Introduction

How does genuine institutional change take place and how can it be supported? This executive summary sets out the key messages from an exercise conducted by ODI’s Budget Strengthening Initiative (BSI) to draw lessons from its experience in the Democratic Republic of the Congo, Liberia, South Sudan and Uganda and with the g7+ group of fragile states.

It first summarises evolving thinking about institutional reform and BSI’s experience of what actually changes, why and how. It then it offers ten tips for reformers followed by suggested ways in which external actors can support change and how changes in donor behaviour and the structure of technical assistance (TA) programmes could help to foster greater success in achieving genuine change.

Is good practice problem-driven?

For decades, reformers in developing countries and external actors supporting them have tried to strengthen institutions and their capacities, systems and processes, but progress has been slow and uneven. Project-based aid, institutional support and conditions associated with structural adjustment programmes in the 1990s were considered to have failed to achieve change. In response, in the 2000s, donors began to direct aid towards government systems. Approaches to TA and capacity development evolved in a way which emphasised two aspects: firstly, a programmatic approach and sequencing of reforms drawing on good practice and coordinated support; and secondly, a greater awareness of the context, and a resulting emphasis on the importance of establishing ownership, identifying drivers of change and tailoring reforms to the specific context. This represented a genuine effort to improve the appropriateness, coherence and uptake of reform.

In the early 2010s, some observers noted that although the ‘form’ of institutions may have undergone significant change, often as a result of external support provided in line with the principles of aid effectiveness, their underlying ‘function’ has not (Pritchett et al., 2010). In other words, while institutional capacity, systems and process have been developed, there has not been commensurate progress in the behaviour of individuals and institutions, and hence improved public-sector outcomes. These observers advocate an iterative, ‘problem-based’ approach to institutional change which is ‘politically smart’, in order to escape ‘capability traps’ and address ‘collective action problems’ that underlie the lack of real progress. They also point to the potential of ‘arms-length organisations’ as a means to support such change processes (Andrews et al., 2012; Booth and Unsworth, 2014; Booth, 2010).
What changes, how and why?

Significant progress in the development of processes, systems and capacity has been achieved in Liberia, South Sudan, Uganda and elsewhere, but appears to have had little effect on outcomes. Behaviour often has not changed significantly in areas where systems are developed. This suggests that while form may be changing, functions are not. Even so, incremental, positive changes in behaviour can be seen in some areas, which in some cases have resulted in steps towards improved outcomes. What are the clues to such genuine change?

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.

Experience from Liberia, South Sudan, Uganda and the g7+ lends credence to the importance of iterative problem solving; teams and coalitions building broad acceptance for reform; learning and adaptation to maintain the relevance of reform; sensitivity to the available space for reform and implementation capacity; consistent implementation of reforms over time; and the building of complementarity and coherence across reform processes and associated systems. Approaches that adopt some such features tended to result in genuine behavioural change. The experience of reforms also shows that planned reforms that were irrelevant to the main problems, did not take into account the available space for reform, were implemented in a top-down manner in the absence of teams and coalitions and did not involve adaptation and learning were less likely to foster behavioural changes and progress towards improved outcomes.

Reformers are always there, although the caricature of a charismatic, articulate, sociable ‘driver of change’ is a rarity. Although ministers and senior bureaucrats may or may not show active interest in reform, they often allow (or sometimes block) reform to take place. They provide the authority for (genuine) reform. There are always some mid-level managers or junior bureaucrats who are genuinely interested in positive change and keen to address the challenges around them. Such individuals can be instrumental in achieving change. When these managers led core teams of technocrats who achieved reform and built broader coalitions of support, then genuine change was more likely.
Ten tips for reformers

For those interested in reforming government institutions, even in the most challenging environments, this brief suggests that it is indeed possible to effect or influence change, whether one is a minister, a middle-level or junior bureaucrat or an external actor. Based on the case studies and wider experience, we offer the following ten tips for reformers:

1. **Start with a problem and an opportunity, not a comprehensive solution.** Reformers need to identify the immediate problems they face, seek to understand them, and work out solutions to them. They need to look out for opportunities to address them. This involves thinking strategically, but it does not require a strategy to get started.

2. **Understand the space for reform.** Reformers need to understand the broad distribution of power and interests in the government and public institutions, particularly in relation to addressing the problems they face. Reformers also need to be aware of the institutional environment and capacity to achieve solutions, and to relate problems to the space and the capacity for reform. Actions should aim to make progress in areas of common interest and avoid directly confronting or influencing areas where there are no common interests. This may mean limiting the ambitions for reform.

3. **Take small steps, but know where you’re heading.** Participants in reform need to understand where a reform is heading, which gives a sense of purpose and motivation. Reformers should take small steps rather than trying to get there in one giant leap. This involves solving individual problems, adjusting solutions, responding to changes in context and moving to the next problem.

4. **Start processes and systems on the right foot and sustain them.** Change is achieved through the implementation and use of processes and systems, which need to be relevant to the problem, appropriate to the reform space and take into account the available capacity. Credibility needs to be established from the outset and then sustained.

5. **Learn and adapt and you’ll avoid getting trapped.** Learn from experience, identify new problems and adapt and refine solutions based on that experience, the evolving context and the reform space. Ensure the level of sophistication is consistent with the evolving capacity. Overall this will ensure that reforms continue to be relevant, and will prevent reformers from being trapped into sustaining inappropriate solutions, where compliance is weak and behaviour does not change. Mistakes and reversals will often happen. They should not be seen as failures but as positive learning opportunities.

6. **Decide when, what and how to formalise.** Formalisation is important for a reform or process to be taken seriously, but excessive formalisation, too early and at too high a level, can stifle innovation and learning. The lower the level of formalisation, the easier it is to adapt. Start with drawing up official guidelines or circulars, and use these to test solutions at an early stage. If high-level formalisation or authorisation is required, let’s say at cabinet level, what is approved should not be prescriptive.

7. **Join the dots.** Reformers need to continuously think strategically about how different reforms, processes and systems can complement each other and take action. This may involve different public financial management reforms within the finance ministry or reforms within a number of sectors, which may have started at different times or at different levels and be located at either the strategic or operational level.

Comprehensive, prescriptive reforms are rarely implemented as planned. Experience suggests that the roles of plans are:

- to give a sense of direction for reform, but not plan the route.
- to guide the implementation of a specific solution to a problem, but not the entire reform.
- to formalise and authorise the direction or a solution.
8. *Don’t try and reform alone.* It is difficult to drive reform alone from the top down. Specific reforms tend to be managed by middle-level managers and implemented by the teams they assemble. A minister or top-level bureaucrat needs to identify these managers and work through them in order to effect change. These managers should convene teams of more junior staff and external advisers to design and implement processes and systems. They should also build coalitions of stakeholders to broaden acceptance of reform and its implementation.

9. *Those in authority provide and protect the space for change.* Change requires explicit or tacit authorisation at the right level, if it is to be allowed to take place. Explicit authorisation should be sought only when it is required. Adequate coalitions need to be built beforehand.

10. *Seek and adapt external advice.* Reformers should seek external advice on how to address the problems they face. Any solution brought in from outside needs to be tested for relevance to the specific problems and adapted accordingly.

How external actors can support genuine change

There are four main roles that external actors can play in supporting genuine change processes.

1. **The trusted adviser:** supports reformers to understand and to address the problems they face, to identify potential solutions, and to navigate reform processes and the multiplicity of advice they receive.

2. **The facilitator and broker:** helps reformers to build coalitions, develop common understandings of problems, and create consensus and acceptance of how they can be solved.

3. **The ‘dot joiner’:** helps to identify and take advantage of opportunities to build links, and ensure consistency and complementarity between reforms, processes and systems.

4. **The technician:** supports the development, implementation and management of processes and systems, and capacity building.

External advice is not always accepted, and systems are often not implemented or sustained. While it not easy to pin down why this should be the case, certain factors seem to reflect the degree to which advice is taken up:

- **Advisers need to demonstrate their usefulness.** Those receiving advice need to see its relevance to the problems they face, and the feasibility of acting on it.

- **Advisers need to build trust with their counterparts.** They need to respect those to whom they offer advice so they will work through, rather than bypass, the bureaucracy. Confidentiality may also be important in building trust, which always takes time to build.

- **Advice needs to be consistent over the long term.** This requires sustained, long-term engagement to ensure consistent support for change processes and implementation.

Although the need for technical expertise might be self-evident, the ability of an external adviser or donor representative to build trust is typically intangible and difficult to measure, but it is nevertheless critical.
Donor representatives tend to be rewarded if their programmes are visible and they can demonstrate clear influence and results. Results need to be defined during the design phase, and TA projects often involve pre-planned activities. There are strong incentives to ensure that logframes and workplans are implemented as originally planned, but few incentives to understand problems, acknowledge mistakes, learn from them and adapt project design. Relationships are focused on ministers rather than on middle-level reformers. Information can be obtained from a donor contractor or donor employee within a ministry. Donor incentives can therefore serve to undermine the ability of donor representatives and TA providers to build relationships of trust and ultimately thwart genuine change processes.

We suggest that donors need to take the following steps:

• Encourage reformers in governments and the TA providers they fund to identify and solve local problems and establish a positive direction of change.

• Build relationships with middle-level managers, rather than focusing attention on ministers and top-level bureaucrats.

• Take time to understand local problems and the space for reform before suggesting solutions taken from other contexts.

• Design more open-ended projects, specifying desired directions of change, systems and capacity development rather than prescribing deliverables.

• Allow TA providers the flexibility to adapt and adjust systems to local problems, and focus monitoring and evaluation on genuine behaviour change rather than solely on processes, systems and outcomes.

The structure of traditional TA programmes influences how relationships and incentives play out. Donor incentives, which underpin much of the observed behaviour, will remain. The BSI experience indicates that arm’s-length TA providers may have a comparative advantage in building trusted relationships, facilitating reform and joining the dots.

Given the prevailing donor incentives, wholesale change to donor behaviour and TA provision is unlikely to be possible. Instead, the pragmatic solution to the problem may be more incremental: to provide small-scale arms-length TA projects alongside conventional ones. Genuine change starts with small steps.
Conclusion

Experience points to the validity of problem-based, incremental, ‘politically smart’ approaches to reform. Change does not happen in a predictable and linear fashion, and learning and adaptation are key to ensuring the relevance of reform. There is still a role for planning, coordination of support, sequencing of reforms, and learning from good practice – and there is no substitute for good technical support for the design and implementation of systems and processes.

This brief has provided tips on how to manage reform, and discussed the roles that TA providers can play in supporting genuine change. It has also discussed how changes in donor behaviour and the structure of TA programmes might contribute to success.

The aim is to focus attention on solving local problems, giving space and incentive for learning and adaptation on the basis of experience, and encouraging coalitions. This may ultimately help the acceptance of reform and reduce the gap between form and function.

References
