International donors as enablers of institutional change in turbulent times?

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Abstract

Purpose – To explore the role of international financial institutions (IFIs) during public financial management reform in a transitional economy. In particular, the study focuses on interaction between external enablers and local actors.

Design/methodology/approach – The paper is based on a qualitative study of public financial management reform in Ukraine during 1991–2014. This period is divided into stages corresponding with two projects financed by the World Bank: 'Treasury System' and 'Public Finance Modernization'.

Findings – First, IFIs supported a Ukrainian economy weakened by financial crisis and insisted on a comprehensive reform of public financial management to facilitate recovery. By strategically addressing local challenges, eliminating local uncertainties and maintaining stable interactions, IFIs gained support from the central government. Local actors continued the reform by negotiating with other actors and getting quorum support. In the second stage, IFIs could not implement planned changes. Even though the change was well-perceived at the beginning, developed tensions between local actors were overlooked by IFIs, which resulted in loss of commitment of the State Treasury representatives. While continuous political instability in Ukraine constrained IFIs-government interaction between IFIs and the Ministry of Finance due to instability of actors' constellation and reduced political will for conducting reforms.

Originality/value – The study contributes to the debate on the adequacy of externally-driven public management reforms in developing countries by exploring actions and interactions of global and local actors during the change in public sector practices.

Keywords International donors, institutional entrepreneurship, public financial management, reform, central government, Ukraine.

Paper type Research paper

Introduction

Much has been said about public sector reinvention (Hood, 1995; Guthrie et al., 2005). A worldwide trend of swapping traditional Weberian bureaucratic wisdom for business-like public management systems (Sahlin-Andersson, 2001) brought New Public Management (NPM) to the front of the public sector reform agenda. The most prominent ideas of NPM, e.g. reorganization of the private sector into corporatized units, contract-based competitive provision of public services, focus on output control and others (Hood, 1995), were formed into various reform packages, which were diffused globally by influential international financial institutions (IFIs), such as the International Monetary Fund (IMF) and the World Bank (WB) (Larbi, 1999). Targeting the enhancement of economic growth in developing countries, IFIs have been heavily involved in selling NPM techniques (Greer, 1994) such as performance management and measurement, public services outsourcing, or result-oriented budgeting (van Helden and Uddin, 2016).

For many developing countries or those with transitional economies facing economic, social or political challenges that originate from environmental shocks or disruptions, such as political and/or financial crises or global recessions (Corrales, 1997–1998), IFIs create an ‘oasis of certainty’ (Caiden and Wildavsky, 1974, p. 61). By providing financial, professional and technical resources through their ‘missionary’ activities (Neu and Ocampo, 2007), IFIs act as NPM-minded reformers (Sulle, 2010) following the mission to reach macroeconomic stability (Stiglitz, 2002), reduce poverty and facilitate prosperity (Francesco and Guaschino, 2020).

Despite the recognized importance of international donors in stabilizing and supporting developing countries in economically turbulent times, several studies argued that a reform ‘driven by the ideology of donor agencies remains contested’ (van Helden and Uddin, 2016, p. 47) and question the adequacy of NPM reforms, since in practice IFIs-initiated reforms do not necessarily bring desired outcomes. Among most frequently provided explanations of divergence between reform intentions and results were contextual specifics and institutional characteristics of countries that receive and implement exogenous reforms (Olson et al., 2001; Tallaki and Bracci, 2019). The research attention has been mostly focused on local responses to reforms driven by IFIs (Adhikari et al., 2012; Dollery and Graves, 2009), such as, symbolic implementation (Adhikari et al., 2013), public employees’ resistance (Sharma and Lawrence, 2009), or blending traditional local practices with external ideas causing a hybrid outcome of a reform (Sulle, 2010), pointing to unintended results of public sector changes.

Given a variety of research criticizing IFIs for disregarding contextual settings, questioning appropriateness of NPM reforms for developing countries and describing local factors hindering reforms’ implementation (Serra, 2005; Hopper et al., 2009; Adhikari et al., 2013; Tallaki and Bracci, 2019), the role of human agency in the complex process of public sector transformation seems to be neglected. Bringing agency to the light can provide novel insights on how external and internal actors rationalize their actions and interact with each other to reach a desired outcome, and, therefore can enrich the understanding of achieved reforms’ results.

Motivated by this gap, the study focuses on a dynamic process of global-local interaction, to understand the reasons for IFIs-driven reforms success and failure. Specifically, it follows the interaction of IFIs and a country with transitional economy – Ukraine – during a public financial management reform. Ukraine was selected as an empirical context, since after the collapse of the Union of Soviet Socialist Republics (USSR) in 1990’s, the country started rebuilding its state towards a market economy and, in cooperation with IFIs, launched multiple NPM reforms. The paper focuses only on one of numerous reform initiatives – public financial management reform implemented during 1991-2014. Thus, the research question is: *how the interaction between international donors and the Ukrainian central government have unfolded during public financial management reform? In which way this global-local interaction may lead the reform's failure or success?* The paper applies institutional entrepreneurship perspective, previously mobilized by public management and accounting scholars (e.g. Argento et al., 2018; Guerreiro et al., 2015), to obtain a nuanced understanding of 'how actors can embrace change' (Major et al., 2018, p. 1199). Considering the critique of being rather actor-centric (Hardy and Maguire, 2017), this study adheres to the process-centric approach of institutional entrepreneurship, which enables exploring a public sector change as a collective, multilevel, dynamic process, where an institutional entrepreneur becomes a catalyst of a collective action (Hamadache and Brabet, 2014). This perspective is valuable for its focus on the role of human agency during the institutional change in contrast with previous research on isomorphic institutional pressures or contextual factors.

The paper adopts a qualitative methodological approach. Empirical material was gathered from interviews and secondary data analysis. The Ukrainian public financial management reform is divided into two stages, corresponding with two subsequent projects funded by WB: first, 'Treasury System' and followed by 'Public Finance Modernization' (PFM). These projects explicitly focus on public financial management system change and, at the same time, represent two distinctive cases of global-local interaction that resulted in diverging outcomes on the reform stages – achievement of reform's intensions in the first stage and their failure in the second.

The remainder of the paper is structured as follows. First, the review the literature on results of public sector reforms promoted IFIs and how institutional entrepreneurship perspective can extend the debate are discussed. Then, the research context is briefly described, followed by the methodology section. The findings outline the stages of public financial management reform in Ukraine with focus on interaction between actors. The paper closes with a discussion, conclusions and perspectives for future research.

Literature review

Unpacking the controversy of IFIs-driven reforms internationally

The reasons why reforms, which have been globally disseminated by IFIs, often show unsatisfactory results is mysterious even for 'architects of the state' (Halliday, 2012). Compared with major global regulators (Hopper et al., 2017), missionaries (Neu and Ocampo, 2007), political thinkers (Harrison, 2005), knowledge producers and transfer agents (Francesco and Guaschino, 2020), IFIs have been largely involved into selling NPM reforms (Greer, 1994), which were often met reluctantly by the reformed states (Halliday, 2012).

To understand limited results of exogenous reforms brought by qualified international consultants from developed countries, many researchers suggested seeking the answer in 'configuration of the local field' (Neu et al., 2008, p. 58). According to Way (2002, p. 581): 'export of institutional "best practice" has its own interpretations in different contexts…describing institutional reform in weak institutional contexts requires a deep empirical knowledge of how the country's institution function, that international consultants and economists often do not have or training to acquire'. Indeed, possible explanations of inconsistent results is IFIs' ignorance of institutional context of a particular country, which is shaped by multiple factors such as economic system, political landscape and cultural values (Ashraf and Uddin, 2011). In addition, such country-specific factors as level of corruption (Everett et al., 2007), poverty (Roberts, 2004), and politicians prone to intervene into public sector (Hopper et al., 2009) may terminate or negate the effects of public sector reforms.

In trying to understand the influence of institutional characteristics on constraining or enabling the implementation of reforms internationally, the research attention has been mostly paid to external pressures by international donors and local responses to new practices. The case of Moroccan municipalities implementing strategic management planning showed that, despite IFIs efforts to coerce introduction of new public sector practices, the reform was ultimately constrained by local institutional characteristics (Tallaki and Bracci, 2019). Due to a limited involvement of civil society and weak strategic orientation and managerial capacity, the Moroccan municipalities preserved their traditional practices disregarding the external initiatives. International donors that exert coercive pressures through loans and technical assistance might also face opposition from local actors. In Fiji, IFIs requested implementation of market-type mechanisms for public sector organisations in return for granted loans, but new commercialization ideas were met with public employees' resistance, who experienced 'the internal contradiction in which profit-oriented ways of thinking conflicted with a long-standing public sector ethos' (Sharma and Lawrence, 2009, p. 275).

In this regard, the claim that developing countries have to follow the path of developed nations has become a misconception (Hopper et al., 2017). However, the similar argument applies even for those countries, which according to the United Nations classification (UN, 2019) refer to a developed group. Several cases showed that IFIs usually come into play when such countries suffer from economic crises, which can additionally stimulate local officials to implement the reforms (Åslund, 2012). Yet, one of the main impeding factors for public sector reforms orchestrated by international donors to have limited results is a country's political situation. For example, temporal political bargains occurring between international donors and national governments as well as the election cycle may condition reforms' results. For example, a comparative study of Bulgaria and Romania were challenged by the crisis in 1997 and were recommended by IFIs to introduce a private pillar for the pension system (Adascalitei, 2017). Despite being episodic, such political compromise strengthened the position of IFIs for promoting pension reform in Bulgaria, whilst in Romania, extremely fragmented political coalition and criticism of the public pension system changes resulted in fading influence of IFIs and subsequent delay with the reform (Adascalitei, 2017). Another case of public administration reform supported by 'Troika', during Greek crisis, was constrained by an insufficient power of domestic politicians, that is, absence of coherent and persuasive political authority to manage the reform process by local 'policy entrepreneurs' (Featherstone, 2015).

Despite pointing that public sector reforms were introduced in collaboration between national governments and IFIs (Tallaki and Bracci, 2019) or providing rich descriptions of local actors' reactions to global reform agendas (Sharma and Lawrence, 2009), relatively less studies have addressed how this cooperation had been unfolding over time and how multiple actors interacted during such cooperation.

A distinctive exception is a comparative study of introducing accounting innovations in Nepal and Sri Lanka by Adhikari et al. (2013). Despite interpreting their findings via neo-institutional lens (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) and referring to isomorphism, legitimacy and decoupling, the authors documented a durable story of public sector accounting reform and focused on actors involved in carrying out changes. The Nepalese case uncovered the involvement of numerous international organizations, whose coercive pressures towards change necessitated the country dependant on external funding to implement reforms, whereas local actors accepted the reform to legitimize themselves in front of IFIs. Moreover, a collective participation of professional accountants on the later stage also put significant normative pressures to implement new accounting practices. Yet, the reform was critically perceived by governmental accountants, since for them, IFIs were focused only on dissemination of the complex reform package rather than adjusting it to local context. In contrast, the case of Sri Lanka showed more engagement of the top governmental officials into the reform. While in the beginning, multiple actors supported introduction of new accounting practices influenced by normative and mimetic pressures of professionalism and education, later on, despite normative and coercive pressures from professional bodies and IFIs, governmental accountants lost their enthusiasm in carrying out the reform due to ambiguities caused by new accrual accounting principles. As a result, in both countries the reform caused local resistance from lower-level civil servants, making the adoption of accrual accounting unsuccessful.

Thus, previous studies have comprehensively documented the problematic nature of public sector reforms driven by IFIs, since external attempts to change public sector practices have shown inadequate outcomes in local settings. The existing debate has uncovered reasons for such outcomes attributing them to isomorphic institutional pressures, contextual factors and opposing local responses. However, previous studies seem to focus less on how multiple actors rationalize their actions and how they interact to reach a desired outcome of a public sector reform. Some studies highlight IFIs' strategic thinking and analytical capacity in changing public sector (Harrison, 2005; Francesco and Guaschino, 2020), and others instead stress importance of local context (Neu et al., 2008; van Helden and Uddin, 2016), the paper suggests furthering these directions by applying processual institutional entrepreneurship to explore actions and interactions of actors during the institutional change.

International donors during public sector reforms: institutional entrepreneurship perspective

Recently arguments that institutions constrain actors' behaviour through norms, procedures and regulations (Scott, 2008) leading to isomorphic patterns (DiMaggio and Powell, 1983) have been reconsidered, as the focus has gradually shifted towards the role of agency and the power of actors to affect institutions (Garud et al., 2007; Lawrence et al., 2011).

With its focus on actors, who can rupture institutions and create divergent change (Battilana et al., 2009), institutional entrepreneurship emerged to examine the 'activities of actors interested in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones' (Maguire et al., 2004, p. 657). To understand the process and possible outcomes of an institutional change, i.e. a public sector reform, the subsequent discussion is framed around the following aspects of institutional entrepreneurship: actors, stimuli, strategic interventions, rationales and reflexivity. To put it simply, who brings up a change, what conditions facilitate or hinder it, how actors ensure their influence during the change and why they act in a particular way.

The institutional entrepreneur is an organized actor, interested in particular institutional arrangements, who creates or replaces existing practices with new ones and ensures their acceptance by other actors (Hardy and Maguire, 2008). Different types of actors might act as institutional entrepreneurs – individuals (Maguire et al., 2004) or collective actors, including organizations (David at al., 2013), governments (Covaleski et al., 2013) or social movements (Lounsbury et al., 2003). When it comes to IFIs, they mostly act collectively. Represented by qualified experts with sound economic backgrounds, who work closely in missions, IFIs guide countries with transitional economies towards implementing market-type reforms (Murphy, 2008). Their role is 'to create an international financial architecture that is firmly grounded on globally authorized national legal systems' (Halliday, 2012, p. 265), through strategic involvement (Murphy, 2008) and work on launching multiple comprehensive reform initiatives (Halliday and Carruthers, 2007).

Significant role in triggering and facilitating institutional entrepreneurship is attributed to stimulating factors and field conditions (Hardy and Maguire, 2017). However, the latter may also have a containing effect. First, crisis situations, as for example revolutionary transformation of political and economic systems experienced by former members of USSR, can serve as an impetus for changing public administration routines (Dillard et al., 2004). As was internationally observed (Adascalitei, 2017; Featherstone, 2015), during crises, IFIs use substantial economic capital and technical assistance (Neu and Ocampo, 2007), to bring about change. Emerging institutions swarmed with uncertainties and problems faced by actors may, on the one hand, trigger institutional entrepreneurship as a problem-solving process (Hardy and Maguire, 2017), and allow strategic and opportunistic action of entrepreneurs (Maguire et al., 2004). On the other, uncertainties sometimes create obstacles for institutionalization given actors' unawareness of benefits received form a change, e.g., the case of accrual accounting reforms in Nepal and Sri Lanka (Adhikari et al., 2013).

However, possessing qualities of an institutional entrepreneur and being supported by necessary stimuli do not guarantee the materialization of an institutional change. To succeed in their attempts to change institutions, institutional entrepreneurs apply intervention strategies by mobilizing resources and framing inter-actor relations (Hardy and Maguire, 2017). IFIs activate and combine tangible and intangible resources: financial and technical support (Larbi, 1999), knowledge and specialized advice (Halliday, 2012). Nevertheless, mobilization of resources only serves as a platform for developing new relations among actors (Buhr, 2012). 'Even a very powerful […] actor, in establishing a new practice, must rely on other actors taking up (or being forced into taking up) a certain type of action' (Weik, 2011, p. 473). Similarly, implementing public sector reforms requires the engagement of multiple sets of actors, such as elites and diffused implementers (Andrews, 2015), external, internal and intermediate actors/catalysts (Brinkerhoff, 2016), to facilitate the change process. Several papers exemplified successful instances of such cooperation between external institutional entrepreneurs and other actors. Argento et al. (2018) studied an interplay between macro- and micro-forces during accounting changes in Estonia. The adoption of IPSAS was supported by internal and external institutional entrepreneurs, whose personal interests, experience and networking played a major role in successfully implementing new accounting practices. Guerreiro et al. (2015) focused on introduction of an IFRS-based accounting system in Portugal as required by the EU, to show that the entrepreneurial action by embedded central actors had a political character and was visible through their grasping political opportunity, mobilizing important allies and accommodating the interests of major protagonists. Thus, to succeed, institutional entrepreneurs should seek for the ways to 'connect their change projects to the activities and interests of other actors in a field, crafting their project to fit the conditions of the field itself' (Maguire et al., 2004, p. 658).

Finally, to fully comprehend the dynamic process of institutional change, it is essential to follow actions undertaken by knowledgeable and reflexive actors (Dillard et al., 2004).

Indeed, reflexivity is recognized as an important ingredient of agency (Weik, 2011, p. 469; Modell, 2017; Aleksandrov et al., 2018). However, a critical aspect of agentic action built around the paradox of embedded agency (Battilana and D'Aunno, 2009), which questions the actors' ability to initiate institutional change, if they are embedded into an institutional field and thus constrained by suppressing institutions (Garud et al., 2007), has been concerning institutional theorists for a long time. Even though recent streams of institutional theory, as institutional entrepreneurship or institutional work, tried to explore this paradox by uplifting human agency, significant critique emerged stating that researchers often 'attach too much weight to individual agency at the expense of collective agency and for neglecting the institutionally embedded nature of human agency' (Modell, 2020). Thus, addressing the structure-agency debate (Garud et al., 2007; Wijen and Ansari, 2007; Modell, 2020) by exploring the relationship between habitual and reflexive agency becomes crucial for understanding nuances of institutional entrepreneurship.

Habitual agency means that an individual or a group has a subconscious understanding of the ways how to act based on their identities and previous experiences (Willmott, 2015; Creed et al., 2010). In this regard, rationales used by institutional entrepreneurs to 'theorize intuitional change by specifying problems associated with existing practices and justifying new ones as a solution' (Hardy and Maguire, 2017, p. 271) are framed by 'culture, institutions, and social relations [… that] influence actors' cognition and actions' (Battilana et al., 2009, p. 73). IFIs are powerful global change agents and to expand their influence, IFIs act as strategic institutions by producing, selecting and mobilizing knowledge (Francesco and Guaschino, 2020). However, the content of knowledge produced and shared by experts is framed by 'cognitive frames', i.e., IFIs' mandates (Francesco and Guaschino, 2020). Thus, public sector reforms ideas spread by IFIs under NPM reform agenda were embedded into economic ideologies of advanced countries (Halliday, 2012), more specifically 'the Western-centric private-sector management repertoire' (van Helden and Uddin, 2016, p. 44), to which international donors adhere.

Reflexive agency supposes that individuals can identify and consciously realise possible ways of institutional change (Aleksandrov, 2020). Thus, having capability for reflexivity (Mutch, 2007), institutional entrepreneur has to navigate multiple complexities, struggles, tensions and power relations (Major et al., 2018). To be successful, need to not only define protagonists, antagonists, and other actors who might be involved into institutional change (Battilana et al., 2009), but also to recognize their interests and concerns, as the latter also play important role during institutional change. The research on IFIs focusing on these specific issues is rather limited. Most of the previous studies perceived international donors as normative supranational bodies, thus assuming that they only possess habitual agency and did not mention reflexivity of external consultants. However, the paper by Francesco and Guaschino (2020) raises an intriguing point, which could be developed further theoretically. '[…] strategy for reforming public sector management has insisted on political economic factors as the theoretical framework for developing 'a pragmatic problem-solving activity'' (p. 120), which supported a universal applicability of best-practice approach. However, as the agenda for IFIs changed, they gradually moved to the 'best fit' approach by developing tailored solutions for specific local context. This finding motivates for a more critical reflection on the IFIs reflexivity in changing public sector practices and the reasons of divergence outcomes of public sector reforms.

Thus, theoretically, the paper argues that, albeit their importance, the outcome of institutional change may depend not only on institutional entrepreneurs' qualities and stimuli to succeed in a change. This study adheres to the structure-agency interrelation as a dynamic dialectical interaction between agency and institutions (Lawrence et al., 2011) and theoretically claims that rationale and reflexivity of an institutional entrepreneur, while framing inter-actor relations, may become essential in achievement of a desired institutional outcome.

Context

Ukraine belongs to the group of Central and Eastern European countries that in the late 1980s were affected by the fall of a centralized command economy and commenced rebuilding their states towards a market economy. At the beginning of transition, these countries experienced significant political, economic and societal changes to a degree comparable with institutional upheaval (Newman, 2000). After the fall of the USSR, the unstable economic situation in Ukraine motivated the government to apply for membership of several IFIs. Starting from 1991, WB financed 11 projects in Ukraine, worth around $2.8 billion in total (as of 2018), under the theme 'Public expenditure, financial management and procurement'. Interestingly, issues of public sector finances were mainly incorporated into comprehensive programmes supported by comprehensive loans. For example, a sequence of Development Policy Loans was provided to Ukraine as a number of thematic programmes that together aimed at contributing to sustainable growth and poverty reduction. This general aim included a programme addressing the need for reforms of tax administration, budgeting and public financial management. Meanwhile, some projects concentrated exclusively on improving the Ukrainian system of public finances, which was crucial, since transition to a market-driven economy called for the establishment of sound public financial management institutions (Tanzi, 1993). The projects specifically developed to address and reform the main challenges of public financial management in Ukraine were the Treasury System project and the PFM project, implemented during 1997-2004 and 2008-2014, respectively.

Methods

'The beauty of qualitative research is that it can accommodate different paradigms and different styles of research and research reporting' (Bansal and Corley, 2011, p. 234). Nevertheless, it is often criticized for a lack of scholarly rigor or justified assertion, which requires that research assures the relevance and credibility of gathered data (Gioia et al., 2012).

The evidential base is built on interviews and official documentation, which were used complementarily during the data collection process. In total, 14 semi-structured interviews and three informal conversations were conducted during 2016-2017, with a median length of around 56 minutes. Although informal conversations are considered to provide limited data on historical events, compared to interviews (Silverman, 2000), they were important for this study as they contained the viewpoints of key actors involved in public financial management reform. These conversations were organized during open public events (i.e. conferences and round tables). Evidence obtained during informal conversations was concise, yet very informative, since respondents had valuable experience on IFIs–Ukraine cooperation. Furthermore, communication with key actors activated a 'snowball' effect. They provided contact with others with expertise in the studied issues. This allowed as many relevant respondents as possible to be approached.

To eliminate potential bias in the data, interviewees were selected to represent various views on the reform. They belonged to the following categories (for details, see Appendix 1): representatives from IFIs, civil servants from central government – Ministry of Finance (MoF) and the State Treasury, researchers and NGOs' representatives, generally referred to as experts. The latter were involved to balance the views on the reform process and results and helped to verify the arguments of other interviewees.

Data collection was organized as follows. Prior to the interview, project documentation was extensively analysed to obtain a solid background knowledge on the reform and create a basic interview guide. The guide included general questions on the role and actions of IFIs in reforming Ukrainian public financial management, how this role changed and how the Ukrainian government engaged in the changes. More specifically, it questioned how the project groups worked during both projects, how local and external actors interacted, whether there were any facilitating or hindering factors influencing the outcomes of both projects and whose role dominated during negotiations. During the interviews, these questions could be slightly customised, according to the respondent's expertise.

As regards the interviews, arranging face-to-face meetings with important respondents holding high positions was challenging due to the frequent travelling of the IFIs' representatives or the heavy workload of Ukrainian officials. Nevertheless, all planned interviews were conducted. With an interviewee's permission, the conversation was tape-recorded, but in six cases (including informal conversations) extensive notes were taken. At the end of the conversation, most interviewees provided additional archival documents relating to the projects. The principles of diplomacy, discretion and transparency were of the utmost importance when speaking with informants (Gioia et al., 2012). Thus, the author assumed the position of an active listener, allowing interviewees to freely express their opinions, while simultaneously guiding the conversation in the right direction. As some interviewees expressed a wish to remain anonymous, the names of all respondents were omitted.

In qualitative research, there is no universal approach to the way data is analysed. Yet, allowing a certain degree of flexibility, the data analysis needs to acquaint the reader with a link between data and theory (Gioia et al., 2012). While conducting this study, constant seesawing 'theory-empirics' moves were performed until saturation appeared. This allowed rich empirical material to collected and theoretical connections retained (Alvesson and Sköldberg, 2009). The raw data (interviews and notes) was transcribed and analysed by the author personally, without applying software. In contrast to 1st- and 2nd-order analysis approaches (Van Maanen, 1979), the data gathered for this study allowed main themes to be distinguished immediately. The data was coded on the basis of chosen theoretical perspectives, the most frequently raised issues were identified and arranged by the following codes: 'external'/'internal' actors, 'stimuli', 'rationale', 'interactions', 'reflexivity', 'outcome'. Next, themes were analysed and passages related to public financial management reform were identified, namely, key actors' actions and the effects on the public sector change. After data analysis, follow-up discussions were performed to ensure the accuracy of interpretations.

To support evidence collected from interviews, analysis of IFIs' documentation (including project information retrieved from WB webpage), national legislature and other official documents was conducted.

Empirical findings

This section presents the process of public financial management reform in Ukraine, which was divided into two stages corresponding with specific projects, which aimed at, first, establishing public financial institutions and, second, their significant enhancing. Importantly, these two projects were led by different groups of WB extorts. The findings reflect the institutional entrepreneurship process by focusing on actors, stimuli, strategic interventions (resources and inter-actor relations), and rationales and reflexivity.

Stage 1. Emerging institution of public financial management: collective action towards creating new institution

In 1990s, Ukraine experienced a striking budget deficit – around 14% of GDP – caused by a substantial increase in public expenditure in social spheres (Kravchuk, 2001). For several years, the central government had been manually regulating the national economy, which was falling into deep recession. The Ukrainian public financial management system inherited from the USSR operated without reasonable fiscal discipline and rational budget allocation, since no budgetary constraints were placed on state expenditure (Mikesell and Mullins, 2001).

> [T]he first years of transition were devastating. Importantly though, the effects of the crisis could have got even worse, if we had not received support from international donors. They helped us with financial resources and professional advice. In return, they requested that we implement a comprehensive public financial reform programme to get out of the 'budget hole'. During the first years of independence, the government tried to escape from reality [necessity of changes], and the consequences of closing the eyes were dramatic. At one point, all the central government understood that, without external support, we were doomed. In such conditions, when 'there was no other place to hide', we started drafting the reform of public finances. (Interviewee 6)

The quote above signifies that in 1990's Ukraine experienced significant financial problems caused by the crisis after the fall of the USSR. Additionally, the government lacked knowledge how public financial system should be functioning under market economy principles, causing uncertainty and continuing manual regulation of public finances. The Ukrainian government's decision to maintain financial institutions with money emission caused accelerating budgetary arrears, the economic situation in the country worsened. By the time Ukraine became IFIs' member, the central government, under pressure of serious economic challenges, had changed its perception of the reform and became more receptive to external support, prioritizing financial and economic stability.

IMF was first to enter the Ukrainian emerging economy. Following the rationale for restoring the balance of payments of its member governments, to correct financial disruptions and promote national development (Babb and Kentikelenis, 2018), IMF stabilized the macroeconomic situation by introducing monetary reform, large- and small-scale privatization in 1996-1997 (IMF, 1997). Nevertheless, these measures were still insufficient to overcome public budget deficits. This situation signalled to IFIs that the establishment of sound financial institutions might be undermined, which contradicted another strategic interest of IFIs – the institutionalization of new public sector practices to secure the return of loans provided to Ukraine. Therefore, IFIs set conditions for structural reforms and insisted on fundamental changes of public finances, to tackle an unsustainable fiscal situation caused by unrealistic central government budgetary planning and lack of control over state expenditure (World Bank, 1998).

> In the 1990s, the government faced tremendous uncertainties. Public finances were immature and malfunctioning. We needed both financial resources and expertise to build an appropriate new system. In 1994, the government drafted the strategy for fiscal reform. Importantly, IMF experts gave us great assistance in developing a comprehensive reform program and after the WB project was launched (Interviewee 1)

To better address public financial management challenges, IMF experts were involved into preparing the program for fiscal reform. From Ukrainian side a specially established working group[1] has contributing to the process. The group consisted of heterogeneous actors (civil servants, academics, IT specialists) working with public finances. This group was actively engaged into development of the program and allowed IMF externs to better understand specifics of the local context. Only after development of the program, WB and IMF experts proposed the 'Treasury System' project. The project team consisted of government representatives and experts from WB and IMF – the institutional entrepreneurs. The reform started with the setting up of an institutional framework for the operation of the State Treasury of Ukraine, which received control over the use of governmental financial resources and managed the budget execution. The Treasury acquired a three-tier structure, with a main central office and several offices at regional and municipal levels, to reach a better control over local budgeting. According to IFIs, the rationale for this change was that it represented an 'international best practice as adapted for economies in transition' (World Bank, 1998, p. 3).

> We were well-equipped with resources to implement the treasury system. The framework developed for Ukraine was based on IMF's design that had been introduced in other former Soviet Union countries. Our expertise and successful examples from other countries contributed to the productive work on the project and cooperation between all team members; we were glad to observe an obvious engagement from the Ukrainian side. (Interviewee 11)

As external enablers have been working since 1994 on preparing the strategy public financial management and further with the project, they were aware of the problems and uncertainties faced by the Ukrainian government. The experts used their professional authority, experience and provided convincing arguments for this project as an appropriate solution by showing successful cases of similar institutional change in Kazakhstan. As Interviewee 14 mentioned: '*it was surprising for me how professionally they communicated and acted. Like professional doctors, they clearly stated what should we do and why. Their arguments gave us hope for better future*'. As a result, local actors supported the reform. However, the commitment of local team members only was insufficient to institutionalize the change, because the reform had to be approved by other governmental institutions, some of which resisted to protect the status quo.

> The treasury system was an important 'brick' for […] healthy public financial management. However, for other branches of power, the introduction of a centralized and transparent cash management system seemed like a loss of control over their expenditures. For example, the Ministry of Defence spoke against closing their separate bank account. Also, representatives of the private banking sector, unwilling to shut down their spending unit bank account, tried to block the reform through lobbying in Parliament. Despite this opposition, representatives from the MoF argued for the necessity of this change, and the majority [of deputies] supported the initiative to transform the public financial system during that crisis period. (Interviewee 8)

Despite some actors opposing the establishment of the State Treasury, local project team members engaged into series of interactions with other actors to advance the change. For instance, they attended hearings in Parliament, negotiated with the deputies, to convince them that this reform was important and to obtain the necessary number of supporters – and their votes.

> We [the project team] were equal partners in reaching the same objective – improvement of fiscal management – and we worked continuously together during all project stages. The project started when Ukraine was only forming an internal political consensus on reforms, and it was rather ambitious to initiate extensive changes to established practices of public financial management. But, still, we managed. (Interviewee 5)

The first stage might seem not so surprising from the first sight. Nevertheless, it provides an important background for better comprehension of emerging institutions and the starting point for the reform on the second stage. Significant financial and institutional challenges for Ukraine in 1990's opened the window for external enabler to introduce the change project. Based on the rationale for establishing sound financial administration in a market economy in line with NPM agenda, IFIs suggested 'Treasury System' project as a solution for Ukraine. The economic crisis and lack of knowledge caused significant uncertainties for local actors, yet had a stimulating effect, since Ukrainian government realized the need for external support. Institutional entrepreneurs were strategically using arguments, which supported their global NPM reform agenda and followed a 'best practice' approach (Francesco and Guaschino, 2020), to address local uncertainties. Specifically, the experts gave examples of similar reforms and positioned it as a solution to the existing crisis. Here, local team members played a minor, yet important, role. While showing no resistance to the change and willing to collaborate, they asserted furthering the reform. They interacted with other actors to gain support from the legislative branch, despite fragmented opposition. Thus, the State Treasury was established leading to gradual improvement of budget execution and cash management.

Stage 2. Institutional enhancement, tensions and disrupted interaction leading to unintended outcome

In 2000-2007, a positive GDP growth and a decrease in the public deficit indicated the recovery of the Ukrainian economy. After completing the Treasury project, the Ukrainian government negotiated with experts from WB to continue an advanced project, with a focus on modernizing and enhancing the existing treasury system. During 2004, local and IFIs designed the second Treasury project (see overview of projects in Appendix 2). However, this initiative coincided with presidential elections in 2004 and was paused by IFIs for the period of political instability in the country. That year was marked by endogenous civil resistance in Ukraine, a so-called Orange Revolution[2], against the results of the presidential elections. A re-vote was initiated, and a new president entered office in January 2005, followed by the formation of a new government.

In 2005-2006, the Ukrainian government committed to a broad public financial management agenda focusing on transparency, accountability and efficiency, performance-based budgeting, public financial control, and accounting reforms. Orientation towards cooperation with the EU, with provision for further European integration, also highlighted the need for public financial management harmonization. Meanwhile, the MoF complemented this agenda with a new reform strategy[3], supporting the enhancement of the public financial management IT systems, to improve fiscal planning, budgeting, treasury, debt management, accounting and auditing, and to provide an integrated platform for system users. Thus, governmental focus shifted towards '*reaching the maximum integration of elements of the* *public financial management system by connecting the processes of revenue collection with expenditure management*' (Interviewee 6).

Given the new ambitious target of a Ukrainian reform agenda, WB proposed restructuring the second Treasury project and suggested launching a PFM project. In 2008, the loan agreement was signed. The project was designed for the MoF to develop an integrated public financial management system at its structural units. This was planned to be implemented through an IT-system, which would serve as a comprehensive communication and information technology platform for actors at central level, that is, the MoF, the State Treasury, central line ministries and so forth, and numerous subnational actors: regional government agencies and local governments.

In the same year, the world financial crisis hit the Ukrainian economy, causing a GDP decline of around 14.8% and a more than 50% depreciation of the national currency (Smits et al., 2019). Following the same rationale as in the first stage – supporting member governments in correcting budgetary maladjustments – IFIs provided the Ukrainian economy with a US$16 billion stabilization programme (IMF, 2008). International donors highlighted also the necessity of public financial management reform: an important condition for receiving financial support (World Bank, 2015, p. 11). IFIs considered the newly approved PFM project a response to this challenge, which could strengthen Ukrainian public financial management. However, despite favourable conditions for institutional change (convergence of global and local reform agendas and anticipated simulating effect of the crisis), the PFM project was postponed several times and, ultimately, terminated. The reasons why IFIs failed to institutionalize the change are discussed further.

The first reason appeared on the reform planning stage and is connected to tensions between MoF and the State Treasury. In 2005, a simultaneous reform of the MoF restructuring was initiated expanding the Ministry's authority over the Treasury and other public financial organizations (e.g. State Tax Administration, State Customs Service and State Control-Revision Service). As established in 1995-1996, the Treasury was a separate institution under the MoF, responsible for budget execution and directly accountable to the Cabinet of Ministers. The structural reorganization of central financial authorities in 2005[4] resulted in the Treasury's integration with and its further subordination to the MoF, which redefined the roles and responsibilities of the State Treasury in public financial management.

As stated before, in 2004, the Treasury representatives prepared to the second Treasury project, which they considered "*a feasible change*" (Interviewee 8). However, based on a new governmental agenda, top MoF officials decided to shift from the second Treasury, aiming at upgrading the existing system to an integrated public financial management system, which would, instead, cover all functions of the restructured Ministry.

> The MoF and State Treasury lived in different worlds. Before the reorganization of the Treasury, we [Treasury staff] wished to modernize the system we had already established, as we also did after becoming subordinated to the MoF. We pragmatically evaluated the capacity of the Ukrainian public financial management: the update would be the best option, whereas the MoF had their own agenda; they seemed to plan the reform with rose-tinted glasses. Efforts to implement that integrated system were comparable to trying to speed up a cart, pretending that you are driving a Ferrari. Therefore, evidentially, we did not support this. (Interviewee 14)

This quotation demonstrates that the shift to a more comprehensive public financial management system caused tensions between the State Treasury and the MoF from the start of the PFM project because local actors had divergent views on the most appropriate reform alternatives. Meanwhile, the financial authorities' restructuring resulted in a decrease in the Treasury's independence in decision-making, as the MoF took the place as the main beneficiary of the PFM project. Treasury representatives tried to convince the MoF that a gradual change of public financial management would better fit the contextual conditions. Yet, the MoF leveraged its power over other local actors and decided to execute a more ambitious plan for the public financial management system reform.

Facing the dilemma between two alternatives, WB staff decided to support the ambitious PFM project. The main motive of this choice was the correspondence to global neoliberal reform agenda widely adopted by IFIs at that time in developing world. The rationale behind this was to use an already existing '*reform solution*', which had been previously implemented in other developing countries (Interviewee 17), e.g., Tanzania and Kosovo, to 'enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information' (Chêne and Hodess, 2009, p. 2). In this way, IFIs once again tried to secure the return of their financial support. However, before launching the project, external experts did not engage into researching the local contextual challenges. They built their understanding based on the country reports previously published by IFIs, but did not run a separate baseline study specifically for the PFM project (IEG, 2015).

Importantly, an expansion of the scope and functionality of the treasury system was among the objectives of the new integrated system, but the interests of Treasury representatives were overlooked by IFIs, who interacted with the MoF. Instead of choosing the strategy developing inter-actor relations by '*creating a dialogue between the Treasury and the MoF*' to hear and meet the expectations of all (Interviewee 9), IFIs dedicated their attention to mobilization of resources – funding and expertise in combination by running trainings for around 2 500 Ukrainian civil servants. IFIs ignorance of tension between MoF and the Treasury lead to the loss of the Treasury's commitment to the PFM project. These important local actors, who would become final users of the new system, participated but were not engaged in the PFM project meetings, trainings and other activities. Instead, their efforts shifted towards upgrading the e-Treasury system independently from 2009, using financial resources annually allocated by the state for the Treasury's operations and maintenance.

> Things became clear after several meetings of the project group: the e-Treasury system would not be supported. I just had one question: why should we 'reinvent the wheel' if we already have a functional IT system? My colleagues and I really doubted that the integrated [IT] system would work. The modernization of the e-Treasury system was a viable alternative, and we suggested developing it instead. However, the rest had another vision… The [external] experts could act as referees in our internal disagreement and maybe we could find the compromise, but it seemed that they did not pay attention to this … (Interviewee 8)

The second reason constraining the change by IFIs was disrupted communication between IFIs and local team members during the reform implementation. For implementing such complex projects as PFM, a sound project management is critical (Diamond and Khemani, 2005). In addition to loosing commitment of Treasury members, there was no evident support from the MoF leadership on the implementation stage. During politically turbulent 2005-2010, prime ministers with governments rotated four times. The governmental heads are influential local actors, as they are responsible for interacting with IFIs. In 2010, the next presidential elections brought an opposing candidate to power, and the government changed once again. A high turnover of Ukrainian top politicians complicated the process of PFM implementation, due to disrupted interaction between IFIs and the central authorities.

> Cooperating with a Ukrainian government is rather challenging. To succeed, IFIs rely on micro stability within the country. […] Ukrainian political elite plays an important role in conducting reforms. If there is an internal political mess, it is naïve to expect reforms. (Interviewee 4)

> The project management from Ukrainian side was a big problem. Colleagues working on PFM mentioned that the project director from the Ukrainian side did not have sufficient time and competences to follow the project. Moreover, as political landscape changed, eight project managers were appointed. (Interviewee 5)

IFIs tried to maintain frequent communication with local team members. According to the IEG report (2015, p. 6-7): 'The Bank team conducted 13 supervision missions and held 40 video conferences during the project period. A team member in the Kiev country office provided ongoing guidance to the project implementation unit and the MoF' and 'periodic progress reports were prepared and submitted on a regular basis'. However, they were not able to obtain necessary local support due to changing MoF representatives.

Not only the continuous political instability restricted the global-local interaction, it also negatively affected the engagement of the MoF representatives in advancing the reform. Since PFM aimed at making the public financial management system more transparent and efficient, these changes were perceived by many politicians as a threat to their positions.

> [P]ublic financial management projects cannot be implemented as a neutral programme of reform, as IFIs tend to portray them. To ratify any radical change concerning public finances, there must be commitment at the central level. For example, a decision to introduce a medium-term budgeting framework, which was among the aims of the PFM project, carried risks for the Ukrainian political elite. In the middle of 2008, when the financial crisis came and there was around one and a half years before new presidential elections, no one wanted to publicly advertise that during the next three years, the quality of life would not improve. This would also limit the political ability to promise a raise in salaries for their electorate. (Interviewee 17)

Additionally, the evident change in the Ukrainian political context was marked by shifts between opposing parties, in comparison to the first period of public financial management reforms, when the political landscape was just forming. *'These reforms require political courage and significant efforts to change the country'* (interviewee 4). In this situation, local actors avoided taking responsibility for promoting transparency, openness and efficiency, because the latter were not considered beneficial for saving political leverage and could even threaten their freedom, due to political instability in the country.

> Many promises were given with this reform package [PFM project], but there was no such person who would lead it without being afraid about his/her political future. People were unwilling to take responsibility for making sound decisions. What if, after you signed a document, a representative from the prosecutor's office were to knock on your door? (Interviewee 16)

Thus, the second stage of the reform marked the IFIs' failure to enhance the public financial management system. At the beginning of the reform, the change seemed to be well-perceived by local actors, as it corresponded to local reform agenda and promised improvement of existing practices. However, it failed for several reasons, First, Treasury-MoF tensions and disagreement on the reform scale were ignored by IFIs, who instead focused on mobilization of resources following global neoliberal rationale and not on framing inter-actor relations. This caused a loss of the Treasury commitment to the project. Second, the turbulent political environment constrained IFIs-MoF interaction and, at the same time, affected engagement of local politicians, who started perceiving the reform as a threat to their positions, which lead to collective inaction.

Discussion

Previous studies have extensively demonstrated the problematic nature of NPM reforms driven by IFIs, since exogenous influences to change local practices have frequently resulted in inadequate reform outcomes (van Helden and Uddin, 2016; Tallaki and Bracci, 2019; Sharma and Lawrence, 2009). Global change agents, IFIs, were exposed to a strong critique for applying 'one-size-fits-all' approach (Andrews, 2010; Andrews, 2012) to reforms, being unaware of local contextual complexities (Way, 2002) and disregarding divergence of local institutional characteristics (Olson et al., 2001). In this vein, local reactions were carefully explored (Adhikari et al., 2012; Dollery and Graves, 2009; Sharma and Lawrence, 2009). Some studies recognized IFIs' capacity for strategic and analytical thinking in changing public institutions (Harrison, 2005; Francesco and Guaschino, 2020), but relatively less in known about how IFIs interact with local actors while implementing NPM reforms (for exception see Adhikari et al., 2013). The paper aims to contribute to the debate by focusing on the role of agency in the complex process of public sector transformation, which seems to be neglected due to a prevailing choice of traditional neo-institutional theoretical lenses (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) for studying IFIs influence on reforms in developing countries.

Driven by this gap, the paper explored a dynamic process of global-local interaction, to understand reasons for IFIs-driven reforms success or failure. The public financial management reform in 1991-2014, during which IFIs and Ukrainian actors interacted, was selected as an empirical case. The paper is theoretically framed around discussion of agency role in changing institutions by applying process-centric institutional entrepreneurship perspective (Hardy and Maguire, 2017; Battilana et al., 2009). This perspective allows tracing the institutional change by studying actors, stimuli, strategic interventions of institutional entrepreneurs, their rationales and reflexivity (Maguire et al., 2004; Weik, 2011; Mutch, 2007) and, at the same time, to acknowledge collective, multilevel and dynamic character of the change by recognizing the role of other actors involved (Hamadache and Brabet, 2014).

The Ukrainian case demonstrated diverging outcomes on two stages of public financial management reform (see Figure 1). According to Dillard et al. (2004, p. 552), economic systems of market capitalism in context of Central and Eastern European countries were carried out in imposed manner without 'the agents' recognition, motivation and understanding grasped the implied systemic dimensions'. While this can be true for the second stage of public financial management reform, the situation was quite the opposite in the beginning.

<< insert Figure 1 here >>

In the first stage of the reform, the Ukrainian economy faced serious economic crisis due to transition from planned to market-type economy coupled with struggles in navigating emerging institutions, e.g., immature political system and public administration institutions.

During 1991-1996, the government's desire to secure budgetary expenditures and uncertainty in building institutions caused accelerating arrears and hyperinflation. As economic situation worsened, the local actors became more receptive to changes and recognized the need for external support stabilizing national economy, as applying for membership in several IFIs demonstrated. Institutional entrepreneurs, i.e., competent experts from IMF and WB, started with a series of immediate 'injections' – monetary reforms – to stabilize macroeconomic situation. Further, the experts recommended establishing a treasury system, to increase the effectiveness of budget execution and cash management. The Ukrainian government agreed with this initiative and officially established a working group of local actors, who had experience in working with public finances, and supported this by appropriate legislature.

The establishment of public financial management institution was guided by IFIs through 'Treasury' project, which was in line with market-led development and NPM (van Helden and Uddin, 2016). As cases in other countries demonstrated (e.g. Adhikari et al., 2013), engagement of local civil servants in the beginning of the reform is not stable and can change over time due to lack of understanding of innovative practices, or might be done as a legitimizing action, which in both cases can lead to unsatisfactory reforms results. Therefore, to avoid this, institutional entrepreneurs need to act as a reflexive agents to catalyse collective action (Hamadache and Brabet, 2014), by recognizing the problem, foreseeing possible reactions of other actors involved into the change process and strategically deciding on appropriate combination of resources. Meaning that whether and how institutions might be changed depend on actors' reflexive actions (Aleksandrov et al., 2018). In case of Ukraine, not only they financed the reform through the loan, WB and IMF experts followed the strategy of sharing success stories, i.e., their experience in implementing similar successful reform cases in other countries, to create certainty for local actors in appropriateness of the reform. Additionally, IFIs maintained interaction by providing regular technical assistance (e.g., trainings and consultations) to increase competences of local actors. As a result, local team members were able to pursue the change further. They interacted with Parliament members to promote the reform and explain its importance and even were able to suppress local resistance. Other actors spoke against the reform to protect their control over respectful accounts, however, local team members used their newly obtained competences to gain necessary quorum to approve the reform. Thus, external exerts were able to strategically sustain reform through collective action, which resulted in the State Treasury establishment.

In the beginning of the second stage, the Ukrainian economy showed growth and progress in institutionalizing public financial management practices after setting up the Treasury (World Bank, 2007). Aiming at strengthening fiscal discipline and harmonizing with EU standards, WB and State Treasury representatives initiated the second Treasury project. However, due to a changing political landscape in Ukraine, the project in its early stage was paused, as newly appointed MoF came into play with an updated reform agenda targeting full integration of the public financial system. The MoF representatives had an ambitious reform vision stimulated by decent performance of Ukrainian economy in 2000's and eager to enhance public sector practices as most of politicians demonstrate during their first months in the office. The new government also launched the structural reform of the MoF, which resulted in the Treasury's subordination to the MoF and loss of autonomy in decision-making. Most of Treasury representatives worked there from the time of Treasury creation and had a more pragmatic view on the reform scale. They argued that less ambitious change (the one they were developing under the second Treasury project before the change of government) better fitted into Ukrainian context. The shift local actors' roles created tensions between the

MoF and the Treasury regarding the most appropriate reform initiative. Facing this dilemma, IFIs chose a more ambitious PFM project. The rationale behind this choice was to follow global neoliberal vision of reform trends. Additionally, IFIs considered PFM project as an appropriate response to the crisis in 2008. Recognizing local tensions and actors' frustration on the early stage would allow flexibility for IFIs to update reform priorities (Adhikari et al., 2013). Importantly though, WB experts either performed a baseline study of Ukrainian public financial management (IEG, 2015), neither they fully considered critical assessments of problematic implementation of similar reforms in other developing countries (IMF, 2005). The lack of reflexive evaluation of potential challenges during the change project initiation was the first major miss of institutional entrepreneurs.

Moreover, during PFM project implementation, the institutional entrepreneur chose the wrong strategy in framing relations with and between local actors. IFIs failed to connect the change project to the activities and interests of all key local actors (Maguire et al., 2004). First, prioritizing the greater reform agenda, the institutional entrepreneur interacted mostly with MoF and neglected tensions with the State Treasury, which heated up internally. As a result, IFIs lost support from an important ally, Treasury representatives, whose contribution to the project was crucial. These actors working in public administration, would become everyday users of new integrated public financial management system. Indeed, seeking political compromises (Adascalitei, 2017), gaining support from local institutional entrepreneurs and networking (Argento et al., 2018; Guerreiro et al., 2015) were marked as key factors for implementing new practices. Second, external enablers faced continuous disruptions in interactions with MoF due to persisting political instability, upon which they had little control. Thus, the institutional entrepreneur was not able to establish strong inter-actor relations, which was crucial to secure a collective action towards change (Hardy and Maguire, 2017). Given turbulent political environment, MoF representatives gradually lost their ambition to reform. The perception of the change driven by IFIs gradually changed as a threat to civil servants' positions, resulting in a loss of commitment to public financial management reform. Because of collective inaction of MoF representatives, lost support from the Treasury, and the lack of IFIs' reflexivity on potential challenges and need for establishing strong network of supporters, the ambitious reform initiative failed.

These observations call for acknowledging that to change institutions, institutional entrepreneurs not only need to possess necessary qualities, knowledge and resources (Hardy and Maguire, 2017), they also depend on framing, moderating and engaging into complex interactions between multiple sets of actors with diverging views on institutional change. The ability of intuitional entrepreneur to critically assess local context, challenges and to navigate interests of other actors by means of effective interaction plays a pivotal role in achievement of a desired institutional outcome. What we can learn from the case is that institutional entrepreneurs not only depend on 'temporal dynamics between activities and conditions' (Hamadache and Brabet, 2014, p. 148), they also rely on stability of local actors' constellations and contribution of the latter to the change project. Since for developing countries public sector reforms often represent a collective action of global experts and local actors, to increase the effectiveness of reforms, IFIs can mobilize their substantial expertise in collectively creating tailor-made local reform solutions.

Conclusions

The paper followed the interaction between IFIs and the Ukrainian government during two stages of public financial management reform implemented through sequencing projects funded by IFIs. To explore IFIs' role in the public financial management reform in Ukraine, a process-centric institutional entrepreneurship was applied to shed light on global-local interaction between actors.

The Ukrainian case exemplified that, in conditions seemingly appropriate for institutional transformations, the intended outcomes might not be necessarily reached, even with the support of an influential external enabler. The main conclusion of this study is that the ability of IFIs to understand local challenges and address them through engagement into interaction with local actors has the utmost importance in the institutionalization of externally driven reforms. Hence, this paper contributes to the public management debate in the following way.

First, it studies a dynamic process of global-local interaction during the public sector change to extend our understanding of a contested nature of public sector innovations driven by IFIs. Several studies explained questionable success of reforms by highlighting cultural differences (Olson et al., 2001), local symbolic implementation (Adhikari et al., 2013) or resistance (Sharma and Lawrence, 2009), whereas other presented successful examples of favourable interplay between exogenous and endogenous forces (Argento et al., 2018). This study makes a further step by acknowledging the importance reflexivity of external experts, and their engagement into interaction with other actors, who do not champion the change and whose role during institutional change less discussed (Hardy and Maguire, 2017).

Second, by exploring the process of public financial management reform in Ukraine, the study contributed to the debate on divergent outcomes of institutional entrepreneurship by applying process-centric approach. The case demonstrated why and how institutional entrepreneurs can fail in their attempts to change institutions. The study also partially touched the structure-agency debate by showing the determined nature of IFIs rationales framed by global NPM reform agenda, which co-exists with reflexive agency observable during adjustment of global solutions to local contextual issues.

From a practical perspective, the paper suggests that IFIs may need to pay more attention to local actors' backgrounds, concerns and internal tensions to detect and eliminate potential conflicts undermining projects' implementation. The identification of relevant actors, their inclusion into and maintenance of the dialogue might be another strategy for IFIs for successful public sector changes.

At the same time, the study has several theoretical limitations, opening thus avenues for further research. One of potential developments could be applying the institutional work perspective (Lawrence et al., 2011) to explore how actions affect institutions by studying actors' work in creating, disrupting and maintaining institutions. This perspective could contribute with providing a practice view by connecting actors to institutions and would allow generating deeper insights on joint productions of actors, practices, and institutions (Battilana and D'Aunno, 2009) during public sector changes. In addition, given the recognized importance of other actors' work and reflexivity in changing institutions (Modell, 2017; Aleksandrov et al., 2018), research is needed on whether and how actors' reflexivity can be guided by enablers interested in particular institutional arrangements and how institutional entrepreneurs can affect the reflexivity dynamics unfolding under exogenous events (e.g., crisis). Finally, the study can be criticised for not discussing in detail structure-agency debate. Thus, further studies are encouraged to experiment with methodological approaches to collect data, which would reflect a dynamic interplay between habitual and reflexive types of agency (Modell, 2020).

Notes

1. According to the Resolution of the Cabinet of Ministers from 1 June 1995 No 324-r.
2. The Orange Revolution, November 2004 – January 2005, marked by a number of public protests. The main cause of civil resistance was a concern about corruptive and fraudulent presidential elections.
3. According to the Resolution of the Cabinet of Ministers from 17 October 2007 No 888.
4. According to the Resolution of the Cabinet of Ministers from 24 September 2015 No 983.

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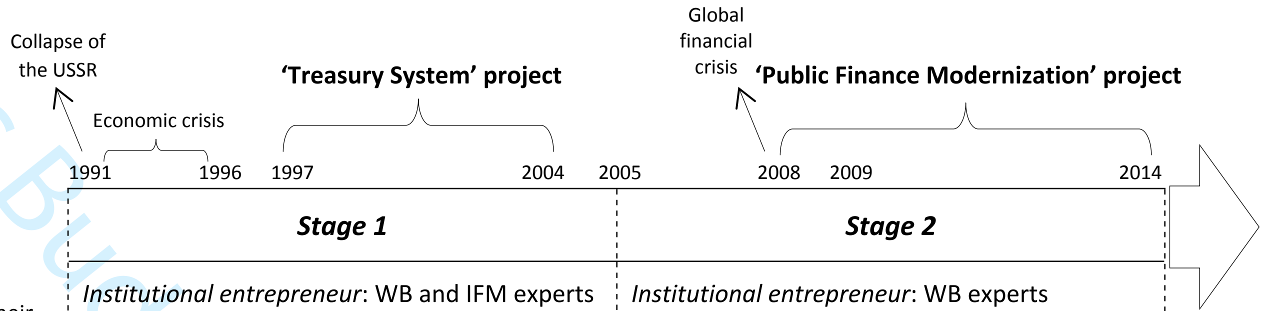
Appendix 1

<< insert Table A1 here >>

Appendix 2

<< insert Table A2 here >>



	Stage 1	*Stage 2*
Who? Actors and their roles	*Institutional entrepreneur*: WB and IFM experts *Local actors*: Ukrainian government	*Institutional entrepreneur*: WB experts *Local actors*: MoF and State Treasury
What? Stimuli	✓ Economic crisis ✓ Emerging public financial management institutions ✓ Uncertainty of local actors and recognition of the need to change	× Global financial crisis × Tensions between MoF and State Treasury × Turbulent political environment
How? Resources and interactions	*Recourses*: financial loan and technical assistance *Interactions*: using successful examples of other countries implementing similar reform (displaying competences and professionalism); stable interaction with local actors.	*Recourses*: financial loan and technical assistance *Interactions*: disrupted with MoF; not initiated with State Treasury
Why? Rationales and reflexivity	*Rationale*: need of sound financial administration in a market economy (NPM agenda) *Reflexivity*: transforming uncertainties into certainties by using knowledge and experience	*Rationale*: implement a sustainable integrated public financial management system (NPM agenda) *Reflexivity:* little engagement in understanding local contextual problems; fragmented attention to local actors' tensions
Outcome	Successful implementation of reform; establishment of the State Treasury	Failure to implement integrated financial management system

Figure 1. Institutional entrepreneurship during public financial management reform in Ukraine

Table A1. Information about interviewees

#	Position*	Category	Duration (minutes)	Communication
1	Former Minister of Finance of Ukraine	CG	20	Informal conversation
2	IMF Resident Representative in Ukraine	IFI	20	Informal conversation
3	EBRD Director in Ukraine	IFI	20	Informal conversation
4	Regional analyst at EBRD Ukraine	IFI	50	Semi-structured interview
5	Former Adviser to Minister of Finance of Ukraine	CG	90	Semi-structured interview
6	Former Prime Minister of Ukraine; Former Minister of Economy of Ukraine	CG	60	Semi-structured interview
7	Member of the Department of Accounting and Budgetary Operations, State Treasury of Ukraine	CG	60	Semi-structured interview
8	Former Director of Department of Financial Resources, State Treasury of Ukraine	CG	90	Semi-structured interview
9	NGO representative	E	50	Semi-structured interview
10	Former Executive Director for Economic Affairs, the National Bank of Ukraine	CG	65	Semi-structured interview
11	Fiscal Economist with IMF Resident Representative Office in Ukraine, IFM	IFI	45	Semi-structured interview
12	Researcher, private business school	E	75	Semi-structured interview
13	Leader of the WB mission to Ukraine	IFI	60	Semi-structured interview
14	Member of the Department of Methodology for Budget Execution, Accounting, Reporting and Treasury Development, State Treasury of Ukraine	CG	60	Semi-structured interview
15	Member of the Budget Committee, Parliament of Ukraine	CG	60	Semi-structured interview
16	Board member of EBRD	IFI	55	Semi-structured interview
17	Member of Directorate for Department and European Integration, the MoF	CG	80	Semi-structured interview

*Position on the time of interview.
Categories: CG – central government; IFI – international financial institution; E – expert.

Table A2. ~~Comparison of the m~~Main characteristics of ~~analysed~~ the projects*

	Treasury System Project	**Second Treasury Project**	**Public Finance Modernization Project**
Years of implementation	1997–2004	2004–2005	2008–2014
Project cost** (appraisal)	US$16.4 million	US$45 million	US$50 million
Project cost** (actual)	US$16.4 million	US$0 million	US$ 3.8 million
The main project aim	To design and implement a fully functional, automated treasury system as an effective instrument for budget execution and cash management	To modernize and upgrade the existing state treasury system	To strengthen public financial management in terms of operational efficiency and transparency
Public financial management reforms to be implemented during the project	– Develop and implement the underlying legal framework – Set up the organizational arrangements for treasury-based payment and receipts processing – Design the associated systems and procedures (hardware and software)	– Improve the scope and functionality of public financial management and associated legal framework and procedures – Improve the system to become a better instrument for budget allocation, execution, cash management and audit	– Reorganize the MoF, its information needs and new functionality – Expand the scope and functionality of Treasury system to enhance accountability, transparency and integrity, – Improve public governance – Conduct performance-based budgeting, public financial control and accounting reforms
Public financial management reform implemented during the project	All mentioned above were implemented	Not applicable	Adopted some of the laws in sphere of public financial management and trained staff of the MoF on new legislation
Main project result (appraisal)	Enhanced governmental capacity for fiscal management through e-Treasury system	Modernized and upgraded state e-Treasury system	Integrated public financial management system
Achievement of the main project result	Achieved	Not applicable	Not achieved

*Developed by the author based on the information retrieved from analysed project documentation.
**The WB f~~F~~unds~~ provided by WB~~.