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DEALING WITH UNCERTAINTY: REFLECTIONS ON DONOR PREFERENCES FOR PRE-PLANNED PROJECT MODELS

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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 or '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 and politically-informed approach. This series of papers 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.

Despite the potential advantages of politically smart/searching approaches to aid, some donors have found it difficult to translate these insights into policy or program action. It is often assumed by those outside government donor agencies that the problem is the lack of evidence that such methods can actually deliver better results, and therefore that more research demonstrating such evidence is needed. Yet such evidence has been growing, and while many officials in donor agencies have warmed in principle to these ideas, progress remains slow. This paper suggests this donor reticence actually has to do with requirements for predictability and risk management. These requirements cannot be ignored by a government bureaucracy charged with handling immense amounts of taxpayer dollars. Pre-planned, pre-designed projects are often preferred because they appear to transform the uncertainties inherent in reform processes to a set of definable risks that can be assessed, parsed, and largely mitigated up-front. This paper examines this challenge and considers what it might take to do things differently. Is a simple 'tweak' increasing flexibility within pre-planned project models sufficient or is wholesale change required to embrace an iterative searching style of programming? If the latter, what adjustments or modifications will be needed to meet donor needs for predictability and management of risk? While current literature offers partial answers, more needs to be done, and this will require greater understanding of what donors face and greater collaboration between donors and their partners in finding answers.

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A growing body of empirical research and on-the-ground experience is pointing the way to innovative new approaches to development assistance, involving more entrepreneurial, politically-smart, and 'searching' ways of working. But all require greater degrees of budgetary and operational flexibility than is currently offered in most conventional aid projects. Even though many donors have embraced these ideas at a policy level, some officials responsible for design and oversight of aid delivery remain uncomfortable with increased flexibility. This is because increased flexibility appears to expose donors to increased risk along several dimensions. By way of contrast, conventional pre-planned projects that lock in work at design, appear to give donors a way to translate uncertainty into clear and up-front risks. It is for this reason that the pre-planned approach continues to dominate large parts of the industry. This paper argues that, before many of the new and innovative ideas about doing development differently can really take hold and go to scale, we need to find ways to address the uncertainties and handle the seemingly increased risks that come with more flexible project modalities. In part, that will involve the creation of new tools for managing risk in flexible projects, but it will also require a more nuanced reflection on just how much pre-planned project models actually reduce risk. Unless it can be shown that risks can be adequately managed under conditions of increased flexibility, it will be difficult for aid agencies to fully realize the gains now possible through the more innovative approaches to aid delivery.

1. Introduction

Over the past decade, growing concerns have been expressed both inside and outside the development industry about aid effectiveness. This is leading to a surge in new thinking within the aid community about how development might be 'done differently'.[1] Growing evidence now points aid workers towards more "problem-driven and adaptive" (Andrews 2013), "entrepreneurial" (Faustino and Booth 2014), and "politically-smart" ways of delivering aid (Booth and Unsworth 2014). But despite high interest in the donor community, translating these insights into fully funded programs that can work in these ways has often proven difficult many donors.[2] Part of the problem may be the lack of incontrovertible evidence that 'doing things differently' could offer better, faster, and cheaper results.[3] Donors may also be concerned that implementing organizations, long adapted to conventional ways of doing business, may not yet have the capacity to work at scale in these new ways.[4] Or the problem may simply be that some officials responsible for designing and overseeing aid projects are intransigently conservative when faced with the task of sending millions of tax-payer dollars overseas. But given the expanding list of well-documented successes, the rising tide of dialogue within the aid community, and the increasing commitment at a policy level within donors, none of these explanations seem adequate. The real challenge may lie in the fact that nearly all of the innovations in programming cited above, require relatively high levels of flexibility in implementation and therefore less tightly designed project modalities.[5]

Pre-planned approaches to delivering aid appear to solve a host of serious problems for any large bureaucracy responsible for managing public budgets. By translating uncertainty into risks that can be clearly articulated, calculated, and mitigated up-front, before funds are obligated and implementation begins, the pre-planned approach appears to reduce complex and unpredictable aid environments to a set of management assumptions and decisions. Thus, pre-planned projects give donors a tool to know exactly what they are buying with tax-payers' dollars (product certainty), when they will receive the product (pipeline management), who is responsible (functional accountability), and how likely it is that the project will achieve its outcomes (management of program failure risk, fraud, wastage, and political risk). For all of these good reasons, the pre-planned project model has triumphed for decades.

All donors have recognized the distortions that can result from over-planning in complex development environments, and have therefore sought to insert a measure of flexibility into aid delivery mechanisms.

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1. For more information on this movement and thinking, see doingdevelopmentdifferently.com
2. In this paper, we are primarily focusing on bilateral donor aid programs (e.g. DFAT, DFID, JICA, SIDA, USAID etc.). There is of course much variation among bilateral donors in terms of the nature and focus of their programs. This variation is a product of factors such as public opinion, partisan support for aid programs, the country's foreign policy objectives, and the country's engagement in multilateral fora. These factors can all impact on the latitude aid agencies have to be flexible when designing and implementing aid programs. For more discussion on the factors affecting aid agency decisions, see Dreher et. al (2014) and Hout (2012).
3. See Faustino and Booth (2014); Booth and Unsworth (2014); and Cole et. al. (2016).
4. Booth and Unsworth (2014); The Asia Foundation's case studies from Cambodia and Bangladesh (forthcoming); and Faustino and Booth (2014).
5. Recognizing that donors use the term 'project' in slightly different ways, in this paper we use the following definition (drawing on European Union 2004): a *time-bound entity that specifies one or more objectives, the actions (or categories of actions) that have to be carried out to achieve that objective(s), and the budgets and timeframes within which actions are to be completed and objectives are to be reached.*

Examples abound—the increasing number of SWAps (Sector-Wide Approaches), small grants, rolling planning, and facility mechanisms. Even so, the preplanned project model is still the dominant delivery mechanism for most large aid bureaucracies. The problem is that allowing aid delivery partners too much discretion in implementation poses unacceptable risks for donors. Therefore, before many of the new and innovative approaches to aid can be fully embraced and taken to scale by donors, we need to find ways to address the heightened risk and uncertainty that appears to be associated with these approaches.

This paper briefly examines the nature of risk as viewed from the donor perspective, how these risks are managed through conventional preplanned project modalities, the possibility of radically different ways of delivering aid at the project level (the *anti-project*) and, possible solutions for managing risk under conditions of higher flexibility in implementation.

2. The Utility of the Pre-Planned Project Approach

The types of projects for which the pre-planned approach was designed

The project as a planning instrument has a long history in foreign assistance and, as such, is deeply entrenched in industry thinking. Originally designed for building 'things' in an era dominated by infrastructure investments, the pre-planned project remained the prevailing modality as aid shifted in the 1980s to include 'softer' targets like state institution building and policy reform. These issues involved vastly more complicated problems, and the pre-planned modality seemed to represent a *"...device that development agencies [could] use to organize complex reality into a manageable, bounded unit"* (Eyben quoted in Green 2014b n.p.). A key assumption that has continued to underpin donor commitment to the pre-planned projects is the belief that, if design is not locked in before implementation begins, the result will be waste of time and resources, failure to deliver on time and within budget, and unaccomplished objectives. By the mid-1980s, the logical framework or logframe, representing the reification of the design process, was being widely used.

Today, the pre-planned project addresses two enduring requirements that donors face: (1) the need to set direction and make decisions regarding where tax-payer dollars will be spent (i.e. the policy process), and (2) that of delivering goods and services to meet the agency's goals in the most efficient and effective ways possible (i.e. budget implementation). While exactly how these processes are carried out differs according to the donor's unique circumstances, they all share one common trait—again, the need to transform uncertainty into manageable risks that the bureaucracy can then avoid or mitigate.

The most salient of these risks are as follows:

PRODUCT CERTAINTY: When entering into a financial relationship with an aid delivery partner, the donor needs to know up-front what product it will get for its money, and the more concrete and measureable the product, the better. Fixed outputs are much easier to use in holding aid delivery partners accountable in contracting arrangements than 'fuzzier' or higher-order goals and outcomes. Without a level of fixed product certainty, the donor is at risk of either not getting anything at all in return for its investment, or getting something that the delivery partner claims is the product but the donor does not. Thus, the pre-planned project model requires aid delivery partners to clearly articulate up-front the expected program goals, outcomes, intermediate outcomes, milestones, outputs, and sometimes the inputs too. All of these can then be reflected in monitoring and evaluation plans, activity matrices, contracts, work plans, and so on—allowing the donor and aid delivery partner to make a clear agreement at the project's outset regarding what each will deliver, and in return, what each should expect to receive.

BUDGET PREDICTABILITY AND PIPELINE MANAGEMENT RISK: Pre-planned projects allow donors to more clearly plan and manage finances in line with multi-year budget processes. A typical 3-year contract will detail how much money will be spent each year, who will receive it, and how they will receive it. Expand this example across multiple sectors (e.g. health, education, infrastructure, etc.); a range of countries and sub-national levels; different modalities (some technically difficult, like establishing the procurement and oversight systems required for delivering budget support); a range of intermediaries (local NGOs, multilateral banks, international non-government organizations, private sector actors, contractors, etc.)—and pre-planning gives the donor a way to manage a complex, multi-million or billion dollar aid pipeline. Most importantly, the certainty offered by pre-planned projects allows donors to forecast and track quarterly or even monthly spending, and thus bring expenditures in on target each fiscal year. Such rigor is especially important in bilateral aid agencies where "*... not only are disbursements observable but they are also the agency's budget, and an agency's budget is its source of existence*" (Williams 2009: 6). The reality for most bilateral donor agencies is that if they do not spend their allocated budget each financial year, they will receive a lower aid budget in the next financial year.[6]

AUDIT AND WASTAGE RISKS: The pre-planned project model offers an effective mechanism to guard against corruption, negligent financial management practices, or extravagant spending by intermediaries. While certainly not unique to the aid industry, there is always a risk that if intermediaries are given more freedom in a looser program structure, they may abuse it. This can happen both intentionally (ranging all the way from fraud to extravagant program travel) or because of poor capacity (especially when it comes to monitoring expenditures). By setting and holding partners accountable for pre-determined outputs and activities (and sometimes inputs as well), agreeing on expenditure milestones, and building in oversight arrangements so that the donor can check expenditures and quality (e.g. external reviews, audits, or through a steering committee), the pre-planned project model reduces the chances that financial abuses will occur.

RISK OF PROGRAM FAILURE: Development processes are inherently complex and difficult. The aid landscape is littered with the remains of seemingly promising projects that have failed, or made things worse. Thus, donors need to know that there is a reasonable probability that their financial investment will achieve defined development outcomes. With its tendency to perceive developmental change as a cumulative and linear process, the pre-planned project model offers a degree of confidence regarding how the program will unfold. Theoretically, donors can track outputs and benchmarks, and intervene when things are not going according to plan. The pre-planned project approach also allows donors to determine who is accountable for what. When decisions need to be made about program direction, structure, budgets, or personnel, a clear management structure and division of responsibilities is essential. When things go well or badly, the agency needs to know who to credit and who is responsible for rectifying problems. The model also enables donors and aid delivery partners to identify the processes required to execute these delegations, for example, the processes for design approval, annual review mechanisms, strategic oversights by management or advisory boards, and so on.

EXTERNAL POLITICAL RISK: Wastage, poor management, and program failure can also turn into domestic or international political risk, and damage the reputation of the donor agency and even the donor country. Such damage can affect the donor's ability to maintain positive working relationships with host governments or aid delivery partners, as well as maintain the trust and support of domestic consistencies in aid sending countries (public interest groups, media, and parliamentarians). For example,

6. Of course, this imperative may play out slightly differently in agencies that have fixed budget commitments.

news that a contractor or NGO has squandered aid funds could bring down whole projects through public and media criticism. Reputational risks can also complicate the broader management of already complex interstate relationships, which often cover foreign policy, commerce, immigration, people-to-people exchanges, and a host of other priorities, in addition to aid. Donor agencies embedded within larger bureaucracies must work to reduce these risks. Keeping things as technical, concrete, and certain as possible within a project, and having things fully determined at the program's outset (so it is known who will do what and who is interacting with whom), greatly reduces external political risk.

The beauty of the pre-planned project model is that it appears to do a very credible job of addressing each of these risks. In fact, the main characteristics of such projects are specifically designed for this very purpose. They include:

- **Strictly time-bound:** Most projects cycle take 1–5 years from design to completion. Very rarely are projects planned for 5-20 years because of the considerable risks (program failure risk, fraud, wastage, and political risk) associated with procuring services and committing funds so far into the future.

- **Set clear performance measures, milestones, outputs, and/or results up-front:** These are intended to identify clearly what the project expects to achieve, and they are established at the design or start up stage. By defining these expectations early on, each party's obligations can then be reflected in legal agreements. A clear and predictable agreement allows the donor to hold the aid delivery partner(s) accountable for performance and for meeting their obligations.

- **Clearly define and sequence actions to be taken:** These usually involve three phases: design, implementation, and financial and/or performance review.[7] These phases of action are then reflected in what Green calls 'a cluster of contracts' (2014a), or the legal tools that implementing partners use to set rules about where and how they plan to spend money and carry out work.

- **Define and assign coordination and management responsibilities:** This makes it clear who is responsible for doing what, as well as the mechanisms for coordinating information, finances, and work (e.g. technical advisory groups, steering committees, and so on).

For the most part, flexible alternatives to delivering aid do not yet incorporate tools and mechanisms that are as good at addressing risk as those listed above. Rather, those seeking to persuade decision makers in donor bureaucracies to embrace more flexibility have attempted to do one of two things. They either (1) propose various ways to *adjust* pre-planned project models to be slightly more flexible while retaining the characteristics above, or (2) attempt to offer arguments for abandoning the pre-planned model altogether in place of something that is more compatible with highly iterative and flexible approaches to aid—a sort of *anti-project* approach. These are examined in the next two sections.

7. Most bilateral aid agencies have their own variation of the project cycle model, but all contain the basic elements of design, implementation, and review in some form. For example, USAID combines design and implementation and monitoring and evaluation, and has an additional phase called 'agency policy and strategy'. For further details see: http://usaidprojectstarter.org/content/program-cycle

3. Options for Building in Higher Flexibility

Can we adjust the pre-planned approach to achieve greater impact? Or must we construct a different modality entirely?

Adjusting the pre-planned project model to allow donors and aid delivery partners to be more responsive to the context in which they are working is fundamentally a good thing. Few would argue with this. A food relief program will be better at reducing infant mortality if it can adjust distribution rates in each local area according to recipient nutrition needs. An economic reform program that takes account of local politics will be more implementable and more sustainable.

There are many ways to make pre-planned projects somewhat more flexible. Some of the more widely used of these are listed below:

- **'Project bundling':** 'Project bundling' achieves two things. First, funds can be moved among projects to reduce the overall risk of over- or under-spending and achieve an overall level of budget predictability. Second, bundling allows project success or failure to be assessed at the aggregate level, and for the financial or reputational risks of underperforming projects to be absorbed. For example, if the initiative ran 10 projects, and 4 were rated highly successful, 4 as moderately successful, and 2 as failures, the overall failure rate of the investment would be less than 30% at the initiative level, rather than 100% for some individual projects if outcomes were measured at the project level.

- **Keeping overall project costs low:** Simply keeping costs low is another way donors mitigate potential pipeline issues resulting from increased flexibility. If under spending does occur, it will only be in the 10's or 100,000's of dollars, rather than millions. In large bureaucracies, with annual budgets ranging from 100 million to a billion dollars, such levels of under spending are more easily absorbed at a county, sector, or agency-wide level of investment (depending on how the donor sets up its budgeting systems). While this approach works as long as such projects are few and far between, it does not allow donors to scale up promising new innovations that require greater flexibility.

• **"Buffering" the donor from negative consequences when things go wrong:** Some donors have chosen to use a buffer approach to reduce political risk. According to Booth (2014: 40), this means funding project teams through "*...a respected intermediary organization – so that the funding is doubly arm's length'...*" In this way, "…*not only can the intermediation limit the potential harm arising from donor meddling, but also the donor is provided with 'plausible deniability' if, and when, it gets flak for allegedly interfering in the affairs of a sovereign country".* However, in some ways this approach simply defers the risk rather than removing it all together. At the end of the day, in the face of a major scandal, it may come down to whether 'plausible deniability' is a sufficient excuse for a domestic audience.

• **Periodic reviews, rolling annual plans, long inception phases, and 'light' or rolling design approaches:** These are four methods that donors use to increase the frequency at which project activities or strategies can be adjusted during implementation. A 'light' design approach quickly identifies broad areas of work and outcomes up-front, but then leaves implementation details (inputs, outputs, specific funding allocations, etc.) to be determined at the working level during the project's inception period. This is usually coupled with frequent periodic internal or external reviews and a rolling annual work plan, which serves as the formal mechanism for the donor and aid delivery partner to agree on any changes during implementation. Rolling designs and long inception periods adopt a similar strategy, allowing for activities to be piloted to inform the final project structure and financing arrangements. Related to this, some donors specifically seek to improve the quality of political analysis during design periodic review.[8] The rationale is that more frequent assessments of the political context will allow donors and aid delivery partners to better account for changing political dynamics in their work-plans, strategies, and activities.

• **'Bolting on' flexible components:** Adding a small pot of flexible funds to a tightly planned aid project allows for a degree of exploration of more than one Theory of Change (ToC) in a single project. For example, a $20 million teacher training program that aims to improve the quality of classroom teaching might set aside $500,000 dollars for targeted policy advocacy to reduce the child-teacher ratio in classrooms. While both investments may be equally valid guesses about how to improve the quality of classroom teaching, one may succeed over the other due to political will or pre-existing conditions in the education sector at the time.

• **Results-based payments or payment by output:** These are two methods for shifting emphasis away from how the aid delivery partner goes about achieving something (i.e. completing prescribed inputs, activities, etc.) to focus, instead, on the quality of what aid delivery partners achieve. This approach is often coupled with periodic reviews and rolling annual plans, as well as use of core or un-earmarked funding for organizations with a strong performance history. Donors can also achieve more flexibility by choosing partners that have internal financial and administrative systems which they feel confident will be able to deliver more ambitious results without needing to 'constantly look over their shoulder'.

8. Three strong examples of this are the World Bank's focus on political-economy analysis, DFID's work on Drivers of Change, and the Dutch Directorate General for International Cooperation's work on Strategic Governance and Corruption Analysis. Also see Hout (2012) for a critique of the effectiveness of these tools in promoting more politically-informed programming in these agencies.

4. The Anti-Project Alternative: Implications of Full Flexibility

Obviously some of the examples given in Section 3 require a more radical departure from the pre-planned project model than others. For example, setting budgets at the portfolio level to shift funding between activities as opportunities emerge or leaving program outputs to be determined through implementation is more radical for most donors, than simply introducing a new mid-term program review mechanism. Thus, it is useful to think of these examples along a 'spectrum of flexibility' (see Figure 1 and Annex 1).

Figure 1: Spectrum of Project Flexibility

Coventional Projects with Various Levels of Flexibility **Anti-Project**

more constrictive
less flexible

more discretion
more flexible

At the left end of the spectrum is the stereotypical tightly defined project model that would allow for very limited deviation from an approved plan. At the right end is a highly flexible model that would allow aid delivery partners greater leeway to make adjustments in response to new knowledge or changing circumstances. In reality, most aid projects sit somewhere in the middle (see the example provided in Annex 1). As noted earlier, most donor officials recognise the need for at least some degree of flexibility in highly uncertain development contexts. For this reason, project managers will often try to nudge the design toward the more flexible end of the spectrum. But inevitably, some of their more cautious colleagues will push the design in the opposite direction. The resulting solicitation then often incorporates the logic and rhetoric of flexibility, but in reality it imposes sharp constraints on the possibility of deviating from the pre-planned path. The varied operating contexts, international and domestic incentives, and the unique organizational settings of each bilateral donor will ultimately determine how much their projects exhibit traits of a more flexible or more pre-planned project modality.[9]

At the extreme right end of the spectrum is what might be referred to as the anti-project, which gives aid delivery partners maximum discretion to adjust the project as needed to achieve results.[10] The pre-planned approach assumes the vast majority of information necessary for predesign is available before the project begins. However, more often than not, development problems turn out to be complex, with the real interests of key actors opaque and the full consequences (including unintended consequences) of specific interventions difficult to know. The anti-project solution is to design investments based on a process of hypothesis testing, learning-by-doing (i.e. testing ideas and assumptions, acquiring knowledge, and building relationships), and seizing unexpected opportunities. In practice, this means ensuring that all core components of a traditional pre-planned approach (outcomes, outputs, funds, strategies, partners, activities, etc.) have the potential to shift simultaneously and in as close to real time as possible. William Easterly (2006) has referred to this distinction as *searching* versus *planning*. There is a growing literature on the characteristics of, and principles that guide, effective 'searching' style programs (Andrews 2012; Faustino and Booth 2014; Booth and Unsworth 2014; O'Keefe et. al. 2014; and Cole et. al. 2016).

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9. While outside the scope of this paper, it is also important to note that projects differ depending on the extent to which they aim to work in politically-informed ways. For more on this, and the "TWP Uptake Spectrum" see Duncan Green's September 23 2014 blog reflecting on a Thinking and Working Politically Community of Practice meeting: http://oxfamblogs.org/fp2p/thinking-and-working-politically-update-where-have-aid-agencies-consultants-etc-got-to/

10. The Asia Foundation recently completed a multi-year multi-"project" program that featured a very high degree of flexibility, perhaps the closest illustration of what the authors are referring to as an anti-project in recent years. This program was designed as part of an innovative laboratory under the DFAT-TAF Partnership and as such yield insights regarding the design, management and on-the-ground implementation of a 'searching' approach to aid. Lessons learned through this program can be found in Cole, et. al. (2016).

5. The Challenge Flexibility Poses for Donors

While highly flexible approaches to delivering aid hold promise for achieving greater impact at lower cost, such flexibility can also pose difficulties for donors. This is especially the case in the fully flexible anti-project approach. Unable to guarantee ToCs, results, outcomes, outputs, strategies, activities, or even spending targets up-front, the *anti-project* cannot meet the fundamental task of the pre-planned approach—giving donors the information they need to translate the uncertain world around them into a clear set of assumptions and risks that can be planned for and managed.

For this reason, when donors try to adopt highly flexible, 'searching' approaches for part of their aid investment, they are often faced with the following trade-offs (and likely others too):

- **Resisting the temptation to overprescribe activities, inputs, outputs, and even outcomes** at the program's inception and through its implementation. Accountability must instead shift to the highest goal or impact level, rather than ensuring that the aid delivery partner faithfully executes a pre-determined plan. In doing so, this provides full freedom at implementation, but trades this off against the donor's ability to look over the partner/s' shoulder during implementation.

- **Accepting an unpredictable path to reform and unplanned outcomes** as the implementing team engages with local actors and responds to external events, and the reform path evolves with the expected and unexpected outcomes of particular activities and relationships. Thus, donors cannot predict when and how funds will be spent, what the ultimate achievement will be, or whether there will even be a simple, logical story to tell at program end.

- **High levels of uncertainty** as teams work to test ideas, learn, gather new information, and respond unpredictably to new opportunities or information. Unlike the pre-planned project model, this means there are few clear decision points where donors can intervene to stop things from going off-track (indeed, knowing what is 'off-track' versus what is simply a 'short-term failure that will pay off later' is also often unclear).

- **Reshaping some of their own internal bureaucratic institutions and incentives** to not only enable flexibility at design, but also ensure that this permission is maintained throughout implementation and respected when the time comes for reviews and evaluation. Vigilantly protecting the space for teams to build relationships, learn, and act—as well as fail—means more than just informal agreement. It may mean formalizing internal changes so that if key donor personnel move on, they do not leave *anti-projects* vulnerable to the whims of new management. It may also mean tying the performance of aid investments more closely to the performance of specific donor staff or project teams, so that pressure is maintained to constantly search for better ways of working and for ineffective investments to be ended. Of course, being able to do so requires donors to determine the success of their investments, a difficult task when project counterfactuals seldom exist.

- **Accepting a degree of potential reputational risk and sanctioning failure,** as the implementing team works closely within the local political landscape. By its very nature, a 'searching' approach will require aid delivery partners to build local relationships, make small bets on what activities will work, and be attuned to political dynamics in ways that may make donors uncomfortable. Donors need to decide if this trade-off is worth it in order to pursue, what some claim to be, a more likely approach to achieving impact.

- **Being unable to identify and roll-out a standard model for delivering aid,** as anti-projects will (by their very nature) all look slightly different as they evolve in response to the local context[11] rather than in a top down manner. The

11. While evidence is emerging that the most sucessful 'searching' approaches will all exhibit three common features, field experience shows that their actual structure in terms of staff composition, reform issue, and strategies chosen will be highly heterogeneous (Cole et. al., 2016).

trade-off here for donors is losing the internal efficiencies that come from being able to standardize the overall guidance and rules relating to project models. A standard pre-planned project tells donors roughly how much money, how many resources, and which guidelines, procedures, and templates to apply to each aid investment. More diversity makes it harder to plan for this, and will probably require that existing procedures and templates are adjusted again and again. This is particularly problematic for donors who have highly rigid and centralized procurement, design, and implementation procedures, but probably less so for donors whose field offices have greater freedom to adapt.

If donors and implementing partners are to avoid these trade-offs, more investment needs to be made in addressing the concern that greater flexibility inherently increases risk. First and foremost, the notion that pre-planning is the best way to reduce risk needs to be more effectively challenged. This can best be done through more convincing comparative research that (if true) shows that pre-planned projects do not necessarily do a better job of mitigating financial, political, and programmatic risks than highly flexible projects. To date, there has been a tendency among those seeking to build an evidence base to focus on whether highly flexible approaches achieve impact or not. Yet few comparative studies have been done that allow a comparison of risk management and results in more pre-planned interventions working on the same issue. If it can be shown that it is inherently less risky to use a 'searching' approach on highly political and complex problems (rather than an approach which locks in the entire project up-front), then the case for traditional preplanned approaches would be weakened. This is because this type of evidence would counteract the very function which the pre-planned project model has claimed to serve so well–that of translating uncertainty into a set of up-front risks that donors can theoretically mitigate and respond to. Second, those arguing for the merits of greater flexibility need to develop more practical program devices that can address core donor requirements to mitigate risk, while continuing to protect space for local implementing teams to work in highly flexible ways. If these devices are to work, they must go beyond simply tweaking elements of the pre-planned project model, and instead offer smarter ways for donors to balance their own incentives, while still allowing others to work in a 'searching' manner on their behalf. One such device is the use of project bundling to move funds between different investments, meet overall expenditure targets, and reduce the risks of failure in any one initiative. A second development has been in the area of new monitoring devices, such as Strategy Testing (see Ladner 2015).

6. Conclusion

This paper has briefly reviewed the rationale behind the continued donor preference for pre-planned approaches to deliver aid. Pre-planned projects solve a whole set of serious problems for bureaucracies tasked with delivering large volumes of aid effectively and efficiently, over a short period, to multiple countries and sectors, and through a range of intermediaries. Yet most program innovations aimed at improving aid effectiveness require higher degrees of budgetary and operational flexibility than currently allowed for in most donor awards. One solution has been to make adjustments to the pre-planned model to introduce greater administrative or financial flexibility at design, implementation, or review. However, small adjustments to the pre-planned project model will not always result in more successful aid investments. This is because the solutions to many difficult development problems are very hard to guess up-front. Thus, aid workers need high levels of flexibility at implementation to be able to adapt and seek out the most viable solution to a problem, and for the best way to achieve it. However, the longstanding view among donors has been that with increased flexibility comes increased risk.

The authors would suggest that greater consideration needs to be given to the risks, and techniques for risk mitigation, that make pre-planned projects so attractive to donors. Investment in developing new tools and mechanisms that can achieve a comparable reduction of risk in more flexible modalities is essential. Moreover, we need to challenge the assumption that pre-planning is always less risky in contexts characterized by high degrees of uncertainty.

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ANNEX 1: A SPECTRUM OF FLEXIBILITY

This table presents the features of projects at the lower and higher ends of the spectrum of flexibility. At the center is an illustrative example of a project that seeks a degree of flexibility within a largely planned project structure. Features of highly flexible projects listed in the right column are drawn from recent experience of The Asia Foundation (reviewed in Cole et. al. 2016).

Table 1: A Spectrum of Flexibility

	Highly Pre-Planned Aid Projects – Key Features	The 'middle-ground' (where most donor projects sit).	Highly Flexible Aid Projects – Key Features
Strategic planning and/or Design	• Outcomes, intermediate outcomes, outputs (or performance milestones) and often inputs are agreed up front for the duration of the project. • Expenditure targets are set on an annual or semi-annual basis and budgets allocated for the life of the project.	*Example: A Large Donor-funded Health Procurement Program* In this example, the program worked closely with the national government to reform medical supply services and availability. Over the years, it became apparent that overly technical solutions to health supply chain issues have not succeeded due to low capacity, political interference, and bureaucratic inefficiency. For this reason, the design team decided to trial a more adaptive approach to programming—which they believed would be sensible and possible in the donor agency employing them. Three changes were implemented. 1) The team set specific and measurable intermediate and end-of-program outcomes, but specifically kept their outputs and inputs flexible to respond to changing political will on the ground and/or periodic reviews. In one instance, the team was able to use the opportunity to respond to a compromised tender in order to push for better performance in the health procurement system. 2) The team trialed multiple strategies to improve procurement performance (whereas in the past they usually relied on one). These included: high level government advocacy, capacity building, trialing more independent medical supply delivery systems, and so on. Each strategy had a separate work stream and performance conditions so that the program could continue functioning even if progress stalled in one area. 3) Developing a carefully phased ToC that drew on evidence from experience of what had/had not worked in the health sector, but allowing for this ToC to remain loose at the provincial level so that it could be revised and adapted through a rolling design process over 4-8 months, and in consultation with local stakeholders.	• Ambitious final and intermediate outcomes are set at a high level and considered indicative—but outputs and inputs are left to be determined any time during implementation. • Indicators and baselines are considered indicative. • Activities are loosely defined. • Loose budgets are built out through implementation and exact costing of activities completed only as they come on line.
Implementation	• Budget allocated to specific initiatives, sub-initiatives, and activities and cannot be shifted during implementation. • Reporting data and evidence collected according to pre-determined baselines, indicators, and milestone performance targets. • Activities, outcomes, outputs, and sometimes inputs (e.g. staff time) remain constant throughout implementation. • One theory of change (ToC) guides implementation throughout the project cycle—as determined at design (sometimes based on extensive on-the-ground scoping studies and data collection).		• Funds may shift between initiatives, sub-initiatives, and activities, based on performance. • Outputs, inputs, and sometimes intermediate outcomes can change in real time based on what works/what does not. • Monitoring tools do not log achievements against pre-de fined outputs but focus instead on tracking and documenting how the program changes and what the team has learned. • Activities (and partners) can be added, halted or dropped throughout implementation. • Multiple ToCs (and hence activities) may be used at the same time in order to test program hypotheses and spread the risk of failure over a larger portfolio.
Evaluation and/or Completion Procedures	• Programs are reviewed based on the expected outcomes, outputs, impacts, or efficiency milestones that were set at design. • Predictability often allows for more 'scientific' forms of evaluation to occur as the baselines and end lines are clear from the outset and do not change (e.g. randomized control trials, counterfactual analyses, etc.).		• Programs are often reviewed based on emergent achievements (i.e. the program's most recent ToC and expected outcomes), as well as the overall goal that the program was aiming to achieve. • Evaluation is focused as much on unexpected as well as expected program outcomes. • Contribution analyses can become critical ways of determining the level of impact the program had on the end result.

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