Briefing paper one

Change in challenging contexts

Ten tips for reformers

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Introduction

How can reformers deliver genuine institutional change in challenging contexts? This briefing offers ten tips for reformers working within government institutions in fragile or politically challenging environments. It draws from a lesson-learning exercise conducted by ODI's Budget Strengthening Initiative (BSI). BSI is an innovative and experimental programme to support fragile and conflict-affected states to build more effective, transparent and accountable budget systems. It draws from BSI experience working in South Sudan, Liberia, the Democratic Republic of the Congo and Uganda and with the g7+ group of fragile states.

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

The starting point for reform need not, and should not, be a comprehensive reform plan. It is impossible to find a solution to all problems at once, or even a perfect solution to one problem. Reformers need to select a few immediate problems, understand them as best they can and devise solutions. This means looking for opportunities to address these problems. It involves thinking strategically, but it does not require a strategy to begin.

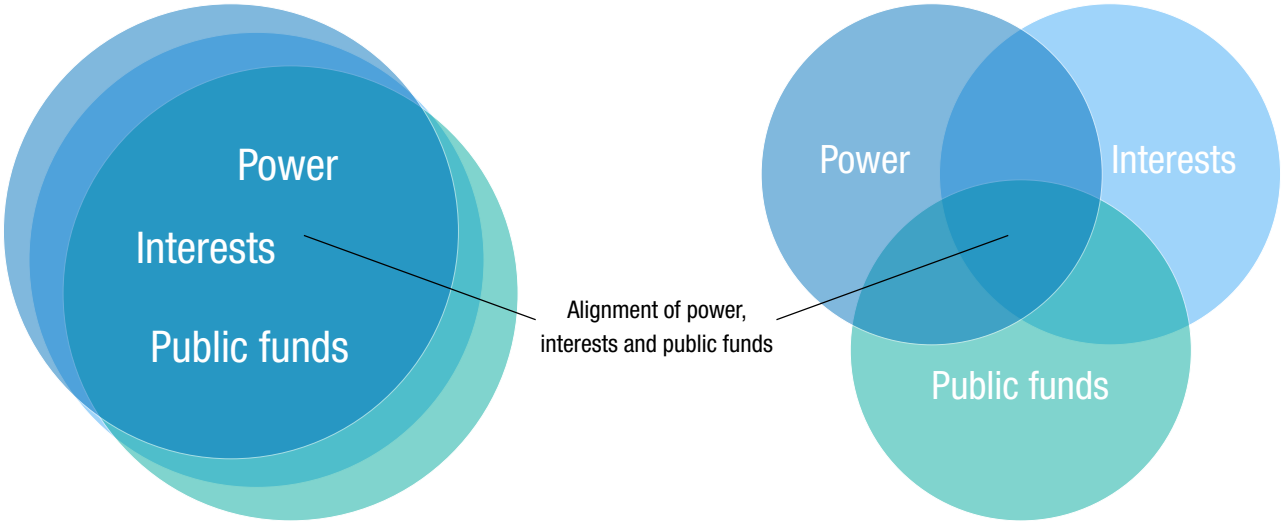
Table 1: The opportunity to solve a problem

The opportunity	...to solve a problem
A macroeconomic / fiscal crisis	Those in power may have little incentive to curb wasteful expenditure. A fiscal shock may provide an opportunity to build consensus for cutting expenditure and exercising greater fiscal responsibility.
Exiting a fiscal crisis / macro instability as a result	Once a country has ridden a fiscal crisis, there may be an opportunity for fiscal expansion as resources recover and/or donor support comes on stream. Despite the temptation to return budgetary allocations to previous levels, there may be an opportunity to allocate available additional resources to emerging policy priorities (e.g. basic service delivery, infrastructure).
A major corruption scandal	A scandal may reinforce the case for moving from informal to formal practices and to establish or tighten budgetary controls and accounting practices.
An external initiative (e.g. the New Deal)	International initiatives can provide impetus for government and donors to work together (and government to push donors) towards improving aid delivery in line with government objectives.
A review	A diagnostic review, for example an assessment of public financial management (PFM) systems, can provide an opportunity for joint understanding of problems, and for action.
Change in leadership and/or personnel	This can provide an opportunity to adjust solutions to problems in a different way or to try new solutions.

2. Understand the space for reform

Overall, this means looking at the broad distribution of power and interests within a country and institution.

Figure 1: The overall space for reform



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

What are the interests and the different levels? Where are there common interests? Do they relate to the delivery of public goods and/or the move towards more formal systems? What are their limits? Is there likely to be funding to address these common interests?

More specifically, reformers need to understand the space within which the problem they face must be addressed. Is the problem a simple challenge of initiating collective action, where changes would be in actors' interests if they worked together, or are there more fundamental problems underlying the lack of action?

Reformers also need to be aware of the institutional environment. What capacity is available to deliver reform and implement solutions?

When identifying solutions, it is important to aim for progress on areas of common interest. This may mean limiting the ambition for reform. Actions that try to exert direct ex -ante control or influence over areas where interests are not aligned are unlikely to be successful. Ex -post processes, such as accounting and transparency, covering these areas are less likely to be opposed. If the space for reform is not there, it may be possible to change actors' interests. If not, it may be that the time is not right for attempting change.

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

Reformers need an understanding of their destination, – this giving gives a sense of purpose and motivation. However, they should not try and get there in one giant leap, but instead take small steps. This involves solving individual problems, adjusting those solutions, responding to changes in context and moving to the next problem. Change tends to be incremental, and political space and capacity are more likely to be available for small steps. Small steps can have major implications, however.

Table 2: Small steps instead of giant leaps

Specific problem	Small step	One giant leap
Aggregate fiscal indiscipline leads to domestic borrowing and macroeconomic instability.	Ration cash by limiting expenditures in line with inflows of available resources.	A comprehensive solution to all these problems might include the following, underpinned by an integrated financial management information system (IFMIS), a tTreasury sSingle aAccount (TSA) and a centralised payment system: Make resources available in line with spending-agency cashflow plans and use domestic borrowing to smooth the difference between revenues and outlays. Subsequently adjust future fiscal plans on the basis of outturns. Establish and enforce comprehensive commitment and expenditure controls. Enforce clear sanctions for any individuals who bypass controls. Payment of suppliers directly through the banking system. Comprehensive accounting and regular reporting delivered exclusively through the IFMIS.
Budget not adhered to, with some institutions receiving more than budgeted, and several much less	Protect availability of budget resources in line with cash rationing for major expenditures (e.g. salaries, transfers) and a limited set of budget priorities. This may involve transferring funds to different accounts if the finance ministry is unable to protect resources within a TSA system.	
Weak accounting and lack of information on how resources are spent.	Weak accounting and lack of information on how resources are spent.	
Weak controls of commitments and expenditure, leading to large arrears.	Establish a process for validation of genuine arrears and budget for the clearance of arrears.	

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

Change is delivered through the implementation and use of processes and systems, and but capacity is required to implement them. Processes and systems need to be developed to work within the reform space, and considering and using the available capacity. Their design must be relevant to the problem, and implementation needs to be credible from the outset.

External capacity is typically required and used initially to ensure successful design and delivery of processes and systems. The enforcement of rules is key for the continued credibility of a process or system. However, this is where systems often break down. There is a danger that management of implementation can be taken over by domestic actors too early, before they are ready. External actors must be prepared to re-engage, if discipline starts to decline. This may involve long-term external involvement.

Table 3: Phases in system and capacity development

Stage	Process/system	Who does what?
Design and deliver	The initial design of a process or system and its implementation.	A team is assembled involving technical assistance (TA) and local actors. This stage is often led by TA actors. Local actors may perform some implementation and management tasks initially.
Adapt and capacitate	The process or system is adjusted based on initial experience of implementation and the ability of the team to manage the process.	TA actors build capacity and transfer responsibility for implementation to local actors, while adjusting the system. TA actors may continue managing the process throughout this period. Training and on-the-job support are important.
Adapt, hand over and sustain	Further tweaks to systems and processes, based on implementation.	Management is handed over by TA actors to local actors. External actors may continue to provide support and advice. Projects may continue to fund local expertise, especially concerning IT systems.

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

Reform processes involve learning from experience, the identification of new problems, and adaptation and refinement of solutions based on experience and the evolving context. Processes and systems also need to be adjusted over time, based on experience and evolving capacity and context. This ensures those processes and systems remain relevant and avoids long-term reliance on external capacity.

Some mistakes and reversals are likely, and may be de-motivating. However, mistakes should be viewed as an opportunity for learning, and can result in improvements to future iterations. Mistakes should not be seen as failures.

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

6. Decide when, what and how to formalise

Formalisation is important for a reform or process to be taken seriously. However, too much formalisation, too early and at too high a level, can stifle innovation and learning. The lower the level of formalisation, the easier adaptation is. Start with drawing up official guidelines or circulars, and use these to test solutions early on. These are far easier to adjust and adapt. Different types of formalisation may be required at different levels at different times. If high-level formalisation or authorisation is required, for example at cabinet level, then what is approved should not be prescriptive.

Box 1: The roles played by plans

A lot of time is spent preparing reform plans. However, they are rarely implemented as hoped, being overtaken by events – especially in fragile environments. Nevertheless, plans and strategies have three main roles:

1. **Giving a sense of direction.** Where they remain most relevant, plans are not prescriptive but provide a direction for reform to authorisers, teams and coalitions, and frame the operating environment within which reform can take place. Plans often reflect a reform agenda which already is emerging or well underway.

2. **Guiding the implementation of a specific solution.** Elements of a reform process are likely to be amenable to operational planning in advance. For example, the development of an accounting manual can be planned for in advance and implemented as planned. Such operational plans are also useful for fundraising.

3. **Formalising a reform direction or a particular solution.** Plans play a useful role in providing formal authorisation for the direction of reform overall, or the implementation of a specific process or system.

7. Join the dots

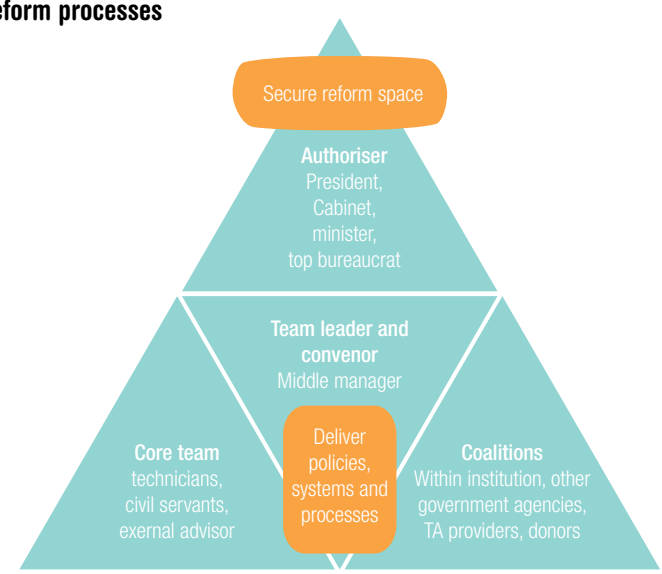
The reform process will progress from one problem to another, and the number and sophistication of systems being implemented will increase over time. Reformers need to think continuously and strategically about how different reforms, process and systems can complement each other. This may involve different PFM reforms within the finance ministry, or other reforms that cut across sectors. Reforms may also have started at different times or at different levels, and could be operational or strategic.

8. Don't try and reform alone

Potential leaders of reform must understand that they cannot reform alone, and it is difficult to drive reform from the top down, although this can help to maintain the pace of change. For reforms with major political implications, ministers will need to build coalitions of support. Specific reforms tend to be managed by mid-level bureaucrats and delivered by the teams they assemble. A minister or top-level bureaucrat needs to identify such colleagues and work through them, if he or she is to effect change.

The mid-level managers, in turn, should convene teams of more junior staff and external advisers to design and deliver processes and systems. They should also build coalitions of stakeholders to broaden acceptance of reform and its implementation. Team- and coalition-building also helps with joint learning, building consensus for reform, and overcoming collective-action problems.

Figure 2: Generic structure of reform processes



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

Change requires authorisation; it must be allowed to take place. Authorisation need not be explicit, but there must be tacit authorisation. Explicit authorisation from higher levels should be sought and gained only when needed. If explicit authorisation is sought before building coalitions of support, this may risk authority being taken away prematurely. When explicit authorisation is being sought, authorisers need to understand the implications; otherwise, authorisation may be granted on paper but not in practice – and so behaviour will not change.

Reformers need to understand the authority they have, and the authority of those above and below them. In this way, the appropriate authority can be requested at the right level, so that the space for change can be provided and protected.

10. Seek and adapt external advice

Potential reformers should seek external advice on how to address the problems they face. They will probably be bombarded by reform ideas from external actors as similar problems will have been faced before in other countries. Any solution from elsewhere needs to be tested for relevance to the specific local problems and adapted against the local solution. Totally new solutions may be required, and rarely does 'one size fit all'. However, lessons can be learned from elsewhere.

Conclusion

This brief should give hope that it is possible to deliver change in challenging contexts, whether as a minister, a mid-level bureaucrat or someone more junior. Genuine reform is delivered by identifying specific problems and taking practical steps to address them when the opportunity arises. We hope that the ten tips presented here are helpful to reformers wanting to take those steps, and to those in supporting roles.

Reference

Williamson, T. (2015) 'Change in Challenging Contexts. How does it happen?' London: Overseas Development Institute.

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

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