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# How (Not) to Fix Problems That Matter

## Assessing and Responding to Malawi's History of Institutional Reform

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## Abstract

Malawi can be understood as a microcosm of institutional reform approaches in developing countries more broadly. A common feature of such approaches, whether implemented by government or donors, is reform initiatives that yield institutions that "look like" those found in higher-performing countries but rarely acquire the same underlying functionality. This paper presents a retrospective analysis of previous institutional reform projects in Malawi, as well as interviews with Malawi-based development practitioners. The paper finds a plethora of interventions that, merely by virtue of appearing to be in conformity with "best practices" elsewhere, are deemed to be successful yet fail to fix underlying problems, sometimes in contradiction to internal and public narratives of positive progress. This unhappy arrangement endures because a multitude of imperatives, incentives, and norms appear to keep governments and donors from more closely examining why such intense, earnest, and long-standing efforts at reform have, to date, yielded so few successes. This paper seeks to promote a shift in approach to institutional reform, offering some practical recommendations for reform-minded managers, project teams, and political leaders in which the focus is placed on crafting solutions to problems that Malawians themselves nominate, prioritize, and enact.


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# How (Not) to Fix Problems That Matter: Assessing and Responding to Malawi's History of Institutional Reform

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The Malawi "Cashgate" crisis, in which about US$ 32 million in government funds was misappropriated between April and September 2013,[2] threw into stark relief the fundamental and deep rooted governance problems facing the Malawian government. These are problems that appear to have remained largely impervious to a multitude of reform attempts over many decades. In that regard Malawi reflects much of what we observe about institutional reforms more broadly: such reforms have become widespread, and although the similarity of reform content seems to reflect a prevailing confidence as to what "works", the outcomes of those reforms are varied at best and often lower than anticipated (Andrews 2013). In Malawi, as in other developing countries, many institution-building efforts, conducted over several decades, have not yielded enhanced results. Such persistent disappointments raise first-order questions about the veracity of the reform approach itself. Among the plausible explanations, some argue that the reforms were inappropriate solutions to the actual problems Malawi faces, and largely irrelevant to the implementation context in which they were enacted. As Dzimbiri (2009, 63) laments, in Malawi (and elsewhere[3]) development agencies

> are transferring institutions, procedures and systems to contexts which cannot handle the value systems which come or work well with the new systems. The result is a total misfit between the reform strategy and the cultural orientation of the key actors who are instrumental in implementing the reform.

Other critics go further, arguing that reform efforts have not been merely ineffective but actually harmful. In Malawi's case, Tambulasi (2010, 8) insists that "donors have dominated the reform processes and, under their influence, the state has withdrawn from its developmental mission. The reforms themselves have further eroded the capacity of the state to participate in viable developmental projects." Reflecting the frustration in some quarters, one government official lamented that "donors are adding to the quagmire of distorted incentives in Malawi." Speaking to them more directly, he argued that "there is no evidence that donors have helped this country. The fact you've delivered us money doesn't mean you've helped."[4] Assessing on the global picture, Andrews et al (2016a, 5-6) argue that best practice reform initiatives can reach a point where "they create and reinforce processes through which global players constrain local experimentation – while at the same time facilitating the perpetuation of dysfunction."

These are difficult accusations for development organizations and individuals engaged in reform to hear. Manning (2015) observes that in such a climate, where reform efforts are increasingly questioned, the instinctive response of development professionals may be to seek reassurance from other development professionals that the prevailing approach—importing 'best practices'—is legitimate. As the subsequent discussion will show, the costs of a defensive reaction to questioning are likely to be high in terms of reform prospects. In the absence of a detailed examination of how and why results have been disappointing and even harmful, one can reasonably assume that they will continue being exactly that. Manning (2015, 152) rightly concludes that "[d]efensive discussions taking place entirely within the guild of public sector management development specialists or the closed and ancient order of development economists are far from an open-minded contestation of ideas on a tough development challenge."

This paper takes the position that the hard questions need to be posed and openly addressed. *What functional success has been achieved after many years and millions of dollars of expenditure? Why do development agencies persist with approaches that are routinely acknowledged as*

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[2] This huge abuse in such a short space of time exposed a severe collapse in the accountability chain. As the IMF (2013) report noted at the time, Cashgate points to a "breakdown in internal control, lack of managerial oversight, possibility of collusion and sharing, poor bank reconciliation, and a limited regard to the PFM legal framework including a culture of impunity."

[3] In a book-length treatment of institutional reform efforts in Melanesia, Larmour (2005) concludes that many decades of transferring institutions from donor to client countries (and even between client countries themselves) has been little more than an exercise in importing "foreign flowers".

[4] Interview, #IG1.

*problematic? What would it take to do better?* Facing reform failures and meaningfully interrogating both donor and government culpability will require a sustained willingness to step outside the institutional grooves that perpetuate prevailing approaches. As the rest of this paper shows, the alternative—continued "business as usual"—has demonstrated sufficient failure to necessitate it.

This paper contributes to a broad attempt to encourage reflection on an entrenched but largely failing approach to institutional reform. Ours is not the first study to recommend a new reform approach in Malawi, but it is the first, to our knowledge, to provide recommendations for a changed approach in combination with a pragmatic empirical analysis of the existing incentive structures in both donor and government agencies. In that regard the case for an alternative is grounded in a detailed analysis of why prevailing approaches have so often yielded so little. Our hope is that a paper of this nature may be used to encourage honest self-assessment among government, citizens and donors; to build consensus about the need for a shift in approach; and to stimulate a robust, locally-driven debate about what that shift may practically involve.

We begin in section one by providing an overview of what "institutional reform" is, why it matters and what makes it such an especially difficult area of development activity. Using portfolio analysis and case studies, section two provides an analysis of weaknesses in the current approach to institutional reform (in Malawi and globally), which is further explained in sections three and four by a detailed exploration of the underlying incentives, imperatives and interests among both donors and government for maintaining the status quo. We conclude in section five with suggestions for an alternative way forward, including practical recommendations for reformers.

## 1. What is "institutional reform"? Why does it matter? Why is it so hard?

All social groups have existing rules or norms of behavior that have a direct impact on their development trajectory (North 1989). These "rules" are typically referred to in development practice as "institutions". They can influence people, organizations and economies; different institutions create different incentives or behaviors and associated enforcement mechanisms, thereby leading to different outcomes. So understood, the key to development is therefore to "find the right institutional framework" or rules of the game. Institutional *reform* refers to attempts to change the rules in a manner that establishes a more effective and legitimate government, which in turn facilitates broad-based economic growth, provides equitable resolutions to disputes, and upholds agreed-upon social rights and civic responsibilities (including constraints on its own actions).

Theorists such as Richard Scott have built upon North's analysis, describing how rules of the game can be helpfully broken down into those that are regulative, normative and cultural-cognitive. The separate elements combine to form institutions, and "together with associated activities and resources [they] provide stability and meaning to social life" (Scott 2013). As Andrews (2013) summarizes it, "A law on its own is not an institution. Neither is a norm, nor is a cultural-cognitive script. An institution emerges as a mix of all three." In sum, each rule will typically be made up of both formal and informal elements. Formal elements are visible and often regulative—the "tip of the iceberg", to use Andrews' analogy—like a codified law, written standard, or a universal accounting program. Informal elements are, by contrast, implicit and seldom visible, such as ideological positions, unwritten customs or religious beliefs, and normative assumptions that imbue the rules themselves with legitimacy. Despite what reformers might sometimes presume, "there are no such things as clean slates on which to write scripts for change" (Andrews 2013, loc 1187). In trying to create a new rule, reformers need to be particularly cognizant of the informal "below the waterline" elements that enable a formal law or structure to flourish; as he puts it, "[i]f you only reproduce the parts you can see, and not the cultural cognitive and normative foundations, you get an iceberg without foundation: the kind that sinks."[5]

[5] http://matthewandrews.typepad.com/the_limits_of_institution/deconstructing-the-puzzling-evidence-of-reform/

**Figure 1: Number of Malawi World Bank Projects by sector (since 1966)**

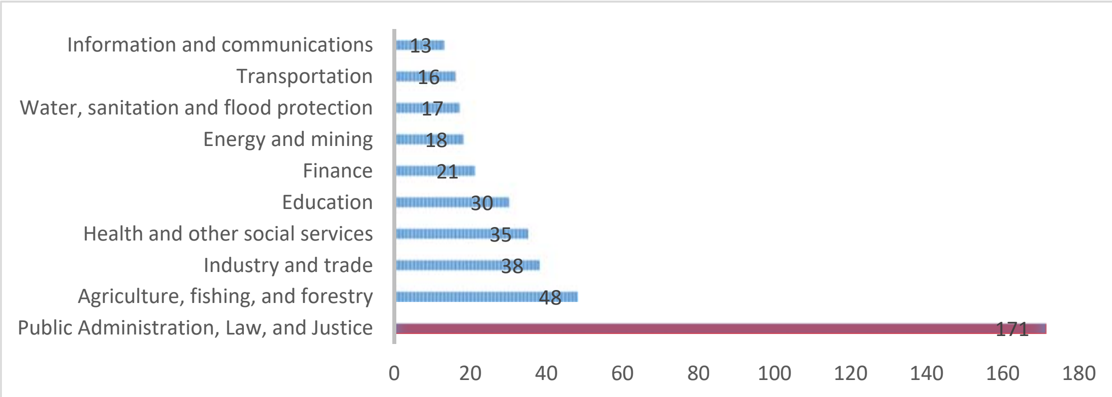
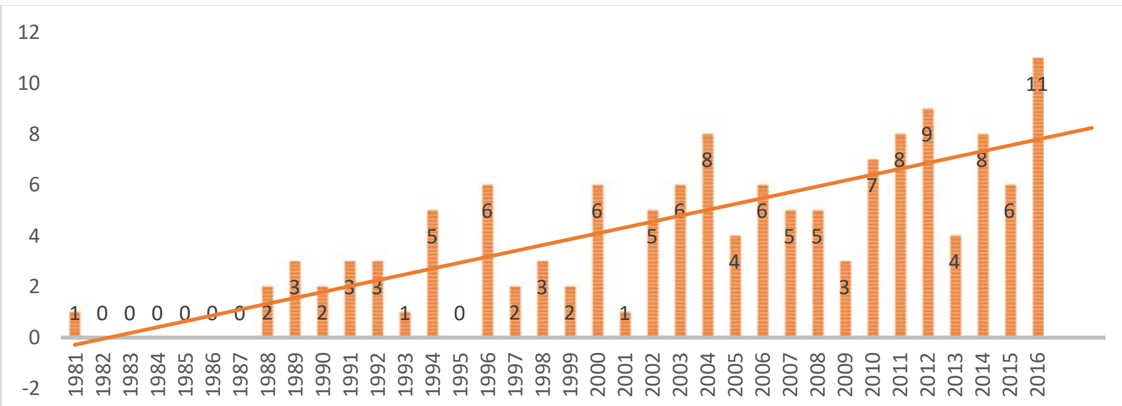



**Figure 2: Number of World Bank projects in Malawi with institutional reform content (as initiated during any one year)** [6]




For the World Bank (and other donors), institutional reform is a relatively new but rapidly increasing area of focus. As of 2011, 1 in every 2 World Bank projects included a thematic focus on institutional reform. They featured in more than $50 billion worth of World Bank-sponsored projects between 2006 and 2011, a quarter of spending in the period. Similar growth is reflected among other donors such as United Kingdom's Department for International Development (DfID) and the Asian and African Development Banks' portfolios (Andrews 2013, loc 204). Malawi is a microcosm of the macro trends. There have been more than three times as many World Bank projects with institutional reform content[7] as there have been in any other thematic category in Malawi since 1966 (Figure 1). Although Bank-supported institutional reform projects in Malawi only started in the 1980s, there has been a consistent increase in the number of such projects being approved each year since then, with the highest number yet in 2016 (Figure 2).[8]

[6] Dropped projects have been removed.

[7] Note that we treat projects as having institutional reform content if their "major sector" is categorized as "Public Administration, Law, and Justice". Other studies have used this same measure (e.g., Andrews 2013).

[8] Much of the increase is accounted for by an increase in non-lending projects. When we disaggregate our institutional reforms into lending and non-lending we see that the number of lending projects has not noticeably increased. In other words, while institutional reform projects are on the rise, the mode of their delivery is shifting.

Referring to the "influential role of donors" in Malawi, Richard Tambulasi (2010) observed that as early as 2006 there were seven donor institutions—IMF, UNDP, UK/ODA, USAID, European Union, CIDA and the World Bank—providing assistance on civil service reform alone. As Andrews (2013, loc 222) points out, the significant number of donor-sponsored institutional reform projects, evident globally, means that "multilateral and bilateral development organizations are increasingly shaping the ideas, opportunities, demand, and supply of public sector institutional reforms in developing countries."

The question is, what have been the results of all that shaping? Using a historical narrative approach, we analyze key trends in Malawi's institutional reform efforts via the lens of three separate case studies and complement this with an analysis of the World Bank's Public Financial Management portfolio in Malawi since 1995.[9] The case studies include: (1) The creation of the Anti-Corruption Bureau, and passing of the Corrupt Practices Act: (2) The implementation of the Medium Term expenditure framework; and (3) The Financial Management Information System. These three narratives are built via an analysis of existing studies, donor and government documentation, and a survey of grey literature validated through interviews with reform implementers. The characteristics of past reform efforts are initially analyzed in terms of *the results* (did the reforms fix the original problem?). We then consider three other dimensions: the characteristics of the reforms according to *the problem* (how did the reforms define what they wanted to fix?), *the content* (what content did the reforms employ to fix the problem they defined?) and *the actors* (who did the reforms engage in addressing the problem?).

## 2. Why has institutional reform been disappointing, both globally and locally?

Despite many decades of having adopted institutional reform strategies centered on importing 'best practices' from elsewhere, the results of such initiatives globally have consistently been disappointing. For example, the World Bank's 2008 IEG evaluation used CPIA (Country Policy and Institutional Assessment) measures to assess the impact of "public sector reforms" that were introduced between 1999 and 2006.[10] It found that two-thirds of governments improved their overall CPIA governance scores after adopting reforms through these projects, but that success rates varied across thematic areas: 60% saw improved public financial management scores after reforms, 50% saw better corruption, transparency and accountability scores, and just 40% saw improvements in the quality of public administration. Put differently, *between 40 and 60 percent of countries did not see better post-reform scores in important areas targeted by these interventions.* Many of the stories of success were actually limited to improvements in better *forms*—i.e., what laws, systems and processes 'look like'—which were unlikely to have a "noticeable positive effect on the overall performance of the public sector"(Independent Evaluation Group 2008). A 2011 World Bank study found a further decline in reform results (Independent Evaluation Group 2011). Fewer than 40% of the 80 countries receiving World Bank support for public sector reform between 2007 and 2009 registered improved scores in their CPIAs in that period; indeed, a quarter of these countries actually saw a decline.

This story of limited success in reforms that attempt to improve government's underlying performance is not a new one, but commonalities of approach and content nevertheless seem to persist. The Bank's IEG evaluation in 1999 noted, for example, that retrenchments and salary

[9] We limit our sample size by concentrating on institutional reform efforts that have been undertaken in the area of Public Financial Management because this sector has received a particularly high volume of reform effort in Malawi and is an area in which the World Bank specifically has been involved for many years. Furthermore, in light of "Cashgate", many of the questions about reform failure are related to failure in the management of public resources.

[10] There is some controversy about the use of certain measures in these studies. For some commentators, CPIA is not considered a sufficiently objective measure of performance. Since this is a measure that the World Bank routinely uses to assess government progress, we consider its application relevant here but in our own Malawi-specific analysis we rely on a diversity of indicators.

adjustments were the characteristic response to wage bill affordability issues, despite the fact that these interventions typically proved politically unrealistic. In their 2008 evaluation, IEG highlights that although this failure was noted back in 1999, little has changed in Bank practice subsequently: "Since then, the Bank has advocated the same approach, with similar lack of success in some countries, such as Cambodia, Honduras, and the Republic of Yemen" (Independent Evaluation Group 2008, 18).

A similar story is found in our case study area, namely the World Bank's Malawi Public Financial Management portfolio. PFM reforms are supposedly introduced to help improve functionality and can be defined as "purposeful changes to budget institutions aimed at improving their quality and outcomes" (Andrews et al. 2014, 7). In a paper jointly authored by representatives from the Harvard Kennedy School, IMF, African Budget Reform Initiative, International Budget Partnership, ODI and World Bank (see Andrews et al. 2014), it is argued that there are four main dimensions that a PFM system must promote in order for it to be considered *functional*: prudent fiscal decisions; credible budgets; reliable and efficient resource flows and transactions; and institutionalized accountability (see Table 1). As we conducted our project analyses, we relied on these definitions to assess whether project results were in fact contributing to functional success.

TABLE 1: FUNCTIONAL OBJECTIVES OF PFM SYSTEMS

| | |
|---|---|
| 1 | **1. Prudent fiscal decisions** |
| 1.1 | Spending decisions are affordable (deficit, debt levels, debt payments are managed), |
| 1.2 | Public debt is taken seriously (government knows what is owed, creditors are paid on time, debt payments are treated as a first (direct) charge), |
| 1.3 | Deficits, debts, cash and obligations are at levels not threatening solvency or economic stability in the foreseeable future. |
| 2 | **Credible budgets** |
| 2.1 | Comprehensive and regular budgets are formulated that give a binding expression to government public finance priorities and plans, |
| 2.2 | Actual revenue policies and collection performance reflect proposals and forecasts, |
| 2.3 | Actual spending reflects budgeted promises (in aggregate and in detailed allocations), |
| 3 | **Reliable and efficient resource flows and transactions** |
| 3.1 | Cash is provided to spending agencies when agreed, in agreed amounts, |
| 3.2 | Salaries are paid in a timely fashion; arrears are low or non-existent, |
| 3.3 | Goods and services are procured when planned, at appropriate quality and price, |
| 3.4 | Contracts are paid on time; penalties are low or non-existent, |
| 3.5 | Financing is available to capital projects when agreed and in agreed amounts, |
| 3.6 | Corruption, nonperformance losses (with salaries, contracts, etc.) are minimal. |
| 4 | **Institutionalized accountability** |
| 4.1 | It is possible to track fund flows to service delivery units, |
| 4.2 | Financial reports are comprehensive, timely, allow comparison between actual spending and budget decisions; are accessible by political representatives, citizens, |
| 4.3 | There is an independent assurance (for instance, through audit) that funds are collected, managed and spent for intended purposes, in compliance with laws and regulations and with regard for value for money, |
| 4.4 | Concerns raised by independent assurance exercises are transparently discussed by citizens' representatives and receive timely follow-up and redress by the executive |

In total, the World Bank has undertaken 25 different projects in Malawi that have included a thematic focus on public expenditure, financial management and procurement since 1995.[11] Examples of such projects include large lending projects such as the Fiscal Restructuring and Deregulation

[11] At no time since 1995 has the World Bank had a year when it was not engaging in public financial management reforms in Malawi.

Program (which ran in three phases from 1996 until 2002) or The Financial Management, Transparency and Accountability Project (in operation from 2003 to 2009). It also includes non-lending knowledge products such as the Malawi Policy Note series or Public Expenditure review and recipient-executed activities such as the Financial Reporting and Oversight Improvement Program. (See Annex A for full list of sample projects.) Our analysis of the PFM portfolio was limited to closed lending projects, of which there were 10 that took place between 1995 and 2016. Our conclusions are therefore specific to lending projects and should not be generalized to all types of instruments.

Using the 10 projects, we identified all the PFM-related indicators within those projects and then matched them against their results to see which were achieved and which were not. In this way we sought to gain a picture of what projects aimed to do and whether projects achieved their aims. Broadly speaking, projects appear to have been fairly successful in achieving what they set out to achieve. From the 10 sample projects, we identified 77 PFM-specific indicators spanning over 20 years[12]; of these 77 indicators, we found that 44 of them could be classed as having been "met"[13]—yielding a reasonably acceptable success rate of 57%.

However, this picture needs to be supplemented by an assessment of whether the aims were actually *functional*. To determine functionality, we isolated all the PFM-specific results from our project sample and separated these into results of 'form' only and results which had an impact on underlying 'function'—for our purposes, 'functional' results were defined as those that achieved a direct impact on one of the four functional objectives proposed by Andrews et al. A result was categorized as 'form' if it does not provide evidence of a direct contribution to one of the functional indicators (see Figure 3). Within the 77 PFM-specific indicators that we identified, we found a total of 51 'form' results and 26 'function' results. In short, almost 70% of what projects measure or aim for is change in terms of whether institutions *look* like their functioning counterparts (i.e., have the requisite structures, policies, systems and laws in place). We also find that World Bank PFM projects had considerably more success in achieving these 'form' results: 44 of our 77 project indicators were classed as met. Of these 44 successes, only 10 of them (23%) were classed as functional. So while 67% of what was aimed at in terms of change in 'form' was met, only 38% of our 'functional' aims were met. It appears that demonstrable improvements in actual performance are far harder to achieve than changes that are primarily regulative, procedural or systems-oriented. A recent mid-term review for a Bank-supported PFM project observes how this divergence plays out in practice:

> Technical solutions (capacity building, procurement of hardware and software) seem to be progressing very well but attempts to improve the control environment are painfully slow – bank reconciliation, commitment control, cash management, unauthorized access to IFMIS (World Bank 2015).

Taken as a whole, this distinction means that *only 23% of our projects had a demonstrable impact on underlying performance*. This is in marked contrast to the initial 57% rate of success with which we began.

[12] Most of the projects captured both indicators and related results in a table at the start of the project's Implementation Completion Report (ICR). Where indicators and results were not captured in this way (e.g. the older IDP2 project, the FRDP 1 project and the FMAG), these data were drawn from the results narrative.

[13] Indicators were classed as "met" wherever (a) the result as captured in the ICR exceeded or equated to the measure listed in the indicator or (b) where the summary of results explicitly acknowledged an indicator as achieved. It was necessary to include this later aspect, as some of the earlier projects did not consistently capture a quantitatively measurable indicator (e.g., the IDP 2 project only talks of results, not initial indicators). In these cases, we had to refer to the write-up of results to determine whether project implementers considered the result an achievement of what they set out to do or not.

**FIGURE 3: COMPARISON OF 'FORM' AND 'FUNCTION' INDICATORS IN MALAWI**

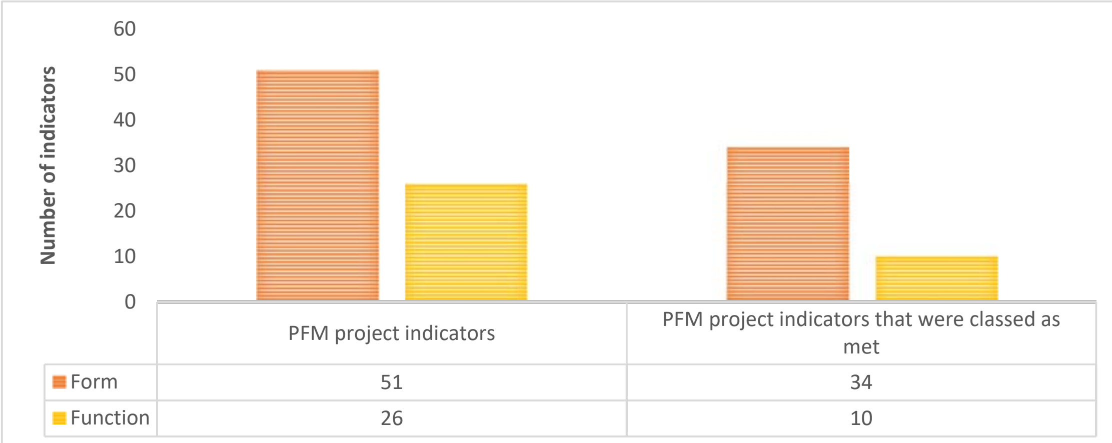
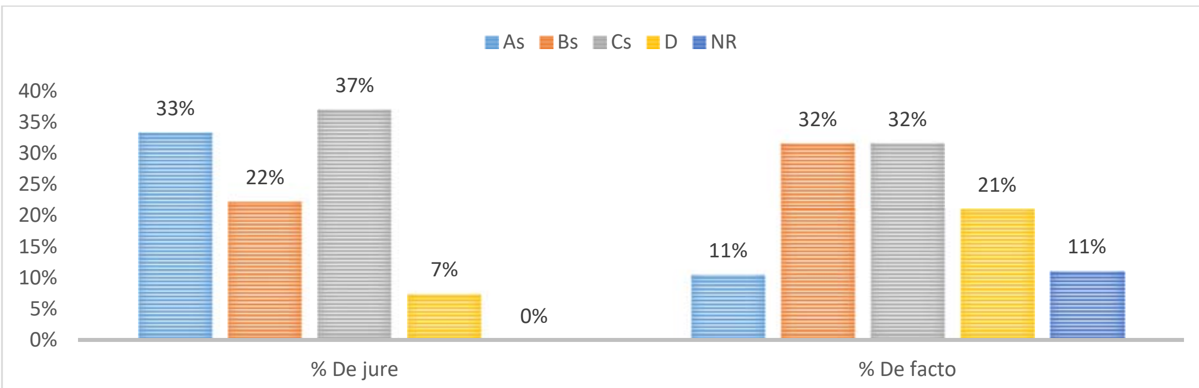



**FIGURE 4: MALAWI'S 2011 PEFA SCORES CATEGORIZED INTO DEJURE AND DEFACTO**




Analysis of other indicator sets confirms the gap between law and implementation in Malawi. A breakdown of Malawi's relatively strong-looking 2011 PEFA scores reveals that Malawi performed markedly better in measures of form than in function (Figure 4). This finding corresponds with findings by De Renzio, Andrews and Mills (2011), who note that PFM donor support across developing countries is (only) weakly positively associated with PFM quality and that both more and longer-lasting donor support is typically associated with improving *de jure* concentrated PFM reforms (in contrast to *de facto* and de-concentrated reforms involving non-central actors) (see also Andrews 2011). Measures by *Global Integrity* of the gap between law and implementation similarly reveal that while Malawi has anticorruption laws, civil service laws and public management laws (all formal, regulative aspects) whose 'quality' as legal documents rivals those of developed countries, its scores for implementation are significantly lower than developed country counterparts.[14] Malawi struggles to implement these laws for the same reasons as most other developing countries—because doing so is technically difficult (even in the most propitious circumstances), because resources are vastly inadequate to the tasks at hand, because powerful interest groups resist them, because organizational capability to overcome this resistance is low—but as long as a reform's success is measured by inputs faithfully provided and compliance with global standards ('forms') duly met, the game can continue.

[14] http://www.globalintegrity.org/research/malawi/

In light of the implementation gap, it is unsurprising that surveyed donor staff express concern with reform results. All surveyed donor staff (10 out of 10) agreed with the statement "There have been some successes but they are very limited" regarding previous donor-supported reform efforts in Malawi. Other respondents (both government and donor) generally appear aware of the extent to which promised reforms are utilized as a way of keeping donor funds flowing, even though little changes in terms of underlying institutional performance. One respondent lamented being "tired" of engagements that have enabled this schism to continue for many years.[15] Public scandals such as Cashgate are viewed by many as merely the tip of the iceberg: i.e., high profile cases reflecting a more pervasive everyday reality.

One example of how the implementation gap plays out in practice is Malawi's Anti-Corruption Reforms. Anti-corruption reforms were initially thought to be going well but a closer look reveals that the effects of a new law and creation of anticorruption entities has been largely superficial. Donor Reports between 1996 and 2000 note that the president and Minister of Finance referenced anticorruption measures in prominent speeches and personally engaged with donors on the issue, acting as "champions".[16] They also cite visible action on the part of the Anti-Corruption Board (ACB), which handled 8,335 complaints in its early years and launched 2,672 investigations. But perceptions of reform success were short-lived. As Andrews (2014) notes, Malawi's anti-corruption achievements were called into question in 2000, when the "87 million kwacha scandal" erupted. More than US$2 million of donor funds earmarked for new schools wound up in government pockets instead, including (allegedly) the nation's then-president Bakili Muluzi.[17] This signaled a need to look more closely at the initiative. A closer look revealed that very few of the initiated prosecutions were concluded in court and even though corruption was mainly associated with senior members of the incumbent administration, most of the action that ended up being taken was against junior officials or members of past regimes (Andrews 2014). Government resourcing of the ACB has never been significant and donors have increasingly shifted from providing core funding towards more limited Technical Assistance. Reform has arguably succeeded only by creating parallel, non-functional rules of the game. Lewis Dzimbiri (2009) refers to the "mixture of the traditional indigenous and western structures and values" as contributing to a complex, multi-layered system of rules and logics. The complexity succeeds in obfuscating the fact that overall, little has changed. Indeed, an entrenched logic of corruption continues to be the dominant rule; as he puts it, "[n]ew regulatory structures now sit on top of a difficult-to-change set of norms and cultural-cognitive scripts. In this interpretation, reform has done little more than create a set of regulatory mechanisms that do not function—much as existed before the 1990s and is common in neo-patrimonial states."

The Medium Term Expenditure Framework provides another example. In light of the numerous ways that embedded incentives and norms undermine the success of more formal structures like the MTEF, Rakner et al (2004) decry the budget process as a sort of farce:

> The budget process is a theatre that masks the real distribution and spending. All the actors, from civil society, government, and donors seem aware that many of their statements and actions have little bearing on actual distribution of resources. Yet, all stakeholders 'act' as if the budget planning and formulation will actually have a bearing on the actual implementation and distribution of resources.

Informal drivers have created embedded logics of behavior that are difficult to shift. In 2004 Rakner et al (2004, 16) found that controlling officers had come to see their role as technical adviser, while "politicians act as they wish" and "the end result [was] that political and personal interests and lack of commitment of apex leaders [led] to budget sectoral allocations and hence expenditure patterns that are neither pro-poor nor pro-growth." Furthermore, on reaching the line ministry or department,

[15] Interview, #IG1

[16] World Bank (1998a)

[17] See the 2007 Global Integrity report, http://report.globalintegrity.org/Malawi/2007/notebook

although the formal system states that the controlling officer is responsible for making sure that the funds are spent on the right activities, "the informal processes are driven by interests personal or political, of ministers and controlling officer who collude with or acquiesce to them". And despite the obvious destabilizing effects of informal institutions, "donors have tended to focus on technical interventions and only to a limited extent attempted to influence the socio-political context."

Perhaps the archetype of the costly, technical solution is the Financial Management Information System (FMIS). Investments in Malawi's FMIS have been ongoing for the past 20 years: A recent IE review notes that the per-user cost of the system that is currently in place is an outlier and higher than that of peer countries. A recent IEG study estimates that the total ICT-related investment alone has been around US$15 million[18], and that once the cost of the GLOBE HRMIS and the previous investment on the (now discarded) CODA application are included (approx. US$10 million to US$12 million), the per-user cost would rise to US$33,375 per user (IEG, 2015, 74). This is more than double the cost of other Bank-financed IFMIS implementations, which estimate a cost of $15,000 per user. Note also that further anticipated changes (estimated at another $10 million) are now being tendered for in an effort to address continued frustrations with the existing system. *So what have been the functional results of 20 years of implementation and millions of dollars of expenditure?*

Though early project documents state that "strengthened internal control mechanisms through FMIS" were expected to contribute to "more accountable use of public resources", exactly how one would lead to the other was not laid out. Five years after design of the FMIS system began, the completion report for the IDP2 project notes that results were "largely technocratic", and that much more would be required before it would have "impact on downstream elements of the budget" (World Bank 2002). Eight years into implementation, no improvements in internal control or reliable accounting behaviors were observed. Folscher et al (2012, 124) note that "[i]n effect by 2004, despite significant outlays of cash and staff time over the period and donor support, the GoM did not have a combination of outputs in quantity and scope that provided an effective integrated financial management information system."

Momentum increased after the 2004 election with the core IFMIS outputs being delivered within 18 months and rolled out to all national ministries within 26 months on a completely new platform. Some argued that the reason for the sudden momentum was the urgency assigned by the central government's political leadership to gain control over expenditure, hence the focus on operationalizing commitment control and accounts receivable. In keeping with the Malawi government's emphasis on giving the center control over spending, payments were recentralized under the new EPICOR system.[19] Whatever the motivations, IFMIS was generally pitched as a significant reform success thereafter (IMF East Afritac 2010; Folscher, Mkandawire, and Faragher 2012). But where reviews were careful to distinguish between formal and functional achievements, the gap between the two was noted. Anderson (2010), for example, observes significant gains in implementation, but still no noteworthy functional effects.[20] Despite this gap, commentators note that in the subsequent years "there was a general perception of governance and corruption

[18] Comparing the per user cost of ten countries with Commercial Off The Shelf (COTS) packages, including implementation services, WAN/LAN networking and training, Hashim (2014) finds that the average implementation cost to be at about US$15,000, while Malawi's system is an outlier at US$18,375 per user. (This excludes the costs of the GLOBE HRMIS, which was not available to the team.)

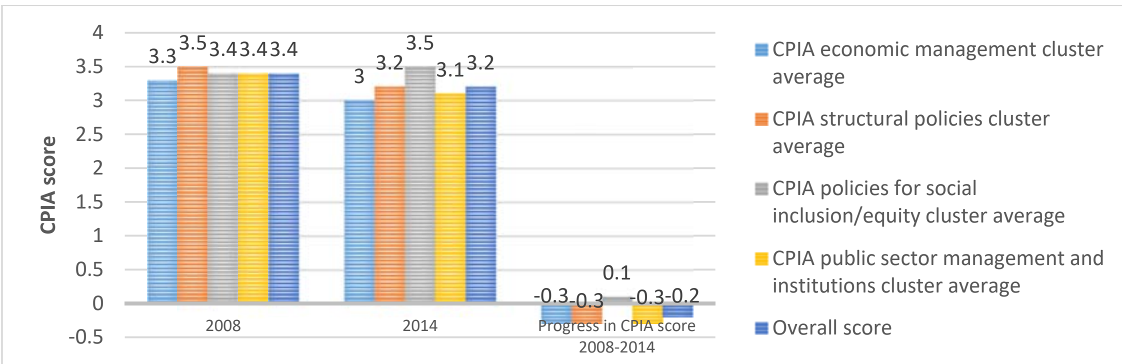
[19] Five linked bank accounts were opened in the RBM, and over 150 operating bank accounts in commercial banks closed.

[20] "[FMIS is] essentially operating as a sound central payments system but has yet to fully integrate all transaction types and aspects of the fiscal cycle, and has yet to become the primary source of government financial information. Despite marked improvements in expenditure control, banking arrangements and cash management enabled by IFMIS, benefits from improved financial reporting have yet to be fully realized." (Anderson 2010)

improvements which correspond to improving Government commitment to PFM reforms" (Independent Evaluation Group 2015, 24).

But any perceptions that observers had of a progressively less corrupt, more accountable financial management system were dramatically dashed when the Cashgate scandal surfaced. As noted above, about US$32 million was revealed to have been misappropriated between April and September 2013. This huge abuse in such a short space of time exposed a severe collapse in the accountability chain. Perceptions of transparency and control of corruption, which had been steadily improving or remaining constant prior to Cashgate, now rapidly plummeted. A comparison of CPIA scores between 2008 and 2014 shows a deterioration in 4 out of 5 dimensions (Figure 5). The Corruptions Perception index shows an equivalent lurch downwards.

**FIGURE 5: CPIA SCORES (1=LOW TO 6= HIGH) MALAWI**




The IEG review of IFMIS that was written post-Cashgate reveals a decidedly less positive impression of progress as compared with the pre-Cashgate reviews.

> Overall improved public expenditure management is rated Modest. This reflects progress made in rolling out and implementing the financial management system, and building and retaining capacity across the civil service in financial management. However, considerable challenges persist with the internal control environment, utilization of the systems, and willingness to abide by formal processes that have led to the accumulation of considerable arrears. (Independent Evaluation Group 2015, 35)

In sum, the implementation of a best practice, regulative solution has not yet succeeded in promoting functional objectives. This is despite the fact that IFMIS that operated largely as expected, was technically strong and even seemed to enjoy significant Malawian ownership, at least from the highest levels. In spite of all this, it failed to promote institutionalized accountability or ensure the reliability and efficiency of resource flows and transactions. Twenty years and many millions later, this raises significant questions about the wisdom of continued adherence to such an approach.

## 3. Pinpointing problematic characteristics of the current reform approach

### a. How did the reforms define what they wanted to fix?

The success of a development intervention relates to a number of assumptions about how change happens. Without a "theory of change" – an explicit deconstruction of the basic assumptions that underpin our program interventions – those assumptions go unexamined and our ability to critique and refine our programs is significantly reduced as a result (Stein and Valters 2012). A recent World Bank study confirms that the lack of sufficiently examined assumptions is evident in Bank-funded reforms globally (Raballand, Roundell, and Mallberg 2016, 9). We also find this to be the case in Malawi: a discussion of the necessary causal links, detailing the assumptions of how certain inputs will lead to functional outcomes, is largely absent in our Malawi case study projects. For example, a review of the IDP2 project (wherein a Financial Management Information System was first supported) by the Bank's Operations Evaluation Department states of the documentation that it "failed to show convincingly how project components would improve the project's objectives of increasing the efficiency and effectiveness of the civil service." (Operations Evaluation Department 2002)

The process of "deinstitutionalizing" the status quo also seems largely ignored. Attempts to construct and deconstruct the existing problem so that there is broad awareness and ownership of the need for change appears to be missing from reform design.[21] As our section on 'Agents' will show, key implementers, possible supporters and detractors are marginalized from the process of constructing the problem; as a result, they have little stake in addressing it. With introduction of the MTEF, for example, there is no evidence that incumbent rules which predispose civil servants to a loose control environment[22] were publicly and proactively challenged and destabilized prior to implementation. At most, they are loosely referenced.

Neither is the full complexity of the problem explored. Although projects may undertake some form of context analysis prior to design, this analysis appears to focus on visible, formal elements (the "above waterline" part of Andrews' iceberg). There may be discussion of weaknesses in laws, absent procedures, weakly capacitated oversight institution and the like, but there is little about embedded norms and cognitive capacities (see subsequent discussion as to why donors are typically poorly equipped to pay attention to these aspects). Some years after IFMIS implementation began, the completion report for a follow-on Bank project (FIMTAP) notes that "low levels of fiscal discipline and operational efficiency" are caused by, among other things, "high levels of noncompliance with formal rules" and "poor incentives and capacity for civil servants to carry out critical functions" (World Bank 2007). But the drivers of these behaviors are not explored in the project documentation, and while seeming to acknowledge the importance of informal, normative behaviors that run counter to formal rules and systems, this same review finds the project design "relevant" even though none of its activities are targeted at these aspects.

Project indicators typically reflect an emphasis on attainment of best practice rather than fixing of the original problem. As detailed in our preceding analysis of PFM project results, we find that almost 70% of what projects measure or aim at is change only in terms of the extent to which institutions *look* different, while just over 30% measured for actual performance improvements (e.g., measures related to the attainment of more credible budgets, institutionalized accountability or prudent fiscal decisions). This leads to a distorted view of project success.

We stress that the World Bank and the Public Service Reform Commission should not be singled out in struggling to undertake adequate problem analyses. As Duncan Green (2015) points out, deep reflection prior to action is a perpetual struggle in the development context and "the organizational imperative to do stuff, raise money, demonstrate impact, or just be active means that people spend far too little time studying and understanding the social, political or economic system before intervening." The issue of insufficient problem focus in development is pervasive, and as we shall show in subsequent sections, there are deeply embedded reasons as to why it persists. But by failing to adequately construct and deconstruct the initial problem, reformers treat a complex challenge as though it is routine and familiar, and thus readily amenable to redress by 'experts'. Our retrospective analyses demonstrate that in each case, the core problem and its causes were far more

[21] Greenwood, Subbaby and Hinings (2002) identify "deinstitutionalization" as the first of five critical steps via by which institutional change happens according to a rational model.

[22] Such as the "tendency of MPs to approve a budget that protects particularistic benefits" or the fact that "political and personal interests and lack of commitment of apex leaders lead to budget sectoral allocations and hence expenditure patterns that are neither pro-poor nor pro-growth." (Rakner et al. 2004)

complex than initially envisaged and are still not well understood or agreed upon, either by government actors or by external agents.

### b. What content did the reforms employ to fix the problem they defined?

High level rhetoric about the inappropriateness of applying cookie-cutter solutions to government reform sits uncomfortably alongside indications that best practices remain dominant. MTEF[23] and IFMIS are international standard technical solutions that the World Bank has implemented in many different countries: 122 IFMIS projects have been approved by the Bank, spanning 74 different countries, at an estimated cost of US$4.5 billion since the mid-1980s. As of 2013, MTEF was being supported by the World Bank in 65 different countries.[24] Andrews notes that the creation of an anti-corruption Bureau in Malawi involved the wholesale transfer of structures and laws from countries with very different contexts (specifically Hong Kong SAR, China and Botswana).

Via a detailed analysis of World Bank design and completion reports, Andrews (2013) demonstrates a number of ways in which, at the global level, institutional reforms share striking commonalities of both process and content (see Table 2).

**TABLE 2: CONTENT SIMILARITIES IN GLOBAL INSTITUTIONAL REFORM EFFORTS**

| | |
|---|---|
| **Content similarities in global Institutional reform efforts** | 1. Reforms aim to foster market-friendly governments through interventions like privatization, deregulation, trade liberalization, and the establishment of government entities needed to promote competitive markets. (Such content, which focuses on how government engages with private sector, is a focal point in 44% of all World Bank institutional reform projects. (Andrews 2013, loc 220) |
| | 2. Reforms aim to create disciplined governments. Examples include staff rationalization mechanisms and budget controls that facilitate spending accountability. |
| | 3. Reforms aim to modernize and formalize government processes (e.g., World Bank advocates adoption of modern mechanisms like fiscal rules, medium-term budgeting frameworks and internal audit regimes in about a third of World Bank projects fostering public sector institutional reforms) |

Reform content in Malawi reflects this same ideological commitment to market-friendly, disciplined, modernized governments. Our three case studies and 10 sample projects include reforms focused on privatization of public enterprises, out-sourcing, job evaluation, rationalization of ministries, democratic consolidation, and budgeting systems, judicial reforms and labor policy reforms. Lewis Dzimbiri (2009, 53) notes the extent to which donor supported reforms pushed a particular "market-based public service management" whereby "governments are required to concentrate their efforts less on direct intervention and more on enabling others to be productive".

Proliferation of standardized content is reinforced by prominent indicators used to assess the quality of developing country governments, such as the Worldwide Governance Indicators (WGIs)[25],

[23] A conceptual tool for the budget planning and control where budget figures are projected on a rolling basis for both the budget year and the following two years.

[24] Data on IFMIS and MTEF implementation is drawn from World Bank's IFMIS database 1984-2015.

[25] Whose intellectual foundation is described as "[t]he norms of limited government that protect private property from predation by the state." And which describes "effective government" in the following way: "It is small and limited in engagement, formalized in mission and process and drawing limited revenues primarily from domestic sources. High quality personnel devise and implement needed programs and deliver efficient and

the Public Expenditure and Financial Assessment (PEFA[26]) tool and The Country Policy and Institutional Assessment (CPIA)[27], each of which includes measures for what they consider best practice. Donor staff interviewed during this study referred to the use of PEFA, for example, as a tool from which they could determine where weaknesses existed and directly derive reform objectives. In this way, "indicators thus reinforce reforms and embed a model of what government should look like to facilitate development" (Andrews 2013, loc 314).

Evidence of similar, repeated content does not in and of itself mean the aims are misplaced, and there is of course a utility in having tools such as CPIA or PEFA that allow for some measure of horizontal, cross-sectional comparisons. But the existence of repeated content does imply a certainty about what works. It seems to indicate that among the development community, and despite the rhetoric, there is broad consensus about what "the right rules" are ("the fundamentals") that are needed to ensure effective government in all contexts. It is evidence that, as Dani Rodrik (2008, 100) argues,

> institutional reform promoted by multilateral organizations such as the World Bank, the International Monetary Fund, or the World Trade Organization (WTO) is heavily biased towards a best-practice model. It presumes it is possible to determine a unique set of appropriate institutional arrangements ex ante, and views convergence toward those arrangements as inherently desirable.

In applying best practice solutions without accounting for their informal foundation, Malawi risks being treated as a blank slate. Best practices currently operating in various OECD countries typically emerged through endogenous, locally-driven processes over long periods of time. As such, those best practices likely reflect (or have come to reflect) a content that is specific and relevant to the nature of their existing rules. External actors are seldom sufficiently cognizant of the peculiar regulative, normative, and cultural-cognitive elements that are invisibly making best practices function in their own developed countries and neither are they therefore attuned to their absence in a country like Malawi. The "cargo transfer" approach of reforms like MTEF, the ACB and IFMIS led one interviewee to reflect that whatever is said about the importance of context, donors seem to arrive with "a solution in their pockets".[28] Reflecting on the absence of context-assessment that has come specifically with the donor-supported New Public Management style of reforms, Richard Tambulasi (2010, 11) concludes that "donors have transferred the NPM reforms wholesale in a one-size-fits-all fashion without considering the specific social, political, economic and institutional environments within which the reforms are to be implemented."

More recently, Andrews et al (2016a, 5-6) argue that reform initiatives unquestioningly emphasizing a specific solution are in fact "among the drivers of capability traps in developing countries", constraining local experimentation and "facilitating the perpetuation of dysfunction." At its worst, reform attempts that push a best practice model end up placing too heavy a burden on systems and contexts that cannot handle the prescription. In these cases, the reform efforts "overwhelm their limited capabilities, compromise the possibility and legitimacy of institutional

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effective services via participatory processes and through formalized, disciplined, efficient and targeted financial management Responsiveness to the citizenry's changing needs is high effected through transparent, decentralized and politically neutral structures; consistently, even during political instability, without impeding (indeed supporting) the private sector." http://info.worldbank.org/governance/wgi/index.aspx#home

[26] The PEFA assessment presents itself as a tool that countries can use to benchmark their system against "existing good international practices". It lists process dimensions described as "critical" to the "performance of an open and orderly PFM system."

[27] Includes a detailed list of criteria that are considered generically relevant for all countries (e.g., criterion penalizes countries with high tariff rates and complex tariff structures).

[28] Interview, #IA2.

reform and policy implementation, and undermine efforts to build confidence and capability in the context."[29]

Just as Douglass North (1989) argued nearly 30 years ago, there remains a tendency among economists and development practitioners towards a focus on rules and enforcement as the only aspect of institutions worth understanding and accounting for. To use Richard Scott's categorization, the emphasis has been on elements that are regulative, to the exclusion of those that are normative and cultural-cognitive. Our study confirms that this bias towards the visible is typical of externally driven reforms in Malawi. When we categorize our project sample of 77 PFM reform indicators—into those that target either the regulative, cultural-cognitive or normative elements[30]—we find that only a tiny percentage of the selected reforms address the informal aspects of institutions (Table 3).

TABLE 3: PROJECT CONTENT CATEGORIZED ACCORDING TO WHETHER IT TARGETED REGULATIVE, CULTURAL-COGNITIVE OR NORMATIVE ELEMENTS

| Regulative | Normative | Cutural-cognitive |
|---|---|---|
| Elements targeted at shaping behaviour through the threat of sanction. Behaviour constrained through extrinsic means. | Elements targeted at making desired behaviours socially appropriate and acceptable, causing agents to intrinsically "decide" in favour of specific actions. | Targeted at helping individuals structure and interpret the information that they receive in order to bias them towards specific choices, regardless of the incentives created by regulative and normative mechanisms. |
| E.g.Actvities focused on strenthening laws, shaming practices, regulatory bodies, control systems etc | E.g. activities targeting cultural beliefs, profession norms, ethical values and standards considered widely appropriate | E.g. (formal) info, education or guidance towards compliance with intl standards. (informal) Attempts to increase cognitive capacities (understanding, ability to interpret and apply practices). |
| 92% | 3% | 5% |

Unfortunately, *externally* driven reforms will almost inevitably demonstrate a bias towards the visible elements. This is because external actors are seldom sufficiently cognizant of the peculiar regulative, normative, and cultural-cognitive elements that are invisibly making best practices function in their own developed countries; neither are they therefore attuned to their absence in a country like Malawi, where they are unlikely to recognize the presence of "below waterline" competing elements. In each of our case studies we see how the normative and cultural-cognitive mechanisms were largely ignored during project design but retrospectively recognized as key to a reform's success. In failing to account and adapt for them, prescriptions were made for solutions that required a content not currently in existence and/or that clashed with a content that does exist.[31]

[29] Andrews, Pritchett, and Woolcock (2015a).

[30] The 77 indicators were each classified according to whether they mainly referred to activities involving Regulative elements, Normative elements or Cultural Cognitive elements (see categorization definitions in table above). Of these, 71 were found to be targeted at visible, formal elements (new regulations, new bodies, websites or systems, plans and reviews, rules about deadlines/ targets, circulars and directives etc.), while only two were normative (one referencing adoption of international accounting standards, and one that referenced "creating awareness" of MTEF) and four cultural cognitive (all references to capacity building or training).

[31] The World Bank's ongoing pilots in "Agile Development" are a potentially important attempt to make space for these below waterline drivers; see https://blogs.worldbank.org/voices/agile-global-development-using-technology-fight-extreme-poverty.

Regarding the failure of anti-corruption reforms, for example, Dzimbiri (2009, 62) argues that Malawi has a "hybrid administrative system" in which "the superstructure (institutional arrangement) mirrors the Western model while the value system remains unchanged". Andrews (2013) argues similarly that Malawi's corruption problem is "a product of pre-existing institutional logics" as exemplified by underlying "norms that deemed it appropriate and expected to provide for one's kin—and extended kin—from the resources gained in office". Rakner and colleagues (2004) detail the extent to which externally-driven budget reforms in Malawi (specifically the implementation of the MTEF) failed to have any functional effect because of the interplay of formal and informal drivers. Particular historical events and cultural dynamics appear to limit the demand for economic accountability from within the Malawian public. Malawi's particular history, as a protectorate of Britain and later governed through authoritarian means by the rule of President Kamuzu Banda, contributes to "a cultural legacy of complacence with leadership", a key consequence being that "a limited commitment to and responsibility for national affairs still dominates state-society relations". A study by Booth et al. (2006) confirms that "the nature of traditional society helps to explain why abuses by 'big men' are tolerated even when very few of the benefits filter down to ordinary people". Many of the key informants for the Rakner study argued that the majority of Malawians consider the budget as a government document and not something over which they have ownership. A Malawian proverb that roughly translates as "You eat now; I will eat later" suggests that corruption is to some degree tolerated.

Cashgate and its associated backlash has forced a retroactive problem assessment that has arguably been more thorough than much of what was undertaken during the initial reform design phases. In contrast to project design documents, these analyses do refer to the existence of informal drivers that are likely to remain unaffected by purely technical solutions. The IMF post-Cashgate report, for example, refers to "a lack of strategic oversight and management at all levels", "collusion and circumvention, possibly aided by management override", "a lack of understanding of the overall PFM system", "a culture of impunity and a perception that malpractices will not lead to sanctions" and "a tendency to blame IFMIS…rather than address the problems in a proactive manner". A recent report by the Independent Evaluation Group (2015a) notes that the revelation of millions misappropriated was symptomatic of a well-evidenced underlying malaise.

### c. Who did the reforms engage in addressing the problem?

With the arrival of a new Malawian government in 2014, the IMF was tasked by the government to draw up new short-term recommendations to address the most urgent weaknesses in the PFM systems. Findings were published in a November 2014 report which emphasized key outstanding short-term issues in the fields of fiscal reporting, public bank accounts, commitment control, internal controls and auditing. In response, the government drafted a new short-term PFEM Reform Plan, finalized in February of 2015. Reflecting the IMF's recommendations, four key result areas were identified, namely accounting and reporting, treasury and cash management, scrutiny and auditing and compliance and control (Koch 2015). This approach—of donor problem and solution diagnosis followed by government uptake—is typical of many developing contexts, especially where there is significant dependency on external funding. Whether the ultimate reform focus is appropriate or not, the process of settling on it reveals an externally-driven agenda rather than a local one (Thomas 2015).

Rakner et al (2004, 14) raise the extent to which the best practice approach pushed by donors has been a driving factor in damaging local ownership. "An overt and resented donor role appears to have brought forth a 'let's-play-along' role for government", they argue; "interviews with officials in line ministries suggest that they see the MTEF as an add-on activity owned by the Ministry of Finance and donors, rather than as an essential tool for public expenditure management." The Completion report for the Second Fiscal Restructuring and Deregulation Project Credit (FRDP 2) acknowledges that a tendency to interact with a small concentrated number of government counterparts led to poor levels of ownership and that "[a]s a result, MTEF was seen as a MOF/Bank initiative, not related to the work of the ministries" (World Bank 2000, 7).

In a statement reflecting the Rakner et al (2004) findings, one of our 2016 respondents stated that current financial reforms are "theater"; "We all, donors and government, have well-defined roles and we're playing them well".[32] Another government respondent spoke of how civil servants learn over time that donors, colleagues and superiors alike did not take kindly to government officials that questioned the donor-favored agenda. S/he referred to how they had initially operated under the assumption that genuine questioning and problem analysis was expected, and had prepared thoroughly for donor engagements with that view in mind. But latterly s/he has come to view the reform design process largely with disdain; "We're all sitting there setting objectives that neither of us expect to see met."[33]

As with MTEF, Andrews (2013, l1528-1531) notes how the donor approach to anti-corruption in Malawi served to side-line the very local actors—particularly the Church—who had initiated the home-grown drive to change the existing behaviors. Instead of working with those actors to develop a locally-specific, Malawian-driven solution, donors saw fit to drive the wholesale importation of laws and structures that were functioning well in countries with significantly different supporting conditions. This "cargo transfer" was done with "limited engagement about the issue in parliament, business, and civil society, and no apparent discussion with church groups that had been centrally involved in pushing for democratic change prior to 1994".

After many years of donor-driven efforts, a genuinely local-driven design process is increasingly difficult to achieve. In a context where government counterparts have learned over successive interactions what donors want and to which they are expected to acquiesce, a genuinely problem-driven process would require very savvy, expert facilitation. Some donor staff reflect that even if they encourage government to come up with ideas themselves, government is likely to skew it towards the same best practice solutions that they have learned will give them credibility. The recent "Making Malawi Work" report, which was ostensibly driven by local actors, concludes with recommendations that include: depoliticizing the public service; entrenching ethics, integrity and discipline; systematizing the development of human resources; harmonizing human resource management systems; rightsizing the civil service; implementing a performance management system; decentralizing service delivery; putting in place enabling legislation etc. Interviewees commented that the majority of these are exactly the type of best practice that donors have advocated for and supported in the past. Deep diagnosis of what the problem is, why it matters and what drives it is largely absent from the document.

## 4. Understanding what drives the status quo

The low levels of reform success evident in Malawi demonstrate that institutional reform is *not* a case of doing what we know works. Rather, there are a great deal of inherent unknowns regarding the pre-existing rules, the nature of the problem, the applicability of best practices and the space for change. In focusing on selling solutions rather than solving problems, reformers are often making the mistake of treating "wicked hard" institutional reform challenges as though they are as familiar and routine as building a new road. Thus they take a commonly used, highly designed and engineered best practice solution and transfer it to Malawi, hoping it will work as well "here" as it has "there" (i.e., in other countries). Our analysis shows that such "solutions" are in fact too often part of the problem.

Shifting the emphasis from adopting formal, best-practice solutions, however, is very difficult. Despite widespread acknowledgement of the importance of embedded norms and behaviors, efforts still seem to remain targeted at formal elements and involve best practice transfer. For example, the reforms that are outlined in the new Malawian public sector reform strategy ("Making Malawi Work"), while having adopted a laudably more consultative approach than past reform strategies, still focus

[32] Interview, #IA1.

[33] "Initially I used to care so much about [name of donor omitted] missions. In my first year I spent so much time preparing and organizing for it. Now it's my fourth year and I hardly care. It's a farce." (Interview #IG1)

exclusively on visible, formal elements, much as has been done in the past. The strategy emphasizes what is to be done but does not provide evidence of detailed problem construction and deconstruction; while some issues are raised, they are not fleshed out to reveal their complexities. As in the past, solutions have been pre-programmed, leaving little room for adaptation. A recent review of an ongoing Bank-supported project reveals the common tension between recognition of complexity and a pressure to continue disbursement; although acknowledging that limitations in the control environment need to be "corrected ahead of implementation of the upgraded IFMIS", the project is set to spend almost the full remainder of its budget on procurement of another costly IFMIS upgrade.[34] The upgrade appears justified, given that the software is obsolete and clearly has weaknesses that make it particularly susceptible to abuse, but it is nevertheless noteworthy that the emphasis remains on the technical fix, given that most commentators acknowledge the broader environment and organizational culture to be the main driver of abuses.

FIGURE 6: INCENTIVES ON REFORMERS TO MAINTAIN BEST PRACTICE APPROACH


Having demonstrated the ineffectiveness of an approach that transfers best practices without accounting for pre-existing rules, we find ourselves asking why such a practice persists. *What is it that makes reformers design, support and implement inappropriate solutions? What makes agents repeatedly neglect the informal rules that are clearly so important to success? Why, in a climate of discontent, are governments and donors still continuing "business as usual"?* A recent World Bank paper suggests that "there is significant uncertainty about the institutional forms that are suited for improving public sector performance in a given context", while on the other hand acknowledging that there are "a number of factors [that] persist that make 'best practice' reform recommendations attractive" (World Bank Public Sector and Governance Board 2012, 6). In other words, although actors may not know what the right rules are, and although there is a growing consensus regarding that paucity of knowledge, there are strong, embedded incentives that keep them operating as though

[34] World Bank (2015, 15).

they do (see Figure 6 which highlights the identified incentives). In the following section, we itemize each of these incentives as we found them to exist in the Malawi reform context.

Any assessment of reform incentives in Malawi needs to first acknowledge that Malawi consistently ranks as one of the most aid dependent countries in the world. There are aid-supported projects in all of Malawi's 28 districts, and these are funded by 31 different donors (Dionne, Kramon, and Roberts 2013, 14). Direct budget support contributed around 40% to the budget in 2009, while estimates suggest total inflows of donor finances, including headquarter and administration disbursements, amounted to between 60 and 84 percent of total government expenditures between 2001 and 2010 (Koch 2015, 14).

In a context of such dependency it is perhaps unsurprising that government agents consistently refer to a pressure to acquiesce to whatever donors want, or are assumed to want. Civil servants reflect that to resist a donor project or to ask too many questions is to risk side-lining or transfer. It also means cutting yourself off from the "rewards" that typically come with the implementation of donor projects.[35] One of the sampled ICRs highlights the extent to which aid has historically played a major role in maintaining political and economic stability in Malawi. That same document notes how "the urgency of securing external assistance appears to have led to the Government agreeing to take actions it hadn't thoroughly considered..." (World Bank 2000, 4). In practice, this pressured acquiescence seems to lead to a subsequent subversion of the reforms during implementation. Booth et al (2006, x) articulate the problem in Malawi as being "the outcome of a bargaining 'game'", with characteristics as follows:

> One player (the donor/lender) has economic resources, but is subject to pressures to disburse them and has incomplete knowledge of the situation on the ground. The other (the recipient) has interests that are different from the donor's and more complete knowledge, providing an ability to avoid or subvert any conditions that the donor imposes.

As one donor agent noted of their reform experience in Malawi, there is sometimes little attempt to veil government willingness to do whatever donors require;

> Sometimes I sit with Government staff in meetings. After discussion on actions to be taken they turn to me and say "Are you satisfied now?" And I'm thinking, what is this? It's about satisfying me? Aren't they doing this for themselves?[36]

Aside from the coercive aspect, a best practice approach can be preferred for its ability to confer legitimacy without necessarily requiring change. Theory suggests there are two major reasons that might drive an organization to pursue a change in the rules, with two different outcomes as a result. The first is described by Ashworth et al (2009, 165) as the "rational" perspective, whereby "the characteristics of organizations shift over time in order to pursue substantive performance (e.g., higher efficiency or effectiveness)." The alternative view insists that institutions can change for reasons of *legitimacy* rather than effectiveness. This latter view of how institutional change happens posits that "the primary objective of organizational change is not better substantive performance but greater legitimacy". This argument is evident in the work of Meyer and Rowan (1977), DiMaggio and Powell (1983) and most recently in Andrews, Pritchett and Woolcock (2017) and is typically described as "isomorphic mimicry", whereby organizations exhibit "the tendency to introduce reforms that enhance an entity's external legitimacy and support, even when they do not demonstrably improve performance."[37]

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[35] Rewards may include higher salaries for staff on donor-financed projects, travel perks, more access to allowances, the ability to dispense positions on project committees to preferred actors, the legitimacy that comes with being seen to be connected to powerful donor agents and eventual career progression.

[36] Interview #ID1.

[37] See also (Frumkin and Galaskiewicz 2004). Changes in government (and indeed in senior personnel within a government) can quickly alter the nature of the space within which reform is conceived, initiated or resisted.

Compounding the isomorphic incentive is a pressure to pre-program project content in advance that limits agents' ability to adapt**.** Donor reports have themselves acknowledged that the dominant processes of project design and execution in donor organizations promote a solutions-based (rather than problem-based) approach.[38] The 2006 Asian Development Bank review refers to this as the "culture of project approvals."[39] As Andrews (2013) explains, "processes embedding [a culture of pre-approval] typically require detailed planning and programming before reforms are approved or initiated and provide limited room for adjustment once projects become active." Budgets likewise tend to provide more resources for preparing interventions than for engaging in implementation stages. Andrews notes that such processes are relics of the 1970s and 1980s, when they were designed primarily for "infrastructure projects in which technical solutions could be locked in and the quality of a project depended largely on how carefully it was prepared". They are not, however, appropriate for institutional reforms "where contextual factors are opaque, intractable problems are common, resources are limited, and the isomorphic incentive to pursue reforms as signals is intense" (Andrews 2013, l5794-5807).

For some donor staff there is evidence of a strong organizational incentive to disburse large sums of money to country "clients". Donor staff in Malawi narrated how they receive internal pressure to achieve "high disbursement rates", often regardless of government failure to meet agreed actions. The Malawi FROIP project exemplifies typical disbursement pressures in action. The project had a low rate of disbursement (40%) in early 2015 and had only risen a further 7% by June 2016. But given that project achievements have been "unsatisfactory" across the board and government has demonstrated concerning intransigence on a number of agreed actions (World Bank 2015), the low level of disbursement should not be difficult to justify. And yet the World Bank has since found it necessary to outsource various project activities that were previously set to be undertaken by government. This includes the outsourcing of some financial statement audits (which remained uncleared back to 2012) to private auditors and outsourcing of bank reconciliations (for which $1 billion remained unreconciled). There is of course value in having the audits completed but the outsourcing also bypasses much of the internal behavioral change that was initially envisaged by the disbursement indicators. Willingness to dilute indicators in this manner undermines functional change but it allows actions to be marked as "met" and disbursement to continue. It may reflect the extent to which a primary measure of project success within the organization is continued disbursement rather than functional change. For individual project staff, it is extremely difficult to resist such powerful internal drivers. That pressure is similarly reflected in the widespread donor preference for regulative, formal reforms; as Shirley and Menard state, "[donors] prefer changes that can be instituted rapidly and be easily used as benchmarks for dispersing funds and assessing outcomes. This results in a focus on de jure rather than de facto change. De facto change is often slower, and is usually only measurable after the project is ended, if at all" (Ménard and Shirley 2005).

Disbursement pressure may also be linked with an ideological imperative to maintain economic stability. After donors scaled back support following President Bingu wa Mutharika's violation of conditions set by the IMF extended credit facility, the result was crippled local foreign currency reserves, making even more dramatic the economic decline Malawi was experiencing (Dionne, Kramon, and Roberts 2013; Wroe 2012; Cammack 2012). One of the sampled project ICRs notes the extent to which aid has historically played a major role in maintaining political and economic stability in Malawi, stating that "delays in IDA disbursements, which account for about 30% total disbursements of official loans and grants, can have strong negative repercussions for meeting macroeconomic targets and carrying out vital programs." The document also notes that "[t]he urgency of securing external assistance" appears to have led "the Bank to hasten development of the adjustment program, including process conditions in the policy mix and compromising on some less

[38] One example is Independent Evaluation Group (2008); see also the Accra Agenda for Action and the 1998 and 2006 Asian Development Bank reviews of governance projects.
[39] Asian Development Bank (2006).

than satisfactory performance to ensure the flow of disbursements" (World Bank 2000, 4). Interviewed staff confirmed that their discussions regarding disbursement do sometimes reflect a pressure both internally and from other donor organizations to ensure that they did not contribute to economic collapse by withholding funds.

The emphasis on disbursement as an implicit reflector of donor staff performance has a number of knock-on effects:

(i) **Bias towards achievable indicators that will allow disbursement.** As one government official put it, "It's easier for donors to show results with non-functional indicators."[40] Our analysis of PFM indicators confirmed this. Donor staff referred to recent examples where they had attempted to use functional indicators, which in turn revealed a severe deterioration in reform objectives, thereby making disbursement harder to justify. They subsequently felt pressure to ameliorate or bypass those indicators, as exemplified by the outsourcing of audit activities mentioned above.

(ii) **Emphasis on costlier, technical solutions.** A drive to disburse also means a perverse incentive towards costlier solutions. Typically speaking, this means a favoring of technical, infrastructural solutions over ones targeted at more normative, cultural-cognitive obstacles. The latter are typically less able to be programmed in advance, more complex and less costly (therefore less desirable from a lending perspective).

(iii) **Predisposed towards the overly ambitious.** A recent Bank paper (Raballand, Roundell, and Mallberg 2016) that analyses a large number of Bank project completion reports across various sectors and regions notes the "tendency to produce over ambitious plans at project design stage". The study observes the link to organizational incentives and notes that "for a TTL, what appears important when preparing the project is to make it as "transformational" with a very ambitious agenda and please as many stakeholders as possible".

(iv) **Squeezes out reflection.** The more that staff feel they are judged for disbursement, the less they feel they have room to reflect, adapt and understand the problem. One donor staff member lamented that "If our performance was not judged according to our disbursement, then we would have more ability to focus on meaningful change."[41] As Irene Guijt points out, "official policies that profess the importance of learning are often contradicted by bureaucratic protocols and accounting systems which demand proof of results against preset targets" (Ubels, Acquaye-Baddoo, and Fowler 2010). In such a context, "accountability" is seen primarily as being responsible with spending and outputs, and not about effective practice.

Donor respondents agreed that they also feel a strong pressure to be seen to be reproducing what they have been taught is best practice. They confirmed that if they were to pursue project objectives and indicators that allowed a controversial, albeit locally relevant and more functionally effective set of activities, they would be concerned about the effect of this on their professional credibility. Pressure of this nature can be applied via rounds of approval processes whereby colleagues far removed from the field provide direction on the design of solutions despite little understanding of the problem itself. Over time staff come to understand that going to existing "best practice" indicator sets like PEFA and defining reform activities and objectives directly from them is the type of behavior that will accord them the most legitimacy in their professional circles, and offer some form of protection in the event that reforms subsequently 'fail' or generate controversy. This internal pressure to reproduce internationally recognized standards is reinforced by the fact that this is often what "the client" is requesting. As the World Bank's Approach to PSM paper puts it, "Client governments

[40] Interview #IG1.
[41] Interview #ID1.

recognize that they risk losing support, including sometimes from the World Bank, if they do not make their public administrations "look like" broadly recognized 'best practice' standards" (World Bank Public Sector and Governance Board 2012). As a result, donor staff find that they are consistently asked for "best practice" solutions. In order to ensure that government officials continue to see their assistance as useful and responsive (aspects for which donor staff performance is internally measured), staff feel compelled to provide toolkits and best practice recommendations even if they might feel ambivalent about their relevance to the context.

Government staff experience a similar professional peer pressure to be seen to be driving reforms that mirror internationally accepted ideas of what works. The distinction between donor and government staff is often overemphasized in any case, since many of them trained at the same places, socialize in the same circles and have even worked for each other's organizations. When Goodall Gondwe, a former IMF staff, was appointed Minister of Finance by Bingu Mutharika, a prompt re-engagement by donors followed soon after and a slew of reforms in keeping with best practices of the time were quickly announced (including the speeded-up implementation of IFMIS as highlighted in our case study), demonstrating the value of implementing the best practice line. This informal pressure is buttressed by the fact that when civil servants do bring in donor money, they receive a certain legitimacy and popularity from their peers. Positive donor engagement is perceived to be advantageous for government agents' careers and can come with additional perks in the form of higher wages, travel opportunities, vehicles, and access to a larger budget for operational activities.

Both donor and government staff often have a lack of alternative models for how things could be done differently. As one World Bank paper puts it, "the lack of a well-developed explicit body of knowledge on 'what works' in PSM makes it hard to debunk 'best practice' claims" (World Bank Public Sector and Governance Board 2012). Donor staff who favor a more problem-driven approach reflect on their frustration with always being seen as "naysayers", criticized for pointing out the lack of supportive context without having clear suggestions of what might work better. Some staff described instances where they felt more problem-driven colleagues had been side-lined and then replaced by colleagues who were more inclined to "give government what it wants" and generate large disbursing projects.[42] Government counterparts may "sit back" in donor engagements, concerned about reform content but not sufficiently confident to champion a different approach.

There is also a perception among reform implementers that trying to be problem driven, exploratory and incremental in approach is hard, certainly much harder than implementing a technical solution out of the box. Ensuring that a problem-driven process is meaningfully undertaken is perceived to require a lot of deep knowledge regarding existing stakeholders. Moreover, staff find it difficult to conceive of how a project can avoid being fully pre-programmed in advance. In the words of one respondent, "but we're employed to design and implement projects. How can we come back without a plan?" Many donor staff are trained and hired primarily as technical experts, experienced in delivering the accepted best practice solutions in their field. To require them to undertake an approach where they maintain a great degree of ambivalence about the solution and spend significantly more effort on facilitating the process of problem diagnosis is to require them to utilize skills they do not necessarily have. A majority of donor staff clearly feel less comfortable in the role of facilitating a process than they do in providing a product. 'Experts', almost by definition, provide answers.

The tendency among donor agents in Malawi to ignore the existing scripts on the slate they are attempting to overwrite may be indicative of an organizational culture of "othering". By "othering" we mean any action by which an individual or group becomes mentally classified in somebody's mind as "not one of us". In speaking of the West's tendency to "other" and justify its savior-type project towards the East, leading postcolonial critic Edward Said once noted that it was "quite common to hear high officials in Washington and elsewhere speak of changing the map of the Middle East, as if

[42] Interview #ID6.

ancient societies and myriad peoples can be shaken up like so many peanuts in a jar" (Said 2004). Solutions are regularly being devised and driven by donor agents in Malawi who have short engagements in the country and have little time or incentive to consider locally-driven solutions. Previous studies and this one find many government respondents who feel alternately frustrated by and resigned to the recognition that their engagements with donors are not expected to provide space for genuine push-back or questioning.

During the Cashgate scandal, many Malawian commentators noted with frustration that the government appeared to be more beholden to donors in providing an account and demonstrating a determination to deal with the abuses than it was beholden to its own people.[43] Under such conditions it is not so surprising that some see donor efforts in Malawi as a continuation of a colonial mind-set; one that may prevent Malawians realizing their own potential. As one senior government official previously put it, "donors are bad, they give you money and make you stupid" (Rakner et al. 2004). Compounding the tendency among donors to operate in a paternalistic manner is the fact that, over time, the colonial narrative of Western savior has been reinforced among Malawians as well. One interviewee referred to how Joyce Banda was known to tour rural villages and explain her policy stance with the preamble, "Azungu atiuza kuti…", meaning "this is what the white man has told us to do…" On the one hand this type of preamble may be employed as a strategy of blame-avoidance in the event that reforms do not work. But the interviewee's perspective was that it also spoke to a latent belief among many Malawians that "the white man" is more capable than they of knowing what is good for them. That same interpretation was reflected in media commentary at the time. If such deference to the supposed superior knowledge of external actors does exist, then it certainly poses a significant obstacle to genuine problem-driven, locally involved processes in the future.

## 5. Toward a radical shift in approach: What would it looks like? What would it do?

We noted above that the task of institutional reform is predicated on "changing the rules of the game" and that it is undertaken for two major reasons: for legitimacy, resulting in "decoupling" and isomorphism, *or* for effectiveness (the "rational" model), resulting in better substantive performance. As evidenced above, the Malawian context—with high aid dependency, reliance on external organizations and uncertainty about which institutional structures to adopt—currently ensures that isomorphic change for reasons of legitimacy is the prevalent model of change. The result is a huge output of activity in terms of more laws, regulations, structures and systems but little evidence of these having actually addressed existing functional problems. In the meantime, reformers and citizens alike have grown weary and cynical regarding the very possibility of change.

The question is, how can reformers in Malawi shift their approach so that they support change that is more rational than it is isomorphic? Much has been written on this topic of course.[44] This paper recommends the applicability of what are increasingly termed "problem-driven" approaches.[45] Drawing from such approaches, we make the following three broad recommendations:

a. **Those interested in institutional reform need to focus on *solving problems* rather than *selling solutions*.** Often, would-be-reformers take a commonly used, highly designed and engineered best practice solution and transfer it to Malawi, hoping it will work here as it has in other countries. Analysis shows that it seldom does. The rules (informal and formal, legislative and cultural) that already exist will either support or undermine the success of any

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[43] http://mg.co.za/article/2014-01-16-banda-assures-donors-of-malawi-graft-forensic-audit

[44] See, among others, Pritchett and Woolcock (2004), Ostrom (1990), Lindblom (1959), Greenwood and Hinings (1996), Easterly (2002), Barnett and Carroll (1995).

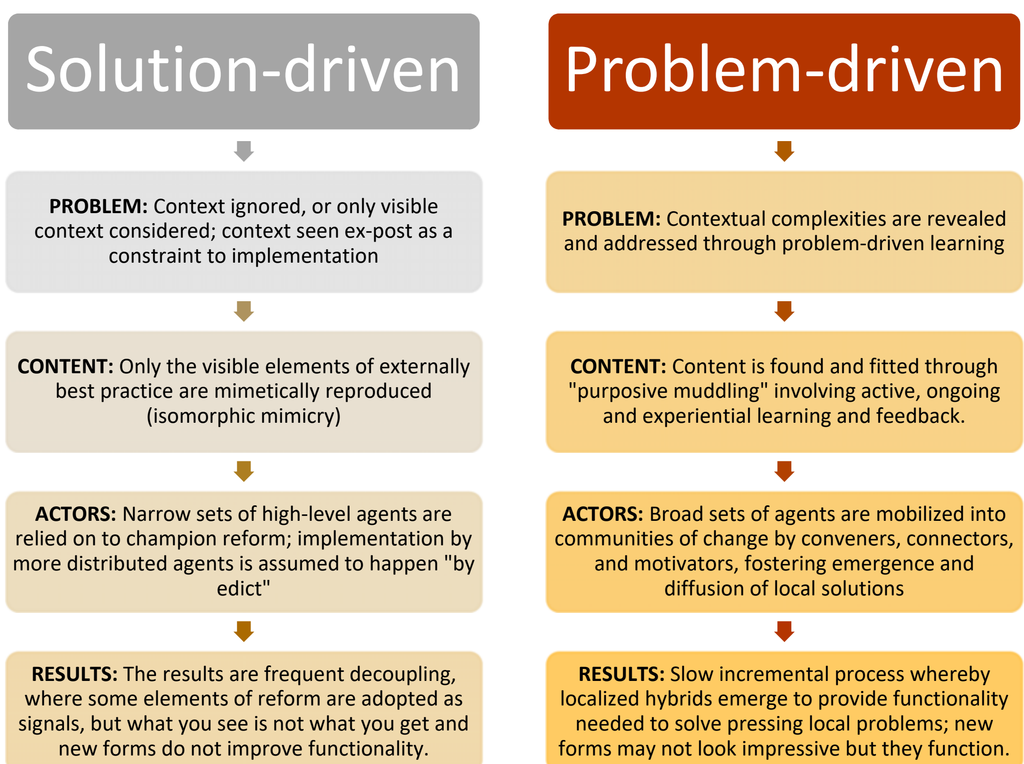
[45] Problem-driven approaches are reflected in various existing initiatives, including 'thinking and working politically', 'working with the grain', 'doing development differently' and 'problem-driven iterative adaptation'. See, among others, Fritz, Levy and Ort (2014); Andrews, Pritchett and Woolcock (2015a); Unsworth (2010); Hudson and Leftwich (2014).

new rules that one attempts to overlay. If the solution is not tailored and adapted to those preconditions, partial reform or reform in appearance only is the most likely outcome. If, however, reformers begin with a specific, functional problem and ensure that implementation progress is assessed not against indicators of a change in form, but against the core problem being *fixed*, then functional success is far more likely.

b. **An emphasis on fixing the root problem will also require greater willingness to *experiment, iterate, adapt and explore* in the process of turning ideas into solutions.** Institutional reform is seldom a case of doing "what we know works". What may succeed better than transplanting foreign institutions is to construct hybrid, second-best solutions, building on the available supporting conditions. Such an approach is unlikely to end up with a perfect, best practice models but it may nevertheless be "good enough"; locally relevant and more effective than attempting to transfer international standard counterparts. Experimental approaches of this nature also require that actors treat reform designs as compasses rather than maps, there to provide insight and direction, but not to give inflexible, prescriptive solutions. The idea is not to abandon planning but rather to recognize that plans often reflect best guesses about the future (and about the past too) and will likely shift over time. In that regard ensuring organized evaluation, learning and feedback mechanisms during implementation is critical.

Figure 7 shows how, in terms of its approach to reform problems, content, actors and results, a problem-driven approach is a significant departure from "business as usual".

FIGURE 7: SUMMARY DISTINCTIONS BETWEEN THE CURRENT APPROACH AND PROBLEM-DRIVEN



c. **If reforms are to be viable, legitimate and relevant, the process of reform design and implementation will need to *engage as broad a set of agents as possible*.** Reformers should seek to establish broad-based communities of agents, including those needed to mobilize support, authorize change, provide reform content, facilitate procedure, supply finance and foster and maintain relationships. The role of external agents in influencing institutional reform should be minimal if the reform is to be successful. Providing finance may fulfil a useful gap but it should not be considered a means to broad influence. It is particularly important to ensure that the initial problem is *locally* nominated and prioritized. External agents may play an important role in facilitating problem identification processes, but they cannot drive it.

In recommending the applicability of a fresh approach we caution that the power of existing incentives means that any attempt to change the approach must expect to face resistance. Despite broad recognition and rhetoric that we can no longer do "business as usual", Malawi donors and Malawi government have their own existing "rules of the game", as we have shown, and these will present an obstacle to adopting a fundamentally different approach. Given that the space for change is currently contested, reformers must seek to contribute to that contest in positive ways. Leaders in government and development agencies who are interested in supporting significant change need to consider how their staff can be rewarded for functionality, not mimicry. Donors might make much greater use of lending mechanisms that do the same. (Indeed, papers such as this one can be used to encourage debate about the inadequacy of the status quo.) Incentives can be put in place that encourage agents to utilize new approaches (e.g., rewards for detailed problem construction, examples of stepwise reform or savvy creation of reform communities) and new players can be introduced and strengthened.

Beyond this, reform-minded individuals will need to carve out space for a more problem-driven approach within the current, imperfectly incentivized environment. Disbursement pressures, for example, will not vanish overnight. The good news is that such individuals do not need to sit on their hands; World Bank teams are already demonstrating ways of doing problem-driven work despite the prevailing pressures to do otherwise (Bain 2016) and groups like the Building State Capability Programme are providing highly practical and relevant suggestions for how to translate the approach at a project level.[46] Rather than detail all the aspects of a problem-driven approach in this paper[47], we summarize some specific ways in which those engaged in reform efforts could seek to self-assess their projects so that they better implement the above principles in their projects (see Table 4).

Finally, we recommend the utility of immediate, open and honest debate. The existence of perverse incentives and ideas of how to deal with them needs to be openly discussed. This means, internally and publicly, that donors (including the World Bank) need to engage in honest discussions about how they can manage their existing disbursement pressures, for example, in a way that does not limit the functionality of reform efforts. And the Government of Malawi can show willingness to be publicly challenged on their tendency to "signal reforms" while maintaining behavior as normal. Though both donors and government are likely to be reticient about airing their dirty laundry in public, Malawians deserve a reform approach that is honest and accountable about the existence of perverse incentives. We have enough evidence over the past 20 years of reform that things are not working. But hope is to be found in the fact that we are increasingly aware of the drivers of those failures and, if sufficiently motivated, we can address them.

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[46] http://bsc.cid.harvard.edu/

[47] For that we recommend going straight to the source material: Andrews, Pritchett, and Woolcock (2015b, 2016a, 2016b, 2016c, 2017).

**TABLE 4: QUESTIONS AND TOOLS THAT TASK TEAMS CAN EMPLOY TO ENSURE A MORE PDIA PRINCIPLED APPROACH**

| THE PRINCIPLE | QUESTIONS TO ASK | TYPICAL PRACTICE | TOOLS TO CONSIDER | FURTHER READING |
|---|---|---|---|---|
| **Start with the problem** | Does the project document define a **specific, measurable problem** that people care about? | Typically project documents focus more on the solution than the problem. Data and evidence is not well utilized to demonstrate that this is something we cannot afford to ignore or that there are enough people who have a stake in this to warrant change.<br><br>Typically unclear why the problem matters or to whom. | Utilize the "5 why technique" to better define a specific, measurable problem that matters to a significant number of people.<br><br>Make the problem the emphasis of project documents, rather than any specific solution. | Andrews, Matt, Lant Pritchett, and Michael Woolcock. 'Doing Problem Driven Work. CID Working Paper No. 307'. Centre for International Development at Harvard University, December 2015. |
| | **Has the problem been sufficiently deconstructed** so that reform implementers understand as many of its possible contributors as possible? | The problem is not explored in its full complexity. Often it is superficially defined as the absence of a specific solution. Multiple possible causes are seldom acknowledged. And informal contributors are typically ignored. | Utilize the "Ishikawa/ Fishbone diagram" to analyze the various possible contributors to a problem.<br><br>Treat this analysis as dynamic and make space to revisit it throughout implementation. | |
| | Have you created a plan that includes **regularized reassessing and learning** about the problem *during implementation* (not just at the end!)? | Projects often assume that a specific solution can be identified in full before implementation begins. Project documents and processes lock reformers into an unalterable path. Little space is provided to actively evaluate the context, gather lessons on constraints and opportunities and shift our design and implementation accordingly. Focus and resources are on one big end-of-project evaluation, instead of evaluating as we go. | Be specific. Consider light touch methods (like team member journals and regularized check ins), as well as more rigorous ongoing assessments. | |
| | Are your project **indicators of success directly linked to fixing the problem** (rather than indicators focused on form)? | Success is typically measured in terms of "form" (changes in processes, rules and systems) rather than in terms of whether the original problem has been fixed. | Work with various stakeholders (particularly supposed beneficiaries) to define in advance of the project exactly what "problem fixed" will look like. Translate this into functional indicators that diverse stakeholders (beneficiaries, experts, academics, civil society etc) believe in. | |
| **Experiment and iterate** | Does the project document lay out a **menu of possible solutions** (rather than one possible solution) that are feasible and relevant in light of the existing problem? | Typically project documents are solution-focused and lock reformers into one specific, best practice solution from the start. Little attention is paid to whether the solution is practically possible or politically relevant. And little room is provided for adapting or shifting the solution during implementation.<br><br>The solution typically draws only on external sources with little reference to locally relevant alternatives or supporting norms and traditions. | Technical specialists have an important role to play in "facilitating the search for broad sets of ideas, with details about where they emerged, when, under what conditions and with what requisites" (Andrews 2013).<br><br>The picture should be of providing a large menu, complete with recipes.<br><br>Reformers should also promote the search for locally relevant alternatives that may be found in old traditions or marginalised groups. | Bain, Katherine. Doing Development Differently at the World Bank: Updating the Plumbing to Fit the Architecture.' London: Overseas Development Institute Report. |

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| | Does the **chosen financing instrument** allow you to shift and flex if the initially chosen solution does not have functional success? | Many of the financing instruments favored by development organizations are geared towards locking in solutions from the start and limiting flexibility.<br><br>Reform teams are held accountable for meeting a predetermined set of results, often regardless of whether those results continue to be functionally relevant or politically feasible. | Results-based approaches (e.g. P4R) seem to lend themselves well to savvy and flexible mechanisms for local problem solving.<br><br>Development policy loans, on the other hand, seem to continue to promote best-practice solutions that, as a number of reviews have pointed out, have limited impact in certain contexts.<br><br>The use of trust funds has proven to be an effective means of cushioning project teams from disbursement pressures. | Andrews, Matt, Lant Pritchett, and Michael Woolcock. 'Doing Iterative and Adaptive Work. CID Working Paper No. 313'. Centre for International Development at Harvard University, January 2016. |
| | How does the project allow for the **identification of and adaptation** towards regulative, cultural cognitive and normative obstacles that may emerge during implementation?<br><br>Do the chosen solutions reflect the **emergence of hybrid strategies and locally-relevant solutions** (as opposed to looking like standard best practice, with little adaptation)? | Reform content typically ignores the presence of informal elements that might threaten or support functional success. The early emphasis on a specific best practice solution means that there is little effort to build on what already exists.<br><br>Local actors are seldom provided with space and authorization to drive the selection of reform content.<br><br>Development organizations often have little appetite for hybrid institutions that do not reflect best practice.<br><br>Pre-programming and a culture of project approvals means that activities and inputs are locked in place, leaving little room for a step by step incremental process that involves learning and iteration. | Focus on small steps rather than final solutions. Learn and assess before moving on to next steps that build upon the previous.<br><br>take an incremental approach that builds on what already exists. This means knowing what's been done and what's ongoing and not introducing "de novo ideas" that bear no relation to anything government has done before.<br><br>Local actors are best placed to tell us what will make a reform politically acceptable or practically possible, so they drive the selection of relevancy criteria.<br><br>What may work better than transplanting foreign institutions is to construct hybrids, building on the norms, scripts and regulatory structures that are available. Andrews calls this "purposive muddling", a process whereby we create opportunities, often through experimentation, for action-based interventions – with organized evaluation, learning and feedback mechanisms." The result may be a strange-looking hybrid but it shall be locally relevant and more effective than its best practice counterparts. | |
| | How does your **M&E plan** allow iteration and flexibility? | Typically results are locked in from the start and they are often form rather than function-related. | External actors could support government to make gradual changes and emphasize as "results" the degree to which government actors find new ideas and build new capacities and political appetite for bigger next steps.<br><br>Capture lessons and communicate the stories of "positive deviation". Foreground the importance of a step-by-step process, geared towards what's manageable in the current context. External agents help by capturing stories and lessons about how positive deviations yield results. | |
| **Establish an authorizing environment** | Have you identified **the type of authority** that your proposed reform will require? | Authorization strategies are typically narrowly focused (e.g. Minster level "champions"), general in nature (i.e. getting rhetorical "support" with little detail as to what exactly will be required of the authorizer) and fatalistic | The basis of any strategy to *get and keep* authority to do PDIA (and any complex and contentious other state building activity) is to maintain awareness of the authorization needs of the initiative. | Andrews, Matt, Lant Pritchett, and Michael Woolcock. 'Managing Your |

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| | | (either the authorizer provides the support or they don't, there's no middle ground).<br><br>This type of support may be sufficient for simple logistical challenges (e.g. building a road) but it is insufficient for more complex ones; where "flexible", "shareable" and "grit" authority will be required (Andrews et al 2016). | Utilize tools outlined by Andrews et al 2016 to think through the authorizing needs you require and what already exists (in terms of an authorizer who is "flexible in her support, open to sharing authorization, and patient with experiments").<br><br>This applies internally to authorization within the Bank as well as regarding the reform context more generally.<br><br>Given the strength of perverse incentives, it is very important to have management leadership and behavior within the Bank that consistently signals strong commitment to PDIA principles. | Authorizing Environment in a PDIA Process. CID Working Paper No. 312'. Centre for International Development at Harvard University, January 2016 |
| | Have you identified **where you will find the needed authority**? | Our reforms typically look for "champions" at the top of the organization proposing change. This mistakenly assumes that the bodies we work with are "bureaucratic hierarchies characterized by effective downwards authorization mechanisms" (Andrews et al 2016), when in reality lines of authority are far more dysfunctional and fragmented.<br><br>Project documents seldom make an attempt to recognize the complexity of authorizing structures, instead assuming that it's sufficient to simply have one high level "champion". | Utilize practical tools outlined in Andrews et al 2016 to 1.) Identify your primary authorizer and the needs you assume they will be able to meet 2.) Identify additional authorization needs and where they will need to come from 3.) be explicit about your assumptions regarding the complexity of your authorizing environment (these assumptions need to be tested for during implementation) | |
| | Have you **outlined how you will gain and grow the needed authority**? | Reforms are seldom sufficiently strategic about communicating their reform efforts in a way that convinces the necessary authorizes to come on board. Typically communication efforts are done at the end or beginning of a project and focused on small, select groups that do not capture the full complexity of the authorization required. | Utilize practical tools outlined in Andrews et al 2016 to 1.) Build a concerted communication strategy geared towards gaining the authority you need from specific authorizers. 2.) Ensure internal authorization for an experimental approach that does not necessarily fit the World Bank's standard MO 3.) Where you don't have sufficient authorization at the start, seek to gain momentum from early action steps 4.) Be strategic about growing your authorization as you progress. | |
| **Broad set of actors** | What efforts have been undertaken to establish groups of agents ("institutional entrepreneurs") to stimulate change?<br><br>Was the **problem construction and deconstruction driven by local agents?** | External agents are often perceived (by themselves and others) as having the primary leadership role in terms of defining problems and ideas as well as advocating best practice reform content. Developing partners in Malawi often seem convinced of their own ability to be the source of authority for change as well as the ones most capable of determining that a reform is viable.<br><br>As Andrews 2013 puts it "Ownership at the start of an intervention means having the minister of finance sign off on proposals. Ownership at the end of an intervention is assessed by reviewing whether the minister is still supportive of reform. There is seldom any thinking behind what this support looks like when it is sufficient to foster | Andrews 2013 recommends that the role of external agents in influencing institutional reform should be minimal if the reform is to be successful. Providing finance may fulfil a useful gap but it should not be considered a means to broad influence.<br><br>Reformers should instead seek to establish broad-based communities of agents, including those needed to facilitate change, provide substance, facilitate procedure and foster and maintain relationships.<br><br>In many cases the most useful thing a developing partner can do is vacate the space and allow local entrepreneurs to come to the fore.<br><br>More practical tools on how to establish broad coalitions of change to be found in a forthcoming BSC paper. | Andrews, Matt, Lant Pritchett, and Michael Woolcock. 'Scaling PDIA Through Broad Engagement, And Your Role'. CID Faculty Working Paper No. 315'. Centre for International Development at Harvard University, 2016. |

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| | Have you identified possible conveners, connectors, and motivators? | deep change, where it comes form in such instances, or why it is ever forthcoming from deeply embedded political operatives." | | Andrews, Matt. The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions. Kindle Edition. Cambridge University Press, 2013. 2013 |
| | What efforts have been undertaken to engage with the distributed agents required to implement the change? | Interventions typically emphasize narrow, top-down leadership by champions or dominant organizations. Other agents are normally considered *targets* of change, not active participants in the design, iteration and adaptation of reform engagements. In reality, successful reforms typically "involved multiple agents in multiple organizations spanning government and including external supporters". (Andrews 2013) | | |

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## Annex A: Malawi WB projects that have included a thematic focus on public expenditure, financial management and procurement

| PROJECT # | PROJECT ID | PROJECT NAME | PRODUCT LINE | TEAM LEAD | PROJECT STATUS | APPROVAL DATE | CLOSING DATE |
|---|---|---|---|---|---|---|---|
| 1 | P151551 | Malawi Macroeconomics and Fiscal Management Programmatic Approach | Programmatic Approach | Record, Richard James Lowden | Active | 30-Jun-17 | N/A |
| 2 | P153806 | Malawi Economic Monitor 2015-16 | Economic and Sector Work | Record, Richard James Lowden | Active | 15-Jun-16 | N/A |
| 3 | P153753 | Malawi Fiscal Resilience DPO | IBRD/IDA | Record, Richard James Lowden | Pipeline | 07-Jun-16 | N/A |
| 4 | P148735 | Malawi Primary Education PET-QSD study | Economic and Sector Work | Tanaka, Nobuyuki | Closed | 29-Jun-15 | N/A |
| 5 | P147757 | Malawi Policy Note Series | Economic and Sector Work | Mbowe, Appolenia | Closed | 11-Apr-15 | N/A |
| 6 | P133262 | Malawi Public Expenditure Review | Economic and Sector Work | Le, Tuan Minh | Closed | 02-Jul-14 | N/A |
| 7 | P133663 | Malawi Economic Recovery Development Policy Operation 1 | IBRD/IDA | Mbowe, Appolenia | Closed | 28-May-13 | 31-Dec-13 |
| 8 | P130878 | Financial Reporting and Oversight Improvement Project | Recipient Executed Activities | Domelevo, Daniel Yaw | Active | 07-Mar-13 | 30-Jun-16 |
| 9 | P129055 | Public Finance and Economic Management Reform Program | Global Programs and Partnerships | Gurazada, Srinivas | Active | 18-Nov-11 | N/A |
| 10 | P113736 | Malawi - Investment lending: Use of Country PFM system assessment | Technical Assistance (Non-lending) | Alwyn | Closed | 10-Jun-10 | N/A |
| 11 | P117238 | MW-PRSC-3 | IBRD/IDA | Mbowe, Appolenia | Closed | 08-Jun-10 | 31-May-11 |
| 12 | P107303 | MW-PRSC-2 | IBRD/IDA | Nthara, Khwima Lawrence | Closed | 28-May-09 | 30-Jun-10 |
| 13 | P099313 | MW-PRSC-1 | IBRD/IDA | Nthara, Khwima Lawrence | Closed | 30-Oct-07 | 30-Jun-08 |
| 14 | P090068 | MW-PER (FY07) | Economic and Sector Work | Nucifora, Antonio | Closed | 27-Jun-07 | N/A |
| 15 | P072395 | Fiscal Management and Accelerating Growth Program | IBRD/IDA | Feda, Kebede | Closed | 13-Apr-04 | 30-Jun-06 |
| 16 | P079069 | Malawi Country Procurement Assessment Report | Economic and Sector Work | Gebreiyesus, Tesfaalem | Closed | 04-Mar-04 | N/A |
| 17 | P078408 | FINANCIAL MANAGEMENT, TRANSPARENCY AND ACCOUNTABILITY PROJECT (FIMTAP) | IBRD/IDA | Rajaram, Anand | Closed | 06-Mar-03 | 01-Sep-09 |
| 18 | P074061 | Country Financial Accountability Assessment | Economic and Sector Work | Musungwa, Brighton | Closed | 18-Apr-02 | N/A |
| 19 | P072540 | Public Sector Reform Dialogue-TA | Technical Assistance (Non-lending) | Floyd, Robert L. | Closed | 01-Mar-01 | N/A |
| 20 | P050294 | Fiscal Restructuring and Deregulation Program Project (03) | IBRD/IDA | Chitale, Sudhir | Closed | 21-Dec-00 | 30-Jun-02 |
| 21 | P073832 | Fiscal Restructuring and Deregulation Program Technical Assistance Project (03) | IBRD/IDA | Worthington, Ross | Closed | 21-Dec-00 | 30-Jun-04 |
| 22 | P056376 | SECOND FISCAL RESTRUCTURING AND DEREGULATION TECHNICAL ASSISTANCE PROJECT | IBRD/IDA | Chitale, Sudhir | Closed | 03-Dec-98 | 30-Jun-01 |
| 23 | P045030 | Fiscal Restructuring and Deregulation Credit (02) | IBRD/IDA | Chitale, Sudhir | Closed | 03-Dec-98 | 30-Jun-00 |
| 24 | P001648 | Fiscal Restructuring and Deregulation Program | IBRD/IDA | Chitale, Sudhir | Closed | 30-Apr-96 | 15-Mar-01 |
| 25 | P001657 | Institutional Development Project (02) | IBRD/IDA | Girishankar, Navin | Closed | 09-Jun-94 | 30-Jun-01 |