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Opening Adaptation Windows onto Public Financial Management Reform Gaps in Mozambique

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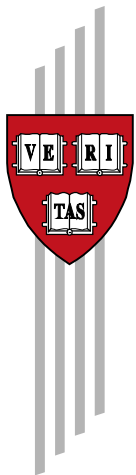
Opening Adaptation Windows onto Public Financial Management Reform Gaps in Mozambique

Matt Andrews, Tim McNaught and Salimah Samji

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Abstract

Governments across the world regularly pursue reforms that achieve less than was originally expected or is needed to make the state function better. The limits to reform success are often obvious in even the early days of reform, where gaps and weaknesses manifest. Many governments have no mechanisms built into their reform processes to see these gaps and weaknesses, however, and persist with predefined reform plans instead of adapting designs to close the gaps and address weaknesses. One antidote to this challenge is to create reflection points where reformers scrutinize their progress to identify weaknesses, reflect on these weaknesses, and adapt their next steps to address the weaknesses. In the spirit of John Kingdon's work on 'policy windows', we call these reflection points 'adaptation windows'—moments where reformers acknowledge problems in their reforms, adapt reforms to address such, and mobilize support for this adaptation. This paper discusses an effort to open an adaptation window for reformers to 'see' and then respond to public financial management (PFM) reform gaps and weaknesses in Mozambique. The paper details why and how this work was pursued, and also reflects on results of the government's reflection at the adaptation window.

Introduction

Governments across the world regularly pursue reforms that achieve less than was originally expected or is needed to make the state function better. The limits to reform success are often obvious in even the early days of reform, where gaps and weaknesses manifest. Many governments have no mechanisms built into their reform processes to see these gaps and weaknesses, however, and persist with predefined reform plans instead of adapting designs to close the gaps and address weaknesses. The result, commonly, is that gaps persist or widen and weaknesses end up hobbling reforms, undermining success and impact. What can governments do to address these gaps and weaknesses and produce more successful reforms?

One idea is to help reformers see and respond to gaps and weaknesses in their reforms. The idea, drawn from the work on institutional and organizational change and particularly on employing problem driven iterative adaptation (PDIA) in change processes,¹ is to create reflection points where reformers scrutinize their progress to identify weaknesses, reflect on these weaknesses, and adapt their next steps to address the weaknesses. In the spirit of John Kingdon's work on 'policy windows',² we call these reflection points 'adaptation windows'—moments where reformers acknowledge problems in their reforms, adapt reforms to address such, and mobilize support for this adaptation.

This paper discusses an effort to open an adaptation window for reformers to 'see' and then respond to public financial management (PFM) reform gaps and weaknesses in Mozambique. The work dates to 2009, when the Government of Mozambique (GoM) was a decade into its PFM reforms and had proposed a new Public Finance Vision to guide the next decade of reform. A World Bank team was concerned that, while impressive, reforms to that date had gaps and weaknesses that were not recognized or addressed in the new vision. The World Bank team invited Matt Andrews (a co-author of this paper) to advise on reform gaps and on how the future vision might address the gaps. Instead of producing a written advisory piece on this issue, Andrews and the World Bank team tried to facilitate an active reflection by GoM officials on reform weaknesses and potential adaptations to address the weaknesses. While not called an 'adaptation window' at the time, the reflection was an example of such—intended to help GoM officials recognize the problems in their reforms and face up to the need for adaptation in reform approaches, propose new reform approaches, and build support for such.

The paper's first section provides brief background to this work and on Mozambique's pre-2009 PFM reforms. This section also explains the idea of an 'adaptation window', why such window was needed in Mozambique, and what was intended in creating such window. A second section

¹ See Pritchett et al. (2013), Andrews et al. (2013), Andrews (2013), and Andrews et al. (2017).

² Kingdon (1995) argued that 'policy windows' explain why some issues are considered in the policy process and some are not. These windows emerge when a clear problem is identified, with implementable alternatives, and the politicians express the will (and have the ability) to make a policy change.

discusses the first stage of this work, and how the adaptation window was first cracked open in August 2009—with senior Ministry of Economic and Finance (MEF) officials formally responsible for leading the PFM reforms. A third section explains how this window was opened more widely in a second iteration of the work in December 2009—where senior MEF officials were joined by a broader set of civil servants responsible for implementing reforms (and who could offer different views on gaps and weaknesses).

A final section discusses the impact of this work on Mozambique’s PFM reform design and practice since 2009. There are elements of short term ‘failure’ and medium to longer-term ‘success’ in this narrative. In the short run, the Public Finance vision was not adapted or changed as a result of the work, and the mainstream PFM reform agenda continued in much the same way it had up to 2009—with similar gaps and weaknesses. In the years that followed, however, we see emergent products from the reflection that happened at the ‘adaptation window’ workshops; the GoM adopted a new internal audit strategy focused on identifying reform gaps, for instance, and pursued a completely new PFM reform project to address such gaps. In discussing these results, the final section identifies lessons learned about creating adaptation windows and promoting problem-driven change in contexts where pre-existing reform methods are deeply embedded, but also flawed.

Background, and the idea of adaptation windows

Mozambique’s PFM reform journey started in 1996, when the government started thinking about the changes it would need to establish a fully functional public financial management system.³ A program was conceived that sought to overhaul existing PFM mechanisms; by modernizing the legal framework for budgeting, upgrading budget-treasury operations and the accounting and reporting system, adopting an integrated, computerized financial management system, and enhancing internal and external controls. The GoM started work on this program quickly, developing (in particular) a Medium-Term Fiscal Framework (the CFMP) in 1998 and a new organic budget law in 2002 (*Lei do Sistema de Administração Financeira do Estado*, or SISTAFE law). Also in 2002, the GoM began an effort to adopt a comprehensive, government-wide integrated financial management and information system (IFMIS) called e-SISTAFE.⁴

The government set up a specialized unit (UTRAFE) at the Ministry of Finance to implement the SISTAFE and e-SISTAFE reforms. The e-SISTAFE system was inspired by a system in Brazil, and a

³ This history is provided in more detail in work like Andrews (2004), Daban and Pesoa (2007), de Renzio (2008), de Renzio (2011), de Renzio and Hanlon (2007), Hodges and Tibana (2004), Lawson et al. (2006), Lawson et al. (2008), and Sulemane (2006).

⁴ Daban and Pesoa (2007).

large Brazilian technical assistance team (of consultants) was brought in to support the project.⁵ The estimated cost of the base system was \$30 million, while the cumulative expenditure by UTRAFE over the period of 2004-2008 is reported to have surpassed \$70 million.⁶ The reforms led to the creation of a new IT system for financial management and the Single Treasury Account (called the 'CUT') to replace the many bank accounts that had existed across government.

The CUT was meant to tighten controls over public spending, to improve cash management and help government better manage its debt.⁷ It was also hoped that unpaid commitments would decline under CUT, because every transaction had to go through the system for payment (and a contract or commitment could not be approved if it were not properly budgeted for or if cash were not available to pay the contract). In short, the system promised better routines and more rigorous application of rules and controls.

Observer reports between 2006 and 2008 were effusive about the progress and impact of the e-SISTAFE and CUT reforms.⁸ According to these reports, 80% or more of all government receipts and payments (and 30% of donor-funded expenditure) were 'on CUT' (meaning that these funds went through the single treasury account) and the e-SISTAFE was being used by all national-level ministries and provinces and 50 out of 128 districts. The MEF also provided evidence that short-term borrowing needs and costs had declined, ostensibly because of better cash management through e-SISTAFE. The MEF also provided evidence of more timely payments (of salaries and other commitments) since e-SISTAFE had been introduced.

The MEF had some gaps in its evidence of e-SISTAFE 'success', however. Most donor funds and spending in state owned enterprises remained 'off CUT', for instance, and were thus not subject to the reforms. There were also missing functionalities in the e-SISTAFE system, especially related to processes and controls governing procurement. More fundamentally, there was no evidence to show levels of actual compliance with system requirements in the e-SISTAFE, which meant that MEF could not actually prove that the integrated internal controls were actually working. The reform design had not included any means of gathering such evidence or of using such evidence to inform progress or shape potential adaptations to the system. Beyond this missing evidence, there were reports of problems with reform buy-in from budget users, and of growing resistance to reform by these agents (especially in line ministries and provinces and districts). Some observers believed this resistance had led to compliance gaps and failures in the system—where money was actually being spent outside of the system, for instance, and officials failed to follow system requirements when procuring goods and services (which could have been fueling

⁵ de Renzio (2011).

⁶ Greenberg and Sadowsky. (2006).

⁷ And especially to decrease the need to incur short-term debt at bad terms to cover unexpected cash shortfalls.

⁸ Dabán and Pesoa (2007) is a good example.

significant commitment problems across government), and where money flowed irregularly or not at all to service providers because of system deficiencies.

Beyond these concerns, it was apparent that line ministries (especially health and education) were frustrated that the e-SISTAFE system did not solve problems they cared about—like providing a system linking sector plans to budget allocations. A number of ministries had developed separate parallel systems to solve such problems, which stoked tensions when the MEF did engage in this issue (in the form of the 2006 program budget reform, where it decided to identify program classifications for budget allocations). When this happened, line ministries had a new reason to resist reforms; they claimed they had already done the reform and the MEF should be more respectful of the work they had done.

Partly resulting from such tension, the MEF encountered higher-than-usual resistance when it attempted to roll out a new program budget reform in the first half of 2009.⁹ Aiming to connect spending to the national five-year plan,¹⁰ the program budget reform was driven by the MEF in what some observers described as a “hurried and chaotic” process.¹¹ The main element of this reform involved classifying existing spending into ‘programs’ related to the national plan (to show how much money was being spent in each priority area). The new ‘program classification’ was developed by officials in MEF, and was received negatively by many in line ministries, partly because it was seen as a weak effort and partly because the MEF had ignored other classification approaches (in the Ministries of Planning, Education and Health) when designing its reform. The negative reception of this reform fed resistance to it, which undermined compliance.

A new Vision in 2009, and the need for an adaptation window

At this point (2009) the GoM had come to the end of its first PFM reform program (initially designed in 1998 and put into action in the 2002 SISTAFE and e-SISTAFE project). A new strategy was thus called for, and the MEF (working with UTRAFE and through a central reform unit called CEDISF, which was responsible for overseeing PFM reforms) had developed (with donor help) a new ten-year Public Finance Vision. This vision was essentially a continuation of the reform approach to that time, and involved: (i) continued and expanded implementation of the IT-based solutions through the e-SISTAFE (including adopting a program budgeting module for budget preparation); (ii) in a top-down manner centered on a narrow set of reform designers (in CEDSF and UTRAFE and MEF); (iii) who assumed there would be compliant implementation by budget users (in line ministries, provinces, and districts and across other sectors).

⁹ Fölscher. (2012).

¹⁰ CABRI. (2013).

¹¹ de Renzio (2011).

The concern of some observers (including experts in the World Bank) was that these reforms would not address the compliance gaps and buy-in problems already apparent in the system (though not evidenced, given that the MEF did not collect robust data on compliance). A World Bank team of PFM experts believed that a new approach was needed to address such problems, and invited Matt Andrews from Harvard to help advise on a new approach.

Andrews and colleagues at the nascent [Building State Capability \(BSC\) program](#) at Harvard's Center for International Development had been writing about reform gaps in developing countries, and arguing that problem-driven processes could help promote the kind of changes (in reform designs) needed to close such gaps. This argument had various roots. It reflected thinking by management scholars like John Kotter, who noted the importance of crises in fostering deep but difficult organizational change.¹² It also channeled thinking by bureaucratic theorist Kim Cameron, who posited that, "Institutional change and improvements [especially in bureaucracies] are motivated more by knowledge of problems than by knowledge of success."¹³ The argument also echoed work by institutionalist scholar Christine Oliver, who notes that "performance problems" foster political, social and functional pressures for institutional change because they "raise serious questions about the appropriateness or legitimacy" of the status quo.¹⁴ A similar view on institutional change by Seo and Creed suggests that problem driven processes force a reflective shift in collective consciousness about the value of extant mechanisms, which is needed to foster change.¹⁵

When applied to a situation like that in Mozambique, these arguments might be read to suggest that 'the PFM reformers won't change the way they are doing things until they (i) see evidence of real failure or crisis' or at least 'a knowledge of problems', that (ii) 'raise questions about the appropriateness' of current reform designs, and (iii) prompt a 'reflective shift in collective consciousness' about the value of existing reform methods and strategies. Such thinking suggests that 'problems' provide common windows through which different groups of agents are forced to question their contextual realities and extant or incumbent processes, identify necessary changes, and explore alternatives to find appropriate solutions. This informs the idea of what we call 'adaptation windows'; where those involved in reform and policy adoption and implementation processes are encouraged and assisted in 'seeing' problems (gaps and weaknesses) in these processes and supported in adapting their reform approaches to address such problems (gaps and weaknesses).

¹² Kotter (1990).

¹³ Cameron (1986, 67).

¹⁴ Oliver (1992, 564).

¹⁵ Seo and Creed (2002).

This ‘adaptation window’ idea is reminiscent of John Kingdon’s work on policy windows.¹⁶ Kingdon’s work posits that an awareness of problems is crucial to bringing issues onto the policy agenda; and that the awareness of problems can promote the emergence of new policies—when coupled with new policy ideas and the political will to support such. An adaptation window differs from a policy window in that it is focused on a reform or policy process that is already underway, and intends to foster opportunities for adapting these processes (rather than bringing new issues to enter the policy agenda). The assumption behind the need for adaptation windows is that reform and change processes produce unintended consequences and/or run into unexpected or unseen challenges or limits. These conditions can go unseen and un-responded to unless reform processes build in explicit moments of reflection, the ‘adaptation windows’.

The Mozambican PFM reform situation in 2009 seemed to need this kind of window. There had been a decade of reforms up to that time, and significant successes in these reforms were coupled with concerns about gaps and weaknesses. The MEF was planning the next decade of reform, and the Public Finance vision was intended to ‘lock in’ a new phase of the change process. Observers in places like the World Bank were worried that this new vision was not being developed with full awareness of the gaps and weaknesses in the extant reform approach, however, and that the GoM was poised to (potentially) continue on a reform path with built-in compliance and reach gaps. Given such worry, a World Bank team asked for help in facilitating a reflection by GoM reformers on past reform limits. The goal was to foster new thinking and reform adaptation to address such limits, promoting an even more successful reform—with fewer gaps and weaknesses—than had been produced between 1998 and 2009.

The starting point: External analysis to build an adaptation window

With this goal in mind, Matt Andrews and the World Bank team started this initiative much like any external consultant would when working in international development—by doing background research on the topic at hand. There were two major differences between this research and the work consultants and development agencies commonly do, however:

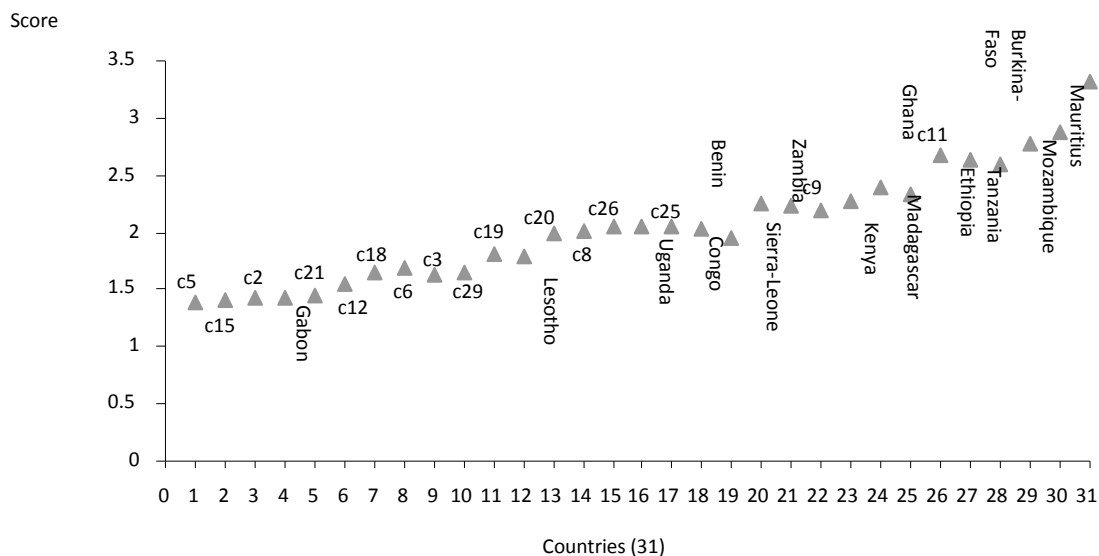
- First, this was not research on ‘how to do the prescribed solution better’—which is commonly the focus of research by outsiders, and involves identifying good, better or best case examples of countries who have done the same reform and that generally leads to a new proposal on how to do the reform better. Rather, the research was focused on establishing a clear, evidence-based view on ‘the problems’ in the system.

¹⁶ Kingdon (1995), as applied in Barzelay and Gallego (2006), Guldbrandsson and Fossum (2009), and Ridde (2009).

- Second, the research was not intended to offer an expert product for the donor organization to use in constructing reform. Rather, the goal was to provide an analysis that could convince the MEF that it had real problems in its system, and to motivate the MEF to start focusing on these problems in its reforms (instead of just continuing with solution-driven reforms).

To this end, Andrews and the World Bank team conducted an external diagnosis using the most accessible and recently-produced standardized evidence of PFM system quality available. This was from the 2006 and 2008 Public Expenditure and Financial Accountability (PEFA) analyses, which assessed the quality of the Mozambican PFM system on 64 indicators against what PEFA (an expert PFM unit located at the World Bank) suggested were ‘good’ international standards.¹⁷ Employing methods adopted in earlier work, the team used this PEFA data to identify ‘weak links’ in the PFM system, presented in a report to the MEF’s administrative and political leaders.¹⁸ Figure 1 shows how the report introduced its findings, comparing Mozambique’s average PEFA score with other African countries. This positive narrative recognized the progress that had been made in the prior decade of reforms. Mozambique had the 2nd highest scores in Africa on the overall average of the aggregated PEFA indicator score,¹⁹ enjoying a low ‘B’ average across the PFM system (scoring just under 3 out of 4, where 4 was the same as an ‘A’). The score suggested that the PFM system conformed well to the *form* of what PEFA considers a modern ‘good practice’ system, but was yet to enjoy full *functionality* of such.

Figure 1. Average PEFA score for 31 African countries



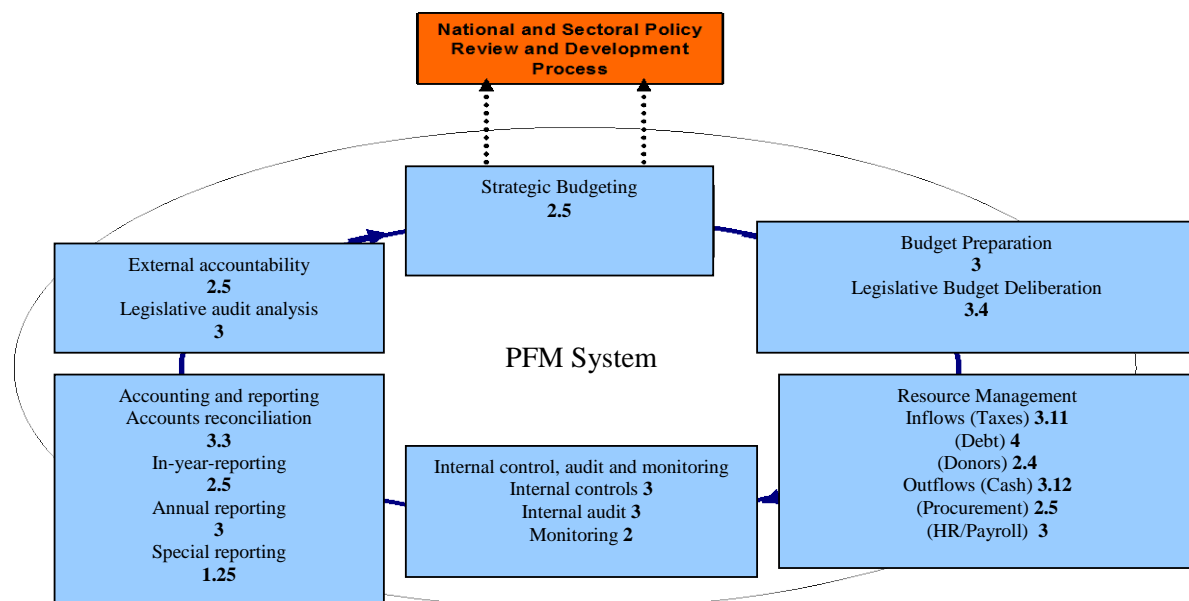
¹⁷ See Lawson et al. (2006 and 2008). For later assessments, see Umarji et al (2011), Lawson et al. (2015).

¹⁸ We were pioneering ways of analyzing the PEFA data across countries. This work was ultimately published in a number of articles, including Andrews (2010, 2011), de Renzio et al. (2010), and Porter et al. (2010).

¹⁹ This analysis had already been complete and was due to be published in Andrews (2010).

The analysis did not stop here, however. The data allowed the team to examine where the system was relatively stronger and weaker. The team identified weak links as areas where the PEFA scores were below 2.5 (closer to a C than a B), and arranged these scores into a simple graph showing different PFM process areas.²⁰ Figure 2 shows these weak link areas, illustrating average PEFA scores in different process areas. These weak links were most prevalent in downstream budget execution areas, where budgeted money is spent and accounted for (and where compliance concerns pertaining to the e-SISTAFE system were most worrying).

Figure 2. Showing Mozambique’s PEFA scores in different process areas



The team also used the PEFA data to approximate compliance gaps in the system:²¹

- To identify the gap in implementation of laws, the PEFA data were broken down to differentiate between PFM system dimensions that could be called ‘de jure’ and other dimensions that could be called ‘de facto’. ‘De jure’ dimensions were those where government could get a high score by (just) passing new laws or strengthening process requirements, whereas ‘de facto’ dimensions were those that required significant actual evidence of compliance and action to achieve a high score.
- To identify the gap in engagement of different actors, the PEFA data were broken down to differentiate between PFM system dimensions that could be called ‘concentrated’ and other dimensions that could be called ‘deconcentrated’. ‘Concentrated’ dimensions were those in

²⁰ This approach to presenting the PFM system comes from Andrews (2010) and Andrews et al (2014).

²¹ Using the methodology explained in Andrews (2010) and Andrews (2011).

which high scores could be earned (just) through the work of narrow groups of technicians in the MEF, whereas ‘deconcentrated’ dimensions were those in which high scores required engagement and compliance by deconcentrated budget users (in line ministries and beyond).

- The scores for these four types of dimensions were averaged, and gaps were calculated between de jure and de facto scores and between concentrated and deconcentrated scores.
 - The gap between the de jure and de facto scores was more than one (equated with the difference between a B and a C).
 - The gap between the concentrated and deconcentrated scores was even higher (equal to the difference between a B and a D+).
- These measures confirmed—and demonstrated with evidence—the concern about gaps in the PFM system, showing that the GoM had better PFM laws than compliance with laws, and that the PFM system worked better when in the hands of central reform designers in the MEF than when deconcentrated agents were engaged.
- The problem, this data suggested, was that the system’s integrity and effectiveness depended on compliance by deconcentrated agents; but this compliance could not be assumed.

These data were used to show MEF officials what would happen if they followed the ‘same’ approach to reform they had employed in the prior decade. The result of continuation would be an expansion of the gap (with even better de jure and concentrated dimensions but the same low scores for de facto, deconcentrated dimensions). Matt Andrews and the World Bank team suggested that a new approach to reforms—tackling the ‘problems’ with actual implementation in the system, in areas of existing weakness and compliance failure—could help to close this gap. The team concluded by raising ‘problem driven’ questions about Mozambique’s Public Finance Vision and budgeting reforms:

- “Does the Strategic Vision prioritize strengthening the weak links?” “Does it propose an approach to close the reform gaps?” “Does it focus effectively on implementation?” “Does it go beyond technicalities to provide a compelling vision that will attract and inspire interest?” “Does it embed an approach to expand reach to those at the lagging end of the change gap?”
- “Does the program budgeting reform address any of the weak links (or problems) in the PFM system (especially in budget execution) or does it just strengthen already-strong areas?” “Does the program budget reform exacerbate the compliance gap by creating more rules that are not properly adhered to?” “Is there anything in the program budget reform approach that explicitly focuses on closing the gaps—does it, for instance, engage deconcentrated end users to better understand and implement the reform?”

These questions were posed to two groups in the MEF. The first included technical and political leadership in the ministry (including the Minister and senior managers in the treasury, accounting and budget departments, and in UTRAFE, the entity that led reforms). The second included the

technical reform designers in the ministry (especially in the budget department and in UTRAFE). There were two responses from these groups:

- The first response (by most of the leadership, excluding UTRAFE management) was to recognize the problem and ask for help in addressing weak links and gaps. This group suggested a next step; convening a broader group of voices to discuss the problem. They called for a workshop where central MEF officials would interact around this issue with representatives from deconcentrated budget users in line ministries, provinces and districts.
- The second response came from the UTRAFE leadership and the technical group responsible for reforms. It was more defensive, and questioned the legitimacy of the PEFA data, arguing that the reforms were actually much better implemented than the data suggested, and that the main problem was that they lacked evidence to show this. We suggested that they might in fact be correct, but could not know until they collected evidence of compliance with core e-SISTAFE processes. They agreed, and decided to initiate a first ever internal audit of transactions in the e-SISTAFE system, as a check on compliance.

Both responses were considered progress from the first stage of setting up an ‘adaptation window’; the activity had ensured that key GoM reformers were more aware and concerned about the problems in the country’s PFM system system and reform, and had proposed specific next steps to push further into revealing and engaging with those problems. The next step in which Matt Andrews and the World Bank team were directly involved (the workshop) provided an opportunity to crack the ‘adaptation window’ more open; given a broadened engagement beyond the MEF.

A PDIA next step: Cracking the adaptation window more open

Three months after the first discussion of ‘problems’, the MEF convened a workshop with over 30 participants—allowing a broader view on changes needed to reforms, through a wider ‘adaptation window’. Most participants were from the ministry itself (given that these were the people that MEF officials had direct authority over), including a well-represented cohort of provincial directors (who worked for MEF but located in the provinces). There were also sectoral representatives from pilot ministries (like Education, Health, and Agriculture) and from districts and municipalities, as well as other key PFM players (like the Ministry of Planning and Development). The participants were seated at three tables in one large meeting room, in the following groups: (i) Central MEF officials; (ii) Provincial MEF officials; (iii) Other officials from line ministries, support ministries, selected districts, and municipalities close to Maputo.

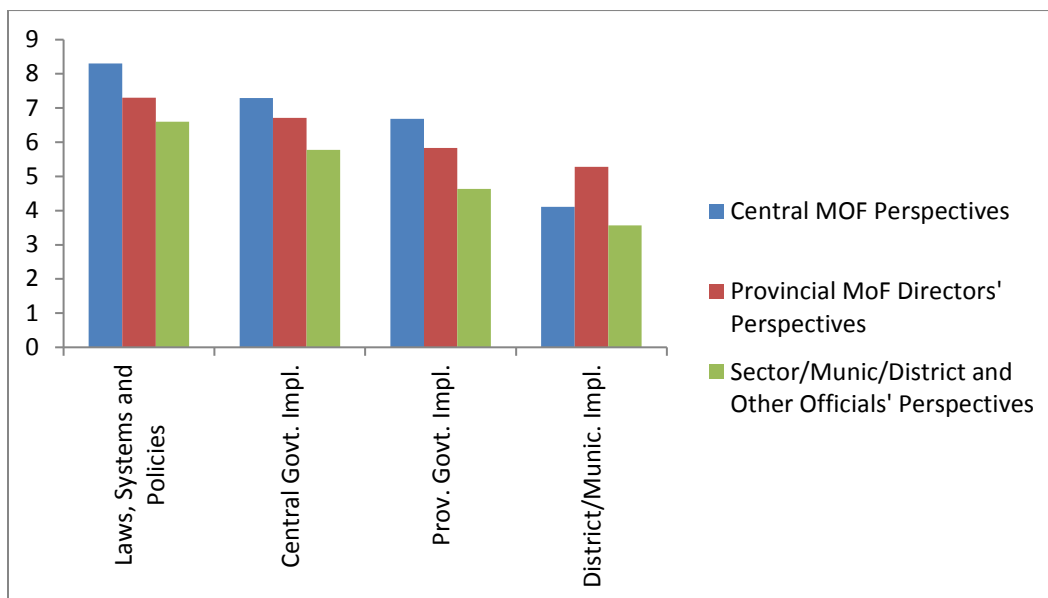
Matt Andrews and the World Bank team were aware that these agents did not regularly share views on PFM reforms or ‘problems’ in the PFM system. The team’s goal was to enable effective communication of their different views on these problems, however, and focused on devising ways of soliciting such. The team was also aware that there would be power dynamics in the room, which would likely limit open discussion of these problems. Given this, each participant was given a basic worksheet on the first morning of the two-day workshop, asking for scores (out of 10) for the quality of laws, systems and processes across the PFM domain, as well as how well these were being implemented at central, provincial and district/municipal levels.

Andrews and the team explained that everyone’s response would be used to generate an average score for their ‘table’ (given the three different groups sat at different tables) and that the scores would be used to foster a discussion about the PFM system’s strengths and weaknesses. Everyone was assured of confidentiality in this process, with no names required on any forms.

Using ‘opinion evidence’ of the participants to paint a picture of the problem

The goal was to capture ‘opinion evidence’ from each person, and use this to paint a picture of the problem which could then drive a plenary discussion. Given this goal, one of the World Bank team members rapidly analyzed the data after it was collected and produced graphical summarizes to share with participants. An example of the graphs is shown in Figure 3, which reveals the average score from each group (summed across the entire PFM system) to show views on the quality of laws, central government implementation, provincial government implementation, and district and municipal implementation (all out of a possible 10).

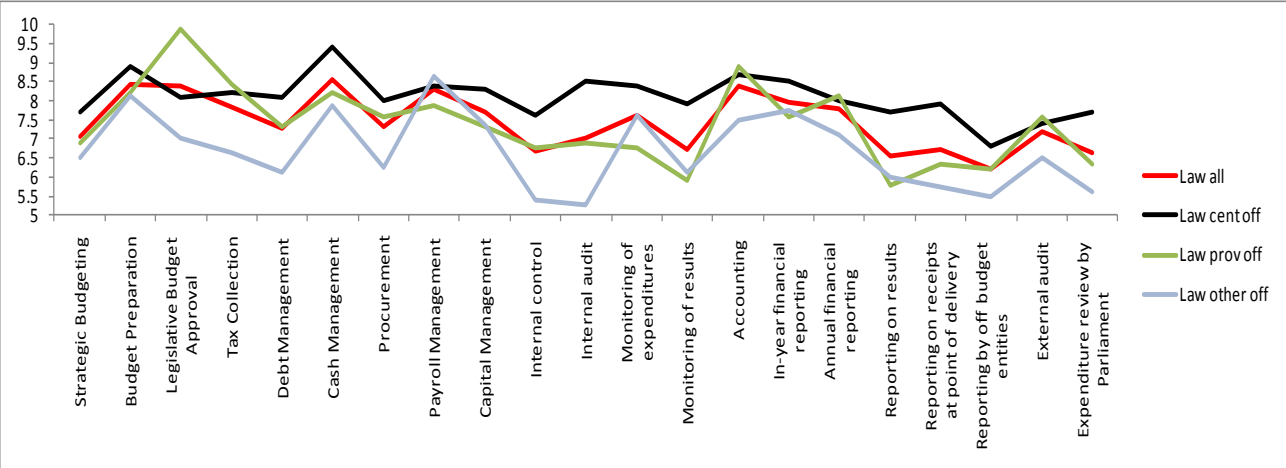
Figure 3. Different Group Perspectives on Mozambique’s PFM System Quality (avg. ex 10)



The data were immediately useful in revealing three different perspectives across the participant groups in the room. The group of central MEF officials (who had been the reform designers) were generally more confident in the quality of the laws, system and processes than others. This is most evident when looking at the scores for laws, systems and processes. The central MEF officials gave an average of 8.3 out of 10 for this, whereas provincial MFE officials averaged 7.3, and the other (mixed group) of officials averaged 6.6. This was like the central MEF reform designers giving their newly reformed laws and systems an ‘A’ but implementers giving the same reform products a ‘C+’. This gap in scores demonstrated the compliance and implementation gap that some observers had been concerned about but were not previously able to measure.

Figure 4 was shown to provide more detail on this ‘gap’. It compared the scores of all three groups (central MFE officials, Provincial MFE officials, and others) and the full group (all) for the quality of laws, systems and processes across the PFM domain.

Figure 4. How the different groups rated laws, systems and processes across the PFM domain?

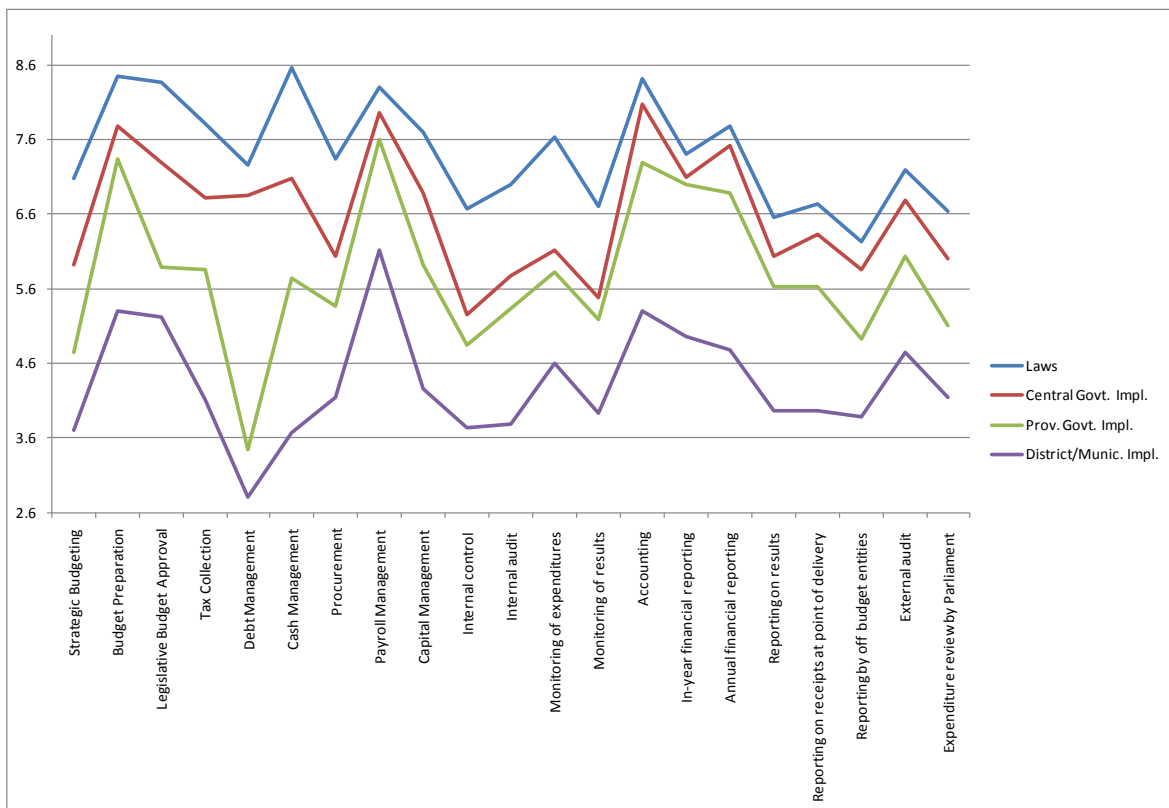


The black line at the top of Figure 4 shows the generally high scores the central MEF officials gave for the quality of laws, systems and processes (most of which were newly introduced in the SISTAFE and e-SISTAFE reforms they had been responsible for designing). The light blue line at the bottom shows lower and more variable scores provided by ‘other officials’ in line ministries and districts (who were vital to implementing these laws and ensuring the systems and processes were properly complied with). The green and red lines show average views of provincial budget officials and the entire group. Both of these lines are lower than the black MEF line, and more variable than that line, suggesting a view that quality varied in different parts of the PFM system.

This evidence suggested that the MEF had a misplaced view on the quality—and consistency—of laws, systems and processes. It also pointed to the need for MEF officials to better understand why other technical staff had different views on the laws, systems and processes in place.

The data also allowed Andrews and the World Bank team to show the group its own views on where the PFM system was strong and weak, and where they agreed there were weak links. Figure 5 summarizes average scores of the entire group for quality of laws and implementation at different levels of government, across the entire PFM system. The top line shows scores for laws, systems and processes and the bottom three lines shows implementation in each process area (at central, provincial and district/municipal level). The figure reveals the officials' opinions about a number of 'weak link' areas (with scores below 7.5 for budget laws, systems and processes, and below 7 for central government implementation).

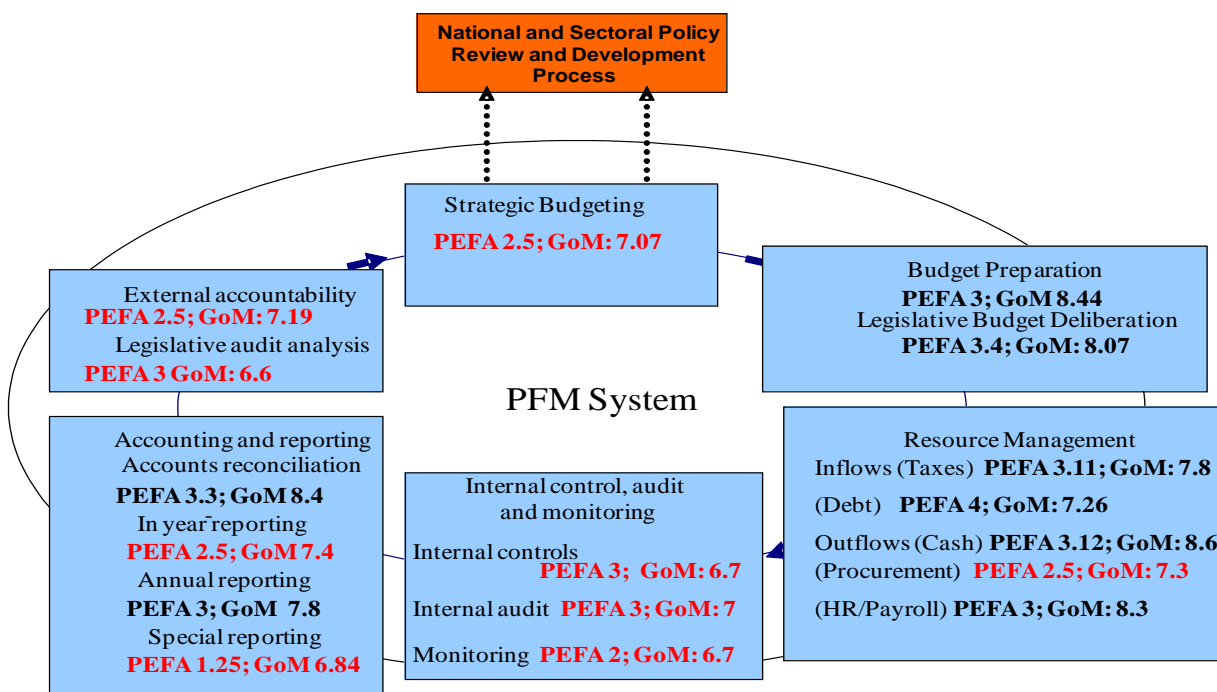
Figure 5. Charting the weak links, as identified by the entire group of GoM officials



Interestingly, Andrews and the World Bank team were able to relate this 'opinion evidence' from the participants with the external and expert derived data in the PEFA indicators (which was used in the ex-ante analysis shown in Figure 2). Figure 6 combined the two sets of data, with average GoM officials' opinion scores on the quality of PFM laws, systems and processes (out of 10) shown with 'objective' external PEFA scores (out of 4). Red scores are cause for concern and suggest commonly identified 'weak links' (in areas including procurement, internal control, internal audit and monitoring, in-year reporting, annual reporting and external audit and legislative audit analysis). These weak links were mostly in the budget execution parts of the PFM system, where

concerns about e-SISTAFE compliance and impact were most worrying. The strongest process areas identified by the GoM group related to places where the SISTAFE and e-SISTAFE reforms were most advanced (with cash management, payroll systems, accounting procedures and budget preparation standing out as strong points in the internal assessment and PEFA).

Figure 6. Participants’ views on strengths and weaknesses, compared with PEFA scores



Data collected from the workshop participants also provided evidence of their own opinions on the reform gap Andrews and the World Bank team had discussed with the MEF leadership. Figure 7 shows that all of the three groups of participants recognized a de jure gap, for instance (where the quality of laws, systems and processes were scored higher than implementation of such). All three groups also identified the deconcentrated gap, where implementation at the center is scored higher than implementation at the provincial and district levels; all groups of public officials shared the opinion that PFM system implementation quality (and hence compliance) declined when one moved away from the center (to deconcentrated agents).

The ‘opinion evidence’ allowed Andrews and the World Bank team to also show these gaps by area in the PFM system. As in Figure 8, the data revealed reform gaps (which were called ‘change gaps’ in this engagement) in all process areas (differences between law quality and implementation); for central, provincial and municipal/district levels and summed for all levels of government. As already discussed, perceptions about these gaps grow as one moves from center to province and local level (so the blue line is lower than the red and green lines). But the data

showed that some process areas seemed to have systematically bigger gaps across all levels, including areas where reforms were assumed to have progressed successfully (like cash management).

Figure 7. How different groups saw the reform gap(s)

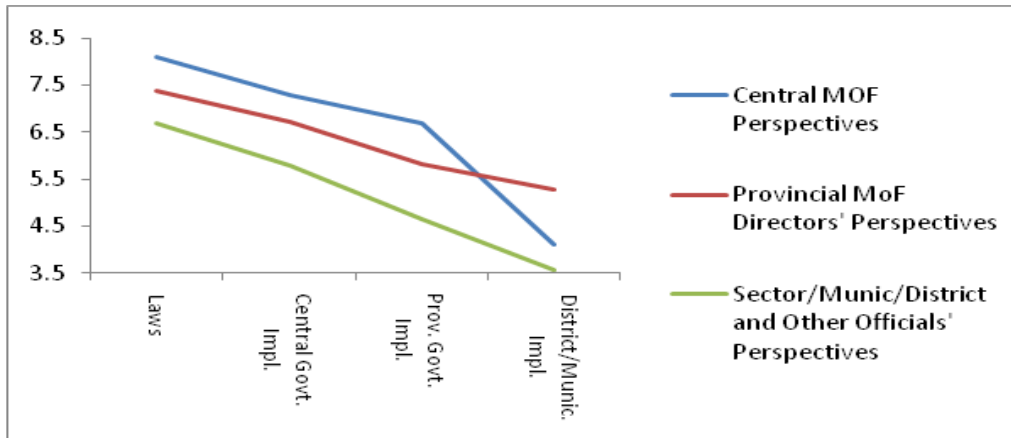
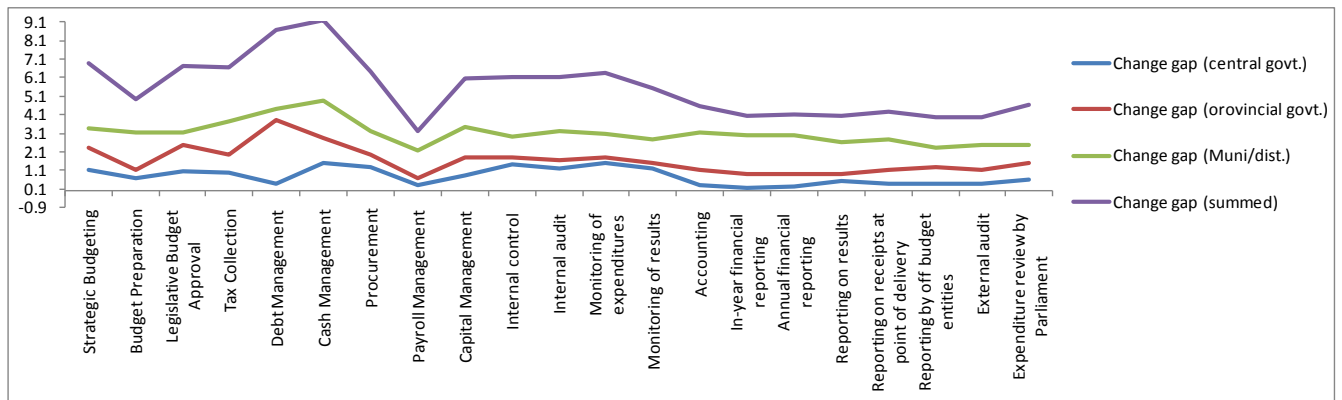


Figure 8. The size of change gaps, given GoM responses about system strengths



Looking through the adaptation window, and co-learning about the problem

These data allowed Andrews and the World Bank team to ask the group interesting questions about problems in the PFM system:

- On the differing opinions, the officials were asked: “Why do you think different groups have views on the quality of laws, systems and policies?” “Why do some officials—especially in districts and line ministries—believe that laws and systems and policies are weak?”
- On the weak links, the officials were asked: “Why do you all think execution areas weak?” “Why do you think that areas covered by the e-SISTAFE are still weak?”

- On the analysis of reform gaps, the officials were asked: “Why do you think laws are stronger than implementation?” “Why do you think implementation is lower at deconcentrated levels?”

These questions yielded interesting discussions and conversation. For example, members from line ministries shared that they gave low scores for laws and processes because they found the e-SISTAFE system was not fitted for their needs and was thus not very useful. Representatives from the districts noted that e-SISTAFE was useful for entering invoices, and expressed gratitude for the fast turn-around in payments on e-SISTAFE, but said it was not practical to use e-SISTAFE for day-to-day transactions—because of deficient and unreliable electricity supply, time required for inputting data, and more. Provincial MEF officials noted that their central MEF colleagues assumed everyone was on board with the e-SISTAFE and could operate the system after basic IT training, whereas in reality many budget users struggled even after training.

Discussion about the reform gaps was also illuminating. Representatives from the provinces, line ministries and districts noted that their domains differed to that in the MEF reform. They worked with people who had mixed objectives, for instance, with sector ministry representatives noting that their colleagues were more focused on providing education or health care than in simply managing transactions (which meant that their colleagues sometimes did not pay as much attention to contract details as someone in the MEF might). These officials explained further that their authority structures were more complicated than those in the central MEF. They suggested that local leaders required immediate responsiveness which was impossible in the e-SISTAFE system, for instance, but which they as the agent in place had to manage. They also noted their own limited abilities to ensure effective implementation of the demanding laws and processes, and their concerns about being blamed if reforms did not work out. In particular, some representatives noted that prior paper-based systems allowed them to retain records of all transactions to use as defense in case of external audit, but new e-SISTAFE reforms required only entering transactions into the IT system, which meant there were no local records to rely on.

During this discussion, Andrews and the World Bank team probed how participants thought the program budgeting reforms were fitting into the PFM system. It was an important issue, given that the MEF wanted the team to help think about the program budget reforms and vision. Officials were asked ‘what weak links in your system do you think program budgeting is addressing?’ Whereas members of the central MEF reformer group all uniformly identified that program budgeting strengthened the strategic budgeting arena (which was the intention of the existing design), responses from participants in the more deconcentrated agencies were more sobering. They identified a range of potential issues that they thought program budgets would (and should) solve, which were mostly focused on problems and weaknesses in the budget execution areas (like poor internal controls or limited reporting on service delivery): “We do not

account for whether funds are spent on strategic policy objectives,” “We do not have any way to show if money is going to strategic policy objectives” “We do not report on service delivery,” “Money is mis-spent during execution, which leads to lower-than-desired allocations to strategic objectives,” “External auditors and the Parliament do not evaluate whether the money went to the strategic objectives or if services were properly delivered; they only focus on spending towards inputs and functions.”

These were not issues that the program budgeting reform had been conceived of addressing or designed to address at that time, given that the reform was focused exclusively on including programs in the budget formulation stage (so that the proposal for how money would be spent showed programs). As such, program budgeting was really only used as a budget preparation tool²² to give an idea of how money was meant to flow to the 35 strategic areas and six central objectives in the five-year-plan.²³ There was no focus on including a programmatic element in the processes driving budget execution (to ensure money actually got spent on the program, and was accounted for and reported as such). There are ways for program budgeting reforms to extend beyond budget formulation and address execution issues (as shown in Table 1) but these were not part of the Mozambique reform in 2009.

Table 1. The problems that budget users wanted program budget reforms to address

‘Problem’ or ‘weakness’ that deconcentrated agents identified the program budget should address	How program budget reforms could be designed to address this problem
“We do not account if funds are spent on strategic objectives”	Introduce program-based accounting modules
“We do not have any way to show if money is going to strategic policy objectives” “We do not report on service delivery”	Introduce a program or sub-program reporting mechanism
“Money is mis-spent during execution, which leads to lower-than-desired allocations to strategic objectives”	Focus internal audits on checking programmatic allocations
“External auditors and Parliament do not evaluate whether money goes to strategic objectives or if services were properly delivered; they focus on spending towards inputs and functions”	If government adopts accounting and reporting by program, the external auditor and Parliament can audit program spending

Source: The problems have been rephrased from original concerns raised by participants at the workshop from districts, provinces and line ministries.

This kind of feedback from deconcentrated budget officers showed the central MEF reform group that there were important voices that had not been heard effectively enough in reform design. These MEF officials realized that they had a major communication gap with budget users, about both the realities those users faced and the objectives of potential reforms. The MEF reform group thus asked Matt Andrews and the World Bank team if there was any way to assess the

²² Fölscher. (2012).

²³ CABRI. (2013).

extent of this communication gap. This led to a mini survey in which all participants were asked how regularly they discussed reform in the last year with over 250 other entities (identified through discussion with workshop participants themselves). Table 2 was produced based on this data, showing the self-reported engagement of 23 participants in the three groups. It shows clearly that central officials—those devising strategies and driving reforms—engaged more in discussions about reform than participants in other groups (67 times on average, more than the average of 45 times by provincial MFE representatives and the 9 times of ‘other’ officials).

Table 2. How much sources from the 3 groups engage about reform, with over 250 targets?

Group	Average number of engagements about reform
Central officials (MFE, UTRAFE) n=6	67
Provincial MFE Officials n=9	45
Other officials (other ministries, districts, etc.) n=8	9

Table 3 showed a different view of the same story; illustrating who was speaking to who in the engagements. The grey areas indicated discussions between entities present at the workshop and donors. These 12 types of engagement accounted for about 70% of all the conversations about reform that participants were aware of; which meant that engagements with other provincial line ministries, provincial central administrative entities, local governments, parliament, and other organizations amounted to less than 30% of all reform design or adaptation discussions.

Table 3. Percentage of engagements between different sources and targets

		Engagement targets							
		Central MFE + UTRAFE	DP PF	Pilot Min.	Don ors	Prov. line min	Prov. Cent. Admin	Local govts.	Other central ministries (non pilots)
Engagement Sources	Central MFE + UTRAFE (n=6)	18.2	7	6	9	4.1	4	1.4	1.3
	Provincial MFE (n=9)	12	10	3.5	< 1	2.3	2.2	1	< 1
	Other officials (n = 7)	4.5	2.4	2.5	1.5	< 1	< 1	2	< 1

Note: Numbers show the % of all engagements that occur between the specific source and target group.

This data revealed that about half of all reform discussion was internal to the central MFE officials (and UTRAFE, the reform entity). These are not the budget users or reform implementers, but rather the designers and (potentially) the referees of the system. Such data helped participants understand why they had a bias towards establishing a strong set of de jure systems, as shown

in PEFA and in participant perspectives of law, system and process quality, and why they produced reforms that were not seen as fit for purpose by many budget users and implementers.

The discussion of this and the other data concluded with calls to do reforms differently, engaging deconcentrated agents more in the process, and addressing the problems of these agents instead of pursuing solution-driven reforms (as many perceived the program budgeting reforms to be). Participants agreed that the e-SISTAFE system offered many opportunities for them, but that it needed to be adapted to fit the capabilities and contextual constraints of deconcentrated budget users and to help these budget users solve their actual problems. A process was proposed to promote a new, broad-based approach to doing reform (focused on the realities and needs of deconcentrated budget users in the major service delivery sectors).

Did the adaptation window promote reform adaptation?

The workshop ended with participant recommendations to the MEF on a different way to develop the Public Finance Vision document and pursue program budget reforms:

- The proposal for doing the Vision document was that teams of officials from across government be assembled to address each area of weakness identified in the workshop—especially those experienced by deconcentrated budget users responsible for ensuring funds are available to service providers. Accordingly, the Vision document would be rewritten to target these weaknesses, focused on implementing ideas suggested by these teams, and intent on closing PFM system gaps.
- The proposal for program budgeting was that a team of officials from across government meet to assess the problems that a program budgeting reform should address, including execution issues (as shown in Table 1), and then develop an agreed approach to moving ahead (that enjoyed buy-in from the MEF and deconcentrated budget users).

Both recommendations indicated important progress in the discussion about how PFM reforms were being done in Mozambique, and proposed what seemed like appropriate adaptations in the reform strategy. The recommendations also suggested practical next steps to further the discussion of problems initiated at the workshop, broaden engagement in PFM reform design, and pursue new approaches to address gaps and weaknesses that festered in the system even with reforms (and seemed to actually be a product of the extant reform approach).

This recommendation seemed to reflect success in the ‘adaptation window’ experiment; the exercise had promoted reflection on reforms, and spawned ideas to adapt reforms that seemed to be effectively authorized and empowered.

Where the window did not foster adaptation

This positive impact was not, however, manifest in the months following. The GoM did not establish teams to tackle different ‘weakness’ areas and use such team activities to redefine the Public Finance Vision. Instead, the GoM adopted the Public Finance Vision document that was already proposed in August 2009—focused largely on continuing with the pre-existing reform approach (with more top-down, IT-based reform and organizational and procedural change, and giving limited attention to the difficulties of ensuring and evaluating compliance or of ensuring better engagement with distributed budget users). This vision document was endorsed in late 2010 as the blueprint for PFM reforms for the 2011-2025 period. The program budget reform was also kept ‘on track’ with what had been done up to 2009, where proposed next steps involved rolling out the MEF program budget classifiers and creating a new IT-based program budgeting functionality in the e-SISTAFE.

It is hard to know exactly why the ‘adaptation window’ did not influence the Public Finance Vision, or why government decided to continue in its established direction and not build on the recommendations from the workshop, especially after MEF officials had been so receptive to the analysis of problems and to the idea of broadening engagement in reform design and implementation. Matt Andrews conferred with various officials to try and understand the decision and received a number of explanations. One was that the workshop recommendations did not offer clear next steps—about when the broadened teams would meet, who would be on the teams, or when they would come up with proposals for the new vision. This created uncertainty, which was difficult to manage given that the MEF was under political (and time) pressure to finalize the Public Finance Vision. Another explanation was that the central reform design entities (key MEF departments, UTRAFE, and CEDSIF) and some donors had already invested a lot in the proposed vision document and program budgeting reform design. This made it costly to move in a new direction with either (or both). This explanation pointed to the power of inertial forces in reform processes and rung true with studies into the political-economy of Mozambique’s PFM reforms.²⁴ These studies pointed to the many vested interests and relationships that lay behind the e-SISTAFE-driven reforms (within government and between parts of government and some donors) and would certainly have led one to predict the incumbents—and incumbent reforms—to continue ‘as is’ (because of such interests), no matter what alternatives existed.

As could have been predicted, reforms under the new Vision looked very much like those in the past—especially in their focus on IT systems adoption. This aspect of the reforms was so marked that the 2015 PEFA analysis commented—in reference to the Public Finance Vision—that,²⁵

²⁴ See de Renzio (2011).

²⁵ Lawson et al. (2015, 31).

“Recent studies undertaken, particularly by the IMF, have pointed to the need for a more comprehensive reform of the PFM system, so as to avoid a strategy based too narrowly on the development and implementation of the e-SISTAFE system.” As with prior reforms, the Vision-inspired interventions were also still designed by narrow groups of MEF technicians, with the same PEFA document commenting that this vision was ultimately developed by only CEDSIF in the MEF (with no reference to significant engagement with line ministries, provinces or districts).

There was also significant evidence that the reform continued generating new formal systems, rules and procedures, but with limited evidence of proper compliance and with high levels of continued resistance by deconcentrated budget users. These compliance gaps continued in the program budgeting reform, and led to a stagnation of reforms aimed at connecting budgets to policy (and strengthening the strategic orientation of government spending). The 2015 PEFA assessment reported static scores on the indicators related to policy-based budgeting, and the World Bank’s 2014 Public Expenditure Review spoke of continued compliance and buy-in challenges that were in evidence in 2009 (and before).²⁶

The bigger problems with weak compliance and deficient system effectiveness manifest in continued gaps in the budget execution processes (in the areas that government officials at the workshop had identified as weak, in Figures 5 and 6). These weaknesses were revealed fully in 2015 and 2016, as scandals about misappropriated funds and other irregularities played out in the press. News articles and commentaries by civil society observers were scathing about the shortcomings of the e-SISTAFE system in particular, pointing to issues that had been identified in the 2009 workshop. A 2015 online report by the Club of Mozambique,²⁷ for instance, criticized the effectiveness of the e-SISTAFE system and questioned the “degree of effectiveness of the existing internal control mechanisms.” The report noted that, “These criticisms must come as a blow to the Ministry of Economy and Finance which has always argued that e-SISTAFE is much more reliable, and less prone to corruption than the earlier manual methods of dealing with wages and other state payments.” Similarly, a 2016 blog criticized the lack of controls in the PFM system²⁸—again referring to basic compliance failures in the implementation of e-SISTAFE: “The basics of transparent and responsible accounting are not followed [in the e-SISTAFE]— data is not entered into the system in real time, civil servants share passwords, audits and inspections are carried out several years after the relevant transactions have taken place.”

Such compliance failures were identified in the 2009 workshop but not properly addressed thereafter (in either the Public Finance Vision or the program budgeting reform design). They were the kinds of failures that a number of observers blamed for the public finance crisis in 2016,

²⁶ World Bank (2014).

²⁷ Club of Mozambique (2015).

²⁸ Davies (2016).

which centered on the misuse of funds and lack of transparency of borrowing and spending decisions by the government. One cannot blame a system completely for this crisis, as the crisis was obviously a product of the political decision-making at the time, but one must wonder what would have happened if the government had adopted a reform approach informed by the ‘adaptation window’ (focused on closing gaps and addressing weaknesses after the 2009 workshop—as its own technicians had recommended).

How the adaptation window shifted thinking about internal audit?

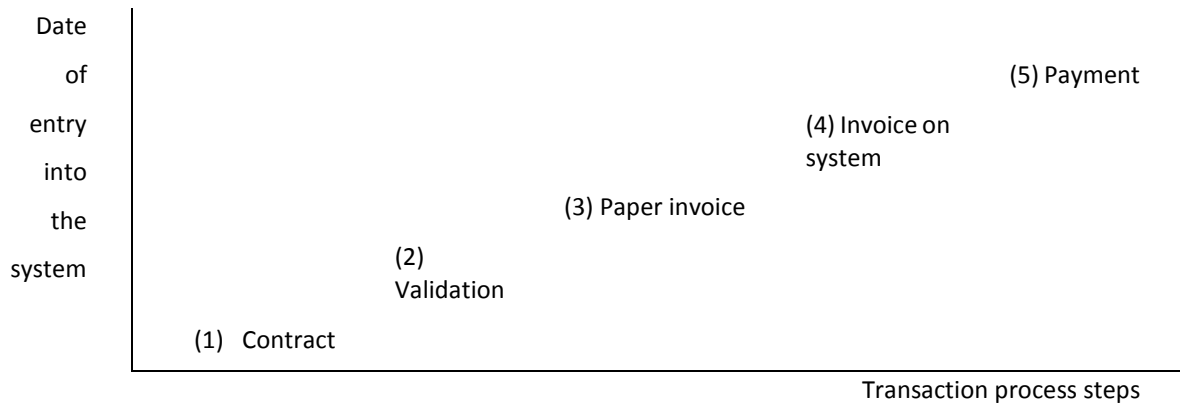
There were more positive and direct impacts of the ‘adaptation window’ exercise, however. One was in the area of internal audit. As discussed in respect of the first stage work to establish the adaptation window, some of the MEF and UTRAFE technical experts did not fully agree with the external analysis presented in August 2009—about weaknesses in the PFM process (discussed in conjunction with Figure 2). These technicians particularly disagreed with the view that compliance problems in the implementation of the new e-SISTAFE system might be so severe and wide-spread as to undermine the functionality of the system. They did, however, agree that they lacked evidence to support their contention that the e-SISTAFE system was actually being implemented effectively and that gaps in compliance were limited. As a result, they agreed to initiate an internal audit of a selection of transactions in the e-SISTAFE system. This was the first time any such audit had been undertaken, and it was done by the internal audit unit in the MEF, the Inspectorate of Government Finance (IGF) (not an outside consultants and not UTRAFE staff).

The IGF adopted a simple auditing approach to do this work, given that there was no established capability to do such analysis in the country. They gathered documents and data on 104 transactions, in four provinces, to assess the dates on which each transaction was (i) contracted and (ii) validated; and when an invoice (iii) was received, (iv) entered into e-SISTAFE, and (v) paid.²⁹ One would expect the dates associated with each step to follow in order, in the e-SISTAFE system (as shown in Figure 9), if the transaction was properly administered. In contrast, if there were compliance problems in the system, one would expect to see a different pattern in the dates of entry for these steps. If administrators did not use the system to manage transactions step-by-step, for instance, but rather used the system only for payments, one might expect the administrator to wait until an invoice is received and then input all data in the transaction into the system on that day. In such case, there would be no difference in the dates of data entry. One might even find the dates of invoice preceding the date of contracting or validation, or even

²⁹ This follows a standard process of internal control to ensure that contracts and commitments are legal and that funds are available. The e-SISTAFE system is meant to have these controls built in, as reflected in a comment from the preparatory documents for a 2013 World Bank PFM Program for Results project (World Bank 2013, 4): “The Government’s e-SISTAFE, to be used for Program transactions, has built-in controls to ensure segregation of duties, where different personnel are responsible for entering the commitments, verifying their validity, and approving payments and funds are electronically transferred to the recipients’ bank accounts.”

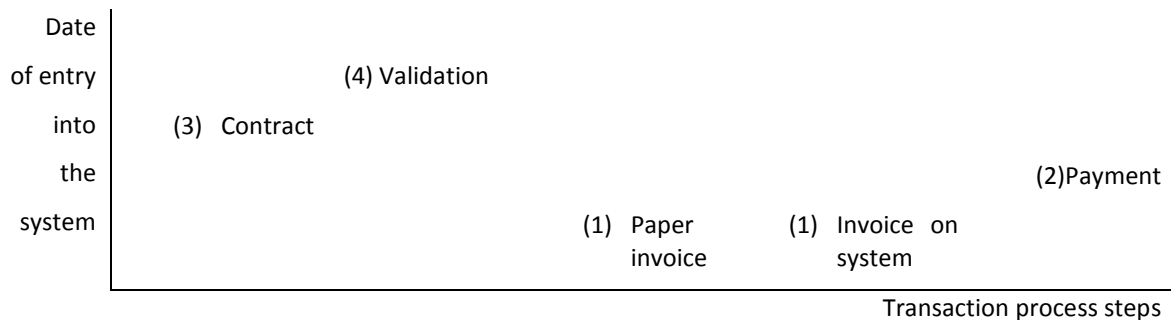
the date or payment preceding the dates of contract and validation. In all such cases, the compliance failures would yield a breakdown in the e-SISTAFE system, given that transactions would be taking place outside of said system.

Figure 9. How the transaction process should play out?



IGF auditors expected the vast majority of transactions to follow the process shown in Figure 9. They were thus surprised when the audit showed something different. Fewer than 5% of transactions followed this process. Over two-thirds involved payments made before contracts were entered into the system. As shown in Figure 10, over 66% of the transactions were first entered into the system when an invoice was received for work completed. Payments were then made through the system. Only then was the contract entered into the system and validated.

Figure 10. How about two-thirds or transactions were actually processed



This audit was a simple example of ‘self-analysis’ by the IGF that gave it a new ‘adaptation window’ into problems in the e-SISTAFE system. The findings were not particularly influential over the plans of UTRAFE and CEDSIF—neither of which made major adjustments to the Public Finance Vision for e-SISTAFE system expansion, or to address what was obviously an important compliance failure in the system. These entities continued arguing that IT-based PFM systems could not have such weaknesses and thus that the problem lay with the way the audit was done and not with the system itself. Such a view has been detrimental in a number of countries where

IFMIS system compliance problems have turned out to be severe and have ultimately undermined effective public financial management (including Malawi,³⁰ Zambia,³¹ and Kenya,³² and, arguably Mozambique in 2016³³).

The IGF did respond proactively, however, increasing the regularity of audits like this (of compliance with e-SISTAFE processes) and moving to update the internal audit laws and protocols to authorize internal audits of the e-SISTAFE system (with a new law to this effect introduced in 2014).³⁴ The World Bank team supported this internal audit reform adaptation, which has helped strengthen the IGF capability (though not making such entity truly strong, given that it has always been a relatively under-resourced part of the PFM system).

This experience suggests various lessons about how ‘adaptation windows’ work in practice:

- A first lesson is that self-analysis—by a government entity of its own problems—mobilizes action by that government much more effectively than analysis done by outsiders. The IGF’s own findings were much more convincing to the IGF than any analysis done by the World Bank or a Harvard team or any other entity in government.
- A second lesson is that progress might come in unexpected ways, as different agents respond differently to the new view on reform. No one had planned for the IGF to conduct its audit when we started out, and in fact the audit was commissioned to prove that UTRAFE was right and the initial view on reform gaps and weaknesses was wrong. The audit turned out mobilizing a significant and important response to a weakness in the system, however.
- A third lesson centered on the importance of indirect, secondary, knock-on effects of ‘adaptation windows’. Matt Andrews and the World Bank team observed that the impact of this work was not limited to—or even most fully manifest in—the direct workshop engagements. Because this kind of work acts as a nudge towards action, it has the potential of mobilizing indirect work and impact after or alongside the direct engagement.
- A fourth lesson was that there are many agents in governments, and many potential entry points for change. It is likely that some agents will not be open to change even when getting a new view on problems through an ‘adaptation window’ (as was found with the MFE and UTRAFE resistance to adapt their Public Finance Vision). There are usually other agents who are more open to change, however, and who can provide entry points for problem-driven

³⁰ See the following article, <https://www.economist.com/blogs/baobab/2014/02/malawi-s-cashgate-scandal>

³¹ See the following article, <https://www.themastonline.com/2018/03/05/sacika-calls-for-probe-into-ifmis-failure-at-finance/>

³² See the following article, <https://www.businessdailyafrica.com/analysis/Waiguru-affidavit-proved-IFMIS-is-a-total-failure/539548-3092462-11si1u4/index.html>

³³ See davies (2016).

³⁴ For a discussion of these improvements in internal audit, see Lawson (2015).

action. These entry points may not be the ones envisaged or hoped for at the start of the initiative, but they do exist and offer opportunities for change.

An alternative that emerged from the new view on reforms

A second surprising initiative also emerged from the adaptation window exercise. The World Bank team that had worked on this initiative with Matt Andrews decided to approach the MEF and key line ministries about preparing a sector specific PFM project to run alongside the mainstream, conventional PFM reforms outlined in the Public Finance Vision. The idea was to build on the momentum of the December meeting—and the recommendations emerging from such—and create a World Bank sponsored project focused on addressing sector-specific PFM problems that were undermining service provision. A problem driven approach would be adopted, whereby government would focus on solving problems through iterative processes that leaned heavily on problem-solving work by deconcentrated agents at the frontlines of the PFM-service delivery challenges.

The project took over three years to prepare, and was very different to any prior initiative (or to anything being undertaken in the Public Finance Vision) when it was launched in 2014. It was a joint effort of the MEF and the Education and Health Ministries (which was new), and targeted PFM gaps and weaknesses in these latter two sectors (rather than the roll-out of new IT or legal systems). It was also structured to focus on achieving tangible results, being called a **Program For Results project**. The ‘results’ it aimed to achieve reflected ‘problems solved’ in practical and important areas (instead of emphasizing success as the introduction of new systems or mechanisms, as was the case in prior PFM reforms in Mozambique and in the Public Finance Vision, where ‘results’ targets involved successfully adopting new laws and components of the e-SISTASFE system). Perhaps most interestingly, the project did not impose ready-made solutions ex-ante or structure its budget around such (as prior reforms had done, in (for instance) structuring interventions around the adoption of IT-system components). Instead, the project required the creation of reform teams in government (as was envisaged by participants at the December 2009 workshop) who would find and fit their own solutions and be rewarded with program funds once results were achieved.³⁵

The project document explained this new approach to doing reform by referencing the kind of narrative emerging from the 2009 discussions: “The Government of Mozambique (GoM) has rolled out a comprehensive public financial management (PFM) reform program over the past decade, which has greatly strengthened PFM rules, systems and institutions...However, much

³⁵ In practical terms, these teams were facilitated by coaches—also an innovative element of the project: “The project engaged a team of coaches and facilitators who were assigned to each of the participating ministries and in each province to support the coordination, behavior change and implementation discipline needed to reach the targets” (World Bank 2018).

remains to be done for these reforms to be reflected in the daily operation of institutions and staff in sector ministries, provinces and districts. These changes in practices are critical to ensure better value for money in public spending and improved service delivery.”³⁶ Going into more detail, the project rationale reflected explicitly on the gaps and weaknesses identified in the ‘adaptation window’:

“Despite ... successful central PFM reforms, gaps remain between laws, policies and systems, and their implementation in sectors, provinces and districts. While aggregate PEFA scores are high for legal and policy frameworks, implementation of these frameworks is weaker. In addition, upstream elements of the PFM cycle (e.g. budget preparation, tax policy) perform better than downstream functions, including budget execution, procurement, internal controls, accounting, and audit follow-up. Unlike changes in PFM laws and Information Technology (IT) systems, which can be driven by a core team of reformers in the Ministry of Finance, improvements in their implementation requires behavioral changes by a large number of dispersed government officials in sector ministries, oversight entities, provinces and districts. So far, effecting that change has proven challenging, leading to uneven implementation of the PFM laws. Such an uneven implementation of PFM reform, in sectors and at lower levels of government is not unusual in large scale reforms, nor should it be taken as a sign of failure. Yet it affects the ability of the Mozambican government to effectively and equitably deliver services, and results in poor value for money in public spending.”³⁷

The project was not easy to implement—for either the World Bank or GoM—but is in its last year now (in 2018) and is increasingly being recognized as a success. It has fostered many different improvements in the PFM system—especially as this system plays out in the real, day-to-day lives of government entities involved in actually using resources to deliver services. For instance, targeted improvements in the management processes through which medicines are procured and supplied across government have led to “a substantial increase in the availability of essential maternal health medicines at the facility level from 78.6% in 2013 to 86% to 2015, as well as a sharp decrease in the number of treatment sites with stock outs of antiretroviral drugs from 27% in 2013 to 5% in 2015.”³⁸ Similarly, teams have found various ways to solve problems associated with the delay or diversion of funds from schools, which studies had shown contributed to low pupil retention, low completion rates, and poor learning outcomes. A new commentary on the project quotes a primary school director called Matilde Xilume as saying, “We now receive our grants allocation at the beginning of the school year..[which] is a major improvement as it allows us to plan better at the beginning of the year.”³⁹ She was one of the principals in over 1,000 schools who received funds on time because of the project.

³⁶ World Bank (2014).

³⁷ World Bank (2014).

³⁸ World Bank (2018).

³⁹ World Bank (2018).

These kinds of results emerged because the GoM and World Bank pursued a very different kind of PFM reform, targeting gaps and weaknesses in its system as these had been identified in the ‘adaptation window’ exercise in 2009 (and afterwards).

The influence of this 2009 ‘adaptation window’ exercise (and the related PDIA approach) is clear when one considers a 2018 comment by Humberto Cossa, a World Bank senior health specialist working on the project: “The project adopted an innovative problem-driven and iterative approach towards implementation ... [where] Frontline implementers focused their attention on identifying bottlenecks to the achievement of results in their sectors, bringing people out of their silos to craft integrated solutions.”

Importantly, the new problem-driven process was not limited to this project, with the influence of the 2009 ‘adaptation window’ exercise also evident in the design of a 2013 USAID project aimed at improving the medicines supply chain. This project provided short-term financing in advance of the 2014 World Bank project and structured to address the problem areas identified in 2011 by a health sector team that emerged from the 2009 PFM workshops. Evaluations of this intervention indicate that it was unusually successful in supporting all sorts of problems solving behavior and in changing the way public officials ‘see’ their work. The intervention’s success is tied most to the use of results-based financing in the project and the way in which monetary incentives were used to promote solution-seeking behavior by teams of civil servants working together to solve problems. These are certainly important innovations employed in the USAID-funded project in 2013 (and in the subsequent 2014 World Bank project). It is unlikely that any of these innovations would have been tried, tested, and found to work, if GoM officials had not seen their reality through an ‘adaptation window’ in 2009, however.

Final thoughts

Mozambique is like many governments across the world. These governments regularly pursue reforms—with donor assistance—that achieve less than was originally expected or is needed to make the state function better. The limits to reform success are often obvious in even the early days of reform, where gaps and weaknesses are observed and gossiped about. Many reform processes do not embed means of ‘seeing’ these gaps and weaknesses, however, and persist with predefined reform plans instead of adapting designs to close the gaps and address weaknesses. This persistence often leads to continued reform weakness and potentially even outright failure.

This can be countered by creating reflection points where reformers scrutinize their progress to identify weaknesses, reflect on these weaknesses, and adapt their next steps to address the weaknesses. This paper calls such reflection points ‘adaptation windows’—moments where reformers acknowledge problems in their reforms, adapt reforms to address such, and mobilize support for this adaptation. As evidenced in Mozambique, these windows can be opened through

purposeful convening's in which agents involved in the reforms are assisted in 'seeing' the problems in their reforms, discussing these problems, and creating opportunities to adapt and improve their reforms to address these problems.

As evidenced in Mozambique's Public Finance Vision, these 'windows' do not always yield the direct adaptations that may seem needed in reform designs. As also seen in Mozambique, however, the windows have the potential of creating new and interesting spaces in which novel responses to the problems emerge (as has been the case with internal audit reform and with the World Bank and USAID sponsored projects). These adaptive responses can help ensure that reforms work effectively, and provide the kinds of meaningful solutions developing country governments need to better serve citizens. As was seen in Mozambique, these kinds of positive impacts emerged over time after the adaptation workshop, as the power of problems mobilized processes to do things differently—and better.

It is important to note how cost effective the Mozambican workshops were, and how easy and un-demanding an 'adaptation window' actually is to construct. This makes it strange that we (the authors) are not aware of any other studies on these kinds of 'adaptation windows'—or of any governments or donor agencies that routinely and regularly convene reformers to engage with problems as was done in this Mozambican example. This leaves us asking a simple question for future research: Why do practitioners in governments and donor agencies, who are ostensibly committed to designing and implementing effective reforms (and policy), not 'open adaptation windows' to see their problems and adapt their strategies to address these problems?

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