The Asia Foundation
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WORKING POLITICALLY IN PRACTICE SERIES
– CASE STUDY NO. 3 –

STRATEGY TESTING:
AN INNOVATIVE APPROACH TO MONITORING
HIGHLY FLEXIBLE AID PROGRAMS

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Foreword

For several decades, The Asia Foundation has been implementing development programs through a highly responsive, politically informed, iterative 'searching' model of assistance. Variations of this approach have been an important element in the Foundation's work going back to its founding in 1954. While each program varies, this model is broadly characterized by a heavy emphasis on contextual knowledge and relationships, combined with multiple small, nuanced and carefully targeted interventions working closely with local partners. This stands in sharp contrast to the conventional, pre-planned 'projectized' approach that has long been the standard in the development industry. Especially in cases where a development problem may seem to be politically intractable, an approach that focuses on building relationships and expanding knowledge of the landscape of interests and influence, while retaining the flexibility to adjust program strategy and tactics as new information or unexpected opportunities become available, is more likely to yield good results.

An important component of this work has been The Asia Foundation's partnership with the Australian Department of Foreign Affairs and Trade (the DFAT-TAF Partnership). This Partnership has provided the Foundation with a unique opportunity to trial, analyze and learn from program initiatives that are taking an iterative politically-informed approach. This paper series draws on lessons from the DFAT-TAF Partnership to explore what working politically means in practice. The series includes case studies, which are being undertaken in collaboration with the Overseas Development Institute (ODI) as well as analytical papers.

The current paper describes a new monitoring system developed by The Asia Foundation under the DFAT-TAF Partnership called Strategy Testing (ST). ST was developed to track programs that are addressing complex development problems through a highly iterative, adaptive 'searching' approach. Traditional monitoring methods are designed to track progress in linear, largely pre-planned projects where the result and the path to achieving it are known from the outset. Such methods are poorly suited to contexts where specific results emerge over time in the course of implementation, and where there is a need to track shifts in program strategy and action. ST is designed to fill this gap. The paper provides a detailed description of the ST approach and the tools developed to facilitate the process. It also briefly outlines key insights on what flexible programming means in practice, using examples from the Foundation's experience of conducting four rounds of ST across initiatives in 10 countries, and concludes with a series of critical reflections on the ST tool. These insights may be of particular interest to practitioners who may want to adapt the ST approach in their own programs.

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Acknowledgements

Contents

1. Introduction

Strategy Testing (ST) is a monitoring system that The Asia Foundation (the Foundation) developed specifically to track programs that are addressing complex development problems through a highly iterative,[1] adaptive approach. These problems involve complicated technical issues and are often intensely political because they challenge how power and resources are distributed.[2] Due to the complex and fluid nature of the problems being addressed, often the solutions are not obvious or predictable when programs are being designed. As a result, these programs require a new approach that emphasizes building strong relationships and deep knowledge, experimenting, and maintaining tight feedback loops between learning and action.[3]

Traditional monitoring approaches are not suited to highly flexible, adaptive programs because it is not possible to identify outcomes and indicators at the outset of the program, and they do not quickly or easily accommodate necessary shifts in program strategy and action.[4] ST, which was developed under an institutional partnership between the Australian Department of Foreign Affairs and Trade (DFAT) and The Asia Foundation, aims to fill this gap. ST also aims to enable program staff to approach their work with a more flexible, critical, entrepreneurial,[5] and adaptive mindset.

This paper is divided into six sections. Section II describes the key features of the programs that ST is designed to monitor. Section III discusses the challenges inherent in monitoring programs that are working in highly adaptive ways, and their unique learning needs. Section IV provides a detailed explanation of the ST process and presents the tools used to facilitate and document ST discussions. Section V briefly outlines some key insights on what a flexible program approach means in practice, using examples from the Foundation's experience of conducting four rounds of ST across a range of program initiatives in 10 countries. Finally, Section VI presents some reflections on ST, based on the Foundation's experience to date. The annex to this paper also contains the templates used to facilitate and document the ST process.

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1. In this paper the term 'iterative' refers to an existing body of research and thinking that argues programs should repeatedly test and adapt their assumptions in immediate response to learning and new information. This process of constant challenge and refinement allows the program to remain relevant within its political context and thus always be pursuing the most likely path towards impact.
2. See Booth 2014; Unsworth (ed.) 2010; North 1990; Rodrik 2008; and Grindle 2004.
3. An insight helpfully articulated in Faustino and Booth 2014 and Andrews et al. 2012.
4. This insight has been most recently articulated in the work of Pritchett et al. 2013 and Preskill et al. 2014.
5. The term 'entrepreneurial' refers to a specific body of theory and practice called 'development entrepreneurship'. Faustino and Booth(2014) argue that entrepreneurial logic can help aid practioners to navigate "…complex development challenges and 'wicked' problems to discover elusive, technically sound yet politically possible pathways to reform..." (Faustino and Booth 2014. p XII). Specifically, the application of entrepreneurial logic to aid programming entails learning by doing through a process of trial and error.

2. The Iterative, Adaptive Programmatic Approach

The international development community has increasingly embraced the idea that finding durable solutions to complex development problems requires new ways of working that move beyond standard practices and industry norms.[6] This recent wave of interest in alternative approaches to development assistance has resulted in the emergence of a number of communities of practice that are exploring how a better understanding of politics can improve the effectiveness of aid programs.[7] Experience has demonstrated that unless those with power use their influence to support reform, technical solutions by themselves rarely lead to meaningful change. However, efforts to operationalize a 'thinking and working politically' approach have prompted a broader reconsideration of development practice because the structures and requirements of standard development projects do not facilitate innovative, politically-informed ways of working.

Unless those with power use their influence to support reform, technical solutions by themselves rarely lead to meaningful change.

While there are multiple articulations of what a more effective approach to development assistance might look like,[8] one core principle they generally share is the need for greater flexibility. This emphasis on flexibility stems from an understanding that development is a complex, unpredictable, and dynamic process that depends on the changing interests, incentives, ideas, and relationships among multiple groups and individuals. In this context, an iterative approach that closely links learning and action is most likely to bring about effective solutions.

While there is a growing consensus on the need for new approaches to development assistance that are more flexible and take greater account of politics, often donors, academics, and development practitioners struggle with defining exactly what this means in practice, and how to go about doing it.[9] Under its institutional partnership with the Australian Department of Foreign Affairs and Trade (DFAT), the Foundation is implementing a number of program initiatives that have been very deliberate and systematic in their efforts to adopt iterative, politically-informed strategies to address critical development challenges. The program initiatives under the DFAT–TAF Partnership are working on diverse development challenges that range from improving urban services in Ulaanbaatar, Mongolia to achieving economic policy reform in Bangladesh. However, they all share a common approach to program design and implementation.

This approach focuses on understanding the interests and incentives driving key actors and linking this understanding to efforts to remove constraints and promote critical reforms. These programs start with a broad articulation of the ultimate outcome that the program seeks to achieve (e.g. reducing the cost of the Internet in Bangladesh by opening the information technology sector to greater competition) and an entry strategy, often aimed at building deeper knowledge of both the political and technical dimensions of the problem and strengthening relationships with key actors. However, because bringing about change requires navigating an unpredictable and complex landscape of interests, and identifying where there is room to manoeuver, a precise plan of activities that will achieve results cannot be defined from the beginning. Rather, the path to reform evolves over time through building relationships, gaining deeper understanding of the problems and interests at play, experimenting, adjusting program strategies as insights emerge, and recognizing and seizing on unexpected opportunities as they arise.

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6. A number of communities of practice focused on this idea have emerged in recent years, most notably the "Doing Development Differently" Community.
7. See Acemoglu and Robinson 2012; Booth 2014; and Ostrom 2005.
8. Some relevant approaches include those of Andrews et al. 2012, Faustino and Booth 2014 and Booth and Unsworth's six features of successful programs (2014).
9. Developmental Leadership Program 2015.

2.1 THE MONITORING AND LEARNING CHALLENGE

A politically-informed, flexible program approach holds great potential for achieving impact on some important, yet seemingly intractable problems. However, a flexible approach to program design and implementation makes monitoring very challenging. Standard performance monitoring tools are not suitable for highly flexible, entrepreneurial programs as they assume that how a program will be implemented follows its original design.[10] The work of Preskill et al.,[11] USAID[12] and Pritchett et al.[13] have made important contributions to showing where and how more traditional conceptualizations of monitoring must be adapted for use in highly flexible programs. Drawing on their work, Table 1 highlights key differences between a standard, fixed approach to programming and a flexible one.

Table 1: Differences between Fixed and Flexible Program Approaches

Standard, Fixed Program Approach	Flexible Program Approach
Most suitable for problems with predictable, straightforward solutions	Most suitable for complex problems, where solutions are difficult to predict
From the start, program activities, outputs and outcomes can be clearly identified	Activities, outputs and outcomes emerge over time through experimentation and learning
Achievement of program outcomes follows a linear, cumulative path, based on causal relationships that link activities to outputs and outputs to outcomes	A non-linear, evolutionary path emerges through experimentation and responding to opportunities
Program design is largely based on research and analysis conducted during the design phase	Program design evolves throughout implementation, based on ongoing analysis and new learning
The program's theory of change is set at start up, and strategies and outcomes are expected to remain the same	The program's theory of change is adjusted throughout program implementation, as are program strategies and outcomes
While the program has some scope for adjustment, significant changes in direction are not easily accommodated	Significant adjustments in program direction are expected over the course of implementation

These differences between fixed and flexible approaches have significant implications for program monitoring. Conventional monitoring systems generally track a program's progress in achieving predetermined milestones and indicators of success against an assumed path to change.[14]

This approach works very well for projects in which the causal connections between actions and results are well-established and straightforward. For example, a conventional monitoring approach would likely be effective for a project aimed at reducing the incidence of certain infectious diseases by increasing the

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10. While monitoring and evaluation (M&E) are integrally linked, this paper only focuses on the monitoring component and how it can both track progress and help drive staff to take a flexible program approach.
11. Preskill et al. 2014.
12. USAID 2013.
13. Andrews et al. 2012; Pritchett et al. 2013; and Preskill et al. 2014.
14. The project's path to change may be expressed in the form of a logic model, a results framework, or a theory of change. Regardless of the format, it will articulate a linear, cumulative path to achieving outcomes, based on a series of causal relationships between activities, outputs, and outcomes.

percentage of children who are vaccinated. However, as evidenced by the work of Faustino and Booth[15] as well as Valters,[16] for a number of reasons flexible programs need a different approach.

First, a standard monitoring approach requires that well defined outcomes and activities can be identified at the outset of the program and that these will remain fairly stable over time. While standard monitoring techniques generally do provide some scope for adjustment during the course of implementation, they do not easily or quickly accommodate significant changes in program directions. The basic assumption is that program strategies and outcomes will largely remain the same.

Second, a standard monitoring approach assumes a high level of confidence in the program's theory of change (TOC). Monitoring activities focus on where the project is along the path (i.e. the quality of implementation), not on whether the path selected is the best one. There is an assumption that the core development hypothesis underlying the program design is correct. While this approach is effective in tracking and logging the achievement of predetermined benchmarks and milestones, it is less effective at tracking how program activities relate to larger change processes and what this reveals about the efficacy of the program's logic, the likelihood that program strategies will achieve impact, or the extent to which assumptions underpinning the TOC are valid. These issues are often assessed in an end-of-project evaluation, but are generally not examined through ongoing monitoring activities.

The path to reform will emerge over time through a repeating cycle of building relationships, experimentation, and... continuous learning.

Finally, while monitoring is generally intended to serve as a tool for both accountability and learning, in reality, accountability is often given greater emphasis. As such, timelines for monitoring activities are often determined by external pressures such as donor reporting requirements, rather than by program needs and the actual pace of change.

As outlined above, the program initiatives supported through the DFAT–TAF Partnership diverge from conventional programs in a number of critical ways that counter the core assumptions and requirements of a standard monitoring approach. The development problems being addressed through the partnership were only partially understood at the outset, and it was assumed that sustainable solutions would be identified through a non-linear "searching" process.[17] A key premise underlying this approach is that the path to reform will emerge over time through a repeating cycle of building relationships, experimentation, program adjustments, and continuous learning. Accordingly, it was not possible to establish a monitoring system based on predetermined outcomes, milestones, and indicators because these were expected to change over time, as the realities on the ground changed or teams discovered new information or opportunities.

Forcing a conventional monitoring system on DFAT–TAF Partnership program initiatives would risk derailing the iterative nature of their approach. Investing significant resources up front to establish baselines, identify indicators, and set up data collection protocols could inadvertently 'lock in' a theory of change and prevent program teams from exploring other options or seizing on opportunities when they emerge. Finally, the type of information that standard monitoring techniques generate does not meet the learning needs of highly flexible programs as these are focused on understanding the link between strategies and impact. Thus, the challenge for the Partnership was to develop a rigorous and meaningful monitoring system that would not hinder a flexible, adaptive program approach and, instead, would actually facilitate and support program flexibility.

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15. Faustino and Booth 2014.
16. Valters 2014.
17. The notion of a ''searching'' vs. a ''planning'' approach to development assistance was first coined by Easterly in his 2007 seminal work: *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good.*

3. Strategy Testing

3.1 THE PURPOSE OF STRATEGY TESTING

To meet the learning and accountability needs of programs that are working on complex problems and likely to repeatedly change, the Foundation has developed Strategy Testing. This monitoring approach requires program teams to take periodic, structured breaks from day-to-day program implementation to collectively reflect on what they have learned and to ask whether the assumptions underpinning their program strategies are still valid in light of new information, insights, and shifts in local context. Based on such reflection and reassessment, program teams adjust their programs as needed with the aim of increasing the likelihood of achieving results.

The ST process was designed to help ensure that new insights and information gathered during program implementation can inform program direction. ST is intended to drive as well as track an iterative process of narrowing and refining the program's outcomes and adjusting program strategy to achieve those outcomes. ST also helps to facilitate more strategic and entrepreneurial programming as it requires teams to reflect on what is working, what is not, and to scrutinize and update their TOCs in response to new information, emerging opportunities, and changes in local context.

> **Strategy Testing requires teams to continually assess the probability of achieving success as they process new information and refine their strategies.**

As ST was custom designed to monitor flexible program approaches, it differs from more traditional monitoring techniques in a number of important ways. Rather than tracking progress against an assumed path to change, ST requires teams to continually assess the probability of achieving success as they process new information and refine their strategies. In this way, the accountability focus shifts from the activity level to the impact level. ST also expands the boundaries of what constitutes legitimate evidence by including the perceptions and insights that program teams develop over time through ongoing conversations and observations. While ST provides accountability, the primary focus is on learning. Accordingly, the process is not synchronized with donor reporting cycles, but rather with the program's pace and direction of change so adaptation occurs in response to new information or opportunities as these arise. ST allows teams to transform what they learn into immediate action, rather than delaying the application of lessons learned until the end-of-program review.

3.2 THE STRATEGY TESTING PROCESS

The first step in the ST process is developing a working theory of change. ST uses a TOC to articulate the program's logic because it is a flexible tool that can capture the complexity and nuance of potential pathways to change.[18] Program teams develop an initial TOC to articulate their collective understanding of the problem the program aims to address, the key factors perpetuating the problem, and the binding constraints to change. The TOC also describes actions that could plausibly lead to desired outcomes. The initial TOC sets out the team's 'best guess' about the most likely path to change. Since this first TOC is based on the team's initial understanding of the problem and its context, they recognize that the TOC is likely incomplete and will evolve over time as the team builds relationships, gathers new information, experiments, and, most importantly, reflects on what is working and what is not. Thus, the TOC is not a static document, but one that will continue to evolve as knowledge and understanding of the problem grows.

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18. Valters 2014.

Approximately 4 months after developing the initial TOC, the team conducts its first ST exercise, which is then repeated approximately every 3 to 4 months.[19] The core of this ST process is a structured discussion during which the participants collectively examine the previous version of the TOC to see whether its implicit assumptions are still valid. The duration of the session can vary, depending on the program team's needs, but it generally takes a full day. Who participates in an ST session depends on the program's structure and staffing. At a minimum, ST includes all members of the core program team, but in some cases trusted partners or external consultants are invited to join all or part of the session.[20] The selection of participants should be carefully considered because while the process can be very effective in facilitating communication and building a collective vision, participants must be willing to engage in an honest and reflective discussion. Sometimes an external facilitator or strategic advisor who is familiar with the program takes part in the session and plays an important role by setting the right tone, challenging the team to question their thinking and assumptions, and helping the team to step back from the day-to-day tasks of program implementation to focus on the broader changes that the program seeks to achieve.

The structure of a ST discussion can vary substantially, but generally it involves the following steps:

Step 1: First, the team reviews what has happened since the previous TOC was drafted, including major external events, changes in the political context, key decisions, accomplishments, and setbacks. To assist with this discussion, program teams maintain a Timeline, which they create at the beginning of the program and update on an ongoing basis as events occur and new decisions are made.[21] By keeping a record of major events and decisions, the Timeline is a useful tool for capturing what has happened over the course of the program and for informing the discussion at each quarterly ST session.

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19. The Partnership has established a minimum frequency of sessions per year, but not a maximum. Some program managers report updating their TOCs far more frequently.

20. For example: the Partnership's program addressing public sector and public financial reform in Myanmar has held short 1-day meetings with only a small group of key Foundation staff. Alternatively, the Partnership's Philippines program (which focuses on conflict mitigation and mediation) has invited their implementing partners to a full 3-day workshop.

21. This tool was adapted from the Development Entrepreneurship approach. For more information on the Development Entrepreneurship model, which includes six program management tools, see Faustino and Booth 2014.

Table 2: Example of Program Timeline[22]

STRATEGY TESTING: TIMELINE

TIMELINE OF MAJOR EVENTS, DECISIONS, AND ACCOMPLISHMENTS			
Name and Country of Initiative: Hydropower Development, Nepal		Date: May 2, 2014	
Date	**Major Events, Decisions and Accomplishments**	**Event Type**	**Relevance/Explanation**
3/2014	TAF and Niti Foundation establish a partnership with the National Association of Community Electricity Users Nepal (NACEUN) to engage policymakers in the Constituent Assembly (CA)	Achievement	As NACEUN has a huge voting bank, this partner ship will be effective in raising electricity-related public interest issues to the CA
4/6/2014	CPN-Maoist party releases a statement citing its opposition to foreign direct investors (FDIs) in hydropower	Roadblock	While the CPN-Maoist opposition to FDIs in hydropower has very little impact at the policy level, it could result in disruption of FDI-supported hydro power generation at ground level, especially in remote locations
4/7/2014	NACEUN discusses the reform agenda with the new Energy Minister and the Deputy Secretary. The Minister presents NACEUN with a written commitment to support the Electricity Bill	Achievement	Getting the Ministry of Energy's support for the Electricity Bill is a step in the right direction
4/9/2014	Prime Minister (PM) Koirala, at an Investment Board Nepal meeting, speaks of fast tracking mega-hydropower projects	External	Commitment from the PM bodes well for future policy reforms

Step 2: The team reviews and discusses the program's latest theory of change, using a set of guiding questions. In this reflective session, the team discusses relevant changes in the external environment, analyzes shifts in the interests and relationships among key actors, and assesses progress made or roadblocks encountered in achieving their expected outcomes. The purpose of this discussion is to critically assess whether new information gleaned since the last ST session increases the team's confidence in their current strategies or suggests that they need to adjust the program. (Table 3 lists these Strategy Testing Review Guiding Questions). While the TOC format appears quite structured and linear, the discussion is generally an iterative process that involves team members sharing different perspectives, critiquing each other's hypotheses, and triangulating information in order to reach agreement on program directions going forward. The documentation is intended to help summarize and capture the team's thinking, but not to impose a rigid order on the conversation. As explained previously, how the team structures the conversation varies considerably, based on the types of changes that have occurred as well as the team culture.

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22. The Timelines help to situate program activities in the broader reform context by asking teams to record and label several event types, including: External Events [includes significant political events and other occurrences affecting the political economy], Initiative Decisions [a significant strategy decision or TOC adjustment], Initiative Accomplishments [a significant milestone, fulfillment of an intermediate outcome], and Initiative Roadblocks [a programming delay or failure, a change in partners, or a political barrier].

Step 3: Based on the ST discussion, the team then revises their theory of change as needed, with a focus on developing strategies with higher impact potential. This can involve adjustments to both the program's outcomes as well as the strategies and tactics employed to achieve these. The team may drop strategies that have proven ineffective, add new strategies to address dimensions of the problem that were not previously understood, or refine the existing strategies. Teams may also revise their intermediate outcomes and may even adjust, clarify, or add greater specificity to their ultimate outcomes. Table 3 shows the TOC format which the DFAT–TAF programs are using, along with a series of questions to guide program teams through the ST reflection and updating process.

Table 3: TOC Format and Strategy Testing, Guiding Review Questions

STRATEGY TESTING: GUIDING REVIEW QUESTIONS

Problem Statement: The major problem the initiative is addressing.

Possible Review Questions:
- Since last working with our Theory of Change, what more have we learned about the nature or extent of the problem we are addressing?
- Have there been significant changes in context that require adjusting how we now frame or define the problem?

. . . because of

Analysis of Key Dynamics: The political, economic, social, institutional, and historical factors that result in the current scenario, including both formal and informal rules (e.g. key actors, relationships, interests, and incentives).

Possible Review Questions:
- How have the political, economic, social, and institutional factors changed?
- Who are the key actors now, and how have their relationships, interests, and/or incentives changed?
- How have changes in the environment or new information we have learned impacted our analysis of the most critical dynamics underlying the problem?

However, if we do . . .

Interventions/Strategies: Description of the strategies the initiative will undertake in order to bring about the Intermediate Outcomes along with a brief rationale.

Possible Review Questions:
- Given the changes in the context or our understanding of the problem, do we need to change or drop any of our current strategies or add any new ones?
- Is there new information or recent changes in key dynamics that impact the sequencing of our strategies?

Then we expect that . . .

Intermediate Outcomes: The major changes or preconditions that need to occur in order to bring about the Ultimate Outcome. These desired changes should be both "technically sound and politically possible."

Possible Review Questions:
- Given the current Ultimate Outcome and the dynamics surrounding the issues, do the intermediate outcomes or the required preconditions for the Ultimate Outcome need to change? Remember, these intermediate outcomes need to be "technically sound and politically possible".

As a result . . .

Ultimate Outcome: The major change or impact the Initiative seeks to achieve or influence. The Ultimate Outcome should be concrete and specific enough so that it can be measured, either through the use of secondary data or, in some cases, through the collection of primary data.

Strategy Review Questions:
- Have there been changes in the political economy context or new information that require adjusting our Ultimate Outcome?

After an initiative clearly identifies its Ultimate Outcome, it often does not change significantly. However, as the initiative "drills down" more and more, the Ultimate Outcome may become more narrowly defined.

Step 4: The final step in the Strategy Testing process involves documenting how and why the TOC has been revised and identifying any related programmatic, operational or budgetary implications. To standardize documentation, the team working on each program initiative completes an Adjustments to the Theory of Change form, which summarizes and justifies all significant changes to the TOC and notes any programmatic, operational, or budgetary implications of those changes.

Table 4: Example of Strategy Testing, Adjustments to the Theory of Change

STRATEGY TESTING: ADJUSTMENTS TO THE THEORY OF CHANGE

Name and Country of Initiative: Hydropower, Nepal   Date: April 2014

Current Scenario:	No changes	
Analysis of Key Dynamics:	Added a section to the TOC on Investment Board Nepal, which is tasked with overseeing hydropower projects over 500 MW in capacity. The Board continues to struggle to carry out its mandate because a lack of clarity on roles has slowed any foreseeable progress.	Unless the Board can carry out its mandate with cooperation and coordination from ministries, there will be greater difficulty in implementing hydropower projects.
Strategies:	Added advocacy for a regulatory commission as a strategy. Advocacy will be pursued in Round 2, based on feedback received from Round 1's interest-mapping exercises. For other strategies, an almost total revision was needed as new partnerships have now been forged for advocacy and policy-related activities in Round 2.	Round 1 emphasized stocktaking and interest mapping, while Round 2 will engage in activities that lead to achieving the targets set out when the project was first formulated, prior to Round 1.
Intermediate Outcome:	The previous intermediate outcome statements seemed somewhat general, and so they were revised to be more specific and concrete.	
Ultimate Outcome:	Rephrased the statement to incorporate a tracking indicator to demonstrate whether the project has been moving in an appropriate direction to achieve results.	

After each round of ST, program teams submit the completed documentation to the regional team that has responsibility for managing the overall DFAT–TAF Partnership. This includes a revised TOC (with revisions shown by using Microsoft Word's Track-Changes), an updated Timeline, as well as the Adjustments to the TOC form.[23] These documents record all programmatic decisions and adjustments, thereby serving an important accountability function. The regional management team reviews all the documents in order to check the logic and assumptions of the revised TOC, and then provides feedback to raise questions and/or highlight issues for the program team to consider in the next round of ST. On rare occasions, the ST documentation has alerted the regional management team about issues or problems that require immediate attention, and in this way, the documentation also serves as an accountability tool.

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23. A complete set of the Strategy Testing templates is provided in the Appendix.

4. Insights about a Flexible, Adaptive Program Approach

The ST process is generating new insights about how a flexible, adaptive approach works in practice. Based on four rounds of ST across multiple DFAT–TAF program initiatives, some general trends are emerging about the reasons for strategic adjustments as well as the types of changes program teams tend to make.

4.1 WHAT PROMPTS PROGRAM TEAMS TO ADJUST THEIR STRATEGIES AND OUTCOMES?

While there is great variation in the reasons for programmatic adjustments, three common reasons why program teams decide to change direction or alter their strategies are: (1) new information, (2) external events, and (3) roadblocks and accomplishments. These three categories are not mutually exclusive and vary significantly in how they manifest, but they can provide a useful framework for understanding how a flexible programmatic approach links learning and action. The sections below explain each of these categories in greater detail.

New information: Throughout program implementation, program teams are continuously processing new information and thereby developing a deeper and more nuanced understanding of the local context, the political and technical dimensions of the problem they are working on, and the opportunities for progress. In this context, new information takes many forms, ranging in formality from a newly published report based on rigorous mixed-methods research to the perceptions, ideas, and insights of program team members that emerge through their relationships, observations, and discussions. Often knowledge produces even greater knowledge because as team members learn more about an issue, they are better able to figure out which questions to ask and who to ask. Gaining access to a critical new piece of information could also lead to new lines of inquiry that reveal gaps in information or analysis that were previously unrecognized.

Relationships based on mutual trust are often essential to accessing new information, particularly privileged or confidential information. It is not surprising then that partners and other key stakeholders may only be willing to share their true opinions or provide critical inside information when sufficient trust has been established with a team member. In most cases, trust develops gradually over time through repeated interactions and collaboration. This is why information obtained at the program design stage, even after undertaking a rigorous political economy analysis, is inevitably incomplete. Over the course of project implementation, new information may reveal aspects of the problem that were not previously understood, and open new opportunities for achieving impact.

External changes or shifts in political context:

> **Example 1: Urban Services in Ulaanbaatar**
> One of the programs supported under the DFAT–TAF Partnership is working on improving solid waste management in Ulaanbaatar, Mongolia. The program team suspected that there were conflicts of interest between waste collection companies and the district governments, which contributed to some of the difficulties around improving trash collection. At the end of the second year of the program, this suspicion was confirmed when a former city employee told the team that many of the publicly-owned waste management companies were actually chaired by district-level politicians. This information allowed the team to anticipate potential political resistance and to factor that into their strategies aimed at restricting public companies.

Development programs, particularly those that adopt politically-informed strategies, often operate in a fast-paced, dynamic context. The operating environment for such programs evolves beyond the problem diagnosis and program design stages, and continues to change throughout program implementation and beyond. If such changes affect the impact potential of initial program strategies, those strategies may need to be adjusted to accommodate the new situation. The scope of external changes that could impact a program range significantly from a massive political shift such as a military coup to a destructive natural event such a typhoon or earthquake. While it is not possible to list all external changes that might motivate a program team to consider adjusting their program strategy, these could include the establishment of a new institution, a pertinent policy decision, a change in government, new political alliances, or private investments.

By taking multiple small bets and continuously monitoring their results, program teams are able to adjust and fine tune their hypotheses about the most likely pathways to positive change.

Program teams are constantly drawing on their networks and following the news (including social media) to track relevant developments in the programming environment.

Example 2: Hydropower in Nepal
Nepal's 2013 Constituent Assembly elections brought a more pro-India government into power and paved the way for the visit of India's Narendra Modi in 2014. These events (along with Modi's subsequent election in India) changed the political dynamics around selling electricity across borders in South Asia and opened new opportunities for the Foundation's program initiative to promote hydropower in Nepal.

Accomplishments and Roadblocks: Effective program strategies should be based on well informed hypotheses about the interventions that are most likely to bring about positive change. However, designing sound program strategies is more of an art than a science; it requires making educated guesses about the most plausible pathways to change. Achieving success depends in large part on the interests, incentives, and capacities of partners and other key stakeholders, and taking action always entails some uncertainty and risk. It is only through taking action that program teams gain a deeper level of insight into what actually works, what does not, and why. This continuous gathering of information is critical to a flexible, learning-by-doing program approach. By taking multiple small bets and continuously monitoring their results, program teams are able to adjust and fine tune their hypotheses about the most likely pathways to positive change. Encountering a barrier is not necessarily bad—it can provide key insights that increase the probability of achieving positive outcomes. Similarly, program successes provide useful feedback that also guides future program direction. However, whether a program strategy is worthy of continued investment may not be easy to decide. Team members may disagree on whether a strategy is futile or just needs more time to deliver results. In some cases, the team may even decide to pursue multiple strategies until a clear winner becomes apparent.

4.2 HOW DO PROGRAM TEAMS ADJUST THEIR STRATEGIES?

In response to the various prompts described above, program teams using ST adjust their theories of change in order to increase program impact. The specific changes made across flexible programs depend on the context and vary considerably, but they can be consolidated into three broad categories: (1) dropping an existing strategy, (2) adding a new strategy, or (3) refining/adjusting a strategy.

Dropping an Existing Strategy: Strategy Testing discussions sometimes reveal that a strategy is unlikely to deliver results. This may be due to a misdiagnosis of the problem, miscalculation of a partner's capacity or political leverage, or a change in circumstances such as those discussed above. Regardless of the reason, program teams are encouraged to cease activities that have proven ineffective. In some cases, while strategies may have been useful in establishing important relationships or revealing key dimensions of the problem, ST could subsequently show that such strategies are no longer appropriate. However, there are often practical challenges to terminating ongoing activities such as the need to maintain strong working relationships or contractual arrangements. In practice, such challenges often require gradually reducing investment in a particular strategy, rather than abruptly cutting it off. However, program teams need to figure out how to manage relationships and contracting arrangements so these do not hinder program flexibility.

Example 3: Urban Services in Ulaanbaatar
During the initial phase of the Mongolia Urban Services Program, the Foundation invested significant time in mentoring and providing support to the Ger Area Unit (GAU), a new administrative unit of city officials that work for the Mayor in the informal settlement areas. Engagement with the GAUs was critical to developing relationships at the Mayor's office and provided significant learning, but ST revealed that the effort was not leading towards the initiative's ultimate outcome. After much discussion and debate during a quarterly ST session, the team decided to reduce the level of investment in mentoring the unit and instead limit support to developing the unit's capacity to gather information for the Mayor. This strategic adjustment led to a new focus on community mapping which, in turn, has resulted in the city using sound evidence of community needs as the basis for budgeting.

Adding a New Strategy: Through the ongoing learning that ST promotes, a program team could discover that their initial problem analysis was incomplete, and they need to develop additional strategies to address unrecognized dimensions of the problem. Alternatively, shifts in local context or new opportunities that arise during the course of program implementation may necessitate adding new strategies.

Example 4: Bangladesh Leather Sector
In Bangladesh, the Foundation is supporting efforts to relocate the leather sector to a new production base with facilities that comply with international environmental standards. Industry experts estimate that achieving environmental compliance could significantly increase leather exports. The program initially focused on bringing industry leaders and government together to agree on cost sharing arrangements for the relocation, and for the construction of a Central Effluent Treatment Plant (CETP). However, the team later learned that the benefits of relocating the leather industry would depend not only on the construction of the CETP, but also its proper management and maintenance over the long term. Consequently, they added a new strategy to build local capacity on the management practices and compliance mechanisms needed to sustainably run the CETP.

When operating in an uncertain environment or faced with incomplete or conflicting information, program teams may decide to add a new strategy to test multiple plausible pathways that are based on different hypotheses about how change could occur. Adding new strategies and tactics mid-program, especially to leverage emerging opportunities, requires that teams can launch new activities quickly, without being burdened by bureaucratic hurdles. It also requires flexibility to reallocate budget.

Refining/Adjusting an Existing Strategy: Learning and insights gleaned during the course of program implementation often reaffirm existing strategies, but also provide direction for how to increase impact potential. For example, program teams may decide to identify new partners, adjust activities that are intended to reach a specific intermediate outcome, or refocus discussions in response to new information or changes in local context.

5. Reflections on Experience with Strategy Testing

The Foundation has completed four cycles of ST to date (August 2015). Under the DFAT–TAF Partnership, the approach has been used by 16 program initiatives across 10 countries, working on development problems that range from reforming energy policy in Bangladesh to improving urban services in Phnom Penh.

While the Foundation is still in the process of learning about and assessing the ST approach, initial feedback from program teams, as well as external researchers, indicate that it is proving to be an effective system for monitoring flexible programs.[24] Not only does it facilitate learning and provide accountability, ST is also proving to be effective in encouraging program teams to embrace a flexible program approach and make strategic adjustments that increase the likelihood of program impact.[25] One indication of success is that other Foundation programs (beyond those supported through the DFAT–TAF Partnership), and programs of other development agencies, have adopted ST or expressed an interest in incorporating features of the approach into their work. Reflections from Foundation staff who have used the tool for multiple cycles further reinforce the assessment that ST is an effective approach for monitoring flexible programs. In the words of one participant:

> "…The process encouraged the team to constantly evaluate the environmental context of the reform, and the roles of key stakeholders. Defining intermediate outcomes allowed us to aim for achievable goals, as in some of the initiatives it is unlikely that the ultimate goal will be achieved [by the end of the project]. Strategy testing was also a good opportunity to bring together the whole team for frank discussions regarding the progress of the initiatives…."

A second staff participant reported that the tool was useful because:

> "…we can make sure our program… is moving in the right direction. If we have anything that blocks program development, we can shift or design a new supportive strategy to solve that quickly and responsively. To do so, we have to proactively develop an alternative solution if…a strategy can't be implemented according our target."

Below are some initial reflections on ST, based on the Foundation's experience to date and emerging lessons about the effectiveness of the approach in providing a framework for rigorous monitoring, while also allowing programs to remain flexible and responsive to new information, changing conditions, and emerging opportunities.

5.1 STRATEGY TESTING IS MOST SUITABLE FOR PROGRAMS TAKING A FLEXIBLE APPROACH

Strategy Testing was purposefully designed to monitor programs that are deliberately taking a highly flexible, adaptive approach to find effective and lasting solutions to complex development problems. As explained, central to ST is the principle that program strategies can and should change over time as new information emerges about what is working, what is not, and the most plausible paths to achieving results. Accordingly, ST is most appropriate for programs that require a flexible approach. However, for programs that do not require a high degree of flexibility, standard monitoring techniques are probably more suitable.

The Foundation's initial round of ST included several programs that were fairly conventional. For example, one program established a Challenge Fund to provide grants to local partners in the South Asia region so that they could work on reducing non-tariff barriers to trade. While the partner grantees were working in creative and flexible ways (and likely could have benefited from engaging in the ST process), the overall program model was fairly predictable—a call for proposals, a selection process, and the provision of grants. The team managing this program reported that they did not find ST to be particularly useful as their program design was not expected to change during the course of implementation. As a result, they decided that a more traditional monitoring approach

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24. Two researchers from the Overseas Development Institute (ODI) are conducting case studies on three of the programs that have used Strategy Testing. The Foundation has also run its own internal evaluation survey to assess the impact of the Strategy Testing tool.

25. In an internal survey of 11 respondents representing 5 country programs using Strategy Testing: 100% of respondents reported that ST was very useful or quite useful in programming; 82% reported that ST was not difficult or only slightly difficult to use; 82% reported that the ST tool was a very useful or quite useful tool in helping the program respond to change; and 64% reported that ST had resulted in the program working very differently or quite differently than it otherwise would have.

would be appropriate, and ST was discontinued. Surprisingly, however, some of the Foundation's more conventional programs have found ST to be useful and it has resulted in unexpected and valuable adjustments to program strategy

Example 5: Violence Monitoring in Indonesia
In a program focused on building the capacity of policy makers and civil servants to utilize violence monitoring data in Indonesia, the first ST session resulted in the team recognizing that when data are used in decision-making, data are often politicized and interpreted in a way that serves decision-makers' own inter-ests. This realization resulted in the adoption of a more politically savvy strategy that focused on leveraging informal networks at the national level and gaining a deeper understanding of government priorities and incentives.

5.2 STRATEGY TESTING REQUIRES SCOPE TO ACTUALLY CHANGE

While some programs that are supported through more traditional funding modalities could benefit greatly from taking an iterative, flexible approach, they may not be permitted to do so due to institutional and/ or donor restrictions. Since ST provides a structure for periodically asking if adjusting a program's strategies or outcomes would increase its impact potential, the full benefit of ST can only be realized if there is scope to make the changes that the answers to these questions prompt. In fact, a program team may find ST frustrating if, after engaging in a productive discussion on strategy and opportunities to improve impact, they lack the power to make any changes. While the ST process could still help in refining approaches to planned activities, team members may feel deflated and even lose their motivation if an ST discussion confirms flaws in program design which they cannot address. For example, ST would not be appropriate for programs operating under a rigid, output-driven logframe with fixed indicators and targets. Similarly, the full benefits of ST will only follow if program teams have the ability to quickly and easily reallocate their budget, and have flexibility in their contracting arrangements. While a thorough discussion of the operational implications of managing programs in a flexible manner is beyond the scope of this paper, it is important to note that policies and practices of the donor as well as the implementing organization can play a major role in hindering or facilitating flexible programming.

5.3 NEED FOR STRUCTURE WITHIN FLEXIBILITY

A common reaction to ST—and indeed to 'political and flexible' programming more generally, is that it reflects what 'good' program staff naturally do. In fact, ST was inspired by observing how one of the Foundation's most entrepreneurial staff informally engaged his team in a constant process of reflecting on what they were learning and questioning the likelihood that their strategies would lead to transformative impact.[26] ST simply provides a structured way for program teams to collectively discuss these critical questions on a regular basis. It is important, particularly when working in a fluid environment with changing conditions and new information and insights emerging, to provide a structured process for a program team to share information, make collective decisions and document these decisions.

Although good program teams naturally reflect on what they are learning and they have critical discussions about program strategy and impact, these discussions often happen in an ad hoc, unplanned fashion; who participates may vary; and the valuable insights these discussions yield may not be documented. Formally conducting ST demands a level of discipline that can be very beneficial.

First, it ensures that the entire program team participates. This is particularly important when a program's success largely depends on relationships and knowledge, and team members have varied relationships, sources of information, and perspectives. Discussions that draw on a broad range of views and insights allow team members to collectively compare information and gain a more comprehensive and trustworthy picture of conditions and challenges. Also, having the full program team participate in ST discussions helps ensure that team members share a common understanding of the program strategy, especially as the strategy evolves over time. This is extremely important for flexible, adaptive programs which do not have a fixed logframe or workplan that generally serves this function in more traditional projects.

Second, the ST process helps ensure that key insights and decisions are always captured through completing the required documentation. This provides a record of program decisions and serves to track how and why a program has changed over time.

Third, and finally, it is important to acknowledge that not all staff members naturally think critically and

26. Jaime Faustino, Program Director for the Foundation's Economic Reform and Development Entrepreneurship Program in the Philippines.

strategically about their programs. Some staff simply lack experience; others have habits and skills that have been shaped by previous experiences working on less flexible programs. This deficit means that the ST process can be a useful tool for training team members to be good, strategic program developers. Such positive effects have been particularly apparent with staff who are in the early stages of their careers. As one Foundation staff member commented:

> "…Strategy Testing results in my working positively in a way that enhances my thinking about political economy issues and their impact on program implementation, and it facilitates more structured discussions and effective engagement with partners. The strategy testing documentation and templates provided are well structured and concise… making the process more focused yet saving time."

5.4 STRATEGY TESTING REQUIRES THE RIGHT INSTITUTIONAL CULTURE AND STAFF CAPACITIES

From observations of ST sessions with different program initiatives in several different countries, it is apparent that the quality and impact of an ST discussion largely depends on the overall 'team culture' as well as the skills and personality traits of individual team members. ST works best in an environment where team members trust each other, and the institutional culture supports critical thinking, open discussions and debate. However, if the organizational and/or local culture is overly hierarchical, intolerant of debate, and discourages experimentation, programs are not likely to reflect the full benefits of ST.

In addition to strong critical and strategic thinking skills, team members also need to be comfortable with change, uncertainty, and taking risks, as well as able to think creatively about alternative ways of doing things. Improved strategies are more likely to emerge from the ST process when participants are willing and able to ask tough questions, critique each other's assumptions and ideas, learn from failures, and consider opening the program to new partners and directions. This type of unguarded interaction requires a supportive environment where trust, respect, critical reflection, and debate are truly valued, especially by program managers. It can be difficult for a team to accept that their strategy is not working and move on to try something new, particularly if they have invested heavily in that strategy. Also, some personality types, particularly those who tend to be risk averse or apprehensive about change, may find the ST process unnerving as it could push them beyond their level of comfort.

5.5 USE OF AN EXTERNAL FACILITATOR

In some cases, participation of an external facilitator or advisor has proven very useful in carrying out effective ST discussions and preventing them from becoming only a formality. A 'critical friend' who understands the program and its operating environment well, but is not involved in day-to-day program implementation, can set the right tone and facilitate honest and reflective discussion, challenge program teams to question their assumptions, and broaden their focus from daily tasks to consider the program's long-term direction and impact.

5.6 STRATEGY TESTING IS TIME AND LABOR INTENSIVE

ST is a time and labor intensive process for program staff. Unlike some of the more conventional monitoring techniques, ST cannot be delegated to monitoring and evaluation (M&E) officers. It requires program teams to dedicate significant blocks of time away from their day-to-day work and make a serious commitment to critical reflection, discussion, and documentation. In designing ST, the Foundation deliberately attempted to limit the documentation requirements so this did not overly burden busy program staff. As a result, the documentation does not fully capture the rich discussions that take place. Still, revising the program's TOC, summarizing and justifying those changes, documenting the practical implications of program adjustments, and maintaining a Timeline of key events are time consuming and require a high level of commitment to the process. ST also places a heavy burden on the regional program management team, as they review each round of documents submitted by program teams and provide written feedback. However, it seems that the high levels of investment and commitment required are partly what make ST an effective and meaningful process.

5.7 BEYOND MONITORING

ST was initially conceived of as a monitoring tool but, in practice, it has served multiple purposes that go beyond monitoring. From the perspective of the regional management team, the ST process and resulting documentation provide a valuable way to engage with program teams on the logic and assumptions of their evolving strategies as well as related operational issues. In this way, ST is proving to be a useful program management tool that allows for oversight and structure, without limiting the iterative process involved in finding durable solutions to the challenges being addressed.

From the perspective of program staff, because ST informs program directions and decisions, the process is often viewed as a program development exercise, rather than a monitoring exercise. In fact, ST ensures that monitoring and programming are closely linked because ST is focused on the connections between strategy and impact. It tightens the link between learning and action and guides program directions. This stands in contrast to more traditional monitoring approaches, which program staff sometimes view as a requirement for external audiences, such as donor/s, but of little relevance to their program.

Finally, the ST process is a useful corporate memory tool. The documentation provides a series of snapshots of the program's TOC and explains how and why the program's logic has evolved over time. This information provides a useful orientation for new staff and external actors who want to understand the program.

5.8 CHANGING HABITS AND CREATING MORE STRATEGIC PROGRAMMERS

Some question if the ST process actually leads programs to take a more iterative, entrepreneurial approach or if ST simply provides an opportunity to consolidate, discuss and document the strategic changes in program directions that teams are already making. The answer to this question depends largely on the habits and skills of the program team. For team members who are well-versed in thinking critically, questioning their own assumptions and continuously testing the links between strategy and impact, ST may not be necessary to drive this process. However, it does provide a useful structure for discussing and documenting changes in program directions that are aimed at maximizing impact potential. Also, if critical new information or changes in local context emerge between ST sessions, certainly program teams should not wait until the next ST session to consider the implications for their programs—they should go ahead and make the necessary changes. One experienced staff member reflected:

"[…While] the flexible program design drove the main differences in how I worked…the strategy testing did make for a different approach to interim evaluation of the program and current activities. Strategy testing created a more dynamic, iterative process that was more interactive than simply reviewing a program for meeting schedule and budget targets. It also created a more qualitative review than many evaluations I have been part of in the past in other programs…"

However, for program staff who are less experienced in thinking strategically about their programs, the process of collectively recognizing and testing assumptions, questioning program directions, and revising strategies appears to have a significant impact on the way they think about their programs and collaborate with each other. Qualitative research evidence suggests that the ST process itself is gradually building staff capacity, contributing to positive changes in institutional culture, and thereby helping to shape more entrepreneurial and critical program teams.

6. Conclusion

Experience to date indicates that Strategy Testing is a promising approach for monitoring highly flexible programs that aim to address complex development problems. In this way, the process contributes to broader efforts to reorient development assistance and operationalize more strategic, flexible, and adaptive approaches. Through publishing this paper, the DFAT–TAF partnership team hope that others will experiment with and build upon the ST approach, looking particularly at how ST could be used to facilitate greater flexibility and adaptation in more traditional donor funded programs.

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THEORY OF CHANGE

Name of Initiative: _____   Country: _____

Revision Date: _____   Initiative Start Date: _____

Problem Statement:
[Please use Track Changes from previous TOC]

. . . because of

Analysis of Key Dynamics
[Please use Track Changes from previous TOC]

However, if we do . . .

Interventions/Strategies:
[Please use Track Changes from previous TOC]

Then we expect that . . .

Intermediate Outcomes:
[Please use Track Changes from previous TOC]

As a result . . .

Ultimate Outcome:
[Please use Track Changes from previous TOC]

ADJUSTMENTS TO THE THEORY OF CHANGE

Name and Country of Initiative: _____ **For example: Nepal hydropower**_____ **Date:** _____

Date	Major Events, Decisions, & Accomplishments	Event Type*	Relevance/Explanation
	[These are examples]		
10/2013	A new Minister of Energy appointed	External Event	Important stakeholder turnover
11/2013	Report by the World Bank on potential for electricity in Nepal released	External Event	Relevant new data published
12/2013	MOU between TAF and Ministry of Energy signed	Initiative Accomplishment	Achieves Ministry buy-in for TAF-facilitated advisory group
1/2014	Revised TOC, decided to focus on electricity transmission and not generation	Initiative Decision	Focuses initiative on most promising avenue for progress
2/2014	Ministry of Energy suspends advisory group	Initiative Roadblock	New avenues for dialogue will need to be found

* Using the categories below, please code the type of event:

1 External Event: includes significant political events and other occurrences affecting the political economy
2 Initiative Decision: a significant strategy decision or TOC adjustment
3 Initiative Accomplishment: a significant milestone achieved or fulfillment of an intermediate outcome
4 Initiative Roadblock: a programming delay or failure, a change in partners, or a political barrier

ADJUSTMENTS TO THE THEORY OF CHANGE

Changes to the ToC	Degree of Change *	Justification/Explanation	Implications (if any)
Problem Statement [Please summarize the changes made]			
Analysis of Key Dynamics: [Please summarize the changes made]			
Strategy(ies): [Please summarize the changes made]			
Intermediate Outcomes: [Please summarize the changes made]			
Ultimate Outcome: [Please summarize the changes made]			
[If Applicable] Updates to your Outcomes Assessment Plan:			

* Using the categories below, please rate the degree of change made to each section of the TOC:

0   None: No change in wording or only slight changes in phrasing

1   Minor: A slight change in one or two components in the TOC, but something more significant than a small change in wording

2   Significant: Adding or subtracting one or two items in a section of the TOC or revising multiple items. Less than a complete rewriting of a TOC section, but more than revision of one item

3   Wholesale: A major shift requiring a complete or near-complete rewriting of this section of the TOC

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