Change in challenging contexts

How does it happen?

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Cover photo: © Sven Torfinn - A young woman stands up in a class at Mogadishu University, Mogadishu, Somalia.

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Acronyms and abbreviations

BSI	Budget Strengthening Initiative
DRC	Democratic Republic of the Congo
g7+	intergovernmental organisation for conflict-affected states
HRM	human resource management
IDA	International Development Association
IDPS	International Dialogue for Peacebuilding and Statebuilding
IFMIS	integrated financial management information system
JPA	Joint Plan of Action (for Local Services Support)
M&E	monitoring and evaluation
MoFEP	Ministry of Finance and Economic Planning (South Sudan)
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
ODI	Overseas Development Institute
PDIA	Problem Driven Iterative Adaptation
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
TA	technical assistance
TC	technical cooperation
TSA	treasury single account

Key messages

- Strengthening capacity and systems for public financial management and service delivery in challenging contexts is possible. Attention needs to be placed on fostering genuine behavioural change if such change is to contribute to improved development outcomes.

- Reform is messy in practice. The actions which deliver genuine change tend not to be pre-planned but responses to local problems and opportunities. Reforms need to be relevant to those problems and adapted based on experience, and must fit within the available space for reform and capacity.

- Senior officials in authority provide and protect the space for change. Yet change is typically taken forward by mid-level bureaucrats who convene teams to deliver reform and build coalitions in support of change.

- External actors can play an integral role in fostering genuine change. If this is to be more common, donors need to encourage governments and providers of technical assistance to address local problems and adapt solutions to them.

Executive summary

Introduction

How does genuine institutional change take place and how can it be supported? This paper tries to understand how reform takes place in practice in challenging environments, the different roles actors play in the reform process, and the role external actors can play in the change process. In fragile states and other challenging situations, the establishment of core functions relating to public financial management (PFM) and service delivery is seen as a critical part of state building and resilience, and is central to most development partnerships.

This is primarily a lesson-learning piece. It draws from the experience of the ODI Budget Strengthening Initiative's (BSI's) work in South Sudan, Liberia, the Democratic Republic of the Congo and Uganda and with the g7+ group of fragile states. BSI was set up in 2010 as an innovative and experimental programme to support fragile and conflict-affected states to build more effective, transparent and accountable budget systems. This paper sits alongside a series of insider accounts of change written with our partners in government, which are intended to promote lesson learning in how institutional change can take place. They draw from experience of BSI advisers and their counterparts working within ministries of finance and sector ministries.

Is good practice problem-driven?

Reformers in developing countries and external actors have, for decades, tried to strengthen institutions, their capacity, systems and processes. However, progress has been slow and uneven (Pritchett et al., 2010). Project-based aid, institutional support and conditionality associated with structural adjustment in the 1990s was seen as ineffective in levering change. In response, aid shifted towards the use of government systems in the 2000s. Approaches to technical assistance and capacity development evolved in a way which emphasised two aspects: first, a programmatic approach, a logical sequencing of reforms drawing from good practice and coordinated support; and second, greater awareness of the context and a resultant emphasis on the importance of establishing ownership, identifying drivers of change and tailoring reforms to a country's situation (PEFA Steering Committee, 2004; Brooke, 2003; European Commission, 2010). This represented a genuine effort to improve the appropriateness, coherence and uptake of reform.

In the early 2010s, some observers noted that while the 'form' of institutions has changed significantly in recent times, often as a result of external support delivered in line with the principles which emerged in 2000s, the underlying 'function' of those institutions has not (Pritchett et al., 2010). In other words, while institutional capacity, systems and processes have been developed, commensurate progress in the behaviour of individuals and institutions,

and improvements in *public-sector outcomes*, have often not followed. These observers, drawing from thinking from the 1950s (Lindblom, 1959), advocate an iterative, 'problem-based' approach to institutional change that is 'politically smart', escapes 'capability traps' and addresses 'collective action problems' which underlie the lack of real progress (Andrews et al., 2012; Booth and Unsworth, 2014). Furthermore, Booth (2013) points to the potential of 'arm's-length organisations' as a means of supporting such change processes.

This paper tries to understand where and why the divergence between form and function might arise, and the nature of change processes which have real impact.

What changes, what doesn't and the space for change

Significant progress in processes, systems and capacity can and has been made. Yet, there has been little change to outcomes influenced by those systems. A lot of behaviour has not changed significantly in areas where systems are developed. This would indicate that form is changing but function is not, which has been the broad conclusion of many observers (Andrews and Bategeka, 2013; Pritchett et al., 2010; Larson et al., 2013). Yet, incremental positive changes in behaviour are observable in some areas and these have in some cases resulted in steps towards improved outcomes.

The interplay between power, interests and the availability and use of public resources is central to understanding the space for genuine change. Space is likely to be available when those who have influence over public resources share some common interest in positive change at the political level, within the finance ministry and beyond. Unfortunately this also means that there are likely to be some intractable problems. This helps to explain why it has been possible to expand funding to support the provision of services in South Sudan, and also why comprehensive efforts to implement controls in budget execution have been met with limited success. Reforms that directly attempt to exert *ex- ante* controls in areas where power and interests are not aligned are unlikely to be successful. Conversely, reforms that protect and make progress in areas where interests are aligned or that strengthen *ex- post* processes such as accounting and transparency are more likely to succeed. The unpredictable nature of fragile and conflict-affected states also means that the space for reform is often changing, which also contributes to the frequent reversals that are seen alongside progress. Nevertheless, these fluctuations also present opportunities.

Analysis of change itself and the space for reform takes us some way to understanding why some genuine change takes place and other change does not. To understand more fully the 'why' of successful change, it is important to understand 'how' change takes place.

How to deliver genuine change

The experience in South Sudan, Liberia, Uganda and the g7+ lends credence to the importance of iterative problem solving. Key characteristics include teams and coalitions building broad acceptance for reform; learning and adaptation to maintain the relevance of reform; sensitivity to the available reform space and capacity to implement; consistent implementation of reforms over time; and the building of complementarity and coherence across reform processes and associated systems. Approaches which showed elements of these features tended to result in genuine behavioural change.

The experience of reforms also show that *ex- ante* planned reforms, that were not relevant to the problems faced by actors, which did not take into account the available space for reform, which were implemented in a top-down manner in the absence of teams and coalitions, and which did not involve adaptation and learning, were less likely to foster behavioural changes and progress towards improving outcomes.

This paper examines the people involved in reform and the roles they played, starting by identifying reformers and the problems they typically faced. Reformers are always there. The caricature of a charismatic, articulate, sociable 'driver of change' is often not in evidence. Ministers and senior bureaucrats only sometimes showed an active interest in reform, but they were usually significant in allowing reform to take place or, sometimes, in blocking it. They provided the authority for reform. There were always mid-level or junior bureaucrats genuinely interested in positive change and with a clear desire to address the challenges they saw around them, and these individuals were vital. Importantly they led core teams of technocrats who delivered reform and built broader coalitions of support outside those institutions.

For those interested in reform within government institutions, even in the most challenging environments, this paper should give hope that it is possible to change things. Drawing experience from the case studies and beyond, there are ten messages for such reformers:

1. Start with a problem and an opportunity, not a comprehensive solution

The starting point for reform need not be and should not be a comprehensive reform plan. It is, as Lindblom (1959) would argue, impossible to come up with a solution to all problems at once, or even a perfect solution to one problem. Reformers need to select a limited number of immediate problems they face, understand them as best they can and work out solutions to them. It also means looking out for opportunities to address these problems. This involves thinking strategically, but it does not require a strategy to get started.

2. Understand the problem and space for reform

Reformers need to be sensitive to the space for reform, both in terms of the broad distribution of power and interests (within the country and their institution) and, more specifically, in relation to addressing the problems they face. What are the interests at different levels? Where are there common interests? What are their limits? Is there likely to be funding to address these common interests? Reformers also need to be aware of the institutional environment. What is the capacity available to deliver reform?

Reformers need to understand the nature of the problems they face. Is the problem a simple challenge of initiating collective action, where changes would be in actors' interests if they worked together, or are there more fundamental problems underlying the lack of action? If the space for reform is not there, is there a possibility of changing actors' interests? The truth, which may not be so palatable, might be that the time is not right for attempting change.

Given this understanding, it is important that actions aim to make progress in areas where there are common interests, but don't directly confront or influence areas where common interests do not exist. This may mean limiting the ambition for reform.

3. Take small steps, but know where you're heading

Those engaged in reform need an understanding of where that reform is heading – the destination – as it gives a sense of purpose and motivation. However, they should not try and get there in one go: often there will be political space and capacity to take small steps, but rarely for giant leaps. Furthermore, small steps may have large implications.

This involves solving individual problems, adjusting the solutions, responding to changes in context and moving to the next problem. Simple reform plans, which are not prescriptive, can help set out the objectives and the direction of travel, but they should not set out the route in detail.

4. Start processes and systems on the right foot and sustain them

Change is delivered through processes and systems. These need to be developed to work within the reform space based on the available capacity. It is important that processes and systems start off on the right foot. They need to be designed in a way which is relevant to the problem, and implementation needs to be credible from the outset. External capacity is typically required and used early on for the initial design and delivery of processes and systems. Operational plans can be used to cost, fund and guide implementation of distinct processes and systems.

The enforcement of rules is key for the continued credibility of a process or system. However, this is where systems often break down. There is a danger that management of implementation can be taken over by domestic actors too early, when they are not ready. Discipline in implementation may break down as a result. When processes or systems are handed over, external actors must be ready to step back in, if discipline starts to decline. This may require long-term external involvement.

5. Learn and adapt and you'll avoid getting trapped

Reform processes involve learning from experience and identifying new problems and then adapting and refining solutions based on that experience and the evolving context. Processes and systems need to be adjusted over time to ensure they remain relevant and to avoid long-term reliance on external capacity. Mistakes and reversals will happen and may be demotivating for those involved, but, if viewed positively, they can be learned from and can result in adjustments to future iterations. They should not be seen as failure.

Traps can be avoided by adapting processes and systems to fit within the available reform space, to address problems as they evolve and to ensure the level of sophistication is consistent with evolving capacity. If they do not, then domestic and external actors can be trapped into sustaining inappropriate solutions where compliance is weak and which do not result in genuine change.

6. Decide when, what and how to formalise

Formalisation is important if a reform or process is to be taken seriously, but too much formalisation too early and at too high a level can stifle innovation and learning. The lower the level of formalisation, the easier adaptation is. Start with drawing up official guidelines or circulars, and use these to test solutions early on. These are far easier to adjust and adapt. Different types of formalisation may be required at different levels at different times. If high-level formalisation or authorisation is required – let's say at cabinet level – then what is approved should aim to allow the maximum degree of flexibility. If plans and laws are necessary, they should be enabling rather than prescriptive.

7. Join the dots

The reform process will move from one problem to another, and the number and sophistication of systems being implemented will increase over time. Reformers need to continuously think strategically about how different reforms, processes and systems can complement each other. This may involve different PFM reforms within the finance ministry or reforms in a number of sectors, which may have started at different times and at either strategic or operational level.

8. Don't try and reform alone

Potential leaders of reform must understand they cannot reform alone, and that it is difficult to drive reform from the top down, even though this can help sustain pace. For reforms with major political implications, ministers will

need to build coalitions of support. Specific reforms tend to be managed by mid-level managers and delivered by the teams they assemble. A minister or top-level bureaucrat needs to identify them and work through them if they are to effect change. They should also build coalitions of stakeholders to broaden acceptance of reform and its implementation. Team- and coalition-building also help with joint learning, building consensus for reform and overcoming collective action problems.

9. Those in authority provide and protect the space for change

Change requires authorisation if it is to be allowed. Authorisation need not be explicit, but there must be tacit authorisation. Explicit authorisation from higher levels only needs to be sought, and gained, when it is needed. Seeking explicit authorisation before coalitions of support have been built can risk authority being denied prematurely. When explicit authorisation is being sought, authorisers need to understand the implications of that authorisation, otherwise it may be granted on paper but not in practice, meaning that behaviour will not change. Reform plans can be used as tools for seeking higher level authorisation for ongoing reform processes, but such plans should not be prescriptive, seeking instead to define the *trajectory* of reform and change. Reformers need to understand the authority they have, and the authority of those above and below them. In this way the appropriate authority can be requested at the right level, so that the space for change is provided and protected.

10. Seek and adapt external advice

Potential reformers should seek external advice on how to address the problems they face. They will probably have been bombarded by reform ideas from external actors already. Typically, a similar problem will have been faced before in other countries. Any solution from elsewhere needs to be tested for relevance to the specific local problems and adapted in relation to the local solution. Even though new solutions may be required, and one size rarely fits all, lessons can be learned from elsewhere.

How technical assistance (TA) providers can support genuine change

The role of external actors in the development and implementation of processes and systems formed an integral part of the reform processes described. This paper identifies four main roles that TA providers can play in supporting genuine change processes.

1. The trusted adviser (strategic thinking, problem-solving, navigation)

Advisers who gain the trust of reformers can play a critical role by helping them to understand and address the problems they face and to navigate through reform processes and the advice they will receive from an array of different quarters.

2. The facilitator (brokering agreements)

Facilitators and brokers are external actors who help to build coalitions and can help reformers to bring actors with different interests together in order to solve collective action problems. They build a common understanding of problems, a consensus and an acceptance of how they can be solved. This role can be played at the political or, more commonly, the technical level.

3. The dot-joiner (coherence and complementarity)

The dot-joiner makes connections between reforms, processes and systems, helping to ensure complementarity is maximised, and that any systems developed are consistent with each other.

4. The technician (supporting implementation and building capacity)

TA programmes play the important and conventional role of technicians in the development, delivery and management of processes and systems, and in the building of capacity over time. However, technical solutions must be relevant to problems and sensitive to capacity and the political space for reform, and they should be adapted and adjusted over time. The role of external technicians needs to change according to the different phases, from design and implementation to management and provision of on-the-job support and finally, to backstopping. Implementation support is important for ensuring consistency of reforms over time.

Advice is not always taken up and systems are not always implemented or sustained. There appear to be a number of factors relating to the degree to which advice is taken up:

- Advisers need to demonstrate their usefulness. The person or people being advised need to be able to see the relevance of the advice to the problems they face and the feasibility of acting on it. The person providing advice needs to demonstrate technical knowledge, for which there is no substitute. Communication skills are also required, including the ability to explain and break problems down, linking advice to lessons and past experience.

- Advisers need to be able to build trust with their counterparts. They need to show respect to those being advised, acknowledging their position and respective authority. It is important that advisers work through the bureaucracy, rather than bypassing it, respecting the decisions of their counterparts. Confidentiality may also be important in building trust. Further, balancing direct technical advice with listening and coaching is important. Trust takes time to build.

- There needs to be consistency of advisers over the long term. Those providing advice need to sustain their engagement over the long term to ensure consistency in change processes, learning with the team and broader coalition, and supporting adaptation. The importance of sustained optimism will be familiar to those working in fragile environments.

The ability to build trust is typically an intangible and unmeasurable skill – less evident than technical ability, but no less important.

Donor behaviour and the structuring of external support

Donor behaviour and the structuring of TA programmes supporting institutional reform have an important bearing on whether TA programmes can play these roles effectively. Typically, donors are rewarded if their programmes are visible and they can demonstrate clear influence and results. Donor representatives often feel it is important to focus their attention on ministers and top-level bureaucrats; typically, however, little comes of these interactions, as senior officials are overwhelmed with work. Conversely, there is little incentive for donor actors to build relationships with mid-level reformers, and they may find it easier to get information from a contractor or employee working within a ministry. However, this undermines advisers' ability to build relationships of trust. While there are strong incentives to ensure logframes and workplans are delivered, there's little incentive to acknowledge mistakes and therefore learn from them. Therefore, the structure of traditional TA projects and the behaviour of donors can have significant negative consequences.

Overall, donors need to encourage reformers within governments and the TA providers they fund to identify and solve local problems and establish a positive direction of change. This involves building relationships with mid-level managers, rather than focusing attention solely on ministers and top-level bureaucrats. It means taking time to understand local problems and the space for reform before suggesting solutions drawn from elsewhere. It also means developing projects with more open-ended designs, specifying desired directions of change, systems and capacity development, and not prescribing deliverables *ex- ante*. It also means allowing TA providers flexibility to adapt and adjust systems to local problems over time, and focusing monitoring and evaluation on genuine behavioural change and not just processes, systems and outcomes.

Combined, this would help to focus stakeholder attention on local problems and give the space and incentive to learn, adapt and adjust on the basis of experience. It would also help build coalitions, which can

in turn help the acceptance of reform over time, and reduce the gap between form and function.

If applied in the context of conventional TA projects, whether implemented through a single firm or via multiple contracts and a management agent/unit, these principles could go a long way in fostering genuine change.

However, the structure of traditional TA programmes will intrinsically influence how relationships and incentives play out. Donor incentives, which underpin a lot of the behaviour that is observed, will remain. Wholesale change to TA provision is unlikely to be possible. Arm's-length TA providers, meanwhile, have an important comparative advantage in building trusted relationships, facilitating reform and joining the dots. The pragmatic solution to the problem may be more incremental: to provide small-scale, arm's-length TA projects alongside conventional ones.

Conclusion

The experience outlined in this paper points to the validity of problem-based, politically smart approaches to reform. The approach sits well against the descriptions of how genuine behavioural change has been fostered in South Sudan, Liberia, Uganda and the g7+. However, there is danger that, as a new development fad, a world of iterative problem-solving will emerge without genuine change occurring – a new type of form over function.

This paper does not suggest throwing the baby out with the bathwater. The pace of reform to systems and processes for PFM and service delivery picked up in the 2000s, and this indicates progress from previous decades. While it is clear that change does not happen in a predictable and linear fashion, there are still roles for plans, coordinated support, logical sequencing of reforms, and promotion of good practice. As this paper repeatedly states, there is no replacement for good technicians supporting the building and implementation of systems and processes.

This paper does suggest ways of applying these techniques that increase their relevance to the local context: by addressing genuine local problems iteratively through learning and adaptation, and by increasing the chance of uptake through the building of acceptance via teams and coalitions. Reformers need to be sensitive to the actual space for change that exists, while thinking strategically about the desired direction of change.

This paper recommends a way for reformers to approach reform, the roles TA providers can play in support of genuine change, and the types of change to TA programmes and donor behaviour which might ultimately help the acceptance of reform and reduce the gap between form and function. It is not about doing development completely differently, just approaching some elements of development differently.

1. Introduction

How does genuine institutional change take place and how can it be supported? This paper tries to understand how reform takes place in practice in challenging environments, the different roles actors play in the reform process, and the role external actors can play in the change process. In fragile states and other challenging situations, the establishment of core functions relating to public financial management (PFM) and service delivery is seen as a critical part of state building and resilience, and is central to most development partnerships. These areas are the focus of this paper.

This is primarily a lesson-learning piece. It draws from the experience of the ODI Budget Strengthening Initiative (BSI) in South Sudan, Liberia the Democratic Republic of the Congo (DRC) and Uganda and with the g7+ group of fragile states. The BSI was set up in 2010 as an innovative and experimental programme to support fragile and conflict-affected states to build more effective, transparent and accountable budget systems. This paper sits alongside a series of insider accounts of change written with our partners in government, which are intended to promote lesson learning in how institutional change can take place. They draw from experience of BSI advisers and their counterparts working within ministries of finance and sector ministries. The accounts include: budgeting in Liberia and South Sudan, strengthening service delivery in South Sudan and budget transparency in Uganda. This paper also draws from more detailed stories of change maintained as internal monitoring and evaluation instruments for all BSI activities as well as recent ODI work studying (and the author's experience supporting) PFM reform in Uganda over the long term.

This paper and the accounts that sit alongside it have been written by people involved in the reform processes. While every effort has been made to provide and draw lessons from objective, candid accounts, the authors are not independent of the subject matter. This is not intended as an academic paper, then, but a reflective piece based on the collective experience of a set of individuals involved in reform. Nevertheless, it does try to locate this experience within the evolving literature on institutional reform. By comparing the BSI experience in practice with established and emerging approaches to supporting institutional change, we hope to draw some lessons of interest. It is intended to be of interest to practitioners involved in strengthening PFM, service delivery and other disciplines, agencies funding these efforts, academics and anyone else interested in how institutional change does or doesn't happen in practice.

The paper first sets out a generic synopsis of approaches to supporting institutional change, which includes the approaches that emerged from the aid effectiveness agenda in the 2000s, and from the problem-based approaches to institutional change that have emerged in the 2010s. It then sets out the types of change that do occur, identifies the changes that may lead to improved function, and explores the role of context. It subsequently tries to understand the path that reform takes in practice and the roles that are played in a reform process. It concludes by drawing some lessons from this experience in the context of the contrasting literature on institutional change.

Darfurian refugees from Sudan in Eastern Chad. Photo: © UNHCR / F. Noy.

2. Is good practice problem-driven?

2.1 A methodical, context-specific approach to reform

The prevailing approaches to institutional reform originate from the aid effectiveness agenda that emerged in the early 2000s (OECD 2005, 2008). This, in turn, was a response to the failure of policy conditionality in support of structural adjustment programmes, technical cooperation, and the fragmentation of project support in the previous decade. PFM gained prominence with the introduction of debt relief and a shift to budget support; aid that used government systems was on the increase.

Two dimensions can be distilled from the approach that emerged (Box 1). The first can be termed the 'methodological' dimension. The aid effectiveness agenda emphasised greater coherence and coordination of external support to systems and capacity development, linked to plans with proper sequencing. A results focus and logical framework approach was employed to facilitate the setting of objectives and the review of progress. The agenda drew from and emphasised good practice, which was embodied in diagnostic instruments such as the Public Expenditure and Financial Accountability (PEFA) framework.

The second can be termed the 'context specific' dimension. This entails an emphasis on ownership and the importance of support being demand-driven. 'Drivers of change' or 'reform champions' need to be identified and supported within partner organisations (DFID, 2005). Donors and technical assistance (TA) providers should collaborate, not compete, under government leadership. Systems and capacity development activities should be context-specific, and solutions more of a 'best fit' than 'good practice', taking into account the political economy of the situation. There should be an emphasis on change management alongside training and systems development.

The associated guidance that emerged from this agenda tries to address the technical and contextual challenges for institutional change to take place. While these two dimensions are not contradictory, they sit uncomfortably together. The actors involved in both the supply and consumption of capacity development are technocrats and bureaucrats. For example, a typical budget director is an economist, and an accountant general is an accountant. Both are most at home reviewing numbers and

implementing processes and procedures. Health ministries are staffed with medical practitioners; education ministries with teachers. The same can be said for donor specialists in these areas. The author of this paper is a technocrat – most comfortable working on budget call circulars, spreadsheets and databases. Understanding the political economy of PFM – the distribution of power and the incentives of actors underlying the use of public resources – is not always the comparative advantage of the actors occupying the reform space. It is not surprising that, in practice, the methodical dimension is attractive and prevails.

In the world of methodical approaches to PFM, the importance of proper sequencing of reforms is propounded and advocates emphasise the importance of tackling the basics first (Schick, 1998). Brooke (2003), for instance, developed a platform approach, where basic reforms need to be completed before moving on to the next level of reforms. The PEFA secretariat recently published guidance on the sequencing of reforms (Box 2).

While the guidance usually stipulates 'avoiding blueprints', similar instruments are readily packaged and promoted by external actors. This may be the development of a PFM reform strategy, a public finance bill, a Medium Term Expenditure Framework (MTEF), an integrated financial management system (IFMS), or some procurement regulations. These are typically oriented towards achieving an improved score in a PEFA assessment of PFM. The consumers of TA demand and accept support in implementing these solutions either because they genuinely believe they will improve the functioning of their PFM systems or because they are under pressure as those promoting these reforms are important funders.

These methodical, context-specific approaches can work very well if there is strong leadership, a clear understanding among those reformers of the problems and relevance of proposed solutions, a stable economic and political environment and political support.

However, these approaches do not satisfactorily answer questions such as:

- What if there is no strong leadership or management capacity in a finance ministry? What if this elusive driver of change is absent?

Box 1: Traditional approaches to capacity development

The EC approach to technical cooperation (TC)
The guidelines set out practical steps to (1) make ownership a real feature of TC-support; (2) base support on demand; and (3) ensure that TC delivers concrete results beyond merely 'assisting', 'training' or 'advising'. The conversion of 'ownership', 'demand' and 'results' into practical action is based on simple yet fundamental notions that get away from 'business as usual' when it comes to the supply of TC.

Methodical

Focusing on capacity development

TC is provided with the primary aim of supporting internal country processes to promote capacity development at individual, organisational and countrywide levels.

Adopting a results orientation

TC design will ensure that TC inputs/activities are linked to targeted outputs that in turn lead to sustainable development outcomes. Appropriate indicators will be agreed on in advance to monitor the implementation of TC.

Working through harmonised and aligned action

TC support will be closely coordinated with that of other donors and aligned to country strategies and programmes through the increased use of pooling arrangements or other harmonised approaches, such as delegated cooperation.

Context specific

Demand-led approach, where TC is not provided by default

The provision of TC must be based on the demand and requirements of the partner country.

Country-owned and managed TC process

From the identification to the implementation phase, partner countries will be actively involved in the design of programme implementation arrangements and TC-supported programmes.

Taking account of country- and sector-specific requirements

TC support will build on a thorough understanding of the political, socio-cultural, sectoral and institutional context. Blueprint approaches should be avoided.

Considering different and innovative options for the provision of TC

These alternatives could include the use of national and regional resources, twinning arrangements and knowledge transfer beyond standard training approaches.

The strengthened approach to PFM reform

The PEFA Program builds on the principles of the Strengthened Approach to Supporting Public Financial Management Reform which is embodied in three components and closely aligned with the Paris Declaration on Aid Effectiveness:

Methodical

A coordinated programme of support from donors and international finance institutions in relation to both analytical work, reform financing and technical support for implementation.

A shared information pool on PFM, i.e. information on PFM systems and their performance that is commonly accepted by and shared among the stakeholders at country level, thus avoiding duplicative and inconsistent analytical work.

Context specific

A country-led agenda, i.e. a government-led reform programme for which analytical work, reform design, implementation and monitoring reflect the country's priorities and are integrated into the government's institutional structures.

Source: EC (2010); PEFA Steering Committee (2004).

- What if elites are overriding systems for fiscal controls and capturing state resources?
- What if technocrats who are genuinely interested in reform see no way to progress?
- What if there is some genuine associated demand for improvements in service delivery?
- What if planned reforms are either not being implemented or not working as intended?
- What if there are repeated fiscal and political shocks?
- What if the capacity is not there to implement basic systems and processes?

In a state emerging from conflict, these 'what ifs' typically represent the reality – and the starting point – for institutional change. Many of these 'what ifs' are not unique to fragile states. The only practical solution posited by the guidance is for donors not to engage but to 'walk away'. This is not something a potential reformer within a finance ministry would necessarily want: a central priority in the route out of fragility is to build stronger public sector systems and institutions. But neither is it desirable to attempt reforms where there is no political space to do so.

2.2 From programme-based to problem-driven approaches

Observers (Andrews et al., 2012) have noted that externally supported institutional reforms may have been successful in changing the form of systems and institutions in line with established good practice, but not their function. For example, budgets may have a more strategic, medium-term

focus as a result of an MTEF, and expenditure controls appear stronger as a result of an integrated financial management information system (IFMIS) – yet the policy orientation of the budget, its credibility and the quality of public expenditure ultimately don't improve. This 'isomorphic mimicry' – or, in plainer English, the imitation of the look of processes and systems – ultimately disguises a lack of genuine institutional change; countries become stuck in 'capability traps' (Box 3).

Furthermore, reforms frequently 'swim against the tide' of the prevailing political economy (Booth, 2012). The technocrats promoting such reforms do not take into account the relative power, interests and incentives of different actors and institutions. This results in delay: for example, anti-corruption legislation is enacted and institutions are set up, but corruption continues to increase. The result is either failed uptake of reforms, or isomorphic mimicry and a lack of behavioural change.

Underlying a lack of progress in institutional outcomes may be collective action problems, where 'prevailing institutions do most harm by inhibiting action in pursuit

Table 1: Contrasting current approaches and PDIA

Elements of approach	Mainstream development projects/policies/programmes	Problem-Driven Iterative Adaption
What drives action?	Externally nominated problems or 'solutions' in which deviation from 'best practice' forms is itself defined as the problem	Locally problem driven – looking to solve particular problems
Planning for action?	Lots of advance planning, articulating a plan of action, with implementation regarded as following the planned script	'Muddling through' with the authorisation of positive deviance and a purposive crawl of the available design space
Feedback loops	Monitoring (short loops, focused on disbursement and process compliance) and evaluation (long feedback loop on outputs, maybe outcomes)	Tight feedback loops based on the problem and on experimentation with information loops integrated with decisions
Plans for scaling up and diffusion of learning	Top-down – the head learns and leads, the rest listen and follow	Diffusion of feasible practice across organisations and communities of practitioners

Source: Andrews et al. (2012).

of collective benefits' (Booth, 2013). This may simply be bureaucratic inertia, or the distribution of power and interests underlying those institutions making change unlikely.

So, what does this literature posit as the solution to these challenges in fostering real institutional changes? One proposal receiving substantial attention is Problem-Driven Iterative Adaptation (PDIA; Andrews et al., 2012). Rather than starting with a solution (MTEF, IFMIS), actors should start by identifying and solving the problem within the prevailing context. Change should be promoted through a number of small, iterative steps, which result in incremental improvements (positive deviance) that are supported by the management and leadership of those institutions (the authorising environment). A culture of learning is encouraged which results in further improvement (feedback loops) to solutions. Finally, the importance of working collaboratively with multiple agents ensures 'viability, legitimacy and relevance' to the problem and the prevailing political economy. This encourages collective action.

Critics of the PDIA concept say that this is just common sense. Its proponents fully admit that PDIA is nothing new, and refer back to proponents of incrementalism in policy making. For example, Lindblom (1959) set out the 'science of muddling through' as a pragmatic and legitimate process of public policy making. He posited that the public policy environment is complex, and that it is impossible to identify the best solution upfront. Therefore, the only practical alternative is to develop a policy based on sound understanding of the current situation, adapting

it incrementally on the basis of experience. PDIA, or Purposeful Muddling, contrasts with the de facto guidance and practice of external programmes of support to institutional change (Box 3).

A related proposal falls under the banner 'politically smart, locally led' (Booth and Unsworth, 2014). It could be argued that this is simply a repackaging of the context

Table 2: Politically smart, locally led

Politically smart	Locally led
Politically informed	**Locally owned**
Awareness of history and country and sector context and associated political economy dynamics	Focused on issues that have local salience for beneficiaries and those who can support, influence or block change
Politically astute	**Locally negotiated and delivered**
Using information about politics and political economy with intelligence and creativity.	Giving priority to local leadership and local capacity in the search for solutions; using local networks and organisations

Source: Booth and Unsworth (2014).

specificity promoted in the 2000s, which discussed the concepts of ownership and country leadership. However, there was an arguably superficial understanding of these concepts at that time: genuine ownership and leadership is not built through comprehensive top-down plans and external solutions. Keys to successful reform are iterative, problem-solving and involve stepwise learning, brokering relationships and discovering common interests (very much in a similar vein as PDIA). All this allows local actors to understand the complex development challenges they face, identify and negotiate ways forward and find solutions that are both technically sound (if not optimal) and politically feasible (Table 2).

The proponents of these initiatives are coalescing under the banner of 'Doing Development Differently'. The DDD Manifesto (to which this author is a signatory) puts forward a set of principles for initiatives that might promote real change, drawing heavily from the PDIA and 'politically smart, locally led' approaches (Box 4).

But, given these agendas, how can external actors support change? The case studies that were part of the 'politically smart, locally led' agenda were underpinned by flexible external funding, open-ended programme design, and a supportive donor environment emphasising long-term commitment with continuity of staffing.

Booth (2013) has posited that 'arm's-length organisations', independent of development organisations, could help address collective action problems by facilitating a problem-solving approach. BSI ()is one organisation that Booth suggests displays such characteristics.[1] He suggested the following common values:

- 'not having a pre-established influencing agenda
- finding solutions to problems and facilitating change
- performance monitoring that rewards learning and adjustment, and
- being answerable to local stakeholders (Booth, 2012).

Examples from the proponents of these agendas are relatively small-scale interventions. These are very different from the large-scale projects and pooled funds that typically support PFM and service delivery reform in fragile states and other developing countries, which are costly exercises.

On the face of it, this is a difficult circle to square. Should reformers stop preparing top-down reform strategies and plans, and just focus on iterative changes?

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Box 4: Manifesto for doing development differently

In practice, successful initiatives reflect common principles:

- They focus on solving local problems that are debated, defined and refined by local people in an ongoing process.

- They are legitimised at all levels (political, managerial and social), building ownership and momentum throughout the process to be 'locally owned' in reality (not just on paper).

- They work through local conveners who mobilise all those with a stake in progress (in both formal and informal coalitions and teams) to tackle common problems and introduce relevant change.

- They blend design and implementation through rapid cycles of planning, action, reflection and revision (drawing on local knowledge, feedback and energy) to foster learning from both success and failure.

- They manage risks by making 'small bets': pursuing activities with promise and dropping others.

- They foster real results – real solutions to real problems that have real impact: they build trust, empower people and promote sustainability.

Source: DDD Manifesto.

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Should donors stop providing large-scale project funding for institutional change and only support small-scale problem-driven initiatives?

The rest of this paper tries to examine change processes in practice, and then tries to answer how best reform-minded actors can initiate and manage change in fragile contexts and beyond, and how external actors can support them in that process.

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1 The others being the African Governance Initiative and Trademark East Africa.

Box 5: The Budget Strengthening Initiative

What BSI works on: BSI has a strategic focus on the management of development resources as a whole, including budget and aid flows. This is of key importance in fragile states, where an inrush of poorly coordinated donor support can overwhelm national management capacity and undermine the incentives for sound budgeting. BSI has had some remarkable successes in integrating aid into the budget in ways that can inform both aid coordination and national budgeting. In South Sudan, it has designed a process that potentially could facilitate a transition from donor funding of basic services through NGOs towards support through the country system – a key state-building goal. It is difficult to imagine a conventional TA programme being able to engage effectively with a problem set as broad as this.

How BSI works: BSI offers four distinctive types of support: strategic advice; systems design; problem-solving; and facilitating implementation. Its approach is flexible, iterative and politically informed, making it well placed to identify and promote solutions to problems that might defeat other TA programmes. This has contributed to a good level of implementation of the reforms it has supported.

What BSI is: BSI's unique structure as a programme makes it well suited to working in this strategic and flexible fashion. This includes its accountable grant, its central pool of untied funding, its open-ended design, its position within ODI as a development think-tank, and its profile of staff with strong analytical, communication, facilitation and networking skills.

Source: Cox and Robson (2013).

In Delmas, Haiti, Emmanuel is one of the beneficiaries to have electricity until 11pm and can now easily study after dark. Photo: © Dominic Chavez / World Bank.

3. What changes, what doesn't (in context)

3.1 A reforming institution?

To an outsider (whether a citizen, a bureaucrat from another organisation, or a donor) a finance ministry in a fragile state or elsewhere may appear far from a reforming institution. An official trying to access funds from the budget for her ministry may be eternally frustrated, while she sees other ministries and their suppliers consistently receiving funding. There may be queues of people in the ministry of finance or a spending agency chasing payments through various stages of approval. MPs and civil society groups alike may think that the finance ministry deliberately withholds information whenever they do not receive budget execution reports as prescribed in the law. Members of the public might simply consider the ministry of finance as corrupt. The ministry may appear awash with overlapping, poorly coordinated advisers, pushing out nothing but slick PowerPoint presentations. For example, Larson et al. (2013) quotes one donor who perceives a 'fake' ministry of finance and a 'real' one. The former is supported by TA and donors and 'promotes the outward appearance of high functionality', while the latter operates through 'back door dealings'. Reform plans sit unread and unimplemented on people's desks. In this environment, a donor supporting PFM reform may get frustrated when repeated conversations and agreements with a senior official do not result in action. Donors may also get frustrated with the TA providers they fund, because they have not implemented a system or process as stipulated in their logframe. Positive changes in one area may be dwarfed by scandals in another. Gossip and rumours abound, some valid, some not.

While there is often significant dysfunction within ministries of finance, positive change is possible and does occur, even in the most challenging environments. In this section we try and understand what changes, what doesn't, and how the context for change influences this. This and subsequent sections draw from the experience of BSI's work in Liberia, DRC, South Sudan and Uganda from 2011 to 2014 in addition to the author's longer term engagement in the latter two countries. In an effort to remain candid, specific observations may not be attributed to specific countries or cases.

3.2 What changes, what doesn't?

Let us start with a simple, albeit methodical, framework for examining change (Figure 1). This is intended to help distinguish different types of change and what influences them:

- External support is provided with the intention of both supporting and strengthening the capacity of institutions, such as the ministry of finance, and the PFM systems and processes they use.
- Improvements to the capacity of finance ministries strengthen their ability to develop and implement reforms to improve PFM processes and systems. The introduction of stronger processes and systems should then help reinforce the capacity of institutions. Thus the *form* of institutions, processes and systems changes.
- Stronger systems and processes implemented by stronger institutions should contribute to changes in the behaviour of the actors involved and the incentives they face. This means the *function* of institutions, processes and systems also changes, which in turn leads to stronger PFM outcomes, whether fiscal discipline, more strategic resource allocation or more efficient use of resources. This results in better use of public resources to deliver policy objectives, including improved economic performance and increasingly effective and efficient service delivery.

Throughout, *context* affects the strength and nature of these relationships and changes at different levels. Meanwhile, the *behaviour* of actors and institutions influences the way in which systems and processes perform and the degree to which this ultimately affects outcomes (function). This methodical framework does not in any way help us understand how change happens.

Changes to form – policies, institutions, processes and systems

Using this broad framework for analysing what changes, and drawing from our case studies, we can try to understand the various dimensions of change that take place. Substantial changes to processes and systems

can be observed. There has been progress on the legal framework – new public finance laws have been passed in Liberia, DRC and South Sudan. It can also be possible to get processes and systems up and running in a relatively short period of time, even in a fragile context. In fact, in a ministry of finance emerging from a crisis, the space for implementing new systems is often greater than in more established ministries, whether this entails introducing a strategic phase into the budget process and developing an automated budget system (Liberia and South Sudan), reforming the payment process and introducing a system of monthly expenditure limits (South Sudan), deploying an IFMIS at the national level (Liberia, South Sudan, DRC) or subnational level (South Sudan), developing

Figure 1: A framework for examining what changes
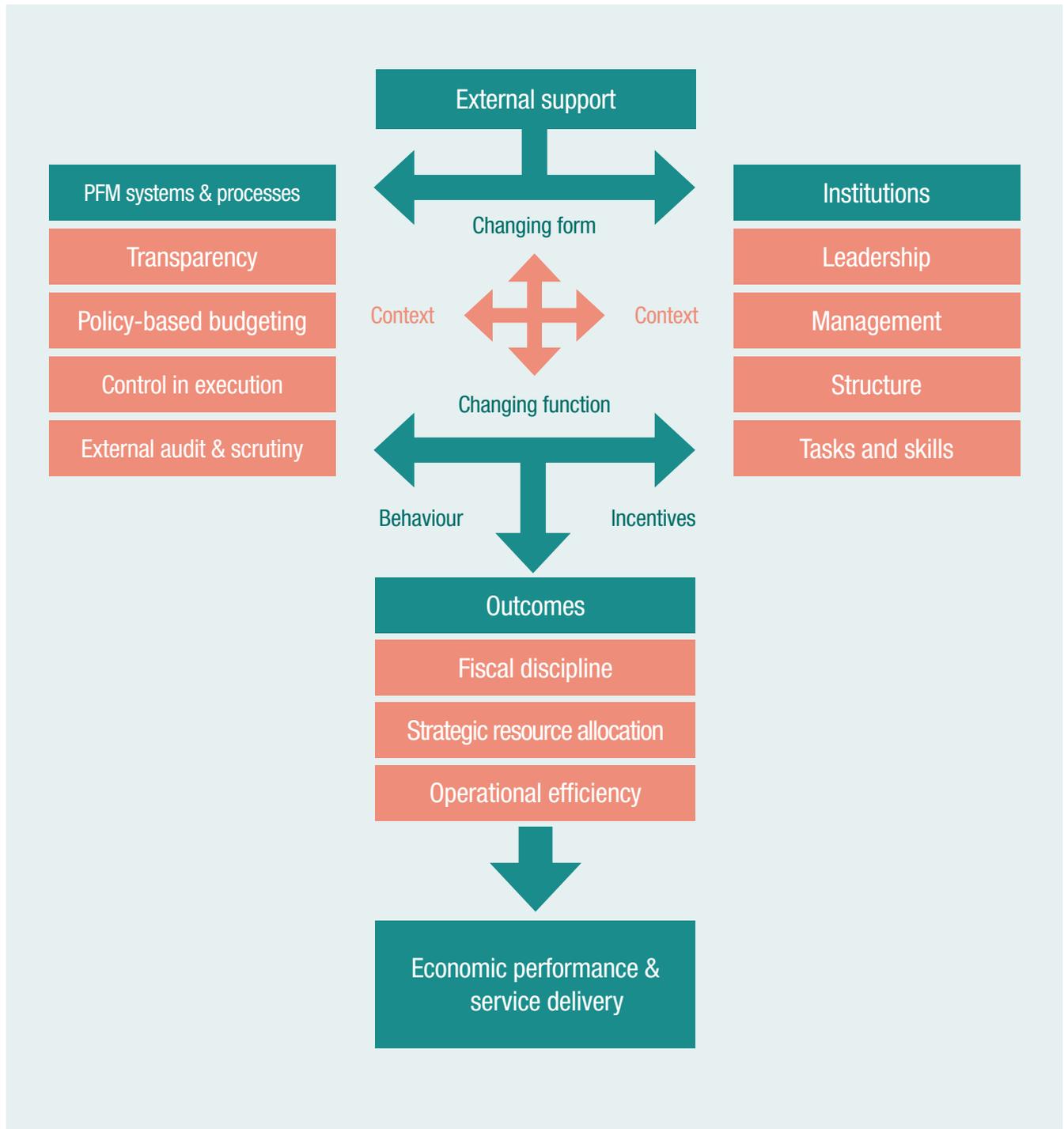
Source: Author's own elaboration.

and training actors on a local government PFM manual (South Sudan), new transfers for service delivery (South Sudan) or reforming customs (Liberia). The first aid instruments supporting local government service delivery and using government systems have been designed in South Sudan. These countries have introduced a lot of change to systems and processes over a relatively short period (much of it in the four-year period of BSI); some of it has been focused on establishing basic financial controls and fiscal sustainability, while other parts have been more sophisticated.

Alongside these system changes, it is also possible to see some institutional changes, which generally take longer than system reform. Indeed, the finance ministry in South Sudan is now unrecognisable from the handful of prefabricated buildings standing in 2006, staffed then by a handful of senior and middle managers but very few junior staff. The number of young graduates in the budget department and treasury in South Sudan has increased hugely, and the management cadre has grown through recruitment from within and without. The capacity of middle management and the skills of junior staff in budget departments have been developed in Liberia and South Sudan. The directorate of budget in South Sudan was moved out of the payment process to play a more strategic role in execution. The introduction of an interim structure in the budget department has created opportunities for talented junior staff to take on a greater leadership role, and thereby allowed international TA providers to hand over management of the budget process to them. The budget department in Liberia now has a structure that better reflects the priorities of the poverty reduction strategy, and there is a broader level of engagement with budget decisions and the spending strategy by staff across the ministry. Budget department staff have subsequently delivered training to ministries and agencies, and the majority of ministries and agencies were able to prepare their own budgets, submitting a great deal of information as requested. In Liberia, the ministries for finance and planning were merged in 2014. In DRC, the institutional landscape for PFM is fragmented with, among other things, separate ministries for finance, budget and planning. In response, a new body called COREF has been formed to oversee, monitor and report on PFM reform implementation across institutions. As a result, there has been progress towards financial and political decentralisation to the 11 provinces of the country whereby service delivery for infrastructure, education and health has been shifted from the centre to the provinces.

Fast-forward 20 years or so in the process of PFM reform, and it is clear that Uganda has also undergone a huge amount of systems strengthening and capacity development. Its systems are far more sophisticated than they were and their reach is greater, with the ministry having well-established systems for macroeconomic, budgetary and financial management. Recent developments

in budget transparency are another small example – Uganda's budget website and budget hotline, with which BSI has been involved, have been built upon an automated budget system used in all central and local governments which was introduced in the late 2000s. The Ugandan ministry of finance has significant capacity, with a large number of professional accountants in the treasury and a highly capable and independent budget department, with staff who have the capacity to take over and run new systems.

Further, a new institution, the g7+ secretariat, has been established to support a group of countries that are or have been affected by conflict (Box 6). Over a four-year period it has developed systems, processes and capacity, largely from scratch. New instruments were developed, such as fragility assessments and basic processes for communications, administration and events. As the g7+ secretariat has grown, the skills of its staff have developed.

Progress in systems, processes and capacity has not been universal. There has been an absence of progress in some areas, and some backward steps too: the automated budget system developed in Liberia was abandoned after a year as was the strategic phase of the budget process; monthly expenditure limits have ceased in South Sudan; and there has been a hiatus in the implementation of the aid information management system in South Sudan. Changes in leadership and the departure of key managers or promising junior staff can result in a step back in capacity development. This has been a particular problem in Liberia, where there is a high turnover of junior staff and senior managers. The finance ministry in South Sudan has made no formal progress on restructuring

following independence and is not oriented to dealing with emerging challenges. Efforts to improve capital investment management in Liberia and South Sudan have been slow to take off. In Uganda, the IFMIS has been slow to roll out at central and local governments, and cash management remained rudimentary for a long time, with a treasury single account (TSA) only launched in 2013. The management of the development budget and associated aid management systems stagnated in Uganda. Reversals have also been reversed, though, for example, the strategic phase of the budget process has been reinstated in Liberia, and in South Sudan there are new efforts to integrate aid into the budget and secure minimum levels of budget availability for spending agencies.

It is possible to associate external support to all these systems with capacity improvements in some way. The World Bank and IMF have been the major players supporting the Liberian Ministry of Finance, and USAID has supported the Ministry of Finance in South Sudan. In the case of DRC, the lead donors regarding PFM reform have been the International Monetary Fund (IMF),[2] World Bank, European Union (EU), African Development Bank (AfDB) and Department for International Development (DFID). In Uganda there have been major projects supporting the finance ministry over the last 20 years and conditionality associated with budget support. BSI has also been involved in all these countries, though at a scale far smaller than these major players and only in the four years from 2010 to 2014.

Changes in function – outcomes

So, there has been substantial change in the form of PFM systems in South Sudan, Liberia and Uganda. What impact have these changes in systems and capacity had on outcomes? In Uganda, PFM outcomes actually deteriorated up to 2012 from their status in the early 2000s, despite systems reform. Overall, there has been little progress in PFM outcomes in Liberia and South Sudan, where the budget is neither properly linked to policy priorities, nor executed as planned. Additionally, aid delivery has not changed significantly and services are poor. Furthermore, both the short- and long-term fiscal positions of South Sudan are not sustainable. As a result, Uganda (Andrews and Bategeka, 2013) and South Sudan (Larson et al., 2013) have been held up as clear examples of form over function, with Uganda stuck in a capability trap, and South Sudan showing the potential to follow suit. This is despite Uganda's highly 'capable' ministry of finance (Simson and Wabwire, forthcoming). There has also been little progress towards achieving the New Deal's Peacebuilding and Statebuilding Goals, and little change in the on-the-ground delivery of aid to fragile states.

Signs of promise in South Sudan and Liberia have often been met with reversals. For example:

- In South Sudan, early progress in monthly expenditure limits showed the potential for improving the predictability of budgetary funding for all spending agencies, but the limits were abandoned as the levels set were based on the budget and not on cash available. As a result, they could not be honoured when budgeted resources were not realised.
- In Liberia, cost savings were identified and allocations made to priority investments in the 2012/13 budget, but much of this was reversed during execution. The implementation of the IFMIS, and efforts to improve cash management in Liberia, have also yielded little improvement in the predictability of budget execution.
- Similarly, allocations made to priority capital projects in the 2013/14 budget in South Sudan were not executed. Overall, there has been little progress to accelerate the pace of infrastructure provision in Liberia or South Sudan.

However, there are some areas where there is positive movement towards improvements in outcomes, most notably in moving towards a degree of short-term aggregate fiscal control and strategic resource allocation. It can also be argued that progress in decentralisation has the potential to yield efficiency gains:

- South Sudan, Liberia and DRC have managed to maintain relative macroeconomic stability despite fiscal shocks, which were particularly grave in South Sudan.[3] There the cabinet made clear decisions to implement austerity, significantly reducing expenditures in the face of a shutdown of oil production in 2012. Further, aggregate fiscal discipline was maintained throughout the Ebola crisis.
- In the management of its cash flow, the ministry of finance in South Sudan has been able to prioritise salaries and transfers to subnational governments (although little beyond that).
- In South Sudan, funds were allocated in the 2013/14 budget to basic service delivery in health, education and water and sanitation. Specifically, allocations were made to newly designed transfers to local governments. These new and existing transfers were made despite a return to conflict. However, even in this case, there is no evidence that this has led to improvements in service delivery.
- In DRC, resources that were previously managed solely by the central government have been decentralised to the provinces.

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2   Supported by SIDA and the EU.

3   This contrasts with the high inflation and periodic devaluations of the exchange rate which that occurred in the years following the end of the conflict in Uganda in 1986.

- In Liberia, it can be argued that the growth of recurrent spending has slowed, creating some space for strategic investments, even if investments have not been fully executed.

The road to final outcomes is often a long one. In all these cases improvements can be traced back to strengthening of systems and institutions. As we shall see, the progress made on South Sudan service delivery, which probably represents the furthest progress along that road, was due to the combination of multiple actions and events, some fortuitous. Multiple dots had to be joined, external shocks managed and collective action problems overcome. Yet progress in South Sudan is looking increasingly uncertain in early 2015, with grave fiscal challenges following the return to conflict in 2013 and the collapse of oil prices in the second half of 2014.

Changes in function – behaviour and incentives

Part of the problem is that expectations on outcomes are unrealistic, given both the context and the time horizon over which they are expected. There is far more incremental change evident in the behaviour of actors who are directly involved in or affected by efforts to strengthen processes, systems and capacity:

- Coordinated reform actions related to service delivery have been agreed and implemented across multiple subnational agencies in South Sudan, working together on a jointly agreed agenda.
- There is stronger political engagement in the budget process, especially at the cabinet level, but also at the presidential level. In South Sudan, this was key in getting agreement around austerity following the shutdown in oil production and the endorsement of strategic budget priorities in 2013/14 (relating to infrastructure and service delivery).
- The capacity and leadership of budget department managers and staff in the budget process in Liberia and South Sudan have increased substantially. In South Sudan, staff in spending agencies rejected the concept of budget ceilings when they were introduced in 2007. In 2013, several refused to start preparing their budgets without them. In January 2014, budget departments were able to prepare austerity supplementary budgets without TA. In Liberia, staff are increasingly being hired on the basis of competency, following the restructuring of the ministry of finance.
- The Ugandan finance ministry has taken the lead in promoting budget transparency, making information available and providing avenues for feedback. Staff have also begun to take up the management roles. There is strong political backing too, with successive Prime Ministers publicising the initiative and the Minister of Finance repeatedly publicising the budget website and hotline in public forums.

- The influence and profile of the g7+ has grown significantly. It has deeper engagement with international development organisations and greater access to their leaders. It has also had an influence on key international processes (e.g. IDA 17 negotiations and the post-2015 agenda). Government and development partners have attempted to start implementing aspects of the New Deal at the country level, which has included conducting country-led fragility assessments. Ministers and bureaucrats in fragile states have been able to put pressure on signatories to the New Deal to be transparent and use country systems.

Far more behaviour has not changed, though, even in areas where there has been significant reform effort. In South Sudan, long queues are a frequent sight at the ministry of finance, as bureaucrats and suppliers chase payments. Cash management is ad hoc and unsystematic, making little reference to the budget. Further, there is little vertical or horizontal communication within the finance ministry in South Sudan; senior management meetings, for example, rarely take place. Similarly, bureaucrats in Liberia spend a lot of time chasing payments through line ministries and finance – which is exacerbated by the centralised nature of service delivery. In this system, some ministries and suppliers are able to secure payments from the budget, while others are not, and cabinet and parliament still make decisions late in the budget process. PFM reform in DRC remains fragmented, with poorly coordinated institutions working in silos. In Uganda, despite strengthened systems, compliance remains a significant problem and follow-up remains weak. Indeed, feedback on budget information is provided via the budget website and hotline, but it has not yet been followed up. Finally, the behaviour of most donors, and the nature of their partnerships with fragile states, is yet to alter significantly.

3.3 Understanding the context and the space for change

The context clearly affects the degree to which institutions are able to develop and strengthen their systems, the degree to which institutions are able to build capacity to implement those systems, and the degree to which institutions and systems change behaviour and affect outcomes. It also affects the way in which external assistance can strengthen processes, systems and institutions.

One dimension of context is the current institutional capacity and the strength of processes and systems. Two further dimensions of context are important: the nature of political economy, and the unpredictability and volatility present in a fragile developing country. For reforms, processes, systems and capacity development to work,

Figure 2: Political economy of PFM

Alignment

Power
Interests
Public funds

Misalignment

Power

Interests

Public funds

Alignment of power,
interests and public funds

Power	Interests	Public funds
Overall – The degree to which power is personalised or institution-based. – The degree to which power is centralised (e.g. in the presidency) or diffuse. – The extent to which power is contested or not. – The consistency of those in power and authority.	– The interest of those in power/authority in the delivery of public goods. – The relative importance of the distribution of private and public goods in the maintenance of peace and power. – The importance of public resources in delivering private goods and/or enriching elites. – Willingness of those in authority to move from informal to formal processes.	– The degree to which those in power and authority influence public resources. – The prospects of fiscal space which could be reallocated towards public goods.
Finance ministry – The relative power of the finance ministry, and how much it is based on individuals. – The degree to which the finance ministry is lent authority from the centre of power.	– The relative interests of those in authority and the technocrats working in the finance ministry in the delivery of public and private goods and in the enforcement of systems and processes.	– The authority of the finance ministry to propose reallocations towards public goods. – The finance ministry's ability to secure resources for public goods during execution.
Donors – The relative influence and importance of the international community.	– Donors' ability to identify and support the public goods of interest to those in power.	– The likelihood of donor funding to provide fiscal space for public goods provision.

they need to navigate the space availed by the prevailing political economy, and the opportunities and challenges this presents, while taking into account the existing institutional capacity.

Political economy

Political economy in the context of PFM represents the interplay between power, interests and the availability and use of public resources (Figure 2). Space for change is likely to be available when those with power over public resources share some interest in that change. In the fragile states in which BSI typically operates, power is often personalised – the polity is made up of a mixture of former rebel leaders (often with significant grassroots bases), community leaders and intellectuals. The centre of power tends to be the president, but there are often multiple and competing centres of power. Ministries of finance are sometimes lent power by the presidency, as was the case in Uganda in the early 1990s, though in Liberia and South Sudan this is not the case. Line ministries in service delivery sectors are often not politically powerful. In DRC, the institutions are fragmented for 'political' reasons, with a minister from the ruling party heading the finance ministry and a member of the opposition heading the budget ministry. Individuals within ministries may derive power and influence as much from their position in private networks as from their official position.

In a country emerging from conflict, there are likely to be strong incentives for those in power to use public resources for the distribution of private goods for the inter-related aims of consolidating peace, maintaining power and enriching elites. Informal systems predominate. Alongside this there will also be pockets of genuine interest in the delivery of public goods, although these will tend to be subordinate to those related to the delivery of private goods. Over time the delivery of public goods may be considered increasingly important for the maintenance of power. Similarly, the importance of moving towards more formal, rules-based systems may be increasingly recognised and demanded. Within finance and line ministries there will always be individuals interested in strengthening systems and allocating resources to the delivery of public goods – and consequently service delivery and infrastructure. However, these individuals will often not be powerful. The interest in public goods will be both altruistic and personal. For example, politicians can gain political capital from the delivery of services, and bureaucrats can benefit directly too.

Given the nature of power and incentives, and the fact that private sectors tend to be small, available public resources tend to be used for the distribution of private goods. Powerful institutions, such as the presidency or security forces, tend to have de facto priority access to public sector resources, whether budgeted for or not. The public sector payroll, and the army in particular, is often used as an instrument to distribute public resources to private individuals, and the distribution of contracts can be used to channel funds to elites. This limits the fiscal space that can be allocated towards the delivery of genuine public goods.

In a more developed country like Uganda, the dynamics of power, interests and funding have evolved. In the mid-1990s, a decade or so after the end of conflict and with power consolidated, there was a strong political push by the government to expand public service provision alongside the reintroduction of no-party democracy. This shifted the balance towards public goods provision as the budget expanded with support from donors, who shared the government's interest in basic service provision. In the 2000s the pace of fiscal expansion slowed, and political interests shifted from basic service delivery, to infrastructure and domestic political concerns with the reintroduction of democracy (Williamson et al., 2013). Incentives remain to use public resources for the distribution of private goods. There have been periodic corruption scandals throughout the 2000s, and expenditure on public administration votes has exceeded budgets.

Given this, it is also important to note that the use of public resources for public goods and their use for private goods are not mutually exclusive. A member of the elite may win a roads contract, deliver a road and make a profit, and a public good is delivered. Those on the public sector payroll may actually do their jobs well, even if they have been appointed because of their tribal or political affiliation. And there may well be strong informal incentives for these actors to deliver public goods in return. However, the likelihood of this happening may be significantly weaker in an immediate post-conflict environment.

For a PFM system to work well, finance ministries need to be given the power and authority to enforce fiscal discipline and financial control, and to enable them to play a challenge function to ensure that other spending agencies use resources effectively. As mentioned above, a president sometimes gives the finance ministry significant power, although it may be limited. In circumstances where this is not the case, it is unlikely that reforms to improve predictability and control in budget execution will have much traction. However, the typical expectation is that it should be possible for the finance ministry to establish top-down budgetary control.

Progress is likely to be possible where there is alignment of power, interests and public funds by centralised authority and at the level of the finance ministry on the delivery of some public goods – most likely social service delivery and infrastructure. Given that there will be sympathy for using some public resources for the implementation of these public goods, even at the top, there is likely to be some scope for supporting the strengthening of related aspects of PFM and sectoral delivery mechanisms in related areas of the budget. This alignment needs to have the potential to be extended

Table 3: Possible reform when political space is limited

Elements of approach	More likely to be possible	Less likely to be possible
Fiscal discipline	Linking short-term fiscal projections to the annual budget and cash rationing to control short-term fiscal aggregates.	Maintaining aggregate fiscal discipline through use of macroeconomic models informing medium-term fiscal frameworks and the annual budget with comprehensive cash management and commitment control linked to that budget.
Strategic resource allocation	Introducing decision points in the budget process for high-level decision-making on linking the budget to policy priorities. Using this as an entry point for prioritisation of service delivery and infrastructure projects. Protecting strategic budget priorities in the cash rationing process.	MTEFs with medium-term budgetary decisions linked to costed policies. Comprehensive cash management reforms linked to the execution of the budget overall ensures the entire budget is executed, including strategic priorities.
Efficiency	Improving accounting, reporting and transparency for revenue collection and expenditure.	Comprehensive commitment and expenditure controls and procurement reforms.
	Improving practical issues facing service delivery (including at subnational levels), such as financing channels, local PFM and transfers to service providers.	Comprehensive decentralisation policy and legal reform.

to line ministries and subnational entities. If there is no fiscal space on the government side, there still may be a possibility that external funders would be able to identify and support this, given the potential coincidence of shared interests. However, this situation is not one which favours comprehensive PFM reform across the entire budget.

Table 3 illustrates the types of change that may be more or less likely to be possible. Importantly reforms that try to exert direct control or influence over areas where interests are not aligned are less likely to be successful than those which either make (or protect) progress in areas where interests are aligned *or* strengthen *ex- post* processes such as accounting and transparency.

Unpredictability and volatility of context

The other dimension with important implications for reform is unpredictability of context. There are two broad types of unpredictability: that relating to the volatility of the wider context in a country – whether it relates to politics, security or economics; and that relating to the specific institutional context within which reforms take place – changes in leadership and management, staff

turnover or structural changes. Some of these are genuinely unforeseeable events, others relate to unpredictability of decision making and actions in a context where institutions are weak and formal processes and rules are not adhered to.

Take the example of South Sudan: between 2010 and 2014 the country managed the transition to independence, experienced a huge fiscal shock due to the shutdown of oil production, and suffered a return to conflict and associated humanitarian crisis. Now it is suffering a second fiscal shock with the halving of oil prices. At an institutional level, there have been four finance ministers and significant changes in senior management. Donor–government relationships have suffered.

Liberia has also been volatile; there have been elections, fiscal problems and, most recently, the Ebola crisis. There have been three finance ministers, three deputy ministers of budget, and the ministries of finance and planning have been merged. In Uganda, although relatively stable, there have been corruption scandals, which have led to a tighter fiscal situation, the withdrawal of budget support and changes in technical leadership in the ministry of finance. In the case of the DRC, despite the end of the '30-year

Figure 3: Volatility in South Sudan and Liberia, 2011 to 2015

Liberia

Wider context

Late 2011
Presidential elections

Feb 2012
New cabinet

Mid 2012
Revenue squeeze

Early 2013
Corporation tax policy reversed and unbudgeted debt payments emerge

March 2014
First two Ebola cases

Mid 2014
Ebola crisis emerges

Jan 2015 –
Ebola cases reducing

MoF changes

Feb 2012
New Minister & Deputy Minister Budget

July 2014
Merging of MoF and Planning

Oct 2014
New Deputy Minister Budget – Tanneh

South Sudan

Wider context

Jan 2011
Referendum on independence

July 2011
Independence, change in FY

Jan 2012
Oil shut-down & tensions with Sudan in Heglig

Sep 2012
Agreement with Sudan to resume oil production

Jan 2013
Agreement unravels

April 2013
Agreement again

July 2013
Removal of VP & Cabinet, ministries combined

Dec 2013
Eruption of violence in Juba

June 2014
Decline in oil prices starts

Jan 2015
Oil prices less than half peak

MoF changes

August 2011
New Minister of Finance – Kosti

Late 2011
Change in MoD Undersecretary (Tisa to Wani)

Early 2012
New Director Budget – Ocum

Mid 2013
Reshuffle in MoF DGs

August 2013
New Minister of Finance – Tisa

Jan 2015
New Minister of Finance, Deng, DG changes

war', conflict continued and continues in the eastern provinces of the country. Volatility can present unexpected opportunities as well as challenges. But these opportunities and challenges need to be reacted to as they happen – volatility requires a fleet of foot in taking advantage of the shifting reform space at a particular moment.

3.4 Conclusion

In this section, we have observed that significant progress in processes, systems and capacity can and has been made. But while the form of public sector systems has changed, there has been little corresponding change in behaviour or in the outcomes influenced by those systems. This would indicate that form is changing but function is not, which has been the broad conclusions of observers (Andrews and Bategeka, 2013; Pritchett et al., 2010; Larson et al., 2013). Yet incremental, positive changes in behaviour are observable in some areas, even if outcomes have not yet improved and reversals have taken place.

An understanding of the broad political economy can help with an understanding of where space exists for making changes in function as well as form, and where it does not. Unfortunately this means that there are likely to be some intractable problems, which may not be possible to address. This helps us understand why progress in service delivery has been possible in South Sudan, but also why efforts to improve control in budget execution have met with limited success. Making progress where positive spaces exist may play a role in increasing those spaces for change, shifting the interests of those in power and with access to resources in a positive direction. The unpredictability of context in challenging environments further means that the space for reform is often changing, which contributes to the frequent reversals that are seen. Yet these fluctuations can also present opportunities.

The analysis of change and of the space for reform takes us *some way* to understanding why genuine change takes place in some cases. It does not *fully* explain why, however, as the existence of space for change does not mean that change automatically happens. It is therefore important to understand *how* change takes place in practice alongside the *why*.
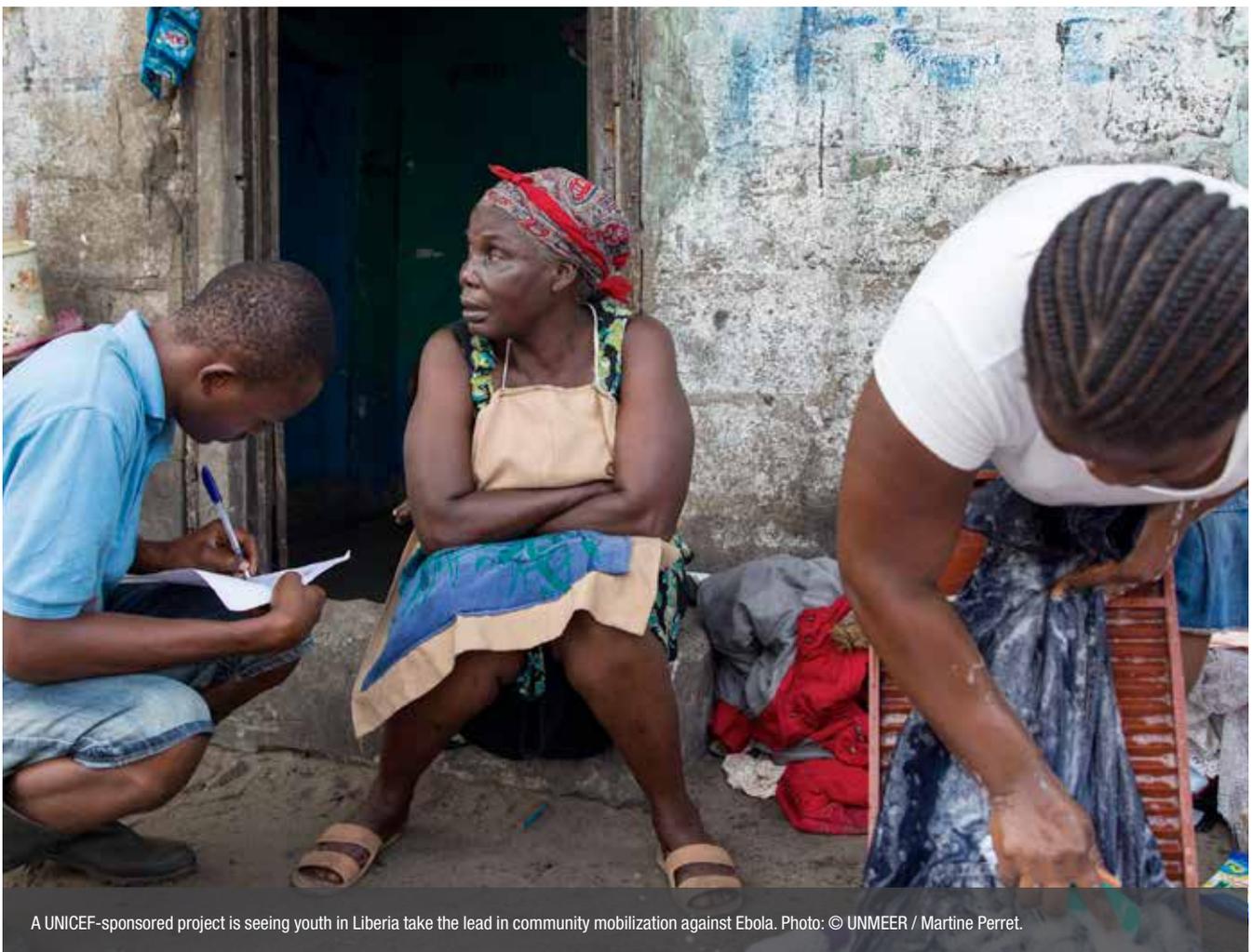
A UNICEF-sponsored project is seeing youth in Liberia take the lead in community mobilization against Ebola. Photo: © UNMEER / Martine Perret.

4. Reform (is messy) in practice

4.1 Introduction

Reform is messy in practice. In this section we try to unpack the process of change, and understand why and how it happens, what contributes to genuine change and why some reforms may not deliver it.

4.2 Starting with problems and opportunities, not comprehensive solutions

Where does this change start? We have described how the context in which reform takes place is politically challenging for comprehensive PFM reform, as well as unpredictable and complex. However, it is possible for internal actors to take a series of steps based on an (incomplete) understanding of the situation they face. The positive behavioural changes outlined in the previous sections and the incremental advances towards improved outcomes tended to result from such small steps, not major pre-planned reforms (though these existed too).

The starting points for any reform and associated change varied hugely. While choosing a starting point is somewhat arbitrary, here we identify the start of change as the confluence of two things: the existence of a genuine problem being faced by actors in the reform space; and an opportunity which led to a subsequent set of activities that helped address the problem. The two may not always be obviously linked.

Some of the problems that internal actors were facing were quite high-level and abstract: a need to better manage pressure from ministries and suppliers or a need to make payments; a desire to shift from NGOs delivering services to the government delivering them; political pressure to implement a new development plan; a desire to do something to improve how aid is delivered in fragile states; concern that budget reforms were not realising their full potential at the local or national level. Some of the problems were quite practical too, for example: the challenge of compiling a budget of several thousand items in Excel spreadsheets and getting that budget into

Table 4: The opportunity to solve a problem

The opportunity	..to solve a problem
A macroeconomic / fiscal crisis	Often those in power see little need or have little incentive to curb wasteful expenditure. A fiscal shock may provide an opportunity to build consensus among those in power to cut expenditure and exercise fiscal responsibility, enabling cuts to wasteful expenditure.
Exiting a fiscal crisis / macro instability as a result	Once a country has ridden a fiscal crisis, there may be an opportunity for fiscal expansion as resources recover and/or donor support comes on stream. There is a temptation to return budgetary allocations to their previous levels. However there is also an opportunity to allocate the additional resources available to new policy priorities (e.g. basic service delivery, infrastructure), improving strategic reallocation.
A major corruption scandal	This may provide an opportunity to make the case for moving from informal to formal practices and to establish/tighten budgetary controls and accounting practices.
An external initiative (e.g. the New Deal)	These can provide impetus for government and donors to work together (and government to push the donors) towards improving aid delivery in line with government objectives.
A review	A diagnostic review, for example an assessment of PFM systems, can provide an opportunity for joint understanding of problems faced, and initiate action.
Change in leadership and/or personnel	This can provide an opportunity to adjust solutions to problems in a different way or to try new solutions.

the IFMIS; the effect of crowds in the ministry of finance on the work environment; central and local government politicians and bureaucrats finding it difficult to access budget documents and reports.

Most often, these problems were most acutely felt and understood at the level of mid-level managers and their staff. There may have been some concurrent high-level recognition of problems by top-level bureaucrats or the minister, who may have implicitly or explicitly provided the authorising environment for action. Some problems were clearly political and related to the power of individuals and institutions – for example, problems in enforcing discipline in budget execution – where ministers may have a clearer understanding of the space for change. Different levels bring different dimensions to the understanding of problems.

Many of the problems faced were long-standing. An entry point was needed to address them: an opportunity for change. These opportunities varied: an internal review on the strengths and weaknesses of PFM prior to independence, which was facilitated by advisers; a disagreement between government, which wanted budget support, and donors, who refused; provision for an MTEF in a new PFM law, which donors were keen to support but whose implications weren't well understood; discussions on how to act on recommendations from studies on the

problems of aid to fragile states; a realisation that being more proactive and transparent might help the success of the finance ministry's budget reforms.

Initial actions varied – in several cases this involved moving from the opportunity to unpacking specific problems and how they could be solved. This was often followed by a number of actions in quick succession (Box 7) to start to address the problem. These initial steps from problem identification to implementation took a short period of time – no more than a few months from start to finish. External actors had a role in facilitating these processes and identifying the problems and potential solutions.

It is important to contrast these experiences with a process that starts with the development of a PFM law and a PFM reform plan, which many consider essential first steps in any PFM reform process. PFM laws tend to cover the whole PFM cycle and offer a comprehensive rules-based framework for reform. A reform plan typically lays out a set of actions to achieve comprehensive improvements to PFM. As we'll see, plans have played important roles (Box 8), but the cases above show that, in themselves, laws and plans were neither necessary nor sufficient for the initiation of a process of change. Reforms tended to start with a problem and an opportunity, and not a comprehensive answer.

4.3 Taking small steps with a sense of direction

How do reform processes evolve? What direction do they take? How are they sequenced? We now turn to the process of change.

The path reforms take

Reform processes are rarely linear or predictable. As one problem is addressed, further problems appear that need attention. Problems evolve with the changing context. Experience results in shifts in direction.

One of the more notable and unexpected journeys relates to local service delivery in South Sudan (Figure 4). A process initiated to address a disagreement on how aid should be delivered evolved over four years into a government-led process to strengthen service delivery. In between, issues such as local government PFM, fiscal transfers, human resource management and social accountability were addressed. Each step along the way had a clear rationale and purpose, responding to the evolving situation and issues faced.

The pace of reform varies. There are cycles of intense activity and problem solving, then quieter periods. It is not one continuous stream of rapid iterations. In Uganda, interest and activity picked up on the transparency agenda once prototypes were demonstrated to the finance ministry, which then agreed to the creation of the budget website. A wave of PFM reform followed two major corruption scandals in late 2012 and a change of leadership in the finance ministry in 2013. This also gave extra impetus to the transparency agenda, which the ministry could present as an innovative solution to improving accountability. The budget cycle is repetitive. Reforms to the budget process need to fit within this annual cycle. Budget preparation and execution circulars and guidelines can be reissued and adjusted each year, based on experience. Who is consulted and how they are consulted can be tweaked based on the problems identified and faced. Different approaches to political engagement can be tried. The budget processes must respond to the evolving context as well, whether fiscal shocks resulting from an oil shut-down, the introduction of a new development plan or a return to conflict. Table 5 (page 33) shows how the budget process evolved over in Liberia and South Sudan, and how it responded to the challenges faced.

Taking small steps, not giant leaps

Change tends to be incremental, and there is more likely to be the political space and capacity to take small steps than big ones. That's not to say small steps can't have major implications. Table 6 (page 34) contrasts small potential steps for strengthening fiscal discipline and budget execution which address specific problems with a giant leap to solve all problems at once.

It may be easier to secure a degree of aggregate fiscal discipline and budget resources for priority service

Figure 4 From an aid to service delivery in South Sudan

2010
We want budget support!
(Government wanted to start delivering services)

Budget Support? No, we want results for poor people!
(Donors worried about fiduciary and reputational risks)

How do we manage risk and strengthen local PFM?

Government systems for service delivery are missing / incoherent.

We have no financing channels for local government services

Human resources are a key constraint

Accountability & Transparency are important for local services

2014
GoSS financed transfers to service delivery + supportive donor programmes

delivery agencies through a system of cash rationing rather than a comprehensive system of cash management and commitment controls. Similarly, it may be simpler to improve the link between budget and policy through introducing a strategic phase to the budget process and a budget strategy document than to implement an MTEF with comprehensive costing of government policy.

Sequencing and a sense of direction

So reform processes evolve in one direction then another, they speed up and slow down, and they involve incremental changes. Where are they heading? What does this mean for the sequencing of reform? The advocates of proper sequencing might say that Liberia should not have even embarked on a strategic phase in the budget process when it did. Yet the efforts to link the budget to policy priorities in Liberia focused attention on the importance of

Table 5: Iterations around the budget cycle in Liberia and South Sudan

| | Liberia | South Sudan | |
	Budget preparation	Budget preparation	Budget execution
2011/12	First introduction of a strategic phase to the budget phase involving sector ceilings and preparation of budget policy notes by line ministries. Limited impact on allocation.	Introduction of automated budget system; two budgets prepared due to changes in financial years as a result of independence (2011, 2011/12)	Introduction of monthly expenditure limits shows initial promise using parallel tool linked to IFMIS. Monthly limits suspended with introduction of austerity.
2012/13	Deepening of strategic phase, with development of an automated system for spending agencies to prepare their submissions, integration of aid, and preparation of public sector investment plan. Strategic allocation decisions endorsed by cabinet. MTEF Secretariat formed to coordinate the process. 2012/13 budget not executed, results in significant disillusionment.	Oil shutdown means severe austerity required. Intense political discussions held on the need for austerity, alongside technical exercises. Significant cuts agreed, although the budget remains unfunded. A budget strategy document, prepared alongside the budget helps explain the approach. Aid data into budget the budget preparation system.	Integration of monthly limits into IFMIS, alongside other significant changes. This includes the removal of the budget department from the payment process. MoFEP unable to honour ceilings as there is insufficient cash to do so, and other reforms prove over-ambitious.
2013/14	In response to problems in executing the priorities in the 2012/13 budget, the budget preparation process is re-centralised with no bottom-up budgeting by spending agencies. Both the strategic phase, and the automated system are abandoned as a result, and the MTEF secretariat disbanded.	The president is consulted by the minister of finance on budget priorities. Cabinet approves allocations to these (service delivery and infrastructure). Strategic phase disrupted by reversal of oil agreement, but strategic allocations stick. National Budget Plan is now an important document for articulating this. Restructuring of government ministries late in the process and a change of minister added to delays in approval.	Plans to simplify execution process and limit ambition of reform prepared. This includes adjustment of limits in line with available cash. Delays in budget approval and the crisis in the exchange rate mean that reforms are delayed. The return to conflict means they are not implemented. New transfers prioritised alongside other transfers in execution, and made for the first time.
2014/15	An internal review of the process facilitated by the IMF and BSI leads to the re-introduction of a strategic phase, with a budget working group formed to manage the process. A less ambitious approach is introduced. The minister of finance insists cabinet makes strategic resource allocation decisions.	With the return to conflict, a building blocks approach to allocating limited resources is introduced. Budget preparation requirements are also simplified. Service delivery transfers are maintained in the budget. An arrears and contingency fund is provided as a means to provide flexibility in execution.	Efforts are made to make basic monthly allocations of operating funding available to spending agencies. Fiscal crisis emerges due to the collapse in oil prices alongside depressed oil production.

building genuine political ownership in budget allocations and the need to improve execution itself. Similarly, critics might say that South Sudan should not have embarked on strengthening service delivery without putting basic fiscal controls in place. While up-front efforts to establish basic financial controls and fiscal sustainability were not successful, there was a degree of short-term aggregate fiscal control, and pockets of the budget where there was some predictability. It was possible to build on these windows to introduce a mechanism for financing basic service delivery (Table 7).

If we take the time to understand the space for reform and the volatile context and put value on learning, then the actions appear far more logical. In this respect, Andrews

et al (2012) talk about positive deviance and purposeful iterations. Decisions were made that took advantage of the situation, and progress was made.

Plans and strategies played an important role in giving a sense of direction to reform processes by setting broad objectives and points of reference to refer back to. They also provided the basis of authorisation for that direction. However, they were not useful in pre-defining the path of any reform process or in pre-designing a solution (Box 8), they were not always necessary, and they were never sufficient to give a sense of direction to a reform process. In short, reformers didn't need a strategy to think and act strategically.

Table 6: Small steps instead of giant leaps

Specific problem	Small step	One giant leap
Aggregate fiscal indiscipline leads to domestic borrowing and macroeconomic instability	Ration cash by limiting expenditures in line with inflows of available resources.	A comprehensive solution to all these problems might include the following, underpinned by an IFMIS, TSA and centralised payment system:
Budget not adhered to, with some institutions receiving more than their budget, and several receiving a lot less	Protect availability of budget resources in line with cash rationing above for major expenditure categories (e.g. salaries and transfers) and a limited set of budget priorities. This may involve transferring funds to different accounts if the finance ministry is unable to protect resources within a TSA system.	– Make resources available in line with spending agency cashflow plans and use domestic borrowing to smooth the difference between incoming revenues and resource outlays. Subsequently adjust future fiscal plans on the basis of outturns. – Establish and enforce strict commitment and expenditure controls across and in line with the whole budget alongside cash management above. Commitments and expenditures only allowed via the IFMIS. Impose clear sanctions for those individuals bypassing controls.
Weak accounting and lack of information on how resources are spent	Focus on recording and accounting for commitments and expenditures (using an IFMIS). Establish routine processes for bank reconciliations. Introduce regular budget reporting practices and make reports public.	– Payment of suppliers directly through the banking system – Comprehensive accounting and regular reporting delivered exclusively through the IFMIS.
Weak controls of commitments and expenditure mean that large stocks of arrears accumulate	Put in place a process for validation of genuine arrears and budget for the clearance of arrears.	

Table 7: A pragmatic or misguided sequencing of reform?

Steps recommended by PEFA	Sequencing in practice in South Sudan
1. Put in place controls to ensure some minimal level of financial compliance	Early on, a basic system for the prioritisation of salaries and transfers in the cash flow was established, with the balance being allocated to payments for operating and capital via a committee and centralised payment system. But space for the finance ministry to put in place controls did not exist, and efforts proved unsuccessful. Therefore only basic control over aggregate levels of salary expenditure and transfers were established.
2. Establish mechanisms to improve fiscal stability and sustainability	Despite the finance ministry raising the issue, there has proved to be a limited appetite for considering the long-term fiscal situation and the implications of declining oil revenues and increasing debt. The ministry has emphasised short-term fiscal control, and, until recently, has been able to limit government spending only based on revenue and debt inflows.
3. Introduce systems to promote the efficiency and effectiveness in service delivery	Some actors within government showed interest in making progress on taking over responsibility for service delivery. In parallel to efforts on steps 1 and 2, a country PFM system was developed, transfers designed, funds allocated to the transfers in the budget, and the transfers executed.

Source: Diamond (2013); author.

4.4 Starting on the right foot and then sustaining systems and processes

The solutions in any reform or change process often involve the development of processes and systems as well as associated capacity building to support the implementation of those systems.

Three phases to system and capacity development

There are three phases in the implementation of processes and systems (Table 8), although they may not always be obvious where multiple systems are at different phases of development simultaneously.

There is typically pressure to implement a solution up front, even when the capacity to manage its implementation is absent. There is often a dearth of middle managers and (motivated) junior civil servants,

Box 8: The roles played by plans

A lot of time is spent on preparing plans. Examples include the finance ministry in Liberia developing a PFM reform plan or a plan for implementing the MTEF, or the South Sudan finance ministry developing a ministry priority action plan or a Joint Plan of Action (JPA) for local services delivery. Plans may appear highly relevant at the time they are developed – and often they are – but often they are overly prescriptive, or poorly prioritised or they propose inappropriate solutions. A common misconception is that a plan or a law, once approved, automatically indicates that actors will pay attention to it and implement it to the letter. That rarely, if ever, happens.

Plans, good ones and bad, often get overtaken by events soon after they are prepared – especially in fragile environments. In South Sudan, no one could have predicted the shutdown of oil production two months after the approval of the ministry's priority action plan, or the return to conflict six months after the signing of the JPA. Despite everything, though, it would be wrong to call these plans pointless. There are three main roles plans and strategies play:

- **Giving a sense of direction, but not planning the route.** Plans typically reflect a reform agenda which already is emerging or well underway. These reform processes may continue, even if the plan itself is rarely referred back to. Where they remain most relevant, plans are not prescriptive but provide a direction for reform, and frame the operating environment within which reform can take place. This was the case for a Ministry Action Plan in South Sudan, which was developed at a senior management retreat, and reflected a refinement of actions that were already planned at a more operational level. While the planned regular reporting and review processes related to the plan did not get off the ground, and there was disappointment that they didn't, many of the processes continued in spite of the changing context.
- **Guiding the implementation of a specific solution.** While a detailed reform plan is almost guaranteed not to be implemented in its entirety, there are likely to be discrete elements of a reform process that are amenable to operational planning, ex ante. For example, the development, training and disseminating of a country PFM or human resource management (HRM) manual is something that can be both planned for and implemented as planned. Such plans also are useful for fundraising from donors. The configuration and deployment of IFMIS; professional training for the accounting cadre in government; and the annual research programme for the g7+ secretariat are all similarly amenable. This type of planning is important.
- **Formalising and authorising a certain direction for reform or solution to a problem.** Plans play a useful role in providing formal authorisation for a reform process. The Joint Plan of Action (JPA) for improving local service delivery in South Sudan was finalised two years into the process of strengthening service delivery. The purpose of this plan was to obtain formal authorisation from a coalition of ministries for a joint reform agenda. This authorisation, at the level of top civil servants, was only sought after a broad coalition across and within these institutions had already been built. The JPA set the broad direction of reform, and was not prescriptive (being only seven pages long). Separate working groups, already formed and with their own momentum, were responsible for implementing elements of the broader plan at an operational level. The plan was for the top-level authorisers to be brought back on an annual basis to review progress, and the first review was completed in late 2014. In Liberia, following the problems in budget execution and preparation in 2012/13 an exercise in reflection on the progress in implementation of an MTEF was carried out, facilitated by the IMF and BSI, and a plan prepared. This helped joint lesson learning and in formalising the approach going forward.

which means external actors are often involved in the design, development, deployment and implementation of a solution early on. In a fragile context, or any other low-capacity environment, the early use of external support is a necessary element of process and systems development and implementation. In Uganda – a higher capacity environment – this was the case for the automated budget system, the IFMIS and the budget website.

Where end users are outside the ministry of finance, systems need to be implemented by existing staff from the outset. For example, in the roll-out of budget systems

in South Sudan and Liberia, spending agencies needed to prepare their budgets themselves. The local government financial management manual in South Sudan had to be used by existing local government staff in the absence of continuous external support. Training these users is therefore an important element in implementation.

Following the initial phases of design and implementation, there is typically a need to adjust systems and processes to ensure they are relevant to problems as they emerge, as well as to the available capacity. For example, in South Sudan, it became clear that the new

budget was made too sophisticated too quickly. Similarly, too much was attempted too soon in reforming budget execution. Consequently elements were simplified in subsequent processes. This helped maintain their relevance.

There often needs to be a process to transfer responsibility for the implementation of systems to counterparts. Given a dearth of management capacity, advisers often continue to play a management role while handing over more routine operational tasks to junior officers. Junior staff also train other users of the system/process: for example, advisers were initially involved in training spending agencies on the budget process in South Sudan, but later on budget officers took over that role. During this phase the external advisers move from a 'doing' role to providing on-the-job support.

The final stage involves domestic counterparts taking over the full management of the process. Where technology is involved – e.g. an automated budget system or IFMIS – there may be a handover to locally contracted staff (often funded by a project), rather than mainstream civil servants. In Uganda the IFMIS and budget systems relied on such 'bought in' local capacity, and they have been able to manage their systems without international TA support. In South Sudan and Liberia this handover has yet to be achieved either for the IFMIS or budget preparation systems and international support still plays a role.

Starting off on the right foot and sustaining implementation

Throughout the three stages, consistency in implementation over time is key to ensuring that rules and associated compliance are both enforced and seen to be enforced. Without it, processes and systems will not be seen as credible. Implementation needs to start off on the right foot, which is why the use of external capacity is important at the outset. So too must the process or system be relevant to the problem and set within the space for reform.

For the latter two stages, the continued enforcement of the rules is key for the continued credibility of that process or system. But this is where systems often break down. Why? There may be unrealistic expectations about the pace at which systems management can be handed over, and associated pressure to do so from donors. It is especially important that advisers do not move out of the management function when management is absent, as the discipline in implementation will decline or collapse. Further, when advisers do hand over to nascent management capacity, they should be ready to step back in to avoid any collapse. In South Sudan, advisers played an important role in the discipline of routine payment and accounting processes in the treasury. When advisers left after the conflict, the discipline in simple processes broke down. Implementation support therefore needs to be sustained while it is needed, otherwise there is a danger that the credibility of the system and process, and associated behavioural change, will not be sustained.

Table 8: Phases in system and capacity development

Stage	Process/system	Who does what?
Design and deliver	The initial design of a process or system and its implementation.	The initial design, management and deployment of a system is typically carried out by external actors. An internal team is assembled concurrently and may perform some implementation and management tasks initially.
Adapt and capacitate	The process or system is adjusted based on initial experience of its implementation and the ability of the team to manage the process.	A process of building capacity and transferring responsibility for the implementation of the system to domestic actors in the team. TA may continue managing the process throughout this period. Training and on-the job support are important during this period.
Adapt, hand over and sustain	Further tweaks are made to systems and processes, based on implementation.	Management of the process is handed over, and internal actors manage and implement the system. External actors may continue to provide support and advice. Projects may continue to fund local expertise, especially where IT systems are concerned.

Figure 5: Adjusting systems and processes in line with capacity

2013: President + Sector and Capital

Planning

2014: Building Blocks

Process/System Sophistication

2012: Budget Strategy, Aid on Plan

2011: Existing Budget Process Automated

Adapt and capacitate

Capacity

TA designs and delivers system

Adapt, Hand Over & Sustain

2011
FY Change at Independence

2012
Oil Shutdown & Austerity

2012
Oil agreement, reversal

2013 –
Conflict

4.5 Learning, adaptation and potential traps

Maintaining relevance through learning and adaption

Processes and systems need to remain relevant to the problems faced. They need to be alive to the scope for changing behaviour, to what can be influenced and controlled and what cannot within the prevailing political economy. Reforms, processes and systems that take advantage *but do not step outside* of the space for change are more likely to be successful. Systems that aim to control the uncontrollable are unlikely to succeed. For example, efforts to create a space for reliable funding of service delivery in the budget in South Sudan were more successful than efforts to enforce budget controls across the board. In practice this involved limiting the ambition of what reform or specific systems were trying to achieve. It involved adaptation of systems to the context as it evolved. This did not preclude using solutions from elsewhere, but it did mean that solutions needed to be adapted.

As processes and systems are developed and implemented, learning and adaptation should be encouraged. Reversals should be accepted, provided that mistakes are learned from. In Liberia and South Sudan each year the budget cycle changed, and these changes were a response to both challenges experienced and changing situations (Table 5); the local service delivery process shifted from one problem to another (Figure 4). If a budget process becomes a repetition of identical processes year on year, as was the case in Uganda in the mid-2000s, it is an unhealthy indication of a lack of learning and innovation. The key to the success of each iteration is the problem identification and solution adjustment that results from

learning. If there is no learning and no adjustment, there is no positive change.

It is important to note that *people* learn – *institutions* can only learn if there is consistency in people and if lessons are learned collectively. People learn most through experience and application of their skills. They adapt solutions based on experience. Groups of actors – whether small teams responsible for the initial reform drive or broader coalitions built subsequently – are important in the reform change process. They also ensure broader acceptance of the reform agenda.

Changes in key personnel often mean that lessons need to be relearned. Both Liberia and South Sudan, for example, externally recruited new leaders for their budget departments. Several other key players also changed, and Liberia has had a particularly high turnover of junior staff. This brought both opportunities and challenges. Where pre-existing teams had learned and developed, they were often able to influence and guide the new team members accordingly. However, this did not always prove a substitute for experience, and some people needed to learn from their own experience. Therefore, new leadership and team members may result in processes taking a backward step, but they may also bring new insights and directions. Conversely, where leadership and teams do not change for significant periods, as was the case in Uganda's finance ministry in the mid 2000s, this can contribute to an absence of learning and adaptation and resistance to change.

Avoiding traps which perpetuate dysfunction and a reliance on external capacity

System and process can become reliant on external capacity, stuck in a cycle of dysfunction, or both.

A key potential trap occurs when the solution is inappropriate to the problem or context, and there is a failure to adapt and/or a refusal to acknowledge the failure of that solution. In such circumstances, implementers may doggedly continue to try to get a system or process to work even while there is no space for reform to take hold. For example, they might make repeated efforts to enforce comprehensive budget controls through an IFMIS when, in practice, the political economy does not permit it.

A second potential trap is one that perpetuates a reliance on external capacity, because the solution is too sophisticated for a ministry to manage in the long term. Here it is important to note that both advisers (including this author) and their counterparts, as technocrats, are often naturally attracted to sophisticated solutions. However, it is important to consider the minimum level of sophistication needed to deliver desired behavioural change. This trap is less damaging if the solution is relevant to the problem faced and results in behaviour change within and outside the ministry. For example, a finance ministry may not be able to establish the technical capacity to manage an IFMIS, but spending agencies may be able to use and comply with the system, with behaviour changing as a result.

A third potential trap is structural. In South Sudan, there was no unit or designated staff members assigned to manage and coordinate the budget process, meaning that the task fell to advisers with no counterparts to handover to. To get over this problem, an interim budget department structure was formed, including a unit for coordinating the budget process, and staff were assigned. This has enabled advisers to start the process of handing over the management and coordination of the process. For such change to have full effect, it also required changes in behaviour of managers, who needed to resist the temptation to ask an adviser instead of a member of their staff to do routine tasks.

The worst situation is when these traps combine – for instance, an overly sophisticated and inappropriate solution continues to be managed and run by external actors who doggedly try and get the system to 'work'. This means being stuck with a dysfunctional system implemented by external actors while the pre-existing practices continue all along. Donors may create incentives for such traps to occur: for example, some development partners were critical of TA providers failing to implement the full functionality of the IFMIS in South Sudan when there was not the political space to do so.

Without learning or adapting solutions to the problems and available capacity, well-intentioned and determined implementers may inadvertently perpetuate both dysfunction and a reliance on external capacity. However, there may also be an uncomfortable truth, that in certain circumstances and for certain solutions it may actually be appropriate to rely on external actors to help manage systems over the medium or long term to sustain

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Box 10: Learning during the Liberia budget process

Following substantial efforts in developing and implementing new processes and an automated budget system in the preparation of the 2012/13 budget in Liberia, the strategic phase was dropped in the following year because of failures in execution. The finance ministry centralised execution and preparation of the 2012/13 budget. This was an understandable response, and there was much disappointment and disillusionment inside and outside the ministry of finance. However, this centralised approach proved even more difficult for it to manage; so, following a period of reflection, including workshops facilitated by external advisers, the strategic phase was reintroduced in the preparation of the 2014/15 budget, but with simpler requirements. However, by the time the budget process was concluding, the Ebola crisis had gained significant momentum. Although it could be argued that the abandonment of a budget system is an expensive mistake, important lessons were learned from experience and the approach was changed as a result.

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the credibility of those systems, which is of paramount importance.

4.6 Deciding when, what and how to formalise

Formalisation represents the authorisation of a certain approach, system or process at political or technical level. A conventional approach to reform might involve the establishment of formal processes and instruments up front and in detail: the development of a policy approved by cabinet and any necessary legislation approved by parliament to implement that policy. Then implementation begins. However, formalising processes too early and at too high a level can tie reformers down to a specific path that may not be relevant to the situation. Amending legislation or high-profile policies is very difficult – and learning and adaptation therefore become challenging. Rather than amend a law, for example, the pragmatic solution is often to implement the parts of the law that it is feasible to implement. In effect, the law gets selectively implemented, which is not a good precedent in efforts to establish rules-based systems.

The example of South Sudan service delivery used a different approach. Once reform processes were underway, a simple five-page plan was used to seek authorisation of the direction of change across ministries at a technical level. Formal guidelines were prepared, rather than laws. These could be easily tested and adapted, while using the budget process to gain high-level political authorisation

for funding of local service delivery. In Uganda, the budget website was soon followed by a formal partnership between civil society groups and the ministry of finance to take advantage of the opportunity. In Liberia, the MTEF existed in law but was little understood, and there was no effort to formalise the strategic phase early on. This may have contributed to the unravelling of its early progress in 2013. The formalisation of the strategic phase in the budget process came in 2014, following an external review of the budget process.

Formalisation is therefore important for a reform or process to be taken seriously. The lower the level of formalisation, the easier adaptation is. Different types of formalisation may be required at different levels at different times. For example, in South Sudan, cabinet needed to authorise new budget allocations for service delivery, but it did not need to authorise the details of how these allocations would be managed. If high-level formalisation or authorisation is required, then what is approved should allow the maximum degree of flexibility. For example, if a PFM law is required, then this should set out the minimum necessary framework for effective PFM, and where possible, avoid prescription of specific technical solutions (such as an MTEF). But in Liberia and South Sudan too much detail was specified (Box 12).

4.7 Joining the dots

Often multiple problems are solved and solutions implemented simultaneously at different levels, and a key challenge is joining the dots to help improve coherence and ensure complementarity. The impact of a reform depends on its interrelationships with other reforms, processes and systems, whether within a ministry of finance (budget, accounts) or across sectors and ministries. This applies to the political, strategic and the operational levels. Joining the dots is therefore key to catalysing change.

To take an example at the strategic level for service delivery, as a county PFM system was being designed, it became clear that complementary guidance on HRM would be required; similarly, if transfers were to be designated to fund service delivery, those transfers would need to be financed through the budget and/or by donors. Furthermore, it was important that line ministries were involved in the design of their own transfers and that HRM guidelines met with their own human resource policies.

Furthermore, it is important to note that this joining of dots occurred across the three levels of PFM. A degree of aggregate fiscal discipline was required, which enabled the *finance ministry* to make resources available in line with *strategic budget priorities* to service delivery via a process of cash rationing. Meanwhile there were complementary efforts to improve the efficiency of spending through the design of transfers and HRM and PFM systems.

At an operational level it is also important that systems and processes actually interface with each other. A budget needs to be entered into an IFMIS for it to be executed as planned. The possibility of mapping payroll and aid information onto the budget can have important benefits in terms of the realism of budgets and strategic resource allocation. If sub-national budget reporting processes satisfy the information requirements of national sector ministries and donors the administrative burden on local governments can be limited.

Box 11: Approaches to formalisation in Liberia and South Sudan

In South Sudan, DRC and Liberia, PFM laws were developed early on. The Liberian and South Sudanese PFM laws, for example, included provisions for an MTEF. In both these countries, the approach to implementing those laws has been pragmatic: rather than trying to implement all provisions at once, elements of the law have been prioritised. For example, in both countries, a strategic phase to the budget process has been implemented without a medium term perspective. However, it may not be practically possible to implement other elements of the law. For example it has proved impossible to adhere to the prescribed budget calendar in either case. In effect, the law is being selectively implemented, which is not a good precedent in efforts to establish rules-based systems.

In the South Sudanese work on service delivery, the systems developed have deliberately not been tied down in legislation. Guidelines and manuals were developed, not laws, with a view to finding out what works and what doesn't. Importantly, these guidelines were formally approved and disseminated by the ministries concerned, but not legislated. These are more straightforward to adjust based on experience than laws – and some have already been updated. Once the reforms were underway, the Joint Plan of Action (Box 8) was drafted and signed by top bureaucrats in the six central government institutions, as a means of formalising a common direction of reform. The only formal political endorsement of the local service delivery agenda was sought and obtained through the budget process – where explicit proposals for new country transfers and associated allocations were explicitly set out in presentations to cabinet, described in a budget strategy document and emphasised in the budget speech. This contrasts with Liberia, where the whole cabinet was asked to approve a PFM reform plan. It is extremely unlikely that cabinet members would read and understand what they were supposed to be approving.

Box 12: Joining the dots at a strategic level

Reforms strengthening service delivery were well underway in 2012 in South Sudan. Sectors had identified that there needed to be a framework for financing service delivery at the county level. However, it was unclear where resources would come from, as relations with the donor community had deteriorated since the shutdown of oil production earlier in the year. Meanwhile, the President's Economic Adviser was keen to increase the involvement of the President in the budget process (having come to this view as a result of a peer-learning visit to Uganda). Meanwhile, an agreement was reached with Sudan to resume oil production. There was a clear opportunity, with the return of oil revenues, to reorient the budget towards new priorities. Prior to the planning process for 2012/13, the Minister of Finance consulted the President on what his budget priorities were, and was told infrastructure, health, education and agriculture. The finance ministry prepared preliminary budget proposals for submission to cabinet which included additional allocations to 'the President's budget priorities'. . These allocations included a package of new transfers for county service delivery in line with these priorities, and drawing from the service delivery work going on at the sectoral level.

The prospect of budgetary funding provided impetus for the process of designing transfers at the sectoral level. These transfers were included in the 2013/14 budget, and execution began in the second half of the financial year, despite the return to conflict.

While different reforms may have different starting points and be at different stages of implementation, efforts should still be made to join the dots.

Often, these dots are not joined. There were frequently multiple institutions and external actors involved in reform processes. People within departments or ministries, and within TA providers, often worked in silos and had little incentive to talk to each other. However, as the experience of service delivery in South Sudan in particular shows, proactive efforts to join the dots can have a catalytic impact. This requires collaborative working among government actors, TA providers and donors.

4.8 Conclusion

In this section, we've looked at processes of change themselves, and tried to understand the types of process that would deliver genuine change. This included processes that started with problems and opportunities, and did not wait for comprehensive solutions. They took small steps and were cognisant of where reform should be heading; they started on the right foot and then sustained systems and processes; they learned lessons and adapted accordingly; they were effective in deciding when, what and how to establish formalisation; and finally, they joined the dots with other reform processes at the strategic and operational levels. Importantly, these processes also tried to keep within the space for reform.

This section also highlighted practices that were less conducive to genuine change. The development of comprehensive, *ex- ante* solutions was often irrelevant to actual problems or did not take into account the space for reform. They also failed to adapt based on experience and changes in context, were not sensitive to existing and potential future capacity, and were implemented in silos and not linked to other reforms.

Box 13: Joining the dots at an operational level

- **Integrating aid data into budget documents.** This was made possible in both Liberia and South Sudan by structuring aid data in the Aid Information Management System by major categories in the chart of accounts.
- **Ensuring that budget reporting requirements in the county PFM manual would satisfy accountability requirements for sectoral and infrastructure transfers as well as World Bank funds, so that parallel reporting systems would not be required.** Similarly, configuring the state budgeting system and IFMIS so that transfers to counties could be properly recorded in a uniform manner and that line ministry information needs would be satisfied.
- Creating files that could be uploaded into the IFMIS directly from the automated budget system. For the budget website in Uganda developing a tool that enables data to be uploaded from the budget system to the web.
- Identifying ongoing projects and donors that could potentially fund a nationwide rollout of the county PFM manual.

5. Who makes change happen?

5.1 Introduction

Thus far, we have looked at the nature and process of change. In doing so, we have touched on the people and the actors involved. Now we turn to them in more depth. There are a number of roles typically played. Some are reserved for internal actors; others may be played by internal or external actors, or both. Here we try to understand these roles, before looking at how best external support can be provided to support genuine institutional change.

Community members attend a briefing by a social mobilization team in Lester Road, Freetown, Sierra Leone. Photo: © UN Photo / Martine Perret.

5.2 Reformers, their problems and external advice

Reformers are always there. The caricature of a charismatic, articulate, sociable 'driver of change' will often not be in evidence. Ministers and senior bureaucrats may or may not show active interest in reform. But there will always be mid-level or junior bureaucrats genuinely interested in positive change and with a clear desire to address the challenges they see around them.

A reformer in a state emerging from conflict – let's say a manager in the budget department – may have given up a well-paid job to return from exile, or may have stayed working in the ministry of finance during the conflict. He or she will face real challenges at work and need to manage pressures at home and in their community. Personal and professional incentives may not always be consistent.[4]

Early on in the recovery process, many offer help; ministers and bureaucrats are typically bombarded with advice from donors, advisers and consultants. This advice may be provided during formal donor–government dialogue, or informally by donor representatives, advisers within the ministry, or by short-term consultants flying in and out. Support may end up taking the form of conditionality. There is typically a high turnover of individuals involved in providing advice, and advice is often conflicting and/or inconsistent. External actors often compete for the attention of senior officials, some barely noticing mid- and junior-level bureaucrats. Ministers and bureaucrats alike may find it challenging to navigate their way through the advice they receive and relate it to the challenges they face.

Nevertheless, external advice can play an important role. Leaders of reform processes often rely on one of a limited number of trusted advisers, who help digest the copious, often inconsistent advice provided by other external actors. Crucially, the trusted adviser also tends to help the reformer navigate the various iterations of the reform process. In capable and experienced ministries of finance, such as Uganda's, managers were better able to judge and challenge the external advice provided. They were also more able to adapt proposed solutions to their environment. They were therefore less reliant on trusted advisers, although some individuals may use them. A Ugandan adviser who had worked in the ministries of finance of both Liberia and Uganda noted that in Uganda, the government set the agenda, while in Liberia, it was the donors. In Uganda, the ministry takes external advice, adapts it, and implements it. In Liberia, this was not the case.

5.3 Reformers didn't work alone

Rarely is there a lone individual leading reforms, directing different stakeholders to play their part. While a reform might be in multiple stakeholders' interests, often no one takes the initiative, even if there is limited cost in doing so. Teams and coalitions are important in the reform process and in overcoming such collective action problems. Furthermore, rarely is reform driven from the top down without the acceptance of the broader group.

There is usually a limited group of individuals working with the leader at the beginning of a reform process. The initial team is typically made up of mid-level managers, junior bureaucrats and external advisers. The person who convenes and leads the initial team was typically the key 'reformer' in any specific process of change – the aforementioned mid-level manager in a finance or line ministry. The other team members were interested in change, working together on a common problem at the direction of the convenor. Each of the insider accounts in South Sudan, Liberia and Uganda involved such convenors, several of whom were promoted to more senior positions during the past four years.[5] Ministers and/or senior bureaucrats can also push for change. The latter was the case in Uganda during the 1990s, when the Permanent Secretary / Secretary to the Treasury drove reforms. He nevertheless relied upon and delegated to senior and mid-level managers to achieve progress. The former Undersecretary for Planning in South Sudan, Aggrey Tisa Sabuni, drove through budget reforms in the late 2000s, which included the introduction of alien concepts such as budget ceilings. He too relied upon the support of mid-level managers and a trusted adviser. The g7+ has been led by Emilia Pires, the Minister of Finance in Timor Leste, and Helder da Costa, a senior manager in the same ministry. Emilia Peres also acted as the convenor of the g7+ group of finance ministers. The informal status of ministers or managers may influence their convening powers as much as their formal status.

Teams of technocrats – the plumbers and masons, not the architects – were the boots on the ground, implementing and delivering specific reforms. They were the people who built and implemented systems and processes, trained other people to implement them, and ensured compliance. They were a mixture of more junior bureaucrats and external advisers. Early on in the reform process, external TA played multiple roles within the team – a strategic advisory role (to the convenor) and an operational role, helping in the design, management and actual implementation of the new systems and processes. Both internal and external actors wanted the systems to deliver when first established, but internal capacity

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takes time. This meant that implementation support was important for sustaining change.

Collaboration was a key feature of more successful change processes. This involved the building of coalitions with others who could see and understand the benefit of the changes being introduced. This helped extend the acceptance of the reform agenda to other departments within a ministry or other ministries across government. It was also important that coalitions were built across TA providers within and across ministries and levels of government. In the building of teams and coalitions, relationships among internal actors, among external actors, and between internal and external actors, were key. Joint exercises, such as targeted peer learning exercises and study visits, helped individuals identify common issues and build informal relationships. This helped foster agreement on how to solve problems and adapt solutions.

The form of collaboration and the teams and coalitions that emerge differ. The composition of teams evolved as ownership was built and problems were solved / different problems emerged. In South Sudan, informal groups were initially formed around the development of local government PFM manuals and a World Bank Project for local infrastructure delivery and sectoral aid instruments. As members were convinced of the importance of the service delivery agenda which emerged, these were then formalised into a structure of working groups, each with their own convenor. In Uganda, following a period of informal working, a formal steering committee was created and a team appointed. The core team and coalitions typically started off as informal groups, with formality becoming increasingly important over time. Working groups and committees may be important in formalising learning and agreed adjustments, yet they didn't constitute the only forum for learning and for identifying and agreeing solutions. Informal interactions and relationships appeared critical. These typically preceded formal meetings. Often the deal was done beforehand, although decisions and ideas can and did come from the meetings themselves. Importantly, formal meetings and groups added legitimacy to decisions made. For the formal groups to function, therefore, it was important that the informal relations remained, otherwise the formal groups risked becoming another example of form over function.

In building a coalition it often proved better to focus on potential allies (individuals) before convening the wider

Figure 6: Reformers face real problems

Political

What do you mean there is no money?

We don't need the IMF!

The president promised us a classroom!

Where is the money for my area?

This road must be built...

The president must travel

Army salaries have been increased!

You're all corrupt!

Teachers aren't being paid

You can buy a jet but you can't pay for medicines?

The roads are terrible!

Civil society

External interests

If you give us a guarantee we'll...

Where were you when we were in the bush?

If you don't pay us then I will...

I hear your daughter needs a job?

My child is sick

My salary hasn't been paid!

I need to pay school fees

Personal

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5   These include: Moses Mabior, the Director of Aid Coordination, who has led the local service delivery processes, chairing the Local Services Support Task Force since its formation;. Tanneh Brunson in Liberia, who worked as the first coordinator of the MTEF secretariat when it was formed in 2011 and in 2015 was promoted to Deputy Minister of Budget; Kenneth Mugambe, who has overseen budget reforms and championed the budget transparency initiative. In 2014 he was promoted to director of budget. Ocum Karlo Generes, who was appointed director of budget in 2012 in South Sudan and has helped the ministry navigate through challenging budget processes, and has recently been promoted to be the acting Director General of Budget.

Figure 7: Reformers have lots of people trying to help

Conditionality

You need an STA

You need a macro model

Come to this conference

MoF staff are never in the office!

Dialogue

There must be a separate account for education

Clear arrears

Why can't you close those ministry bank accounts?

You must have performance measures!

We really think social protection should be your priority

Establish a macro framework

The budget is unrealistic

You need an MTEF

Spend on infrastructure

You have an IFMIS and you're not using it!

Internal audit is a priority now!

We can't use government systems – they're too weak

We'll support your priorities

Start with cash accounting

Aid must use government systems

You must have double entry!

Decentralise procurement

We must shift our resources to the humanitarian crisis

Centralise procurement

Build your own!

We are committed to your long term development

Use an off the shelf budget system

Aid

TA

group. But this approach may need to be learned by those involved. Obtaining political acceptance of the need for austerity following the South Sudanese oil shut-down in 2012 is an instructive example. Austerity was a message no one wanted to hear, so there was a need to build consensus among a key group in the political elite before shifting towards a wider group. The Minister of Finance and the Economic Adviser to the President took a lead in this.

For coalitions to be sustained, members need to be convinced about the potential merits of involvement, and these need to materialise. Coalitions need to be in members' interests: they need to help solve members' problems, and members must have an incentive to perform their respective roles within coalitions. In South Sudan, the realisation of common problems and common experiences was enough to provoke interest. The actual solving of problems, in particular the allocation and execution of new transfers, provided strong incentives to stay engaged. In contrast, the failure to execute the new strategic budget priorities in 2012/13 undermined the incentives of the spending agencies to engage in future budget processes.

Facilitators sometimes play an important role in supporting convenors to build and sustain coalitions, especially when there are multiple actors involved and underlying collective action problems. They help different actors understand common problems and identify common solutions. Facilitators also help with lesson learning, ensuring that experience is fed back into iterations of reform. Typically, a facilitator needs to be seen as independent from the different players, enabling

them to play the role of honest broker and helping to get actors round the same table. This means external actors can play this role. Effective facilitators build relationships and trust with different actors individually, and then bring them together to a common position. For example, there was suspicion of the finance ministry's motives when it introduced ideas such as aid instruments in support of service delivery in South Sudan. However, the combination of a respected convenor and external facilitators helped line ministries understand the merits of the idea, and helped the ministry of finance to understand line ministry concerns. Facilitators therefore helped overcome potential barriers and opponents to change.

5.4 Authorisers help protect the space for reform

The authorising environment for any reform is of ultimate importance if change is to happen. Change needs to be allowed to take place. Different aspects of reform require different levels of authorisation. Top-level bureaucrats and ministers, and sometimes cabinet and the president, can play the ultimate authorising roles. This is often done in a passive way. While senior authorisers are active at certain points in the reform process, rarely are they active throughout. For example, ministers of finance and undersecretaries in South Sudan have provided space for the service delivery reforms to take place, but they have not driven them. They have only been active at particular times, providing important interactions with other

government actors and external partners. In cases where authorisers played a passive part, convenors assumed de facto authorising roles for teams on a day-to-day basis.

While an authoriser, such as a minister of finance, may use their authority to periodically add impetus to reforms, it is unrealistic to expect them to drive through comprehensive reforms consistently. Even proactive senior authorisers needed the support of convenors and their teams and coalitions to deliver reform. Furthermore, an authoriser must understand the authority they have at their level – i.e. the space that exists for reform, and whether there is need to gain authority from higher levels.

Authorisers need to understand the implications of what reforms they are authorising. Cabinet may not fully understand what it is approving, be it a PFM reform strategy or a budget proposal. Although authority will have been granted on paper, it is unlikely to be granted in practice. When explicit authority is being sought, therefore, it is important that the implications of the expected changes of behaviour from the authorisers are understood. Otherwise normal behaviour is likely to continue.

One example is an attempted realignment of the exchange rate in 2013 in South Sudan. The realignment was reversed following an instant backlash against the policy from vested interests. Insufficient authority was obtained by the finance minister and governor of the central bank and the coalitions were inadequate. The implications of the reform were clearly not understood.

While authorisers can facilitate change, they can unfortunately also block or resist it. Again, this can be done passively – by not cooperating with groups of reformers under their authority – or actively – by closing down the reform space by refusing to authorise. A change in authoriser, such as the appointment of a new minister, may result in an abrupt change in the reform space. This is more challenging for reformers to address. This may also just mean that the reform space is narrower because of the interests of those in authority. If the reform space is absent at any one time, intractable problems will remain unsolved. The solution is not to attempt reform. There may be alternative channels or avenues for seeking authorisation, but there may not: the only option may be to try to convince the authorisers of the merits of a change in approach. This may take a long time. For example, in Uganda it took several years to convince President Museveni of the merits of liberalising the economy and enforcing fiscal discipline (Box 14). However, once he consented and those reforms were implemented, the reforms stuck and continue to stick 25 years on.

Understanding when and at what level to seek authorisation requires reformers to have an understanding of the space for change as well as the associated political economy. This is not always a forte of technocrats, and

Figure 8: Generic structure of reform processes
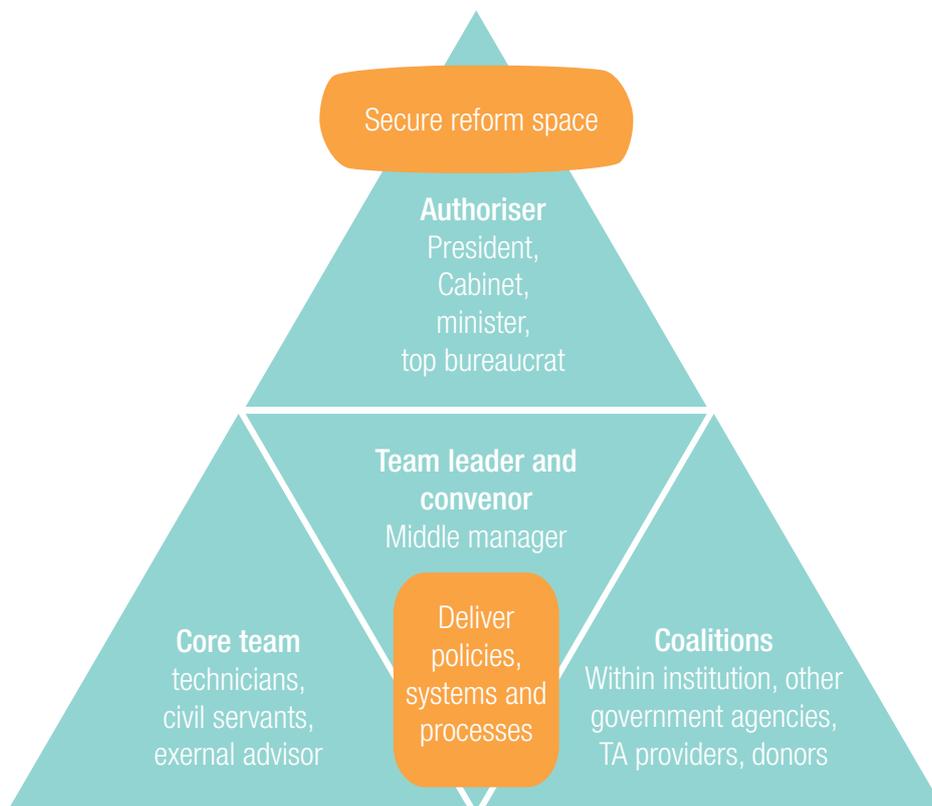
Figure 9: Different roles in the reform process

Politician   Authoriser   Convenor   Funder

Trainer   Technician   Advisor / Coach   Broker   Facilitator

there is often a danger that either authorisation isn't sought when it is needed, that it's sought at the wrong level, or that the request for authorisation is not communicated in an appropriate manner. It is important therefore that technocrats seek guidance and try to understand the perspectives of ministers and other politicians. While formal authorisation may not be needed at the outset, it is important that the interests of those in authority are understood beforehand, and that there is potential for gaining authority as reform progresses.

5.5 Four roles played by external support in genuine change

External actors play four roles in change processes that are integral to the reforms developed and implemented.

Most traditionally, they contribute as *technicians*. We have shown that the provision of technical support to systems and capacity development plays an important role in change. A PFM system needs a budget preparation process, a payment process, associated IT systems, guidelines, manuals, training and so on. Effective external support provides the capacity to help to start processes and systems on the right foot and be sustained. Training and on-the-job support helps build the capacity of counterparts so they can take over the responsibility of implementing and later managing systems.

We have also pointed to the role of the *trusted adviser*, which can help the reformer navigate an abundance of advice and the problems he or she faces. The trusted adviser needs to carefully balance coaching, mentoring and providing technical advice. Often, trusted advisers are seen

as playing a gatekeeper role. They are most effective when other advisers or external actors, rather than competing for the reformer's attention, work with and through the trusted adviser(s). The trusted adviser needs to ensure that he or she is seen to be objective and impartial in interactions with other advisers and bureaucrats.

External advisers can also play the role of a *facilitator* in reform processes and in the associated iterative problem-solving, learning and adaptation. In doing so, they can support convenors to build coalitions in support of reform and broker agreement across different actors in the reform process. This can be at the strategic (political) or technical level, or both. Facilitators can build coalitions across TA providers as well; this is highly important, given that competition among them can sometimes be destructive.

Finally, advisers can help *join the dots* between reform processes, helping to support the integration of systems and processes from behind the scenes. They can also support and encourage collaboration by different actors supporting different change processes.

However, advice is not always taken up, and systems often neither implemented nor sustained. There appear to be a number of factors related to the degree to which advice is taken up:

- *Advisers need to demonstrate their usefulness.* The person or people being advised need to be able to see the relevance of the advice to the problems they face and the feasibility of acting on it. The person providing advice needs to demonstrate technical knowledge, for which there is no substitute. Communication skills are also required, including the ability to explain and break

When it came to power in 1996 the National Resistance Movement government's instinctive approach to economic policy was interventionist: 'it was taken for granted that the state should play a direct role in driving development through planning and through ownership of utilities, marketing, and industrial enterprises' (Whitworth and Williamson, 2009). Over this period inflation was persistently high, and a parallel exchange rate featured prominently in people's lives. 'Officials from the Ministry of Planning and Economic Development (MoPED) led the argument for macroeconomic stabilisation and liberalisation. They recommended prudent budgeting to control inflation, the promotion of exports through legalisation of the parallel market, and devaluation of the official exchange rate to a competitive level. After four years of agonising over the direction of macroeconomic policy, in 1990 the government started turning its back on the interventionist policies followed since Independence. Between 1990 and 1993 a series of fundamental reforms were initiated which set Uganda irrevocably on the road to a liberal, capitalist economy where the private sector was the engine of growth.' In short, it took over four years to persuade President Museveni to take steps towards liberalisation, and then when he did the results convinced the President of the merits of that agenda.

Source: Whitworth and Williamson (20).

problems down, linking advice to lessons and past experience.

- *Advisers need to be able to build trust with their counterparts.* They need to show respect to those being advised, acknowledging their position and respective authority. It is important that advisers work through the bureaucracy, rather than bypassing it, respecting the decisions of their counterparts. Confidentiality may also be important in building trust. Further, balancing direct technical advice with listening and coaching is important. Trust takes time to build.

- *There needs to be consistency of advisers over the long term.* Those providing advice need to sustain their engagement over the long term to ensure consistency in change processes and implementation support, learning with the team and broader coalition, and supporting adaptation.

These observations chime with Solter and Solter (2013) who, on the basis of experience providing TA to ministries of health, emphasise the importance of 'a long-term approach involving persistence, patience, keen understanding of counterparts' perspective, deference, building trust, focus on priorities, technical competence, and sustained optimism'. The importance of sustained optimism (tempered by realistic expectations) will be familiar to those working in fragile environments. While technical ability might be evident, the ability of an individual adviser to build trust is typically an intangible and unmeasurable skill. But it is ultimately very important.

5.6 The structure of external support, donor behaviour and incentives

The structure of TA projects and the behaviour of donors create incentives which influence the roles that TA providers play in support of change processes. Conventional TA projects are typically structured in one of three ways. The first type involves multiple contractors implementing individual tasks, which are procured, monitored and coordinated by some kind of management unit, for example the Public Financial Management Reform Programme in Liberia or the Financial Management and Accountability Programme in Uganda. These are typically funded by multilateral donors, or via a basket funded by multiple donors. The second type is a TA project implemented by a single contracted firm or consortium of firms, for example the CORE I and II projects in South Sudan. These projects are typically funded by bilateral donors, and they are often quite prescriptive, as are their associated logframes, workplans and monitoring and evaluation (M&E) provisions. This contrasts with the arrangements for BSI, which has an open-ended design and flexible funding. A third type is a TA project where the advice is provided directly by an international organisation (e.g. the IMF in Liberia or UNDP in South Sudan) or an organisation closely affiliated to the donor (e.g. Stats Norway in South Sudan). Its design may be prescriptive or there may be scope for flexibility.

The environment in which TA providers work is heavily influenced by the behaviour of their funders and the incentives they face. Typically, donors are rewarded if their programmes are visible and they can demonstrate clear influence and results. Donor representatives often feel it is important to focus their attention on ministers and top-level bureaucrats, though often very little comes of these interactions as ministers and top-level bureaucrats are overwhelmed with work. Furthermore, there is little

incentive for donors to build relationships with mid-level reformers, and they find it easier to get information from a contractor or employee working within a ministry. However, this undermines the advisers' ability to build trusted relationships. There are strong incentives to ensure logframes and workplans are delivered, but little incentive to acknowledge mistakes and therefore learn from them. The combination of the structure of traditional TA projects and the behaviour of donors can have significant negative consequences (Table 9). These incentives are present, albeit in slightly different ways, whether a project is managed and implemented by a single TA provider or by a management unit and multiple contractors.

Nonetheless, conventional TA providers play the roles of technician and (often) trusted adviser, and are frequently effective supporters of genuine change processes. BSI also plays these traditional roles. In addition, BSI has played the roles of facilitator and dot-joiner, while other TA providers have not. Furthermore, the mid-term evaluation of BSI (Cox and Robson 2013) pointed out that it was the problem solving approach of BSI that set it apart from other TA providers. It noted that there was a high rate of

uptake of BSI's proposals, indicating their relevance and usefulness and the quality of facilitation that BSI provides for their implementation.

Why is this the case? The structure of the BSI programme, and the behaviour of its donor representatives in South Sudan and Liberia, have isolated it from the types of incentives its fellow TA providers often face, which include the pressure to be visible, provide information and deliver activities the donor wants. The evaluation posited that the combination of BSI's flexible funding and open-ended design, ODI's position as an independent think tank and the use of staff with experience of working inside institutions in a low-profile manner created a 'distinct set of incentives that set BSI apart'.

Arm's-length does not mean totally out of reach. In managing the BSI programme in South Sudan, the BSI manager and senior advisers update the donor (DFID) on progress on a monthly basis. DFID, meanwhile, has respected the confidentiality of BSI advice, and has not pressured BSI to provide information its advisers received in confidence, or which was available to them because of their trusted positions. Annual workplans, which are

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Box 15: The Budget Strengthening Initiative in practice

'[BSI] helps identify and resolve problems or blockages in the delivery of budget reforms and in the management of the development partnership. BSI is an embodiment of the approach to TA known as 'problem-driven iterative adaptation'. Its distinctive features are that it begins from recognised problems, rather than international best practices, it pursues institutional change as an iterative, step-by-step process, and it emphasises building consensus among stakeholders and across institutional boundaries. David Booth describes it in terms of brokering solutions to collective action problems.'

'Its approach is flexible, iterative and politically informed, making it well placed to identify and promote solutions to problems that might defeat other TA programmes. This has contributed to a good level of implementation of the reforms it has supported.'

'...the BSI programme structure facilitates its strategic orientation and its flexible, problem-solving approach to delivery.

- It is funded from an accountable grant, giving it **greater autonomy** in the pursuit of agreed goals.
- It has an **open-ended design**. Its logframes commit it to achieving a certain number of identifiable institutional changes, without specifying in advance what those changes should be.
- As an implementer, **ODI bring its own mandate as a development think tank** with a commitment to improving international aid practice that goes beyond its immediate accountability to BSI's funders.
- ODI deploys staff (many of them former ODI Fellows) **with experience of working inside institutions and supporting change processes in a low-profile manner.** Their team brings strong analytical, communication, facilitation and networking skills, together with a familiarity with the politics of reform processes.

Together, these factors create a **distinct set of incentives** that set BSI apart from other TA providers. BSI teams display an evident concern not just with the immediate outcomes of their activities, but with the success of the wider development partnership. They are willing to facilitate processes behind the scenes without taking credit for them, which contributes to their ability to support meaningful institutional change. (The Liberian Deputy Minister for Budget praised BSI's willingness to 'move from the driving seat to the back seat'.) It also affects the way they work with other aid projects. In South Sudan, we observed that they were helping to shape and facilitate other projects and were willing to pass activities across to other projects where that made sense.'

Source: Cox and Robson (2013)

agreed primarily with the government, are shared with DFID, who comment, but do not attempt to dictate their contents and direction. Furthermore, the programme has been allowed to evolve organically over time and to correspond to context. Annual, *ex- post* assessments of stories of change have been used alongside a limited set of output indicators to monitor and evaluate progress. Stories of change have also been an important input into this paper and the accompanying insider accounts. On reflection, BSI should have done more to monitor behavioural change, and plans to do so in future. Early on, BSI could also have done more to encourage DFID to build relationships with its key mid-level technical counterparts.

All this contrasts with more traditional TA programmes. These are often more rigid, encouraging adherence to detailed logframes, terms of reference and associated workplans. Traditional TA projects also have a tendency to work in silos, delivering in their respective areas with

Table 9: Donor behaviour and its consequences

Observed donor behaviour	Consequences
Trying to maximise donor influence by talking to ministers and top level bureaucrats	Ministers and top-level bureaucrats bombarded with conflicting ideas and recommendations on which they are unable to act
Maximising visibility by requiring TA providers to highlight their support	Undermines local ownership of reform processes and discourages collaboration
Preaching about good practice from elsewhere and encouraging TA providers to implement them	Discourages TA providers from identifying and addressing local problems faced by counterparts
Focusing on results from TA providers as defined *ex- ante* in project logframes and workplans	Discourages TA providers from acknowledging mistakes, supporting adaptation and learning with counterparts
Asking for information on what's going on within ministries from TA providers	Undermines the ability of TA providers to build trust with counterparts
Expecting dramatic improvements in outcomes over the short term	Encourages counterparts and TA providers to plan grand solutions that are unlikely to work
Having short-term funding horizons and abruptly halting institutional support as a result of contextual factors	Disrupts reform processes, and in particular disrupts the implementation of processes and systems that TA providers are in the process of designing, delivering and/or managing

Source: Author.

little incentive to join the dots. Where the mandates of TA providers overlap, this can result in conflict and competition rather than collaboration. In addition, TA providers may be required to report back regularly on potentially confidential issues, which has the potential to undermine trust. While TA programmes implemented by an international organisation may be more flexible, there is often a detrimental perception that advisers report to their employers, rather than their government counterparts.

That is not to say that BSI or other arm's-length TA providers have a monopoly on supporting iterative reform, joining the dots or building trusted relations; far from it. Principally, it is the incentives BSI faces that give it a comparative advantage over more traditional TA providers. Furthermore, we do not suggest that open-ended designs and arm's-lengths organisations should replace more conventional TA projects. Rather, BSI can play a complementary role and thus have the potential to improve the effectiveness of those traditional programmes. One of the fundamental reasons behind the incentives for BSI to collaborate is its size. It is a small player, and if it is to support change it needs to do so by working through and with others. It is therefore in BSI's interests to support and improve the quality of other TA providers' outputs. The evaluation of BSI also pointed out a key tension in flexible, arm's-length approaches: 'The high level of flexibility and trust given to BSI in turn requires constant attention to the authorising environment and very clear lines of accountability. It is often a difficult line to tread between being a neutral facilitator, an honest broker, and pushing specific agendas. It is important that advisers stay within the areas they are authorised to work. In short, being lent autonomy is a privilege that needs to be nurtured.'

5.7 Conclusion

This section looked in more depth at the people involved in reform and the roles they played; it started by identifying reformers and the problems they typically faced. Reformers do not work alone, they build teams to deliver reform and coalitions of support. Change requires authorisation, and authorisers – whether cabinet, individual ministers or senior bureaucrats – help establish and protect the space for reform.

The section also identified four roles for external support in genuine change. First was the traditional role of technician. The second was that of the trusted adviser helping reformers navigate reform processes within the context – whether at the political or technical level. The third was that of facilitator, helping reformers build coalitions, and working with those coalitions to help

them understand problems and identify solutions. The fourth was that of dot-joiner between reform processes, promoting collaboration and helping support the integration of systems and processes from behind the scenes. Furthermore, the degree to which advice is taken up when external advisers play these roles varies; advisers need to demonstrate their usefulness in terms of the problems faced by reformers. They also need to be able to build trusted relationships and sustain engagement over the long term. The structure of external assistance and the behaviour of donors affects the incentives faced by TA providers to play these roles effectively, and the experience of BSI points to ways in which this can be improved.

Soraya gets a check up at a local health clinic in Parwan Province, Afghanistan. Photo: © Graham Crouch / World Bank.

6. Lessons and implications

6.1 Introduction

It is clear that genuine change takes a long time, and that the road from strengthening processes, systems and capacity to achieving *public-sector outcomes* is a long one.

The experience in South Sudan, Liberia, Uganda and the g7+ lends credence to the importance of a number of ways of working: iterative problem solving; teams and coalitions building broad acceptance for reform; learning and adaptation to maintain the relevance of reform; sensitivity to the available reform space and capacity to implement; consistent implementation of reforms over time; and complementarity and coherence across reform processes and associated systems. Approaches that show elements of these features tend to result in genuine behavioural change.

This paper has shown that *ex- ante* planned reforms that are not relevant to the problems faced by actors, do not take into account the available space for reform, are implemented in a top-down manner in the absence of teams and coalitions, and do not involve adaptation and learning are less likely to foster behavioural changes and progress towards improving outcomes. It has also shown how the structure of support and donor behaviour can serve to undermine genuine change.

This section tries to draw together lessons: first on how reformers can deliver reforms that result in genuine change, and second on how external actors can best support such change.

6.2 How reformers can deliver genuine change

For those interested in reform within government institutions, even in the most challenging environments, this paper should give hope that it is possible to change things. There are ten messages for such reformers:

1. Start with a problem and an opportunity, not a comprehensive solution

The starting point for reform need not be and should not be a comprehensive reform plan. It is, as Lindblom (1959) would argue, impossible to come up with a solution to all problems at once, or even a perfect solution to one problem. Reformers need to select a limited number of immediate problems they face, understand them as best they can and work out solutions to them. It also means looking out for opportunities to address these problems. This involves thinking strategically, but it does not require a strategy to get started.

2. Understand the problem and space for reform

Reformers need to be sensitive to the space for reform both in terms of the broad distribution of power and interests and more specifically in relation to addressing the problems they face. What are the interests and different levels? Where are there common interests? What are their limits? Is there likely to be funding to address these common interests? Reformers also need to be aware of the institutional environment. What is the capacity available to deliver reform?

Reformers need to understand the nature of the problems they face. Is the problem a simple challenge of initiating collective action, where changes would be in actors' interests if they worked together, or are there more fundamental problems underlying the lack of action? If the space for reform is not there, is there a possibility of changing actors' interests? The time may be not be right for attempting change.

Given this understanding, it is important that actions aim to make progress on areas where there are common interests, but don't directly confront or influence areas where common interests do not exist. This may mean limiting the ambition for reform.

3. Take small steps, but know where you're heading

Those engaged in reform need an understanding of where that reform is heading – the destination – as it gives a sense of purpose and motivation. However, they should not try and get there in one go: often there will be political space and capacity to take such small steps, but rarely for giant leaps. Furthermore, small steps may have large implications.

This involves solving individual problems, adjusting the solutions, responding to changes in context and moving to the next problem. Simple reform plans, which are not prescriptive, can help set out the objectives and the direction of travel, but they should not set out the route in detail.

4. Start processes and systems on the right foot and sustain them

Change is delivered through processes and systems. These need to be developed to work within the reform space taking into account the available capacity. It is important that processes and systems start off on the right foot. They need to be designed in a way which is relevant to the problem, and implementation needs to be credible from

the outset. External capacity is typically required and used early on for the initial design and delivery of processes and systems. Operational plans can be used to cost, fund and guide implementation of distinct processes and systems.

The enforcement of rules is key for the continued credibility of a process or system. However, this is where systems often break down. There is a danger that management of implementation can be taken over by domestic actors too early, when they are not ready. Discipline in implementation may break down as a result. When processes or systems are handed over, external actors must be ready to step back in, if discipline starts to decline. This may require long-term external involvement.

5. Learn and adapt and you'll avoid getting trapped

Reform processes involve learning from experience and identifying new problems and then adapting and refining solutions based on that experience and the evolving context. Processes and systems need to be adjusted over time to ensure they remain relevant and to avoid long-term reliance on external capacity. Mistakes and reversals will happen and may be demotivating for those involved, but if viewed positively, they can be learned from and can result in adjustments to future iterations. They should not be seen as failure.

Traps can be avoided by adapting processes and systems to fit within the available reform space, to address problems as they evolve and to ensure the level of sophistication is consistent with evolving capacity. If they do not, then domestic and external actors can be trapped into sustaining inappropriate solutions where compliance is weak and are which do not result in genuine change.

6. Decide when, what and how to formalise

Formalisation is important if a reform or process is to be taken seriously, but too much formalisation too early and at too high a level can stifle innovation and learning. The lower the level of formalisation, the easier adaptation is. Start with drawing up official guidelines or circulars, and use these to test solutions early on. These are far easier to adjust and adapt. Different types of formalisation may be required at different levels at different times. If high-level formalisation or authorisation is required – let's say at cabinet level – then what is approved should aim to allow the maximum degree of flexibility. If plans and laws are necessary, they should be enabling rather than prescriptive.

7. Join the dots

The reform process will move from one problem to another, and the number and sophistication of systems being implemented will increase over time. Reformers need to continuously think strategically about how different reforms, processes and systems can complement each other.

This may involve different PFM reforms within the finance ministry or reforms in a number of sectors which may have started at different times and at either strategic or operational level.

8. Don't try and reform alone

Potential leaders of reform must understand they cannot reform alone, and that it is difficult to drive reform from the top down, even though this can help sustain pace. For reforms with major political implications, ministers will need to build coalitions of support. Specific reforms tend to be managed by mid-level bureaucrats and delivered by the teams they assemble. A minister or top-level bureaucrat needs to identify them and work through them if they are to effect change. They should also build coalitions of stakeholders to broaden acceptance reform and its implementation. Team- and coalition-building also help with joint learning, building consensus for reform and overcoming collective action problems.

9. Those in authority provide and protect the space for change

Change requires authorisation if it is to be allowed. Authorisation need not be explicit, but there must be tacit authorisation. Explicit authorisation from higher levels only needs to be sought, and gained, when it is needed. Seeking explicit authorisation before coalitions of support have been built can risk authority being denied prematurely. When explicit authorisation is being sought, authorisers need to understand the implications of that authorisation, otherwise it may be granted on paper but not in practice, meaning that behaviour will not change. Reform plans can be used as tools for seeking higher level authorisation for ongoing reform processes, but such plans should not be prescriptive, seeking instead to define the trajectory of reform and change. Reformers need to understand the authority they have, and the authority of those above and below them. In this way the appropriate authority can be requested at the right level, so that the space for change is provided and protected.

10. Seek and adapt external advice

Potential reformers should seek external advice on how to address the problems they face. They will probably have been bombarded by reform ideas from external actors already. Typically, a similar problem will have been faced before in other countries. Any solution from elsewhere needs to be tested for relevance to the specific local problems and adapted in relation to the local solution. Even though new solutions may be required, and one size rarely fits all, lessons can be learned from elsewhere.

6.3 How TA providers can support genuine change

This paper has identified four main roles that TA providers can play in supporting genuine change processes:

1. The trusted adviser (strategic thinking, problem-solving, navigation)

Advisers who gain the trust of reformers can play a critical role by helping them to understand and address the problems they face and to navigate through reform processes and the advice they will receive from an array of different quarters.

2. The facilitator (brokering agreements)

Facilitator and brokers are external actors who help to build coalitions and help reformers to bring actors with different interests together in order to solve collective action problems. They build a common understanding of problems, consensus and acceptance of how they can be solved. This role can be played at the political or, more commonly, the technical level.

3. The dot-joiner (coherence and complementarity of reform)

The dot-joiner makes connections between reforms, processes and systems, helping to ensure complementarity is maximised, and that any systems developed are consistent with each other.

4. The technician (supporting implementation and building capacity)

TA programmes play the important and conventional role of technical support in the development, delivery and management of processes and systems and in the building of capacity over time. However, technical solutions must be relevant to problems and sensitive to capacity and the political space for reform, and they should be adapted and adjusted over time. As progress is made, the role of external technicians needs to change from design and implementation, to management and provision of on-the-job support and, finally to back-stopping. Implementation support is key, ensuring consistent execution of reforms over time.

Be useful, build trust, and sustain support

There are three factors which influence the degree to which advice is taken up. First of all, advisers need to be able to demonstrate technical ability and be able to communicate that clearly, by breaking problems down, demonstrating the relevance of their advice, and demonstrating the feasibility of proposed solutions. Second, advisers need to respect the counterparts, their positions and the authority of their decisions; they need to work through the bureaucracy rather than bypass it. The ability of advisers to provide support in confidence, independently and invisibly,

Table 10: Changing donor behaviour and possible consequences

Changed donor behaviour	Potential consequences
Working with other external partners collectively when interacting at senior levels	Minimises transaction costs and supports clearer and more coherent messages at the strategic, political level in both directions
Building relationships with mid-level bureaucrats leading reforms in specific areas	Enables donors to establish trust with key actors in driving specific reforms, helps motivate them, and facilitates direct feedback on the performance of TA providers
Taking time to understand the local problems faced by partners in finance ministries and encouraging them to solve them alongside their TA providers	Encourages TA providers to identify and address local problems faced by their counterparts, rather than implement blueprints from elsewhere
Asking the ministry directly for information, using relationships with middle managers rather than TA providers	Helps TA providers to build trusted relationships with counterparts
Allowing TA providers to work independently and invisibly and promoting and rewarding collaboration	Helps TA providers to foster local ownership of reform processes and encourages collaboration
Allowing an open-ended design of TA support, with project documents and logframes defining broad objectives and directions of behavioural change and types of process and systems development but without being prescriptive	Allows evolution of solutions over time Encourages TA providers to acknowledge mistakes and support adaptation and learning with counterparts
Allowing and encouraging TA providers the flexibility to adapt and adjust support to local problems over time	
Focusing M&E on *ex-post* reporting of genuine behaviour change, not just delivery of systems and capacity	Encourages reformers and TA providers
Committing funding and associated staffing for the long term, and isolating support from adverse changes in context	Encourages counterparts and TA providers to provide sustained support, and to take a step-by-step approach instead of adopting grand designs

Source: Diamond (2013); author.

may also help build trust and enable local leadership. Third, TA providers need to be able to sustain consistent support over the long term; trust is of fundamental importance.

6.4 Donor behaviour and the structuring of external support

Donor behaviour and the structuring of TA programmes supporting institutional reform have an important bearing on making TA effective. Overall, donors need to encourage reformers within governments and the TA providers they fund to identify and solve local problems and establish a positive direction of change. This involves building relationships with mid-level bureaucrats, rather than focusing attention solely on ministers and top-level officials. It means taking time to understand the local problems faced by government officials and the space for reform before suggesting solutions from elsewhere. It also means developing projects with more open-ended designs, specifying desired directions of change, systems and capacity development, and not prescribing deliverables *ex-ante*. It means allowing TA providers flexibility to adapt and adjust systems to local problems over time. M&E should also focus on genuine behavioural change, not just processes, systems and outcomes. Committing support to institutional change is of the utmost importance.

Combined, this would serve to help focus governments' and TA providers' attention on local problems. It would also give space and incentives to learn from, adapt and adjust reforms, processes and systems on the basis of experience. There would also be space to build coalitions, which might in turn help to increase the acceptance of reform over time, and help reduce the gap between form and function.

If these principles are applied in the context of donors supporting conventional TA projects, whether implemented through a single firm or via multiple contracts and a management agent/unit, this could go a long way in fostering genuine change.

However, the structure of traditional TA programmes will intrinsically influence how relationships and incentives play out. Donor incentives, which underpin a lot of the behaviour that is observed, will remain. Wholesale change to TA provision is unlikely to be possible. Arm's-length TA providers, meanwhile, have an important comparative advantage in building trusted relationships, facilitating reform and joining the dots. The pragmatic solution to the problem may be more incremental: to provide small-scale, arm's-length TA projects alongside conventional ones.

6.5 Conclusion

The experience outlined in this paper points to the validity of problem-based, politically smart approaches to reform. The approach sits well against the descriptions of how genuine behavioural change has been fostered in South Sudan, DRC, Liberia, Uganda and the g7+. However, there is danger that, as a new development fad, a world of iterative problem solving will emerge without genuine change occurring – a new type of form over function.

This paper does not suggest throwing the baby out with the bathwater. The pace of reform to systems and processes for PFM and service delivery picked up in the 2000s, and this indicates progress from previous decades. While it is clear that change does not happen in a predictable and linear fashion, there are still roles for plans, coordinated support, logical sequencing of reforms, and promotion of good practice. As this paper repeatedly states, there is no replacement for good technicians supporting the building and implementation of systems and processes.

This paper does suggest ways of applying these techniques that increase their relevance to the local context: by addressing genuine local problems iteratively through learning and adaptation, and by increasing the chance of uptake through the building of acceptance via teams and coalitions. Reformers need to be sensitive to the actual space for change that exists, while thinking strategically about the desired direction of change.

This paper has recommended a way for reformers to approach reform, the roles TA providers can play in support of genuine change, and the types of change to TA programmes and donor behaviour which might ultimately help the acceptance of reform and reduce the gap between form and function. It is not about doing development completely differently, just approaching some elements of development differently.

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Reopening of schools in Guinea after being kept closed for three months due to the Ebola outbreak. Photo: © UNMEER / Martine Perret.

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