The Limits of Institutional Reform in Development

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Matt Andrews, *The Limits of Institutional Reform in Development*, Cambridge University Press, 2013.

This book is notable for the boundaries it crosses, the questions it raises, the answers it suggests, and the new avenues it invites us to explore.

Matt Andrews crosses boundaries separating scholars and doers. He asks why so many externally financed efforts at institutional reform in the public sector fall short of expectations. His answers focus on process. Too often reforms are driven by foreign aid, guided by best practice from other countries, and characterized on both sides by overly optimistic promises of better performance (measured by formal changes, rather than by slow-to-emerge development outcomes). But there is hope. Reform processes that are "instigated" by foreigners can succeed through "accumulated, endogenous responses to multiple problems over long periods" (p. 130). How?

> …[F]inding and fitting relevant reforms requires a process of 'purposive muddling' that (i) takes time and is incremental, (ii) requires a localized focus on problems and contextual realities, and (iii) involves broad scanning—externally and internally— and the formation, through bricolage, of hybrids. (162)

His book invites us to look even harder at those processes, including the political economy of the donor-recipient relationship and the prevalence of virulent corruption.

Many readers will sympathize with his verdict: institutional reforms seldom work in developing countries. (This appears to be so, by the way, whether the reforms are indigenous or donor driven—and admirers of Harold Seidman's *Politics, Position, and Power* [1997] may note that the verdict applies also to public sector reforms in the United States.) Why not?

Consider four explanations of failure, which I believe arise across policy areas.

(1) The conservative response. With these subjects (students, patients, countries…), these inputs (educational inputs, access to health care, development aid…) don't lead to better

outcomes. The program logic, or fundamental hope, is wrong. Foreign aid doesn't work—
not just for institutional reform, but wherever it (a) challenges the status quo of corrupt
politicians and inert bureaucracies and (b) assumes competence on the part of people who
simply aren't competent.

(2) The liberal response. The basic model is all right, but we need more experimentation
and evaluation to find out which activities combined how lead to what outcomes in which
contexts.

>(a) Top-down designs can work but only if we know much more about policy-by-
>context interactions. We need more research.

>(b) Institutional development needs better processes, then it will work. Reforms
>can be foreign initiated, but (drumroll) only with local ownership, participation,
>empowerment …

(3) The professional response. What do you mean, "failure"? Your outcome measures are
incomplete and biased, and your expectations are unrealistic.

>(a) Institutional development in poor countries is working, at least as well as
>venture capital in advanced countries, probably as well as public sector reforms in
>those countries.

>(b) These are terribly difficult problems. Defining success is not easy; the studies
>showing a lack of success use simplistic measures. Only we professionals can
>discern exactly what inputs will lead to all sorts of qualitative and interacting
>"outcomes."

(4) The radical response. Your "program logic" is not really what is going on. For example,
schools are not designed to raise academic achievement; they are designed to teach
compliance, obedience, and one's proper place in the meritocracy. Institutional reforms,
like most foreign aid, are not motivated by development outcomes. They have a
macropolitical agenda—vote for us at the UN, help us against the terrorists and the drug
merchants, give us access to your resources. They have a microbureaucratic agenda: let me
get promoted for getting an impressive-sounding project underway (where "me" can be
someone in an aid agency or a local government).

Andrews is working within the liberal agenda, especially 2(b). True, he sometimes inserts radical rhetoric and jargon from social theory (bricolage, embeddedness, dominant, and more). True, the book's disdain for best practice, measures of governance, and the universal goal of "market friendly, disciplined, and modernized government"—and its affection for words like context and complexity—overlap with what in other authors is an anti-economics, anti-Western, or anti-World Bank composite.

But Andrews' goal is to improve aid, not to jettison it. The magic wand is a better process. Donors should "force governments in developing countries to look at their situations, explain their own institutional weaknesses, and change these institutions" (130), and then allow time for experimentation. The book advocates "Problem-Driven Iterative Adaptation" (PDIA). Instead of trying to transplant best practices from other countries, PDIA addresses locally nominated "performance problems." PDIA encourages experimentation instead of rigid plans. PDIA emphasizes rapid learning rather than ex post evaluation. Finally, PDIA convenes locals for creative problem-solving, instead of relying on outside experts.

The book offers little evidence about what PDIA does, how it uses information and examples and frameworks, or its specific results. One of Andrews' case studies (anti-corruption in Indonesia, which I happen to know first-hand) belies his interpretation. Many key reforms in fact were quick and "top down." They did borrow from international best practice. They did things that seemed to fly in the face of "local realities" (e.g., borrowing staff from other agencies; transparent, merit-based hiring). Gradualism didn't accounted for the Corruption Eradication Commission's emergence after President Susilo Yudhuyono took power: what changed was the president and his support.

And yet, I think Andrews is basically right. If locals want to address institutional shortcomings in their distinctive contexts, they have to diagnose, compare, learn, and experiment. But how?

Andrews advocates PDIA; I have my favorite method; others have theirs. To name a few: various kinds consensus building in planning (Susskind *et al.* 1999), "developmental evaluation" (Patton 2011), "learning by meeting" (Freeman 2008), "collaborative rationality" (Innes and Booher 2010), and "learning events" for governments (Blindenbacher 2010). In what contexts and on what issues these processes work in what senses—these remain open

questions. As Blindenbacher notes, "To date the contemporary literature offers few theory-based concepts to enhance participatory and interactive governmental learning." Indeed, a process such as PDIA may not work at all:

> The laundry list of potential challenges includes: poor participation among members due to time constraints or conflicts of interest; problems reaching consensus on key decisions; imbalances of power and capacity across stakeholder groups; a lack of broader social and political legitimacy; difficulties obtaining needed inputs; and insufficient time as a result of external deadlines. (Truex and Søreide 2011)

We need to know more about exactly how which processes do what—and how process-by-context interactions might be taken into account.

Let me raise another issue for further research. Andrews focuses on situations where locals are willing to reform; they just don't want the particular, ill-fitting reforms donors are pushing. But what if locals don't want institutional reforms? The reasons can be many, beginning with political risks and sheer cost. Concerning reforms to enhance the rule of law, Daniels and Trebilcock (2008) list three more reasons:

> First is opposition from political leaders in authoritarian states or illiberal democracies who are afraid of establishing alternative sources of power and legitimacy. Second are interest-based conflicts among state organs, between state organs and special interest groups, and within civil society among various interest groups… Third is the more mundane corruption and rent-seeking by individuals or groups of individuals, which causes them to resist welfare-enhancing reforms and to distort the rules.

The problem with institutional reforms in developing countries is not just simplistic external solutions running headlong into complexity of local context. A tension is noted by Peerenboom *et al.* (2012), again with regard to improving the rule of law. "The days of one-size-fits-all rule of law promotion are over," they write. "Without a better understanding of which type of societies are conducive to which types of rule of law promotion, externally driven reforms will continue to produce lacklustre results." But as they concede, "Country-ownership may of course have negative consequences in some contexts, for example when leaders are not genuinely interested in reform, when dominant groups use legal reforms to

oppress others, or when interest groups take advantage of collective action problems to defeat welfare-enhancing reforms."

In such contexts, which characterize most of the countries that most need institutional reform, I fear that simply convening locals, advocating bricolage and iterative adaptation, not insisting on short-term results, and lending them the money … is unlikely to succeed.

And so those of us who join Andrews in pursuing collaborative problem-solving, context-tuned designs, and more humility by outsiders cannot stop with a plea for "purposive muddling." We need to analyze the principal-agent problem at the heart of foreign aid (Klitgaard *et al.* 2005), where many aid funders will not accept assurances of good will and let all goals soften and shift into the future. We need to put corruption at the center of the analysis. And as Andrews countenances, we need more descriptions of and theorizing about what reforms—and what reform processes—work in what ways in which contexts. In a word, we need more books like his.

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