018). Programmes cannot iterate and evolve without mechanisms for identifying, using, and sharing lessons. This requires a deliberate learning culture which seeks to avoid ‘top-down’ approaches to learning (which often result in ‘checking the boxes’ instead of active reflection and engagement). Programme leadership should create an enabling environment for reflection and redesign and establish clear ways of working that place ‘learning at the centre’ of adaptive management (Desai, 2018) (Institute for Human Security and Social Change, 2018).

3.5.1. Other donors’ experience

Other donors have, over time, established a cadre of experienced adaptive management champions at Desk and Post. In FCDO, some professional specialisation in adaptive management has been established within the governance team, though progress on building out staff capability through training, guidance notes and tools is only starting to emerge. There has been some evidence of adaptive management language being championed within FCDO leadership in recent years. However, uptake and effectiveness continue to be highly dependent on the leadership and capabilities at Post. DFAT does not have a natural ‘home’ for adaptive management within the organisation but instead relies on individual champions within different parts of the organisation, loosely affiliated through a ‘community of practice’. This was seen as a weakness, as it undermines influence and consistency. Like MFAT, DFAT has experienced challenges in terms of aid management capacity since integration and felt under-resourced to deliver time-intensive adaptive management approaches. Larger Posts like Indonesia and PNG were seen to be far more self-sufficient and, with supportive leadership, felt they had the permission space to operate more flexibly.

FCDO, DFAT, and USAID rely heavily on contracting out activity implementation to commercial contractors. This has resulted in a significant and growing number of implementing partners with specialist adaptive management capability. All donors concurred on the criticality of trust between donor and implementer, and that this remained a dynamic tension within any such relationship, given the continued accountability for results and performance reporting, and the ongoing lack of contract or financial guidance or flexibility to support this. FCDO, DFAT, and USAID all have greater resourcing at Posts than MFAT, and greater decentralisation of authority and decision-making, which gives experienced Posted officers and implementers far more ability to manage flexibly, provided accountability requirements were still met. Thought leaders and implementers reflected that experienced activity managers are critical for establishing space to operate.

3.5.2. MFAT’s experience

Within MFAT, staff capability in aid management generally was assessed as mixed. The integrated foreign policy and aid function of Activity Managers was also described as limiting capacity to deliver. Some stakeholders reported that foreign policy functions are seen, by some, as more prestigious than activity management ones, making the latter less attractive as a career path. It also means less specialisation and a dilution of the aid focus, though it should be noted that the foreign policy function was also seen to be constrained by this tension. High levels of turnover, due largely to the rotational model of staffing, adds to the challenge of building aid management capability.

There is perceived under-resourcing in key areas, including programme teams (Desk/Post) as well as commercial and support functions like MERL. There was a generalised concern about the absorptive capacity of the organisation and individuals critical to adaptive delivery (Activity Managers and Posted staff were specifically mentioned). Some expressed concern about imposing any additional responsibilities or requirements that would add workload, regardless of perceived merit. Features of the MFAT aid programme contributed to this, including: a tendency towards a high number of relatively small activities within a country or portfolio, which stretches resources very thin; and MFAT's preference for partnering approaches, which is time-intensive to maintain, particularly across a large number of activities. As noted previously, however, this partnership approach is conducive to adaptive management.

There were examples of Posts having sufficient resources, capability, and space to create flexibility in their programming, including the confidence to take risks. As previously mentioned, this was enabled by the individuals in leadership positions creating the permission space, and the initiative of more experienced staff to use it. However, activity management was generally described as highly centralised, with key decisions being made by Wellington-based Activity Managers. Posts were seen as critical resources, and their capacities critical for success. They were also regularly cited as the most resource-constrained within the organisation given the scale and scope of their responsibilities.

MFAT felt that several of their trusted implementing partners were capable of working in partnership with MFAT for adaptive management, though few seemed to have experience in doing so. Lack of guidance from MFAT on adaptive management meant that MFAT were often unclear on how to guide and/or hold partners to account for more adaptive approaches.

4. DIAGNOSTIC TOOL

Based on the findings of the literature review and stakeholder interviews, there are a number of factors that have been identified as important characteristics of donor engagement that can either enable or hinder adaptive practice. This section describes these factors and how they have been shaped into a diagnostic tool.

4.1. Purpose

The purpose of this diagnostic tool is to assess MFAT's current organisational context against the key factors that enable or hinder adaptive management. It provides an analytical approach for categorising observations against indicators and diagnostic areas, scoring them according to a rationale that allows for aggregation of different sources of evidence. While the framework is specifically designed to structure a qualitative data-collection effort planned for Phase 2 of the project, it is framed as a tool to organise whatever evidence is collected in an internally coherent, externally valid, and organisationally relevant manner.

4.2. Diagnostic areas

In order to maximise organisational relevance, the diagnostic tool has been framed against five functional categories and two organisational dimensions. This conceptual framework is represented in Figure 1 below.

Figure 1: Conceptual Diagnostic Framework

		Institutional dimensions	
		Policy	Practice
Functional Categories	Permission Space		
	Planning		
	Activity design		
	Activity delivery		
	Capacity and culture		

By assessing each functional category against both the policy and practice institutional dimension, it should be possible to observe variation without correlation between functional categories, such as an adaptive design that does not lead to adaptive delivery or vice-versa. The functional categories and institutional dimensions are described in greater detail below.

4.2.1. Functional categories

The functional categories represent high-level diagnostic areas that have been found to matter and vary in the literature review and interviews with practitioners and thought leaders. They correspond to what could be considered strategic challenges or enabling factors for adaptive management. They serve a framing and aggregation function that is internally logical and externally valid. Empirically, they correspond to well-known institutional aspects of development organisational practice. The categories are:

- **Permission space:** Factors related to the overarching organisational MFAT policy context and authorising environment, such as organisational goals and strategy, budgets, diplomatic objectives, and corporate requirements.
- **Planning:** Factors feeding into problem identification, including the prioritisation of issues, context analysis, use of evidence, and relationship building.
- **Activity design:** Factors contributing to an activity's adaptive potential, for instance how results are defined, implementer and partner identification, modality, approval processes, procurement and contracting, planned reflection points, and resourcing for MERL.
- **Activity delivery:** Factors contributing to the operationalisation of adaptive practice such as activity management and resourcing, partner, and implementer relationship management, reporting approach and quality, operationalisation of reflection and learning, and iteration of delivery pathway.
- **Capacity and culture:** Factors contributing to staff and implementer's ability and willingness to work adaptively, including the staffing model, performance management, professional development, and risk appetite.

Each of the functional categories above has a number of indicators identified against it for assessment based on the findings of the literature review and the stakeholder interviews. These

broadly align to the factors identified above but provide additional granularity to ensure variations and subtleties are captured. The indicators are outlined in Section 4.4.

It is important to note that the categories do not seek to prescribe a linear sequence. Instead, the categories represent functions that can and do overlap with one another in time and across the organisation. In practice, it is likely that the categories may play out linearly, and the diagnostic will take a systems view to assess how this affects the ability to manage adaptively.

In addition, there is no weighting or prioritisation of categories in the tool and each category will be assessed agnostically. It is likely that the results will identify some prioritisation of key areas that are particularly challenging for MFAT, which can guide further work in Phase 3 and beyond.

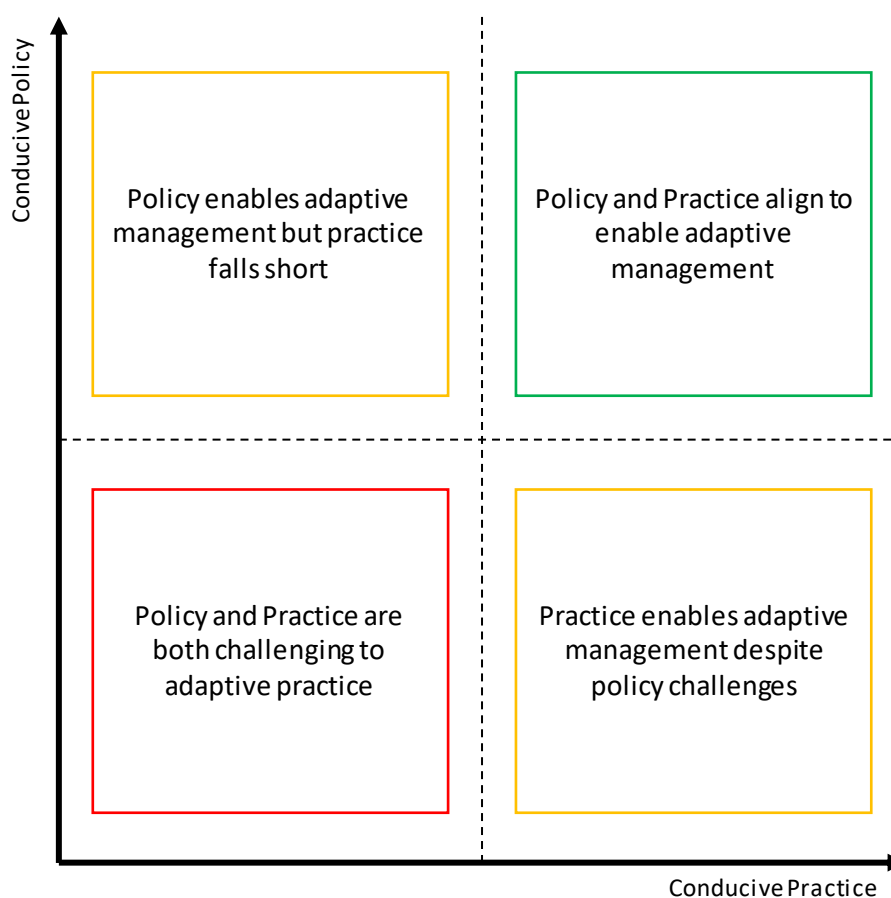
4.2.2. Institutional dimensions

This diagnostic framework follows the conventions of institutional analysis in expecting that the New Zealand Aid Programme context is subject to formal rules and constraints, as well as informal norms and dynamics. Instead of assuming that formal organisational rules always dictate staff behaviour, we can question whether formal and informal factors align or diverge, and how that affects the choices that staff feel empowered to make. In general terms, this distinction has been articulated through two institutional dimensions:

- **Policy:** The set of formal, codified rules, guidelines, standard operating procedures, systems, processes, and organisational platforms. Policy sets the “ceiling” for adaptive management, limiting the adaptive potential of any given Activity within the organisational system.
- **Practice:** The set of informal, often organic norms, rules of thumb, expectations, social conventions, and personal networks. Practice may constrain, guide, or incentivise behaviour to work adaptively.

By having a clear distinction between Policy and Practice we can observe four different behavioural configurations across all indicators. This is represented in Figure 2 below.

Figure 2: Policy and Practice Configurations



4.3. Approach to assessment

The indicators within the functional categories will be assessed based on a reasoned and documented judgment call building on the sources of evidence consulted. Indicators will be assessed against both the policy context and the practice setting. A narrative assessment will be developed for each behavioural dimension and a score, against a traffic light system, assigned to it as follows:

- **Green:** Assessment of the available evidence leads to the conclusion that this indicator corresponds an enabling factor within MFAT.
- **Amber:** Assessment of the available evidence leads to conflicting inferences or corresponds to a variety of outcomes that cannot justifiably lead to a Green or Red assessment.
- **Red:** Assessment of the available evidence leads to the conclusion that this indicator corresponds to a challenge within MFAT.
- **Grey:** Insufficient evidence available to provide an assessment.

The depth of the assessment will depend on the 'layer' of the aid programme that is being assessed. At the corporate level, where overarching policies are set and practice is guided by the permission space created and modelled by leadership, only a relevant sub-set of indicators will be assessed. As the assessment moves deeper into the aid programme, down to the Activity level, more indicators become relevant and will therefore be assessed.

The assessment will take a triangulated approach to avoid potential biases in self-reporting. This will include a review of data available from MFAT centrally, including policy and process documentation, and an analysis of systems and tools, a review of a selection of Activities, and interviews with MFAT staff that manage Activities and representatives of implementers of MFAT Activities. At the higher levels of the aid programme, we expect the documents to primarily provide evidence of *policy* (e.g. the ICESD policy). The further down the programme the assessment goes, we expect that documents will provide evidence of both *policy* and *practice*. For example, an Activity Business Case provide evidence of *practice* in designing and approving Activities (e.g. how the *policy* was interpreted) but it also sets the *policy* framework for the implementation (i.e. how the Activity is intended to be managed). The interviews with stakeholders, meanwhile, will supplement the findings from documentation, and will focus on perspectives, which can provide perceptions or shared understandings of policy factors as well as actual evidence of practice. In order to provide for a diversity of evidence, the sample of Activities reviewed will be selected to include:

- Activities specifically designed to be adaptive and Activities delivered adaptively despite design
- Activities across a number of sectors, geographic areas, and political contexts, and with different types of objectives (e.g. innovate, reform, convene)
- A variety of different funding scales
- Activities with different implementation mechanisms, including partnership modalities with NGOs and regional agencies, and contractual modalities with commercial entities.

The results of the assessment will be aggregated “horizontally”, across each indicator, following a modal logic: the category will be scored according to the most frequent colour across all its indicators. In case the indicators are evenly split between colours, the category score will default from green to amber, and from amber to red for the purpose of highlighting potential problem areas. Where useful, “vertical” aggregation (e.g. across different types of staff groupings) will also be explored. It will only be possible to determine the usefulness and feasibility of this type of aggregation during the implementation of the diagnostic and this is therefore not described further at this point.

An Excel tool has been developed to capture the evidence of assessment from each reviewed document, interview, or Activity deep dive. The assessment will rely on the delivery team’s expert opinion on the degree to which an indicator points to an enabling factor or challenge for adaptive management. While specific criteria have not been developed, the narrative assessment against policy and practice will allow for a review and calibration across assessments. Indicator-level criteria can be developed after Phase 2, provided there is interest in deploying the framework more broadly across MFAT.

4.4. Indicators

The indicators for each functional category are set out below.

1. Permission Space
1.1. External permission space supports experimentation
1.1.1. Ministerial/Parliamentary setting enables a level of failure in the aid programme
1.1.2. Public perceptions of aid are positive
1.1.3. Diplomatic and developmental goals are mutually supporting
1.2. Corporate systems allow flexibility
1.2.1. Corporate strategies and plans allow flexibility in planning
1.2.2. Budget cycle and requirements allow flexibility in execution
1.2.3. Corporate results management and reporting allow for adaptation
1.2.4. All of Government procurement, audit, etc. systems are compatible with adaptive management
1.3. Senior MFAT staff encourage adaptation
1.3.1. Leadership has bought into and understands adaptive management principles
1.3.2. Line management has bought into adaptive management principles
1.3.3. Governance processes encourage adaptive programming
2. Planning
2.1. The planning process is problem-driven and collaborative
2.1.1. Local actors are engaged to identify support needs
2.1.2. Proposed solutions follow from iterative problem analysis
2.1.3. Priorities are sense-checked with other relevant MFAT teams
2.2. Planning builds on evidence
2.2.1. Data is used to identify gaps and deficiencies that need addressing

2.2.2. Political-economy analysis is used to identify risks and opportunities
2.2.3. Capability assessments are carried out before partners are selected
2.2.4. Portfolio level planning (within MFAT and with other donors) is considered
2.3. Rationale for adaptation is clearly articulated
2.3.1. The relative complexity (e.g. entrenched incentives, multi-system co-ordination) is considered
2.3.2. The evidence base for reform is assessed
2.3.3. Intervention options are calibrated to the identified degree of contextual uncertainty
2.3.4. Trade-offs of proposed approach are clearly stated
3. Activity design
3.1. MERL framework enables locally driven definition and support learning
3.1.1. MERL Framework is developed in collaboration with partners/local actors
3.1.2. Results are more defined at the outcome than the output level
3.1.3. Data collection is aligned to learning focus
3.1.4. Expected results and timelines are aligned to local political and capacity context
3.1.5. Activity MERL is properly scoped and budgeted
3.2. Learning orientation is built into the design
3.2.1. There is a systematised process for reflection
3.2.2. Reporting requirements encourage learning by MFAT and partners
3.2.3. There is a process to reflect learning into design
3.3. The implementation plan allows for flexibility
3.3.1. There is flexibility around specific areas of intervention

3.3.2. There is flexibility around spend of allocated budget
3.3.3. There is flexibility around specific partnerships
3.3.4. There is flexibility around team staffing and governance
3.4. The Activity management and governance arrangements allow for partnership
3.4.1. There are joint decision-making frameworks between MFAT, partners and implementers
3.4.2. All partners (MFAT, beneficiary, and implementer) participate actively in governance arrangements
3.4.3. The Activity and relationship management requirements are properly scoped and budgeted
3.4.4. Decision-making is delegated to the appropriate levels
4. Activity delivery
4.1. Implementing relationships empower adaptation
4.1.1. Partners (MFAT, beneficiary and implementer) have shared values in intent for change and relationships are built on trust
4.1.2. Contractual arrangements are outcome-focused and flexible
4.1.3. Performance is jointly reviewed regularly
4.2. Delivery plan allows for adaptation
4.2.1. Strategic tools (e.g. ILM) are used to proactively identify and manage contextual risks
4.2.2. Implementation timeline includes reflection and iteration points
4.2.3. Processes to reflect on emerging evidence of impact are systematised
4.2.4. Adjustments to work plans are agreed and documented
4.3. MERL requirements support adaptive management
4.3.1. Data and evidence generated are acted upon

4.3.2. MERL processes are diverse and transparent about biases and gaps
4.3.3. Reporting frameworks are timed to inform decision-making
5. Capacity, capability and culture
5.1. Staff have the capacity to manage adaptively
5.1.1. Workload expectation allows for relationship building and meaningful engagement
5.1.2. There is sufficient continuity in Activity management
5.1.3. Where a change is necessary, there are handover procedures that enable continuity
5.2. Staff have the requisite capabilities for adaptive management
5.2.1. Staff have the tools, skills, and understanding to interpret data and use information for decision-making
5.2.2. Staff can balance accountability requirements with adaptive management needs
5.2.3. Staff engage in honest reflection/learning from failure
5.3. Management culture encourages adaptive approaches
5.3.1. Line managers support and empower supervised staff
5.3.2. Performance evaluation encourages learning and reflection
5.3.3. Organisational communications approach is compatible with uncertainty and setbacks
5.3.4. Risk is understood and actively managed
5.4. There are processes in place for building knowledge and relationships
5.4.1. Staff are familiarised with contextual analysis frameworks and tools
5.4.2. Staff are exposed to external analysts and thought leaders
5.4.3. Systematic learning processes, with regular frequency, bring different teams together

As noted previously, the functional categories do not identify a sequence of distinct steps. As they are likely to overlap, so do the indicators. As such, while an indicator may only have been identified in one functional category, it will be equally interrogated in other functional categories. For example, the *Activity design* functional category indicators will be interrogated from both a design and delivery perspective – that is, did the design enable adaptation and was this implemented in practice. This is another way of expressing the distinction between policy and practice.

5. NEXT STEPS

Once the diagnostic tool has been approved by the MFAT reference group, a detailed approach to Phase 2 will be developed, articulated in the Project Plan for Phase 2. As noted in Section 4.3, Phase 2 will take a triangulated approach to the assessment of MFAT against the diagnostic tool. Specifically, we expect to:

- Review available policy and process documentation, and review tools and systems, against the functional categories (including aspects of the Enquire system).
- Interview MFAT staff in Wellington and at Post engaged in Activity design and management, as well as a variety of entities (NGOs, regional agencies, and commercial entities) engaged in implementing MFAT funded projects. Where the MFAT staff interviews in Phase 1 focused on people with a particular interest or experience in adaptive management, and therefore primarily included reference group members, the target staff for Phase 2 will be a broader group of staff to be agreed with MFAT.
- Take a deep dive look at a selection of Activities that MFAT has identified as either designed to be adaptable, being delivered adaptively, or both. While this pre-categorisation will contextualise the Activity assessment, the deep dive will build its own view of the degree to adaptation built into the design and/or delivery and contribute to the development of a description of adaptive management for MFAT.

Through analysis of the findings from the diagnostic assessment, different dimensions of aggregation will be explored as to their usefulness in presenting an overall picture of MFAT's readiness to work adaptively. A report on Phase 2 will detail the findings and provide recommendations on areas of focus to enable a move towards for adaptive approaches both in general terms and specifically for the piloting of tools and processes in Phase 3.

ANNEX 1 – STAKEHOLDERS CONSULTED

Name	Organisation / Division (MFAT only)
MFAT Staff	
Mei-Lin Harley	DCI
Natalie Slade	DCI
Tony Banks	DST
Leonard Chan	DST
Jane Coster	GDS
Katherine Biggs	PACPF
Bridget Nankivell	DST
Ricky Utting	DST
Amy Shanks	DST
Georgina Austin-Ellis	DCI
Nigel Heeney	DCI
Blaire Lodge-Perry	DCI
Abby Vige	COD
Mark Richards	COD
Virginia Dawson	SVA
Sumi Subramaniam	JAK
Ira Indirawati	JAK
Vicki Scott	DCI
Melanie Roberts	DCI
Mehaka Rountree	PHM
Rosie Zwart	DCI
Other Donors	
Ally Bridges	DFAT
Kirsten Hawke	DFAT
Benita Chudleigh	DFAT
Sofia Ericsson	DFAT
Mia Thornton	DFAT
Ben Powis	FCDO
Rebecka Kitzing-Ivarsson	SIDA
Travis Mayo	USAID
Michael Woolcock	GDI
Anselm Schneider	GIZ

Name	Organisation / Division (MFAT only)
Implementers²	
Sam Chittick	The Asia Foundation
Nicola Nixon	The Asia Foundation
Jaime Faustino	The Asia Foundation
Jane Lonsdale	Cardno
Duncan Green	Oxfam
Quenelda Clegg	ChildFund NZ
Thought Leaders	
Renee Kantleberg	
Craig Valters	Paung Sie Facility
David Booth	ODI

² In addition, the team has conducted an internal self-reflection exercise based on collective experience of designing, implementing, and evaluating adaptive programmes through Cardno, ODI, and other implementers

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