

# LASER

Legal  
Assistance  
for Economic  
Reform

## Second synthesis paper

### Delivering institutional reform at scale: Problem-driven approaches supported by adaptive programming

DFID Legal Assistance for Economic Reform Programme

Clare Manuel

16 February 2016



## Summary

This synthesis paper suggests how problem-driven approaches supported by adaptive programme management can be implemented at scale in relation to donor programming aimed at institutional reform and improving state capability. It suggests changes to the way standard programme models are applied in practice by DFID and other donors, in light of new thinking about how donors can best support the complex issue of institutional reform, drawing on LASER's experience on the ground. Two key adjustments to current donor programming approaches are suggested:

- (1) **Put programme function before form:** Take time to identify and interrogate institutional problems that local people care about before determining what type of scaled-up donor programming is appropriate – in particular what kind of delivery mechanism and what level of funding.
- (2) **Scope and design the form of donor programming by discovery and doing:** Systems thinking suggests that complex institutional problems are best understood, and solutions identified by a process of discovery, rather than primarily by analysis. Scoping/design before a major donor programme 'crystallises' and programme form and budget are set, should focus on learning by doing – facilitating local people to iterate around problems to deconstruct them and identify solutions that work for them, and which scaled up donor programming may be able to support.

This approach is not appropriate for all donor programming, but it is suggested that there should be space within donor programme portfolios for this approach to be applied to complex institutional reform issues, and that some programming should therefore incorporate:

- a much longer 'scoping/design' process (typically 1-2 years), before programme 'crystallisation' i.e. before a scaled up programme delivery mode and budget are determined;
- a new conceptualisation of scoping/design - involving 'getting stuck in' and working with local people on problems they care about without putting money on the table. This requires soft rather than primarily analytical skills; and
- a narrow entry point to scoping/design through a problem that local people who are able to bring about change wish to engage with.

This conceptualisation of scoping/design as an extended process of discovery and learning by doing is likely to be undertaken by contractors with the appropriate soft skills, as well as technical ability, but before the form of scaled-up programming has been determined. The paper suggests a range of contracting models to enable this, including:

- the development of flexible country-level or centrally managed flexible programmes mandated to provide responsive technical assistance for complex institutional reform issues and scope/design by doing in response to emerging opportunities. Such programmes could be sector specific e.g. for the justice sector or for institutional reform issues across the board; or
- the use of existing framework arrangements.

This type of flexible programming for scoping/design, which provides relatively low-key technical assistance, and does not put large-scale funding on the table up front, could lead to the development of more conventional scaled-up programmes, once time has been taken to interrogate and iterate around problems, and determine the most appropriate form and funding level for new programming. Once a new programme has 'crystallised' and its delivery model and funding levels determined, the appropriate degree of flexibility can be achieved through adaptive programme management and ongoing re-design through learning and adapting, consistent with DFID Smart Rules and requirements for programme management.

## Background

The Legal Assistance for Economic Reform (LASER) programme is a £4.3 million DFID-funded initiative (2014-17) implemented by The Law & Development Partnership (LDP) and KPMG that supports developing countries to strengthen their investment climates. LASER works with developing countries, including fragile and conflicted affected states (FCAS), on investment climate and institutional reform. LASER partners directly with:

- developing country governments (including Ministries of Justice, Commerce, Trade and the Judiciary) – in demand driven, politically informed and highly flexible ways; and
- donors (such as DFID and the World Bank Group) on the design of large-scale investment climate/institutional reform programming which incorporate flexible, adaptive approaches.

LASER focus countries are Bangladesh, Burma, Kenya, Uganda, Rwanda, Sierra Leone, Somaliland and Tanzania.

This synthesis paper is part of a suite of LASER products which develop latest thinking on approaches to institutional reform. The thinking drawn on has been badged in various ways including *problem-driven iterative adaptation*; *systems approaches*; *politically smart locally-led development*; *adaptive programming*; *doing development differently (DDD)*; and *thinking and working politically*.

The main audience for this synthesis paper is DFID, and much of the discussion in it relates to DFID's processes and procedures, including the Smart Rules. It is hoped that many of the points made in it will, however, be of relevance and interest to the wider international development community.

This paper has been written by Clare Manuel, LASER's director, with support from other LDP LASER team members. LASER products can be accessed via the LASER website: [www.laserdev.org/resources](http://www.laserdev.org/resources).

## 1. Introduction

This paper discusses how to deliver donor funded institutional reform programmes at scale in a way that is consistent with latest thinking on problem-driven, adaptive programming. It draws on LASER's experience of working with developing country organisations to support institutional change to improve investment climates, especially in fragile states. The discussion is centred on donor programming aimed at bringing about institutional<sup>1</sup> change by working directly with relevant organisations, for example by supporting capacity development, or organisational development. This is in contrast to programming that addresses institutional change less directly, for example, focusing more on the demand side by way of advocacy/voice and accountability initiatives.

The paper suggests changes to standard programming practices applied by DFID and other donors, and presents a new approach, which is consistent with DFID's Smart Rules<sup>2</sup> and provides the flexibility to enable problem-driven, adaptive approaches to be implemented at scale. The proposed approach is not appropriate for all donor programming, but it is suggested that donors should make space within their portfolios for a different programming approach for complex, and often seemingly intractable problems of state institutional capacity.

The paper draws on LASER's on-the-ground experience; on a wide-ranging literature review (see bibliography attached and in LASER's first synthesis paper<sup>3</sup>); on discussions with implementers of other like-minded programmes<sup>4</sup>; on a recent review undertaken by LDP of DFID and other donor justice programming<sup>5</sup>; on discussions with a wide range of stakeholder and donor agencies including DFID, the World Bank Group and USAID; and more generally on LDP's 15 years' experience of working on investment climate issues on the ground.

## 2. A quick guide to problem-driven approaches to institutional reform and adaptive programme management

LASER's approach draws on a set of principles which embraces a range of ideas including *problem-driven iterative adaptation*; *systems approaches*; *politically smart locally-led development*; *adaptive programming*; *doing development differently*; and *thinking and working politically*. The principles can be summarised as follows:

- **Problem-driven** – locally identified and defined problems provide the entry point;
- **Small bets** – solutions are developed iteratively and tested through 'small bets', which can be adapted (or abandoned if unsuccessful);

---

<sup>1</sup> Institutions are understood to include organisations as well as formal and informal rules and regulations. It is also recognised that the institutional framework includes non-state actors, and that state capability is frequently exercised through non-formal/non-state mechanisms.

<sup>2</sup> DFID, *DFID Smart Rules: Better Programme Delivery*, version IV, London, 2015.

<sup>3</sup> C Manuel, *Investment Climate Reform: Doing it Differently - What, Why and How*, The Law & Development Partnership, London, 2015. Available at: <http://www.laserdev.org/media/1117/laser-first-synthesis-paper-investment-climate-reform-doing-it-differently.pdf>.

<sup>4</sup> Including Nigeria State Accountability and Voice Initiative (SAVI), the Budget Strengthening Initiative (BSI) and Nigeria Facility for Oil Sector Transparency and Reform (FOSTER). Conclusions and recommendations are the author's own.

<sup>5</sup> The Law & Development Partnership, *The application of problem-driven iterative adaptation approaches to DFID S&J assistance*, London, 2015.

- **Context specific** – solutions are not locked in but based on ongoing political and contextual analysis of what is ‘best fit’, feasible and realistic for the local context;
- **Locally led** – reforms are locally led and development partners/practitioners work as facilitators, not drivers of reforms;
- **Long design phase, no finances put up front** – long design phase without significant funding (which has the potential to distort relations and incentives) committed or programmed;
- **Sustainable and scalable** – potential solutions should have the ability to be sustained and scaled and not be limited ‘pockets’ of success;
- **Learning and adapting** – requires ongoing data collection and analysis in order to adapt;
- **Flexibility** – requires donors to be flexible with log frames and work plans, and use procurement processes that allow for funds not to be linked to pre-defined outputs.

A key aspect of this thinking – *problem-driven iterative adaptation* (PDIA) – has its genesis in the limitations of traditional approaches to institutional reform and building state capability<sup>6</sup>. A problem-driven approach to institutional reform provides an alternative way of supporting change that emerging evidence suggests enables institutions to function better and improve service delivery. This may involve some familiar solutions such as organisational re-structuring, new processes and procedures, or training/capacity development. But a problem-driven approach is not so much about *what you do* – it is more about *the way that you do it*. What is different about a problem-driven approach is the entry point, and the way of working. The entry point is *a problem that local people care about*<sup>7</sup>. The approach involves working with local people, assisting and facilitating iteration around problems, and supporting the identification of locally owned solutions. This is in contrast to traditional approaches which rather tend to start with institutions (e.g. the Judiciary, anti-corruption, public financial management or public service reform architecture, business legislation) and seek to improve them, often through pre-determined ‘best practice’ solutions<sup>8</sup>.

LASER’s first synthesis paper<sup>9</sup> marshals evidence<sup>10</sup> for the proposition that traditional approaches to institutional reform have often failed to deliver ‘real’ and sustainable reform, tending to produce institutional ‘form’ without ‘function’<sup>11</sup>. The UK’s Independent Commission on Aid Impact has recently highlighted the particular difficulties that DFID has faced in relation to institutional reform in the

---

<sup>6</sup> M Andrews et al, *Escaping Capability Traps through Problem-Driven Iterative Adaption*, Working Paper 299, Center for Global Development, London, June 2012; and, M Andrews, *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions*, Cambridge University Press, Cambridge, 2013.

<sup>7</sup> D Booth and S Unsworth, *Politically smart, locally led development* (discussion paper), Overseas Development Institute (ODI), London, 2014; and, D Booth and V Chambers, *The SAVI programme in Nigeria: towards politically smart, locally led development*, ODI, London, 2014.

<sup>8</sup> For a fuller discussion see LASER’s first synthesis paper. For a fuller discussion of the idea that change can be best brought about by pursuing goals indirectly, see J Kay, *Obliquity: Why our goals are best achieved indirectly*, Profile Books, London, 2011

<sup>9</sup> C Manuel, 2015

<sup>10</sup> Including: M Andrews, *Explaining positive deviance in public sector reforms in development*, CID Working Paper No 267, Harvard University, Cambridge, MA, 2013; L Pritchett, M Woolcock, and M Andrews, *Capability Traps? The Mechanisms of Persistent Implementation Failure*, Working Paper 234, Center for Global Development, Washington DC, 2010; M Andrews, *The Limits of Institutional Reform in Development*, Cambridge University Press, Cambridge, 2013; ICAI, *Review of UK development assistance for security and justice*, London, 2015; E van Veen and M Price, *Securing its success, justifying its relevance: Mapping a way forward for Security Sector Reform*, Clingendael, The Hague, 2014; T Williamson, *Change in challenging contexts: How does it happen?*, ODI, London, 2015.

<sup>11</sup> What Lant Pritchett has termed ‘isomorphic mimicry’: L Pritchett, M Woolcock, and M Andrews, *Looking Like a State: Techniques of Persistent Failure in State Capability for Implementation*, Working Paper 2012/63, UNU-WIDER, 2012.

justice sector<sup>12</sup> (closely related to investment climate reform) which is leading to a re-think of DFID's justice programming approach. Overall, there is a growing consensus that problem-driven adaptive approaches have a better chance of delivering real change that sticks and makes a difference on the ground: the OECD-DAC's recent Governance Practitioner's Notebook<sup>13</sup> for example promotes these kind of approaches.

There are a growing number of case studies and examples of where problem-driven, adaptive approaches appear to have delivered real change, even in very difficult environments, and often through small-scale investments. LASER's first synthesis paper<sup>14</sup> provides some examples. Box 1 below provides more.

### Box 1: Problem-driven adaptive approaches delivering results

#### DFID's Budget Strengthening Initiative (BSI)

**South Sudan:** The Ministry of Finance maintained relative macroeconomic stability through a clear decision to implement an austerity budget in the face of a shutdown in oil production in 2012. Despite the subsequent conflict, the payment of salaries and transfers to subnational governments has been prioritised, and funds allocated to basic service delivery in health, education and water and sanitation. BSI provided strategic technical support to South Sudan's Ministry of Finance throughout this period<sup>15</sup>.

**Liberia:** The Ministry of Finance has developed a Medium-Term Expenditure Framework and introduced it into core budget processes at the centre. An innovative technical approach to integrating aid data into the budget enables savings by avoiding double financing of capital projects between donors and government. Liberia maintained relative macroeconomic stability and fiscal discipline throughout the Ebola crisis. More generally, the growth of recurrent spending has slowed, enabling the potential for strategic investment. BSI provided strategic technical support to Liberia's Ministry of Finance throughout this period<sup>16</sup>.

#### LASER

**Rwanda:** The Ministry of Justice has developed a new approach to commercial contracting and rolled it out throughout government. The result has been strengthened contract monitoring, and a decrease in new litigation. A LASER resident adviser embedded within the Ministry of Justice supported this process.

**Uganda:** A LASER funded retrospective study of the impact of small-scale DFID support to Uganda's Commercial Court between 2000 and 2005 (which the report argues, was an early example of a problem-driven adaptive approach) highlights: (1) the sustainability of the reforms ten years later; (2) the impact they have achieved, including on lending, FDI and on opening up new forms of finance for those without land as security; and (3) the way the reforms initiated in the Commercial Court have been adopted throughout the Judiciary<sup>17</sup>.

#### Sierra Leone Access to Security and Justice Programme

**Sierra Leone:** Justice sector ministries, departments and agencies have improved their capacity to plan and budget resulting in a 38% increase in their non-wage re-current budgets. This was achieved through small levels of technical assistance provided under DFID's Access to Security and Justice Programme (ASJP).

<sup>12</sup> Independent Commission for Aid Impact, 2015

<sup>13</sup> A Whaites et al, *A Governance Practitioner's Notebook: Alternative Ideas and Approaches*, OECD, Paris, 2015.

<sup>14</sup> C Manuel, 2015

<sup>15</sup> T Williamson, M Cox and K Robson, *Mid-term evaluation of the Budget Strengthening Initiative*, Agulhas, London, 2013/15

<sup>16</sup> M Cox and K Robson, *Mid-term evaluation of the Budget Strengthening Initiative*, Agulhas, London, 2013

<sup>17</sup> LASER, *Retrospective study of the progress, performance and impact of the Uganda Commercial Court 1996-2015*, LDP, London, 2015.

### 3. Problem-driven adaptive approaches to institutional reform at scale?

Examples of flexible, adaptive approaches delivering change tend to be associated with very particular forms of programming:

- Voice, accountability and empowerment programmes (e.g. SAVI<sup>18</sup>);
- Programmes operating as in-country grant-giving funds or facilities (in the case of FOSTER<sup>19</sup> and SAVI);
- Centrally managed programmes deploying small-scale and low key technical assistance to a range of developing countries (LASER and BSI<sup>20</sup>, which both focus on fragile and conflict affected states);
- Relatively small-scale programming (DFID's support to Uganda's Commercial Court 2000-2005 – see box 1 above); or
- An 'island' of a problem-driven approach within a large, conventional institutional reform programme (ASJP's<sup>21</sup> work on budgeting in Sierra Leone – see box 1 above).

To date there do not appear to be many clear examples of DFID funded large-scale country-specific institutional reform/building state capability programmes that can be said fully to have embraced problem-driven adaptive principles<sup>22</sup>. Exceptions may include DFID's £100 million 2013-2023 Private Sector Development programme in DRC which was designed to explore adaptive management and complexity-informed approaches to private sector development through a responsive portfolio approach.<sup>23</sup> One of the four components addresses institutional reform/enabling environment issues. Although it is too soon to assess results of this component, early indications are positive. Another example is the DFID-funded Centre for Inclusive Growth (2010-15) which assisted the Investment Board of Nepal to broker and negotiate hydro deals, including agreement on over US\$2 million of new foreign direct investment in hydropower<sup>24</sup>.

There may a number of reasons for the limited examples of scaled-up programming which apply problem-driven adaptive approaches: lack of a framework for linking a problem-driven approach – which starts with a particular entry point and specific problem – to programming at scale; DFID's institutional incentives and resistance to change which militate against embracing a new approach (reforming donor institutions is difficult too!); the appetite of delivery organisations to address complexity; and finding staff with the required skills to use these approaches effectively.

This paper contributes to addressing these issues by suggesting a new approach to programme delivery, consistent with DFID's procurement arrangements, Smart Rules and also with institutional pressures to 'do more with less', which often means aid delivery through large (multi million pound)

---

<sup>18</sup> Nigeria State Accountability and Voice Initiative

<sup>19</sup> Nigeria Facility for Oil Sector Transparency and Reform

<sup>20</sup> The Budget Strengthening Initiative

<sup>21</sup> Access to Security and Justice Programme in Sierra Leone

<sup>22</sup> Tim Williamson in *Change in challenging contexts: How does it happen?* (2015) notes that examples from proponents of these agendas are relatively small-scale interventions.

<sup>23</sup> B Ramalingam, M Laric, and J Primrose, *From best practice to best fit: Understanding and navigating wicked problems in international development*, ODI, London, 2014.

<sup>24</sup> M Laric and N Waddell, 'Nepal: Hydropower and the politics of investment' in *Politically smart support to economic development*, D Booth (ed), ODI, London, 2016, pp. 12-16

programmes with implementation contracted out to 'key suppliers'<sup>25</sup>. The aim is to give DFID advisers (and other donors) the confidence to embrace problem-driven principles and to apply them to their large scale institutional change programming.

#### 4. Scale for whom?

The examples in box 1 above have all delivered change at scale. They have delivered across an institution (the Judiciary in the Uganda example); across a sector (in the case of the budgeting work in Sierra Leone); and across a country (in the case of the delivery of local grants to districts in South Sudan, and changes to commercial contracting in Rwanda). The challenge from a donor perspective is that these results were all achieved by way of small-scale investments. But donors need to deliver aid funds at scale.

Large-scale institutional reform programming is currently challenging from a problem-driven adaptive programming perspective because it in effect puts the solution (a large sum of money, and in the case of a programme that has been contracted out to a supplier, the supplier's team of experts) in place before institutional problems have been fully identified, let alone deconstructed, iterated around, solutions facilitated, tried and adapted. The programme form is determined without a proper analysis or understanding of the function it is required to fulfil. Specific aspects of a typical donor funded institutional reform programme which make it challenging for problem-driven adaptive approaches include:

- The programming form is pre-determined;
- The budget is predetermined;
- Money is on the table right from the start, 'skewing' the relationship with counterparts;
- A set of institutions tend to be 'bundled together' into one programme;
- The solutions are also pre-determined up front as project implementation offices are set up, staffed, and experts deployed;
- Results are pre-determined up front relating to successful delivery of pre-planned solutions; and
- The model does not facilitate a low key, slow long build process with strong local ownership but tends to involve pressure for 'quick wins'.

Some have advocated that the real solution to these constraints is to 'abolish the project'<sup>26</sup>. A more immediate way forward would be to adopt a new approach to designing and implementing programmes, using the freedoms available to DFID advisers under the Smart Rules.

---

<sup>25</sup> The Commons International Development Committee, *Department for International Development's Performance in 2013-2014: the Departmental Annual Report 2013-14 - International Development*. Available at [www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/750/75007.htm](http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/750/75007.htm). Last accessed on 6 October 2015. This report notes the significant growth in the value of DFID's work outsourced to the private sector through open commercial procurement channels, doubling from 7.4% of total spend in 2010-11 to 11.4% (£1.2 billion) in 2013-14.

<sup>26</sup> J Hellman, *Surprising Results from Fragile States*, World Bank blog, 2013. Available at [blogs.worldbank.org/futuredevelopment/surprising-results-fragile-states#comment-153](http://blogs.worldbank.org/futuredevelopment/surprising-results-fragile-states#comment-153). Last accessed on 30 September 2015; D Green, *What if we scrapped The Project – are there better ways to fund development?*, From Poverty to Power, Oxfam Blogs, 2014. Available at [oxfamblogs.org/fp2p/what-if-we-scraped-the-project-are-there-better-ways-to-fund-development](http://oxfamblogs.org/fp2p/what-if-we-scraped-the-project-are-there-better-ways-to-fund-development). Last accessed on 5 November 2015.

## 5. The hourglass approach for institutional reform programming

Key features of the proposed new approach to donor programming that addresses institutional reform (illustrated in the ‘hourglass’ diagram in figure 1 on the following page) are:

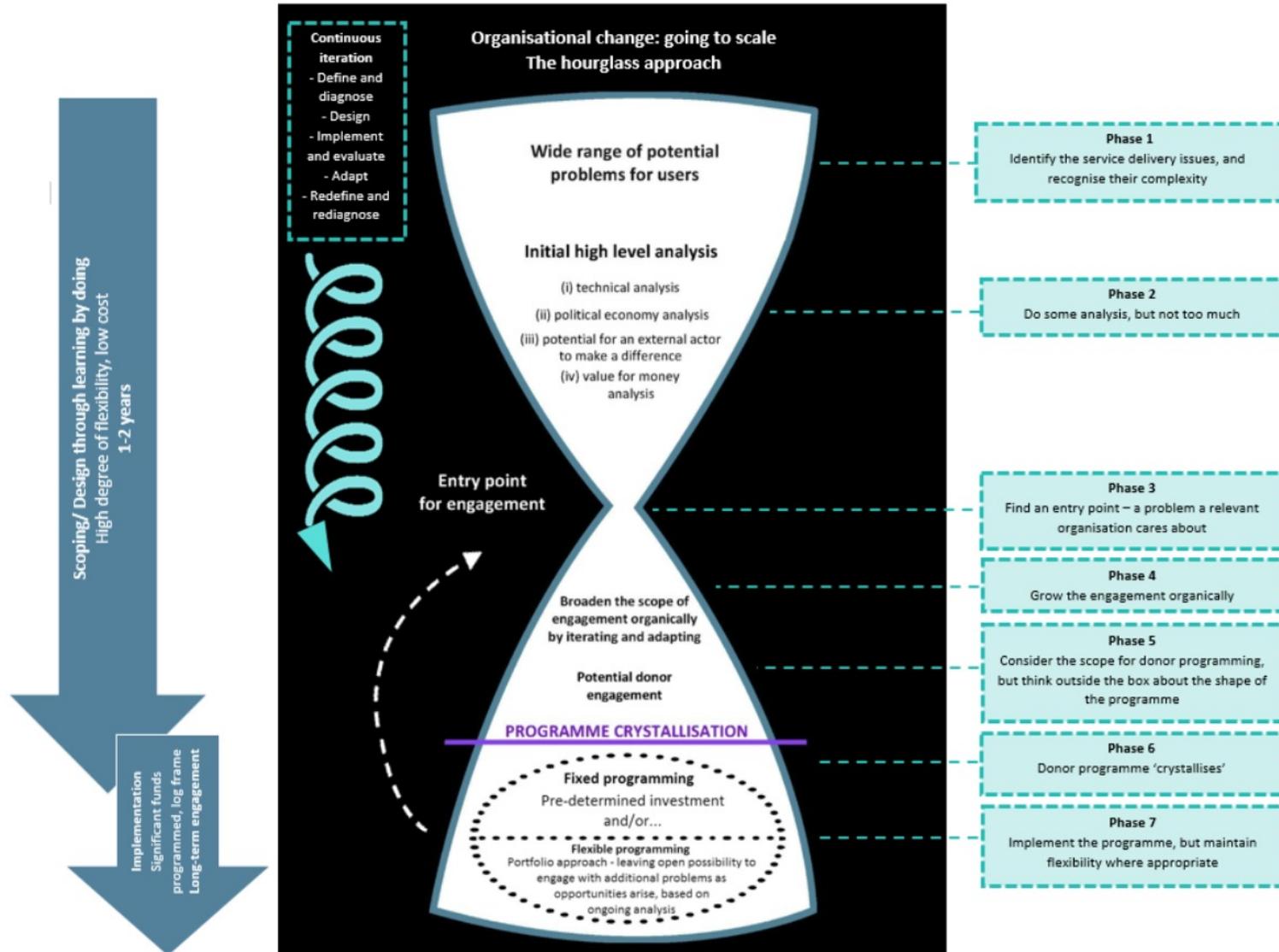
- a much longer ‘scoping/design’ process (typically 1-2 years), before programme ‘crystallisation’;
- a narrow entry point through a problem that local people who have power to bring about change care about;
- a new approach to scoping/design which focuses on learning by doing – iterating around problems to deconstruct them and facilitating local people to identify solutions that work for them;
- scoping/design phase characterised by no pre-determined programme budget or delivery mode: programme ‘form’ should follow ‘function’, and be determined near the end of the scoping/design phase; and
- once the programme has ‘crystallised’ and its delivery model and funding levels determined, the appropriate degree of flexibility for effective implementation should be maintained during the implementation phase, consistent with DFID Smart Rules and requirements for programme management.

The remainder of this section briefly describes each of the seven phases of the hourglass. LASER has piloted the hourglass approach in its work on the ground in Kenya, Rwanda, Somaliland and Uganda (see case studies on LASER’s website describing the approach in each of these contexts)<sup>27</sup>. Limitations of a diagram suggest that the approach is linear. In reality it is not: at all stages in the process the expectation is that progress occurs through trial and error, a series of ‘small bets’, with short lesson-learning feedback loops, involving doubling back and learning from experience.

---

<sup>27</sup> LASER: *Kenya case study: Exploring how to use a problem-driven iterative adaptation approach in restructuring pre-existing institutional reform programmes*, 2015; *Rwanda case study: Enhancing government contract management processes to stem significant financial losses*, 2016; *Somaliland case study: Adopting a PDIA approach in FCAS – Enhancing donor programming in Somaliland*, 2015; *Uganda case study: Designing an institutional reform programme at scale*, 2015. All available at: [www.laserdev.org/resources/case-studies](http://www.laserdev.org/resources/case-studies)

Figure 1: Institutional reform: going to scale - the hourglass approach



The seven hourglass phases are:

- Phase 1: Identify the service delivery issues, and recognise their complexity
- Phase 2: Do some analysis, but not too much
- Phase 3: Find an entry point- a problem a relevant organisation cares about
- Phase 4: Grow the engagement organically
- Phase 5: Consider the scope for donor programming, but think outside the box about the shape of the programme
- Phase 6: Donor programme ‘crystallises’
- Phase 7: Implement the programme but maintain flexibility where appropriate

The hourglass approach is proposed for specific issues of institutional reform and organisational development. Some features of the hourglass approach – such as iterating around problems and learning by doing – are common features of other types of programming, for example making markets work for the poor programmes, and for many development practitioners operating in country-led, adaptive and politically savvy ways is an obvious and natural way to go about their work. But the common challenge for programmes that seek to work in these ways is reconciling adaptive ways of working and flexibility, with donor programme management requirements that are designed to ensure accountability. The hourglass approach seeks to address this, in part through the proposed lengthy design period before programme crystallisation.

A possible criticism of the proposed lengthy design phase is that it is too resource intensive, especially for hard-pressed DFID governance advisers. However, some recent DFID programme designs/business cases recognise the importance of long and flexible design periods for complex programmes, with ‘design and implement’ contracts being specified with design periods of one year or more, followed by 4-5 year implementation periods. Examples include Institutions for Inclusive Development, and Assisting Institutions and Markets for Resilience in Tanzania and Deepening Democracy in Kenya (governance and institutional reform programmes which recognise the need for a problem-driven, iterative approach to developing relevant interventions). These contracts also provide for re-contracting of implementation if DFID considers that the contractor is not able to satisfactorily implement the programme. These contractual approaches are far from a complete solution to the problems of resourcing problem-driven adaptive approaches, but they do demonstrate a welcome flexibility in contractual mechanisms that could be further developed. Section 6 of this paper suggests further that there are existing and new contracted-out aid delivery mechanisms that respond to this.

### ***Phase 1: Identify the service delivery issues, and recognise their complexity***

Donor support to institutional reform in developing countries can be characterised as broadly aiming to improve state capability in service delivery<sup>28</sup>, and thus to contribute to reducing poverty and/or achieving economic growth. Examples are investment climate reform programmes, such as LASER which aim to improve the institutional framework for investors; access to justice programmes which aim to improve justice service delivery to poor people; and public financial management programmes which aim to improve the management of government resources for all. The starting point for even a

---

<sup>28</sup> The institutional framework for doing so includes organisations as well as formal and informal rules and regulations. It includes non-state actors: state capability can be exercised through non-formal/non-state mechanisms.

superficial consideration of the issues involved in any of these topics is the wide range of complex problems (which donors will tend to see from a ‘user’ perspective – drawing for example on enterprise surveys, poverty perception surveys etc.), and the need to prioritise. For example investment climate issues could range from business entry, to corruption, to tax, to access to finance. The issues can become even more complex when viewed with a gender lens<sup>29</sup>.

Each potential issue that could be engaged with is located in a complex, multi-institutional, political environment or ‘system’ whose complexity is likely to include layers of history, as well as a range of different perspectives of the various actors involved in the system<sup>30</sup>. This ‘systems’ thinking contrasts with the alternative: a linear, reductionist *machine world view*<sup>31</sup> with organisations viewed as *closed technical systems*<sup>32</sup>. Systems thinking acknowledges that change requires adaptation and challenges the notion that sustainable institutional reform can be brought about through technical fixes: *administrative reform and innovation are not simply a matter of installing some piece of managerial technology which has proved effective elsewhere*<sup>33</sup>.

### **Phase 2: Do some analysis, but not too much**

Having identified a range of potential issues which could be the subject of a donor programme, the next stage is to undertake some high level analysis, or at least to review existing analysis. In Uganda, having identified a wide range of potential investment climate issues, LASER undertook a light touch review of each issue from each of four perspectives: (i) technical analysis, including looking at the problem with a gender lens; (ii) political economy analysis; (iii) the potential for an external actor (in this case DFID) to make a difference and (iv) value for money analysis.

But this kind of analysis can only take the donor so far. It can provide some insights into possible promising entry points; it can help the donor understand some of the political complexities of the situation, including for example the extent to which institutions which could be engaged with are controlled by the elite<sup>34</sup>; it can help the donor to consider its comparative advantage and institutional history of engagement in the country; and also provide a framework for the donor to think about potential return on investment. But this kind of analysis is not the answer to complexity. It does not deliver solutions: *the way to find out what works is through iteration and improvement*<sup>35</sup>. The key problem with institutional reform is often not the what but rather the how. Often the problems have been well analysed, and have been the subject of successive analysis, diagnostics and reports. The real problem is how to bring about change.

---

<sup>29</sup> For how to do this in investment climate programming see: S Simavi, C Manuel and M Blackden, *Gender Dimensions of Investment Climate Reform*, IFC, Washington DC, 2010.

<sup>30</sup> J Boulton, *Embracing complexity – strategic perspectives for an age of turbulence*, OUP, Oxford, 2015.

<sup>31</sup> J Boulton, 2015.

<sup>32</sup> M Turner, D Hulme and W McCourt, *Governance, management and development: Making the state work*, second edition, Palgrave Macmillan, London, 2015.

<sup>33</sup> M Turner, D Hulme and W McCourt, 2015.

<sup>34</sup> M Turner, D Hulme and W McCourt, 2015. See also: C Manuel, *Politically smart approaches to donor investment climate programming*, LDP, London, 2015.

<sup>35</sup> O Barder, *Science to Deliver, but No ‘Science of Delivery’*, Center for Global Development, Washington DC, 2013. Available at [www.cgdev.org/blog/no-science-of-delivery](http://www.cgdev.org/blog/no-science-of-delivery). Last accessed on: 30 September 2015.

### ***Phase 3: Find an entry point - a problem a relevant organisation cares about***

#### Scope/design by doing: offer to help

The next phase is to identify a promising institutional entry point for engagement – and then offer to help. No money is put on the table. The offer is not associated with ‘shopping lists’ requesting donor assistance for new buildings or equipment. What is offered is technical expertise to help with a problem where there is, or appears to be, real traction for change within the institution. That support needs to include people who offer not only the appropriate technical expertise, but also (and possibly more importantly) have the necessary ‘soft skills’ to work with their local counterparts, usually ‘behind the scenes’, and vitally, develop relationships of trust. The first LASER synthesis paper<sup>36</sup> which has been summarised in a DFID case study, ‘Designing and Operating a Flexible and Adaptive Programme: Investment Climate’<sup>37</sup> provides more detail on how this works in practice<sup>38</sup>. LASER’s practical guidance on tools for facilitating problem deconstruction<sup>39</sup> may also assist. But the starting point is the right person, or team of people, with the skills and competencies to work in ways that may be considered unconventional – ways that are below the radar; asking questions rather than providing answers; facilitating rather than promoting solutions. In short, people who are learners<sup>40</sup> and who understand that *before you charge in to make things better, [you need to] pay attention to what’s there already*<sup>41</sup>.

#### The entry point is what the institution (and not you) perceives the problem to be

The entry point for initial engagement may not be the problem that, from the donor’s perspective, is the ‘correct’ problem or the priority problem. It does not emerge from a ‘needs analysis’ or the application of a diagnostic tool, and then require a process of ‘buy in’. Rather it is a problem that a relevant organisation that has the power to bring about institutional change (or at least relevant people within the organisation<sup>42</sup>) cares about.

This is a very different approach from working out what the problem within the relevant organisation is yourself, and then trying to get that organisation to ‘buy in’ to ‘your’ problem, or worse, your solution. It is also very different from coming at the problem directly from a ‘user’s’ perspective. Rather, this is an ‘oblique’ approach<sup>43</sup>: it does not address the service delivery problem ‘head on’. But the narrow entry point is just that – an entry point: the linkage between that and the ultimate objective which the donor is seeking to achieve (for example improved service delivery) is unlikely to be clear at the beginning, or straightforward in practice.

---

<sup>36</sup> C Manuel, 2015.

<sup>37</sup> DFID, *Designing and operating a flexible and adaptive programme: Investment climate*, 2015. Available on Better Delivery Department team website and also at: [laserdev.org/media/1105/150622-case-studies\\_laser-2-pager-updated-14-july-2015-with-ldp.pdf](http://laserdev.org/media/1105/150622-case-studies_laser-2-pager-updated-14-july-2015-with-ldp.pdf). Last accessed on 5 October 2015.

<sup>38</sup> See section in first synthesis paper: *How Should Development Practitioners Operate Differently on the Ground?*, 2015.

<sup>39</sup> LASER, *Monday morning in Kigali: what do you do when you get off the plane? Practical guidance for PDIA practitioners*, 2016. Available at [www.laserdev.org/resources/practical-guidance-and-tools](http://www.laserdev.org/resources/practical-guidance-and-tools).

<sup>40</sup> D Meadows and D Wright, *Thinking in Systems: A Primer*, Routledge, 2009.

<sup>41</sup> D Meadows and D Wright, 2009.

<sup>42</sup> Tim Williamson makes the useful point in his paper *Change in challenging contexts: How does it happen?* (2015), that often these are not Ministers and senior bureaucrats – who play the critical role of ‘authorising’ the change – but rather mid-level or junior officials/front line staff.

<sup>43</sup> J Kay, 2011.

This 'PDIA' approach to building state capacity and supporting institutional reform differs in some important respects to (related) 'problem solving' approaches where the starting point is a 'development challenge'<sup>44</sup>. Programmes such as SAVI's 'facilitated partnership' approach to governance reform, and initiatives described in case studies on politically smart, locally led development<sup>45</sup>, tend to focus more strongly on building broad coalitions for reform and on collective action through an 'empowerment'; 'voice'; or 'campaigning' approach around an agreed development challenge. The building of coalitions for reform is also important in institutional reform programmes such as LASER and BSI. But in these cases the coalitions are likely at least at first to focus on 'internal' problems and thus to be coalitions of actors mainly from within the institutional framework<sup>46</sup>.

While the entry point may not be what the donor sees as the key problem (or even which service users may perceive to be the problem), there does need to be a level of shared understanding and partnership, and potential for change. Accountabilities need to be clear, particularly where advisers are working on potentially contentious and highly political areas. For example, LASER advisers are increasingly engaging with the issue of extractives and supporting governments to improve the negotiation and management of commercial contracts, particularly in FCAS. In the memoranda of understanding with the institutions LASER advisers are supporting, LASER's values and accountabilities (ultimately, to poor people) are spelled out.

#### What level of problem?

The problem that an institution cares about can be at any level. As box 1 suggests, a problem could be 'macro' and systems-wide<sup>47</sup> – for example improving policy-making, planning and resource allocation across a sector, as with the budgeting work in Sierra Leone. Or it could be more specific and smaller-scale, such as assisting the Judiciary with the implementation of small claims procedures in the civil court, as LASER is doing in Uganda<sup>48</sup>; or with electricity regulation and trade negotiations, issues which LASER is assisting the Somaliland government with<sup>49</sup>. Any level of problem is relevant. What matters is that it is a problem that has traction for change with people within the institutional framework where the problem resides.

### **Phase 4: Grow the engagement organically**

#### Have helicopter vision – join the dots<sup>50</sup>

The entry point for change may be to assist with solving a system-wide, or a much smaller problem. Whichever it is, it is important to see the bigger picture. *Purposive muddling*<sup>51</sup> may sometimes involve

---

<sup>44</sup> For example, see: V Fritz, B Levy and R Ort, *Problem-driven political economy analysis: the World Bank's experience*, World Bank, Washington DC, 2014.

<sup>45</sup> D Booth and S Unsworth, 2014.

<sup>46</sup> M Andrews et al make the point that "potential collaborators might come from different sectors/levels/agencies within a government....they might not have met each other". M Andrews et al, 'Building capability by delivering results: Putting PDIA principles into practice' in *A Governance Practitioner's Notebook: Alternative Ideas and Approaches*, OECD, 2015.

<sup>47</sup> B Ramalingam, *Aid on the edge of chaos: Rethinking international cooperation in a complex world*, OUP, Oxford, 2013.

<sup>48</sup> LASER, *Uganda case study: Designing an institutional reform programme at scale*, LDP, London, 2015.

<sup>49</sup> LASER, *Somaliland case study: Adopting a PDIA approach in FCAS – Enhancing donor programming in Somaliland*, LDP, London, 2015.

<sup>50</sup> T Williamson, 2015.

<sup>51</sup> M Andrews, 2013.

going round in circles, but the development practitioner needs to have an overall vision of direction of travel, and to be able to join the dots – see connections between different problems that different parts of the institution or system are interested in solving, so that the whole adds up to more than the sum of the parts. It also involves thinking and working politically - working with or around constraints created by political or administrative incentives<sup>52</sup>. An example is the development of Uganda’s Justice, Law and Order Sector in the 1990s where three donor funded advisers working within different government justice sector organisations made the connection between two problems: the Judiciary’s concern with its case backlog at local level – and the Ministry of Finance’s concerns around more efficient, sectoral policy-making, planning and resource allocation. The locally identified solution, which was then facilitated, was for the different institutions in the justice sector to start working together for the first time – both at the operational level, and at the policy making and planning level, including beginning to prioritise resource allocation across the sector. Starting a number of interventions in different organisations and using different entry points can be seen as running with multiple ‘hourglasses’ at once: some entry points may prove unfruitful; others may deliver results. The aim should be, as was successfully achieved in Uganda, to join the dots between different interventions to develop a strategic whole.

The trick is to keep scanning widely, thinking a few steps ahead<sup>53</sup>. For example, LASER’s current support to the Judiciary in Uganda initially started with the problem of the slow processing of small claims through magistrates courts, and the narrow entry point of assisting the Judiciary with their initiative to introduce small claims procedures (in fact with the even narrower entry point of how to measure if the new procedures were making a difference). But linkages are already being made with broader issues of court and judicial performance. The narrow entry point has enabled trust to begin to be built and for an island of improved performance to begin to be established, with the potential that this will lead to bigger gains through broader windows of opportunity.

***Phase 5: Consider the scope for donor programming, but think outside the box about the shape of the programme***

Part of the LASER offer to developing countries is to assist with leveraging additional funds and support. This could be through:

- new donor programming – as in Uganda where LASER was tasked by the DFID-Uganda country office to scope out the potential for new programming;
- leveraging better use of (or in some cases unblocking) existing donor funding – as in Kenya where LASER support enabled the unlocking of World Bank Judiciary Performance Improvement Project funds<sup>54</sup>;
- government funds – as in Sierra Leone where low level technical assistance resulted in a significant increase in budget allocations to justice sector institutions (see box 1 above).

---

<sup>52</sup> D Booth, *Five steps for reorienting governance work in development*, 2015. Available at: [blogs.worldbank.org/publicsphere/five-steps-reorienting-governance-work-development](https://blogs.worldbank.org/publicsphere/five-steps-reorienting-governance-work-development). Last accessed on 30 September 2015

<sup>53</sup> J Boulton, 2015.

<sup>54</sup> LASER, *Kenya case study: Exploring how to use a problem-driven iterative adaptation approach in restructuring pre-existing institutional reform programmes*, LDP, London, 2015.

### Donor funds may not be the answer

A key aspect of the hourglass approach is that no significant donor funds are programmed during the lengthy scoping/design period. A solution (donor funding) is not pre-determined. The result of the scoping may be to determine that programming significant donor funds is not the answer. This may be because money is not the problem; because donors are unlikely to be able to help; because there is no realistic prospect to improve service delivery; or because provision of money after initial scoping is likely to distort incentives and the development of sustainable locally led solutions. But if there is an emerging view that a donor does have the potential to help, then thinking needs to begin about who and how.

LASER's country-level offer is for a limited amount of technical assistance only. The programme mostly operates in fragile and conflict affected states, although also has a presence in more stable and richer countries, such as Kenya. Through its status as a centrally managed DFID programme, LASER has been to some extent at 'arm's length' and has avoided expectations of significant donor funding and 'shopping lists'. This is similarly the experience of BSI's work in fragile states such as South Sudan and Liberia.

But part of LASER's offer is to look for opportunities to leverage additional resources, if required. In the case of Uganda LASER was explicitly tasked by the DFID country office to scope out the potential for larger-scale investment climate programming. Scoping was undertaken through the 'learning by doing' approach described under phase 4 above, and as more was discovered about the system, the type of external assistance that had the potential to make a difference became clearer.

### Innovative aid instruments

Large-scale contracted out programmes implemented by a supplier are likely to continue to be a key mechanism for institutional reform initiatives. However there is scope for consideration of more innovative aid instruments including, for example, payment by results/cash on delivery or mechanisms modelled on the EU's State-Building Contracts with fragile and conflict affected states, or the Africa Development Bank's Fragile States Facility. Alternatively, there may be opportunities to join with other donors who have already established a funding and delivery mechanism, or to 'piggyback' on an existing DFID programme.

A new, large-scale contracted out supplier delivered model should not be the automatic default. This is particularly so in fragile and conflict affected states, where donors have agreed through the New Deal to use country systems, avoiding the very real cost to low-capacity governments of dealing with donor parallel structures and reporting requirements, and inhibiting state building.

### ***Phase 6: Donor programme 'crystallises'***

#### Is more money the answer, or not?

Once the programme 'crystallises', the funding level and the programme delivery mechanism are 'locked in'. This assumes that the 'learning by doing' exercise has resulted in the conclusion that new, large-scale programming is part of the solution to the institutional problems uncovered.

On the other hand, it is possible that large-scale programming is not appropriate, or does not take place for some other reason. This is an acceptable conclusion to phases 1-5. LASER's 'nested'/country log frame for its 'scoping by doing' intervention in Uganda has as the relevant output: *DFID Uganda has enhanced understanding of options for increased engagement with commercial law and justice issues*. This output has been achieved whether or not DFID Uganda takes forward recommendations made on future large-scale investment.

#### Ensure seamless implementation

Where the decision is taken to press ahead with new donor programming, procurement or other donor programming requirements may result in delay before implementation starts. While procurement/organisation of donor assistance is taking place, it is important that reform momentum is not lost, that reform activities continue, and that relationships and trust built up are maintained. There therefore needs to be overlap with activities under the scoping/design by doing period continuing into the implementation period (shown by the two overlapping arrows down the left hand side of diagram 1). Practical ways of achieving this seamless transition are discussed in section 6 below.

### ***Phase 7: Implement the programme, but maintain flexibility where appropriate***

#### Flexible programming

Once the (lengthy) scoping/design 'learning by doing' is over, funding level and programme delivery mechanism are 'locked in,' and the programme log frame is developed - everything changes. A log frame may have been developed for the relatively low key scoping/design work (as in the case for LASER's engagement in Uganda) but this will not be as exacting and demanding as for a multi-million pound programme. Maintaining flexibility once the programme budget and delivery mechanism has been 'locked in' and the scope of the programme has crystallised is challenging. The right balance has to be struck between flexibility and ability to adapt and respond to opportunities, and accountability for use of funds.

Some elements of an institutional change programme may be able to be 'locked in' up front: there may be enough certainty after the lengthy scoping/design process about what will work. An example is Harvard University's assistance to the justice sector in Mozambique<sup>55</sup>, where, after a lengthy scoping/design process a computerised management information system was an appropriate and locally owned solution.

But institutional change programmes need to recognise that they are dealing with complex systems and that their *plans reflect best guesses about the future and about the past too and will likely shift over time*<sup>56</sup>. There needs to be room within the programme for at least some plans to shift. The design/re-design process should not stop at the implementation phase, but should continue throughout the life of the programme, ensuring that the programme is not 'locked in' to achieving

---

<sup>55</sup> M Andrews, *Can one retell a Mozambican reform story through problem-driven iterative adaptation?*, WIDER Working Paper 2014/094, UNU WIDER, 2014; M Andrews et al, 'Building capacity by delivering results: Putting problem-driven iterative adaptation (PDIA) principles into practice' in *A Governance Practitioner's Notebook: Alternative Ideas and Approaches*, A Whaites et al (eds), OECD, Paris, 2015.

<sup>56</sup> C Valters, 2015.

something that is no longer relevant. Approaches to achieving this flexibility in programme log frames include:

- A fully flexible approach - where log frame outputs refer to unspecified institutional/capacity changes, but with the level of ambition agreed in advance with DFID and measured by the numbers of such changes achieved, and/or by progress to achieving such changes. Examples of outputs and associated indicators from DFID programme which adopt this approach are in the annex to this paper;
- A partially flexible approach - with a mix of ‘fixed outputs’ combined with at least one ‘flexible output’, which as with a fully flexible approach does not specify precisely what changes are to be achieved;
- A portfolio approach - providing for a range or ‘menu’ of outputs of which only a certain number need to be achieved. For example one DFID programme lists 15 outputs, with DFID specifying that they would pay for delivery of any four of them<sup>57</sup>.

More controversially, it has been suggested<sup>58</sup> that an alternative approach is to keep the level of ambition on the log frame low, and that the log frame should operate merely as ‘insurance’ for the funder that a minimum level of results will be achieved. DFID’s current structured programme review and scoring processes do not support this approach. Results achieved outside the scope of the log frame do not ‘count’ towards programme evaluation ‘scores.’ Suppliers are thus disincentivised to venture outside the safety of the log frame, and need to ensure that all results are captured in it.

#### Pre-defining results?

DFID’s log frames require reporting against (largely) numerical targets and milestones. As can be seen from the examples in the annex, the response by programmes seeking to ‘do development differently’ and retain flexibility has been largely to define outputs in terms of aggregate changes (for example changes in policies, processes, legislation, attitude, behaviour, or skills), without specifying precisely what these changes will be, or even (where the programme operates in multiple countries or in a federal system) where. Output indicators count the number of such changes (for example in the case of BSI, *the number of significant changes (policy, institutional, financial or services) from catalytic effects of BSI ...*) or the number of steps taken along a path to achieving the change (for example steps towards legislative change).

A key issue which it would be helpful for DFID to clarify is the degree of specificity required in advance at output level in relation to these kind of outputs and indicators: the extent to which results can be ‘retrospectively harvested’, rather than precisely pre-determined up front. At one end of the spectrum is the agreed level of ambition model. Thus DFID requires the suppliers of their SAVI and BSI programmes to agree in advance significance of the results expected (e.g. significant changes in policy). SAVI is not required to specify in advance in which Nigerian states change will be achieved, nor which steps in the change process will be achieved<sup>59</sup>. BSI similarly is not required to pre-determine

<sup>57</sup> D Green, *What can NGOs/others learn from DFID’s shift to ‘adaptive development’?*, From Poverty to Power, Oxfam Blogs, 2015. Available at [oxfamblogs.org/fp2p/how-are-dfid-ngos-and-others-shifting-to-adaptive-development](http://oxfamblogs.org/fp2p/how-are-dfid-ngos-and-others-shifting-to-adaptive-development). Last accessed on 6 October 2015.

<sup>58</sup> D Green, 2015.

<sup>59</sup> SAVI’s output indicators focus on process – evidence of partners being more effective as agents of citizen change. SAVI’s results are defined as evidence of state governments behaving differently and these results are retrospectively harvested.

the policy changes it will catalyse, nor in which countries. At the other end of the spectrum is the pre-determined menu model. LASER is the example. The programme has pre-determined ‘menus’ of specific and precise results agreed with DFID which it could potentially achieve in each country in which it operates. There is some flexibility about adding new results to the menus, but if the programme achieves something that is not on the menu, it will not be ‘counted’ in the programme’s evaluation score. The challenge with this pre-determined results model is that it creates disincentives for the programme to take new opportunities as they arise, which involves seeking DFID approval to change the menu. This is especially the case if the opportunity is a risky one, which may not reap results. The additional challenge is that the menu approach does not allow for unexpected results, or results that the programme may have achieved unknowingly which may be revealed through the evaluation process.

### Adaptive management

LASER is not a ‘typical’ supplier programme in that it is centrally managed, with small-scale operations in each country it engages in, for example supplying a single resident adviser. However, through LASER’s own operations, and through discussions with other DFID programmes which have embraced DDD ways of working lessons are emerging about the possibilities and challenges of operating flexibly and adaptively within the context of DFID’s Smart Rules.

Key processes and tools used by LASER and by similar programmes to enable the flexibility to work on problems as they are identified, adapt to changing priorities and windows of opportunity, and to enable reflection and revision include:

- working with short planning periods and rolling work plans;
- setting milestones for payment by results on a six monthly basis;
- regularly reviewing and updating programme log frame<sup>60</sup>;
- using a high level log frame underpinned by nested log frames with more detailed targets that are reviewed and revised frequently to reflect changes on the ground;
- using the underlying theory of change as an active management tool, regularly reviewing and updating it, particularly the assumptions underlying it (including assumptions about the political economy): *The process of uncovering and critically appraising assumptions will need to be ongoing precisely because, in the initial analysis, many assumptions are likely to remain uncovered*<sup>61</sup>; and
- programme managers actively engaging with technical staff on the ground in regular lesson learning feedback loops, ensuring the programme maintains a strategic focus, at the same time as responding to new opportunities.

Adaptive management is complex, time-consuming and therefore more costly than a more linear approach to programme management<sup>62</sup>. Donor value-for-money pressures to bear down on programme management (wrongly equated with ‘administration’) costs can disincentivise suppliers to work in this way.

---

<sup>60</sup> The SAVI results framework is currently in its 14th iteration since the programme started in 2008.

<sup>61</sup> C Valters, *Theories of Change: time for a radical approach to learning in development*, ODI, London, 2015.

<sup>62</sup> B Ramalingam, 2013.

## 6. Donor delivery mechanisms for institutional reform

Flexible, adaptive ways of working may be standard operating procedure for many development practitioners, and aspects of this approach have been incorporated in some donor programming. But there are significant differences between the hourglass approach and conventional approaches to programming aimed at addressing complex institutional reform problems (see table below).

	<b>Hourglass approach to institutional reform</b>	<b>Conventional approach to institutional reform</b>
<b>Design process</b>	Long design process of ‘learning by doing’ to gain an understanding of the system	Design undertaken before programme form has crystallised during design missions using analysis/diagnostic tools or Design undertaken after programme form has crystallised
	Design is a process of discovery – learn by doing	Design is a process of analysis e.g. needs analysis tools and processes
<b>Entry point</b>	Start with a problem the institution cares about	Start with your analysis of the problem and then try to get buy in
<b>Contractor skills</b>	Contractors need facilitation/soft skills	Contractors need technical skills
<b>Convening power</b>	Convening power lies with a relevant organisation able to bring about change in the institutional framework (normally a state ministry, department of agency, or the Judiciary)	Convening power lies with the donor/donor programme which has its own institutional identity
<b>Approach</b>	Supports reform	Leads reform e.g. by convening coalitions of reform
	Oblique/indirect/seek to join the dots	Direct - clear goals and direction of travel
	Operates under the radar	Donor/programme has clear institutional presence and convening power
	No money on the table during design phase	Money is on the table – explicitly/implicitly

### ***Current delivery mechanisms are ill suited to the hourglass approach***

The hourglass approach, with its lengthy ‘learning by doing’ scoping/designing phases is a departure from contracting models typically adopted for DFID programmes. Figure 2 (overleaf) illustrates more conventional approaches, where either: (1) the design work is contracted out first, and once that is finalised, the implementation phase is contracted separately; or (2) the contract is for design and implementation. Neither sits well with the hourglass. In the case of a split contract, a typically short design period undertaken through a series of consultations and based on analysis, rather than engaging and ‘doing’ is unlikely to reveal the real nature of the problems, let alone solutions.

In addition, the often lengthy process between the end of the design, and beginning of implementation means that any relationships of trust that have been built during the design phase have been lost, and also that the context may well have changed and the design has become less appropriate. In the case of a design and implement contract (or an implement-only contract which begins with a re-design during the inception phase), the challenge is that money is on the table at the beginning, distorting relationships and incentives and bringing its own political economy. The high-level solution – money and a supplier – has been determined before the problems that local people

care about have been explored, deconstructed and solutions locally identified. This is doing development the wrong way round.

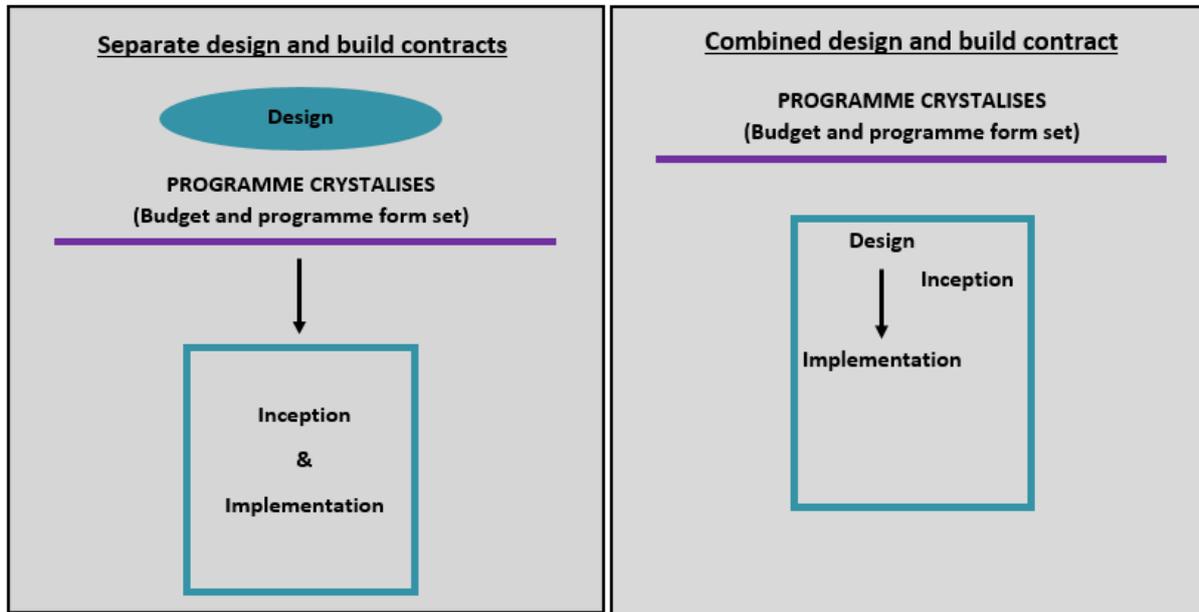
### ***Alternative delivery mechanisms for the design period***

A key feature of the hourglass is the lengthy scoping/design period, during which the development practitioner learns by doing, undertakes ‘purposive muddling’, tries out small bets, iterates around problems, and adapts. Significant funds are not on the table (and thus not programmed) up front. This is not design work in its conventional sense, but DFID’s procurement group has confirmed that phases 1-5 of the hourglass could be contracted out using either existing mechanisms, or potential new ones. This could be by way of:

- letting the work to a singleton consultant under the OJEU limit; or
- using PEAKS or other framework contracts to let out the work; or
- country offices contracting the learning by doing work out to a supplier directly using competitive tendering; or
- developing a new contracted out centrally managed programme (such as LASER or BSI) with a mandate to assist DFID country offices with scoping/design for potential programming of country office funds. This would be a free (and procurement free) resource for country offices. Such a centrally managed programme (or programmes which could potentially focus on different institutional change issues – e.g. corruption, security and justice) would also be well-placed to have a strong lesson-learning component (see for example on a much bigger scale the International Growth Centre or the Climate and Development Knowledge Network) as learning by doing activities start to generate lessons about approaches that work in different contexts.

DFID would manage contracts by way of a log frame (as described above for LASER’s work in Uganda), and/or terms of reference and work plans. These kind of contracts would be reserved as ‘islands of flexibility’ within DFID’s overall portfolio of country-level interventions. Many problems can be dealt with through conventional programming, and do not require oblique, learning by doing approaches. In a post conflict situation for example, immediate investment in infrastructure may be urgently required. But there should be space within DFID’s programme portfolio for more nuanced, oblique approaches which do not put money on the table up front. LASER’s experience is that this approach is particularly relevant in complex fragile contexts (such as Sierra Leone) and when working on highly political problems dealing with complex ‘wicked’ problems of state capability and institutional reform (for example on judicial reform in Kenya).

**Figure 2: Conventional contracting approaches**



***Alternative delivery mechanisms for the implementation period***

Once the institutional reform programme has crystallised, as described under phase 5 above, there are a range of implementation mechanisms open to DFID, not just the contracted-out supplier delivered model. What will be key, however, will be the overlap between activities under the scoping/design by doing contract and implementation (shown by the two arrows down the left hand side of diagram 1). One possible way forward, suggested by DFID’s procurement group, would be for the team responsible for the initial work to be available to be included in bids for the implementation work.

***Getting the right people on the ground***

The first LASER synthesis paper<sup>63</sup>, which brings together lessons from LASER and a wide range of other programmes, emphasises the key role in DDD of ‘aid entrepreneurs’ – the kind of people who can operate within complex environments, are politically attuned, have the right soft skills and who know what questions to ask (rather than knowing the answers)<sup>64</sup>. In LASER’s experience, one of the most important characteristics is to be able to gain the trust of counterparts<sup>65</sup>. All these characteristics are particularly important in fragile contexts.

DFID needs to invest in knowing who these people are, and develop processes to ensure that they are funding the right operators on the ground. One option may be to build up this know-how in conjunction with the Stabilisation Unit, who have a strong emphasis on competencies, as well as skills in relation the personnel they deploy.

<sup>63</sup> See section in first synthesis paper: How Should Development Practitioners Operate Differently on the Ground?, 2015.

<sup>64</sup> B Ramalingam, 2013.

<sup>65</sup> See also T Williamson, 2015.

## 7. Achieving sustainable change

The hourglass approach is not a panacea, and will not be appropriate in all contexts. But it does offer the potential for a more oblique, sophisticated engagement with institutional change, in particular enabling a slow build, incremental approach which integrates design with initial implementation through the scoping/design by doing approach. In some ways it is ‘an upside down’ way of doing aid:

- There is significant engagement and investment (in time, but not money) before significant funds have been programmed;
- The initial entry point is likely to be non-obvious, and is unlikely to be focused on users or service delivery;
- The linkage between the initial entry point and the donor desired end result may be non-obvious and will certainly be non-linear;
- It relies heavily at the beginning not on ‘key suppliers’ but on the competencies of individual ‘aid entrepreneurs’.

Donor best practice recognises that *donors cannot buy reform - they can only support it*<sup>66</sup> (although in the drive for ‘results’ this can sometimes appear to be forgotten). The New Deal for Engagement in Fragile States re-emphasised the need for country ownership and leadership. This is the hard way to achieve change, but in the end, it is the only way that will secure sustainability of reform efforts beyond donor support.

---

<sup>66</sup> L Picard, R Groelsema and T Buss, *Foreign Aid and Foreign Policy: Lessons for the Next Half-century*, Routledge, 2008; House of Commons International Development Committee, *Working Together to Make Aid More Effective: Ninth Report of Session 2007-08*, London, 2008.

## Annex: Examples of outputs and output indicators from DFID funded programmes with DDD approach

Output	Output indicator
<b>Legal Assistance for Economic Reform (LASER)</b>	
1. Improved capability of Government, private sector and donors in DCs to identify CLJ problems, articulate demand and prioritise and deliver CLJ interventions.	1.1 New, problem identification approaches used in CLJ, in partnership with Government private sector and donors in DCs, measured by # of initiatives using the new approaches designed or strongly influenced by LASER.
	1.2 Priority CLJ problems addressed and progress made by Government, private sector and donors in DCs, as measured by the number of major and moderate results achieved through the initiatives referred to in indicator 1.1
2. Better matching of supply to demand with higher quality, more developmentally appropriate expert legal support to developing countries	2.1 Increased knowledge/understanding in suppliers of pro bono legal assistance of international development and its links to pro bono work, measured by the number of guidance products produced and disseminated, number of lesson learning events held
	2.2 Increased supply of quality pro-bono support to DCs(with quality defined as more developmentally appropriate, strategic, responsible to DC needs), measured through market value of pro bono services delivered in line with LASER guidance, delivered by LASER and ROLE UK
	2.3 Sustainable delivery mechanisms/networks established, matching supply of pro bono expertise to DC needs, measured by number of countries where new mechanisms/networks are established
3. Increased availability for DC governments, donors and CLJ suppliers of high quality guidance and policy relevant research	3.1 CLJ products produced and disseminated to output three stakeholders in line with output three strategy: case studies, synthesis papers, guidance notes, and occasional research pieces
	3.2 Collaboration on good practice with leading donors, governments, CLJ suppliers, and influential development practitioners and thought leaders in line with output three strategy: measured by number of collaborations
	3.3 Increase in knowledge of what works and what doesn't work in CLJ reform through two studies
<b>State Accountability and Voice Initiative (SAVI) - Nigeria</b>	
1. Civil society demonstrates a replicable and sustainable approach to issue-based policy advocacy and monitoring	1.1 Level of strength of civil society partnerships in terms of their internal capacity, external relations and skills in policy advocacy and monitoring
	1.2 Level of independence/dependence of civil society partnerships on SAVI support
	1.3 Cumulative number of civil society partnerships emerging in other sub-sectors, sectors and states which have based key aspects of their approach on that of SAVI supported partnerships
2. Civil society demonstrates a replicable and sustainable approach to facilitating public involvement in government budget and planning processes	2.1 Level of strength of civil society partnerships in terms of their internal capacity, external relations and skills in facilitating public involvement in government budget and planning processes
	2.2 Level of independence/dependence of civil society partnerships on SAVI support
	2.3 Cumulative number of issue-based civil society partnerships supported by these budget and planning process partnerships through replication of key aspects of their approaches to facilitating public involvement

Output	Output indicator
<b>3.</b> More open and inclusive systems of communication and improved understanding between citizens, CS, media, SHoA and government	<b>3.1</b> Cumulative number of partnerships supported by SAVI and/or its local partners under all 5 Outputs (through both demonstration and replication) progressively supported by the leadership in civil society, the media, state houses of assembly and government
	<b>3.2</b> Cumulative number of partnerships supported by SAVI and/or its local partners under all 5 Outputs (through both demonstration and replication) progressively including the voice of women and other socially excluded groups
	<b>3.3</b> Improvements in public understanding of the expected roles and responsibilities of civil society, the media, state houses of assembly, government and citizens in improving voice and accountability
	<b>3.4</b> Level of strength of SAVI supported media partners in terms of their internal capacity, external relations and programming skills in support of local partners achievement of their objectives under all five Outputs
<b>4.</b> Improved systems for transparency, public engagement and financial oversight in state houses of assembly	<b>4.1</b> Level of quality of systems for recruitment and retention of house support staff and aides
	<b>4.2</b> Level of quality of systems for induction and monitoring of compliance with house rules and procedures
	<b>4.3</b> Level of quality of systems for public access to information and processes in the house and representation of public interests by members
	<b>4.4</b> Level of quality of systems for scrutinizing public financial documents in the house
	<b>4.5</b> Cumulative number of house committees (HCs) and state houses (SHs) improving the quality of their systems based on approaches initially demonstrated with SAVI support
<b>5.</b> Other development partners take a more sustainable and replicable approach to strengthening voice and accountability	<b>5.1</b> Cumulative number of other development partners (individuals) accessing and taking-up relevant and useful lessons learnt by SAVI and its local partners
	<b>5.2</b> Cumulative number of firm commitments by other development partners (organisations) to replicate key aspects of SAVI and its local partners approaches
	<b>5.3</b> Depth of SAVI and its local partners' learning/approaches being taken up by other development partners (organisations)
<b>Facility for Oil Sector Transparency &amp; Reform (FOSTER) - Nigeria</b>	
<b>1.</b> Increase in extractive industries revenues identified	<b>1.1</b> Policy recommendations, analysis, reports, transparency and advocacy initiatives that lead to new policies, roles and laws
	<b>1.2</b> Capacity building interventions in revenue generating and oversight agencies (including Ministry of Finance, RMAFC and other demand and supply side actors)
	<b>1.3</b> Systems and processes improved in revenue generating and oversight institutions and agencies (including Ministry of Finance, RMAFC and other demand and supply side actors)
<b>2.</b> Improved management and accountability of extractive industry revenues	<b>2.1</b> Policy recommendations, analysis, reports, transparency and advocacy initiatives that contribute to new policies, roles and laws in resource management and accountability
	<b>2.2</b> Capacity building interventions in resource management and accountability institutions and agencies (including DPR, PPPRA, NAPIMS and other key demand and supply side actors)

Output	Output indicator
	<b>2.3</b> System and processes improved in revenue management and accountability institutions and agencies (including DPR, PPPRA, NAPIMS and other key demand and supply side actors)
<b>3.</b> Improved policy outcome for local communities affected by natural resource extraction	<b>3.1</b> Policy recommendations, analysis, reports, transparency and advocacy initiatives that contribute to new policies, roles and laws
	<b>3.2</b> Capacity building interventions for the supply and demand side actors that have a role in improving outcomes for local communities (incl. DPR, NOSDRA)
	<b>3.3</b> System and processes improved in institutions and agencies that have a role in improving outcomes for local communities
<b>Integrated Programme for Strengthening Security and Justice (IPSSJ) - Nepal</b>	
<b>1.</b> S&J facilities are constructed to better serve the public, particularly women, children and other traditionally marginalised	<b>1.1</b> Central WCSC operational in Kathmandu
	<b>1.2</b> # WCSC built in target districts
	<b>1.3</b> # of units built, # of units renovated, # of units enhanced
	<b>1.4</b> Gender sensitivity of building
	<b>1.5</b> # of units reporting quick access to maintenance or repair services to meet
<b>2.</b> S&J institutions have effective systems to improve their skills and better manage their resources	<b>2.1</b> % of WCSC female staff trained on tackling domestic violence, rape and sexual assault, sexual abuse of children, treatment of victims, and communication skills - # police trainers trained in new training programs (30)
	<b>2.2</b> # police and service provider’s representatives trained in GBV
	<b>2.3</b> Number of Nepal Police personnel (commanders of units) benefiting from skills development (training and follow-up) + and forensic investigation and communication skills
	<b>2.4</b> Evidence of performance management strategy with action plan for effective policing at district and national level
	<b>2.5</b> % of Women and Children district Offices with increased capacity to prevent and respond to GBV
<b>3.</b> S&J services are more available to the public, particularly the traditionally excluded	<b>3.1</b> % of victims who have access to WCSCs counselling services
	<b>3.2</b> % of men/women that report police facility near them is more accessible if they need to go there for any reason
	<b>3.3</b> # children who benefited from family preservation and prevention of institutionalization in 5 districts
	<b>3.4</b> # of police and community members participating in public partnership initiatives between police and local communities
	<b>3.5</b> # of men/women benefiting directly from community mediation provided by grantees
	<b>3.6</b> # of men/women benefiting directly from legal Aid services provided by grantees
<b>4.</b> The public, particularly the traditionally excluded, are better informed about S&J services	<b>4.1</b> # of stakeholders and communities who are sensitized on GBV
	<b>4.2</b> % of men/women who know at least 3 services
	<b>4.3</b> # of VDCs where awareness raising sessions (on rights, services, procedures etc.) have been provided by grantees
	<b>4.4</b> # of men/women participating in awareness raising sessions
	<b>4.5</b> % of men/women who know at least 3 provisions and procedures for victims of violence
<b>Budget Strengthening Initiative (BSI)</b>	

Output	Output indicator
1. Delivery of high-quality Technical Assistance (TA) to support improved budget policy, process capacity and financial management systems in Ministries of Finance	1.1 Number of annual work stream assessments achieving rating of A or higher (cumulative)
	1.2 Number of significant changes (policy, institutional, financial or services) from catalytic effects of BSI (cumulative)
2. Delivery of high-quality Technical Assistance (TA) to support improved management of domestic revenue and external resources by Ministry of Finance, and to support the establishment & implementation of processes and systems for coordination, financing, management and monitoring of government-led delivery of local services	2.1 Number of annual work stream assessments achieving rating of A or higher (cumulative)
	2.2 Number of significant changes (policy, institutional, financial or services) from catalytic effects of BSI (cumulative)
3. Delivery of high-quality Technical Assistance (TA) to support improved transparency and accountability in government budgets	3.1 Number of significant changes in the transparency, availability, accessibility, or oversight of government budget data (cumulative)
	3.2 Number of annual work stream assessments achieving rating of A or higher (cumulative)
4. More effective international engagement of fragile states being facilitated through the g7+ Group of Fragile States	4.1 Number of annual work stream assessments achieving a rating of A or higher (cumulative)
	4.2 Implementation capacity of g7+ Secretariat enhanced and progress against plans in line with expectations
5. High quality research and dissemination of papers on the challenges of budget strengthening in fragile states	5.1 Number of research papers produced (cumulative)
	5.2 Number of (i) visits to the ODI website, across all BSI content, (ii) downloads of BSI publications, and (iii) visitors to the beyond budgets blog site. (Cumulative since 2010)

## Bibliography

Andrews, M (2014) 'Can one retell a Mozambican reform story through problem-driven iterative adaptation?' WIDER Working Paper 2014/094, UNU WIDER.

Andrews, M. (2013) Explaining positive deviance in public sector reforms in development. CID Working Paper No 267. Cambridge, MA: Harvard University.

Andrews, M. (2013) The limits of institutional reform in development. Cambridge: Cambridge University Press.

Andrews, M., Pritchett, L., Samji, S., Woolcock, M. (2015). Building capability by delivering results: Putting PDIA principles into practice. In A Governance Practitioner's Notebook: Alternative Ideas and Approaches. Whaites, A., Gonzalez, E., Fyson, S., Teskey, G. (ed) OECD.

Andrews, M., Pritchett, L., and Woolcock, M. (2012) Escaping Capability Traps through Problem-Driven Iterative Adaptation'. Working Paper 299 June 2012. London: Center for Global Development.

Barder, O. (2013) Science to Deliver, but no 'Science of Delivery'. Washington DC: Center for Global Development. Available at [www.cgdev.org/blog/no-science-of-delivery](http://www.cgdev.org/blog/no-science-of-delivery). Last accessed on 30 September 2015.

Booth and Unsworth 2014 'Politically smart, locally led development'. ODI discussion paper. London: ODI.

Booth, D and Chambers, V (2014) 'The SAVI Programme in Nigeria: Towards politically smart, locally led development'. London: ODI.

Booth, D. (2015) Five steps for reorienting governance work in development. Accessible at: <http://blogs.worldbank.org/publicsphere/five-steps-reorienting-governance-work-development>. Last accessed on 30 September 2015.

Boulton, J (2015) Embracing complexity – strategic perspectives for an age of turbulence. Oxford: Oxford University Press.

Cox, M. and Robson, K. (2013) Mid-term evaluation of the Budget Strengthening Initiative. London: Agulhas.

Denney, L. and Domingo, P. (2014) Security and justice reform: Overhauling and tinkering with current programming approaches. London: ODI.

DFID (2015) Designing and operating a flexible and adaptive programme: Investment climate. Available at [laserdev.org/media/1105/150622-case-studies\\_laser-2-pager-updated-14-july-2015-with-ldp.pdf](http://laserdev.org/media/1105/150622-case-studies_laser-2-pager-updated-14-july-2015-with-ldp.pdf). Last accessed on: 5 October 2015.

DFID (2015) Smart rules, better programme delivery. Version IV. London, UK

Fritz, V., Levy, B., and Ort, R. (2014) Problem-driven Political Economy Analysis: The World Bank's Experience. Washington DC: World Bank.

Green, D. (2015) What can NGOs/others learn from DFID's shift to adaptive development? Available at [oxfamblogs.org/fp2p/how-are-dfid-ngos-and-others-shifting-to-adaptive-development](http://oxfamblogs.org/fp2p/how-are-dfid-ngos-and-others-shifting-to-adaptive-development). Last accessed on 6 October 2015.

- Green, D. (2014) What if we scrapped The Project – are there better ways to fund development? Available at [oxfamblogs.org/fp2p/what-if-we-scrapped-the-project-are-there-better-ways-to-fund-development](http://oxfamblogs.org/fp2p/what-if-we-scrapped-the-project-are-there-better-ways-to-fund-development). Last accessed on 5 November 2015.
- Hellman, J (2013) ‘Surprising results from conflict affected states’. World Bank blog. Available at [blogs.worldbank.org/futuredevelopment/surprising-results-fragile-states#comment-153](http://blogs.worldbank.org/futuredevelopment/surprising-results-fragile-states#comment-153). Last accessed on 30 September 2015.
- House of Commons International Development Committee (2008) Working together to make aid more effective: Ninth report of session 2007-08, London, UK.
- ICAI (2015) Review of UK development assistance for security and justice. London: ICAI.
- Kay, J. (2010) Obliquity. London: Profile Books.
- Laric, M. and Waddell, N. (2015) Nepal: Hydropower and the politics of investment. Accessible in Booth, D (2015) Politically smart support to economic development. ODI: London.
- LASER (2016) Monday morning in Kigali: what do you do when you get off the plane? Practical Guidance for PDIA practitioners. London: LDP.
- LASER (2016) Rwanda case study: Enhancing government contract management processes to stem significant financial losses. London: LDP.
- LASER (2016) Kenya case study: Exploring how to use a problem-driven iterative adaptation approach in restructuring pre-existing institutional reform programmes. London: LDP.
- LASER (2015) Retrospective study of the progress, performance and impact of the Uganda Commercial Court 1996-2015. London: LDP.
- LASER (2015) Uganda case study: Designing an institutional reform programme at scale. London: LDP.
- LASER (2015) Somaliland case study: Adopting a PDIA approach in FCAS - enhancing donor programming in Somaliland. London: LDP
- Manuel, C (2015) Investment climate reform, doing it differently: What, why and how. London: LDP. Available at [laserdev.org/media/1102/laser-synthesis-paper-investment-climate-reform-doing-it-differently.pdf](http://laserdev.org/media/1102/laser-synthesis-paper-investment-climate-reform-doing-it-differently.pdf)
- Meadows, D. and Wright, D. (2009) Thinking in systems: A primer. London: Routledge.
- Parliament (2014) Department for International Development's Performance in 2013-2014: the departmental annual report 2013-14 – international development. Available at [www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/750/75007.htm](http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/750/75007.htm). Last accessed on 6 October 2015.
- Picard, L., Groelsema, R. and Buss, T. (2008) Foreign aid and foreign policy: Lessons for the next half –century. London: Routledge.
- Pritchett, L., Woolcock, M. and Andrews, M. (2012) ‘Looking like a state: Techniques of persistent failure in state capability for intervention’. UNU WIDER. WIDER Working Paper 2012/63.

Pritchett, L., Woolcock, M. and Andrews, M. (2010) Capability traps? The mechanisms of persistent implementation failure. Working Paper 234. Washington DC: Center for Global Development.

Ramalingam, B. (2013) Aid on the edge of chaos: Rethinking international cooperation in a complex world. Oxford: Oxford University Press.

Simavi, S., Manuel, C. and Blackden, M. (2010) Gender dimensions of investment climate reform. Washington DC: IFC.

The Law & Development Partnership (2015) The application of problem-driven iterative adaptation approaches to DFID security & justice assistance. London: LDP.

Turner, M., Hulme, D. and McCourt, W. (2015) Governance, management and development: Making the state work 2nd ed. London: Palgrave Macmillan.

Valters, C. (2015) Theories of Change: time for radical approach to learning in development. London: ODI.

van Veen, E. and Price, M. (2014) Securing its success, justifying its relevance: mapping a way forward for Security Sector Reform. The Hague: Clingendael.

Whaites et al (2015) A Governance practitioner's notebook: Alternative ideas and approaches. Paris: OECD.

Williamson, T. (2015) Change in challenging contexts: How does it happen? London: ODI.