

# Managing and Adapting A Development Program: **Lessons from PRISMA**

**AIP-RURAL LEARNING SERIES**



This publication has been funded by the Australian Government through the Department of Foreign Affairs and Trade. The views expressed in this publication are the author's alone and are not necessarily the views of the Australian Government.



PRISMA is supported by the Australian Government and implemented by Palladium and Swisscontact.

In collaboration with the Springfield Centre.



# Managing and Adapting A Development Program: Lessons from PRISMA

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## Introduction

Funders and implementers of international development programs largely agree that adaptive management is industry best practice. Most development experts also broadly agree on what 'adaptive management' means. In this case study, we use a common definition of 'adaptive management', including the following features:

1. *Flexibility*. Implementers create, modify and drop interventions when circumstances change or new information emerges, in order to tailor strategies to context and maximise impact.
2. *Purposeful experimentation*. Implementers test different activities at the same time, monitoring them to learn what will achieve the desired impact.<sup>1</sup>

Since 2015, the number of publications calling for and praising adaptive management in development programs has grown fast.<sup>2</sup> These publications give us an idea of the state of adaptive management in development programs. They reveal progress in some areas, such as tailoring interventions to local context and using evidence for decision-making.<sup>3</sup> Yet they also reveal multiple, ongoing, real-world constraints to adaptive management. This case study explores how one development program, PRISMA, has avoided and overcome some of these constraints, whilst continuing to battle others.

Four major constraints revealed in the adaptive management literature are discussed in this case study:

- Programs are **designed** in ways that make it hard to adapt interventions, target regions or sectors based on new learning or changing circumstances.
- Programs struggle to create an **organisational culture** that encourages learning and adapting.
- When **staffing** programs, recruiters prioritise sectoral expertise and length of experience over adaptive managerial competence.

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1 Adapted from Allana, A. (2014). *Navigating Complexity: Adaptive Management at the Northern Karamoja Growth, Health and Governance Program*. MercyCorps and from Byrne, K., Sparkman, T. and Fowler, B. (2016) *The road to adaptive management: knowledge, leadership, culture and rules*. The BEAM Exchange.

2 See for example: Byrne et al (2016); Valters, C., Cummings, C. and Nixon, H. (2016) *Putting learning at the centre: Adaptive development programming in practice*. ODI; Green, D. (2015) *Fit for The Future? Development Trends and the Role of International NGOs*. Oxfam; and World Bank (2015) *World Development Report 2015: Mind, Society, and Behavior*. (In particular, see Chapter 11, 'Doing Development Differently' of the World Development Report 2015).

3 On how organisations are adapting interventions to local context, see for example MercyCorps (2015) *Managing Complexity: Adaptive Management at MercyCorps*. Available at: [https://www.mercycorps.org/sites/default/files/Adaptive%20management%20paper\\_external.pdf](https://www.mercycorps.org/sites/default/files/Adaptive%20management%20paper_external.pdf). In terms of using evidence for decision-making, growing adoption of the DCED Standard among development programmes is an encouraging sign. The DCED Standard includes guidance which helps programmes to learn and adapt based on the monitoring data they collect. According to the Donor Committee for Enterprise Development (DCED) website (accessed July 2018), over 150 projects in more than 50 countries now use the DCED Standard.

- Program managers face pressures to **spend** their budgets predictably and before their program ends. Learning and testing take time and cost little, so managers feel pressure to deprioritise them.

The first of these constraints is explored in the next section, 'Design', which looks at how the selection of target sectors and performance targets affects PRISMA implementers' ability to manage adaptively.

The third section, 'Organisational Culture', shares lessons on encouraging staff to test and improve interventions. Section 4, 'Staffing', looks at hiring adaptive managers, and freeing up their time to improve interventions. The final section summarises this case study's key lessons.

Throughout this paper, findings are based on 16 in-depth interviews with PRISMA's junior, mid-level and senior staff, and its funders. To contextualise these findings, the author reviewed the 'adaptive management' literature, and drew his experience with development programs worldwide.

## Design

How you design a program greatly influences its chances of success.<sup>4</sup> This section shares lessons from three key features of PRISMA's design: how its target sub-sectors are chosen; how its performance indicators are selected; and how its funder oversees its implementers.

### Selecting sub-sectors and activities based on continued learning

When designing agricultural development programs, time pressures often lead funders to select sub-sectors to intervene based on superficial analysis. Even when a funder's sub-sector analysis is in-depth, by the time that tendering finishes the analysis may be out of date.

As a result, when tenders prescribe sub-sectors to intervene in, or ask implementers to, the wrong sub-sectors are often chosen.<sup>5</sup>

DFAT took a different approach with PRISMA. Bidders were not required to detail the sub-sectors they would intervene in, nor the interventions they would pursue. PRISMA's design did specify five target sub-sectors. Crucially however, the design gave PRISMA's implementers the time, budget and flexibility to add further target sub-sectors during implementation, based on ongoing research. During implementation, PRISMA has intervened in a further 16

<sup>4</sup> See for example Taylor and Hitchins (2018) *Designed to fail: How to design programs to allow adaptive management*. Springfield Centre Working Paper Series #6.

<sup>5</sup> By 'wrong sectors' we mean sectors interventions are likelier to achieve fewer results than other sectors in which the programme could intervene in. E.g. a 'wrong' sector may be less relevant to smallholder farmers, have less growth potential, or less feasibility of its growth potential being unlocked by MSD interventions

### Box 1: Australia-Indonesia Partnership for Promoting Rural Incomes through Support for Markets in Agriculture (PRISMA)

PRISMA aims to increase the incomes of poor women and men in rural Indonesia. To achieve this, PRISMA uses an MSD approach (see Annex A), spurring lasting growth in markets for the crops smallholder farmers cultivate. PRISMA does this by working with businesses and government to reduce barriers to farmer productivity and market access. As of December 2018, 320,833 farmer household had increased their incomes due to PRISMA's interventions.

With an AUD\$77m budget funded by Australia's Department of Foreign Affairs and Trade (DFAT), PRISMA began in November 2013. The first phase ends in December 2018; Phase 2 is scheduled for 5 years from October 2018. Palladium and Swisscontact implement the program; as of December 2018 internal PRISMA team directly managed 77% of PRISMA's interventions. The other 23% are delivered by sub-contracted agriculture and market development organisation, referred to in this case study as "co-facilitators," hired by Palladium and Swisscontact.



commodity and service sub-sectors.<sup>6</sup> By September 2018 these 16 “add-on” sub-sectors accounted for 55% of the farmers the programme expects to benefit in its first phase, demonstrating how important the flexibility to enter new sub-sectors has been to PRISMA.<sup>7</sup> Perhaps unsurprisingly, this same flexible approach has been recommended by adaptive management experts to other programs.<sup>8</sup>

PRISMA’s design is also flexible in that it allows implementers to stop interventions that deliver lower results than expected, and reallocate resources to other interventions with greater prospects. PRISMA does this. In January 2018, for example, PRISMA dropped nine under-performing interventions, and planned to start or extend 35 interventions in the next six months.<sup>9</sup> For Deputy General Manager Victoria Carter, this “*true portfolio approach*” is one of the program’s strongest features.

### Selecting and updating performance indicators

PRISMA is rare amongst MSD programs – it does not have or need a logframe. PRISMA does have an overall Theory of Change,<sup>10</sup> and key performance indicators with targets. Like logframes, these create shared expectations of what the program should achieve. Yet PRISMA’s use of performance indicators is different to how programmes typically use logframes, in two important ways. Firstly, PRISMA’s performance is assessed more on outcomes than on outputs. Secondly, PRISMA has added new performance indicators over time. We explore the main pros and cons of PRISMA’s approach below.

*Focusing assessment on outcomes.* Most programs, during the first years, are assessed based on their outputs. Programs have greater control over outputs than outcomes or impact, and output-level results occur sooner than outcomes or impact. With PRISMA, DFAT decided to pioneer a different approach: making outcome and impact indicators part of the program’s performance assessment, from its second year onwards.

The rationale was to avoid implementers over-prioritising outputs that contribute little to the funder’s desired outcomes. When an output becomes a target, implementers may give that output more attention than other, more valuable outputs. Outcome-based performance assessments remove this perverse incentive; implementers are incentivised to focus on whichever outputs contribute most to outcomes.<sup>11</sup>

To regularly assess the outcomes of an agricultural MSD program, however, you must first overcome a major challenge: programme activities happen long before farmers’ incomes change as a result. Months elapse between farmers hearing about a new farming input or practice from a program partner, buying the input or adopting the practice, harvesting, and selling their crop. How then to get early indications of whether interventions will have the desired outcomes, and increase incomes for the expected number of farmers?

PRISMA’s solution is to track and report ‘leading indicators.’ These are indicators that change soon after program activities, such as the number of farmers who access information on new farming inputs or practices due to interventions. PRISMA not only tracks these indicators; staff also gather historical data on the relationship between each leading indicator and changes in farmers’ income.<sup>12</sup> By doing this, PRISMA can predict better if its

6 During implementation, PRISMA has also adapted its definition of a sub-sector. Staff intervening in the same commodity market, in different provinces, now often work in separate teams. This separation helps where the constraints to growth in the commodity market vary greatly from one province to another. Here, different provinces require different skills and partnerships.

7 Figures taken from PRISMA and SAFIRA (2018) Progress Report and Implementation Plan, p. 105.

8 See for example Goeldner Byrne et al. (2016) *op. cit.*

9 For more information on the evidence-based processes PRISMA uses to decide which interventions to start, adapt, expand and drop, see the case study: Khan, K., Seely, K., Ridwan, M. and Mulya, B. (2018) *Monitoring and Result Measurement for Adaptive Programming – how to use data to manage a market systems development program: lessons from PRISMA*. AIP-Rural Learning Series No. 2. AIP-Rural and the Springfield Centre.

10 By ‘Theory of Change’ we mean a diagram summarising step-by-step how PRISMA intends its interventions to lead to its desired impact. In other words, this diagram shows the causal logic leading from PRISMA interventions to impact.

11 For a recent example of how output-based performance assessment can hamper adaptive management in an MSD program, see Davies, G. (2017) *Is a genuinely sustainable, locally-led, politically-smart approach to economic governance and Business Environment Reform possible? Lessons from 10 years implementing ENABLE in Nigeria*. London: Adam Smith International and the Springfield Centre, pp 30-32. It is worth noting that the paper’s author suggests assessing programs’ performance based on the quality of managerial processes they use, as opposed to focusing on outcomes. So do Valters, C., Cummings, C. and Nixon, H. (2016), *op. cit.*

12 For example, PRISMA determines the percentage of farmers accessing new information due to its interventions who go on to increase their incomes as a result.

### Box 2: Realigning PRISMA's KPIs and portfolio with the program's overall goal

As mentioned in Box 1, PRISMA's overall goal is to increase the incomes of poor women and men in rural Indonesia. PRISMA does this through interventions which spur lasting growth in markets for the crops smallholder farmers cultivate.

When measuring progress towards achieving this goal, pressure from the funder and its advisors led PRISMA to focus on one indicator: the number of rural households increasing their incomes as a result of its interventions ('outreach').

Outreach is an important KPI. It is also the easiest KPI to present and explain as a measure of PRISMA's overall progress. Yet outreach only captures one aspect of PRISMA's overall goal. A second element of PRISMA's overall goal is sustainability – the likelihood of rural households' income increases lasting. A third element is PRISMA's future impact. Whilst the outreach KPI measures current impact, it is also important to understand the changes PRISMA has begun to trigger in markets that could lead far larger numbers of farmers to increase their incomes in future.

Focusing only on outreach thus carries risks. By PRISMA's fourth year, focusing on this one KPI had led to interventions which were not designed to achieve PRISMA's ultimate goal. PRISMA had started interventions that quickly benefited tens of thousands of farming households, but could not stimulate market-wide changes that benefit hundreds of thousands of farmers, sustainably.

In Phase 2, PRISMA's Core Management Team therefore plans to change how it assesses interventions. PRISMA will add new KPIs that assess the progress of interventions in triggering sustainable, market-wide change. Managers will use these new KPIs, together with the outreach indicator, to decide which interventions to prioritise.

In short, by adapting its KPIs, PRISMA will be able to monitor elements of its overall goal that were previously overlooked. By using these indicators to inform decisions about interventions, PRISMA's portfolio of interventions will align better with its long-term goals.



interventions will benefit the expected number of farmers.

*Updating key performance indicators, collaboratively.* Whereas some programs' key performance indicators remain fixed from start to finish, PRISMA has added new key performance indicators over time. Only the program's overall impact targets remain constant.

The main advantage of this approach is flexibility; targets can be tailored to the stage of the program. For example, first-year targets encouraged the implementer to train staff and analyse sub-sectors. If PRISMA's first-year performance had only been measured in terms of progress towards its long-term goals, staff may have felt greater pressure to start interventions before they understood their target markets, MSD and adaptive management.

A flexible key performance indicator system also has disadvantages. Firstly, adding and negotiating new indicators relies on the continued presence of MSD and measurement experts among the donor staff overseeing the program. Secondly, if funders impose too many changes in indicators, this regular "shifting of the goalposts" could destabilise implementation, discouraging long-term thinking. Finally, by creating recurrent negotiations, it can raise tensions between the funder and implementer.<sup>13</sup> To mitigate these last two risks, the programme's funder and implementers have taken a collaborative approach. For example, the indicators PRISMA uses to measure the sustainability of its interventions were suggested by program staff. So was the way that PRISMA measures its interventions' contribution to women's economic empowerment.

<sup>13</sup> PRISMA General Manager Goetz Ebbecke notes that the KPI system "only works because the people setting the targets have good MSD knowledge and interpersonal skills." To reduce tensions, PRISMA's funder avoids imposing targets on the program unilaterally. DFAT instead asks program managers to contribute in setting priorities.



### **Balancing accountability and flexibility in program oversight**

Many implementers wish their funders would give them greater flexibility to adapt strategy and tactics.<sup>14</sup> Yet for funders, giving implementers maximum flexibility poses a risk: implementers may drift from achieving the funder's objectives. *"As a funder you walk a fine line. You want to be supportive; you also need to hold the implementer accountable,"* explains DFAT's Naomi Cook.

To boost accountability at PRISMA, DFAT hired two full-time MSD experts to oversee the program in its first two years. Directly accountable to DFAT (not the managing contractors), they gave DFAT extra oversight whilst building its trust in PRISMA's newly-hired Core Management Team. Furthermore, DFAT retains a panel of independent experts who review PRISMA's strategy every six months.<sup>15</sup>

Feedback suggests that DFAT's use of independent experts has helped accountability, without compromising flexibility too heavily, especially during years three to year five. The independent experts have also brought with them lessons from other programs. Feedback does not suggest however that these arrangements will work for all programs. PRISMA's implementers feel fortunate that their program's independent experts have good interpersonal skills. Without this, such close oversight, particularly in the earlier years, could create more conflict and hamper implementation. Clarity of decision-making roles has also helped. The independent experts are advisory; final decisions on the program's strategy rest with the funder and Core Management Team.

<sup>14</sup> This was a recurring theme among MSD implementers asked about constraints to adaptive management in Goeldner Byrne et al. (2016) op. cit. It has likewise been a common complaint among MSD implementers interviewed by the author.

<sup>15</sup> The Strategic Review Panel consists of an MSD expert and an expert in designing and managing programs within DFAT. The strategic review panel is hired by and reports to DFAT directly.

## Organisational Culture

The constraints to markets working better vary across countries, and within countries. For staff arriving from successful programs in other countries, this presents a challenge. *"You can't copy a single intervention,"* says Goetz Ebbecke, who led the Katalyst program in Bangladesh before becoming PRISMA's General Manager.<sup>16,17</sup> Even within Indonesia, the variety of market conditions and cultural preferences can surprise staff arriving from abroad. Business is done differently in different provinces.

Unable to replicate interventions from elsewhere, PRISMA staff learn what interventions are likely to work locally, then test and adapt these interventions. PRISMA's *'Using data to manage a program'* case study explores the processes the program has used for this learning, testing and improving of interventions.<sup>18</sup> This section shares lessons on creating an organisation culture that encourages staff to follow these processes.

### Six lessons on creating a learning culture

Creating a learning culture can be difficult. PRISMA's implementers understood this from the outset, based on the experience of programmes such as Katalyst.<sup>19</sup> Like any program, PRISMA's interventions are based partly on assumptions, and it is rare that all assumptions hold. Most interventions therefore need adapting - some need dropping. Yet staff are often reluctant to drop interventions they are working on. Sometimes this is because staff who made wrong assumptions fear their expertise being challenged.

Staff may also fear being punished for failures, so try to hide failures instead of learning from them. Finally, staff may fear being "found out" for making wildly optimistic assumptions in the first place. Head of Measurement Khaled Khan recalls how *"initially staff were projecting sky-high impact, hoping that this would help interventions ideas to get approved."*

PRISMA's Core Management Team has therefore had to work hard to create an open, learning culture. They appear to have had some success: junior and senior PRISMA staff we interviewed agree that the program's culture encourages learning and admitting failure. The willingness of staff to speak openly about underperforming interventions and lessons learned is a further encouraging sign. Based on reflections from PRISMA staff about what has made a difference in creating an open, learning culture, below we outline six key lessons.

- *Lead by example.* Our interviewees widely praise PRISMA's funder, General Manager and Contractor Representative for admitting failure, and encouraging others to do the same. Staff from business and direct delivery backgrounds find this particularly useful.<sup>20</sup>
- *Anticipate a failure rate.* When projecting the combined results of its interventions, PRISMA assumes that 30% of its interventions will fail. PRISMA chose a 30% estimate because this roughly reflects intervention failure rates in other MSD programs. By predicting a realistic failure rate up-front, PRISMA has made its projections more accurate, and helped its funder to anticipate and accept a level of failure. Thus when PRISMA started dropping sectors and interventions already in its first year, PRISMA's funder and its MSD expert advisors saw this as a sign of PRISMA's MSD approach being correctly applied.
- *Avoid attachment.* In order to achieve influence, PRISMA staff (like most MSD practitioners) are encouraged

16 E.g. Bangladesh has higher productivity in maize and rice despite being poorer; Indonesia's extension services focus more on distributing subsidies than their counterparts in Bangladesh; and in Indonesia firms are more open to collaborating with MSD programs, as fewer have preconceptions of donor support.

17 PRISMA has found that some ideas from other countries can succeed in Indonesia. E.g. the idea that companies can sell farmers small trial packs, learned from the Propcom MSD program in Nigeria, informed PRISMA's successful partnership with a pig feed manufacturer. Even here, however, business models were not simply copied; features were added and adapted.

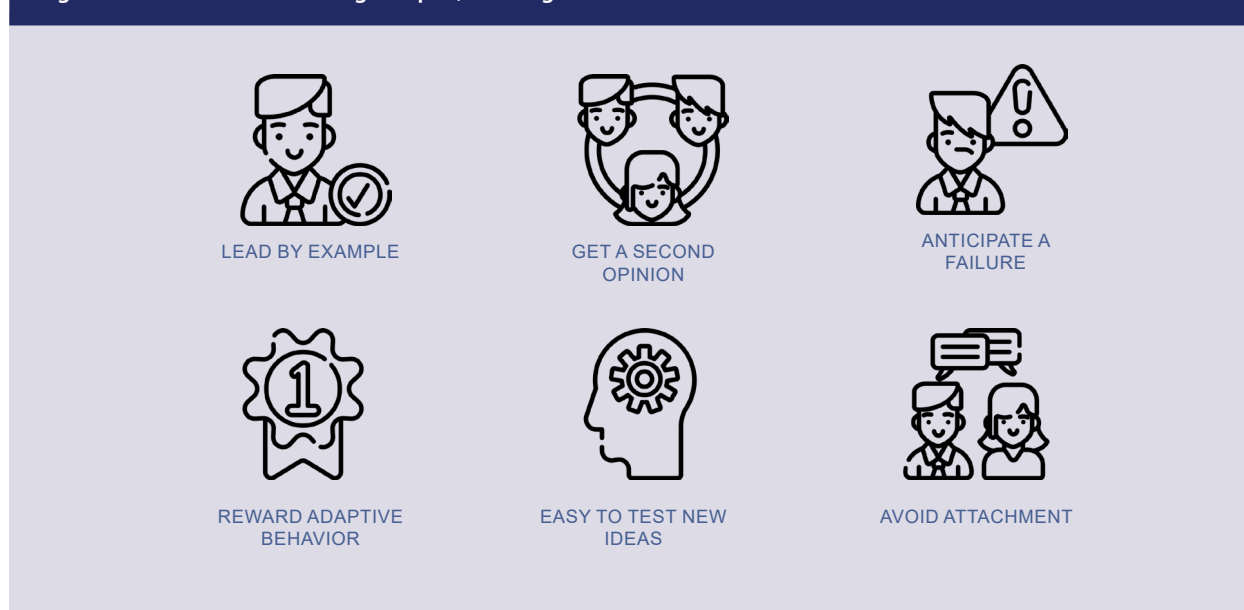
18 Suggested citation: Khan, K. et al. (2018) *op. cit.*

19 Other case studies that reflect on the challenges of creating a learning culture in a development program include Valters, C. et al. (2015), *op. cit.* and; Allana (2014), *op. cit.*

20 'Direct delivery' programs are those that give goods or services (e.g. training) directly to poor women and men. As opposed to MSD, where interventions improve markets for goods and services, so that poor women and men can keep accessing them after the program ends. Staff of direct delivery programs (and of businesses) have greater control over results than do staff in MSD programs. This is because they directly serving their target group/clients. Whereas MSD programs were indirectly, persuading and support businesses, civil society and government to act differently towards poor women and men. Because of this, an MSD intervention's results depend partly on its partner business, civil society organisation or government agency. Thus, while in a direct delivery programme of business, lower than expected results are usually seen as a sign of poor staff performance, in an MSD program they may be caused by circumstances. This is why staff who are new to MSD, and used to personalised responsibility for low results, appreciate MSD managers leading by example, speaking openly about low results without personalising failures.



Figure 1: Six lessons on creating an open, learning culture



to form close working relationships with partners. This however carries a risk that staff continue working on failing interventions due to the friendships they have forged or sense of responsibility they feel towards farmers growing their target commodity. To avoid this trap, PRISMA teaches staff to avoid “*falling in love with the business you partner with, or the sub-sector you operate in.*”

- *Make it easier administratively to test new ideas.* Negotiating a new private sector partnership can consume days, weeks, even months of staff time. This “hassle factor”, when combined with the uncertainty of success when working with a new and untested partner, can deter staff from testing new partnerships and new ideas. To encourage staff to test and develop new ideas, each sector team has a pre-approved budget for action research. From this budget they can spend up to AUD\$10,000 to test an early-stage partnership, using a shorter approvals process that reduces the “hassle factor”.
- *Reward adaptive behaviour in staff performance assessments.* As interventions involve testing assumptions, some interventions will inevitably deliver more impact than others, irrespective of staff performance. So PRISMA avoids assessing individual intervention managers’ performance based on the performance of the intervention they oversee. Instead, PRISMA assesses intervention managers’ performance based on the competencies they demonstrate. Among these competencies are core elements of adaptive management: adaptability (acting flexibly when the program or the market system changes), critical thinking and use evidence for decision-making. Staff overseeing interventions with low results can still get promoted if they demonstrate these competencies. Typically, this means understanding the causes of low results, and either addressing these causes or being willing to drop an intervention if they cannot feasibly be addressed.
- *Get a second opinion.* If a sector team is still tempted to hide failure or does not see mistakes that are happening, PRISMA’s quality control processes are likely to uncover it.<sup>21</sup> PRISMA reviews its interventions in each sub-sector at least once per year. Sub-sector reviews are led by a senior manager who does not oversee day-to-day interventions in the sub-sector, and who can therefore bring an independent perspective. The reviewer serves as a mentor to implementation staff, but also helps to identify problems holding back interventions. They are aided by another aspect of PRISMA’s quality control – annual impact assessments of each intervention. PRISMA’s Measurement Team helps to ensure these impact assessments are objective and accurate. The Measurement Team also works with sector teams to examine results at each stage of every intervention’s results chain, to establish whether changes in farmers’ incomes are attributable to PRISMA’s interventions.

21 For more information on PRISMA’s intervention quality control processes, see Khan, K. et al. (2018) *op. cit.*

Whilst PRISMA has achieved an organisational culture which admits failure and encourages learning, persuading PRISMA's co-facilitators to do the same has been harder. *"Some are used to sugar-coating evidence,"* says Suandi Darmawan, one of the Heads of Portfolio. To mitigate this risk, PRISMA tries to create a feeling of shared responsibility by jointly designing, implementing, and monitoring activities with co-facilitators. When PRISMA and its co-facilitators both work on an intervention, co-facilitators find failure easier to admit. Suandi also finds it useful to communicate with staff at different levels in co-facilitator organisations. Field staff are often the staff most aware of failures, but only sometimes share their concerns upwards.

## Staffing

Globally, many programs report pressure to hire and promote based on sectoral or program management experience, not (adaptive) managerial competence.<sup>22</sup> Even where recruiters enjoy greater flexibility, many are unsure what skills to look for and develop in their teams.<sup>23</sup> A third, related issue occurs when programs hire and train highly capable intervention managers, but find these intervention managers overwhelmed, too busy to reflect on, manage, adapt and improve interventions. This section explores how PRISMA has navigated these three issues.

### Hiring and promoting adaptive intervention and portfolio managers

PRISMA encountered challenges recruiting its first cohort of intervention managers. Many of the applicants had expertise in PRISMA's initial target agricultural sub-sectors, and experience working for development programs. Despite applying MSD-focused selection criteria, many of those hired were accustomed to directly training farmers, and unable or unwilling to persuade agribusinesses to take on this role instead. Within 18 months, 56% of the first cohort had left, often because their contracts were not extended.

PRISMA faced a similar challenge with some of its first co-facilitators. Again, these were people who knew well the agricultural commodities PRISMA was targeting. Over time, some co-facilitators have become capable MSD implementers. Others have not; some were unable to develop required MSD facilitation skills, while a third group was unwilling to apply these skills. This third group often continued their old, unsustainable interventions, attempting to use their agricultural knowledge as a justification. As a result, PRISMA has been forced to drop 8 of its 13 co-facilitators.

After 8 months of the program, PRISMA hired its second cohort of intervention managers. Facing less time pressure, and with a stronger brand to attract new recruits, recruiters were able to apply a new approach. PRISMA moved away from targeting development practitioners. Instead, PRISMA looked for excellent university degrees, interesting extracurricular activities and a business background. PRISMA invited candidates to a two-day assessment centre. Assessors looked for confidence, interpersonal skills, leadership potential, presentation skills and analytical skills – an approach which PRISMA still uses. Often PRISMA has found these skills among fresh and early-career university graduates, who make up 64% of PRISMA's implementation staff.<sup>24</sup> Fresh graduates also tend to be less attached to particular farmers, regions or sub-sectors than PRISMA's first cohort of traditional development experts, making it easier for them to adapt when PRISMA decides to enter or exit a new sub-sector. For these reasons, PRISMA's second and subsequent cohorts of intervention managers have on average performed better and stayed at PRISMA for longer.<sup>25</sup> Whereas just 44% of Cohort 1 intervention managers worked for two or more years at PRISMA, 77% from the next two cohorts have done so.<sup>26, 27</sup>

<sup>22</sup> Dr Ben Taylor and Rob Hitchens. (2018) *Designed To Fail: How to Design Programmes to Allow Adaptive Management*. Springfield Centre Working Paper #6.

<sup>23</sup> Allana (2014), *op. cit.*, p. 3.

<sup>24</sup> By 'implementation staff' we mean staff who carry out intervention activities, and their managers. As opposed to staff who manage the program's finances, logistics, human resources, security and procurement.

<sup>25</sup> PRISMA scores the performance of intervention managers in four areas: Adaptability (acting flexibly when the program or the market system changes); Critical thinking; People and relationships; and Technical acumen (which includes how well staff apply MSD guidance, and use evidence for decision-making).

<sup>26</sup> PRISMA has avoided hiring only fresh graduates. Whilst business, engineering and similar graduates tend to be more confident dealing with businesses, they initially lack knowledge of and contacts in their target sub-sectors. "You still need someone in your sector team who has a grounding in agriculture," says Victoria Carter, "someone who has enough contacts to find people in the sector. If you have no sector expertise in-house, you spend lots of time procuring it."

<sup>27</sup> To put these numbers in context, PRISMA and its funder anticipated high staff turnover from the beginning (estimated at 20% of staff per year).

### Having enough time to learn, monitor and adapt

Program and intervention managers often feel overwhelmed, too busy delivering interventions to reflect on, monitor and improve them.<sup>28</sup> PRISMA staff, like many other program staff worldwide, have suffered here, but PRISMA also offers lessons on freeing up time for adaptive management.

- *Detach hiring from commercial objectives.* PRISMA's managing contractor earns an agreed amount fixed at the beginning of the program. Under this arrangement, the contractor has little or no commercial incentive to hire more staff than are needed. Other funders' arrangements are often different. Notably, some funders incentivise implementers by allowing them to profit from margins on programme staff time. Here, implementers could have incentives to over-staff a program, making requests for additional staff harder for a funder to approve. Whilst we cannot here fully appraise the merits of different funders' commercial models, it is worth noting that PRISMA's commercial arrangements have avoided this issue, and thus given its implementers greater flexibility to hire new staff, when needed.<sup>29</sup>
- *Delegate intervention management.* PRISMA tasks each junior and mid-level intervention manager with overseeing one or more of its business or government partnerships. At the time of writing, PRISMA had enough junior and mid-level staff to cover all of its partnerships. This frees PRISMA's Heads of Portfolio, General Manager and Deputy General Manager from directly managing interventions, giving them more time to reflect on and adapt the program's overall strategy. Even still, as the implementation team has grown, the five Heads of Portfolio have been overstretched in their mentoring and strategic oversight roles. To address this, PRISMA is hiring two more Heads of Portfolio, and reducing the number of staff reporting to each.
- *Delegate administrative tasks.* PRISMA assigns an administrator to each sector team.<sup>30</sup> Administrators help to process intervention managers' expense claims and travel requests. Some also conduct basic checks on field research. Opinions on their usefulness vary; some intervention managers are willing and able to delegate more than others.
- *Delegate routine monitoring.* In a large country like Indonesia, travelling from program headquarters to observe field activities is time-consuming.<sup>31</sup> PRISMA has therefore hired Provincial Managers, who live in far-away agricultural regions. Provincial Managers conduct spot checks on intervention activities in their home regions, and manage relationships there. As a result, intervention managers spend less time travelling than they otherwise would, giving them more time to improve strategy.
- *Make reports shorter.* Most internal reports are in bullet-point format; intervention proposals are written in PowerPoint; and PRISMA's semi-annual Progress Report and Implementation Plan for its funder are limited to 15 pages plus annexes. Non-native English speakers in particular save time by avoiding writing lengthy prose.

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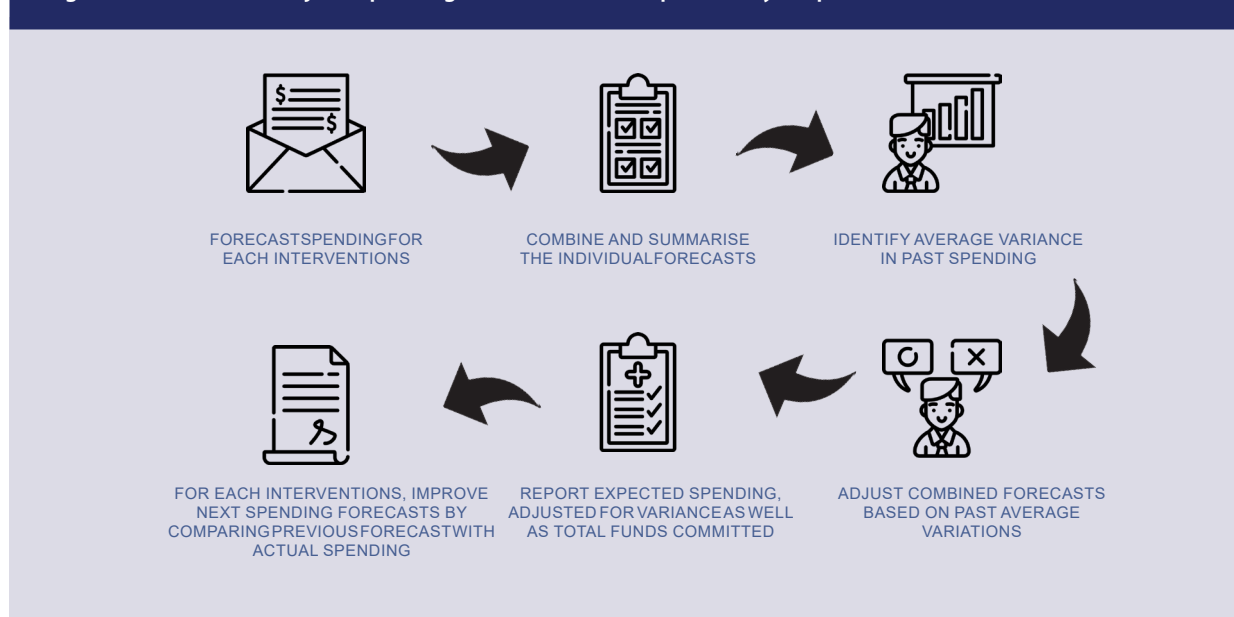
28 Based on the author's observations of and discussions with staff from over 20 MSD programs worldwide.

29 For example, in PRISMA's first and second years, the program was suffering from a shortage of managers who understood the MSD approach well, capable of mentoring portfolio (sector) teams. As MSD was new to Indonesia, PRISMA needed to hire managers from outside the country to fill its skills gap. Given the first year's difficulties and drawing lessons learned from this, PRISMA was given the flexibility to hire experienced managers from Bangladesh, Nepal and Nigeria, and create new 'Head of Portfolio' positions for them. This flexibility is rare in MSD programs; many face rigid restrictions on hiring expatriate staff. PRISMA illustrates the value in avoiding such rigid restrictions; staff and funders widely view the Heads of Portfolio as having made major improvements in PRISMA's interventions, capacity building and results. Their views are best summarised by one senior program adviser: "without this tier of more capable M4P supervisors the project would not have met its targets."

30 Within PRISMA, these administrators are called 'Project Assistants'.

31 Most intervention managers are based in the city of Surabaya, well-positioned to meet decision-makers in partner agribusinesses, who are mostly based in Surabaya and Jakarta. PRISMA's aim is often to change the interactions these agribusinesses have with farmers, enabling farmers to adopt new and better agricultural inputs, services and practices. Observing changes in these interactions between agribusinesses and farmers requires spending time in agricultural regions.

Figure 2: How PRISMA adjusts spending forecasts based on probability of spend



## Spending

Globally, there is a tension between the predictability of spending desired by funders, and the flexibility of spending often needed to maximise the size and sustainability of results.<sup>32</sup> PRISMA illustrates this tension.

To maximise its results, PRISMA selects and changes its target sub-sectors, partners and activities over time. To make these results likelier to last, PRISMA encourages its business and government partners to take responsibility for the changes PRISMA helps them to introduce, letting these partners introduce changes at their own pace. PRISMA’s flexibility and focus on sustainability are amongst its key strengths – but they also make PRISMA’s rate of spending harder to predict.

For DFAT as a funder, with a fixed budget for foreign assistance and disbursement targets, this unpredictability presents an ongoing challenge. This section shares lessons from PRISMA on how to reduce the variance between its budget and actual spending, without sacrificing its flexibility and focus on sustainability.

### Improving spending predictability while maintaining intervention flexibility

- *Adjust spending forecasts based on probability of spend.* On average, PRISMA spends 60% of the budget an intervention manager submits for an intervention. PRISMA has identified this variance by regularly analysing monthly budget vs actual spending (BVA).<sup>33</sup>
- PRISMA uses its information about variance to improve its spending forecasts. Figure 2 describes the process PRISMA follows. By adjusting spending forecasts based on past average variance, PRISMA has reduced the variance of its spending on interventions from -18% to -7%.<sup>34, 35</sup>

32 Byrne et al. (2016) *op. cit.*; Taylor and Hitchins (2018) *op. cit.*; Allana (2014) *op. cit.*; MercyCorps (2015), *op. cit.*

33 PRISMA has found that the type of business you partner with can be a key determinant of variance. For PRISMA, partnerships with small businesses have had higher variance than partnerships with large businesses; perhaps because they have been likelier to fail. The type of partnership agreement PRISMA signs also affects variance. Where partners are paid a fixed amount for achieving certain milestones there is lower variance than interventions where partners are reimbursed based on actual costs incurred. Finally, PRISMA has found the size of disbursement affects variance; larger disbursements tend to have lower variance than small ones.

34 PRISMA applies a standard discount ratio to spending forecasts for all intervention activities (activities specified in a Partnership Agreement or Memorandum of Understanding between PRISMA and a business or public sector body). In contrast, PRISMA does not discount its spending forecasts for staff costs and overheads based on past variance. This is because these types of spending tend to be more predictable.

35 PRISMA’s implementers also report to DFAT how much money they have formally committed to spend. Doing this helps to reassure DFAT that PRISMA has enough money in its budget to honour all commitments.



- *Help intervention managers to forecast spending better.* PRISMA has taught staff to update spending forecasts as they learn more about the true cost of an activity, instead of assuming their original budget was accurate. When this happens, PRISMA can anticipate under or overspend earlier, giving staff more time to reallocate funds where needed.
- *Give the funder early warnings if you will miss long-range spending forecasts, and explain why.* Consistent underspend creates fewer problems for funders if they get enough notice. PRISMA and DFAT therefore speak monthly about forecasted and actual spending. Explaining the causes of variance also helps, allowing PRISMA's managers to avoid the perception that underspend results from poor planning. DFAT's Naomi Cook appreciates this: "For an MSD program, giving money back may happen because of higher than expected co-funding from partners, which often boosts sustainability and value for money. In these cases we don't mind underspend, as long as we have enough notice."

## Conclusions

This section summarises key lessons from the case study, highlighting implications for adaptive management elsewhere. The key lessons are, that:

- Setting targets for outcomes, not outputs, gives programs greater flexibility to focus on whichever outputs deliver the desired outcomes. Outcomes are less within the program's control and take longer to materialise, but can sometimes be predicted by tracking changes 'leading indicators.'
- Updating key performance indicators can help implementers to (re)focus on what matters most, at different stages of the program.
- Programs are likelier to achieve an open, learning culture, if they adopt the following six practices.
  1. Lead by example. Senior staff should admit failure, and encourage others to do the same.
  2. Anticipate failure. When projecting results of MSD interventions, programs should assume that a proportion of interventions will fail.
  3. Avoid attachment. Remind staff that their responsibility is to work towards impact (for MSD programs, this means benefiting poor women and men). Achieving impact requires building relationships with others, but these relationships should adapt or end if they no longer contribute to impact.

4. Make it easier administratively to test new ideas. Pre-approved budgets for action research can reduce the bureaucracy that often deters staff from testing new ideas.
  5. Reward adaptive behaviour in staff appraisal. Reward staff who act flexibly when the program or the market system changes, think critically and use evidence for decision-making.
  6. Get a third-eye view. Staff who are still tempted to hide failure will be deterred if the program's quality control processes are likely to uncover it.
- When hiring intervention managers, look for confidence, social skills, leadership potential, presentation skills and analytical skills. PRISMA has found these better indicators of future good performance than candidates' length or relevance of industry experience.
  - Program and intervention managers often feel too busy delivering interventions to reflect on, monitor and improve them. Managers can free up time for strategic thinking by hiring enough staff; delegating implementation, administrative and monitoring tasks; and making reports shorter.
  - MSD programs can take practical steps to make their spending more predictable without sacrificing flexibility and sustainability. Firstly, by adjusting spending forecasts based on the probability of spend. Secondly, by teaching intervention managers to update their spending forecasts as they learn more about the true cost of an activity. Thirdly, implementers should give funders early warnings if spending forecasts look likely to be missed, and explain why.

PRISMA, in just four and a half years, has helped 221,000 rural households to raise their incomes. By the end of its fifth year, PRISMA expects this number to rise to 311,000. As explained in a separate PRISMA case study, there are encouraging signs that much of this impact is sustainable.<sup>36</sup> Whilst PRISMA's successes so far owe greatly to the individual efforts and talents of its staff, partners and funders, this case study has outlined how adaptive management practices have contributed as well. PRISMA's experience here thus adds to the growing literature highlighting adaptive management's importance to development effectiveness.

Finally, while PRISMA has succeeded by avoiding certain constraints to adaptive management, PRISMA has also grappled with others. By describing how PRISMA has tried to overcome these constraints, this case study can offer lessons to managers worldwide, who may find themselves fighting similar battles.

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<sup>36</sup> Suggested citation: Khan, K. et al. (2018) *op. cit.*

## Acknowledgements

The author would like to thank all the PRISMA, DFAT and Springfield Centre staff and advisers who shared their time, insights and feedback to inform this publication. Particularly Giulia Salmaso, Agnes Laurens, Herdiansyah Syifa, Rob Hitchins, Rachel Shah and Kate Fogelberg, who contributed valuable organisational support as well as ideas.

## Annex A: What is Market Systems Development?

Market Systems Development (MSD) is an approach used by development programs to make markets function more efficiently and beneficially for poor women and men. MSD offers guidance on how to diagnose market-wide problems affecting poor women and men, and how to intervene to address these problems. MSD interventions aim for sustainability: program activities are temporary, but aim to catalyse long-lasting benefits. Typically by influencing the business models of firms that buy from, sell to and advise poor women and men. Interventions can also influence rules, laws, government policies and public service delivery.

Adaptive management is required for MSD programs to succeed; MSD guidance encourages it. For example, MSD and Adaptive Management both advise implementers to be flexible, deciding how to intervene based on what their diagnosis tells them. Both also advise implementers to test, adapt, and scale up or drop interventions based on learning.<sup>37, 38</sup>

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37 The Springfield Centre (2015) *The Operational Guide for the Making Markets Work for the Poor (M4P) Approach*, 2nd edition funded by SDC & DFID.

38 The MSD approach is sometimes referred to as Making Markets Work for the Poor (M4P).

# PRISMA

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