Why distributed end users often limit public financial management reform success

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Abstract

Externally supported Public financial management (PFM) reforms often have limited success in developing countries. The reforms commonly introduce new laws and systems that are not fully implemented or used, especially by distributed agents—budgeters, accountants, and such in sector ministries, provinces, and districts. This article asks why this should be expected and what could be done about it. It builds a theory of institutional change and tests such using data from a survey of public sector accountants in Eastern and Southern African countries—one sub-set of which was distributed. The evidence supports a simple explanation of why distributed end users often limit PFM reform success: they are likely to support incumbent institutions and question reform alternatives and are less engaged in reforms than more concentrated agents who champion reforms. The article suggests that research and practice needs to better account for the influence of distributed agents on externally supported reform success.

Introduction

The success of externally supported public financial management (PFM) reforms in developing countries is often limited. The reforms are sponsored by organizations like the World Bank and commonly introduce new laws and systems but these are not fully implemented or used, and fail to improve PFM performance as much as one might hope or expect (given the promise and cost of the interventions). Evidence shows that reform limits typically emerge when the impact of new mechanisms depends on engagements with distributed agents—the budgeters, accountants, auditors and such in sector ministries, provinces, districts, and beyond. These agents (which have also been called 'deconcentrated' agents (Andrews 2010)) are critical to the functionality of PFM systems and to the success of reforms—being the day-to-day end users of the systems and the key transactors in such. Reforms fail when these end users do not fully implement or use the new laws and mechanisms introduced through reforms, which seems to happen frequently. This article asks why this should be expected and what could be done about it.

A first section introduces evidence from recent PFM assessments that points to the limits of reforms involving distributed agents. It ends by asking why these limits seem so prevalent and persistent, across countries and over time. A second section uses institutional theory to frame a response to this question. The theory suggests that institutions, commonly called rules of the game, influence agents' behavior. These rules of the game manifest in various mechanisms (like laws and processes, norms, perspectives on what is 'right' and appropriate, supportive political and power structures, patterns of resource allocation, and implementation capacities). These mechanisms are entrenched over time through repeated application and become extremely difficult to change, which is what reform is all about.

Reforms can bring change, however, and introduce new alternative rules of the game, but only under specific conditions. Theory suggests four of these conditions, with change and reform possible when: (i) agents believe that the context is disrupted; (ii) agents believe that incumbent rules of the game have lost legitimacy; (iii) agents believe that reform alternatives are legitimate and practical; and (iv) the agents needed to effect the change and apply it to local contexts are properly engaged. When these conditions are met one can expect far reaching institutional reform. When not, one should expect more limited reform. The section concludes by asking if the limits to reform involving distributed agents in PFM systems are a product of conditions not being met.

A third section builds on this question and applies such thinking to externally sponsored PFM reforms. It proposes four hypotheses linking these conditions to reasons why distributed agents might commonly undermine reforms. These suggest that distributed agents are less likely than concentrated agents to agree that the context is disrupted by PFM-specific problems, or that incumbent PFM rules of the game have lost legitimacy, or that PFM reform alternatives are legitimate and practical; and they are also less likely than concentrated agents to be engaged in PFM reform design or to have an influence over reform choices. The section tests these hypotheses, using data drawn from three sets of public sector accountants in Eastern and Southern African countries—the 'most concentrated' who have worked only in the Ministry of Finance, the 'less concentrated' who currently work in the Ministry of Finance but worked previously in sector ministries, and those who are 'distributed' and have worked only in sector ministries. Evidence supports the final three hypotheses, showing that distributed agents are more likely to support incumbent institutions and question reform alternatives than their more concentrated peers, and are less engaged in reforms (in contrast to concentrated agents who design reforms).

A concluding discussion notes the potential contributions of this article to research on PFM reform in development and to reform practice. It argues that the study helps to explain why reforms have gaps when distributed agents are involved (what has been called the deconcentrated gap in prior work (Andrews 2012; Wescott 2012). It also suggests that understanding how distributed and concentrated agents think about and engage in reforms can help would-be reformers overcome the gap in reform implementation. The discussion notes also that the current article is only a starting point in better explaining why some reforms succeed and others fail and how distributed and concentrated agents differ in respect of reforms. More research into this area is required, especially applied action research within reform processes.

Evidence of reform limits with distributed agents

Externally sponsored Public financial management (PFM) reforms have been common across the developing world. As with other areas of public sector reform, PFM interventions have had mixed effects (World Bank 2008). This is evident when one examines reports based on the Public Expenditure and Financial Accountability Performance Measurement Framework (PEFA). Developed by a multi-donor group, PEFA allows one to assess the degree to which 64 dimensions of a country's PFM system meet "existing good international practices" (PEFA 2006, 5) or what Wescott calls "the immediate objectives of reform" (Wescott 2008, 22). Each dimension is given an A, B, C or D depending on how well a country's system complies with specific criteria set out in the PEFA assessment.

Studies using the PEFA framework have routinely revealed patterns in the scores achieved within and across countries. One of the patterns shows that it matters if distributed agents are engaged in producing a dimension score. A series of studies identified this pattern by deconstructing the PEFA dataset into dimensions that are 'concentrated' (41% of the total) and 'deconcentrated' or distributed in character (59% of the total) (Andrews 2010). Concentrated dimensions are those that fall under the control of central, regulatory bodies, like the Ministry of Finance (called concentrated agents in this article), and an A or B score can be achieved where only these agents are engaged. Deconcentrated dimensions involve multiple distributed agencies or subnational authorities (these are distributed agents) and an A or B can only be achieved if these other agents are engaged. For example, scoring above a C on dimension PI-12 (iii) requires costed sector strategies for several major sectors, which entails participation of several budget entities across line ministries.

In a study of 31 African countries, Andrews (2010, 2011) shows that governments are likely to yield significantly lower scores on deconcentrated dimensions, even when controlling for a range of contextual factors (like a country's colonial legacy, income level, economic growth record, and more). Porter et al. (2012) have a similar finding when looking at fragile countries in Africa, as does de Renzio et al. (2012) in a study of over 100 developing and transitional countries. This study shows that over 90% of countries assessed using PEFA had scoring gaps because of higher performance by concentrated agents.[1] Put plainly, the observation is that systems are better when controlled only by budget departments in the Ministry of Finance than they are when engaging distributed sets of budget departments in line ministries. Similarly, the central treasury establishes excellent systems but these are seldom as effectively implemented by distributed accountants in sector agencies. The negative impact of deconcentration on PEFA scores is evident in a statement from Mozambique's PEFA report (in 2008) that, "Monthly reconciliation is possible only for Treasury-managed bank accounts."

de Renzio et al. (2012) find more than a gap between concentrated and deconcentrated dimensions scores, however. The study also reveals that donor-financed reform initiatives have a greater impact on concentrated dimensions than distributed dimensions. This is an important finding that is further reinforced by Ronsholt (2012), which investigates the impact of reforms on changes in PEFA scores over time (in 32 countries with repeat PEFA assessments). According to this study, about 45% of concentrated dimension scores improved over time and after reform, whereas fewer than 10% of these dimension scores declined. In contrast, about 27% of deconcentrated dimension scores improved and over 20% of these dimension scores declined. The study sums these results by saying that, "Actor concentration showed much higher performance improvements than actor deconcentration" (Ronsholt 2012, 9).

These findings show overwhelmingly that externally supported PFM reforms are limited when distributed agents are engaged in reform, leading to what some have called a 'deconcentration gap' in PFM reform (Andrews 2010; de Renzio et al 2012). One wonders why these limits seem so prevalent and persistent, across countries and time.

Theory and the limits of distributed institutional change

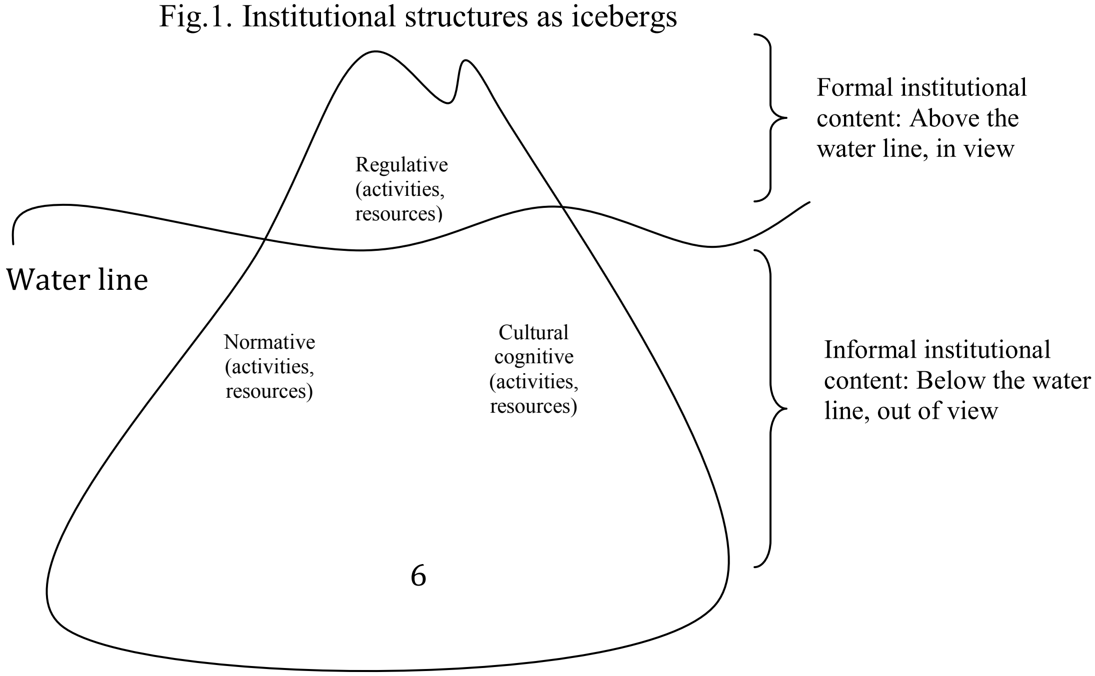
One approach to this question involves asking what it takes to foster PFM reform and change and if the change challenge is different for concentrated and distributed agents. This approach leads one to use institutional theory as a framework, given that PFM reforms are often seen as examples of institutional change, or changes in 'rules of the

[1] See a map showing these gaps at http://www.targetmap.com/viewer.aspx?reportId=21603

game' that make agents behave differently (Alesina and Perotti 1999). Different disciplines emphasize different 'types' of institutional mechanisms when discussing these rules of the game. Economists generally refer to regulative mechanisms like laws when speaking of institutions and argue that these influence the extrinsic incentives of agents. Sociologists examine normative mechanisms (like values) and hold that these influence the intrinsic choices of agents (what is acceptable or appropriate). Some anthropologists speak of cultural-cognitive mechanisms (like religion, nationality, or language) that create rule-like frames through which agents interpret the world, influencing what agents are inclined to do regardless of extrinsic and intrinsic incentives.

This article adopts Richard Scott's inclusive approach and merges these different mechanisms, viewing institutions as comprising "regulative, normative *and* cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to life" (Scott 2008, 23). Figure 1 illustrates the institutional structure implied in such definition. It shows the institution as an iceberg in which normative and cultural cognitive mechanisms form a base atop which regulative devices operate. This approach has parallels with Elinor Ostrom's 'nested' rules (Ostrom 1990, 51). Together, the elements establish a rule that shapes the way agents think, weigh decisions, and behave. It is important to note that this kind of structure incorporates both informal and formal elements—not one or the other. The iceberg metaphor reflects this, suggesting that a large part of any institutional mechanism is unseen or below the water line because it is informal—implicit, unwritten and seldom visible.

Fig.1. Institutional structures as icebergs



Source: Andrews (2013, 44)

Much of the theory on institutional change suggests that institutions establish themselves as incumbents and become extremely difficult to change, especially if they exist for long periods (much like icebergs) (Bartunke and Moch 1987; Greenwood and Hinings 1993; Meyer and Hammershmid 2006). Cognitive and normative foundations of these incumbent rules of the game become entrenched in new scripts and symbols over time and embed themselves through repeated behavioral patterns of expanding sets of agents (Guillen 2003). Think of accounting rules about how transactions are classified and recorded, which become embedded after decades of use. Words like 'capital' become imbued with meaning in this time, and agents who routinely use the definition develop an accepted understanding of what this meaning is. Regulative mechanisms are fine-tuned to reflect the incumbent rule as well, with laws and procedures adopted to reinforce its influence. These changes structure power relationships and capability mechanisms that allow the institution to function, locking-in the incumbent and making it extremely difficult to change (agents relate to each other in ways defined by the rule, for instance, and capacities and resource allocation patterns are established to support the rule).

In short, therefore, the incumbent rule of the game can appear irreversible when many agents invest heavily in it over long periods. These investments become like sunk costs and decrease the willingness or ability to switch to alternative institutional structures, even though these continue to exist and may even be promoted in reforms.

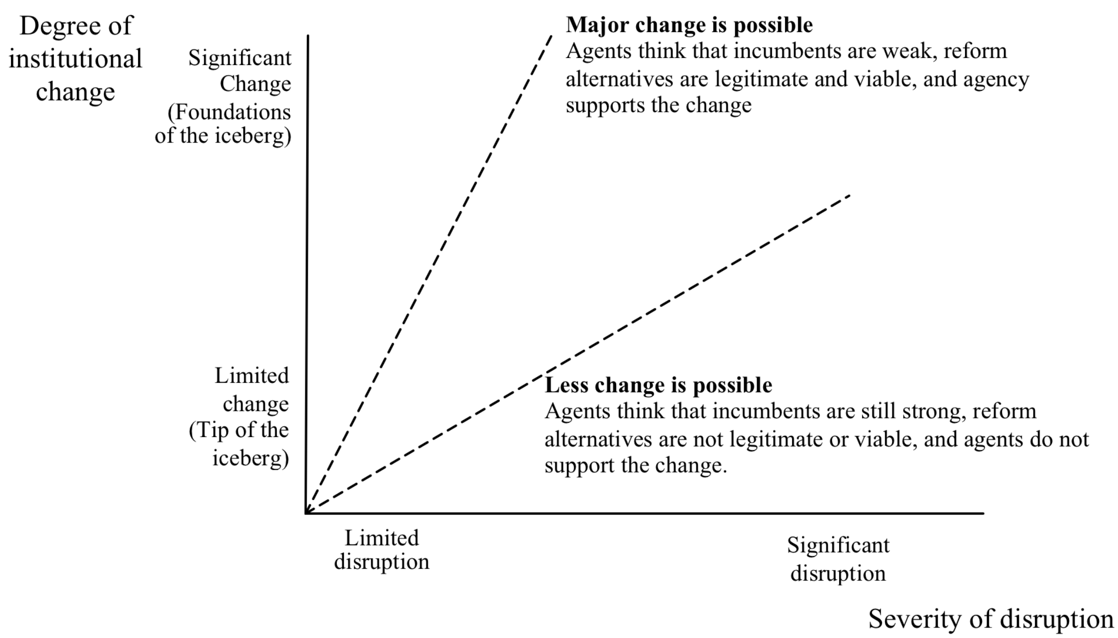
Studies show that institutions do change under certain conditions, however, and intentional reforms can even foster such change (Andrews 2013; Bacharach and Mundell 1993; Scott 2008; Thelen 2003). The first condition is that there must be some kind of disruption that causes agents in the context to question incumbent structures. This could take the form of an exogenous shock like a global economic crisis, or destabilizing endogenous jolts like repeated concerns over corruption. These create change opportunities if incumbent institutions cannot facilitate the resolution of emerging problems associated with the disruption (Greenwood, Suddaby and Hinings,2002; Tolbert and Zucker 1983). In such situations agents are confronted by weaknesses and contradictions in their pre-existing rules (Seo and Creed 2002). Faced with failing incumbent rules of the game, agents may look to replace an incumbent with another alternative, creating space for reform (Bartunek and Moch 1987, 486; Thelen 2003).

Disruptions do not always foster radical change, however. The degree of change depends on various other conditions (discussed in detail in Andrews 2013):

- A second condition focuses on the extent to which agents believe that incumbent rules of the game have lost legitimacy. If this is the case, then agents in the context will be open to new ideas and reforms will be entertained. If agents do not believe that incumbent rules of the game are responsible for the disruption however, they will likely not welcome changes to the incumbent rules of the game that they know and are comfortable with.
- A third condition reflects on the extent to which agents believe that reform alternatives are legitimate and practical. The idea is that agents are more receptive to alternatives that they have seen in operation and have had a chance to work with and apply (especially if the agents can see that the alternatives are politically possible and they have the capacity to adopt the alternatives and shape them to their local context).
- The fourth condition centers on the degree to which agents who are needed to effect change are actually engaged in making such change happen. The idea is that those who have to implement and live with new rules of the game should be engaged in designing and shaping these rules. If they are engaged they will likely support the changes (given some ownership over the new rules) and will also likely do their part in making sure the new rules are relevant (politically and practically possible). If they are not engaged, however, one could expect that they will not actively support new mechanisms and one could also expect that new mechanisms will not be adapted to fit into local contexts.

The argument here is that the degree of institutional change one should expect in any context depends on these four conditions. When these conditions are met one can expect far reaching institutional reform. When not, one should expect more limited reform. Figure 2 shows this simply, with a graph that relates the degree of institutional change or reform (on the vertical axis) and the degree of disruption (on the horizontal axis). As noted, the relationship between reform and disruption (the first condition discussed above) is assumed to be positive (so more disruption yields more change). The other three conditions determine how sensitive change will be to disruption, however, resulting in various levels of change. Change is greatest (on the steeper trajectory) in situations where agents do not consider the incumbents legitimate anymore, reform alternatives are considered legitimate and viable, and needed agents are engaged and aligned behind the change. Change is more limited (on the shallower trajectory) when incumbent, and influential agents are not full aligned behind the change. Under such conditions one should expect that new reforms will be adopted in form but established incumbents will actually continue to drive behavior.

Figure 2. How contextual factors shape opportunities for institutional change



Source: Adapted from Andrews (2013, 51).

The theory and argument behind Figure 2 is intentionally simple. It holds that the views and engagement of agents in a given context influence the degree to which they will embrace institutional change. Agents will embrace change if they think that they face disruption, incumbent institutions are no longer legitimate, and alternatives offered in reforms are viable; and if they are actively engaged in making the change happen. Agents will reject and limit change if they do not think the context is disrupted, or if they believe that incumbents are still legitimate, alternatives are not viable, or if they are not sufficiently engaged. The focus in this discussion is on individual agents but the argument does not need to emphasize individuals engaging alone. One might think of how the four conditions are met in respect of groups of agents—like concentrated and distributed agents involved in PFM reforms. If the change conditions noted above are less likely to be met in respect of distributed agents, then one could expect more limited reform and change when these agents are engaged. This leaves a question for testing: Are the limits commonly seen when PFM reform involves distributed agents a product of change conditions not being met in respect of these distributed agents?

Explaining PFM reform limits with distributed agents

Before moving to test this question one needs to be clear about which agents are called 'concentrated' and which are called 'distributed' in a PFM system. As already discussed above, the simplest way to differentiate between the two groups is to think about where agents work in the PFM system. Concentrated agents tend to be PFM specialists working in units and agencies that are dedicated to PFM in the central government (Dixon 2005; Montes 2003). They are located in the treasury and budget departments of Ministries of Finance, and in procurement bureaus and internal audit units. The job of these agents centers on making and enforcing rules of the game and providing oversight about PFM concerns. In developing countries they are typically the ones who engage with outside donors and agencies like the International Monetary Fund (IMF) and World Bank. A useful reference point for thinking about such agent is the accountant general in a country or any member of the accountant general's staff. In contrast, distributed agents are those people providing transactional PFM services in agencies and entities across government where PFM is not the main focus. The reference point is an accountant working in a ministry like health or education or in a district office. These agents are numerous but distributed and provide a financial management service to the organizations in which they work, where the mission is not about PFM itself but rather about service delivery or furthering social or political or policy agendas (Jin et al. 1998; Whittle et al. 2011).

Given this simple understanding of who the two groups are, one can hypothesize about how they would think and engage differently with regards to PFM reform.

First, it makes sense that distributed agents would be less concerned about PFM-specific problems that commonly lead to reforms—like process deficiencies in the PFM system or general concerns about fund misallocation or weak reporting and potential corruption. Concentrated agents in the Ministry of Finance are routinely focused on these kinds of problems given their oversight roles. Their focus on problems is sharpened by the direct engagement with organizations like the IMF, which commonly holds a running dialog with Ministry of Finance staff on the problems in PFM systems. Distributed agents are less involved in such discussions and deal with a host of problems related to their organizations' missions and not just PFM. Hence, PFM-specific problems would likely not generate as much concern in line ministry accounting departments as they would in the national treasury. This is not to say that line ministry or district level accountants would not be aware of the problems as continuing conditions that need repair. It is rather to say that these conditions will less likely become focal problems or issues that actually receive attention enough to foster change (Kingdon 1995). Given such argument, the first hypothesis designed for testing is simply: H1. Distributed agents will limit reforms because they are less likely than concentrated agents to agree that the context is disrupted by PFM-specific problems.

It is also reasonable to argue that distributed and concentrated agents will think differently about the legitimacy of incumbent institutional arrangements. PFM reforms commonly aim to replace less formal systems with more formal systems, and centralize key functions in the PFM and public management systems (like hiring and the collection of revenues into treasury single accounts managed by the central treasury). Reforms typically also focus on depoliticizing budgeting and financial management processes, introducing technical procedures like rational planning and multi-year budgeting mechanisms to counter political influences. These kinds of mechanisms reflect an understanding of 'what is appropriate' that one could expect from concentrated agents who are typically professional accountants or economists and have the job of bringing stability and discipline to the PFM system. Distributed agents may not believe that these mechanisms are appropriate, however, and may actually maintain a view that incumbent mechanisms are more legitimate. This is especially the case where incumbent systems allowed distributed agents to hire people directly and locally and gave distributed agents power over own resources (keeping revenues they raised in their own bank accounts).

These kinds of systems are commonly targeted for change in developing countries but may actually be supported as legitimate by distributed agents who need the flexibility they provide to effectively meet objectives (whether these relate to providing services on the ground or fostering political interests, or more) (Pettersen 1995). Distributed agents may also baulk at the idea of depoliticizing budget processes, given that their day-to-day interactions are less about mechanical PFM and more about policy and politics. Distributed agents working close to political realities might see the politics as acceptable and legitimate and might consider an overly technical PFM process unacceptable. Hence the hypothesis: H2. Distributed agents will limit reforms because they are less likely than concentrated agents to agree that incumbent PFM rules of the game (promoting local resource control and allowing political influence) have lost legitimacy.

It is also feasible to expect that distributed agents will view reform alternatives less favorably than concentrated agents. Reform ideas emerge commonly from international best practice examples (Andrews 2013) and in discussions between concentrated agents and organizations like the IMF (who support adoption with loans and grants and technical assistance in many cases). The concentrated agents have opportunities to visit places that have tried the reforms before and are potentially more normatively inclined to view the reform ideas positively (especially if concentrated agents are more highly educated, with education in subjects like accounting and economics and at an international university). Distributed agents, in contrast, may be less inclined to see outside ideas as appropriate or legitimate simply because they have no reference points to make sense of these ideas. The ideas come from the outside and have no inherent legitimacy to these distributed agents.

Distributed agents who have to actually implement and live with the new mechanisms after reforms may also be more sensitive to the challenge of full adoption. They might be more concerned as to whether reform alternatives are possible given the supporting realities on the ground that emerged around and supported prior institutional forms. In this respect, distributed agents might see extant legal and systems arrangements as impediments to the reforms proposed, and might be less sanguine than concentrated agents about the administrative capacity and willingness to implement reforms, or the fit between new rules of the game and political interests shaping day-to-day government activity (Greenwood et al. 2002; Suchman 1995). This leads to a third hypothesis: H3. Distributed agents will limit reforms because they are less likely than concentrated agents to consider PFM reform alternatives as legitimate and practical.

Finally, it is reasonable to expect that distributed agents are less engaged in reforms than concentrated agents. Most PFM reforms are designed by small cadres in central agencies inside or related to the Ministry of Finance, who collaborate with international agencies and donors and external consultants (Andrews 2010; Mintzberg 2010). Reform designs in the PFM area seldom include real piloting or experimental activities that might engage more distributed agents. These distributed agents are thus seldom if ever given opportunities to contribute to reform designs or to try new reform alternatives out, learn about what works, and shape reforms to context. This low level of engagement is common in many reforms outside of PFM as well, where distributed agents are not considered important as change agents. They are rather seen as change targets who are expected to 'implement by edict'. The failure to engage these agents limits the potential for change, however, in that it undermines the ownership they have of reforms and compromises their support for such. Hence the final hypothesis: H4. Distributed agents will limit reforms because they are less likely to be engaged in PFM reform design than concentrated agents.

Testing these hypotheses

These four hypotheses were tested in a study of the views and experience of groups of concentrated and distributed public sector accountants from seven Eastern and Southern African countries. Over one hundred of these accountants were attending a regional conference in 2010 and completed surveys asking about their backgrounds and views on reforms. Twenty of the accountants worked in the Ministry of Finance and had never worked anywhere else. They represented the 'most concentrated' group. Forty-four of the accountants worked in the Ministry of Finance but had worked in more distributed agencies before (like line ministries or districts). They were considered the 'more concentrated' group. Thirty-eight of the accountants worked in distributed agencies like line ministries and had never worked for the ministry of finance. They were considered the 'distributed' group.

Accountants in the three groups had important background differences. First, they had different experiences of working in the central ministry of finance. Distributed accountants had no experience in such, whereas the average number of years working in this ministry was eight in the more concentrated group and 14 in the most concentrated group. Beyond this, the different groups had different educational backgrounds. Only 22% of the distributed agents had a postgraduate degree with a focus on accounting, compared with 38% of the more concentrated accountants and 39% of the most concentrated group. Only 14% of the distributed group had a bachelors degree with a major in accounting, compared with about 20% in the other two groups. The distributed accountants also had a lower representation of 'other' postgraduate qualifications (mostly economics) with 19% (compared with 23% and 33% in the more and most concentrated groups). The distributed accountants were dominated by those with non-accounting bachelors degrees (38% of the total, compared with 12% and 11% in the more and most concentrated groupings).

These differences point to important variations in the populations of concentrated and distributed accountants. They may all be called 'public accountants' but they have different academic and intellectual influences and organizational experiences. These should be expected to shape the way the groups think. This reinforces the view embedded in all four hypotheses that the groups will have different perspectives on the need, legitimacy and efficacy of PFM reforms. Table 1 shows that these differences are almost as hypothesized.

The top row in table 1 reflects views of the three groups on the degree of disruption in their contexts, intended to show whether they agreed that there was a case for PFM reform. All respondents were asked to note on a scale of 1 to 5 whether they thought two key PFM concerns were real problems. The concerns were communicated generally and focused on the misallocation of financial resources and corruption in the PFM system. As shown, the vast majority of accountants agreed that these were problems (scoring 4 or 5 on the questions, which constituted 'agree' as measured in the table). The extent of agreement was higher with more and most concentrated groups but the differences are not significant. Overall, all groups thought the systems were disrupted. There is thus little evidence supporting hypothesis 1 and little reason to think that the distributed agents included in this work would support reforms less because they thought reform was not needed.

Table 1. Responses to questions about reform conditions

Institutional change and reform conditions	***Distributed accountants***	***More concentrated accountants***	***Most concentrated accountants***
The context is disrupted by a problem			
(1) Resources not well used in extant system.	92% agree	100% agree	100% agree
(2) Corruption concerns in extant system.	84% agree	92% agree	100% agree
Incumbents are weakened			
Agents reject incumbent logics:			
(1) Hiring should be centralized, not local.	52% agree	75% agree	80% agree
(2) Revenue should be centralized, not local.	50% agree	75% agree	78% agree
(3) Budgets are more technical than political.	42% agree	60% agree	66% agree
Reform alternatives are seen as legitimate			
(1) Implementers accept reforms.	46% agree	64% agree	70% agree
(2) The reforms are the 'right' ideas.	40% agree	60% agree	72% agree
Reforms are seen as viable, given extant:			
(3) Legal arrangements.	38% agree	54% agree	59% agree
(4) Systems arrangements.	30% agree	44% agree	55% agree
(5) Capacities of administrators.	26% agree	46% agree	59% agree
(6) Will of administrators	40% agree	58% agree	65% agree
(7) Political interests.	26% agree	43% agree	50% agree
Agents are engaged behind reform			
(1) Were you engaged in reform design?	38% agree	66% agree	72% agree
(2) Implementers engaged enough in design?	38% agree	56% agree	62% agree

(3) Implementers given enough opportunity to practice with, adapt reforms to context? (4) Implementers given time to implement?	26% agree 30% agree	66% agree 50% agree	83% agree 56% agree

Source: Author's analysis based on survey administered by the author.

The second row shows responses of the three groups to questions about the legitimacy of incumbents. The questions forced respondents to reflect preferences for different sets of rules of the game or understandings of such rules (those reflected in reforms versus those embedded in incumbent systems). The idea was to test whether they thought that incumbent rules of the game were discredited or not. As such, the three questions assessed (i) whether respondents thought hiring should be centralized (as per many reforms) or left to local discretion (as per many incumbent systems), (ii) whether respondents thought own revenues should be centralized (as per many reforms) or collected and held locally (as per many incumbent systems), and (iii) whether respondents thought budgeting was primarily technical (as per the thinking in many reforms) or political (as is the thinking in many incumbent systems).

The results show that distributed agents are less convinced than the concentrated agents that incumbent systems are discredited or weakened. About half of the distributed agents still hold to 'incumbent' beliefs in respect of who should hire and hold own revenues, for instance, as compared with less than a quarter of the concentrated groups (where over 75% showed agreement with the new thinking implied in reform designs, indicating their own views that incumbent systems are weakened). About 60% of the distributed group also still see budgeting as primarily political, compared with less than 40% of those in the concentrated group (where over 60% believe that budgeting is more technical than political, suggesting that old political ways of budgeting are no longer relevant). This suggests that one should expect limited reforms when distributed agents are involved, given that a higher proportion of these agents think that status quo rules still make sense.

There was even more disagreement across the groups about the acceptability and practical relevance of new reform ideas. Consider, for instance, that the different groups had varying views on whether reforms were accepted by those who had to implement the reforms in line ministries, provinces and districts. Only 46% of the distributed groups agreed with this statement (answering 4 or 5 on a 5 scale question, where 1 indicated 'completely disagree' and 5 indicated 'completely agree'). In contrast, over two thirds of the most concentrated group agreed with the statement, suggesting that they believed reforms were wholly accepted. Over 70% of the most concentrated group scored 4 or 5 (agreeing) when asked if they personally thought the reforms their country was pursuing were the 'right' ideas. Only 40% of the distributed agents answered similarly, suggesting that this group of agents was more skeptical of the reform selection than the concentrated group. The reasons for such skepticism are apparent in the responses to a set of questions about the viability of reforms, given pre-existing legal, systems and capacity characteristics, and administrative and political will. Respondents were asked whether they thought existing characteristics in these areas posed a major constraint to reforms. Those answering 1 or 2 indicated that they disagreed with such idea and hence were shown to agree with the view that the characteristics posed no constraint to reform. The table shows that less than 40% of distributed agents fell into this category in the way they answered the questions. Only 26% agreed that existing political interests and administrative capacities were conducive to reform, for instance, and between 30% and 40% agreed that reforms were viable given existing systems, laws and administrative will. These views contrast with those of concentrated agents, who were much more sanguine about the viability of reform. Over half of the agents who had only worked in the ministry of finance (the most concentrated group) felt that all the five characteristics aligned to make reform viable. One could expect that these concentrated agents would promote less limited reforms because they view reforms as viable. As per hypothesis 3, however, one should expect more limited reforms when involving distributed agents—given that these agents are less convinced about the legitimacy and viability of reforms.

A final set of questions focused on the fourth hypothesis, asking if agents in distributed groups were less engaged in reform. Respondents were asked four questions in this respect, starting with the direct question, "Were you engaged in reform design?" A second question asked if respondents thought that those implementing reforms in line ministries, provinces and districts were commonly involved sufficiently in reform design. Two additional questions asked if respondents thought those implementing reforms (distributed agents) were engaged enough in actually rolling reforms out, and had enough opportunity and time to practice with, adapt and implement reforms.

The answers paint a sobering and troubling picture of differences in engagement in PFM reform and differences in views about how distributed agents should be engaged. Only 38% of the distributed agent group said they were directly engaged in reform design (answering either 4 or 5 on a 5 scale question). The same 38% agreed that those implementing reforms were engaged sufficiently in reform design. A smaller percentage (26%) agreed that reforms were open to enough influence by implementers when being rolled out, however, and about the same number (26%) agreed that there was sufficient time to implement reforms. These answers contrasted dramatically with those from the most concentrated group; 72% of these agents had been involved in designing reforms, 62% thought that implementers were engaged sufficiently in design, over 80% thought that implementers were given enough opportunity to experiment with reform, and 56% thought that implementers had enough time to do the reforms.

These data show that distributed and concentrated agents were engaged differently in reforms and had different views on the engagement that was needed. The lack of engagement of distributed agents should be expected to lead to more limited reforms (given hypothesis four).

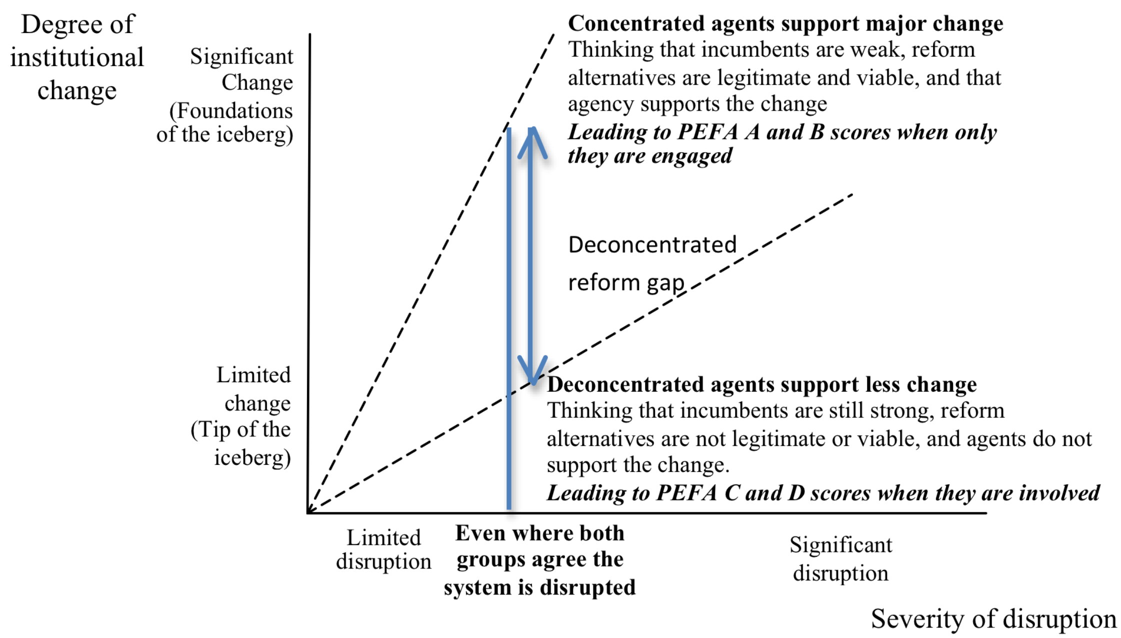
Concluding discussion

The evidence provided in Table 1 shows quite clearly that concentrated and distributed agents think about and engage with PFM reforms differently. The data supports three of the hypotheses presented earlier about these differences. These suggest that distributed agents (i) see incumbent structures as still being legitimate,

(ii) are skeptical about the legitimacy and practicality of new reform ideas, and (iii) are less engaged in shaping reform ideas.

The study does not show explicitly that these differences lead to lower adoption or implementation of reforms (given a lack of detailed data on the uptake of reform by different agents). However, according to the theory discussed earlier, one can expect that these differences will lead to more limited reform when distributed agents are engaged. This is shown in Figure 3, which is an adjusted version of Figure 2. The figure shows that concentrated agents have views on reform and levels of reform engagement that satisfy the conditions needed to foster significant change. Hence, one should expect that they will support far reaching reform (reflected in the steeper reform trajectory). This is what studies show, given that A or B PEFA scores are routinely associated with process dimensions that involve only concentrated agents. Distributed agents, in contrast, share the view that the context is disrupted but are in all other ways different to concentrated agents. The reform conditions are not met with this group, which would place them onto a shallower trajectory (even though they know there is need for reform they are less open to the reforms being proposed). They thus support less reform, which is what PEFA data show (where dimensions with distributed agent involvement have routinely lower scores, registering Cs and Ds).

Figure 3. Understanding the distributed reform gap



Source: Adapted from Andrews (2013, 51).

The above argument and figure suggests that differences in the way concentrated and distributed groups of agents think about and engage with reforms can help explain a common gap in reform success. This gap has been called the 'deconcentrated reform gap' and is the difference between the high scores on PEFA dimensions involving only concentrated agents and the low scores on PEFA dimensions involving distributed agents (Andrews 2010; de Renzio et al. 2012; Ronsholt 2012). As discussed, this gap is evidenced in over 90% of the over 100 countries that have been subjected to PEFA assessments. As also discussed, it is a gap that seems to grow as reforms progress.

The study also points to some remedies would-be reformers should consider to close this gap. Primarily, it is vital to stop talking about the 'government' as if it is one organization in which all agents think and act the same (as many reform designers tend to do, whenever claiming that '*the government* supports the reform'). It is important to acknowledge and accept that different groups of agents in governments across the world are likely to have different thoughts about and engagement with reforms. They thus need to be treated differently and considered as different groups (such that, at the least, reform designers start asking if 'concentrated and distributed agents support the reform'). It is also important to recognize that agents' views on the legitimacy of past institutions (called incumbents in this article) influence how much the agents will support or limit reforms. Reform designers should thus embed strategies in their design processes that allow them to test how much different groups of agents still agree with old ways of doing things, or feel that the old ways will make change difficult. It is also vital to address the fact that many external reform ideas are not considered legitimate by end users in PFM systems. Reform designer should embed strategies that either help these distributed end users make sense of external ideas or find and fit new ideas and solutions that they are more comfortable with.

The final point to emphasize centers on the importance of engaging distributed agents more actively in reforms—during design phases and when reform ideas are being tested and agents are learning about what works and why. Distributed agents are commonly excluded from such steps or the steps do not exist. "This omission is problematic because an institutional template that is not enacted by all members of an organizational field would invariably fail to become an institution at all" (Whittle et al. 2011, 552). This omission can be addressed by introducing the idea of distributed agency into mainstream institutional research and into practice. It is a concept that widens the lens through which agency is viewed when examining institutional change, implying "the involvement, interaction and conjoint activity of multiple actors" in change (Whittle et al. 2011, 553). In practice, this means considering the importance of distributed leadership (Andrews 2008, Andrews et al. 2010) and being more serious about incorporating those who are responsible for what might be considered "the more mundane and less prominent, but nevertheless essential, activities … in the institutional work associated with emergent institution-building" (Whittle et al. 2011, 553).

These ideas emerge from the study but are by no means hard and fast rules about how to ensure that PFM reforms are implemented with fewer limits, especially when distributed end users are involved. This article is broaching new ground in examining the differences between distributed agents and concentrated agents and should thus be seen as a first step only; with many further steps required. The article does not prove that different perspectives of distributed agents actually yields reform limits, for instance (because the empirical evidence does not allow one to examine the impact of different ways of thinking on actual reform implementation or success). This is the kind of work that future studies must try to do. These studies should also develop better ways of assessing how different groups think about the problems they face, and the legitimacy of incumbent institutions and of alternative reform prescriptions; and of the way agents engage in reforms. The survey approach used in this study was limited in scope and quite experimental in design, and could be improved upon. It also only examined the thinking of public sector accountants in developing countries, suggesting that distributed accountants are 'distributed' end users in PFM systems. In many respects the real distributed end users are even further removed—the political and bureaucratic heads of sector ministries and local governments and maybe even citizens affected by reforms. Studies should look to assess how these groups think about and engage in reforms as well, to get a fuller sense of variations across the system (from most concentrated agents through more concentrated, semi distributed, to most distributed).

The kind of research required to make sense of these issues is messy and applied, given that PFM reforms are not open to randomization and the questions of actual reform uptake and implementation must be assessed in actual situations. Action research is an ideal method to use in this work, focused on examining how different groups actually think about and engage with real reforms. More of this kind of research would help promote a better understanding of why distributed end users commonly limit PFM reform success in developing countries.

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