The Political Economy of Pooled Development Funds in Malawi - The Case of Local Development Fund

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The candidate confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others.

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Acronyms

AAA:	Accra Agenda for Action
ADC:	Area Development Committee
AfDB:	African Development Bank
APL	Adaptable Program Lending
APPP:	African Power Politics Programme
BADEA:	Arab Bank for Economic Development in Africa
BMZ:	Federal Ministry for Economic Cooperation and Development (German)
BRICS:	Brazil, Russia, India, China and South Africa
CABS:	Common Approach to Budgetary Support
CSO:	Civil Society Organisation
DAC:	Development Assistance Committee
DC:	District Commissioner
DCS:	Malawi Development Cooperation Strategy
DDF:	District Development Fund
DED:	German Development Service
DFID:	Department for International Development
DPP:	Democratic Progressive Party
FGD:	Focus Group Discussion
GAVI:	The Global Alliance for Vacines and Immunizations
GIZ:	German Society for International Cooperation
GNI:	Gross National Income
GoM:	Government of Malawi
GTZ:	German Organisation for Technical Cooperation
HDI:	Human Development Index

IHDI:	Inequality-adjusted Human Development Index
HIPC:	Highly Indebted Pour Countries
IBRD:	International Bank of Reconstruction and Development
IFAD:	International Fund for Agricultural Development
IDA:	International Development Association
IMF:	International Monetary Foundation
JICA:	Japanese International Cooperation Agency
KfW:	KfW Develpment Bank (German state-owned bank)
KII:	Key Informant Interview
LA:	Local Authority
LDF:	Local Development Fund
LDF-TST:	Local Development Fund-Technical Support Team
LED:	Local Economic Development
MASAF:	Malawi Social Action Fund
MGDF:	Malawi Growth and Development Strategy)
MGPDD:	Malawi German Programme for the Promotion of Democratic Decentralisation
MICF:	Malawi Innovation Challenge Fund
MCP:	Malawi Congress Party
MK:	Malawian Kwacha
MoF:	Ministry of Finance
MPI:	Multidimensional Poverty Index
MPV:	Millennium Village Project
NLGFC:	National Local Government Finance Committee
NGOs:	Non-Governmental Organisations
NSO:	National Statistical Office

ODA:	Overseas Development Agency (United Kingdom)
ODA:	Official Development Assistance
ODI:	Overseas Development Institute
OECD:	Organisation of Economic Cooperation and Development
OECD-DAC:	Organisation of Economic Cooperation and Development-Development Assistance Committee
PP:	People's Party
PPP:	Purchasing Power Parity
PRSPs:	Poverty Reduction Strategy Papers
SIDA:	Swedish International Development Cooperation Agency
SAPs:	Structural Adjustment Programmes
SWGs:	Sector Working/Wide Groups
TA:	Traditional Authority
UDF:	United Democratic Front
UNDP:	United Nations Development Programme
UNICEF:	United Nations Children's Fund
USAID:	United States Agency for International Development
VDC:	Village Development Committee
WB:	World Bank

Abstract

This thesis examines how power shapes the institutional design of aid modalities, particularly pooled development funds. Pooled development funds, as an aid modality, emphasise that both donors and aid recipients have the same interests and goals to be achieved through development aid such that all actors easily agree to exercise formal power when making decisions regarding the institutional design of a particular pooled development fund. Pooled development funds also encourage all the actors to exercise formal power, based on formal institutions, in a way that contributes to the accomplishment of each of their goals, and to a reduction in operational costs. However, using the case study of Malawi's Local Development Fund, this thesis argues that both formal and informal power shape the institutional design of pooled development funds by controlling and manipulating agenda-setting, and decision-making in both institutions - formal and informal.

Whilst this thesis establishes that it is undisputable that donors retain a lot of power in their interaction with aid-dependent countries, it is also argued that aid recipients have their own ways of exercising power upon donors, including foot-dragging; paying lip service to aid agreements; holding onto information; and deliberate inclusion or exclusion of certain players so as to manipulate decisions in favour of the establishment of an institutional design that will serve to their advantage. This thesis also argues that local bureaucrats and political elites in Malawi rely on informal power to shape the institutional design of aid modalities whilst donors depend on formal power to influence institutional arrangements for resource disbursement. The exercise of formal and informal power in the institutional design of pooled development funds reflects those interests of the actors who contribute resources to the pool. Thus, power is used instrumentally by players in the aid industry to achieve their interests, including political and policy influence; monetary gains, visibility and patronage; high remuneration; and personal and institutional prestige due to increased budgetary funds and professional development. As much as this thesis pays attention to both formal and informal power by focusing on the rules of the game in order to examine the institutional design of aid modalities, much attention is also paid to informal institutions and their significance in development aid in Malawi.

The thesis employs qualitative methodology, focusing on Malawi as it is one of the top countries in Sub-Saharan Africa for receiving overseas development assistance: about 40% of the national budget comes from donors. This thesis draws from empirical data collected through sixty-seven (67) key informant interviews and thirteen (13) focus group discussions from six months of fieldwork in Malawi. The Local Development Fund (LDF) was sampled as a case study for two reasons. First, LDF is a pooled fund with contributions both from donors and the Malawi government, hence providing an opportunity to examine various power dynamics regarding how they shape institutional design of pooled development funds. The second reason for sampling the LDF is that though established in 2008, is yet to be studied from a perspective of power and institutional design therefore there is a gap that should be filled. The originality claim of this thesis is its empirical contribution to filling the gap in the literature on the institutional design of aid modalities by locating the agency of aid recipients and better understanding of the role of informal power in delivering development aid effectively.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

Developing countries attract the attention of donors and owners of private capital, who dedicate resources to address the problems faced by people living in poverty. Malawi is one of the poorest countries in the world, although development partners who contribute 40% of the national budget, have channelled their resources to resolve certain challenges that block development and have uplifted people's welfare. Donors are noticeable in every sector of Malawi because of the many interventions they are implementing: there are “31 Official Development Assistance (ODA) donors with nearly 800 aid projects and 2900 activities” (Weaver et al., 2014:ix). For all of the development aid directed to Malawi, how that aid is delivered is important because of several dynamics between formal and informal power in the disbursement of resources by donors and local actors (bureaucrats, politicians and communities) through whichever aid modality they have chosen. In the literature, arguments on how best to deliver aid are divided on whether to channel aid directly to beneficiaries or whether to go through third parties such as government, civil society organisations and charities (Hayter, 1971; Sachs, 2003; Easterly, 2009a). The decision on which aid modality to engage in the channelling of resources is an outcome of the exercise of formal and informal power by all the players involved – donors and aid receivers. However, in these debates on how best to deliver aid to recipient countries, the role of power in the institutional design of aid modalities is typically overlooked despite its importance in influencing the outcomes of aid modalities.

This thesis examines power and the institutional design of pooled funds as a chosen example of an aid modality in developing countries, and specifically Malawi. This thesis utilises power frameworks to study the institutional design of pooled development funds for two reasons. First, both donors and aid recipients agree to use the same rules of the game despite differences in their contributions as made to the pool and differences in the power held by actors in the pool. Secondly, pooled funds offer an opportunity to examine the role of decisions and non-decisions that are made by donors and aid recipients in the same aid modality in the process of aid delivery. This thesis aims to answer the main research question, ‘How and in what ways does power shape the institutional design of pooled development funds as an aid modality?’ The aspect of power regarding the institutional design of financing arrangements is important to the dynamics of aid modalities in Africa, including Malawi, because of how formal and informal institutions shape the rules of the game that guide the delivery and distribution of resources. Hodgson (2006) and Sachs (2003) have confidence in formal institutions; as such, they argue that formal power in institutional design is drawn from written rules of the game. In addition, Jackson (2012) argues that the formal power connected to bureaucratic structures and written policies provides a strong basis for designing aid modalities that are good value for money. A key argument for the proponents of formal institutions is that written rules of the game are orderly, stable and predictable – elements that are needed in any institutional design that is to deliver aid as intended. However, it is important to recognise that formal institutions do not work as intended in all contexts. In Africa, informal institutions give rise to informal power and complicate formal power (Ake, 1993, 1996; Hyden, 2007, 2008a; Booth and Kelsall, 2010; Yanguas, 2014). Ake (1996) argues that informal institutions in patronage politics are channels for exercising formal power. Patronage politics also explains how state authorities use resources, including development aid, to reward their supporters and consolidate their authority through informal institutions, power, and networks in various aid modalities. The patronage politics scholarship, including this research, indicates that informal power is reproduced and strengthened by informal institutions, which facilitate access to resources, including development aid, by state loyalists.

Based on the empirical data collected during six months of fieldwork in Malawi, from November 2015 to May 2016, the major argument of this thesis is that the formal and informal power exercised by donors, local public administrators, politicians and local communities all influence the institutional design of pooled development funds. These actors and donors exercise formal and informal power in several ways, including: making decisions based on written rules of the game, following written procedures and codes of conduct; withholding information; manipulation; foot-dragging; referring to carefully selected precedents; including and excluding certain people in agenda setting and decision-making; and, paying lip-service to commitments. Formal power influences institutional design by controlling the agenda based on written institutions and official structures, whereas informal power shapes institutional design by controlling the agenda through informal institutions, applied behind the scenes. This thesis argues that, while donors and local actors exercise both formal and informal power to influence the institutional design of pooled development funds, donors rely more on formal power than informal power in this regard. Conversely, local actors rely more on informal power to do the same, and the informal ways of exercising power influence the institutional design of aid modalities to reinforce patronage, especially in African countries like Malawi.

This study's qualitative methodology has enabled a detailed and focused examination of power. The Local Development Fund in Malawi was chosen as the case study because it is a pooled fund with different power games being played by the donors (World Bank; African Development Bank; German Economic Bank) and the Malawi government during the design of financing arrangements for the delivery of aid to central government, semi-autonomous government organisations, local councils and local communities. The involvement of donors and the Malawi government in the Local Development Fund is important to examining the exercise of formal and informal power because donors prefer making decisions based on written rules of the game while local actors predominantly rely on informal institutions to influence and control agenda (again, as in many African countries). Malawi is the research country for this study for two reasons. First, it is highly dependent on development aid such that it is "among the top receivers of official development assistance (ODA) in low-and middle-income Sub-Saharan Africa" (Record et al., 2018:24). Secondly, Malawi has a long experience of implementing pooled funds as aid modalities, dating back to the first Poverty Reduction Strategy Paper that was implemented in the 2002.

For the purpose of answering the overarching research question and examining the themes of this research, three specific research questions were asked: (1) What are the interests of actors in pooled funds and the power games played in the institutional design of pooled funds? (2) What is the impact of the exercise of power in pooled development funds on local governance? and (3) To what extent do different aspects of power affect the ownership of pooled development funds by national, district and sub-district bureaucrats?

This thesis takes a broadly political economy perspective where the focus is on power as one of the key elements of political economy (Erdmann, 2002). The motivation to link political economy to power is taken from Fisher and Marquette (2016) and Hyden

(2008b) who used this approach to understand what motivates the behaviour of donors and aid recipients in specific contexts related to the disbursement of aid in Rwanda and Tanzania respectively. They argue that power should be the central focus in any political analysis to understand the interests of donors and recipients in the aid industry, as well as the narratives and networks that they use to justify and push for the attainment of these interests. This rationale is used in this thesis in chapter 4, which examines how power is exercised by donors and recipients to attain their interests. However, this thesis extends beyond these studies to focus on the role of informal power in agenda setting and in the control of outcomes from decision-making regarding the disbursement of resources, which impacts on the institutional design of pooled development funds. This thesis draws upon an amalgamation of Bachrach and Baratz's (1962) and Gaventa's (2006) powercube theoretical frameworks. Bachrach and Baratz argue that to fully understand power, the focus should be both on decisions (formal) and nondecisions (informal) power analytical frameworks. Decisions pay attention to written rules of the game whereas nondecisions focus on decisions that are made by manipulating agenda in favour of certain individuals or groups of people.

Gaventa's (2004) main argument is that global, national and local actors exercise different forms of power (invisible, hidden and visible) in different spaces (invited, closed and claimed/created). Bachrach and Baratz and Gaventa's works are brought together in this study by focusing on formal and informal power to explain the decisions and nondecisions made by global, national and local actors to influence the institutional design of pooled funds. The value in amalgamating the frameworks of Bachrach and Baratz and Gaventa in this research is the ability to then interpret data on formal and informal power and institutional design of pooled funds in a way that each of the frameworks is not capable of analysing independently. Nondecisions and informal power are fundamental to interrogating several aspects of power in African countries because of the critical role informal institutions play in the disbursement of resources, including development aid.

This study broadly contributes to the literature on development aid in Malawi. Other studies on development aid in Malawi were done by Magolowondo (2005), Chinsinga (2005) and Tambulasi (2011). Magolowondo finds that development agencies deliver their aid for reasons of promoting democracy directly or indirectly to aid recipients that may be governments or civil society organisations. From a power and political economy perspective, he argues that aid modalities for aid for democracy as used by donors in Malawi have bottlenecks because of differences among donors on interests and strategies. The point that different interests are held by the actors in donor driven aid projects is also made by Chinsinga (2005) in his study on decentralisation and poverty reduction in Malawi. Tambulasi's (2011) main finding is that donors use aid to coercively transfer policies from the Global North to aid recipient countries. Based on the public sector reforms in the health sector in Malawi, Tambulasi argues that donors use institutional and coercive powers to make bureaucrats adopt and implement those policies that conform to their aid policies and modalities. However, these studies did not pay attention to the role of power in development aid, especially how power influences the ways through which aid is delivered from donors to recipient countries. This research is the first to focus on power and the institutional design of pooled development funds in Malawi.

The originality claim of this thesis is its empirical contribution to a better understanding of the role of informal power in shaping the institutional design of pooled funds as based on Malawi's Local Development Fund, which was yet to be studied from a perspective of power and the institutional design of aid modalities. This study's contribution to the literature is the finding of aid recipient agency whereby recipients exercise informal power on donors to facilitate the establishment of certain institutional designs that enable them to achieve their interests. Aid recipients also use informal power to block the emergence of institutional designs that frustrate their efforts towards attaining their interests. Studies on aid carried out previously, including those discussed above, have focused on other themes of aid such as effectiveness, decentralisation, good governance, the interplay between domestic public policies and global development aid instruments, and public sector reforms (Chitsamba, 1991; Magolowondo, 2005; Chiweza, 2007; Kasiya, 2014; Khomba, 2018).

Since attention has focused on other aspects of aid, there is a gap in the literature that must be filled. Thus, this thesis makes an original contribution, filling this gap in understanding power and the institutional design of aid modalities by providing empirical analysis and discussion of a pooled fund that has operated in different institutional designs for over a decade, but has not been studied specifically with respect to the role of power in shaping institutional design. This means the findings that contribute to filling a gap in the literature are mainly drawn from primary data collected from respondents – donors, policymakers and community members – directly involved in designing and managing the Local Development Fund.

1.2 Why Malawi?

There are two reasons for sampling Malawi. First, Malawi was chosen for this study because its national budget is highly dependent on donors, which has implications for power and the institutional design of aid modalities. A heavy reliance on donors has made Malawi vulnerable to the influence of external powers on matters of development policies. This proxy influence of donors on development policies is based on the budgetary and non-budgetary support they render to Malawi. Van der Meer et al. (2008:17) note that foreign aid as a proportion of the government budget averaged 38% over the period 1994 to 2006, the bulk of which were grants (averaging 72% of all foreign aid). The government budget as a proportion of GDP is also not impressive as it averaged 39% between 1994 and 2006. Malawi remains in this tangled situation as donors' budgetary support in 2013/14 fiscal year was 38% of the total budget. The foregoing indicates that Malawi lacks the financial resources to fund the country's activities and hence often turns to donors for support.

Donors' interactions with the Malawi Government is characterised by suspensions in budget support, freezing of aid, unfulfilled promises, and an erratic flow of resources that all have an impact on the ability of government to deliver services and function properly. Currently major donors, including the United Kingdom, Norway, and the European Union, have suspended their budget support as of mid-2013 because of the US$ 30 million Cashgate scandal. It is important to note that while donors have suspended budgetary support, they have continued to deliver aid through projects, programmes and pooled funds. This decision by donors raises questions as to the preferences of donors regarding aid modalities. The issue of power is of interest in the design of preferred aid modalities because of the aid volatility in Malawi as donors wish to utilise an aid modality that prevents resources from being embezzled. Below, Table 1.1 shows the share of foreign aid in the government budget.

Table 1.1: ODA [Official Development Assistance] to Malawi
(USD million, 2013 prices and exchange rates, net ODA receipts)

2010-14	1970-79	1980-89	1990-99	2000-09	2010-14	2012	2013	2014
Share (%)	Annual Averages					Annual Amounts		
1.9	258	448	686	726	1016	1174	1130	926

Source: OECD (2016)

In terms of specific donors, over a period of three years, the World Bank has been the largest development partner among the multilaterals and bilaterals, disbursing US$ 287 million in 2012–13, US$ 171 million in 2013–14 and US$ 139 million in 2014–15 (Malawi Government, 2015). Among the bilaterals, pre-2013, the United States of America and the United Kingdom were the largest funding institutions, and the USA remains so. Between 2004 and 2010, Malawi consistently received fewer loans than grants. The trend of grants dominating the aid flows continued between 2012 and 2015: 83% of assistance was provided as grants in 2012–13; 77% in 2013–14; and, 80% in 2014–15 (Malawi Government, 2015). Although grants have dominated, loans have increased slightly, with the World Bank providing most of these loans. The percentage of assistance provided as loans in Malawi increased from 14% in 2012–13 to 19% in 2013–14, and then decreased slightly (still resulting in a net increase from 2012–13 to 2014–15) to 17% in 2014–15. In 2014–15, the World Bank provided 61% of all assistance to Malawi that was delivered through loans.

The aid flow to Malawi is higher than the official figures given by government because the official figures do not capture the entire project aid that is delivered through Non-Government Organisations (NGOs). NGOs in Malawi need to register with the NGO Board of Malawi as required by the NGO Act. As of 2016, the NGO Board of Malawi registered 123 NGOs. However, a database for another NGO governing body, Council for Non-Governmental Organisation, had 914 NGOs listed (NGO Board of Malawi, 2016). In 2013, the NGO Board of Malawi estimated that there were over 5,000 NGOs in Malawi. This heavy presence of NGOs gives an indication of how much aid bypasses the central government accounting system and goes unreported. Below, Table 1.2 shows the top twelve donors of Malawi over five years; 2010–2015.

Table 1.2: Top 12 Donors of Gross ODA for Malawi, 2010-2015 – Average

	Donor	**Amount (US$, million)**
1	United States of America	187 466
2	United Kingdom	158 655
3	International Development Association (IDA)	153 972
4	European Union Institutions	117 956
5	Global Fund	89 724
6	Norway	80 206
7	African Development Bank	46 043
8	Germany	38 638
9	Japan	37 445
10	Ireland	24 677
11	International Monetary Fund (Concessional Trust Funds)	20 396
12	Global Alliance for Vaccination and Immunization	19 028

Source: Amusden (2017)

The second reason Malawi was sampled for this study is because the Government has a long experience of negotiating for pooled financing mechanisms with donors and other cooperating partners. The Malawi Government also has a record of implementing development programmes involving different actors at national and local level with funds from the pooled finance development mechanism. This study concerns how actors negotiate development packages in an event where resources are pooled together given prevailing variations in power, interests and rules of the game. The history of pooled development financing mechanisms in Malawi dates back to 2000 with the emergence of the Common Approach to Budgetary Support group (CABS). CABS is a grouping of donors and development partners who pool their resources together and fund the government budget as one entity.[1] Under the CABS arrangement, the Government

[1] Members are the African Development Bank, the UK's Department for International Development (DFID), the European Union, Norway, and the World Bank. The International

exercises flexibility in resource allocation under close supervision of donors. The Malawi Government, as reported by JIMAT Development Consultants (2010:15) envisaged that pooled funding should enhance development aid effectiveness and reduce competition among donors and development partners. Under the United Nations, Malawi Government in 2008 was a party to the negotiation and establishment of pooled funding called the Harmonised Approach to Cash Transfer, involving the United Nations Children Fund, United Nations Family and Population Fund, United Nations Development Programme and the World Food Programme.

Since 2000, the Malawi Government has been in negotiations that have culminated in the emergence of sector based pooled funding mechanisms in health, education and agriculture. Interestingly, the first three sector-wide approaches were hosted by three big ministries in Malawi in terms of their command of financial resources and workforce. The next pooled financing mechanisms that the Malawi Government has been negotiating with donors are the Water Sector-wide Approach and Transport Sector-wide Approach. A semblance of a common financing mechanism has been operational in the water sector since 2008 under the broad arrangement of the Joint Sector Review, and donors and the Malawi Government have been negotiating on transforming this Joint Sector Review into a fully-fledged Water Sector-wide Approach. In view of the observation that Malawi has a long history and experience in negotiating for pooled funding with donors and development partners, and considering that most of these pooled funds are up and running, Malawi was a useful research site. Methodologically, Malawi was also an appropriate site because over the 14 years that it has been engaged in pooled financing mechanism initiatives, it has accumulated a wide database for consultation. The researcher did not lose sight of the fact that the LDF – pooled development funds – is the main case study.

1.3 Problem Statement and Rationale of the Study

Key debates of development aid focus on several issues, including: the nature and role of the state and government in channelling resources to a targeted population; the international policies governing the conduct of donors and recipients in the aid industry; the interface between traditional and emerging donors; the power dynamics between

Monetary Fund, the United Nations Development Program (UNDP), Germany and Ireland have observer status.

donors and aid-dependent countries in formulating and implementing projects; and, aid effectiveness and aid modalities as preferred by each actor in this industry (Knack, 2004; Lightfoot, 2016; Boone, 1996). On the nature and role of the state in relation to development aid from a liberal perspective, the major argument is that the state is a source of problems as it blocks attempts to promote development (Bardhan, 2002:1). Liberal theorists argue that if development is to be realised, government must be re-structured to be based on the ethos that underpins any institution working in the best interests of the people. This means government being structured in a way that makes best use of development aid to improve the living standards of those people living in poverty.

Liberals in Malawi have promoted the reduction of central government's powers and responsibilities so much so that the public machinery is now only a means of creating a conducive environment for development, but is not necessarily itself producing and distributing goods and services to the population. International financial institutions such as the World Bank, the IMF and the World Trade Organisation (WTO) pursue the reductionist position in their interventions. Neoliberal policies such as Structural Adjustment Programmes (SAPs) that were implemented in developing countries in the early 1980s were theoretically rooted in public reforms that aimed to keep the powers and responsibilities of the state to the minimum. Bond and Dor (2003:6) noted that SAPs were conspicuous in Africa considering that African countries had bloated responsibilities and held power at the centre. Heywood (2003:81) considers states in Africa as being like overbearing 'nannies' that struggle to give good care to their kids because of their weak financial and technical capacity.

The intervention of SAPs in Africa were also justified based on failed economies being controlled by authoritarian regimes where power was vested in a clique of top and elite politicians who marginalised the majority of poor citizens. Put differently, the World Bank reasoned that the soft, centralised and clientelist character of the state in Africa was a barricade to development. Bardhan (2002:1) chose the argument of African states being barriers to development by indicating that the centralised African state had lost a great deal of legitimacy owing to its many failures, and reforms are often suggested and implemented as a way of re-structuring the state to attain development. Essentially, the main argument by liberal theorists is that power should not be vested in central government institutions. Instead, local governments and communities should be tasked with the responsibility of making their own decisions. Decentralisation projects in many African countries mirror this debate as to whether power should be transferred from central government to local councils and communities for decisions on what to do with resources, including the funds from donors (Mdee et al., 2017; Smoke, 2003). However, as observed by Mdee (2014) and Crawford and Hartmann (2008), decentralisation has not succeeded in transferring power from the policy-makers at central government to the bureaucrats at the local level in most African countries, including Tanzania and Ghana. The reason for the failure of decentralisation in transferring power is that agenda setters outside formal government structures block such transferral of power through informal institutions. The use of informal institutions in agenda setting is important in development aid debates, as well as in this thesis, because this is a manifestation of the exercise of informal power in shaping the institutional design of aid modalities – a central theme for this research, as discussed in empirical chapters 4, 5 and 6.

Another key debate relates to aid modalities, or how resources are delivered to poor countries. One major argument is that how aid is channelled to recipients is strongly linked to how power is exercised by both donors and recipients depending on the institutional arrangements. Despite having several aid modalities that are used to deliver development aid, it is significant to note that both practitioners and scholars agree that how aid is directed to recipients should work in the best interests both of donors and aid-dependent countries (Easterly, 2002; Moyo, 2009). In an argument originating from lessons from SAPs, current thinking in development aid is that aid modalities must be aligned to government structures and donors need to harmonise their development policies and systems with those of the government. In his study on aid modalities, Yamada (2002) established that the current preferred pooled development funds have evolved from project aid, programme aid and direct budget, which are still being used by different donor agencies. Project and programme aid modalities first emerged in the 1940s and became main aid modalities for implementing SAPs in the 1980s. They are used when there are specific objectives. In this regard, these aid modalities were the best fit to deliver aid through SAPs because SAPs had specific aims to achieve: restructuring of the state through privatisation, and liberalisation of the market and non-subsidised programmes. (Oyejide, 2003:73) A study by Mkandawire and Soludo (2003) established that there was an element of coercion in the implementation of SAPs whereby developing countries were obliged to accept certain conditionalities before aid was given. The World Bank and the IMF, as the architects of SAPs, even today deliver aid that is attached to economic conditionalities requiring reforms in the market sector. However Crawford (2001) contests this, indicating that the World Bank avoids putting political conditionalities into their project and programme aid so as not to contravene their mandate and operating procedures for not interfering with the internal political affairs of recipients.

However, it did become compelling for the World Bank and IMF to indirectly extend economic conditionality to political conditionality because of the 'policy slippage' that led to ineffectiveness in project and programme aid (Nelson, 1992; Minogue and Kothari, 2001). It is important to note that the World Bank and IMF are hesitant to agree that SAPs have conditionalities that restructure the political nature of the state because that would be an admission of an extension to their mandate. The United Kingdom's Department for International Development (then known as the Overseas Development Agency or ODA) denied that their aid had political conditionality; however, in 1993 they set out a policy to 'export' good governance by attaching democracy and respect of law and human rights to their British aid. Crawford (2000, cited in Minogue and Kothari, 2001) established that the ODA (Lynda Chalker – British Overseas Aid Minister and Douglas Hurd - Foreign Secretary) insisted that they did not seek to impose Westminster democracy on other countries, whilst their 1993 policy held firm to the objectives of promoting democratisation and efficient government and market-oriented economic policies, if necessary by the attachment of political conditions to development aid. According to Santiso (2001), the tying of economic and political conditionality to aid continued to Poverty Reduction Strategy Papers (PRSPs) that used budget support to deliver aid. The World Bank introduced PRSPs in 1993 to address aid ineffectiveness and other problems of SAPs, such as lack of ownership of the policies by recipient countries. To the contrary, PRSPs turned out to be a new tyranny in the aid industry. The critical theme drawn from SAPs and PRSPs is that coercion through conditionalities is a manifestation of power. Through aid, donors get recipients to do what they would not have done without the promise of aid. The important point linked to power is that through conditionalities, donors rely on formal institutions to exercise power on aid-dependent countries. As discussed in chapters 2 and 4, informal institutions, though ignored by donors, are important because aid recipients, especially in Africa, rely on them to exercise their own power on donors.

There have been a number of studies conducted in Malawi on how development aid is delivered. Tavakoli and Hedger (2010) conducted a DFID (Department for International Development) commissioned study evaluating the effectiveness and value for money of their aid through options appraisals that included pooled funds, project aid, programme aid, and budget support. A key finding by Tavakoli and Hedger (2010) was that general budget support is the marginally preferred aid modality over project aid, programme aid and pooled development funds. This study is relevant to my research because of the ranked options it establishes, with the Malawi Government agreeing to the finding that they also prefer budget aid to any other aid modality. In the 2014 Development Cooperation Strategy for Malawi (2014–2018), the Malawi Government (2014c:38-9) indicated they had always preferred general budget support to other aid modalities in the descending order of “sector budget support and programme-based support, basket/trust funds, project support to government, project support channelled through NGOs or indirectly administered funds, technical assistance and commodity aid.” The DFID, with other donors, delivered budget support through CABS (Common Approach to Budgetary Support) up to 2013, when CABS suspended their budget support due to the misappropriation of US$ 30 million by the Malawi Government. In 2014, the Government contradicted themselves by indicating that they had always preferred budget support to any other modality because, at the earlier establishment of the LDF in 2005, the Government had indicated that they preferred pooled development funds to any other modality.

The research by Tavakoli and Hedger (2010) paid attention to the preferences of aid modalities in Malawi. My research builds on this theme, investigating how power shapes the institutional design of aid modalities and especially pooled development funds. Tavakoli and Hedger (2010) made their conclusions based on written institutions. In this research I argue that the conduct of the Malawi Government in switching their voiced preference of aid modality was an exercise of their power on donors, based on unwritten rules of the game, as the government sought to align their interests with those of the donors, and the government made decisions on their preferred aid modality to access aid from donors as the donors themselves signalled their preference for pooled funds and especially for the LDF. This also suggests an exercise of power on the part of donors who influenced the government's behaviour to align with their preferences.

A study by Chinsinga (2005:23) engaged the theme of the politics of poverty reduction in Malawi by locating his work in the context of decentralisation, governance and development. He was also interested in understanding the different ways by which donors shape and transform cultural and policy environments by making decentralisation a condition for the access of development aid (Chinsinga, 2005:24). Whilst recognising the different players involved in the rolling out of decentralisation and poverty reduction activities, Chinsinga (2005:198) singled out donors as the most influential actors driving these processes. He considered the influence of external players on local policy processes to be one of the limitations for ensuring that decentralisation would deliver poverty reduction because "the domination of players in the development process translates into lack of (local) control of the development process" (Chinsinga, 2007:118). With reference to a political economy theoretical lens, Chinsinga's work (2007:198) establishes that local governments in Malawi have not delivered poverty reduction due to a competition for power and resources between central and local actors, and also an ambiguous jurisdiction (sometimes made deliberately so) contributing to conflicts among the actors.

The work by Chinsinga (2005) is relevant to my study because he has used a political economy theoretical framework to understand the intricacies between decentralisation and poverty reduction, and has considered all power dynamics that decentralisation brings to the fore in terms of reaching out to the poor. He operationalised his research by taking a case study qualitative approach of the councils as agents of poverty reduction. My study resonates well with Chinsinga's study as I examine the interests of actors in the LDF and how these actors exercise formal and informal power based on formal and informal institutions in order to achieve their interests. Chinsinga discusses the interests of various players in the district councils in decentralised poverty reduction projects, and how they achieve their interests through a manipulation of formal and informal rules of the game. Whilst this study builds on Chinsinga's work, it departs in two ways. First, whilst Chinsinga's work and this research have theoretical anchorage in political economy to understand power politics among several actors, my research narrows down to examine how the power exercised by donors and local bureaucrats also shapes pooled development funds. Secondly, my research departs from Chinsinga's work regarding use of case studies to answer research questions. This study focuses on the LDF as a case study whilst Chinsinga (2005) focused on local councils (Thyolo, Mchinji and Nkhatabay) as case studies, with the caveat that my research also did include Thyolo District Council (along with Mangochi) as sites for gaining local knowledge on the LDF.

A further study of interest carried out in Malawi was by Kalebe-Nyamongo (2012) who examined the elites' perceptions of poverty in the country, and identified the circumstances under which these elites were willing to mobilise the resources available for poverty reduction. Her work followed the politics of policy-making and development by focusing on the role of the elites who command influence in society regarding policy agendas, including pro-poor policies. Kalebe-Nyamongo found that although the elites in Malawi did have a deep understanding and appreciation of the extent and severity of the country's poverty, they do not perceive the poor as a threat to their welfare; as such, collective action by elites to address the problem of poverty has only been that of window-dressing (Kalebe-Nyamongo, 2012:278). Kalebe-Nyamongo (2012) argues that since independence, elites in Malawi have taken official poverty reduction positions but have actually behaved to the contrary, and such positions have been hard to challenge because the real political settlements between dominant groups have been struck in informal spaces that exclude the poor. For instance, it is hard for the rural poor to lobby for an increased allocation of funding for their priorities because they have no access to the spaces in which such policy development related matters are discussed and then a consensus reached. The use of formal spaces has been less effective for negotiating workable pro-poor policies because representatives for the poor have been incorporated into such structures through patronage, or they are simply outclassed in terms of knowledge, expertise and evidence, which tilts in favor of the elites. The foregoing reflects three elements of political economy: elite actors, power, and institutions (formal and informal). In this regard, my study shares interests with the work of Kalebe-Nyamongo (2012) in developing an understanding of the role of the elites in policy formulation. In this study, as discussed in chapter 5, I also examine how donors and local elites use power to shape the institutional design of aid modalities.

Kalebe-Nyamongo's (2012) and Chinsinga's (2005) studies draw on different strands of political economy, namely actors and interests. Whilst all the studies referred to in this section are on the politics of poverty reduction and the political economy of poverty reduction, Chinsinga (2005:168) relies on institutions and power politics as the main variables to explain how decentralisation is limited in the alleviation of poverty in Malawi, while Kalebe-Nyamongo (2012:227) relies on actors, especially the elites' behaviour, to explain the failure of so-called 'pro-poor policies' to reduce poverty. Kalebe-Nyamongo focuses on local (Malawi) and non-Malawian elites with the primary interest on local, powerful actors. My study will build on her study by expanding on the scope of elites and primarily focusing on both the local elites and the donors who have been key in designing and implementing the LDF as a tool for financing the decentralisation that is envisaged to reduce poverty among the rural poor. In the development aid industry, it matters to focus both on donors and local elites, such as bureaucrats and chiefs, because they are all involved in agenda setting either formally or informally.

Finally, the research by Magolowondo (2005) also identifies gaps that need further research. He has examined the democratisation of aid as a challenge to the development of cooperation in Malawi, with a study operationalised by a comparative analysis of two bilateral (German Technical Cooperation and the United States Development Agency for International Development) and two multilateral development agencies (the United Nations Development Programme and European Union). Magolowondo (2005) uses Systems Dynamics and Systems Efficiency theoretical frameworks to identify the policy and strategy differences among democracy promoters, and explains such differences as a contribution to efforts towards understanding the role of development aid in democratisation. This was his principal aim. He has found that development agencies generally engage either a direct or an indirect strategy in delivering development aid for democracy, depending on the political environment. Regardless of strategy, development agencies ultimately become open or ambiguous in their policies.

Furthermore, Magolowondo's finding is that work relationships among development agencies who promote democracy in Malawi are problematic because of differences in policies, interests, strategies and priorities. This is illustrated by a scenario whereby the "overarching goal of European Union's development policy in Malawi is to contribute to the government policy of poverty alleviation (focusing on agriculture, transport and macroeconomics” (Magolowondo, 2005:190). This is while the United Nations Development Programme prioritises, “supporting Government’s overarching goal of poverty alleviation programme…focusing on sustainable livelihoods and capacity building for governance and development management” (Magolowondo, 2005:163). The central thesis that Magolowondo conveys is that the Malawi Government's illusiveness in committing itself to making democracy a priority, as evidenced by low funding to governance reforms, is a reason why international development agencies will remain important actors in the country's democratisation process (Magolowondo, 2005:160).

The work of Magolowondo adds acknowledgement to the complications associated with the pursuit of ‘common goals’ by actors who have different ideologies and interests. Though his work is in the democratisation-development debate, it is also key to my research because of the issues of power as exercised by donors when channelling aid for democracy, and the power games played by recipients, aid agencies and donors when implementing project aid. Therefore my research will be partially informed by Magolowondo’s work, especially where there is convergence on the issue of multiple actors wanting to fit into a common framework such as pooled funds. Magolowondo (2005) pays attention to the development agencies who work in isolation based on their own policies, resources and strategies in delivering development aid for democracy. My research will build on this to understand the power politics of the development partners in a context where they are negotiating under a pooled resources framework, and will examine how they work together yet towards achieving individual goals.

In view of the studies discussed above, it is worth noting that this study is motivated by the need to contribute to the debates and literature on power and pooled development funds in Malawi. This study builds on the studies discussed above since they all fall within this the research interests of this thesis. Whilst I appreciate the theoretical and empirical contributions of the studies discussed, the departing point for my research study is the focus on the centrality of power politics in the institutional design of pooled development funds as implemented through District Councils as agents of local development. My study contributes to the body of knowledge with the engagement of a new pooled development fund that commenced in 2008 in Malawi, a poor donorreliant country. The LDF is yet to be studied from a power perspective regarding how power shapes the institutional design of pooled development funds. I present the following research questions of this study below.

1.4 Research Questions

The research for this thesis aimed to address the main research question as follows:

- **How and in what ways does power shape the institutional design of pooled development funds as an aid modality?**

  Power is significant in any association whereby one party depends on the other for resources. In the development aid industry, power is worth attention because it can determine the direction of many things, including the institutional design of aid modalities, especially in pooled development funds where power imbalances exist between donors and local players. Through an analysis of primary and secondary data, three empirical chapters (4, 5, and 6) in this thesis contribute towards answering this main research question on how power shapes the institutional design of pooled development funds.

The three specific research questions that form the basis for the three empirical chapters are:

1) **What are the interests of actors in pooled funds and power games played in the institutional design of pooled funds?**

   Discussion for this question is in chapter 4. This question is answered through an analysis of primary data and secondary data. It is important to understand the interests of actors in pooled development funds because it is these interests that drive how power is exercised by the actors. The discussion in response to this research question demonstrates the importance of power as an aspect of political economy regarding: how actors in pooled development funds make decisions and nondecisions; which spaces they operate in; and, the rules applied that include and exclude other actors in decision-making. The above question allows us to understand how alliances are made, or prevented from being made, as a strategy of exercising power to keep agendas on or off the table as actors pursue individual or common interests.

2) **What is the impact of the exercise of power in pooled development funds on local governance?**

This question will be addressed in chapter 5 through an analysis of the data collected through key informant interviews, focus group discussions and document analysis. The importance of having this question in the thesis is that the exercise of power has implications for local governance when development aid is channelled and delivered through pooled development funds. This question is appropriate for this study because in Malawi, as in many African countries, decisions and nondecisions on development aid that are made based on formal and informal institutions affect local governance. Answering this research question helps us understand that pooled development funds are an aid modality that has several facets of power politics impacting on local governance because many players come together to operate under one institutional framework, despite having different interests.

3) **To what extent do different aspects of power affect the ownership of pooled development funds by national, district and sub-district bureaucrats?**

This question is answered in chapter 6 based on data from fieldwork and document analysis. The justification for this research question relates to the context of debates on local ownership, alignment, and harmonisation of policies. Pooled development funds form a part of the policies that must be owned by local actors and aligned to aid recipient countries and donors, who harmonise their policies when delivering resources to the aid dependent countries. The importance of this research question to the thesis is the connection between debate on local ownership and the exercise of diverse types of power (formal and informal), especially in pooled development funds where there are many power struggles among the actors. Even though actors in pooled development funds do agree to channel their aid through a common modality, each actor still exercises their own power. This individual exercise of power affects the local ownership of policies and financing mechanisms, including pooled development funds.

1.5 Outline of the Chapters

Chapter 1: Background and Introduction

This first chapter introduces the major argument of the thesis, which is that formal and informal power shape the institutional design of aid modalities. This argument is rooted in the importance of informal power and unwritten rules of the game – in Africa – that influence and control agenda-setting by including and excluding certain individuals or groups of people in the decision-making process. The key debates in development aid and the concepts relevant to the thesis, including aid modalities, power and pooled development funds, are introduced. This chapter also presents the rationale for this thesis through a discussion of the existing studies relevant to this thesis, and by identifying gaps in these studies. A detailed introduction to the main research question and the three specific research questions that the thesis aims to answer is also contained in this chapter.

Chapter 2: Literature Review: Key Debates and Theoretical Framework

This chapter critically discusses the key debates in the literature relevant to the themes of this study (aid modalities, power, institutional design, patronage, multilateralism and bilateralism), linking these themes to the research questions of the study. The chapter also discusses the concept of power, which is the theoretical framework for this thesis. The important point made in this chapter is that in Africa, including Malawi, informal power (agenda-setting) is significant in the institutional design of aid modalities because of the dominance of informal institutions in decision-making. Thus, this chapter makes a case for not ignoring informal power in an analysis of aid modalities in Africa because, despite the insistence of donors on using formal rules of the game to make decisions, local actors (and sometimes donors too) rely heavily on informal institutions and social networks to make decisions and nondecisions regarding the disbursement of resources – which entrenches patronage.

Chapter 3: Research Methodology

Chapter 3 outlines how the research was operationalised from conceptualisation to data analysis. The point in this chapter is that research was carried out using qualitative methodology design because the interest was to establish and discuss narratives, more so than figures, in examining how power shapes the institutional design of aid modalities. This chapter also justifies the choice of Malawi as an extreme case study, being a donor dependent (40% of the national budget is funded by donors) and a poor country where 51% and 25% of the population live in poverty and extreme poverty respectively. This chapter outlines the research design: sampling (purposive and snowballing); data collection (key informant interviews, focus group discussions and document analysis); data analysis; limitations; research ethics; and, self-reflections on research methodology.

Chapter 4: Actors, Interests and Power Games in Institutional Design

This is the first major empirical chapter, and addresses the question, 'What are the interests of actors in pooled funds and power games played in the institutional design of pooled funds?' The chapter argues that both donors and domestic actors in pooled development funds exercise formal and informal power that shapes the institutional design of pooled funds, the Local Development Fund, in a way that allows these actors to achieve their interests. Thus, the actors contributing to pooled funds manipulate the rules of the game (essentially exercising power by doing so) with the intention of aligning the institutional design of pooled development funds to their own interests. To make this argument, the chapter focuses on establishing the identity of actors at different levels of decision-making, along with their interests, and power games played to control agendas and influence outcomes in their favour. Of the three empirical chapters, this chapter is strongly based on political economy because the findings are linked to power and actors, interests and narratives, and strategies that the actors use to achieve their interests. The findings in this chapter demonstrate that cooperation among development partners and domestic policymakers in pooled funds does not equate to a universality of interests, but is a means of achieving both common and individual interests.

Chapter 5: The Impact of the Exercise of Power in Pooled Development Funds on Local Governance

Chapter 5 is based on empirical data examining the impact of pooled development funds on local governance. This chapter addresses the research question, 'What is the impact of pooled development funds on local governance?' It is importance to focus on the impact of pooled development funds as an outcome of the exercise of formal and informal power by donors and local actors in a recipient country. The argument of this chapter is that pooled development funds affect local governance because of the power games played by actors when designing institutions. The chapter contributes to debates on the dominance of informal rules over formal rules in pooled aid modalities such as the Local Development Fund – which is contrary to the institutional code of development agencies that emphasises making decisions based on written rules of the game.

Chapter 6: Power and Ownership of Pooled Funds

Chapter 6 is the last chapter on empirical findings, and answers the third specific research question: ‘To what extent do different aspects of power affect the ownership of pooled development funds by nation, district and sub-district bureaucrats?’ The discussion in this chapter is on the extent to which different aspects of power affect the ownership of pooled funds by national government, local government and local communities, given that pooled funds are a source of multiple national and local government development planning systems. This chapter argues that pooled funds are not wholly owned by national government, local councils and communities because power in pooled funds is also retained by donors. The chapter also accounts for the failure of pooled funds to promote local ownership in the context of the failures in collaborative power to design aid modalities that bring together competing interests.

Chapter 7: Conclusions, Originality and Areas for Further Research

This conclusions chapter discusses the major findings, key debates and arguments of the thesis in terms of the main and specific research questions. Thus, this chapter discusses how and in what ways power shapes the institutional design of development aid modalities. The main findings are drawn from an analysis of the empirical data as discussed in chapters 4 to 6. Chapter 7 also discusses the original contributions this thesis has made to the existing literature. The key originality claim is the empirical contribution this thesis makes to the scholarship on power and the institutional design of pooled development funds, as based on Malawi’s Local Development Fund. Also based on the findings of this study and those of the existing body of knowledge, the chapter recommends areas of focus for future research; principally, examining the power of traditional and emerging donors in the institutional design of aid modalities; also, power and the institutional evolution of pooled funds since the introduction of Malawi’s Local Development Fund in 2009; and finally, further research into locally managed trust funds.

CHAPTER 2: POWER AND AID MODALITIES – KEY DEBATES AND THEORETICAL FRAMEWORK

2.1 Introduction

A fundamental characteristic of the Global South is a dependence on development aid from the Global North. With the adoption of United Nations' Sustainable Development Goals, in 2015, by donors and by developing countries, there has been a high expectation regarding an increase in development aid from the Global North to the South. According to the United Nations Conference on Trade and Development (2014), a US$ 2.5 trillion annual investment is needed just to meet the cost of sustaining the physical and social infrastructure in developing countries, which equates to a cost to donors of about US$ 37.5 trillion in foreign aid from 2014 to the end of the Sustainable Development Goals in 2030. The amount of foreign aid needed to meet all 17 sustainable development goals is certainly enormous. The United Nations is leading the campaign to mobilise the resources needed to fully implement sustainable development goals and, so far, development partners have expressed commitment. However, the important task is not simply to make resources available, but also lies in determining how those resources will be delivered to the developing countries. In terms of how to deliver foreign aid to recipient countries, power features significantly in the decisions and nondecisions that relate to resource allocation and expenditure. Power is integrated into any discussion on aid modalities because the channelling of resources from donors to recipient countries focuses the attention of the actors on the controlling and influencing of the agenda in decision-making. Each aid modality has its own, related element of power dynamics because the rules of the game will differ from one aid modality to another. Actors use formal and informal institutions to directly or indirectly exercise power in different types of aid modalities that include budget support, project and programme aid, pooled funds and technical assistance.

This chapter presents a discussion on power, development aid and aid modalities as they relate to the institutional design of 'pooled development funds' in developing countries, which is the focus of this thesis. These themes matter in this thesis because they are in line with the main research question that focuses on how power shapes the institutional design of pooled funds. In addition, development aid serves many interests among donors and recipient countries and, as such, power is exercised both by donors and by recipient countries in the pursuit of institutional designs that serve best their interests. Manipulation, paying lip service, domination, coercion and cooperation are manifestations of power that mainly unfold in those aid modalities that pool resources together, such as the Local Development Fund – the case study for this thesis. In this respect, examining how power shapes the design of pooled development funds is important in terms of contributing to the debates on how best to transfer resources from developed to developing countries. This chapter argues that power is core to the shaping of development aid modalities as development actors design aid modalities in ways that best serve their interests. In order to make this argument, in section 2.2 I discuss several types of aid modalities as they relate to power and institutional design. Section 2.3 will focus more fully on institutions and institutional design. Section 2.4 presents a discussion on the Local Development Fund in Malawi as a pooled development fund. Multilateralism and bilateralism and how multilateral and bilateral donors exercise power, individually or jointly, on aid recipient countries, alongside how aid recipients respond, is all discussed in section 2.5. The development agencies involved in the Local Development Fund are discussed in section 2.6. The last sections (2.7 to 2.10) focus on power – the theoretical framework of this research. This discussion concentrates on formal and hidden power because of the involvement of donors and the research country, Malawi, where patronage and informal institutions are significant to the distribution of resources.

2.2 Aid Modalities

Developing countries receive development aid from different sources to implement various development and governance projects. Fluctuations in development aid occurred between the early 1990s and 1997, mainly due to donor fatigue; Kharas (2007a:6) observed that foreign aid decreased by 22% between the early 1990s and 1997. Excepting this period, overall financial injections to developing countries have been on the increase: Easterly and Williamson (2011:1) noted that a transfer of over US$ 4.6 trillion in gross official development assistance was made to developing countries over 48 years (1960 to 2008). Kharas (2007b:6) reports that within the Organisation for Economic Cooperation and Development (OECD), Official Development Assistance (ODA) increased from US$ 41 billion in 1974 to US$ 107 billion in 2005, which is more than a 250% increase or an average compound growth of 3.1% per year. Considering the period to 2011, Coppard et al. (2012:1) indicated that between 2000 and 2011, net ODA grew by 63% (almost US$ 50 billion) and reached a peak of US$ 128.5 billion in 2010. The OECD (cited in Radelet, 2006:4) defines ODA as being that which: "(a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)." Official Development Assistance has several merits including promotion of the economic development and welfare of developing countries, filling financial and investment gaps, capacity building, technology transfer and democracy promotion and consolidation (James, 2003; Sachs, 2005; Chowdhury and Garonna, 2007; Williamson, 2009). However, critics of aid argue that there is also a flipside to aid, indicating several demerits such as: aid being an instrument of policy influence; negative effects of geopolitics and neo-colonisation; aid being used to provide markets for the Global North; the creation of dependency on donors; delays to public sector reforms; and a weakening of the accountability of duty bearers (Hayter, 1971; Bauer, 1971; Burnell, 1997; Easterly and Pfutze, 2008; Moyo, 2009).

With their resources directed to developing countries, donors have committed themselves to making aid more effective such that declarations have been signed laying out the general framework regarding the transferral of resources from donors to recipient countries. The 2003 Rome Declaration, 2005 Paris Declaration and 2011 Busan Partnership for Effective Development Co-operation have been key in ensuring that development aid is effective. These declarations are linked to development aid modalities – namely project aid, programme aid, budget support, and pooled funds – and how these modalities are used to channel resources from rich to poor countries. The Paris Declaration has been critical regarding the evolution of aid modalities.

Oya (2006:3) indicates that project and programme aid modalities were common aid instruments for providing funds earmarked for infrastructure development and social services interventions for the newly independent African countries in the late 1960s and early 1970s. Even after the World Bank introduced SAPs (Structural Adjustment Programmes) and PRSPs (Poverty Reduction Strategy Papers) in 1979 and 1999 respectively, project and programme aid modalities continued to dominate the aid industry as instruments of transferring resources from donors to developing countries. Ohno and Niiya (2004:3) define project aid as "a form of aid to finance specific activities with a limited objective, budget and timeframe to achieve specific results," and programme aid refers "to assistance that is provided in support of a comprehensive sectoral or thematic strategy, with close donor coordination and a structured process for increasing the use of country systems" (Koeberle and Stavreski, 2005:5). Project aid is similar to programme aid in that both are have inputs linked to outputs and can use, or avoid using, government finance management structures. The difference between them is that programme aid is narrower than project aid in terms of objectives. Mosley and Eeckhout (2000:133) observe that project and programme aid modalities are attractive to donors, being "highly visible to people both in donor and host countries, technologically straightforward consisting of transplants of technology already available in the donor country." Though popular, project and programme aid modalities have both failed to ensure the effectiveness of aid in developing countries. The economic crisis in Africa in the 1980s caused donors to rethink whether project-based aid modalities were effective in helping the poor. Project-based aid was problematic because the balance of power tipped in favour of the donors, who controlled the design and the implementation of aid and its related interventions. Furthermore, project-based aid served to weaken aid recipients' government institutions, especially in the case of stand-alone projects that were implemented outside government structures.

Budget support gained attention alongside the increasing demand for harmonisation in donor programmes and domestic country-owned policies. Budget support involves the channelling of donor funds directly to a partner government's budget, using the government's own allocation and accounting systems, with any conditionality focused on policy measures related to growth, poverty reduction, fiscal adjustment and strengthening of institutions, especially budgetary processes (Ohno and Naiiya, 2004:4). Budget support aims at empowering the recipient country as they allocate the resources according to their own needs, and this modality also aims to improve recipients' financial management systems. Donors may fund a national budget in an individual capacity, or they may decide to team up and fund the budget as a part of one group via pooled funds. In pooled funds, donors pool their resources using a special account managed either by one of the participating donors or by the respective line ministries (Bandstein, 2007:10). This means pooled funds then contain the interests of both the development partners and the receiving countries and sometimes these interests may be divergent. Coalitions and networks will always emerge in pooled funds because actors will aim to increase their power and their ability to bargain for better and increased gains – by working with those of similar interests. Pooled financing is initiated based on the line of thinking that coalitions and networks allow actors to achieve more than what each would achieve individually. It should be noted that the diversity of interests in pooled funds are a potential source of conflict and may result in an exercise of coercive powers by the more dominant; the more divergent the interests are among the actors, the more intense the conflicts will be. In this research, and as demonstrated in chapter 5, the interest is in establishing the extent to which the different goals of multilateral and bilateral donors in the Malawi Local Development Fund are a source of conflict, and how this diversity of interests compromises how donors, individually and jointly, exercise power over the Malawi Government. The implication of there being diverse interests in pooled funds is that there are no permanent coalitions within them because actors will continue to align themselves, in a process, to those who have similar interests and who are in possession of the power to influence decisions in their associates' favour.

2.3 Institutions, Institutional Design and Neo-patrimonialism

2.3.1 Institutions

Institutions is a significant concept in development aid because of the rules associated with the channelling of resources to recipient countries. The concept is also important to this thesis in linking the discussion between the institutional design of aid modalities and the power exercised by actors based on established rules. North's (1991:97) widely-cited definition of institutions is "the humanly devised constraints that structure political, economic and social interaction." This definition implies that institutions are a foundation of society as human interaction, either in the form of cooperation or conflict, is moderated and structured by institutions. This understanding is echoed by Hodgson (2006:2) who defines institutions as "systems of established and prevalent social rules that structure social interactions" while Scharpf (1997:38) defines institutions as "systems of rules that structure the course of actions that a set of actors may choose". The additional dimension that Hodgson (2006) and Scharpf (1997) bring to the discussion is the coordination of the two forms of institutions, formal and informal, operating as "the rules of the game in a society" (North, 1990:3). As a system operating in a coordinated manner, formal and informal institutions interact to produce four outcomes: accommodating, substituting, complementary and competing (Helmke and Levitsky, 2004). Both formal and informal institutions perform the basic function of constraining human interaction in addition to their regulatory, allocative and distributive functions. In this regard, institutions in society establish and maintain law and order; bring predictability to the conduct of actors; eliminate bias towards certain groups of people because of the impersonal character of rules (for formal institutions); distribute incentives and sanctions; and, serve as a reference point for the decisions made by authorities (Brousseaua, et al., 2011; Keohane, 2008; Helmke and Levitsty, 2004; Helmke and Levitsky, 2006). According to North (1990:36) the notable distinguishing feature between formal and informal institutions is the actor responsible for enforcing the rules: "formal rules such as constitutions and laws are enforced by the state and informal constraints institutions such as codes of conduct, norms of behaviour and conversations…are generally enforced by the members of the relevant group." The bottom line is that formal institutions are binding whereas informal institutions are non-binding, though non-cooperation with informal institutions still attracts costs, as with the formal rules of the game. Considering the above, decisions and nondecisions made by actors in development aid are based on written and unwritten rules of the game. It is important for multilateral and bilateral donors and recipient countries to conform to the written rules of the game because this makes the distribution of transactions objective and predictable. However, some of the social and political conditions in African countries encourage actors not to comply with the written rules of the game. This has implications for the institutional design of aid modalities, which must accommodate both the formal and informal rules when delivering aid. This research is linked to institutions (formal and informal) with the key interest being the examination of how power shapes the institutional design of pooled funds as an aid modality to achieve both official and unofficial interests.

Debates in the literature acknowledge that institutions do change (DiMaggio and Powell, 1983; Meyer and Rowen, 1977; Goodin, 1996; Toner and Cleaver, 2006; Cleaver, 2005). The debatable elements relate to the durability of institutions: how long it will take for institutions to change and at what pace; what or who are the agents of change; what are the intentions and outcomes for institutional changes; and, which conditions motivate institutions to change (Oliver, 1991; Klundert, 2010). The conversation between Rational Choice institutionalists and Historical Institutionalism proponents illustrates the point that theorists agree that there is an evolution of institutions but disagree on the 'how, what, who and which' aspects, as highlighted above. Rational Choice institutionalists argue that institutions change and it is simple and instant to change them because the designers need just to focus on maximising the interests and incentives for the individual actors. The basis for such logic is that actors (organisations and people) are self-interested utility maximisers. Historical institutionalists challenge this position, arguing that institutions change, but at a very slow pace and in complicated processes that involve unlearning and undoing the past. The major argument by Historical institutionalists is that it is not as simple to change institutions as Rational Choice theorists claim because "history matters" (Bednar, 2016:173); therefore, it is difficult to depart from the path that actors have depended on for decades in the making of decisions and the satisfaction of their interests. The discussion on change within institutions is relevant to development aid in the sense that aid modalities change along with institutional change. Institutional changes also have implications on how power is exercised in separate aid modalities. Again, institutionalism is relevant to development aid modalities because it explains changes in the behaviour of donors and recipient countries once certain rules of the game have changed. The behaviour of donors and recipient countries in any aid modality change when institutions change because actors will need to comply with the new incentive structure in order to attain their goals. The main question of this research regarding how power shapes the institutional design of pooled funds can also be explained by the debates on institutionalism because institutional design concerns the arrangement of structures in aid instruments, which includes pooled funds: donors and recipients engage with these structures in order to achieve their interests.

2.3.2 Institutional Design

Scholarship on institutional design highlights the importance of institutional change. Streeck and Thelen (2005) assert that institutional design is at the centre of institutional change. Expanding on this, Klijn and Koppenjan (2006, cited in Lallana, 2012:149) explain that institutional design refers "both to the activity of trying to change the institutional features of policy networks, as to the content of the institutional change that is aimed for". Additionally, Alexander (2005:213) emphasises that institutional design is a process: "the devising and realization of rules, procedures, and organizational structures that will enable and constrain behavior and action so as to accord with held values, achieve desired objectives, or execute given tasks".

As an activity or process, institutional design is a deliberate and thoughtful attempt to set rules of the game and actor incentives, which can change. The scholarship on institutional design highlights the importance of institutional change. Streeck and Thelen (2005) assert that institutional design is at the centre of institutional change. Expanding on this, Klijn and Koppenjan (2006, cited in Lallana, 2012:149) explain that institutional design refers "both to the activity of trying to change the institutional features of policy networks ... [and] to the content of the institutional change that is aimed for". Likewise, Alexander (2005:213) emphasises that institutional design is a process: "the devising and realization of rules, procedures, and organizational structures that will enable and constrain behavior and action so as to accord with held values, achieve desired objectives, or execute given tasks". Institutional designs are created by rational human beings though the institutional design themselves are not entirely rational because of the push and pull forces exerted by various interested parties. In other words, institutional design is never a smooth process because of the need by actors to exert pressure upon competing actors who have different interests and command unequal levels of authority and power. Streeck and Thelen (2005:14) observe that establishing institutional design is "never perfect and that there always is a gap between the ideal pattern of a rule and the real pattern of life under it." Institutional design is a political process embedded with elements of conflict, cooperation and negotiation among the actors (Leftwich, 2004). The principal-agent model of the Rational Choice theory focuses on formal structures of power and institutional designs because the conduct of the actors is visible. In this thesis, I also consider informal actors, who are outside the formal structures, as being major agents in institutional design, especially in societies where informal rules sometimes override and replace the formal instructions – as is the case for Malawi. Informal rules override and replace formal institutions where patronage and clientelism are the means for distributing resources to people, mainly those loyal to the patrons. As discussed earlier, Helmke and Levitsky (2005) also promote the recognition of informal institutions in institutional design when they argue that weak and ineffective formal institutions can be substituted with strong and effective informal institutions in order to deliver desirable outcomes. These may include the "first-best institutional design – the situation or outcome that designers of the institution would like to attain; it is a benchmark" (Coram, 1996, cited in Coates, 1998:215). Because of informal instititutions and other factors, Andrews et at., (2013) argue that first-best institutional designs are hard to attain especially when institutions are being exported to a different environment because the rules of the game in the local environment may not be the same as those of the originating environment. Thus, the extent to which institutions can be adopted is limited suggesting that institutional mimicry, as will be discussed in chapter 4 and 7, is limited as well (Andrews, 2018)

Institutional design processes are diverse, as reflected by the many terms in the literature explaining how institutions are established, maintained and changed. The common terms that offer explanations on institutional design and re-design include: Institutional Editing (Beckert, 2010); Institutional Bricolage (Levi-Strauss, 1966; Lanzara, 1998; Cleaver, 2001); Institutional Translation (Koskinen, 2008; Kang, 2009); Institutional Hybridization (Menard, 2004; Skelcher and Smith, 2015); Institutional Layering (Thelen, 2003); Institutional Displacement (Thelen, 2003; 2004); Institutional Drift (Streeck and Thelen, 2005); Institutional Conversion (Then, 2004; Streeck and Thelen, 2005); Institutional Exhaustion (Armingeon, 2016; Streeck and Thelen 2005); Isomorphism - mimetic, coercive and normative (DiMaggio and Powell, 1983); Institutional Monocropping (Mkandawire, 2009); Institutional Monotasking (Mkandawire, 2009); and, Institutional Inertia (Chen, 2008; Armingeon, 1998). The concept most engaged in this thesis is Institutional Bricolage because this concept accords with the spirit of the research framework in terms of actors in the development aid industry manipulating the formal and informal institutions available to produce an institutional arrangement that is applicable in the context and also helpful in terms of satisfying their interests.

As indicated above, institutional bricolage is a concept that is relevant to the research questions of this thesis because it is linked to power and the institutional design of aid modalities. Coined by Levi-Strauss (1966) and later expanded by Lanzara (1998), the concept has also been popularised by several other scholars, including Cleaver and Mdee. In the context of the politics of development, Cleaver refers to institutional bricolage as, “a process through which people consciously and non-consciously draw on existing social formulae (styles of thinking, models of cause and effect, social norms and sanctioned social roles and relationships) to patch or piece together institutions in response to changing situations" (2012:45).[2] Cleaver agrees with Lanzara (1998) that through institutional bricolage, social institutions are changed, not by the destruction of older institutions but by a creative weaving of the old institutions into new ones. Institutional bricolage does not abandon old institutional design but works to improve it and so create new institutional arrangements that are effective and responsive. According to Samuels (2003) bricoleurs actively search the past in order to shape the present and the future, whereas revolutionaries abandon and condemn the past and adopt new forms of institutional designs (Samuels, 2003). With an emphasis on the past in order to guide the formulation of present and future institutional design, institutional bricolage engages historical institutionalism to explain the transformation of institutions.

According to Cleaver (2014) and Cleaver and de Koning (2014), local actors initiate institutional design through institutional bricolage by way of articulation, alteration and aggression. The common feature in these three strategies of institutional design is that local actors blend old practices with new rules to produce an institutional framework that serves the interests of those people and organisations as determined by the local environment at the point of implementation. While for Cleaver and de Koning (2014), institutional design and re-design by way of institutional bricolage through articulation, alteration and aggression occurs at the community level, Alexander (2005) indicates that institutional bricolage also happens at the macro and meso levels of society. Alexander's (2005) observation is important because actors at these levels also invent new institutions, guided by the old rules, to serve the public. Bricoleurs operate at national, district and community levels of the society. Actors at all levels interact and their combined voices and narratives influence the institutional design for programmes that have governance structures from the national to community level in society. I argue that multi-level programmes experience collective institutional bricolage if the actors involved experience similar problems and have common interests. Multi-level programmes also experience individual institutional bricolage at each level of governance where bricoleurs have different interests and narratives to those of actors at other levels. In this context, individual institutional bricolage is common in

[2] Cleaver has completed numerous studies on the politics of development as follows: Cleaver (2000), Cleaver (2001), Cleaver (2002), Toner and Cleaver (2006), (Cleaver, 2012), Cleaver, et al. (2013), Mdee et al. (2014), and Cleaver and de Koning (2014).

decentralised institutional arrangements, as opposed to centralised institutional arrangements, because actors have more powers to make their own decisions, including decisions on amending the institutional structures as outlined by higher authorities. However, institutional bricolage in a decentralised framework is likely to be more conflictual than in a centralised institutional framework because in a decentralised setting lower level actors are more likely to be judged as challenging the power and mandate of the higher authorities.

The institutional bricolage concept is relevant to this thesis because it "has good explanatory power in showing how norms are articulated, explaining both institutional endurance and change, enriching understanding of human agency and relations of authority and in questioning assumptions about institutional effectiveness" (Cleaver and Koning, 2015:4). My interest in understanding the strategies that domestic institutions in developing countries use to respond to the interests of donors, and how that influences institutional design, suits an institutional bricolage lens. Institutional bricolage has been applied in many studies on the governance of natural resources such as water and forests (Harrison and Mdee, 2017; Haapala et al., 2016; Chowns, 2014; Cleaver, 2000; Toner and Cleaver, 2006; Ostrom, 1990; Cox et al., 2010; Gutu et al., 2014; and, Koning, 2014). In this thesis, institutional bricolage is used to understand the emergence and evolution of the pooled fund institutional design governing development aid in cases where the actors possess different levels and forms of power. By engaging an institutional framework with development aid modalities, the thesis departs from the tradition of using institutional bricolage as a conceptual framework for studies on natural resources. Institutional bricolage also tallies well with the engagement of historical institutionalism in this thesis because of past decisions on the Malawi Social Action Fund (MASAF) that continue to influence the decisions made regarding the present and future institutional design of the LDF (previously, the MASAF). This thesis is interested in establishing how institutional bricoleurs and institutional revolutionaries are important in understanding power politics in the institutional design of pooled funds such as the LDF. Furthermore, institutional bricolage will help explain how narratives of the bricoleurs are framed in the past, and how this influences the present institutional design in terms of distributing resources in their favour. It is also important to note that the adaption of formal rules of the game to fit context is linked to neopatrimonialism. Neopatrimonialism relies on informal institutions and adapted formal institutions to disburse and allocate funds to supporters of patrons and bigmen. As argued in the next section, neopatrimonialism matters in development aid in African countries because of patronage.

2.3.3 Neo-patrimonialism

Reforms in development aid policies and architecture have aimed to improve how institutions work for the better delivery of aid. Both formal and informal institutions are targeted by multilateral and bilateral organisations as evidenced by SAPs, PRSPs and democratic reforms, among other reform programmes. For informal institutions, reforms have aimed at dismantling the neopatrimonial state in developing countries, particularly in Africa. Neopatrimonialism "denotes systems in which political relationships are mediated through and maintained by, personal connections between leaders and subjects, or patrons and clients" (Pitcher et al., 2009:129). Key features of neopatrimonialism include personalisation of state machinery for private gains; fragmented social organisation and control; weak and institutional hybridity; and state artificiality (Erdmann and Engel, 2007:98; O'Neil, 2007:2-4). Neopatrimonial states are significant in African countries, including Malawi, because they control and disburse resources to groups of people in return for loyalty and support. In Malawi, informal rules of the game play a significant role in the disbursement and allocation of resources. This is exemplified by the primacy of traditional leaders and politicians who make decisions regarding the management of resources. As will be discussed in chapters 4 and 5, though traditional leaders are non-voting members of the council, they still control and influence decision-making using unwritten rules of the game. Politicians (MPs and councillors) in district councils work with traditional leaders to manipulate the rules of the game to include and exclude certain members of the community in terms of decision-making and access to the resources available in the LDF.

Research on development aid, power and institutions show that dismantling neopatrimonial practices in Africa is not an easy task because it relates to institutional designing, which is a political process where power is exercised to give rise and prominence of some institutions over others (Booth and Verena, 2008). Institutions mirror the contestation and cooperation between power elites in the process of creating the institutions that best serve their interests. Thus, institutional building in development aid modalities is not a neutral process as the powerful establish institutions that will then reward them with the maximum benefits (Hudson and Leftwich, 2014). In Africa, the exercise of power in the institutional designing of development aid modalities is particularly important because of the clash between formal and informal institutions. Under the African Power Politics Programme (APPP) focusing on Rwanda, Malawi and Uganda, Booth (2011a:1) notes, "Development aid can, and often does, do harm, especially because of the way it affects incentives and institutions in recipient countries." Booth (2011b) argues that development aid in Africa harms the incentive distribution structure because the delivery modalities often work at dismantling the informal institutions that domestic power elites use to regulate access to development resources. Ekeh (1975:2) argues that patronage in Africa exists because of the "two publics - primordial and civics" that must govern in the interests of both the state and of ethnicity. However, public officers are more loyal to ethnicity (primordial public) than to government (civics public) since the latter is considered peripheral to their social security and belongingness (Ekeh, 1975). With the two publics in Africa, "Government's business is nobody's business, and people are not expected to work hard for it or defend its interests. It is only the ethnic community that is worth working hard and dying for" (Asaghae, 2003:8). The primordial public is, however, mindful of the government because it commands resources and is therefore a good instrument of patronage. As will be discussed in the empirical chapter 4, 5 and 6, Ekeh's (1972:2) idea of "two publics" is relevant to understanding how resources including development aid are used for patronage through creation of ceremonial institutions – structures and rules of the game that are established just to please donors and far from being practiced by public officials. Cooper (2002) and Beresford (2015) weigh in on two publics by arguing that clientelism and patronage are what motivate the primordial public to turn their focus to the government as they would like to be the 'gatekeepers' of resources for their clans and tribes.

Scholarship on patronage politics recognises the centrality of neopatrimonialism in development aid and institutional design (Booth, 2011; Hickey, 2013; Levy, 2014). Hickey (2013) and Kelsall et al. (2010) argue that neopatrimonialism is strong in African countries such that any development aid working to erase neopatrimonial practices has faced resistance. Chabal and Daloz (1999) argue that, if power is to be exercised in such a way that it shapes development aid modalities in an effective manner, effort should be taken to understand how 'Africa works'. In this research, I demonstrate the importance of understanding how ‘Africa works’ regarding the exercise of power in shaping the institutional design of development aid modalities, particularly pooled funds. Understanding how ‘Africa works’ is important to avoiding the pitfalls of exporting institutions not suitable for the personalised political and economic environments of Africa. Related to this, Beresford (2014:1) argues, “African politics ‘works’ through the distribution of the resources of the state (power, status, wealth, access to markets, etc) through informal, deeply personalized patron-client networks, rather than the formal, impersonalised channels of the Weberian legal-rational state that supposedly characterises ‘modern’ Western statehood.” The argument made here is that informal institutions cannot be entirely dismissed in Africa because they are core to the distribution of resources. Informal institutions in Africa are what formal institutions are to the Weberian states of most developed societies. As much as neopatrimonialism looks disruptive and dysfunctional when mirrored against Weberian states, African states attain their legitimacy and therefore ability to perform state functions because of this same neopatrimonialism. This research incorporates the idea of neopatrimonialism because it is connected to the fungibility of development aid and also to the rules that govern the management and disbursement of aid that is institutional design.

Chabal and Daloz (1999), Beresford (2015), Olukoshi (1998) and Hyden (1983) are some of the scholars who agree not to be dismissive about neopatrimonialism. Instead, neopatrimonialism should be understood as a way of distributing resources to agencies that play different productive and development roles, such as bringing stability to a society. Neopatrimonialism, like other forms of resource distribution in society, has the potential for delivering development. Literature by the African Power Politics Programme (APPP) supports the idea of developmental forms of neopatrimonialism that emerge in circumstances where neopatrimonial states “have blended modern bureaucratic with more personalistic and clientelist forms of authority” (Booth, 2011a:3). Neopatrimonialism that is designed and practiced to effectively deliver goods and services to the public is referred to by the APPP as ‘Development Patrimonialism’ (Kelsall, 2011; Kelsall et al., 2010). This refers to “a sub-type of neopatrimonial regime in which there is the centralised management of the main economic ‘rents’ in support of a long-term vision” (Kelsall et al., 2010:15). Development Patrimonialism allows the co-existence of informal rules and formal rules of the game in distributing resources, with the informal dominating in the regulation of ‘who gets what, when and how’

(Lasswell, 1936). Development Patrimonialism does not aim at removing informal institutions; instead, it works with the informal institutions, networks, power hubs, and with the elites to design effective institutions that can deliver development. Hickey (2008) observes that an effective way to establish development institutions is to build on the already existing institutions to produce 'practical hybrids' that combine modern professional standards with elements of the host society's social values. Therefore, Development Patrimonialism suggests 'working with the grain' when designing development aid institutions and modalities. As is argued in this thesis, for developmental patrimonialism to work, power needs to be exercised in a way that establishes such institutional designs of aid modalities that allow resources to be accessed based on informal and formal rules of the game.

2.4 Pooled Development Funds and the Local Development Fund in Malawi

In a post-Paris Declaration aid landscape, the use of Budget Support (Budget and Sector) has been encouraged both by donors and by developing countries. In this regard, Budget Support has increased in African countries. For instance, Mozambique registered 20% of donor flows as budget support in the year the Paris Declaration was signed (Renzio and Hanlon, 2009:258) and in Tanzania, "more than 40% of aid is now - *in 2009* - channelled through the national budget as compared to 30% in 2002" (Harrison et al., 2009:281). Budget support comes in different forms and includes pooled development funds. These pooled development funds, as a component of Sector Budget Support, have particularly been encouraged by development partners such as the OECD and the UN. This is in line with an increased emphasis on harmonisation, alignment, country ownership, mutual accountability and managing for results as outlined in the 2005 Paris Declaration. According to Ball and Beijnum (2010:3) Pooled development funds refer to "arrangements where donors provide financial contributions towards a common set of broad objectives and where allocations for specific activities are decided by a joint governing mechanism." Bandstein (2007:3) understands Pooled Development Funds as being "a financing arrangement where donors pool their resources using a special account either managed by one of the participating donors or by the respective line ministries". Based on these definitions, close working collaboration between the recipient country and the donors is a key feature. In pooled development funds, the recipient country takes the lead in determining the policies that are to be supported by funds and in deciding the policy instruments and interventions to be used in pursuing policy objectives. This means that donors contribute their resources to the pooled fund to support the policies that have been determined by aid recipient national governments. By supporting the policies of the national governments and by comingling their funds, development partners aim to fulfil their pledge for harmonisation, and respect for country owned policies and structures as created by the 2005 Paris Declaration.

Kelsall (2011) argues that the Paris Declaration assumes that where donors are fitting into the country-led development leadership and frameworks, they will have a reduced power, as commonly acquired through the control of financial resources and technical knowledge. Pooled funds function based on donors' agreement to work on common frameworks that are synchronised with those of partner governments, and this means that donors have to trust in their partner governments' financial management and policy systems. In this regard, pooled funds emphasise a partnership type of relationship between development partners and recipient countries rather than a donor-recipient relationship. In other words, a pooled aid modality would appear to promote a 'genuine partnership', whose dimensions are suggested by Crawford (2003:143) as follows:

- mutual goals and co-operation between multiple constituencies, in this instance between external actors (multilateral and bilateral organisations) and internal actors (governmental and non-governmental);
- respect for sovereignty and the right of national actors to determine their own policy options (in the case of a 'partnership' between internal and external actors);
- an equitable and meaningful relationship, characterised by depth and quality;
- the time and commitment needed to build and maintain a strong partnership.

However, as much as pooled funds are touted as promoting a genuine partnership between donors and recipient countries, scholars observe that donors still emerge as the senior partners in the aid modality of pooled funds such that it is difficult for parties to hold each other accountable – even among donors themselves. Anderson (2018) established that partnership is mere rhetoric in Malawi's health sector because donors still impose their policies on government administrators through technical assistance and political conditionality. Hyden (2008a:267) contends that the dominating character of donors stems from their conceptualisation of "power as constructive (used to prioritise some issues over others) and power as controlling (as limiting national initiatives)." Therefore, Hyden (2008a) considers donors to be agenda-setters with the ability to decide what issues should be discussed, and who dominate over recipient countries. The harmonisation agenda that influences the institutional arrangement of pooled funds in fact leads to a power imbalance favouring donors because "the more harmonisation there is, the more limited the scope for alternatives" (Hyden, 2008b:265). Hyden (2008b) argues that where a pooled fund exists, one *grand* donor emerges, leaving recipient countries with little option but to seek development aid from this one donor, often strongly on the donor's terms.

Malawi's own pooled fund, the LDF, was established by the Malawi Government in 2009 as a fiscal instrument for local development initiatives at Local Authority and Community levels. The Malawi Government (2009:6) indicates that the objective of the LDF "is to mobilise financial resources for equitable economic growth and development to reduce poverty and improve service delivery in line with the development aspirations of the country." The LDF provides a nation-wide, sustainable, standardised and transparent financing mechanism which is open for financing by the Government and Cooperating Partners, so that Local Authorities (LAs) in Malawi can support a decentralised, sustained development. The LDF represents a single local development financing pool supported by both the government and their development partners. The Fund was established to simplify the multiple financing mechanisms for local governments that gave rise to many problems including: ad hoc and unpredictable funding outside regular national planning and budgeting systems; accountability and reported bottlenecks as responsibilities were uncertain, arising from different fund management methods; donor geographical investment preferences which led to local development not being well coordinated as development efforts were concentrated in selected districts at the expense of others, thereby compromising the national development agenda; difficulty in tracking the total investment going to local governments which led to poor synchronisation of priorities between funding agencies and ultimately to a lack of meaningful development; and, multiplicity of donor project implementation and reporting systems exacting different capacity requirements from local governments and communities (Malawi Government, 2009). In general, the LDF is a pooled fund originating from the consolidation of several local government financing arrangements.

Funds for the LDF are pooled from donors (the World Bank, the African Development Bank and the German Economic Group), the Malawi Government, and local communities, with contributions in cash or kind. As of June 2014, the funding portfolio was US$ 245 million per year with donors' aggregate contribution to the LDF at 81%. The World Bank is the major donor contributing 44% of the total budget for the LDF (LDF-Technical Support Team, 2014:3). Matters of local government are relevant because as much as the LDF is a pooled resource funding mechanism utilised by donors, government and local communities, it is implemented at the local level through Local Councils. The local Councils bring another dimension of power to the design of pooled financing mechanisms because Malawi follows devolution where councillors are democratically elected. It is also important to note that the disproportionate contributions to the pooled financing mechanisms shape the interaction of the actors, the nature of their engagement, and their resultant outcomes. Even among donors, contributions to the LDF are unequal and that in itself plays a role in creating a leader-follower divide that has implications for the relations among donors and also for individual donor relations with the Government of Malawi. The issue of power being exercised to influence the direction of the implementation of the LDF should not be ignored. Whilst agreeing to the implementation of LDF because of the financial resources it brings to Malawi, the central government itself uses both visible and hidden power in attempts to ensure that it will capture such resources according to their interest. Also, since the LDF effectively bypasses the central ministries, it is critical to understand how power is played out in the design and implementation of the LDF if relevant theoretical and policy contributions are to be made by this research.

It is clear from the discussion above that the LDF pooled funds are not funded by a homogenous group of donors. The LDF pooled funds involve multilateral and bilateral donors who exercise power differently because they have different operating procedures regarding aid management and disbursement, which in turn is due to differing internal organisational policies. However, multilateral and bilateral donors do also share certain features. The discussion in the next section discusses multilateral and bilateral donors as linked to the research questions of this thesis.

2.5 Bilateralism and Multilateralism in Development Aid

This research is linked to bilateralism and multilateralism because the case study, the Malawi LDF pooled funds, involves bilateral and multilateral aid agencies in the management and disbursement of resources. Without development aid agencies, resources would be channelled directly from the citizens in aid giving countries to the beneficiaries in poor countries such as Malawi. Thus, development aid agencies create layers of management, which change decision-making structures as well as how power is exercised regarding the management and disbursement of aid. Development aid agencies are credited for the intermediary role they play in delivering resources to developing countries in order to improve their people's welfare and to develop institutions for good governance and sustainable development (Maizels and Nissanke, 1983; Murphy, 2008). However, dissenting scholars question the credibility of aid agencies in effectively managing resources because of the inefficient allocation of such resources, as demonstrated by the depressing development and governance indicators in most aid recipient countries. Hanlon et al., (2010) are in a group of scholars (Lauer and Lepenies, 2015; Collier and Dollar, 2004) in calling for the direct disbursement of funds between aid givers and the receivers, who were being placed at the end of an (inefficient) aid chain. Some of the reasons cited for removing aid 'middlemen' included corruption, elite hijack, fungibility, self-serving interests, and the politicisation of aid (Radelet, 2006; Alesina and Dollar, 2000). Despite decades of calls for the removal of aid agencies, they still exist, which signifies that they are important in the aid industry as far as the disbursement of funds is concerned. The significance of the agencies in aid management is solidified with an increased number of aid management multilateral and bilateral organisations, as well as with the emergence of new forms of institutions; for instance, Trust Funds and Multi-bi. Historically, though, Radelet (2006) indicates that development aid has been disbursed through bilateral or multilateral modalities.

Bilateral aid refers to "those transactions undertaken by a donor country directly with a developing country or channelled through a multilateral organisation either in the form of earmarked contributions to a developing country or contributions to specific purpose programmes and funds managed by the organisation" (OECD, 2018:8). Institutionally, bilateral agencies' layer/s of aid management are between aid givers and recipient countries. The hierarchy of an aid management structure in bilateralism is flat and lean as the focus is on direct interaction between two countries – donors and recipients. Recipient countries are represented by Ministries (commonly the Ministry of Finance, the Ministry of Foreign Affairs and International Development, and the Ministry of Economic Planning and Development). Meanwhile, bilateral donors are represented by either ministries or state-led development agencies such as the Department for International Development (United Kingdom), the Japanese International Cooperation Agency (Japan), the Norwegian Agency for Development Cooperation (Norway) and the Canadian International Development Agency (Canada). Therefore, there are ministerial bilateral donors and non-ministerial bilateral donors (Swedlund, 2017). Development aid agencies transact business with a delegated mandate and powers, which enable them to enter negotiations with recipient countries and to manage aid on behalf of a donor country. The power delegated to development aid agencies and how that power is exercised is based on whether they are a ministerial bilateral donor, or a non-ministerial bilateral donor, among other factors.

Development aid is also delivered through multilateral modalities. Multilateral aid is "the official development assistance provided by member governments to multilateral development organizations of bilateral aid" (OECD, 2009:2). Reinsberg (2015) argues that multilateral aid is known by two prominent features: the pooling of resources by different donors, and those resources becoming a financial asset for implementing governance and development interventions. A multilateral aid modality is like basket funding in terms of the number of actors and justifications: more than one donor is involved and they operate under common rules of the game enforced by a multilateral agency. However, as is the case with some donors who show resistance to common European Union ODA policies (Lightfoot and Szent-Ivanyi, 2014), multilateralism in pooled funds also faces internal challenges. The cooperation, collaboration and resistance of donors is interesting for the case study of this research because, as will be discussed below, the LDF exists by a combination of multilateral and bilateral donors contributing their funds to the pool. The Malawi Government also contributes resources to the pool to make a total of four actors pooling their resources in the LDF. For actors that have different policies and interests, it is worth examining how these players in the LDF exercise power to navigate through the processes of institutional design so that they have rules of the game that address their interests.

Bilateral aid accounts for most of the development aid given to developing countries, as compared to other forms of delivering aid. For the OECD-DAC (Organisation of Economic Cooperation and Development-Development Assistance Committee) countries, it is estimated that, in 2015, 72% and 28% of ODA was disbursed as bilateral and multilateral aid respectively (OECD, 2015:2). Table 2.1, below, shows that much of the ODA is directed from the OECD-DAC to developing countries through bilateral aid.

Table 2.1: OECD Official Development Assistance to Developing Countries, 1985-2015 (US$ billion)

Year	Total ODA	From Bilateral Donors	From Multilateral Organisations	Difference (BA-MA)	Bilateral Aid as a Percentage
1985	83.9	62.6	21.3	21.3	75
1990	91.7	71.6	20	51.6	78
1995	75.5	52.3	23.2	29.1	69
2000	75.1	54.4	20.7	33.7	72
2005	128.6	101.6	27	74.6	79
2006	124.6	95	29.6	65.4	76
2007	116.3	85.5	30.8	54.7	74
2008	130.8	98	32.8	65.2	75
2009	134.5	95.2	39.3	55.9	71
2010	137.8	100.5	37.3	63.2	73
2011	140.1	101.4	38.7	62.7	72
2012	135.6	94.2	41.4	52.8	70
2013	151.4	108.5	42.9	65.6	72
2014	161.7	118.1	43.6	74.5	73
2015	170.6	123.6	47	76.6	72

OECD (2016): Author calculations based on OECD (2016)

Table 2.1 shows that the bilateral aid from the OECD to developing countries has been three times more than the multilateral aid for a duration of thirty years; 1985 to 2015. Between 1985 and 2015, the largest contribution to ODA by bilateral donors was US$ 123 billion made in 2015, whereas the lowest level of bilateral aid was US$ 52.3 billion in 1995. Within the same period, bilateral aid constituted the highest and lowest percentage of ODA in 2005 and 1995 when it recorded 79% and 69% respectively. The top 10 bilateral donors to Africa are the United States of America, France, the United Kingdom, Germany, Japan, Canada, Sweden, Netherlands, Norway and Belgium. For multilateral donors, the top 10 agencies that finance Africa are EU institutions: the IDA, Global Fund, African Development Bank, GAVI, the IMF (Concessional Trust Funds), UNICEF, IFAD, Arab Fund (AFESDI) and the UNDP. The above categorisations of multilateral and bilateral aid are being increasingly challenged because these forms of aid are becoming more internally and externally networked than ever before, as evidenced by the emergence of the Multi-bi and Trust Funds (Reinsberg, 2015). Thus, within the top multilateral organisations – the European Union; the World Bank International Development Association; the United Nations Programmes; Funds and Specialized Agencies; and, the Global Fund for Aids, Tuberculosis and Malaria (Gulrajani, 2006:7) – there also exist new multilaterals providing resources to poor countries.

Whilst bilateral organisations negotiate on the interests of aid givers and recipient countries, multilateral agencies negotiate the collective interests of donors and poor countries. In theory, multilateral agencies represent common interests and approaches in their dealings with the Global South. The logic of common and collective interests among all actors in multilateral agencies is also what is preached with regard to pooled funds. This is a logic that I examine further in chapter 5, where I also demonstrate that donors in pooled funds such as the LDF have different interests and take different approaches that will enable them to achieve their interests when delivering aid to the Malawi Government. The other common characteristic that multilateral agencies share with pooled funds is the inability of funds to be tracked by individual donors because resources are pooled into one basket: in principle, money loses colour in pooled funds such that the funds and their impact as linked to interventions cannot be attributed to any individual donor (Reinsberg, 2015). I examine this assumption in chapters 5 and 6 where I demonstrate that donors do in fact ring-fence their funds in the pool in such a way that it is easy for them to know how much each donor has contributed to the LDF pooled funds and for what activities. Actors exercise both formal and hidden power to create this hybrid institutional design of the LDF pooled funds that accommodates ring-fenced funding. In chapter 5, I also discuss the power games played by donors and the Malawi Government that contribute to the establishment of this hybrid institutional design.

2.6 Why Multilateral and Bilateral institutions exist?

Several reasons justify the existence of multilateral aid agencies. One outstanding reason is "burden sharing" (Reinsberg et al., 2017, p.769). Multilateralism allows for a distribution of costs and risks among donors contributing funds to multilateral aid agencies. Multilateral aid agencies shield donors from the repercussions of hostile recipient countries as individual donors cannot be isolated. The incentive for donors to hide their identity under multilateralism is high in countries that are politically sensitive to external forces, or when issues that donors want addressed are politically and economically too delicate to be raised by individual donors. Countries such as Rwanda (where emphasis is on building a national identity and unity of the people in the aftermath of the 1994 genocide), Uganda (where Museveni has been a president since 1986 and seeks another term of office in the 2021 presidential elections) and Zimbabwe (during the last decade of Mugabe's rule) are the best candidates of multilateralism to avoid an individual targeting of donors.

The wicked problem in development cooperation that hinders aid effectiveness is fragmentation, of which harmonisation is proposed as solution. This thesis discusses fragmentation as a problem of development cooperation through the case study of LDF in empirical chapters 4, 5 and 6. The 2005 Paris Declaration on Aid Effectiveness is absolutely right regarding the need for harmonisation of policies and systems; as such arguably suggesting multilateralism is better than bilateralism. Subsequent signings of international protocols on development cooperation, particularly the 2008 Accra Agenda for Action and the 2011 Busan Global Partnership for Development Cooperation, have continued to indicate the importance of multilateralism. The 2011 Busan Global Partnership for Development Cooperation extends the range of actors in development cooperation beyond traditional international organisations to include Civil Society Organisations (CSOs) and philanthropists. Harmonisation is possible when donor preferences are aligned (Biscaye, et al., 2017). So far, multilateral institutions have contributed to improving the quality of aid by coalescing the competing interests that make individual donors work separately. Multilateral agencies are credited for bringing donors together to work under common frameworks and so present themselves as a united force to recipient countries. It is also in the interests of bilateral donors to form or join multilateral organisations because of reduced operational costs, including the removal of international staff. Reinsberg et al. (2017, p.778) argue that multilateral aid helps bilateral donors to "get more money out the door with fewer staff." Therefore, donors leave both economic and political operational matters in the hands of multilateral agencies who handle issues on their behalf.

Multilateral development agencies provide leadership when needed especially in circumstances of global collective action failure. Some problems experienced by bilateral donors are tricky to be tackled by themselves because they are global issues). In this regard, multilateral agencies are good entry points for providing global goods. Climate change is a good example of multilateralism being critical in providing global goods. The World Bank and the United Nations Development Programme have massive and numerous climate change programmes funded by bilateral donors. In fact, Reinsberg et al. (2017, p.770) indicates that the World Bank "encourages donors to fund their climate change programmes through an established institution of Carbon Finance Group in the department of Sustainable Development." The World Bank has developed expertise and trust among donors such that Trust Funds for implementing climate change programmes have proliferated. I will return to discuss Trust Funds and Multi-Bis later in this section.

Donors and recipient countries can also agree to work bilaterally. In their seminar work, Alesina and Dollar (2000, p.1) argue that there is a clear pattern regarding the answers to their question, "Who gives Foreign Aid to Whom and Why?" Their research has significant findings on what bilateral and multilateral organisations are, why they exist, and who they fund (the questions of "Who gives aid? and "For what reasons is aid given?") and also the likely destination of their aid (the question of "Who is funded by bilateral and multilaterals?"). Bilateral donors are likely to give aid to their former colonies (Neumayer, 2003). France is a major bilateral donor of its colonies; Senegal, Cameroon, and Mali. Until 2012 when it was overtaken by USA, Britain was the largest bilateral donor for Malawi - its former colony. Britain is still a major donor in many of its former colonies in sub-Sahara African countries, including Zambia (Prizzon, 2013). Of the top 10 receivers of Portuguese aid, six are its former colonies; Cabo Verde, Mozambique, Angola, Sao Tome and Principe, Timor-Leste, and Guinea-Bissau (OECD, 2015). Critics of this rationale for bilateral aid argue that bilateralism is not just about maintaining and strengthening colonial ties, but also occurs for the achieving of commercial interests (Neumayer, 2003). In this regard, Berthelemy and Tichit (2004) indicate that France gives South Africa significant amounts of development aid because France is a major business partner of South Africa, not because France colonised South Africa. Aid for Trade, when aid has trading interests (and builds trading capacity, would be a convincing argument for the disbursement of funds to South Africa from France.

A key characteristic of bilateral agencies is that they give aid primarily in the best national interest (Gulrajani, 2017). Bilateral donors align their aid to national preferences such that the main area of focus for help by bilateral donors are sectors that reflect the interests of the aid giving country. The implication of bilateral agencies preferring to fund sectors that are aligned to their own national interests is that for countries that depend greatly on donors (such as Liberia, 62.4%; Central Africa Republic, 30.6%; Somalia, 23%; South Sudan, 21.5%; Mozambique, 12.5%[3]) in order to meet their national budget, it is difficult for them to implement their own national development policies unless these coincide with the interests of the bilateral donors. A preference to finance their own interests rather than those outlined in the development strategies of recipient countries is often one of the reasons for bilateral donors' interest in developing countries. Mosley et al., (1987) argues that because bilateral aid is selectively disbursed, some of the least developed countries may receive less aid than middle developed countries. In Africa, aid flows from United States of America to Egypt, which illustrates how bilateralism is self-interested and leads to the selective distribution of resources disregarding countries' development indicators. Sowa (2013) observes that USA gives more aid to Egypt[4] than to the poorest country in Africa, Burundi[5]. Egypt is the top recipient country of aid in the whole of Africa. Several scholars agree that Egypt receives a lot of aid from the USA because of the latter's security and geopolitical interests in Egypt (Kharas, 2007). This observation is

[3] Net ODA received (% of GNI) in 2015 (World Bank, 2016).
[4] Middle Income country with GNI per capita of US$ 3,460 ((World Bank, 2016).
[5] Least Developed country GNI per capita of US$ 380 as of 2016 (World Bank, 2016).

confirmed when the USA's military and economic aid is analysed separately. In 2011, "Egypt ranks third in military assistance (comprising 7 percent of total US military assistance)" but "it doesn't even show up in the list of the top 20 recipients of US economic assistance. Rather it ranks 32nd, with economic assistance comprising a mere 0.54 percent of total US economic assistance" (Sowa, 2013, p.1). Bilateral aid selectivity not only shows preferences for certain countries, but also reflects interests in certain sectors of a country.

Bilateral aid is also known for its political bias in the disbursement of aid (Biscaye et al., 2017; Dreher, 2010). Bilateral aid is more political than multilateral aid, partly because of the self-interest that bilateral donors pursue. Martens (2005, p.14) argues that bilateral donors are political as they "may use aid flows to enhance political alliances with the recipient country government, obtain political goodwill and changes (non-alignment in the original preferences) in the decisions and policy stance of that government." Donor country governments turn political by putting in place conditionalities (input, policy-based and performance/outcome-results-based) that aim for institutional isomorphism or some other aspired path that does not necessarily make recipient countries similar to donor countries. The political interests of bilateral donors have taken on a new twist in an age of competitive and complex aid industry. There is evidence suggesting that political bias in bilateral channels encourages greater use of multilateral channels. For example, a donor's decision to delegate to a multilateral institution can be driven by the need to protect and advance strategic geopolitical interests or insulate from domestic political pressures (Greenhill and Rabinowitz, 2016). Thus, the Trust Funds/Multi-Bis give a unique perspective on the political biasness of bilateral donors in the sense that bilateral donors continue to pursue their political interests through multilateral institutions.

An additional dimension in the multilateral-bilateral aid debate are Trust Funds – that in many cases turn out to be Multi-Bis - multilateral and bilateral aid combined. Over time, donors have increasingly disbursed funds through Trust Funds indicating a deepening of multilateralism. Reinsberg et al. (2015) indicated that multi-bi aid in 2015 comprised about 20% of bilateral aid and was almost 60% as large as the total volume of multilateral aid. The World Bank alone stewarded US$ 11 billion in trust fund resources as of 2015 (World Bank, 2015). In 2007, the World

Bank managed 1,045 main Trust Funds (or Donor Contribution Accounts), 2,700 Bank Executed Disbursing Funds and 1,500 Recipient Executed Disbursing Grants (The World Bank, 2009). Though not at a scale adequate to replace bilateral aid as the main aid modality for channelling funds to aid recipient countries, bilateral sponsored Trust Funds have recently gained ground over the last decade.

Trust Funds reveal the dominant character of bilateral donors – serving their interests first before helping others. Bilateral donors are rational actors with self-interested rationale for their actions in terms of what they aspire to achieve and how they intend to achieve it. Self-serving tendencies that are sometimes hidden beneath development narratives to appeal to the public are a key characteristic of bilateral donors. This is where, methodologically, it is important to focus on how informal power, in addition to formal power, is exercised by both recipients and donors to achieve their unofficial and undeclared interests. As indicated in chapter 1, this thesis will demonstrate the primacy of informal power in the designing of institutional frameworks governing pooled funds as donors and recipient countries pursue their undeclared and declared interests.

Trust Funds are popular among bilateral donors because they are flexible: they can be established, withdrawn and terminated with relative ease (Winters and Sridhar, 2017); they are quick in disbursing funds (Reinsberg, 2017), which prevents them from getting trapped in adversarial local politics with fellow donors and recipient countries (Martens, 2005); and, use of Trust Funds help in the avoidance of justifying aid before suspicious and unsupportive citizens in the donors' own countries (Reinsberg, 2017). Trust Funds are also known for delivering resources faster than bilateral agencies in respect of global public goods (Reisberg et al., 2015; Eichenauer and Reinsberg 2017). All these merits that are attractive to bilateral donors still shows the rational-choice side of donors, which is largely self-serving. Bilateralism (as well as multilateralism) dominates the bypassing of local financial and administrative procedures and structures in aid recipient countries. The discussion on merits of Trust Funds also points to bilateral donors being involved in bypass arrangements inspired by the need to avoid administrative procedures. Further to the 'efficient' motive of circumventing bureaucracy, bilateral donors want to avoid political antagonism from their own constituents – when citizens oppose provision of development aid. In countries where there is resistance towards providing development aid, a realistic option for governments is to join Trust Funds

(Multi-bi) because they create an impression that funds are not necessarily for spending in the Global South. In all these bypass decisions of bilateral donors is the rational-choice pursuance of interests justified differently in different contexts. As will be discussed in this chapter under 'Power – Theoretical Framework' (section 2.9), methods used to attain these interests use formal and informal power. Power is exercised by both recipients and donors to influence a favourable institutional design of aid modalities (bilateral, multilateral and multi-bi) that will be significant to attaining their interests. Citizens (beneficiaries), public officials and elected representatives (MPs and councillors) also have an interest in the institutional design of aid modalities because how the rules of the game are established, enforced, maintained and changed affect them as well regarding the achievement of their own goals. For most aid recipient countries in Africa, elected representatives and public officials have a huge interest in the institutional design of aid modalities because of the related impact on the maintenance of their patronage network that thrives on access to public resources including development aid. There is instrumentalization of institutional design by several stakeholders in the development aid industry that causes all to exert formal and informal power on one another as they each try to enforce their first-best rules of the game that will serve their interests.

A key message on multilateral and bilateral debates is that decisions to use either multilateral or bilateral aid is basically about making trade-offs. Whilst on the one hand donors benefit from burden sharing, reduced transactional costs and good 'donorship' because of harmonisation of policies by delivering aid using a multilateral system (Szent-Ivanyi and Lightfoot, 2015; Gulrajani, 2016) on the other hand, donors lose some degree of control over their funds, policy influence, visibility and publicity. The decision to engage bilateral aid, or multilateral aid or trust funds should be based on goals that donors (and developing countries) want to achieve with aid and the environment in which they are operating – whether friendly or hostile to donors. However, it is not only decisions that are involved when making trade-offs, non-decisions are also put into consideration. The involvement of decisions and nondecisions reflects an exercise of formal and hidden power by bilateral and multilateral donors when establishing institutional designs for managing and disbursing aid, which is the major interest of this thesis.

2.7 Multilaterals and a Bilateral in the Local development Fund - the African Development Bank, the World Bank and KfW

Malawi has many development partners providing financing development in many projects in Malawi in several sectors. Weaver et al.'s (2014) mapping study estimates that there are 21 Official Development Assistance (ODA) donors in Malawi implementing around 800 aid projects that have almost 2,900 project activities. The Malawi Government indicates that development partners are in fact more than 21 in number and some of them do not report their aid disbursements to the government – who provided the database that Weaver and colleagues worked with to make their estimation. The development partners use several aid modalities to deliver their aid. In this thesis, the case studies are three traditional donors: the World Bank, KfW and the AfDB. This choice of three banks is purposive because they are the only donors contributing to the LDF (the case study for this thesis). These three donors - two multilateral and one bilateral (KfW) – offer a good platform for understanding how power shapes the institutional design of pooled funds from various perspectives. Fundamentally, these donors in the LDF are the 'economic agencies' of shareholders (the World Bank and the AfDB) and the 'political agency' of the German government and citizens (KfW): an important point to examine is how these factors relate to the way that formal and informal power shapes the institutional design of aid modalities. It will be interesting to examine how, as a bloc of donors and as individual donors, these three banks have used decision-making and nondecision-making powers to make the Malawi Government do things that they would not have done without such donor influence. In the same view, the combination of multilateral and bilateral donors in this study will help in examining how the Malawi Government navigates through the LDF to exert their own formal and informal power on donors as a bloc or as individuals. The three development agencies involved in the LDF are discussed below.

2.7.1 The African Development Bank

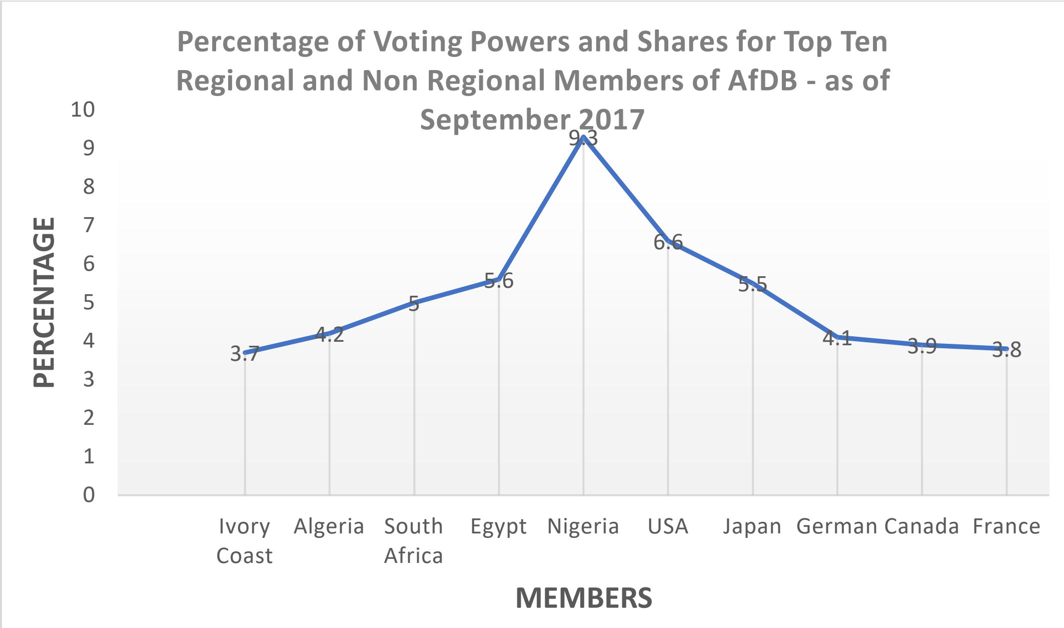
The African Development Bank (AfDB), founded in 1964, is a multilateral agency that was established to facilitate sustainable economic development and social progress for its regional members. In accomplishing this objective, the AfDB mobilises and allocates funds for investments in regional member countries and provides policy advice and technical assistance to support development projects (Mingst, 2015; AfDB, 2016). The AfDB is an arm of the African Development Bank Group that has other two constituent institutions; The African Development Fund[6] and The Nigeria Trust Fund[7]. While engaging different strategies, all three constituent institutions of the African Development Bank Group (The AfDB, The African Development Fund and The Nigeria Trust Fund) contribute to poverty reduction and also to the promotion of good governance in all its regional members, most of whom have low income economies.

AfDB comprises 80 member countries who contribute to authorised capital. Membership has two categories; regional (African countries) and non-regional members (non-African countries). Of the 80 member countries, 54 are African countries and 26 are non-African countries. The AfDB makes decisions based on a weighted formula generated from the capital that each member has contributed and subsequently the shares that each member holds. All 54 African countries hold 59% of total voting powers whereas non-regional members command 41% of total voting powers. Nigeria (9.3% voting powers) and the United States of America (6.6% voting powers) are the members with the highest voting powers from the regional and non-regional blocs respectively.

[6] The African Development Fund is a concessional window of African Development Bank Group established in 1972 with 29 shareholder countries and 38 beneficiary countries.

[7] The Nigeria Trust Fund was established in 1976 as a revolving fund to provide the concessional financing that the African Development Bank Group's low-income regional members required for their development projects.

Figure 2.1: AfDB Multilateral Institution – Percentage of Voting Powers and Shares for Top Ten Regional and Non-Regional Members of AfDB as of September 2017



Source: Author compiled from AfDB data (2017)

Figure 2.1 shows that the top five powerholders and shareholders among the regional members are Nigeria (9.3%), Egypt (5.6%), South Africa (5%), Algeria (4.2%) and the Ivory Coast (3.7%). For non-regional members, the top five powerholders and shareholders include the USA (6.6%), Japan (5.5%), Germany (4.1%), Canada (3.9%) and France (3.8%). Of the entire membership, the USA comes second after Nigeria in having the largest shares and voting powers in the AfDB.

The African Development Bank began operations in Malawi in 1972 and has so far become a significant financier to Malawi projects. As of 2013, the AfDB has funded projects worth over US$ 1 billion to Malawi. By January 2018, the AfDB has funded 21 projects in Malawi in several sectors including agriculture, infrastructure, technology and rural development. The African Bank has allocated a significant share of development assistance to infrastructure projects in Malawi, as has been the case for many regional members. In 2015, the Bank was only active in the transport and infrastructure sector (Malawi Government, 2015). Infrastructure is one of the five Core Operational Priorities of AfDB as indicated in its Strategy for 2013 to 2022, such that

55% of total expenditure by the AfDB was in this sector (Mingst, 2015; AfDB, 2013). This significant allocation of resources to infrastructure tallies well with the Malawi Growth and Development Strategies I, II and III that also prioritise infrastructure. Chapter 5 of this study discusses whether this 'similarity' in the priorities of the Malawi Government, the AfDB and other donors in LDF reflects an alignment of donor policies with domestic policies, or is an illustration of the exercise of decision-making and nondecision-making power both by donors and the Malawi Government. Malawi has 16,419 votes in the AfDB that translate into 0.25% voting power. Malawi makes decisions together with Botswana, Mauritius and Zambia as members of Directorate 10. Though Malawi is the country with the weakest voting power in Directorate 10, it is the incumbent Director of the bloc.

2.7.2 The World Bank

The World Bank, one of the pioneer development agencies, has a global footprint in many countries in both the Global South and North. Established in 1944 as one institution, the World Bank Group now constitutes five organisations: the International Bank of Reconstruction and Development (1944); the International Development Association (1960); the International Finance Corporation (1956); the Multilateral Investment Guarantee Agency (1988); and, the International Centre for Settlement of Investment Disputes (1966) (Clemens and Kremer, 2016). While each of the World Bank Group institutions is guided by their own independent visions, their core mandate is related – helping to improve the economies and living standards of people.

Within the World Bank Group, the International Bank of Reconstruction and Development (IBRD) and the International Development Association (IDA) partly raise their capital through membership subscriptions. The six countries making the highest subscriptions to the International Bank of Reconstruction and Development[8] are the

[8] As of November 2017, IBRD had 189 member states with a total subscription of US$ 223,511 million. Member states share 2,336,467 votes determined by the subscription made by each country. Malawi's contribution to the International Bank of Reconstruction and Development was US$ 124.2, which comes to 0.06% of total subscriptions. Malawi holds 0.08% of the total voting power from the 1,937 votes it has. Malawi belongs to a voting bloc of 22 African countries with 1.80 voting power. This means the USA has a voting power than is about eight times more than a group of 22 countries.

United States of America, Japan, China, Germany, France and the United Kingdom. These six countries also have the strongest voting powers as their member states subscriptions determine their voting power in the IBRD as follows: the United States of America (16.28% voting power), Japan (7.02%), China (4.53%), Germany (4.11%), and France and the United Kingdom (3.85% each).

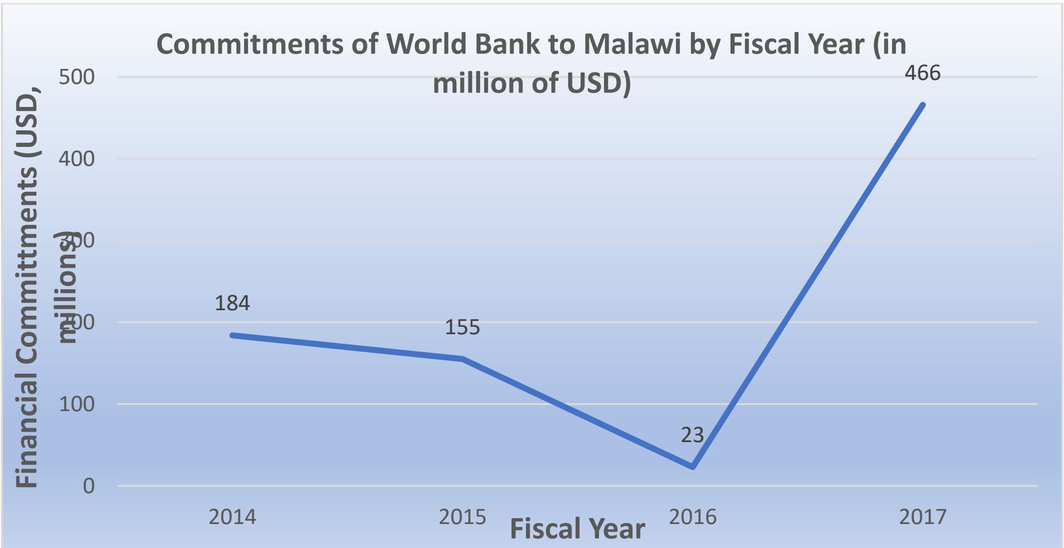
The number of members and degree of voting power in multilateralism matters in this research because these two elements have implications on how decisions and nondecisions are made. The number of members for any pooled fund and the contributions of each member are key factors that determine the nature of the coalitions that will be established and how these coalitions will jointly exercise their power – as is discussed in chapter 4. The key argument in chapter 4, related to the number of actors in pooled funds and the exercise of power, is that where there are a few donors contributing to pooled fund aid modalities, it is not obvious that donors will jointly exercise formal power to shape the institutional design of the pooled funds. Rather, they may exercise informal power in their own favour because they have competing interests. This heterogenous character of donors matters in this thesis because, as illustrated in the examination of the LDF pooled funds in chapters 4 and 5, this creates room for the playing of power games between donors and recipient countries in the decision-making that influences the institutional design of aid modalities. The discussion as to the contributions by donors in pooled funds is also linked to this research because where there are unequal contributions from donors and recipient countries, the latter use "strategies of extraversion" (Bayart, 2000:220) to exercise hidden power in decision-making over the powerful donors so as to further influence the institutional design of aid modalities.

Malawi is a member of all five institutions that make the World Bank Group,[9] and has received grants and loans from all World Bank Group institutions except one – the International Centre for Settlement of Investment Disputes. Since the World Bank Group started operating in Malawi in 1965, it has funded 167 projects with five further

[9] Malawi joined the International Bank of Reconstruction and Development, the International Development Association and the International Finance Corporation in 1965; the Multilateral Investment Guarantee Agency in 1988, and the International Centre for Settlement of Investment Disputes in 1966.

projects planned. The aggregated status shows that their projects are at various stages: 23 are active; 134 are closed; 10 have been dropped, and five are planned. Malawi gets more development aid from the International Development Association than from any other institution of the World Bank Group (Malawi Government, 2015). The reason for this is that the legal mandate and operational procedures of the International Development Bank Association are directly relevant to Malawi considering the country's severity of poverty and the struggling economy. In the International Development Bank, Malawi has 0.19% voting power from 52,038 votes. Malawi belongs to the 13th voting bloc with nineteen other African countries.[10] Figure 2.2 below shows the commitments of the World Bank to Malawi between 2014 and 2017. From the graph, it is apparent that there was a great increase in commitments from 2016 to 2017.

Figure 2.2: Commitments of World Bank to Malawi by Fiscal Year (in million of US$)



Source: Compiled by author (2017)

[10] Botswana, Burundi, Eritrea, Ethiopia, the Gambia, Kenya, Lesotho, Liberia, Mozambique, Rwanda, Sierra Leone, Somalia, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

2.7.3 The KfW Development Bank

The KfW Development Bank is a German state-owned bank with a statutory mandate to implement development cooperation on behalf of the Ministry for Economic Cooperation and Development in countries where Germany is operating, including Malawi (Dreher et al., 2013; Faust and Ziaja, 2012). Overall, the German development presence in development cooperation in Malawi is represented by four institutions, which play separate roles: the Federal Ministry for Economic Cooperation and Development (BMZ), the Embassy of the Federal Republic of Germany, Deutsche Gesellschaft für Internationale Zusammenarbeit, GmbH[11] (GIZ) and KfW Development Bank (KfW). BMZ, or the Federal Ministry, is tasked with the responsibility of overseeing the policies, planning, negotiating and funding of German development cooperation in Malawi. The Embassy of the Federal Republic of Germany conducts political dialogue with the Malawi Government and other development partners and also coordinates the German development support to Malawi (German Embassy, 2016). The implementation of German development cooperation in Malawi is done by the German Society for International Cooperation and KfW upon being commissioned by the Federal Ministry. This means that KfW is a ministerial bilateral development agency because development cooperation in a recipient country such as Malawi is conducted on behalf of the Federal Ministry for Economic Cooperation and Development (Swedlund, 2017). Whilst the German Society and KfW are both implementing agencies of Germany's development cooperation in Malawi, their mandates are different. The German Society concentrates on implementing German technical assistance whilst the KfW is mandated to implement Germany's development cooperation by financing and managing resources within their statutory requirements as a state-owned promotional bank. This multiple representation in development cooperation gives Germany an advantage in conducting bilateral relations with the Malawi Government from several fronts. It also implies a clear division of labour and specialisation for development cooperation institutions in Malawi. However, this arrangement also brings internal and external challenges to these institutions as there can be competition among them, overlaps in duties, duplication of efforts and increased administrative burden on the Malawi Government.

[11] German Society for International Cooperation, Ltd.

This thesis focusses on the KfW Development Bank because it is the institution representing the German government in the LDF as a ministerial bilateral agency. KfW is important in this research in addressing questions on power in the institutional design of pooled funds where the pooled funds also involve multilateral donors. Chapter 4 discusses the implications of having multilateral and bilateral donors in a pooled fund regarding the exercise of power since KfW, as a bilateral agency, is biased towards political goals, unlike the multilateral donors (the World Bank and the AfDB in this research) that have economic and global public goals as their main goals. The KfW in Malawi operates mainly in four priority sectors for the bilateral financial and technical cooperation that the German government focusses on in Malawi: education; health and social protection; private sector development in rural areas; and, crosscutting themes of regional cooperation (public, financial and economic management). The role of the KfW in Malawi is significant because they manage the development cooperation of one of the major donors in Malawi. As discussed in chapter 4, the KfW has concentrated on urban development and decentralisation, especially in the LDF, since 1985 at the start of the Secondary Centres Development Project.

2.8 Comparing the African Development Bank, the World Bank and the German Economic Group: Implications for aid modalities in Malawi

One common feature of all donors pooling funds in LDF is that they all provide funds to both private and public sectors. Overall, this means that donors engage several aid modalities (project, programme, pooled and budget support) to suit public or private institution beneficiaries, in the channelling of their resources to developing countries for particular projects. Though all donors in LDF are made of several subsidiary branches, only one institution is chosen as a grant and loan provider to Malawi government in line with their core mandate and objectives of LDF. All participating subsidiary institutions (International Development Association for World Bank Group; KfW Development Bank for German Economic Group and African Development Bank for African Development Bank Group) in LDF engage with the Malawi Government although some of their activities promote the creation of a vibrant private sector. As will be discussed in chapters 5 and 6, having three donors doing business with one government has implications for the power dynamics that affect the design of aid modalities, including pooled funds.

The other underlying common element of all donors participating in LDF is that they are banks with 'development mandates', hence they have mixed interests – commercial, development and welfare. This observation brings to the thesis the centrality of power and financial resources in the institutional design of aid modalities. An interesting question is, Who is contributing more than the other donors, and do they have a corresponding influence in the design of aid modalities? Whilst two of the participating institutions are multilateral banks (the International Development Association and AfDB), one institution is a bilateral government-owned bank, KfW Development Bank. As will be discussed in chapter 4, this has a significant impact on the politics of aid flow among donors. KfW Development Bank offers grants only whereas AfDB and World Bank offer both grants and loans. The monetary incentive is less compelling in KfW than in the World Bank and AfDB although all three aim to influence policy reforms through development assistance.

All three institutions in LDF participate in Trust Funds at both regional and global level. The World Bank has a long history of operating several trust funds, helping to deliver global public goods in climate change and security among other sectors. The African Development Bank Group has two major trust funds; the African Development Fund and The Nigerian Trust Fund. Demand for loans from the African Development Fund and the Nigerian Trust Fund has been increasing since these Funds were established in 1972 and 1976 respectively. For instance, the Nigerian Trust Fund had initial capital of US$ 80 million in 1976 that was replenished in 1981 with US$ 71 million. The Trust Fund was also extended for 10 years in 2008. This reflects the trend in popularity of trust funds as another aid modality used by multilateral and bilateral agencies to deliver/fund development aid. One difference between the three institiutions is that the AfDB and World Bank contribute and also manage trust funds, whilst KfW only contributes to trust funds and does not manage any Trust Fund in Malawi. As a bilateral, the motivation for KfW in joining the trust fund is to participate in projects addressing global problems at the local level, which would cost KfW a lot of resources to implement alone. Issues of multilateralism and bilateralism are discussed in chapter 4 and 6 where some of the focus is on how power held by donors practicing different aid modalities impacts on the institutional design of pooled funds.

2.9 Power – Theoretical Framework

Power is essential in politics and also whenever authorities make decisions in the public or private sector – be this on the national or the international scene (Leach and Lightfoot, 2018). The significance of power in decision-making is reflected by Lasswell's (1936:1) definition of politics in, *Who gets what, when and how?* Lasswell (1936) focuses on how influence is used in decision-making by elites and other groups within society to achieve their own goals. In politics, where decision-making has been a significant unit for analysis, power has been studied from several broad perspectives including International Relations, Gender, Regional Integration, Local Government and Decentralisation, Public Sector Reform, Public Policy and Development Studies. Thus, power is a common theme across several themes and sub-fields, denoting that power is indispensable to studies on decision-making in politics. It is also important to acknowledge that power is an "essentially contested concept" (Lukes, 1974:137) such that scholarship does not always have the same understanding even within same field. For instance, within International Relations, Realists argue that foreign aid is a policy tool used to exercise power in a competitive world to achieve the goals of the aid giving countries, whereas a Liberal viewpoint is that foreign aid fosters stability and cooperation as all nations use power to achieve their interests (Brown, 2009; Hattori, 2001). Realists and Liberals agree that power is significant in development aid, but they disagree as to how power should be used to achieve the interests of both aid giving and receiving countries. In addition, and as discussed in chapter 4 (on methodology) differences in understanding power within the same themes emanate from a methodological approach taken to explore power as based on either deductive or inductive reasoning. Deductive and inductive approaches are certain to produce different meanings of power because different datasets, empirical and non-empirical, are used by these approaches to explore power.

The Development Studies field also has voluminous literature on power and development. In comparative terms, development scholarship on power has focused on the West being a model for developing countries. Modernisation theories, particularly Linear theories such as Rostow's Stages of Economic Growth, are clear illustrations of how developing countries are encouraged to look up to developed societies regarding development. The theoretical underpinnings of modernisation theories are known for providing the motivation for programmes that aim to change how power is exercised in developing countries including Africa. Structural Adjustment Programmes are just one intervention that affects aspects of power between donors and aid recipient countries (Easterly, 2003; Collier and Gunning, 1999). Structural Adjustment Programmes and other similar programmes have aimed at transferring policies to developing countries through written rules of the game that enable the exercise of formal power. In the context of development aid, formal institutions are useful regarding the influencing and controlling of the agenda, both by donors and aid recipients, in the use of formal structures for decision-making. In aid recipient countries, where written rules are sidestepped, any analysis of power dynamics between donors and aid recipients considering only formal institutions will not give a true reflection of how power is exercised between them.

Beyond analysis, the reliance on formal institutions to exercise formal power to promote development in Africa has been disastrous (Mkandawire, 2015; Riddel, 2007), and formal institutionalists misrepresent the realities in African countries (Brown, 2009; Lemke, 2003). Brown (2009:3) argues that if the policies on formal institutions and power are to work in Africa, “theoretical frameworks need to be able to capture what is ‘different’ about African politics and states.” A key argument is that Africa is unique in its operations, hence the failure of formal institutions. As discussed earlier, “Africa works” in a particular way because of the dominance of informal institutions that facilitate the exercise of hidden power for patronage and clientelism by bigmen (Chabal and Daloz, 1999:1). Several scholars have explained how informal institutions that enable the exercise of hidden power are critical in Africa, especially regarding the distribution of resources irrespective of the origin of such funds – be they from local revenue or foreign aid (Toner and Cleaver, 2006; Beresford, 2015; Cheeseman, 2016; Fisher, 2013). In support of using theoretical frameworks on informal institutions and informal power when examining themes of development in Africa, Booth and Golooba-Mutebi (2014) have argued that researchers need also to understand the structures and actors that influence the agendas from behind the scenes.

This thesis draws theoretical inspiration from Bachrach and Baratz’s (1962) work on decisions and nondecisions, and from Gaventa’s (2006) reasearch on the powercube. This implies a focus on both formal and hidden power. However, the greater focus of this study is on the hidden power exercised using informal institutions because this study was carried out in Malawi where informal institutions and hidden power dominate decision-making. Similar studies conducted in Africa that focus on issues of power linked to patronage, gatekeeper politics, clientelist politics and informal institutions have taken this same approach (Mdee and Thorley, 2016; Mdee, 2014; Booth et al., 2006; Cammack and Kelsall, 2010; Beresford, 2015; and, Anderson and Pattterson, 2017). For instance, Mdee (2014) frames her study on the politics of small-scale irrigation in Tanzania from an institutional viewpoint to examine the failure of small-scale irrigation interventions to meet people's expectations. She argues that this failure was due to the overlying of policy prescriptions in the Kilimo Kwanza Agriculture Policy - Agriculture First, a government policy. The written rules of the game in this Policy were contested by traditional and informal institutions that were more powerful than the government directed policies. In other studies, Mdee (2008, 2010) is consistent in arguing that informal institutions outdo formal institutions so that hidden power surpasses formal power in Tanzania and other African countries. In these studies, Mdee uses institutional and power frameworks to examine how resources are managed. This thesis takes direction from Mdee's methodology and application of power in resource management to carry out a study on power and the institutional design of pooled development aid.

This study engages Bachrach and Baratz's decisions and nondecisions analytical framework from the broad three faces of power, constituting the ideas of Dahl (1957), Bachrach and Baratz (1962, 1963) and Lukes (1974, 2005). Gaventa's powercube is also engaged in this thesis to complement three faces of power and also to help understand hidden power in the African context. This section (2.9) discusses all forms of power in the Three Faces of Power theoretical framework with the purpose of giving a fair appreciation of the evolution of the concept with considerations of the strengths and weaknesses of each face of power as related to this study. Such a discussion provides an informed background to understanding the relevance of a decisions and nondecisions power framework in this study, and explains the empirical operationalisation of the three faces of power concept. In the subsections below, I discuss each of the faces of power in relation to this study, particularly in terms of development aid and aid modalities.

2.9.1 First Face Power: Decision-making/Formal Power

From a pluralist perspective, Dahl (1957:202-3) understands power as follows: “A has power over B to the extent that he can get B to do something that B would not otherwise do.” Dahl’s concept focuses on formal and observable aspects of power especially in decision-making processes. The central theme in the first dimension of power is that power is always formal, observable and legitimately exercised by individuals and groups of people vested in the official procedures, systems, processes, policies and laws of the organisation. In this regard, the formal rules of the game are the source of power and often referred to when the powerful (individuals or institutions) wish to exert influence on the way the less powerful should act; meaning in a particular way as required by the written statutes guiding the organisation. Swartz (2007:1) notes that Dahl’s core emphasis of formal institutions as sources of power, relates to the “empirical identification of actors who participated in decision-making where influence over others could be readily discerned.” Dahl (1957) maintains that power can be known to be exercised when decisions have been made compelling others to comply with what the other party has dictated should be done. This conceptualisation does not recognise the power held in potential, but relates to actual, expressed power. Heinsohn (2004:138) argues, “Power is the act of prevailing in decision making and is not to be equated with power resources, which are only in potential power.” Thus, the resources financial, technical, knowledge or human workforce) that individuals, groups of people and institutions possess are only power when they have been utilised to get other people to do what they would not otherwise have done.

In development politics, the first dimension of power concerns international development agreements, protocols and treaties as sources of power. Theorists on formal decision-making power, such as Dahl (1957), consider development agreements like the Paris Declaration, the Accra Agenda for Action, the Busan Partnership for Effective Development Partnership and the Millennium Development Goals as formal sources of power that shape the decisions and behaviours of donors and developing countries: the agendas of development partners and aid recipients are set by formal documents such as these international agreements. Both development partners and recipient countries draw their power from aid agreements and legitimately exercise this power as prescribed in the documents. Depending on aid modality institutional design, the development agreements equally or unequally distribute power, hence there is the possibility that international development agreements will create power asymmetries. The key point is that formal agreements can be sources of power and instruments of domination. A limitation to this argument is that formal agreements hierarchically structure levels of power, giving the impression that the power drawn from international agreements is the most authoritative in development aid, rather than the power drawn from national and community policies. This is also a point where pluralist theorists of power disagree with the elitists (Hunter, 1953; Wright-Mills, 1956), who argue that power is always hierarchically structured following the social structures of a society. I argue that the authoritativeness of power is dependent on contextual factors such that in some contexts, the power drawn from national and community policies might be more authoritative than the power drawn from international agreements. In any case, the discussion above highlights one key limitation of decision-making power: it cannot explain something that happens outside the formal and observable structures. This observation also takes us to the second form of power, nondecision-making power, discussed below.

2.9.2 Second face of Power: Nondecision-making / Informal Power (controlling and influencing agenda)

In responding to Dahl's assertation that power is only exercised by overt actors in formal spaces, Bachrach and Baratz (1962) contended that nondecisions are also manifestations of power. In their article, *Two Faces of Power,* Bachrach and Baratz (1962) argued that Dahl's formulation of power was narrow by only focusing on observing actors and institutions in decision-making. Bachrach and Baratz (1963:632) define nondecision making as "the practice of limiting the scope of actual decision making to safe issues by manipulating the dominant community values, myths and political institutions and procedures." In Bachrach and Baratz's (1962) argument, the construction of power should not simply be narrowed down to the empirical element regarding who is making decisions, but should also be extended to "the matter in which decisions are made and can be influenced" (Heinsohn, 2004:139). The major argument in this second face of power is that agenda-setting plays a role in the exercise of power because of its ability to bring certain items to a discussion whilst at the same time keeping other issues away from the debate. Whilst Dahls' first face of power focuses on overt decisions, Bachrach and Baratz's second face of power includes decisions and nondecisions that may be covert or overt. The second face of power gives much more attention to the controlling of agenda regarding what is to be tabled for discussion – and what is sieved out such that it does not make it onto the agenda. Any influence on the agenda setting process is core to nondecisions power because this indicates the ability to place limits on what can be decided upon.

The second dimension of power departs from the first dimension of power by focusing on the informal processes controlled by the powerful that are not recognised by the formal structures. Bachrach and Baratz (1962; 1963) indicate that the major weakness of the work by Dahl on decision-making power is that he did not admit to the existence of nondecision-making power, despite evidence in his own study to suggest it. An assertion of nondecisions power recognises that decisions are stage-managed as nondecisions by *actors in the wings*, who are in control of agenda setting; what to discuss and what not to discuss, items to discuss at greater detail and those to discuss as a matter of window-dressing. Control of the agenda is central to nondecisions power because it leads to a mobilisation of bias: “Some issues are organized into politics while others are organized out” (Schattschneider, 1960:71). Bachrach and Baratz made of use Schattschneider’s terminology of mobilisation of bias to reinforce their argument that the influencing of agenda setting is key to nondecisions power; they indicated that:

> a ‘mobilization of bias’ is a set of predominant values, beliefs, rituals and institutional procedures…that operate systematically and consistently to the benefit of certain persons and groups at the expense of others. Those who benefit are placed in a preferred position to defend and promote their vested interests. More often than not, the ‘status-quo’ defenders are a minority or elite group with the population in question. (Bachrach and Baratz, 1970:43-4)

Through mobilisation of bias, the powerful have exercised prior influence on the outcomes by taking away some agenda from the discussion table whilst keeping others on the table.[12] Nondecision-making power is exercised through a mobilisation of bias that involves, “excluding items from an agenda, creating selective precedents, defining matters as a private affair, excluding others by endless red tape, creating committees that never reach decisions, or ‘losing files’” (Heinsohn, 2004:139). When they were examining power and poverty, Bachrach and Baratz (1970) identified ways in which

[12] Lukes (1974:16) refers to “mobilization of bias” as a “bias in favour of the exploitation of some kinds of conflict and the suppression of others.”

mobilisation of bias manifests itself: “compliance through force such as harassment or provocation, sanctions – benevolent or malevolent, illegitimate devaluating of importance of a request, reinforcement of existing barriers or the creation of new ones and, individuals fail to pursue issues in arenas of decision because they acknowledge the non-decision making powers of the system.” Bachrach and Baratz (1970, cited in McCallan-Chen, 2000:34) added two more forms of mobilisation of bias: hiding of important information to block decision-making and discussions that are deliberately prolonged where eventually decisions are not made. All these strategies of nondecisions power speak to the theme of controlling agenda setting such that the decisions made in formal spaces is in the favour of those pulling the strings from behind the scenes. In the third face of power, Lukes reacts to the weaknesses of both Dahl’s and Bachrach and Baratz’ faces of power, asserting that these three theorists overlooked the role of false consciousness in power debates.

2.9.3 Third Face of Power: Shaping meaning/ideology/false consciousness

Lukes (1974) is associated with the third face of power, which is *invisible power* also referred to as internalised power (Andreassen and Crawford, 2013:6), and invisible power is exercised by domination through socially embedded cultural values and norms. Lukes (2005:27) states that power is exercised invisibly by, “influencing, shaping or determining people’s very wants.” The prominence of this internalisation of values and norms in invisible power is also observed by Swartz (2007:2) who indicates that a “third dimension of power consists of deeply rooted forms of political socialization where actors unwittingly follow the dictates of power even against their best interests.” Lukes (1974:2005) is convinced that the most insidious and important type of power is invisible power, where domination by the powerful over the less powerful prevails without even the knowledge of the less powerful (Pettit, 2013:45). Domination is defined as “the capacity to secure compliance to domination through the shaping of beliefs and desires, by imposing internal constraints under historically changing circumstances” (Swartz, 2007:3). The dominated, under false consciousness, comply to domination with the full conviction that the powerful are actually making decisions in accordance with their ‘real interests’. Due to internalisation, the less powerful have blind loyalty such that they “are not aware of their *real interests*” (Csaszar, 2004:139). Scott (1992:72) shares a similar view with Csaszar (2004), indicating that consent to domination occurs “in thick and thin sense: the thick sense where people actively believe the values which oppress them, and the thin where they are merely resigned to them."[13]

Invisible power is strongly linked to two other concepts of power: Negative power and Hegemonic power. With negative and invisible powers, the dominant achieve acquiescence through consent or coercion, whereas domination in hegemonic power is achieved through consent as well as the presentation of ideas in such a way that there are no alternatives to the prevailing structures or institutions. The idea of hegemony is that the dominated assent to the power because there is only a single truth as told by the powerful. Power, as a social phenomenon, is constructed by the powerful in a way that serves their best interests so that they suppress the construction of 'other truths' by the competing and emerging powers.

The end of the Cold War resulted in the dominance of capitalist development models as being the only frameworks able to effectively deliver development. Capitalist development models were promoted using different means, including development aid (loans, grants, and concessions), media, and a careful selection of countries that had developed under capitalist thinking being used as role models. Hegemonic power has been held by key international financial organisations in such a way as to deepen the 'single truth' about capitalist-led development; for instance, a country needs to have its Poverty Reduction Strategy Paper (PRSP) 'approved' by the World Bank before they can receive credit from the International Monetary Fund. The Bretton Woods institutions also advance pro-capitalist policies as being the best for development and such advocacy is seen in the PRSPs that have been developed by developing countries as a policy conditionality to accessing aid. Even with evidence that Structural

[13] The concept of domination as pivotal to power has also been explored by Clegg (1989) in the notion of Circuits of Power. Clegg's model traces power at three levels: "at the micro level where there is 'episodic circuit' (the day-to-day interaction of people through everyday power struggles); the middle level contains the 'dispositional circuit' (where rules are constructed and reconstructed at the social level, and where authority is legitimated); and finally at the macro level is the 'facilitative circuit' (Csaszar, 2004:149). This concept of circuits of power is similar to Gaventa's powercube as both argue that power interacts at different levels; international, national and local. The powercube differs from Circuits of Power where Gaventa adds spaces (Closed, Invited and Reclaimed/Created) to Lukes's three dimension of power (Visible, Hidden and Invisible) to explain how power interacts at international, national and local levels and how the powercube can be used to used to identify different entries, opportunities and constraints to address power imbalances.

Adjustment Programmes (SAPs), as development aid instruments, negatively affect developing countries (Rono, 2002), the Washington Consensus maintains that developing countries “must do more of the same, and do it well” (Rodrik, 2006:977). The hegemonic power of the Washington Consensus dilutes the ability of alternative development aid modalities to be chosen and to deliver effective aid. For instance, some of the development aid modalities used by emerging actors in delivering aid are effective in certain sectors like infrastructure, but they are nevertheless challenged by the continuing hegemonic power of the traditional donors.

2.10 Understanding Power in the African Context: The interface between formal and informal/hidden power

The debates on the primacy of hidden power in Africa has received the attention of researchers because of the dismal performance of public sector reforms and policy transfers that are linked to professionalising bureaucracies in the institutionalisation of the formal rules of the development aid modality game (Tambulasi, 2011; Dolowitz and Marsh, 1996; Mkandawire, 2005, 2014; Olukoshi, 1998). Some research institutions and universities have dedicated research programmes on power in Africa that focus on several aspects, including hidden and informal power. Some of these programmes have a strong bias towards hidden power in Africa, including Effective States and Inclusive Development (University of Manchester); the Developmental Leadership Programme (University of Birmingham); the African Power Politics Programme (Overseas Development Institute); Elites, Production and Poverty (Danish Institute of International Relations); Political Economy Analysis (Overseas Development Institute); Elites, Production and Poverty (Danish Institute of International Relations); and, the Political Settlements Research Programme (University of Edinburgh). Some development partners have also included knowledge of power frameworks in their interventions in Africa. Programmes by development partners that draw on power include the Drivers of Change programme (DfID); the Governance Trust Funds programmes in Malawi, Kenya, Mozambique and Zambia (DfID); Stakeholder Power Analysis and Stakeholder Influence Mapping (International Institute for Environment and Development); Net-Map (International Food Policy Research Institute); Governance assessments by UNDP and Social Accountability Programmes (World Vision International, PLAN International and ActionAid International); and, Power Analysis (Swedish International Development Agency). All these programmes recognise the primacy of hidden power in the decision-making processes within the African setting.

One study relevant to this thesis, on contextualising power in Africa, was done by Abdulai and Hulme (2014), who studied the politics of regional inequality in Ghana using the case of the Heavily Indebted Poor Countries Fund (HIPC) – a fund established in relation to a PRSP and that accesses aid from the World Bank and the IMF. In their study, the focus was on how state elites and donors interact in the process of formulating and implementing a PRSP, and how such policies guided the allocation of resources to the administrative regions and councils in Ghana. Abdulai and Hulme (2014) made use of a political settlement to examine the intricacies of poverty reduction whereby state elites and donors take a leading role in deciding on the allocation of resources. Menocal (2009:2) refers to political settlements as "a common understanding between elites about how power should be organized and exercised." Political settlements are a power approach because of the focus on elite bargains of, "how power should be organised and exercised" (Barnes, 2009:22). Abdulai and Hulme compared the theory and practice of Ghana's Heavily Indebted Poor Countries Fund, where they found that there was a difference in the operationalisation of the Fund due to tensions among donors and state elites who were exercising formal and informal power in the implementation of policies. Abdulai and Hulme (2014) argue that state elites agree with the donors to implement policies that reduce poverty and they take steps to further develop the criteria for allocating resources to the poorest. At this level, the decisions taken within the official structures are important and symbolise the exercise of formal and visible power. Donors trust that signed agreements with the state elites will work because these represent the commitment of government authorities, who are obliged to respect formal agreements.

However, Abdulai and Hulme (2014) demonstrate that, as much as state elites agree to decisions by donors to allocate resources based on the agreed criteria, the actual distribution of resources is done according the wishes of the state elites who are motivated more by social expectations and the demands of their communities than they are by formal agreements with donors. According to Abdulai and Hulme, the Northern region of Ghana was marginalised from receiving national development aid and resources despite being the country's poorest region and, as such, had been specifically targeted by the HIPC Fund. This was due to a lack of influence in governing coalitions by politicians from the North, meaning that the politicians from the North lacked the hidden power that would have enabled them to pull strings from behind the scenes for the relief of the people they represented. Regarding the politicians from the Northern region, Abdulai and Hulme (2014:9) observed that during the PRSP period they were entering "into the governing coalitions on relatively inequitable terms: while they were generally well represented in insignificant positions like deputies, they were largely excluded from the more powerful positions in cabinet and the *inner core*." Decker (2006:5) has made the same observation on politicians from the Northern region, noting that their "lack of political clout" blocked development in the region because they lacked the ability to effectively manipulate and influence the agenda, even while on paper the region was a very favourable candidate for state resources according to the official and visible guidelines. In this case, "a visible actor might be working through the exercise of invisible power" to manipulate decisions against the North (Pantazidou, 2012:13), or in their own favour, which resulted in the North being sidelined. In the same vein, access to formal power structures does not necessarily equate to the control of decisions. In Ghana, President Mahama, who was from the North himself, lacked a strong influence in directing decisions made by his political party, the New Patriotic Front Party. This party's governing coalitions and elites were controlling the agenda of the government, including resource allocation, under the competitive clientelism that was dominating all regimes in Ghana (Adbulai and Hickey, 2016). These studies drive home a key message regarding the understanding of power in the African context: hidden power is equally as important as formal power because, ultimately, forces and players outside formal power structures (hidden power) determine the outcomes of decision-making. Abdulai and Hulme (2014) argue that by relying so much on formal and visible powers, donors do not really understand how hidden power works in Africa or how hidden power bypasses agreed visible and formal rules of the game to distribute public goods and services through patronage. Hidden power blocks the implementation of decisions by donors and their collaborators such that it is the informal decision-making procedures and outcomes that are respected because these are in tune with how decisions and actions work in society.

The work by Abdulai and Hulme (2014) is significant to this study because of its application of hidden power in Africa regarding resource distribution. They operationalised hidden power by focusing on the decisions made behind the scenes in the distribution of resources including development aid – which are the broad themes of this study (hidden power and development aid). Lessons from Abdulai and Hulme's study for this thesis include the insight of their analysis on how hidden power and institutions are used to circumvent formal institutions in a distribution of resources that increases patronage and clientelism. However, Abdulai and Hulme's application of power is not entirely adopted because some aspects of their study do not fit well with this study. For instance, they rely on political settlements to interpret their findings, which focuses on elite bargains as a basis for organising and exerting power, as well as distributing resources (Khan, 2010; Whaites, 2008). My study includes both elites and local communities as active players exercising power in shaping the institutional design of pooled development funds. Political settlements analysis does not include members of local communities as a unit of analysis, yet they are significant actors who I needed to interrogate for this thesis. As discussed in chapter 3, the importance of members of local communities in this study was demonstrated during fieldwork, where data was collected from local communities through focus group discussions.

The limitations observed in Abdulai and Hulme's (2014) study in relation to their application for this thesis are addressed by a research programme called the African Power Politics Programme. The African Power Politics Programme (APPP) is another outstanding piece of work contributing to the understanding of power in Africa that I benefited from for this study. The APPP was a five-year research programme (2007-2012) run by the Overseas Development Institute and carried out in 20 African countries[14]. In all these countries, primary data was collected through observations, elite interviews and extended field visits by researchers and community resident research assistants who spent more than six months in the field. Within their period of stay, research assistants participated in daily community life to have a direct experience of the interface between formal and hidden power in informal institutions. The African Power Politics Programme addressed one overarching research question: "Which institutional patterns and governance arrangements seem to work relatively well and which work relatively badly in providing public goods, merit goods and other intermediate conditions for successful development?" (Booth, 2012:vii). The APPP

[14] including Benin, Burkina Faso, Zimbabwe, Mali, Cameroon, Senegal, Sierra Leone, Malawi, Rwanda, Niger, Kenya, Ethiopia, Tanzania, Ivory Coast, Uganda and Ghana

hypothesis was that citizens' demands for the provision of public goods and the ability to solve collective problems lead to state elites supplying the goods and services.

In the synthesis report for this research programme, Booth (2012) indicated that one of the major findings was that *Working with the Grain* in Africa helps states supply goods and services to citizens and also resolves development challenges that are a collective problem. *Working with the Grain* acknowledges the primacy of hidden power in the provision of public goods in Africa. The findings of the APPP agree with similar research projects such as Elites, Production and Poverty (at the Danish Institute of International Relations) and the Developmental Leadership Programme (at the University of Birmingham). They conclude that nondecisions from hidden power are frequent occurrences because of the dominance of information institutions and neopatrimonialism as well as the existence of hybrid regimes and big men.

In pushing for a *Working with the Grain* agenda, the APPP made a strong point that when it comes to operationalising power in Africa, 'best fit' is better than 'best practice'. Best fit approach is a response to the best practices approach that "continues to ignore some basic facts about African politics and governance" (Booth, 2012:8). In other words, research and projects still ignore the importance of understanding how 'Africa Works' (Chabol and Daloz, 1999; Beresford, 2014). The Africa Power Politics Programme addresses this problem by understanding how hidden power is exercised to control agenda-setting in the provision of public goods and services. Some strategies of exercising hidden power in Africa include co-optation, which means some actors in formal decision-making structures work with hidden actors to exercise nondecisions. Co-optation is recognised by McCallan-Chen (2000) as nondecisions that can be exercised in both formal and informal decision-making structures. The work by McCallan-Chen and the APPP fit well with that of Scott (1990) regarding on-stage and off-stage actors and public and private scripts. As hypothesised by APPP, off-stage actors have an influence on nondecisions through manipulating agenda-setting. APPP adapts the line of enquiry of Scott (1990) to an African context by arguing that on-stage actors are not limited to working with on-stage players only, but also work with off-stage actors when the incentives to do so are high.

The incentives for on-stage actors to collaborate with off-stage actors to exercise hidden power by manipulating and controlling agenda-setting are high in Africa because of pressure on on-stage actors to provide goods and services through patronage and clientelist social networks. For instance, civil servants and politicians in Africa are on-stage actors exercising formal power in closed and invited spaces, but at the same time they work with social networks to exercise hidden power so that their clients have access to the public resources necessary to buy the support that sustains their power. Therefore African civil servants and politicians are, in certain cases, 'big men', who undertake the gatekeeping of public resources: they are the agents who are expected to open the gates for their supporters to be able to enjoy public resources. Big men are powerful in Africa because they decide who to exclude or include in the networks for accessing public resources. Camargo and Passas (2017:10) correctly assert that in Africa gatekeepers use "networks *as* tools to get things done." Social networks are instrumental as they are created and maintained to serve the interests of both the clients and the elites. Clients access public resources through informal institutions that circumvent bureaucracy, whilst elites enjoy support and loyalty from their clients. In the African context, elites are the ambassadors of their communities such that neopatrimonialism is justified so long as they are "benefiting one's own people" (Camargo and Passas, 2017:6). In this regard, social networks hold strong expectations that any member who has a position in the public sector has the duty to utilise their position for the benefit of their network.

Although seen as a vice from a Weberian perspective, the informalities that include patronage and the exercise of hidden power bring legitimacy to elites among their own social networks that they rely on this for their governance, legitimacy and stability. In agreement with Chabol and Daloz (1999), Sihlongonyane (2014:1080) acknowledges the primacy of informal institutions, hidden power and big men in Africa, and is cautious about theorists that "falsify the response of international interventions in Africa because the reality of African *problems* does not fit into their orthodox conceptions informed by the Weberian theoretical rationale." The key argument is that hidden power in Africa is common in controlling and influencing agenda such that distribution and redistribution policies often veer off formal institutions and well documented procedures. Ekeh (1975) sees the fluidity of roles for on-stage and off-stage actors when exercising formal and hidden power as a dilemma for African on-stage actors, who must meet the expectations of their ethnic groups and social networks by rewarding them with public resources whilst at the same time they are also required to respect formal institutions. According to Ekeh (1975) the two faces of African publics, primordial and civic, requires enquiry regarding how different faces of power operate in Africa. This thesis focuses on relevance of two publics to contemporary politics of development, particulary development aid, power and institutional design.

The African Power Politics Programme is important for this study because it acknowledges the members of local communities in aid modality institutional design as *Working with the Grain*. The Programme encourages actors to recognise the role of informal institutions in their development work, including in their channelling of development aid to poor countries, because informal institutions can block or facilitate effective programme delivery. As highlighted in chapter 1, this thesis is focused on examining how hidden power emanating from *Working with the Grain* influences the institutional design of aid modalities in Malawi. While the APPP findings are useful to this thesis, they fall short of providing answers as to the genesis, interests and motivations of development aid institutions and how power was exercised before actors started *Working with the Grain*. This last approach takes little interest in understanding the history behind the existing institutions, but this ignored historical information is important if *Working with the Grain* is to drive effective institutional design changes. This is where studies by Abdulai and Hulme (2014) and Mdee (2014), as discussed earlier, complement the APPP regarding guidance for this research. These studies are relevant to this thesis as I build on them to understand formal and hidden power in Africa in the development aid industry. Abdulai and Hulme (2014) and the APPP were important in directing me to themes on power in Africa that researchers do need to consider when carrying out a study around the interface of formal and hidden power in Africa; and Mdee's (2014) research was helpful in examining the interface between formal and informal institutions in relation to the exercise of formal and hidden power. I have adapted these studies to my research theme on power and the institutional design of pooled development funds. The contexts in which Abdulai and Hulme (Ghana), Mdee (Tanzania) and the APPP (in Ghana, Rwanda, Ghana, Uganda and Niger among others) carried out their studies are similar to the context of the fieldwork for this thesis: they are contexts dominated by informal institutions, hidden and informal power, bigmanism and neopatrimonialism.

2.11 Applying the Powercube in Africa

Literature on power acknowledges that power analysis should engage several lenses and definitions to examine the matter from various perspectives (SIDA, 2013; Pettit and Acosta, 2013). Bachrach and Baratz's concept is useful in understanding power in Africa but does not explain certain aspects of how power is exercised in the African context; therefore, their theoretical framework is inadequate in terms of understanding the decisions and nondecisions made at various levels of society with respect to how decisions and nondecisions at one level affects the other levels. It is within this spirit of understanding power from various perspectives that this study also adopts Gaventa's powercube as relevant to understanding general and specific contexts of power in Africa.

Gaventa's (2006) powercube brings together forms, levels, and spaces of power to analyse power interrelations based on three dimensions. The powercube is likened to a Rubik's cube in that each element can make 29 moves that can interact with the other elements with the potential to affect their positions 29 times. Andreassen and Crawford (2013:10) note that, "the cube provides a structured way of looking at power dynamics, with various entry points, and thereby combines both structure and agency." Gaventa (2006) developed the powercube from Cornwall's (2002) idea of spaces (closed, invited and created)[15] and three dimensions of power (visible, hidden and invisible). Gaventa added the third element of level (local, national and global) to the existing spaces and forms of power to devise the powercube. The powercube is a blend of coercive and positive power originating from the Power over (invisible power) and from agential forces respectively. The agency of a powercube is in the spaces "where coercive power remains evident but subject to challenge and contestation by less powerful actors" (Andreassen and Crawford, 2013:11). Gaventa (2006) indicates that the powercube is important for exploring how powerful actors control the agenda in different spaces at various levels of society and the ability of less powerful actors to build their awareness and actions for change. A detailed and useful analysis of power using the powercube model is often done when each dimension is understood in its own right and in relation to the remaining two facets, before proceeding to interrelations with the other dimensions.

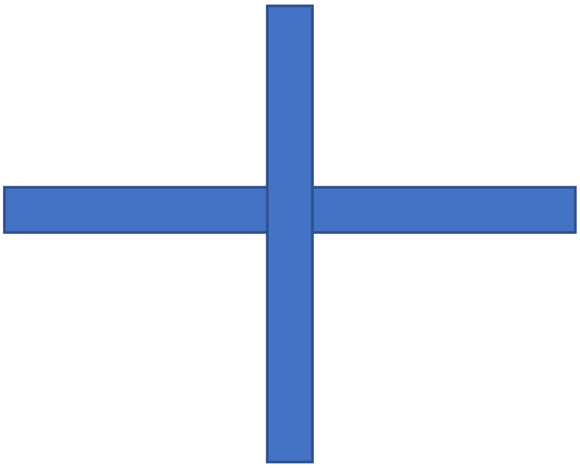
[15] Also referred to as 'Spaces from below' (Conyers, 2008) and 'Claimed/Initiated/Conquered/Instigated' spaces (Gaventa, 2006).

The powercube is useful in this study because it has helped to establish which actors operate at various levels; global, national and local. Investigating power relations regarding who is at the core and who is at the periphery of power in development aid is important to an understanding of winners and losers in studies focusing on development aid modalities. Ferreira et al. (2015) used the powercube to examine teachers' experiences of participatory methodology in South Africa. Ferreira et al. (2015) found the powercube to be a useful tool for interpreting data on how partners in a project can identify entry points into the community for effective power-sharing deals in poor and aid dependent countries. In this thesis study, the powercube will be critical in understanding the winners and losers following the shift from programme aid (the Malawi Social Action Fund) to the adoption of a pooled fund (the LDF) as the instruments for delivering aid in pursuance of the deepening of decentralisation, the improvement of local governance and the reduction of poverty. Furthermore, by mapping out the winners and losers, the powercube will help in analysing sources of resistance to change, and entry points to the support of change both at national and local level. I also found the powercube to be a useful complement to the decisions and nondecisions framework of Bachrach and Baratz (1962). The main reason the powercube was useful for this study is that it accorded me an opportunity to understand how power (visible and hidden) shapes institutional decision when exercised by actors at various levels (international, national and local). Visible and hidden power relate well with decisions and nondecisions power respectively. Visible and decisions power relate with formal power, concentrating on written rules of the game and power structures, whereas nondecisions and hidden power are focused on controlling and influencing agenda from behind the scenes.

In this thesis, Bachrach and Baratz's (1962) and Gaventa's (2006) concepts of power are useful but each one, separately, is inadequate in explaining how power is exercised in Africa's aid dependent countries with their strong patronage and clientelism practices. In this respect, this research has adapted decisions and nondecisions and powercube knowledge to examine how power shapes the institutional design of pooled development funds through four possible scenarios: formal-visible, formal-hidden, informal-visible and informal-hidden. Figure 2.3 below illustrates these four scenarios of exercising power from the adapted concepts.

Figure 2.3: Exercising Power

Formal Power (Bachrach and Baratz)



Visible Power (Gaventa)

Hidden Power

(***Actors:*** Global, National and Local Actors) (***Actors:*** Global, National and Local)

Informal Power (Hidden) Power

Source: Author

2.12 Operationalising Power in the Study

This study, as discussed in the section above, engages with power as defined by Dahl (1957:202-3): "A has power over B to the extent that he can get B to do something that B would not otherwise do." Within frameworks of power, this study's focus is on hidden power and decisions and nondecisions because of how these theoretical underpinnings have relevance to this study, as will be discussed below. During the conceptualisation of this study, Lukes' (1974, 2005) ideology on the shaping face of power was initially thought to be the main theoretical framework because of the domination achieved by the powerful such as to make individuals (the less powerful) act against their own will while social expectations and an internalisation of interests makes the less powerful not even question the interests they are pursuing. In the initial stages of this study, the line of thought was that through development aid, donors will always shape the interests of aid recipient countries to reflect their will – albeit through false consciousness. However, I believed that Lukes fell short in his guidance, in some respects, regarding his empirical operationalisation of power – particularly invisible power – due to several weaknesses. Some of the shortfalls limiting the relevance of operationalising Lukes' idea of power include: not connecting well the overt face of power – the way decisions are made – with the covert face of power – the ability to prevent decision-making (Bachrach and Baratz, 1962); and, difficulties in recognising 'real interests': These are two of the claims that should essentially be contested (Bradshaw, 1976).

In view of the shortcomings presented above, I turned to Bachrach and Baratz's decisions and nondecisions faces of power as a theoretical framework as well as Gaventa's powercube as necessary to understanding power in the African context. In this decisions and nondecisions framework, several scholars (Deem et al., 1995; Shorten, 2016) have also reported difficulties operationalising nondecisions. However, this does not suggest that it is not achievable to empirically operationalise nondecisions power. Bachrach and Baratz (1962) admitted to the challenges of studying this power, which appears less transparent than decisions power, but they did also elaborate on how the concept can be empirically operationalised in their subsequent studies, including their major study on *Power and Poverty,* done in 1970.

In addressing the empirical operationalisation challenges of nondecisions in this study, I drew lessons on methodology from several studies, including Bachrach and Baratz (1963, 1970) as mentioned; McCallan-Chen (2000); Scott (1990); and, Gaventa (1982). These have either engaged Bachrach and Baratz, or other manifestations of informal power. Bachrach and Baratz (1970:viii) studied power and poverty in Baltimore to show "the relationship between the anti-poverty effort and the political process." They studied nondecisions through data collected from written documents and face-to-face interviews held with a total of 175 key informants including, "Mayor, Council President, major-department heads and key 'private' persons" (Bachrach and Baratz, 1970:x). All these interviews were unstructured and remained "the most rewarding source of information…in the analysis of participation in decision-making *as* a means not only of determining who exercises power-authority-influence and how, but also of obtaining clues as to the nature and extent of nondecision-making" (Bachrach and Baratz, 1970:x). I modelled my methodology around that of Bachrach and Baratz; and additionally collected data from official documents and newspapers. I also interviewed several key officials totalling 67 key informants that included Principal Secretaries;

Directors of Planning and Development in the Ministry of Finance and the Ministry of Local Government and Rural Development; the Chief Executives of relevant quasi-government bodies; Members of Parliament; councillors; District Commissioners; Traditional Chiefs; Heads of Mission from donors' development aid agencies; and, opinion leaders from local communities. Bachrach and Baratz (1970) collected views of members of the community on power and poverty through a survey, whereas in this study I used Focus Group Discussions to collect data from members of the community because this was much more practical to my study and in line with the study objectives.

Another study I found useful to strengthen my methodology was conducted by McCallan-Chen, in 2000, who empirically tested the concept and manifestation of nondecisions in education in London, the United Kingdom. McCallan-Chen changed some aspects of Bachrach and Baratz's methodology to empirically operationalise her own research. Approximately 41 semi-structured interviews within the pilot and main study were conducted. She also collected data from official documents and from the observations of the school management team. What McCallan-Chen did differently from Bachrach and Baratz in terms of methodology was that she did not conduct a survey because her research objectives did not lead her to that approach. However, similarly to Bachrach and Baratz, she undertook a document analysis and made observations of the school management team. In my study, I learnt from McCallan-Chen that observations are important in nondecisions studies, such that I made use of observations during my face-to-face interviews and focus group discussions with the members of community committees.

Whilst working with empirical operationalisation frameworks on nondecisions by Bachrach and Baratz (1970) and McCallan-Chen as discussed above, it was important for me to adapt the methodology for two reasons. First, the research areas or places where Bachrach and Baratz and McCallan-Chen conducted their studies are different to the research area for my study. Bachrach and Baratz did their research in Baltimore, Maryland, in the United States whereas McCallan-Chen conducted her fieldwork in London, in the United Kingdom. Both areas are cities in developed countries practicing similar methods of influencing and controlling agenda. By contrast, my fieldwork for this study was done in Malawi – a developing country where the avenues for influencing and controlling agenda are different to those in the United States and the United

Kingdom. In Africa, informal institutions sometimes sidestep formal institutions, hence the dominance of informal institutions. It is also important to note that the fieldwork for this study was not just done in a poor and developing country, but specifically in the district councils that oversee the rural areas. This is very important because in Africa, including Malawi, rural settings have their own ways of influencing agendas as distinctly from the influences in an urban setting. For example, women in Mangochi and Thyolo were reluctant to talk in the presence of men and chiefs because this is disrespectful in a traditional setting, and would not be expected to be as big a factor in a city setting. (See chapter 4 for further discussion.)

The second reason why it was important to adapt Bachrach and Baratz's and McCallan-Chen's methodologies for my own study was because the research topics are different. Bachrach and Baratz (1970:viii) focused on their empirical analysis of power and poverty "to clarify the concept of nondecision-making, demonstrate its empirical utility and analyse the diverse means of exercise and the impact of power and its correlates in relationship to political ideology and institutions in a community undergoing change." For McCallan-Chen (2000), her study was in education where she examined how nondecisions manifested themselves in agenda setting regarding school management. However, the common thread between the two studies is power – exerted through decisions and nondecisions – and this is where all our studies are keen to examine and answer questions; for example, Who are the decision makers? and Where are these decision makers located: Are they both inside and outside the agenda setting fora? On other variables linked to power, I differ from the studies by Bachrach and Baratz (1970) and McCallan-Chen (2000). My study is on development aid with a specific focus on examining power and the institutional design of pooled development funds. The resulting divergence of my research questions with those of the other two studies did compel me to modify certain aspects of their methodology to fit with my specific research context.

In addition to the two studies discussed above, the following studies on power have proved useful in relation to my study regarding how they empirically operationalised power. James Scott's *Domination and the Arts of Resistance: Hidden Transcripts* (1990) and John Gaventa's (1982) *Power and Powerlessness: Quiescence and Rebellion in an Appalachian Valley* are two studies relevant to operationalising power in this research. Scott (1990) discusses power, from a social relations viewpoint, between the powerful and the powerless based on fieldwork on Malaysia's land tenure system. Additionally, in *Weapons of the Weak*, Scott (1985) argues that is always important to understand the cultural vocabulary of the dominated since this may be where the weak show resistance. He emphasises paying attention to public transcripts – "the open interaction between subordinates and those who dominate" (1985:2) – and hidden transcripts – "discourse that takes place 'offstage,' beyond direct observation by powerholders" (1985:4). Scott asserts that the public transcripts are merely performances of the weak to avoid punishment, whilst offstage events show a resistance to domination: though expressed in private, hidden transcripts have an impact on the power relations between the powerful and the powerless.

Scott's (1990) study, *Domination and the Arts of Resistance: Hidden Transcripts,* is important to operationalising power in this research because of his guidance on developing the initial 'pointers' of formal and informal power. The criteria applied by this thesis for spotting formal and informal power during fieldwork (see Table 2.2, below) were developed incrementally with preliminary insights from the work by Scott. Other studies that contributed to building the criteria for identifying and analysing formal and informal power include: Bachrach and Baratz (1962); North (1990); Scott (1985); DiMaggio and Powell (1983); Cleaver (2002); and, Anderson and Paterson (2017). The criteria focus on features that actions, non-actions, decisions, and non-decisions statements need to have in order to qualify as either formal or informal power. Methodologically, engaging several understandings of power under these set criteria helped in collecting data from various sources, which was also an effective way of triangulating responses. Formal power was expected to show up in public transcripts whereas informal power was expected to reveal itself in hidden transcripts and unwritten rules of the game both in organisations and in local communities. The criteria for spotting formal and informal power also help to bind the empirical data (Yin, 2008) such that not every action by donors, bureaucrats and community members qualified as formal or informal power. Some of the common hidden transcripts included: convening meetings when members likely oppose the agenda will not be present; biased selection of participants for a meeting to include those in support of the agenda; making it too hard for those against the agenda to attend the meeting; taking steps to block the access of resources by dissenting individuals; and, district council officials not holding meetings on the pretext of not having the resources thereby effectively leaving councillors and MPs powerless in decision-making. Table 2.2 shows the criteria for identifying formal and informal power in this study.

Gaventa's (1982) study, *Power and Powerlessness: Quiescence and Rebellion in an Appalachian Valley*, is also relevant to this research regarding operationalising power. The reason for appreciating Gaventa's study in this research is because of its connection and similarity to Bachrach and Baratz's idea of power – incorporating decisions (formal) and nondecisions (informal) – which is the theoretical framework for my study. On formal power – the first dimension of power – Bachrach and Baratz (1962) agree with Dahl (1957) that formal institutions such as policies and laws are sources of power that enable authorities to make decisions. Dahl and Bachrach and Baratz emphasise that formal power is exercised within official structures and written codes of practice such that it is possible to observe the behaviour of the power holders regarding the motivations for their decisions. Gaventa (1982) adds to this discussion to argue that formal power focuses on who participates, who gains or loses, and who dominates in decision-making, which is all observable. In my research, I engage both the perspectives of Bachrach and Baratz and Gaventa on power being observable through official structures and formal (written) institutions to identify the interests of various actors in decision-making. During data collection, I reviewed policies, programme documents, credit and grant agreements, and evaluation reports to examine how power was exercised by donors (the World Bank, KfW and the AfDB), government officials and the Local Development Fund-Technical Support Team (LDF-TST) staff, as well as to identify the interests of these actors in the LDF pooled fund. In chapter 4, I identify and discuss findings on the interests of the donors, communities and government officials in the LDF, in written institutions, to assist in understanding their incentives for making some of their decisions. As a study on power is a vital component of political economy, Bachrach and Baratz's and Gaventa's works are relevant to operationalising power in this study because actors use power to achieve their interests which, in the process, creates winners and losers (Gaventa, 1982; Hudson and Leftwich, 2014; Booth and Unsworth, 2014; Fisher and Marquette, 2014; Yanguas and Hulme, 2014). In chapter 4, I identify and discuss the winners and losers as created by the formal decisions made in the LDF.

Whilst I agree with Gaventa (1982) that formal power is exercised by legitimate and organised groups and individuals in formal fora, I argue that informal groups also have access to the decision-making process, and influence proceedings using informal power – the second dimension of power. Through acquiescence, as discussed by Gaventa, labour unions in the Appalachian Valley exercised informal power that largely remained in informal circles. In this research, I also operationalise acceptance as an informal power that is exercised by both formal and informal groups, not just in informal spaces, but in formal structures as well. I engage acquiescence, not only as acceptance of the formal power that takes away agency, but as a tactic for influencing decision-makers in formal spaces to make decisions that are in the accepting party's favour. In this study, I extend the exercise of informal power to formal structures because 'behind-the-scenes' events have a considerable influence on decision-making in the public spaces of many African countries that are dominated by patronage and clientelism, including Malawi. In chapter 4, I also discuss how informal power as exercised by public officials and local communities transfers to official and formal spaces to shape the institutional design of pooled funds in a way that influences donors in either accepting or opposing certain decisions. Table 2.2 below highlights criteria used to identify and analyse formal and informal power.

Table 2.2: Criteria for identifying and analysing decisions (formal) and non-decisions (informal) power

Decisions / Formal power	**Data Source**	**Non-decisions / Informal power/Hidden Power**	**Data Source**
Decision making and written rules ---Malawi Government Public Policies (such as the National Decentralisation	Document analysis	Nondecision making (mobilising bias to prevent discussing certain issues and determining what is important and unimportant, organising of what stays in and what stays out of decision	Interviews, Focus Group Discussion and Observations (Council Meetings, Council Committee Meetings, ADC meetings, VDC meetings, Project Management Meetings)

Policy, Malawi Growth and Development Strategy II and Malawi Development Cooperation Strategy) ---Laws (such as Local Government Act, Malawi Constitution) --- Donor policies (such as Country Development Assistance Programmes, Programme Reports) --- bilateral and multilateral agreements (Credit Agreement Documents between donors - World Bank, KfW and AfDB- and Malawi Government)		making arena, creating selective precedents, defining matters as a private affair, creating committees that never reach decisions, or 'losing files' (Bachrach and Baratz, 1962; Heinsohn, 2004)	
		Public transcripts, hidden transcripts, offstage behaviour, and	Document analysis, Interviews, observations and

		lip service, foot-dragging, performance by government officials and local communities (Scott, 1985, 1990; Anderson and Patterson, 2017)	Focus Group Discussions
		Actions and games on informal rules of the game (North, 1990)	Interviews, Focus Group Discussions and Observations (Council Meetings, Council Committee Meetings, ADC meetings, VDC meetings, Project Management Meetings)
		Manipulating existing formal institutions to create new rules of the game (institutional bricolage, institutional hybridity) (Cleaver, 2002)	Interviews, Focus Group Discussions, document analysis and Observations (Council Meetings, Council Committee Meetings, ADC meetings, VDC meetings, Project Management Meetings)
		Bringing similarity among institutions (Institutional Isomorphism) (DiMaggio and Powell, 1983)	Interviews, Focus Group Discussions and document analysis
		Undermining request of other players to	Interviews, Focus Group Discussions,

		delegitimize it (McCallan-Chen, 2000)	observations, and document analysis
		Procrastinating doing work such that it fails whilst giving impression there was decent effort into it (McCallan-Chen, 2000)	Interviews, Focus Group Discussions, observations, and document analysis

2.13 Conclusion

This chapter has discussed various aspects of aid, aid modalities and power. The discussion paid attention to power and development aid modalities regarding the institutional design of pooled development funds. The major argument in this chapter is that formal and informal power is central to how written and unwritten rules of the game on the transferral of resources from donors to recipients is established, changed and maintained. Thus, the focus of this chapter was on how formal and informal power shape the design of pooled developed funds considering that the donors and developing countries that contribute funds to the pool have different degrees of influence. This chapter also discussed the case study of this research; the Local Development Fund, or LDF. The discussion on the LDF was important for setting the research context, and the discussion on power and research methodologies was also important to consider ahead of the next chapter.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This research is based on six months' (November 2015 to April 2016) extensive fieldwork conducted in Malawi, supplemented with documentary analysis carried out during a four-year study period (2014–2018). The collection of both empirical and secondary data was necessary to fully answer the overarching research question, '*How and in what ways does power shape the institutional design of pooled development funds as an aid modality*?' This chapter discusses the research methodology used to operationalise this research on power, development aid and pooled funds in Malawi. A full account of the research design, data collection processes, data collection methods and data analysis is included to help in understanding the findings and conclusions that are made in this thesis.

This chapter covers several aspects of research methodology including research approach; research location; case study selection; data collection sources and tools; data analysis; triangulation and validity of data; generalisability of findings; and self-reflection. A conclusion is provided as the final section of this chapter, highlighting the different elements of the research topic and methodology.

3.2 Research Design

This study engaged a qualitative case study research design based on the constructivist paradigm. As a constructivist study, the principle is that the 'truth' is the outcome of a negotiation process among the 'truths' that take account of political, economic and social factors. Yin (2009) asserts that meaning in a qualitative study depends on the interpretation of the findings by the researcher, who is influenced by many factors including his/her social background and profession. Stake (1995) agrees with Yin (2009) regarding how meaning reflects the 'negotiated truth (s),' of which there can be 'multiple truths'; for example, in the case of 'other truths' being advanced by other researchers. Ultimately, constructivists like Yin (2009), Furlong and March (2010) and Stake (1995) argue that there is no absolute truth, but rather relative truth that depends on the perspective of the individual.

From a constructivist viewpoint, qualitative research was a good framework for investigating and understanding how power shapes the institutional design of pooled development funds from multiple perspectives of social facts. I utilised the constructivist paradigm in this research because it celebrates the plurality of ideas, thereby accommodating views that not just accept the existing body of knowledge, but also challenge the established literature and offer alternative interpretations to the current body of knowledge. In this study, I constructed social reality, guided by rigorous data collection and analysis procedures. However, given that the constructivist paradigm indicates that researchers cannot detach themselves from the environments in which they live, and are therefore vulnerable to bias, I discuss the implications of using the constructivist paradigm in the sections below on data analysis, generalisations (validity and reliability) and self-reflections.

3.3 Case Study

Yin (2009:19) defines a case study as, “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context especially when the boundaries between phenomenon and context are not clearly evident.” A case study combines several data sources to understand a complex issue in its natural habitat from different perspectives. The case study in this research is the Local Development Fund, a pooled fund with the overall objectives of improving decentralised local governance and reducing poverty among the vulnerable and poor members of the local community (Malawi Government, 2008). As discussed below, the LDF was sampled as a case study for two main reasons.

The first reason for engaging a case study approach in this research is based on the type of questions the thesis was aimed to address. Baxter and Jack (2008:545) suggest that a case study design should be used when: “(a) the focus of the study is to answer ‘how’ and ‘why’ questions; (b) you cannot manipulate the behavior of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context.” In line with the parameters set above, a case study design was suitable for this research because the research questions were of ‘why’ and ‘how.’ The overall research question aimed at understanding how power shapes the institutional design of pooled development funds as an aid modality. The subsidiary research questions also focussed on examining, for instance, why donors are not pooling resources in the LDF as agreed at the origins of this financing instrument and why there is still ‘institutional confusion’ in the LDF despite policies being in place that stipulate the institutional framework.

The second reason for selecting the LDF as a case study is that of representative or typical rationality. With a representative or typical rationality case study, the objective is to capture the circumstances and conditions of an everyday or commonplace situation so that lessons learned from the case are informative about the experiences of the average person or institution (Yin, 2009:48). The LDF in Malawi is representative of other financing mechanisms (such as the Development Funds for Local Assemblies and Sector-Wide Approaches) that are implemented in a decentralised manner to help boost the financial capacity of the underfunded councils in Malawi. The LDF in this study represents similar financing mechanisms for pooled development funds that bring together several development players who pool their resources together to implement poverty reduction and governance projects. Furthermore, the LDF represents other financing arrangements that aim to understand power in the designing of pooled development funds because of the Fund's strong linkage to decentralisation and Local Government. Local Councils in Malawi are financially weak and rely on central government subventions and donor funds to discharge their mandates. The Japanese International Cooperation Agency (GIZ, 2006:95) reported that 79% of the funds spent by all the Local Councils (in Malawi) in 2005 were from the central government and donors while Local Councils themselves only managed to locally generate 21%. Of the 79% allocated to Local Council budgets, 48% was contributed by the donors. This situation gives a means to central government and donors for controlling Local Councils, whilst defeating the spirit of devolution in the process. Furthermore, Local Councils are also vulnerable to the influence of external players who fund them directly or indirectly (through central government). This subvention from central government and funds from donors influences power relations in the negotiations for development packages and programmes among elites. The LDF as a pooled development fund implemented through Local Councils brings different power relations amongst donors, bureaucrats, local councils and local communities in the discussion regarding how funds should be delivered.

A further consideration of this research was the applicability of critical rationality, extreme or unique rationality, revelatory rationality and longitudinal rationality in justifying the choice of the LDF as a case study. Revelatory and longitudinal rationalities were ruled out because this research was not intended to give a descriptive discussion of the results, as is the case with revelatory cases. Nor was it feasible to carry out investigations for more than six months to allow for investigations at different points in time; therefore, studying the LDF based on longitudinal rationality was unrealistic. However, examining the LDF as a critical case study was useful in terms of: testing certain theoretical propositions, contributing to the body of knowledge, and refocusing prospective research in the field of development aid. One of the contributions that this study makes to the existing body of knowledge is the theme of 'Reversed Conditionality', as applied by developing countries that receive development aid. Also, extreme or unique rationality was found useful in the sampling of the districts where the research was carried out, as discussed below.

The research utilised Single Case with Embedded Units, which Stake (1995) also calls Instrumental-Collective case study. It is instrumental because the goal was to "gain insight and understanding of a particular situation or phenomenon…*and* collective because more than one case within the case itself were examined" (Stake, 1995:23). The LDF as a single case has several units of interest to the researcher, namely donors; central government institutions, such as ministries, departments and constitutional bodies; district councils; and, semi-governmental agencies, such as the LDF-Technical Support Team and local communities. Whilst the subunits collectively made the LDF a single case for research, attention was also paid to the subunits as independent components. The aggregation and segregation of the subunits paved the way for within-case analysis, between case analysis and cross-case analysis.

3.4 The Local Development Fund

The Local Development Fund, case study of this thesis, is an Inter-Governmental Fiscal Transfer Mechanism that was established by the Government of Malawi (GoM) in 2009 to mobilise financial resources for poverty reduction interventions and service delivery at the Community, Local Council and National levels. The LDF is a social fund that evolved from the Malawi Social Action Fund (MASAF). MASAF was established in 1995 with seed funds from the World Bank, amounting to US$ 56 million, and a contribution of US$ 2.9 million and US$ 8.3 million from the Government of Malawi and the Malawi local communities respectively. It is designed as part of a fiscal decentralisation for the quick disbursement of a discretionary public financing grant facility to local governments for local development. The specific objectives of the LDF are: (a) to support planning and management of development resources at the local councils and community levels; (b) to protect financial resources for pro-poor development activities and service delivery at Local Authority (LA) and Community levels; (c) to facilitate the implementation of the Integrated Rural Development Strategy; (d) to enhance the accountability of LAs to their constituents; and (e) to finance capacity enhancement initiatives of local governance institutions at the National, LA and Community levels. The LDF is implemented through participatory and bottom-up development approaches. Local communities are encouraged to participate in the planning and development of development projects through committees that are established at district and sub-district levels of society. The involvement of local communities is also a part of building the institutional mechanisms for local and downward accountability for public services – a lesson from the MASAF programme, global projects on citizen voice, and accountability projects propagated by multilateral and bilateral development agencies.

The design of the LDF draws lessons from several development and governance interventions including the MASAF programmes; the Secondary Development Centre Programme; the Public Sector Reform Programme; the Decentralisation Programme; and the District Development Fund (DDF). The existence of several development and governance projects at the national and local levels brought numerous operational, policy and management challenges that could be addressed through harmonisation to have one grand development and governance programme. The LDF was established in view of development aid proliferation and fragmentation. The establishment of the LDF was motivated by the need to follow international development agreements, especially the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action and Busan Partnership for Effective Development Cooperation. These international development agreements promote harmonisation of development aid approaches and the alignment of aid approaches and modalities towards the beneficiary country's own policy and implementation frameworks. Thus, the design of the LDF responds to development aid instruments as well as to the Malawi Growth and Development Strategy III (MGDS III) and the Decentralisation Policy and Local Government Act, among other policies and legislations. In order to promote the domestication of international development programmes, the LDF was established as a basket fund where all donors and the government would put their resources in one pot for development and governance projects at the local level. The Malawi Government spent these funds at their own discretion based on national policies.

As of June 2014, the LDF-Technical Support Team (2014:3) reported that the LDF funding portfolio had US$ 245 million towards fulfilling their commitments to LDF activities, as given by development partners and the Government of Malawi up to 2019. The LDF pools and disburses funds through four funding windows, namely the Community Window, Urban Window, Local Authority Window and Performance Window. However, contributions to such a pooled financing mechanism are disproportionate, which shapes the interactions of actors, the nature of the engagement that players have, and the resultant outcomes. Even among the donors themselves, contributions to the LDF are uneven and that plays a role in creating a ‘leader-follower’ divide that has implications for the relations of donors among themselves, and for individual donor relations with the Government of Malawi.

3.5 Pilot Study

The research design incorporated a pilot study carried out in November 2016 for a period of three weeks. The pilot was conducted in two Traditional Authorities (TAs) of the Lilongwe District Council, in the Central region of Malawi. The sampled TAs were Mazengera and Chimutu. Lilongwe District Council and the two TAs were purposively sampled because of their close similarity with the actual research districts and TAs; they were therefore a good representation of the research sites. Stake (1995) argues that the main guiding principle in deciding pilot areas must be the closeness of features between the pilot area and the main research area. In this regard, the performance of the Council in relation to the implementation of the LDF was a key factor in the sampling of the research districts.

Lilongwe District Council has been rated both as a satisfactory and a non-satisfactory performing council by different annual performance assessments. The Council was rated a non-satisfactory performer in 2010 and a satisfactory performer in 2012. The TAs were also sampled on grounds of performance as assessed by the staff in the Directorate of Planning and Development that oversees all structures entrusted with responsibility related to development at the district or sub-district level, such as the Area Development Committees (ADCs) and Village Development Committees (VDCs). In this respect, the 2014 annual review of the council rated the performance of the ADCs of TA Mazengera and TA Chimutu as having satisfactory and non-satisfactory performance respectively. Again, the performance of the ADCs was a key factor in deciding which of them to sample in the main research, hence this criterion itself had to be tested in the pilot. Lilongwe District Council was also sampled because its political landscape represents the political landscapes of the main study sampled districts (Mangochi and Thyolo District Councils). I should indicate that I was familiar with the geographical setup of Lilongwe District Council having researched in TA Mazengera on topics on local government, local governance and decentralisation in 2009, 2013, and 2014 (Chasukwa and Chinsinga, 2013; Chasukwa et al., 2014).

Lilongwe District Council is dominated by councillors and MPs from one political party that is in opposition, the Malawi Congress Party (MCP). MCP won all 34 seats for councillors, and 14 MPs out of 18. The remaining four MPs were voted as independent (Malawi Electoral Commission, 2014). This means the ruling party, Democratic Progressive Party (DPP) had no representation, either by councillor or MP, at Lilongwe District Council. The sampled pilot TAs were also dominated by one political party with one TA (Mazengera) controlled by the opposition party, United Democratic Front (UDF) and the other TA (Chimutu) controlled by the ruling party, DPP. The element of political composition of the Council as a policy-making, legislating and resource allocation body is critical in this study as it helps in understanding how political power is exercised in the redesigning of institutions by a local body that is to operate by the 'rules of the game' as decided by other players at the national level, including ministries, government departments and donors.

The pilot study tested several aspects of the main study among other research protocol, data collection tools and ethics. The pilot proved useful in defining the scope of the wider study in view of the research objectives; refining and improving the data collection instruments in terms of recruiting a greater number of respondents and in terms of the issues they would discuss. Related to data collection instruments, the pilot was illuminating on the nature and sequencing of questions. Upon a review of data, additional questions were added to the key informant and FGD guides whilst a few questions were removed from the guides. Fourteen key informant interviews were held with government officials and extension workers in different departments of Lilongwe District Council. A total of four FGDs were held with members of the Area Development Committees and Project Management Committees. Given that all 14 in-depth interviews and four FGDs were conducted within a space of two weeks, a key lesson from the pilot was that the advance booking of respondents is important for the efficient use of time in the field, and for effective administration of data collection.

The final week of the pilot was committed to data analysis; review of pilot progress; holding an update session with supervisors; revising research instruments; and planning for the main research study. The review indicated the need to incorporate observations by an additional data collection method. Observations were identified as key in establishing the role of informal institutions because most informal practices are not coded, and are best interpreted at the time and space of their occurrence (Cleaver, 2006). The pilot review established that the questions had led to a collection of data that was within the scope of the study, and the 'fine tuning' of the data collection instruments helped the researcher to stay within the parameters of the research objectives. In this regard, no radical changes were made to the objectives and main research questions. The pilot also created space for the researcher to familiarise himself with the data collection guides and to prepare for handling the challenge of conducting research in rural and hard-to-reach areas. Overall, the pilot was useful in improving the quality of research design for collecting data so as to meet the research objectives.

3.6 Sampling District Councils as Main Research Sites

The research was conducted at three levels of government where power politics were exercised in the designing of the LDF pooled development funds. The levels were national (central government, departments ministries, and donors), district council, and community. The research at the national level primarily targeted officials from the Ministry of Local Government and Rural Development; the Ministry of Finance; and the LDF-TST (Local Development Fund-Technical Support Team), whereas the selection of local communities depended on the district councils sampled, as explained below.

Malawi has 35 councils in the form of district, town, municipal and city. Councils are designated entry points for local development and poverty reduction interventions in the local communities; as such, all councils implement LDF activities. The sampling of two district councils was guided by the annual performance assessment results compiled by the Ministry of Local Government and Rural Administration in conjunction with the LDF-TST.[16]

The research focused on two councils that were rated consistently as either having very good performance for one, or unsatisfactory performance for the other. The justification for this criteria is that performance is influenced by contextual factors and it was important to understand these contextual factors, especially those related to power dynamics. My analysis of the annual performance of all 35 councils in Malawi led to the sampling of Mangochi District Council (Class B, very good performance with average score of 67%) and Thyolo District Council (Class E, unsatisfactory performance with average score of 48%). The choice of Mangochi and Thyolo District Councils was also discussed with officials from the Ministry of Local Government and Rural Administration, the LDF-TST and the National Local Government Finance Committee, who provided input on the performance of councils in Malawi. The officials confirmed that it was correct to say that, overall, Mangochi and Thyolo District Councils had been performing satisfactorily and unsatisfactorily respectively. (See appendices 1 to 4 for the composition of council members and Traditional Authorities for both Mangochi and Thyolo District Council).

3.7 Data Collection

This study's research generated both the primary and secondary data necessary to answer the three specific research questions: (1) What are the interests of actors in pooled funds and power games played in the institutional design of pooled funds? (2) What is the impact of the exercise of power in pooled development funds on local

[16] The annual assessment focuses on six functional core areas, namely economic management and procurement; governance; participatory planning; supervision; monitoring and evaluation; and, service delivery, capacity building and learning. According to LDF-Technical Support Team (2011:11), councils are classified into five categories based on their performance: "Class A (Excellent Performance: Platinum, average score of above 75%); Class B (Very Good Performance: Gold, average score of 60-74%); Class C (Good Performance: Silver, average score of 50%-59%); Class D (Average Performance: Bronze, average score of 40%-49%); and, Class E (Unsatisfactory Performance, average score of below 40%)."

governance? and (3) To what extent do different aspects of power affect the ownership of pooled development funds owned by national, district and sub-district bureaucrats? The methods that were used to collect the data are discussed below.

3.7.1 Key Informant Interviews

Through key informant interviews, I collected data from several informants of different ranks from several sectors and professions, all involved in the LDF. Interviewing several informants from different sectors was important for triangulation and to ensure that the data was reliable. The respondents included, public officials at central and local government level (including the Ministry of Finance and the Ministry of Local Government and Rural Administration); the LDF-TST; development partners; Members of Parliament; traditional leaders; Civil Society Organisation officials; beneficiaries; and, extension workers (see Appendix 4 for a detailed list of the key informants). A total of 67 key informants were interviewed, and the breakdown is shown in Table 3.1 below.

Table 3.1: Institutions and Number of Key Informants

Nature of Organisation	**Number of Key Informants**
Government Ministries and Department	(Total: 28)
-Ministry of Local Government	10
-Ministry of Finance	8
-LDF-Technical Support Team	6
-National Local Government Finance Committee	4
Donors	9
Local Civil Society Organisations	4
District Councils	16
Local Community (Traditional Leaders and Community leaders)	6
Academics and Independent Researchers/Consultants	4
Total	**67**

Source: Author

Key informants were purposively sampled based on their role in the LDF and the position they held in their organisation or local community as linked to the LDF. Key informants were those deemed to have participated in the design of the LDF at central, local government or community level. The main reason for holding interviews with key informants was to solicit from these insiders their detailed insights and penetrating analyses of the issues being investigated, hence to benefit from their experience with the LDF. The sample of key informants widened while the research was being carried out due to snowballing, whereby certain key informants were recommended for interview by other respondents. Rapport with snowballed informants was relatively easy to establish because I interviewed them upon the recommendation of one of their colleagues in the organisation. At the end of each interview, I also made a deliberate effort to ask each respondent to recommend a further key informant.

A semi-structured checklist was used to guide key informant interviews. Interviews were “conversations with a purpose” (Pierce, 2008:118) whereby I was interested in collecting specific and detailed data from the respondents using a semi-structured checklist (see Appendix 3). The format of the interviews was that of question-and-discussion as necessary to collect primary data. Furthermore, I avoided creating space for the respondents to follow their own personal agenda in their responses by emphasising to the respondent that this research was for academic purposes. Probing, open-ended questions helped me to note those responses that added meaning but went beyond answering my immediate research questions, and helped me to verify with the respondents their meaning for certain points that were not initially clear. Rapport with interviewees was developed by beginning with general questions, followed by specific questions. The rapport that was developed in the initial stages of the interviews helped to facilitate rich responses from the respondents because they were sharing their deep thoughts with good confidence in the researcher. The consent from the relevant authorities supporting the undertaking of this research also allowed respondents to share information in a relaxed and friendly atmosphere. As a researcher, I collected background information about the key informants (position and duties) and the nature and mandate of the respondents’ organisations to create a perfect match between the research questions and the role of the interviewee in the research. I also reviewed the semi-structured interview guide before every interview to keep sight of the essential issues to be posed to the respondents.

3.7.2 Focus Group Discussions

Focus Group Discussions (FGDs) were also used to collect qualitative data in this study to generate rich data as participants could freely express their views and, in most cases, they reached a consensus (see Appendix 5 for the checklist and Appendicies 1 and 2 and for traditional authorities of Mangochi and Thyolo District Councils respectively). Participants in the FGDs were recruited based on their familiarity with the LDF as a members of a Village Development Committee (VDC), Area Development Committee (ADC), or Project Management Committee (PMC), or as a beneficiary. VDCs, ADCs and PMCs are key structures that oversee the LDF projects at the local community level. As was the case for interviews, rapport and trust was established by discussing general questions that were critical in setting the context for the later, specific discussions on the matters under investigation. Also, the general discussion facilitated interaction among participants and expanded further spaces for discussion. Interaction among participants was enabled as part of group formation and consensus building, which are essential features for a successful FGD.

Participants in the FGDs were sampled based on a list of committee members that was obtained from the District Councils – the Office of the District Commissioner or the Directorate of Planning and Development – and verified with the chairpersons of the ADCs, VDCs and PMCs. These Committees submit their membership list to the District Council on an annual basis to update the records on voluntary or involuntary withdrawal of membership. The details captured on the membership list include the positions of members, years of service, membership to other community committees and training attended. Using the membership list from the District Council and PMCs to identify participants helped in controlling the exclusion or inclusion of individuals that chiefs (or local elites) might have engineered either to be absent, or to be included as their 'eyes' and 'ears'. Hence, discursive spaces were reduced to protect and generate reliable contributions from participants.

The number of participants in the FGDs ranged from five to eleven. In Thyolo and Mangochi Districts, a total of 13 FGDs were held with district and sub-district development committees (ADC, VDC and PMC) (see Appendix 6 for a list of the FGDs and Appendicies 1 and 2 for traditional authorities of Mangochi and Thyolo District Councils respectively). In total, 69 people participated in the FGDs. The choice of ADCs, VDCs and PMCs was purposive, based on the annual performance assessment results as conducted by the District Councils. In each district, the researcher sampled committees that were either consistently performing well or consistently badly in the previous three fiscal years; 2011/12 to 2013/14. Discussions were held with the District Commissioner and Director of Planning and Development to confirm the status of the sampled committees as had been indicated in the reports. The sampled ADCs in Mangochi were Mponda and Koche whereas in Thyolo, Thomas and Mchiramwera were selected. The number of FGDs per district were as highlighted in Table 3.2 below.

Table 3.2: Number of FGDs per District

Type of Committee	**Number of FGDs**	**Total Participants and Sex Composition**
Area Development Committee (ADC)	**4** (2 in Thyolo District; 2 in Mangochi District)	22 (12 men, 10 women)
Village Development Committee (VDC)	**4** (2 in Thyolo District; 2 in Mangochi District)	19 (8 men, 11 women)
Project Management Committee (PMC)	**5** (2 in Thyolo District; 3 in Mangochi District	28 (21 men, 7 women)
Total	**13**	**69 (41 men, 28 women)**

Source: Author

As a researcher, I was aware that some individuals would perhaps wish to dominate the discussion because of their knowledge and influence in society. Where dominating individuals emerged, I made the effort to create space for other respondents by way of inviting them to actively take part in the discussion. This being a study on power, attention was paid to how the dominating participants were excluding other respondents from participating in the FGDs (Bachrach and Baratz, 1962). In this regard, I also paid attention to non-verbal communication as this revealed how the powerful sometimes blocked or included the views of the less powerful respondents in any group discussion. Where non-verbal communication did occur in group settings, I made an effort to investigate this. Stewart and Shamdesani (1991) point out that the consensus reaching among participants is a fundamental pillar of FGDs, and I was guided by this principle. Whilst Stewart and Shamdesani (1991) encouraged the reaching of a consensus by participants on all issues under investigation, I was cautious about this approach as having the potential to frustrate certain alternative views that would otherwise enrich the findings of the study. In all cases, whether participants reached a consensus on a point or not, I probed as to the reasons behind any convergence or divergence of views wherever possible so as to apprehend the crux of each matter.

3.7.3 Document Analysis

A document analysis was carried out as a means of collecting secondary data for reported issues on the LDF and the “established state of current knowledge” in the sub-disciplines of foreign aid, power and aid modalities (Pierce, 2008:100). Document analysis was also helpful in directing the author to key themes to be pursued when conducting primary data collection. Furthermore, document analysis gave the researcher a sense of direction for which individuals and ministries to target for both pilot and main study fieldwork. The document analysis focused on documents from government ministries (the Ministry of Finance and the Ministry of Local Government), the LDF-TST, donors, the National Local Government Finance Committee, district councils and civil society organisations. I also analysed articles on the LDF featured in Malawi’s four main print newspapers – *The Nation*, *Daily Times*, *The Weekend Nation* and *Malawi News* – and one online newspaper, *Nyasatimes*. These documents from various sources were analysed with caution because authors, whether institutions or individuals, had their own research questions that were not exactly the same as the research questions for my study. Throughout document analysis I observed that, in some cases, donors, public officials and councils had different views on the same issues – which was important for this research in terms of establishing the interests of the different actors in the LDF, and what narratives they each use to achieve their own interests, as discussed in chapter 5.

3.8 Data Analysis

The research study utilised the constructivist paradigm to process and interpret the data. The researcher processed and made sense of data, understanding that data analysis involves "systematic counting, assessing and interpreting of the form and substance of communication…it is analysis method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns" (Manheim et al., 2002:161). The use of emerging themes to analyse data was aligned both to the research questions of the study and to the research design, which were qualitative. For each research question, attention was paid to the emerging themes, patterns, and trends, which were to be further interpreted to answer the research questions.

The major data sets that I used included transcriptions and summaries of FGDs and interviews which highlighted key emerging issues under each specific objective; field notes; newspaper articles on the LDF from the newspapers listed in section 3.7.3; and, documents from donors, local councils and the Government. I transcribed most of the FGDs and interviews whilst in the field, taking advantage of a fresh memory. Overall, the data analysis followed the principles of case study evidence: (a) use of the relevant evidence, (b) consideration of all the major rival interpretations and exploration of each one of them in turn, (c) addressing the most significant aspect of the case study and using the researcher's prior expert knowledge in the area of the case study, and (d) all in an unbiased and objective manner (Rowley, 2002:24).

In practical terms, I began data analysis (from interviews, FGDs and document analysis) by reading all data sets so as to be familiar with the different contexts in which responses had been made. The second step involved taking note of any key issues and concepts as they emerged in the reading of transcriptions, documents, field notes and summaries, regarding each research question. In the final stage, my initial thoughts developed into emerging themes (meaningful clusters) to capture additional ideas, and these were then the basis for the detailed discussion of this thesis, as guided by the research questions. It is worth noting that whilst doing fieldwork, the researcher carried out preliminary data analysis for identifying data gaps that were then addressed by the subsequent key informant interviews and FGDs. Preliminary data analysis also helped the researcher to identify emerging key issues worth pursuing further.

The LDF, as a larger case, was the main unit of analysis for this study. Subunits of analysis were identified to achieve a detailed analysis of the related issues. The subunits were the players (donors, government, district councils and communities) involved in the LDF such that the units of analysis were threefold: within case, between case and cross-case. According to Baxter and Jack (2008:550), analysing data at subunit level within a larger case "is powerful when you consider that data can be analysed *within* the subunits separately (within the case analysis), between the different subunits (between case analysis), or across all of the subunits (cross-case analysis)." For each theme that I analysed at the individual level, I returned to the global issue within the larger case for triangulation purposes, and also to avoid the mistake of analysing subunits as independent case studies.

3.9 Triangulation, Reliability and Validity of Data, and Generalisability of Findings

Triangulation is a principal strategy for ensuring that findings are credible, reliable and valid (Yin, 2009). Triangulation in the case study was achieved by collecting data from multiple sources using different arrangements. Multiple sources of data made it possible for me to collaborate the evidence given by different respondents on the same point or theme. KIIs (key informant interviews), FGDs and document analysis made it possible for me to cross-check the responses of the individual respondents with the other respondents in the case study. The hallmark for engaging multiple sources in this case study was that I managed to bring together numerous pieces of data to produce a bigger picture, and therefore a holistic interpretation of the study's findings. The cross-case, within case and between case analyses used in this research for interpreting data were also important for data triangulation and data credibility.

The validation of data was achieved by convening briefing meetings with selected respondents from the organisations that I had previously interviewed. Briefing meetings were deliberately convened at the end of data collection, and organised to maximise on the themes covered. Briefing meetings are encouraged by Baxter and Jack (2008:556) for data validation because participants then have the opportunity to discuss and clarify the researcher's interpretations, and also to contribute new or additional points on the themes under investigation. During briefing meetings, I discussed my raw data and preliminary findings with the institutional heads and key staff, who provided input regarding what had been captured correctly, and which points needed further investigation to strengthen the available evidence. Therefore, briefing meetings helped to reduce misunderstandings and misrepresentations of the ideas noted from the respondents. Also, the briefing meetings were held at all levels of government structures: central, district and community.

A further strategy I used to enhance the reliability and validity of the findings was by the binding of the case study. This involved limiting each unit of analysis to a manageable size, and focusing on the relevant aspects of the topic as connected to the study. In a case study like this one, where the data to be collected was extensive, having clear boundaries on the elements that would or would not be part of the analysis was important for the completion of a coherent analysis of the emerging themes. Yin (2009) and Stake (1995) proposed the idea of having boundaries to limit the scope of a study and to manage data well by binding a case study in this way. The LDF, as the case study for this research, was bound in three ways: through context, location, and activity (Creswell, 2002; Stake, 1995; Miles and Huberman, 1994).

In terms of context, the scope was limited to power and institutional design within pooled fund aid modalities. In this regard, analysis of the issues related to power and institutional design were limited to pooled funds. Other aid modalities, such as budget aid, programme aid, project aid, technical aid and humanitarian aid modalities, were outside the scope of this research, though they were part of the literature review that helped to shape the research questions. The LDF as a case study was also bound by location for a coherent analysis: the main research sampled the two districts of Mangochi and Thyolo in Malawi. Within these two districts, key informant interviews were conducted at the District Councils, and FGDs took place with members of the community in the four sampled traditional authorities focusing on ADCs, VDCs and PMCs. Finally, the binding of the case by activity was achieved whereby the roles and interests of the donors, councils, ministries, LDF implementing agencies and local communities were the focus of attention for the between case, cross-case and within case analyses that constituted to this single case study with embedded units.

On generalisability, the literature provides extensive discussions as to the inbuilt weaknesses of a case study. Yin (2009) indicates three demerits of case studies: they lack rigour and reliability; results are biased towards the interpretation of the researcher;

and it is difficult to generalise the findings because the research focuses only on relatively few objects, people and institutions for observation. Case studies also lead to the collection of voluminous data that is difficult to analyse (Rowley, 2002). Furthermore, case studies, especially longitudinal ones, require a lot of time and ability to control the variables over the whole research period, which may be extremely difficult when human beings are involved (Stake, 1995). However, these shortfalls of case study research design also inform a researcher that any research design has weaknesses, and that these can often be resolved with the appropriate research methodology interventions. In this research, data was collected from multiple sources, and the triangulation of data was achieved during data collection and analysis to counter the problems of subjectivity and to enhance rigour. The employment of a single case with embedded units study design – to allow for cross-case, within case and between case analyses – also greatly improved the objectivity and rigour of this research.

With regard to over-generalisation, Rowley (2002) cites statistical generalisation as a weakness of case studies, but does not mention the type of generalisation that favours case studies, analytical generalisation. In contrast, the use of analytical generalisation frameworks to enhance the applicability of results was argued for by Ridder (2012:95) who placed emphasis on "data triangulation, precise documentation of data base and maintaining the chain of evidence which provides validity in reconstructing the study from the research questions to the conclusions." This research, operationalised within the context of qualitative and constructivist research philosophies, has engaged an analytical, rather than a statistical, generalisation, where the procedures of quality control (triangulation, construct validity, internal validity, external validity and reliability) were followed so that empirical findings were made which could then be compared with similar pooled funds that have been operating in other developing countries, such as Tanzania and Zambia). The same approach was also applied to the analysis of the existing literature and theory. As a final argument for the value of this LDF case study research, Miles and Huberman (1994:28) asserted that, "the most useful generalizations in qualitative studies are analytic not sample-to-population." Overall and in conclusion, as a researcher I took reasonable steps to ensure that my findings would be robust, within the limits of a case study research design.

3.10 Research Ethics

This study's research ethics and principles were applied as directed by the Faculty Research Ethics Committee of the University of Leeds, United Kingdom. One principle followed was the obtaining of consent from the respondents to ensure that their participation in the research was voluntary. Before commencing any of the KIIs or FGDs, I explained the aims of the research to the participants, how the discussion was to be conducted, and how the data would be analysed, used and safely stored. All of the discussion regarding consent was held in the language most convenient to the respondents so that they fully comprehended the objectives and processes of the research. Throughout the study, two languages were used for communication: English (the official language of Malawi) and Chichewa (a local Malawi language). The choice of which language to be used was made by the respondents. I further explained the research to the respondents and asked them if they were willing to voluntarily participate. I read the consent form to them, and explained the contents so that the participants would be fully aware of their role in the research. I also checked that each participant was happy with their understanding of this form. Those that agreed to participate in the research signed the consent forms.

Participants were made aware that they had the right to withdraw from the research at any point in time up until my date for departure from their community. I gave participants the Research Information Sheet, which included all my contact details in case any of them should later wish to withdraw from the study. In fact, no respondents withdrew their consent following their participation. A Research Information Sheet was also given to the respondents which contained valuable information about the aims of the research, and all of the processes involved. This research information was given to prospective participants prior to their consent to help them in making informed decisions regarding their participation. At the community level, some respondents were illiterate such that they could not sign the consent forms; therefore, consent was given by voice recording in some cases.

Respondents were asked if they were comfortable to have their biodata (name, location of discussion, sex, education and age) included on the researcher's field notes. Consent for having this biodata on the notes was also indicated by the respondents on the consent forms that they signed. In the cases where respondents did not wish to have their biodata included on the field notes, I anonymised the interviews to fully hide their identities. It should be noted that, even in the case of respondents who gave their consent to having their biodata recorded, the full transcriptions that the researcher typed from the audio recordings did not include respondents' biodata to nevertheless fully protect the identities of all of the participants; thus, full transcriptions were fully anonymised. In addition, the field notes and full transcriptions were stored separately to avoid any matching of identities to protect this data from any rare circumstance where it might be viewed by a third party. The risk of data leakage was further reduced by not engaging third parties to facilitate the FGDs, or the interviews, or to transcribe. However, as noted by Creswell (2002) some respondents are too visible in their own societies for easy concealment of their identities, albeit large samples can help to conceal the identities of such respondents (Qu and Dumay, 2011). To ensure the anonymity of respondents in this study, including key figures, a large sample was drawn (67 key informants and 69 participants in 13 FGDs) to help to prevent data from being associated with, and identified to, either particular respondents or to particular groups of people.

The interviews for this research were recorded on a voice recorder and transferred to a laptop on the same day as each interview while field notes were taken for the respondents that did not want to be recorded. The voice recordings were saved with a password known only to the researcher and soft copies of the transcriptions were saved with a password to avoid any unauthorised accessing of data. Throughout the research, hard copy transcriptions were not used so as to prevent any possibility of data leakage through such printed transcripts. Voice data was stored with a password on the University of Leeds' main drive for backup purposes. The University's main drive is a secure location, where the study data will be retained for a period of two years following research completion. This is in case circumstances may arise to require any cross-checking of the data, and is also required for academic integrity and peer review purposes.

3.11 Self-Reflections of the Research

For this research I carried out a pilot study for three weeks, which clarified certain assumptions in the conceptualisation of the study. The pilot also offered early warning signs regarding the discrepancy between what is documented in the literature compared to the undocumented narratives that more fully indicate the reality, certainly in the context of the LDF in Malawi. For instance, the newspaper articles that I reviewed before embarking upon the data collection gave the impression that the Ministry of

Local Government and Rural Development and the LDF-TST are the only national institutions involved in the LDF. It was only when I did the pilot that a clear picture emerged that other national institutions, such as the National Local Government Finance Committee and the Malawi Local Government Association, were also involved in the LDF. The newspaper articles mostly covered news about the Ministry of Local Government and Rural Development, the World Bank, the AfDB, KfW and the LDF-TST because of the proactiveness by these agencies in contacting the media to cover their events. During the pilot, key informants who were familiar with the operations of my case study indicated that there were other equally important institutions (as mentioned above) that I should, and consequently did, engage as part of the study. It also later became clear that the dominance of stories in the newspapers concerning the LDF, the Ministry of Local Government and Rural Development, and the LDF-TST, and also the muting of the narratives regarding the LDF and the National Local Government Finance Committee and the Malawi Local Government Association[17], were precisely a factor in the very power games being played by actors in the LDF's institutional design. As the pilot expanded my contacts list, this allowed me to form an increasingly detailed picture of those issues that I was in the process of investigating.

Research naturally carries with it expectations on the part of the people involved, either as investigators or respondents. The expectations of the researcher included data collection as necessary to either accept or reject a hypothesis, and the opportunity to contribute to the existing body of knowledge. For the respondents, they expected the research to make a positive change in their own society. In Malawi, the expectations of the respondents were, at a personal level, such that they also expected to benefit as individuals. This reflected a weakening of social capital in that respondents were not greatly motivated by interpersonal relationships, and also an increasing problem in research of how to mobilise people for collective action. In the anticipation of salvaging a decent compensation for their own time, I realised that the participants in this study sometimes exaggerated the level and depth of the poverty as experienced within their households and communities: the respondents assumed that the researcher was a ‘resource provider’ and that they, the respondents, should 'act at being poor people’ if they were to be assisted by the research. The fact that the discussion surrounded the LDF, a huge development programme in Malawi, and that the researcher was based at

[17] An association whose members are all 35 councils in Malawi

a university in the United Kingdom, were reasons enough for the respondents to think that the researcher was therefore a donor. However, the researcher was in no way a donor, and this was explained to the participants. Interestingly most of the respondents, who ranged from being in central government positions to positions in local communities, thought that the researcher was a donor while the researcher had expected that the key informants would have naturally understood that the real intentions of the research were more academic: to discover how, and in what ways, power has shaped the institutional design of pooled development funds as an aid modality, using the LDF in Malawi as a case study. However, whilst community-based respondents expected benefits at a personal level, the national key respondents expected benefits at the institutional level, with the hope that these benefits would then 'trickle down' to them as individuals. These developments were detected during the pilot, and required that I should utilise corrective measures for application in the interviews and FGDs of the main research. Consequently, in the main research I not only gave participants more background information on the study, but I also emphasised that the researcher was a student, and funding the research himself. In circumstances where I was mistaken for a donor, I produced an introductory letter from my local employer, the University of Malawi, to mitigate against any expectations of the respondents that we would also be discussing additional funding for their projects.

The fieldwork also revealed the existence of a network of full-time respondents, whom I shall refer to as professional respondents. These professional respondents in Malawi operate at a community level and are the customary respondents for any research that is conducted in their area. These members of the community have become professional respondents because they have stood out from among the other members of the community in terms of their education and qualifications, for example, so that their communities will often think that such respondents can better represent them than could other respondents. Furthermore, such individuals are often members of several community committees, which increases the likelihood of their being further selected as a respondent because of the purposive sampling techniques that target the members of selected committees. The professional respondents consolidate their position as ‘spokespersons for their communities’ by accumulating additional knowledge and skills through their participation in various workshops and seminars, which are organised either by NGOs or by government institutions. This informal association of professional respondents is protected by a cartel of community members, who also reap personal rewards from the professional respondents' participation in research. The professional respondents recommended their fellow professional respondents in a form of snowballing sampling, and the methodological implication for the researcher in this study was the high chance that staged data would be collected because professional respondents are known to discuss research questions with other respondents before the researcher has had a chance to interview them all. This exclusion and inclusion of interviewees at the discretion of professional respondents was an exercise of nondecisions power, with professional respondents circumventing research protocol as gatekeepers. The nondecisions power exerted by such gatekeepers was evident in their attempts to control who was to be interviewed, and by extension, which responses would be given.

The emergence of this professionalised research industry, and the institutionalisation of professional respondents has been attributed in some cases to NGOs (non-governmental organisations), which have a bias in their own selections of respondents. NGOs generally prefer to interview respondents who will give responses that are useful in creating positive impact stories, in the case of a programme evaluation, or to present a strong case to win a grant, in the case of proposal writing. During fieldwork, it became apparent that there were certain individuals who would position themselves so as to fit the sampling criteria, anticipating that their participation in the research would be personally rewarded. Again, these were the professional respondents, who would also discourage the people that naturally fit the sampling criteria from participating. As a researcher in Malawi, I learned that personal involvement in the selection of respondents was important in becoming aware of the particular dynamics and politics of sampling in any of the villages. Personal involvement in the sampling process also helped in avoiding certain biases that could have resulted in the twisting of sampling criteria by the gatekeepers. It was important for the researcher to carefully exclude the professional respondents in order to maintain rapport with the wider community. If not well handled, professional respondents could have strained the relationship between the researcher and other respondents given that most of the professional respondents belonged to the more powerful networks of the community.

Research protocol has methodological implications requiring self-reflection. It emerged from the fieldwork that managing a productive relationship with the gatekeepers was as key as accessing the respondents that the gatekeepers could influence. One of the important research protocols that was observed, was the paying of a courtesy call to the village chiefs. As a Malawi, I was in a 'previleged position' to know some research protocols that must be observed to get cooperation of respondents. For istance, it was apparent that the power dynamics in the local communities required that I see the chief before talking to the respondents, and that this courtesy call was a means to seeking the consent needed to conduct research in each area. The task of getting this consent from the chiefs was easier when I presented my letter of introduction from the District Commissioner, rather than when I produced a letter either from the University of Leeds, or from the University of Malawi. The effective switching of letters of introduction was informed by my experience of growing up in both rural and urban areas of Malawi and later becoming a researcher for over ten years with the University of Malawi, Chancellor College.

This experience was also important to understanding non-decisions and other events 'behind the scenes' as this was core to this study. I had to make an assessment as to which letter of introduction was the most credible both to the gatekeepers and the respondents, depending on the power dynamics and legitimacy of the different institutions in these specific contexts. In the case of the chiefs, who fall under the hierarchy of the government, the Office of the District Commissioner is more authoritative and powerful than either of the universities. Power dynamics were also observed in terms of the research protocol for constituting and facilitating the FGDs. Also, the gender composition of the FGDs had methodological implications in the sense that, in accordance with dominant cultural norms, women were typically non-active. The researcher had to make a deliberate effort to involve women in the discussions and to carefully mitigate the dominance of the men. This strategy worked because the women did give their side of the story and the resulting empirical data collected assisted in collating balanced views regarding the power games that are played by community committees, district councils, powerful chiefs, and also politicians, in the implementation of the LDF in each of the sampled villages.

3.12 Conclusion

This chapter has discussed in detail the methodology used to operationalise the research for the topic of how power politics shape the design of pooled development funds: the research design was a qualitative case study, adopting the constructivist paradigm. The discussion in this chapter has demonstrated that the research design was sufficiently robust to collect high quality data because of the triangulation of this data, which was collected through multiple sources: interviews, FGDs and document analysis. This chapter has also discussed the case study itself – the Local Development Fund – and the justification for the choice of this Fund as a case study. The chapter has further considered the issue of the generalisation of findings with reference to case studies, and has outlined the strategies that were utilised in order to enhance the validity and reliability of this study's findings. Finally, this chapter has discussed the research ethics, and has presented the self-reflections of the researcher regarding the methodology for this study.

CHAPTER 4: ACTORS, INTERESTS AND POWER GAMES IN INSTITUTIONAL DESIGN

4.1 Introduction

For donors and actors in the Global South aid industry, interests are always at stake, irrespective of which aid modalities are used in the delivery of foreign aid. Donors and aid recipients will pursue and protect their interests in any funding channel that has have been adopted for managing resources, including budget support, project and programme aid, and pooled funds. Several strategies are used by both donors and aid recipients to ensure that their interests will be incorporated into the institutional design that is agreed as the operating framework for the rules of the game that will govern all players, and power is fundamental to donors and aid recipients in achieving such interests. In this chapter, I address the research question, *'What are the interests of actors in pooled funds and power games played in the institutional design of pooled funds?'* This chapter argues that the pooled fund institutional design is influenced by both formal and informal power games played by the core and excluded actors, or groups of actors, as they make moves to satisfy their declared and undeclared interests. I argue that the satisfaction of these interests is the principal aim for development partners and domestic institutions; as such, different strategies are used to attain these interests. One strategy is the establishment of coalitions based on common interests and/or on convenience. This increases bargaining power, and domination, over other groups who are an obstacle to the attainment of interests by the more powerful group; for example, this may allow the more powerful group to block the process of a rival actor's desired institutional design, which is connected to the allocation of rewards. Informal and formal power is exercised in decision-making by directly or indirectly influencing and controlling an agenda through written and unwritten rules of the game respectively (Bachrach and Baratz, 1962). With reference to the LDF, I demonstrate that cooperation of development partners and domestic institutions in a pooled fund does not necessarily indicate a universality of interests, but is rather a means to achieving certain common and individual interests.

In this chapter, I also demonstrate that cooperation between and among development partners and domestic institutions is limited in terms of the extent to which they can work together without hindering each other in the process of each working to satisfy their formal and silent interests. Local actors play both formal and informal power games to influence institutional design, and development partners may wish to dominate design through formal power games, but they will ultimately engage in informal power games too. As indicated in chapter 2, the discussion in this chapter draws theoretical inspiration from decisions (formal) power and nondecisions (informal) power, which are the first and second dimensions of power, as identified by Dahl (1957) and Bachrach and Baratz (1962, 1963). Whilst decisions (formal power) is present in formal institutions, nondecisions (informal power) is exercised by both formal and informal actors, outside and within formal decision-making structures (Bachrach and Baratz, 1962; McCallan-Chen, 2000).

This chapter focuses on the key issues pertaining to the institutional design of the LDF in terms of actors, interests, roles and power games because these four elements are critical to a study on institutional design viewed from a power perspective (Goodin, 1996). Sections 4.2 and 4.3 discuss the actors taking part in the LDF, their interests and their roles. Section 4.4 examines the power games that actors play in the pursuit of their interests, and how those power games shape institutional design. Finally, Section 4.5 presents conclusions on the issues highlighted above.

4.2 Actors, Interests and Roles

Actors are central to any discussion on the institutional design of development and governance programmes because they influence the shape of institutions. Equally important to interrogate are the roles that actors play and the interests they hold, which motivate them to participate in development and governance programmes: this has implications for institutional (re)design. As a pooled fund, the LDF involves several actors from various sectors of society ranging from public to civil, international to local communities, and political to economic groups. An involvement of several actors in the LDF is in the spirit of a broad conceptualization of pooled funds. By default, pooled funds bring together several players who will pool their resources into one basket to address concerns as identified and agreed by the players themselves. The assumption is that players in pooled funds will have common interests (Peterson, 2002; Willitts-King et al., 2007), which is an assumption that this chapter questions using the data from fieldwork on the LDF in Malawi (see chapter 3). Pooled funds are able to accommodate many interests of the contributing actors who work together in this regard, but these interests are not necessarily the same for all.

4.2.1 Development Partners in the LDF

Actors in the LDF are categorised into development partners and domestic institutions (national, district and community). The development partners have three participating players in the LDF (as highlighted in chapters 1 and 2): the World Bank (WB), the African Development Bank (AfDB) and KfW, the German Development Bank. The World Bank is the longest running partner of the LDF, having funded the Malawi Social Action Fund (MASAF), which was established in 1995 and was 'transformed' into the LDF in 2008. The World Bank was the sole funding development partner to the LDF in 2009 with seed funds provided as a loan amounting to US$ 50 million through the MASAF 3 APL II project (LDF-Technical Support Team, 2015:12). Although the African Development Bank and KfW only formally joined the LDF in 2010 and 2012 respectively, they did actively participate in the consultations leading up to the establishment of the LDF prior to this. For instance, in 2005 KfW supported a study that was commissioned by the Ministry of Local Government and Rural Development to review the local government financing mechanisms in Malawi.[18] The findings of this study significantly contributed to the discussion on aid modalities in Malawi, and provided the recommendation that there should be a shift from project aid to pooled funds, hence the creation of the LDF. The KfW controlled the agenda in this case by having ownership over the study that had contributed to the design of pooled funds. Among the donors, the KfW relied most heavily on formal power to influence the decisions of the LDF by also basing their arguments on written reports.

The World Bank, however, relied more evenly on both formal and informal power to influence and control the agenda. Regarding informal power, WB used the MASAF technical staff to engage public officers in high offices to make a case for the LDF-TST on the World Bank's behalf. During my fieldwork, a technical officer in the Ministry of Local Government indicated, "We were bypassed by people in the MASAF. They pulled a fast one by having audience with high ranked officials in the Office of Cabinet and President to have the LDF-Technical Support Team established as an independent institution. That is not what we recommended as a ministry."[19] These meetings with high-ranking officials were also confirmed by a senior member of the management at

[18] This study was undertaken by GFA Consulting Group, a German based organisation. The World Bank conducted their own study, an evaluation of MASAF 2 APL I, to determine lessons for the design of the LDF.

[19] Interview with official in Ministry of Local Government, 23 February 2016, Lilongwe.

the LDF-Technical Support Team: "We sought audience with powerful people in the Ministry of Finance, Office of the President and Cabinet and the President himself to convince them that the MASAF (as the LDF was called then) should not be abolished but just change how it was operating. In all this, we wanted to survive because our donors (the World Bank) also wanted us to continue existing but as an independent institution."[20] As will be discussed later in this chapter, my interviews with officials from both the LDF-TST and from the Ministry of Local Government reflected a popular view that the donors had influenced the decisions made by the Malawi Government regarding the institutional design of the LDF – because they wanted to protect their own interests.

The main roles of the development partners in the LDF concern the provision of both financial and technical support to to the domestic institutions. Regarding financial support, the combined contributions of the World Bank, the KfW and the AfDB for the period between 2009 and 2014 were over US$ 126 million, or 62% of the total funds received by the LDF in this same time period. The World Bank remains the biggest donor of the LDF in 2018, with the latest grant from them totalling US$ 75 million for the MASAF IV's Strengthening Malawi's Safety Net Systems project (2014–2018; World Bank, 2015).[21] The contributions from each donor, between 2009 and 2014, are shown in Table 4.1 below.

Table 4.1: Contribution of Donors to LDF (2009 – 2014)

	Contribution ($)	**% of Total Funds by Donors**
World Bank	107 851 749	86
AfDB	16 090 956	13
KfW	1 866 136	1
Total	**125 808 841**	**100**

Source: LDF-Technical Support Team (2015)

[20] Interview with official in LDF-Technical Support Team, 19 February 2016, Lilongwe.

[21] MASAF IV was approved by Parliament on 4 July 2014 and the Financing Agreement was signed on 13 August 2014, but came into effect on 16 October 2014.

The Malawi Government, in accordance with an agreement signed with the donors, therefore provided 38% of the LDF resource envelope between the 2009 and 2014 fiscal years. This contribution by the government was made according to a Matching Fund, which was sometimes paid in kind, with office space and staff time. Where the Matching Fund was in cash, the contribution by the government was intermittent and less than the agreed amount. For instance, between 2008 and 2011, the Malawi Government did not make any cash contribution to the pool for the Education Swap Project, but did provide contributions in kind. During fieldwork, the significant role of donors in funding the LDF was acknowledged by a government official who remarked, "The LDF is much about donors when it comes to making the finances available to roll out the activities. The Government cannot manage such a huge programme because of many pressing demands from the people yet it is operating under a tight budget. The Government is resource constrained."[22]

However, the argument that the Government fails to meet their obligations due to financial limitations is just one side of the story. The other side is that the Government is exercising informal power on the donors by simply paying lip service to agreements (Riddell and Zararua, 2016; Turner, Hulme and McCourt, 2015). The Government is controlling the agenda by seemingly agreeing to the rules of the game as proposed by donors, but not necessarily respecting these rules after development aid has been disbursed. Developing countries such as Malawi influence donors through such informal power games by playing double standards whereby they accept the formal institutions that govern aid agreements, and also show a clear commitment to observing the terms of development aid, when they know that they will later abscond from respecting these rules of the game. Eggen and Roland (2014:57) bemoan that development aid is in crisis because aid recipients do not just pay lip service, but they "do not care". Lip service and the 'never mind' attitude of aid recipients after aid disbursement is not simply a matter of disrespecting agreements, but it is also an exercise in informal power to influence the outcome of the institutional design of aid modalities. In pooled funds, aid recipients deliberately create competition among donors so that they can then escape sanctions when they disregard the rules of the game previously agreed with donors. A key debate in the literature, as argued by Klein and Harford (2005), is that aid recipients deliberately ignore agreements when they know

[22] Key informant interview, Ministry of Finance, Lilongwe, 4 December 2015.

that donors will be under pressure to spend money, and recipients also exhaust their budgetary allocations because in these circumstances, the poor countries will still receive funding without even needing to honour the written rules of the game.

The second role played by development partners in the LDF is the provision of technical assistance from design to evaluation. Donors provide technical assistance, through their own staff or via independent consultants, who work with the LDF-TST in areas where technical assistance is needed. It emerged from my fieldwork that all donors participating in the LDF evaluate their project activities as a way of providing feedback to the LDF-TST on which areas they need to improve. Such evaluations are commonly completed by a donor independently, but occasionally evaluations are conducted jointly with the LDF-TST. Commissioned evaluations on various focal areas of the LDF are also carried out by internal and external experts. The World Bank has an internal unit, the Independent Evaluation Group, which was specifically created to undertake evaluations for the World Bank Group projects. This Independent Evaluation Group carried out an evaluation for the LDF MASAF 3 APL II (LDF Mechanism) Project, and their findings informed the project design of the LDF's MASAF IV project. Through a memorandum of understanding, the LDF donors have retained certain roles that give them the power to influence the direction that the LDF-TST will take when implementing activities that are funded by the donors. Thus, each donor in the LDF has a separate development cooperation agreement with the Malawi Government; as such, donors act differently in terms of their provision of technical assistance for the LDF. In this regard, the development cooperation agreement between Malawi Government and KfW allows the latter to "provide no objection consent before any project in urban window proceeds to implementation."[23] This means that the LDF-TST cannot implement projects in the Urban Window[24] without the approval of the funders, KfW. This is a clear illustration of donors exercising formal power in decision-making, such that the Malawi Government has no control over certain LDF decisions.

[23] Key informant interview, senior officer at LDF-Technical Support Team, Lilongwe, 6 January 2016.

[24] For more on the four funding windows, see chapter two

With regard to employment in the LDF, the African Development Bank has a policy of vetting and approving the recruitment for staff who will be working on their projects. The LDF-TST is required to share with the AfDB the curriculum vitae and application letters of shortlisted candidates, those that attend any interviews, and subsequently, the recommended person for the job. The bank will then vet and approve (or not) the recommended person before a job offer is made. The AfDB justifies this 'rule of the game' as being for "the security of our funds". They believe that, "as a Bank, we need to employ people of high integrity who cannot dupe us. It is only fair that as funders of the LDF, we are assured that our funds are in safe hands."[25] This practice is not in the agreement between the Malawi Government and the other two development partners in the LDF (although there is an agreement for the AfDB), the same practice of the LDF-TST sharing curriculum vitae and the application documents of the shortlisted and recommended candidates has been extended to the World Bank and KfW for the recruitment of staff. Sometimes, the World Bank and KfW "either by request or invitation are also represented during interviews."[26] Ultimately, the LDF-TST has taken the initiative to adopt these informal practices of engaging the World Bank and KfW in recruitment processes as a way of being transparent and winning donor confidence.

The events in the LDF's history, narrated above, reflect how donors and aid recipient countries exercise both formal and informal power in pooled funds. Ministries and government departments in aid recipient countries sometimes exercise informal power on donors by acting in accordance with the expectations of these development partners. For example, by inviting the World Bank to sit on a panel, the LDF-Technical Support Team uses existing formal institutions to produce new institutions that are effective and responsive. This represents informal power exerted by the LDF-TST on donors even while the Technical Support Team are doing what donors would like them to do as the recipients of their funding (Apoldaca, 2017): the LDF-Technical Support Team has manipulated information in their own favour by adhering to the conventions of aid management to introduce new rules of the game in order to influence decision-making. The LDF-TST is therefore does "institutional bricolage" (Cleaver, 2001:26) because of the new institutions it has established by making adaptations to the existing and

[25] Key informant interview, senior technical officer, AfDB, Lilongwe, 20 January 2016.
[26] Key informant interview, senior officer, LDF-Technical Support Team, Lilongwe, 20 April 2016.

approved institutions. Whilst the formal agreements that allow the KFW and AfDB to participate in the recruitment of LDF-TST staff may be viewed as serving the interests of the donors, the LDF-TST has replicated this particular rule of the game following their work with the World Bank – in order to achieve their own interests. In this way, ministries and departments in aid recipient countries expand the policy and operational space of donors as a way to win their confidence for future dealings (Anderson and Patterson, 2016; Eggen, 2012): it is important for the LDF-TST to show themselves to donors as being a 'transparent' institution if the flow of financial and technical support is to be maintained.

4.2.2 Interests of Development Partners in the LDF

Donors' involvement in the Local Development Fund is in pursuance of several interests, and the historical, institutional evolution of the Fund offers a clear picture of the interests that have motivated donors in their own participation, reflecting also how formal and informal power have interfaced to shape the institutional design. First, donors contributing to the LDF are interested in the continuation of their own individual projects in a framework that will be well coordinated and can be seen to be aligned to Malawi's own development policies and procedures. Donors are interested in aligning their projects to Malawi's policy landscape in order to adhere to the principles of aid effectiveness as set out in the 2015 Paris Declaration. Currently, the LDF is organised in four funding windows: the Community Window, Urban Window, Local Authority Window and the Performance Window. These funding windows are attached to specific donors, which has in turn allowed the donors to partly identify themselves with particular windows: the World Bank mainly funds two windows, the Local Authority and Community Windows; whereas, KfW and the AfDB are both funders of the Urban Window. In addition, the Performance Window is funded by all donors, with each donor directing their contributions towards those activities that they have themselves earmarked. Meanwhile, the Malawi Government provides Matching Funds to all windows, although not always to the full agreed amount.

The Local Authority and Community Windows, funded by the World Bank, are used to implement public works programmes and community demand driven projects, mainly related to the construction of school blocks and to teachers' houses. These are the same activities that the World Bank previously funded from 1995 to 2007 under the last three stages of the MASAF.[27] In the Urban Window, the KfW funds are earmarked for two activities: the "construction of socio-economic infrastructure (bus stations, stadia, markets, administrative buildings) and urban planning" (LDF-TST, 2015:15). The KfW previously funded the same activities in the Urban Window for a period of 20 years, 1985 to 2007; during this time KfW were directly funding a project known as the Secondary Centres Development Programme.[28] In the LDF's Urban Window, KfW have maintained the project philosophy of targeting different urban councils with the same project activities, which have been intended to boost the local revenue bases of the councils. Therefore, KfW have provided earmarked funds for the construction of markets, bus stations and halls since 1985 (LDF-TST, 2014). It is important to note that KfW brought all of their beneficiary councils from the Secondary Centers Development Programme to the LDF under the Urban Window (KfW, 2005; LDF-TST, 2015).[29] Regarding the AfDB, they fund the Local Economic Development component of the Urban Window, and their activities resonate with the Poverty Alleviation Programme that the AfDB first funded in 1994. This discussion demonstrates how the LDF donors brought together their projects into the common funding pool without entirely dissolving pre-existing projects beforehand, as is generally expected of pooled funds.

In the original convincing of donors to participate in the LDF, there was a manifestation of the interface between formal and informal power. Donors viewed the LDF as a pooled fund by which to enhance their own reputations as good development partners who follow reputable, formal institutions, as encouraged by the Paris Declaration. The decision by each LDF donor to participate in the LDF also engaged their formal power in the sense that their project documents were used to justify their participation in the LDF. The informal power aspect of persuading donors into the LDF concerns the donors' consideration of the information that was given to them by the Malawi Government because the Malawi Government designed the LDF into four funding windows specifically to arrest the attention of the three prospective donors who were already operating in the same sectors as those of the proposed windows (Community, Local Authority, Urban and Performance). This was confirmed in an interview with an

[27] MASAF 1, MASAF 2 and MASAF 3 APL 1.

[28] Under the Secondary Centres Development Programme, KfW constructed markets, bus stations, offices for councils and slaughterhouses for nine urban councils; Salima, Dedza, Liwonde, Balaka, Karonga, Kasungu, Luchenza, Mzuzu and Mangochi.

[29] All the councils listed above. Extended to Ntcheu, Mangochi and Nsanje councils.

official from the Ministry of Local Government who had participated in designing the LDF: "We studied projects implemented by donors and put them in compartments that will excite them. Windows we have in the LDF are there for a reason – giving platform to donors to continue their with maintain their projects whilst giving impression that it is a pooled funds."[30] This was a manifestation of informal power by the Malawi Government in their control of the agenda for the institutional design of the LDF: the Government designed the LDF to respond to those projects that donors were already funding knowing that the donors would cooperate and be willing to contribute their resources to the LDF because their same projects would continue, but with an improved coordination from among the stakeholders – the Malawi Government, the donors themselves, and the local Malawi communities.

The second incentive for donors to continue their participation in the LDF is monetary. Development agencies receive revenue through service charges and interest, among other means, in returns from their funds that go into the LDF. All donors contributing to the LDF are banks; two are multilateral (World Bank and AfDB) and the other is bilateral (KfW). The financial support rendered to the Malawi Government for the implementation of the LDF is given through loans and grants. Among the donors, profit-making as a drive to fund the LDF is more pronounced for the World Bank and the AfDB, who give loans and grants, than for KfW, who provides grants but not loans. The World Bank and the AfDB receive interest from the funds that they have lent to the Government, whilst grants do not attract any fee or commission. For the AU$ 14 million and AU$ 3 million borrowed by the Malawi Government in 2008 and 2010 respectively, the AfDB charged interest at the rate of 21% net present value. The AfDB rated the Local Economic Development (LED) project that it was providing funds for as economically feasible because, "The overall Economic Rate of Return of the project ranges from 25 % (Base Case) to 36 %, which implies that the proposed project is economically viable because the rates of return are higher than the cost of capital-at 12 %" (AfDB, 2008:9). For the World Bank, the business element in the LDF is evident because the Malawi Government was offered, and accepted, loans on four occasions between 2008 and 2014 under the MASAF 3 APL II. These loans varied in interest rate, fees and charges, as shown in Table 4.2 below.

[30] Key informant interview, Ministry of Local Government official, Lilongwe, 24 January 2016.

Table 4.2: Summary Status of World Bank Financing (US$ Millions) for MASAF 3 APL II as of 31 August 2016

FINANCE AGREEMENT No	APPROVAL DATE	PRINCIPAL (US$ Millions)	DISBURSED (US$ Millions)	INTEREST, CHARGES and FEES (US$ Millions)
IDA44830	2008-06-20	50.00	47.31	2.39
IDA47880	2010-06-30	14.00	11.21	0.38
IDA51420	2012-07-17	25.00	24.23	0.68
IDAH7940	2012-07-17	25.00	25.15	0.00

Source: World Bank (2016)

Contrary to the World Bank and AfDB, as will be discussed below, KfW's incentive in the LDF is in influencing policy changes based on decentralisation through aid conditionality. This difference in interests has caused tension between donors, as indicated by one official from the KfW: "The World Bank and AfDB treat the Government with kid gloves since to them profits come first and other issues come as afterthoughts."[31] The position of KfW, as a bilateral donor, is that the World Bank and the AfDB frustrate KfW's efforts to promote good local governance and ignore certain policy-reversals in order to protect their monetary interests. Hyden (2008a) observes the same dissonance of interests among the LDF donors because of the differences that they face in pressures to spend. The World Bank and the AfDB face immense pressure to spend because they must meet expenditure targets as a mark of their 'good performance' (Gibson et al., 2005; Martens, 2002). However, all three development agencies (WB, AfDB and KfW) experience pressure to disburse funds even to countries that have not done well meeting policy conditions, including Malawi.

[31] Key informant interview, programme officer, KfW, Lilongwe, 16 December 2015.

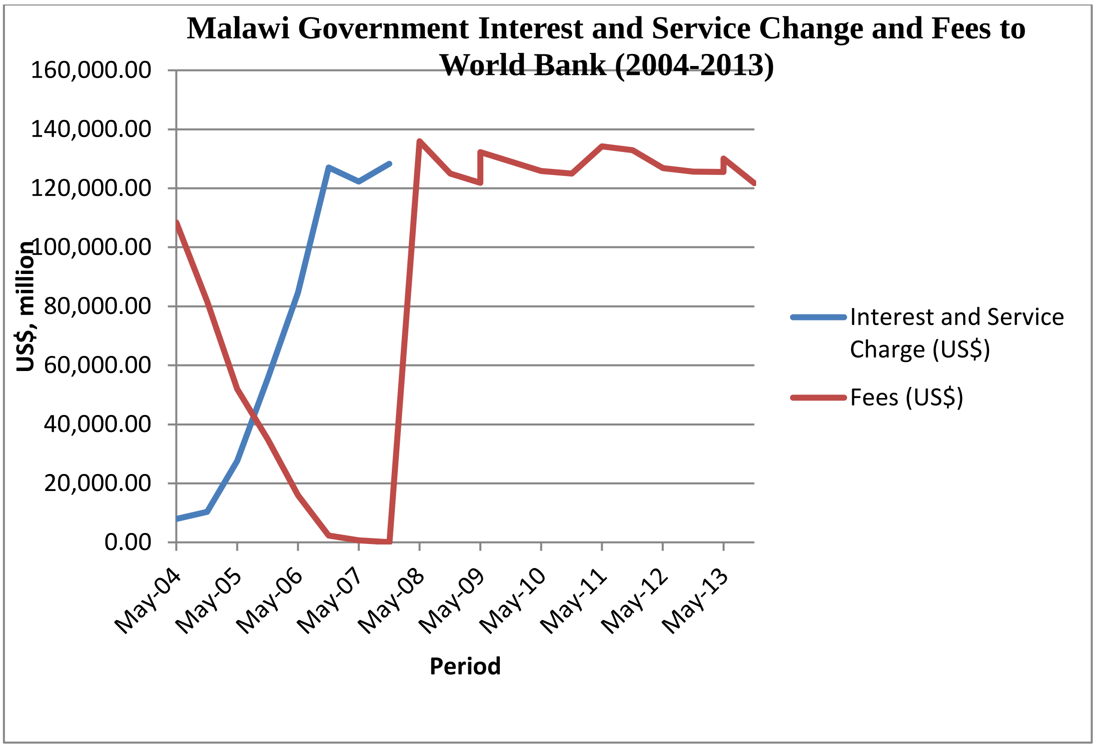
Broadly speaking, multilateral agencies, such as WB and AfDB, are also interested in disbursing funds, even against their own policies, because they "seek to maximise their aid budgets" (Swedlund, 2017:460). For the World Bank, in relation to Malawi, Swedlund (2017:477) notes, "Not only are country loan officers under pressure to meet country disbursement targets, there is also a coordination problem in that staff are aware that it would not be financially productive to make an example of a particular country by refusing to disburse funds." The competing interests between the two multilateral banks in the LDF, and the bilateral development agency (KfW) can be explained in that, the multilaterals are facing pressure to spend whereas the bilateral is mostly interested in policy influence (Gulrajani, 2016; Reinsberg, 2015). Both the multilateral and bilateral development agencies have peer initiatives to ensure accountability to each other in LDF, but these do not function against the pressure to spend from the head offices and from the country/field offices also. The pressure faced both by the multilateral and the bilateral donor is a result of informal power, which is exercised by the aid recipient, Malawi, on all three donors. What Taylor (2007 cited in Kadmos and O'Hara, 2001:184) calls "reverse conditionality" is this application of informal power by developing countries on donors whereby aid recipients propose projects and conditions by offering incentives, but also by not respecting those agreements that they have committed themselves to, knowing repercussions will be few.

In the LDF, the World Bank and the AfDB regard the Malawi Government as a customer who can effect certain policy reversals. The concerns raised by KfW – that multilaterals value profit over policy – are legitimate, especially when one considers that the World Bank and the AfDB continued lending money to the Government even during the period when local councils in Malawi were operating without elected local councillors, between March 2005 and May 2014. The KfW suspended their financial support to the LDF until May 2014, when local government elections were held. In the absence of councillors, the KfW argued that councils were illegal and funds were therefore prone to abuse. This study's interviews with officials from the AfDB and the World Bank confirmed that they did give the Malawi Government preferential treatment as the two banks provided signals to the government that they would continue to be willing to provide loans on soft terms. When asked to comment on the future of the AfDB's involvement in the LDF when their LDF project was due to phase out in June 2017, this response from a key AfDB informant gave clues regarding the soft conduct of the bank towards the government as a client: "The extension will depend on whether the government wants to borrow money or not. As often is the case with most African countries, project evaluation will show the need for us to lend government some funds…we offer concessional loans that any government will meet. Government cannot fail to open a project account as we normally require them to do so."[32] It is also important to note that the AfDB, like the World Bank, have several loans active in Malawi; as such, they were restrained from suspending their LDF loan so as not to jeopardise the business interests of their other current and prospective loans.[33] Figure 4.1 below shows fees, interest and charges that the Malawi Government paid to the World Bank between May 2004 and June 2013. The graph shows that the Malawi Government paid the World Bank interest and service charges for this ten-year period in the range of US$ 8 million and US$ 128,000 million. The Malawi Government paid the lowest fee, US$ 48 million, in November 2007 and the highest fee, nearly US$ 136,000 million in May 2008.

[32] Key informant interview, senior technical officer, AfDB, Lilongwe, 20 January 2016.

[33] Other AfDB loans and grants: Lake Malawi Artisanal Fisheries Development Project (loan, AU$ 6.93 million; grant, AU$ 0.84; Smallholder Crop Production and Marketing Project (grant, AU$ 15 million); Agriculture Infrastructure Support (grant, AU$ 15 million); National Water Development Programme (loan, AU$ 15.2 million; grant, AU$ 14.10 - 14.1 million); Support to Secondary Education Phase IV (loan, AU$ 15 million); Trunk Road Rehabilitation Blantyre-Zomba (loan, AU$ 22.98 million; grant, 1 AU$ 0.12 million); Nacala Corridor Phase 1 (loan, AU$ 14.32 million); Macademia Smallholder Development Project (loan, AU$ 6.85 million); Smallholder Irrigation Project (loan, AU$ 5.02 million); Horticulture and Foods Crop Development Project (loan, AU$ 6.65 million; grant, AU$ 0.84 million); Smallholder Outgrowers Sugarcane Production Project (loan, AU$ 8.93 million); and, Skills and Income Generation Project (loan, AU$ 9.59 million; AfDB, 2008:16; AfDB, 2010:18).

Figure 4.1: Malawi Government Interest, Charges and Fees paid to the World Bank (2004-13)



Source: World Bank (2016)

Differences in the interests of the three LDF donors also stem from the nature of their organisations with respect to representation and mandate. My interviews with officials from the World Bank and KfW established that KfW had one undeclared interest which was competing with the interests of the World Bank; this was pertaining to their project implementation strategies. KfW, as a bilateral agency of the Federal Republic of Germany, has been promoting decentralisation as a strategy for the improvement, in Malawi, of local governance and poverty reduction. The German bank has also had other bilateral agencies – the German Organisation for Technical Cooperation (GTZ), the German Development Service (DED) and InWEnt – implementing decentralisation programmes in Malawi for many years.[34] What was unique about the structuring and programming of the decentralisation activities funded by Germany was that each

[34] DED (the German Development Service), GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit/the German Society for Technical Cooperation) and InWent (Capacity Building International Germany) merged in January 2011 to constitute what is currently known as Deutsche Gesellschaft für Internationale Zusammenarbeit, or GIZ, the German Society for International Cooperation (GIZ, 2011).

bilateral development agency implemented a decentralisation project. These bilateral agencies each focused on a single facet of decentralisation that ultimately constituted the bigger picture of an entire decentralisation framework. KfW were focussing on fiscal decentralisation whilst the GTZ were paying attention to political decentralisation. InWent was mandated to enhance the capacity building of governments, whereas DED's jurisdiction was related to human resources secondment services (Bunning and Shilela, 2006).

Through bilaterals, Germany was highly visible and made a big impact in the decentralisation sector in Malawi. For instance, the German Society for International Cooperation, GIZ, implemented a Malawi German Programme for the Promotion of Democratic Decentralisation from 2003 to 2014.[35] According to a key informant in the Ministry of Local Government, the Malawi German Programme for the Promotion of Democratic Decentralisation (MGDPP) "wanted to promote good local governance for effective service delivery, efficient local public administration, participation of local people in the business of the local councils and accountability of public officials."[36] Therefore KfW, through the Secondary Centres Development Programme, concentrated on the financial aspects of decentralisation with the intention of making a contribution to improving the finances of the towns, and so reducing urban poverty in Malawi" (KfW, 2009).

The programme design of the LDF indicates that the implementation takes a decentralised approach, hence the involvement of local councils; and the German government seized the opportunity to contribute to the promotion of decentralisation in Malawi. The choice of KfW to be the representative of the German government in the LDF "was influenced by the understanding that the urban infrastructure development component of the KfW will give Germans visibility whilst at the same time deepening political decentralisation as entrusted in the hands of the MGPDD through aid

[35] After 18 years of implementation, GIZ phased out the programme in 2014 for two reasons: (a) slow pace of decentralisation in Malawi despite lots of financial, technical and material investment and (b) change of focus to other attractive themes including climate change and environment (Malawi Government-GIZ, 2014; interview with senior officer, Ministry of Local Government and Rural Development, 10 February 2016).

[36] Key informant interview, senior officer, Ministry of Local Government, Lilongwe, 5 February 2016.

conditionality."[37] The interest for KfW in joining the LDF in order to promote decentralisation coincided with the interest of the AfDB, who had adopted decentralisation as an implementation strategy for their Local Economic Development project. However, as indicated before, the Malawi Government communicated information such as was relevant to donors to secure their interest in the LDF pooled funds, knowing that they had projects on decentralisation. In this case, the Malawi Government exercised informal power that influenced the institutional design of the LDF by manipulating the information that was given to donors while deliberately and vigorously targeting the same donors regarding their projects as relevant to the LDF. This instance of exercising informal power on donors was a case of "creating selective precedents" (Bachrach and Baratz, 1962, cited in Haugaard, 2002:27). The decision made by the Malawi Government to choose urban development, poverty alleviation and local governance projects was based on those projects already being implemented by the World Bank, KfW and the AfDB, and the broad framework of these projects was deliberately maintained so as to keep those donors in the LDF.

The interests of KfW and the AfDB in promoting decentralisation also competed with the strategy of the World Bank as far as poverty reduction was concerned. Decentralisation, particularly the involvement of local governments, was not an option preferred by the World Bank for the delivery of its development aid to Malawi. The World Bank, even at the start of the MASAF, was sceptical about local councils as agents of poverty reduction, hence they established an implementation unit that ran parallel to, and competed with, local councils and other government planning and development structures at the national, regional, district and community levels (Bloom et al., 2005). Unlike KfW and the AfDB, who participated in the LDF because of their interests in promoting decentralisation,[38] the World Bank's involvement in the LDF aims at empowering the communities in the best possible way that also avoids the use of government structures and seeks to attain optimal economic efficiency in this way. A Ministry of Finance key informant highlighted that the World Bank's "lack of interest in promoting political decentralisation is from its organisational mandate that prevents

[37] Key informant interview, programme officer, KfW, Lilongwe, 5 February 2016.
[38] Note that whilst both KfW and AfDB promote fiscal decentralisation, KfW also promote democratic decentralisation, whereas AfDB promotes administrative decentralisation.

it from interfering in the local political affairs."[39] Article IV Section 10 of the World Bank's Articles of Agreement states, "The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially to achieve the purposes stated in Article I-organisational statement" (World Bank, 1989:11). The World Bank Office in Malawi was arguing here that engaging in democratic decentralisation is political interference and crosses the line of its statutes that set economic affairs within boundaries to guard against involvement in any political activity. In this regard, democratic decentralisation is regarded not as an economic issue, but as a political agenda since it involves a shifting of power and decision-making authority from the higher to the lower authorities, be this through voted or appointed individuals.

This stated avoidance of political interference in local affairs by the World Bank, in both aid giving and receiving countries, was also noted by Danino (2005). Danino argued that the World Bank has at times used their 'principle of non-interference' to avoid clashing with those countries that contribute funds to the running of the World Bank's operations, as well as in those countries that borrow funds from them. However, having a policy to not interfere with a country's political affairs does not mean that the World Bank is apolitical. In the context of Malawi, the World Bank's avoidance of any promotion of democratic decentralisation does not prove that the World Bank did not interfere in local political affairs; this is because World Bank's choice of administrative decentralisation as a mode of delivering development aid in the LDF is, arguably, equally as political as a decision to promote democratic decentralisation. Like democratic decentralisation, administrative decentralisation involves a transfer of power, and the difference is mainly in who that the power is transferred to. Thus, the administrative decentralisation that the World Bank opted for in their approach to the LDF appears to be an economic issue on face value, and yet it is fundamentally political – because of the power reconfiguration that administrative decentralisation brings to the table.

[39] Key informant interview, Director, Ministry of Finance, Economic Planning and Development, 5 February 2016.

Winters (2002:103) argues that the World Bank's practice of non-interference is mere rhetoric because "economic affairs are inherently political. Bank conditionality in loans, structural adjustment lending, and other forms of Bank pressure all interfere in the political affairs of members." This study finds that the World Bank's involvement in the LDF is political only in that they choose to 'twist the arm of government' through indirect strategies, such as administrative decentralisation. This finding that the World Bank does have certain political objectives in Malawi agrees with findings by Dreher et al. (2009) that multilateral organisations (like World Bank and AfDB) are influenced by the political interests of shareholders. However, when the World Bank is compared with the bilateral agency, KfW, findings for this study support the wider assertion that bilateral development agencies are more political than are multilateral development agencies (Findley et al., 2017; Kuziemko and Werker, 2006). The degree a bilateral donor may seek to influence domestic political spaces was demonstrated by KfW's interference, in Malawi, in a decentralisation programme and even local government elections, through the LDF.

4.3.1 Domestic Actors in LDF: National, District and Community

Like the donors, domestic actors in the LDF declare their official interests as being to improve the living conditions of local communities. However, all the domestic actors also have undeclared interests. These declared and undeclared interests are pursued using formal and informal power, which impact on the institutional design of the LDF. Core powerful groups exclude less powerful groups in conversations regarding which rules of the game will govern the Fund. This study's interviews and documents analysis revealed that the core, powerful domestic actors may be divided into three categories: national, district and community. National actors in the LD range from government ministries, departments and agents to constitutional bodies, civil society organisations and committees that are established on a permanent or temporary basis. There are four key national government institutions in the LDF: the Ministry of Local Government, the Ministry of Finance, the LDF-Technical Support Team and the National Local Government Finance Committee. Domestic actors at the central level of government normally provide strategic leadership and policy direction. For instance, the Ministry of Local Government provides "leadership in the institutionalization of the LDF as a mechanism for local development planning and financing through governments" whereas the Ministry of Finance is responsible for "resource mobilisation from Cooperating Partners and within Government" (LDF-TST, 2009:13).

The roles of the national actors are often contested by the district actors, particularly local councils, who claim the central actors are interfering with their local council operations under a pretext of providing policy direction, enforcing the national standards and administering quality control. District actors believe that national actors have been trying to set and control the agenda of councils using the Decentralisation Policy and Local Government Act. This Policy and Act gives formal powers to national actors for them to establish a framework in which the councils should then operate. National actors, such as the Ministry of Local Government and the Ministry of Finance, can therefore override the decisions made by councils if these are deemed to be ultra vires - beyond the council's legal power. Informal power is exercised in this case by the national actors, who determine the scope of discussion for councils with sanctions if they dare to go beyond their borders (Bachrach and Baratz, 1962; McCallan-Chen, 2000). In addition, by declaring certain decisions made by the councils to be null and void, national actors are using formal and visible powers based on formal institutions, such as the Decentralisation Policy, Local Government Act and Public Financial Management Act. These null and void declarations also reflect the exercise of informal power by national actors on councils in terms of undermining the legitimacy of these councils (McCallan-Chen, 2000). There is also evidence of a mobilisation of bias in the very composition of the committees and entire organisational structure as involved in the LDF, in its current institutional design. There is a deliberate attempt to balance the distribution of power by assigning the role of the LDF chairmanship to two Ministries (Local Government and Finance) and to two committees under the LDF-TST; the National Technical Advisory Committee, headed by the Ministry of Local Government, and the Steering Committee, chaired by the Ministry of Finance.

In terms of the interests of national actors, the LDF brings funds to government while also raising the profile of the Government in the rural communities. The LDF is the biggest decentralisation and poverty reduction programme – both in scale and magnitude – implemented in Malawi. The LDF covers all 35 district councils; the LDF Public Works Programme benefited over two million people between 2009 and 2014. Within the same period, the LDF disbursed over US$ 149 million to district councils (LDF-TST, 2015:50). With such a successful record, the shared interest among government ministries, departments and agents is to maintain the LDF and to continue to benefit from its successes. This continuity achieved within the LDF is perceived as evidence of good leadership and superior skills in negotiation for funding with donors, by public officials and politicians. Therefore, the conflict between government ministries, departments and agents does not concern a dispute as to whether the LDF should exist, but there are disagreements as to which ministry, department or agent should manage the LDF. This conflict relates mostly to which institutions should be involved in which programmmes, and concerns the division of labour, which gives certain actors access (but bars other players from accessing) the funds and the associated power of the LDF. A key informant at the Ministry of Local Government remarked, "The LDF is big monies. It is a huge programme that as government we cannot let it go. We just have to sort out some few issues regarding who is doing what to avoid stepping on each other's toes as we often do."[40]

The district level actors in the LDF are local authorities (including district and local councils. Local authorities are entrusted with the responsibility of approving District and Urban Development and Investment Plans; accessing and managing the LDF resources; monitoring the implementation of projects; and, providing financial and physical progress reports on projects implementation (LDF-TST, 2009b:14). The District Executive Committee and devolved sector ministries provide technical and advisory support to councils and communities in their planning, budgeting, and implementation of projects. Councils enact their own bye-laws as empowered by the Local Government Act, which means that councils are both law-makers and implementers of national and district policies, including the LDF. These two roles expose councils – councillors and the Secretariat – to conflicts both with national players and with the communities they serve.

The major motivation for councils to participate in the LDF is the funds that the LDF-TST provide for the implementation of activities. Councils are allocated funds for their administration of LDF projects, and to address capacity challenges under the Community and Performance Windows. The LDF-TST also provides funds to councils in the capacity of an implementing unit under the Local Authority Window. A key informant indicated that it "is the LDF policy that 40 % of the project funds in Public

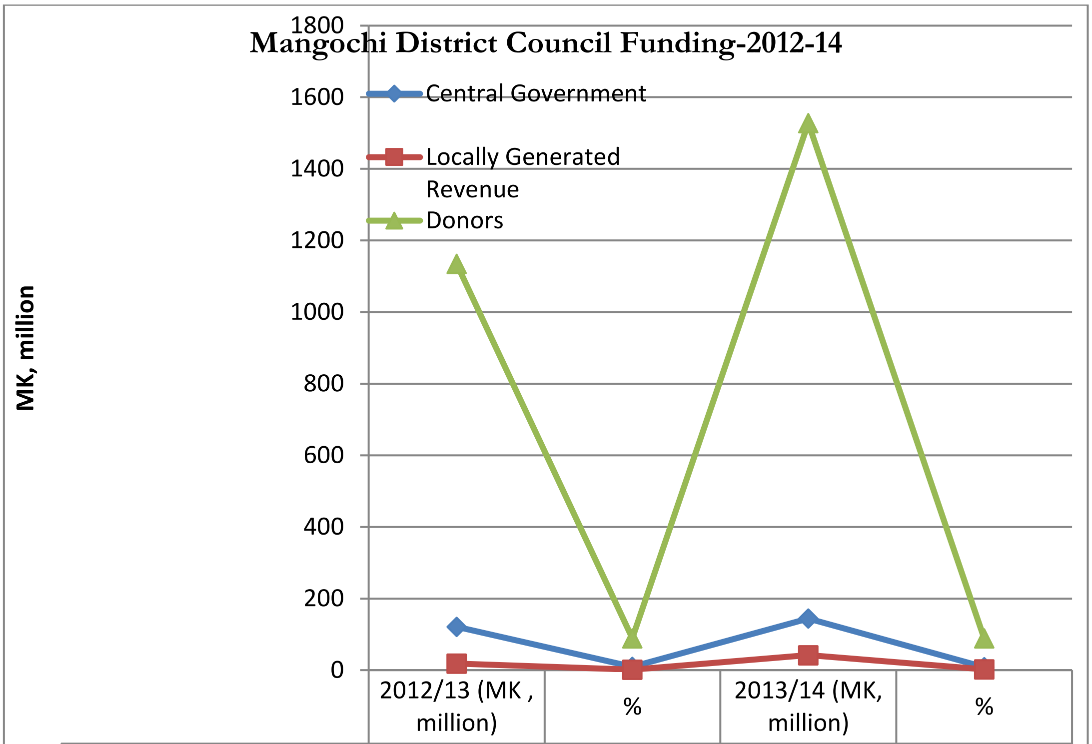
[40] Key informant interview, Director, Ministry of Local Government, Lilongwe, 23 February 2016.

Works Programme under Local Authority window should go for administration. These are funds for councils to meet operational costs."[41] Between 2009 and 2014, Mangochi and Thyolo District Councils received grants amounting to MK 1,713 billion and MK 1,620 billion respectively (LDF-TST, 2015:47). Such LDF funds have relieved pressure on councils, reducing the need for them to solicit the funds to run their offices and provide public services: the monthly government subventions and locally generated revenue have always been inadequate; however, the amount of funds from the LDF-TST given to the councils has overtaken the monthly grant totals received from central government and locally generated revenue combined. For these reasons, councils prefer to maintain a good relationship with the LDF-Technical Support Team, which includes allowing for LDF-TST's own relationships with the Ministry of Local Government and National Local Government Finance Committee (NLGFC).

The point that donors' contributions provide by far the largest share of the district councils' budgets is depicted in Figure 4.2 below, which gives Mangochi as a specific example. The figure shows funding for the district council for the 2012/13 and 2013/14 financial years, as contributed from the central government (Constituency Development Fund and annual remittance), donors (LDF-Technical Support Team and Icelandic International Development Agency) and from locally generated revenue. In both financial years, donors contributed 89% of the total funds that Mangochi received, whereas the Malawi Government contributed only 9.5% and 8.4% in 2012/13 and 2013/13 respectively. Finally, the locally generated revenue sourced by the council contributed 1.4% and 2.5% to the total funds.

[41] Key informant interview, technical officer, Thyolo District Council, Thyolo, 8 March 2016.

Figure 4.2: Mangochi District Council Funding (2012-14)



	2012/13 (MK , million)	%	2013/14 (MK, million)	%
Central Government	121	9.5	144	8.4
Locally Generated Revenue	18	1.4	42	2.5
Donors	1135	89.1	1528	89.1

Source: Compiled by author from National Local Government Finance Committee (2012, 2013), LDF-Technical Support Team (2015) and Icelandic International Development Agency (2012).

In addition to accessing funds, district council interests in the LDF include their training on project management, monitoring and evaluation; and, better financial management for staff and equipment, such as printers, computers, vehicles and motorbikes, all of which councils could not purchase without LDF funding. Councils appreciate both the financial assistance and the capacity enhancement interventions from the LDF, as acknowledged by the Mayor of Blantyre City Council, who represented the councils at a handover ceremony whereby they received 35 vehicles: “It is common knowledge that we do not have enough resources especially vehicles. We also realize that the government has limited resources and cannot attend to the problems of every council in the country. It is for this reason that we are thankful to the LDF for the timely donation of vehicles."[42]

Community based development structures are the final group of domestic actors in the LDF. These include: Area Development Committees (ADCs), Village Development Committees (VDCs) and Project Management Committees (PMCs). The government established and decentralised Area Development Committees and Village Development Committees oversee all development activities at the traditional authority level (ADC) and group village headman level (VDC), whereas Project Management Committees are established specifically to manage the LDF projects. Unlike ADCs and VDCs, Project Management Committees are a taskforce whose mandate and tenure automatically ends when a project is finished. As community-based actors, ADCs, VDCs and PMCs mobilise communities and lead the implementation of projects. However, as PMCs are project related, they have additional responsibilities. The LDF-TST (2009:16) outlines the responsibilities of PMCs as project planning and preparation; management and supervision of project implementation including management of contractors; management of project funds; procurement of goods and services; and, preparing and submitting financial and monthly progress reports to the council.

The dominant interest of community-based actors in the LDF is the difference that they make in uplifting the living standards of the people based in rural communities. Most of the study's key informants at both national and local level acknowledged that the LDF has transformed rural communities, especially pertaining to education facilities and road networks. The construction of education facilities (school blocks and teachers' houses) and community feeder roads have been a top priority of the LDF since its inception in 2009. While community actors and councils have a common interest in the LDF – to access funds to improve people's lives – one difference between them concerns the obligations that they are under which have motivated them to become involved in the LDF. For the council secretariat, their involvement to improve people's lives is "out of duty as public servants who are paid by government when community

[42] Noel Chalamanda speaking, quoted in an article written by Njoloma, C. (2016). 'LDF donates vehicles to district councils'. *MANA Online*, 19 September 2016. [Online]. [Accessed 3 October 2016]. Available from: http://www.manaonline.gov.mw/.

actors take part in the LDF out of patriotism."[43] When members of PMCs were asked in a FGD to indicate their single biggest motivation to serve in the LDF committees, one participant indicated that it was "the wish to see their areas developed since that means they will benefit too as they live in the same communities."[44] Individual and community interests are therefore intertwined by default for members of the PMCs, who naturally pursue both individual and collective interests in the LDF. The undeclared interests of community actors include participation in training: whilst patriotism is a motivating factor for community involvement in the LDF and while community-based actors are volunteers with neither monthly salary nor honorarium, the training offered by the LDF-TST is also a major motivating factor for LDF involvement. Training has long-term benefits, and volunteers may later obtain paid jobs in NGOs, for example, as community field facilitators. This study found that an insistence from community-based actors to be awarded certificates upon completion of their training is tied to their interest in gaining knowledge that can be proved to a prospective employer. Training figures are high: between 2009 and 2013, the LDF-TST trained 33,240 members of PMCs on various aspects of project management and community mobilization (LDF-TST, 2015:52). This chapter's discussion on actors in the LDF, their interests and the roles that they play is summarised in Table 4.3 below.

[43] Participant in Focus Group Discussion, Mbandanga Primary School LDF PMC, Thyolo, 15 March 2016.

[44] Participant in Focus Group Discussion, Monkeybay LDF Rural Growth Centre Main Committee, Monkeybay, 25 March 2016.

Table 4.3: Actors in LDF, their Interests and Roles

Actors	Roles	Interests
Donors • World Bank • African Development Bank • KfW	Providing funds Technical assistance / capacity building	Policy Influence Financial gains Maintaining bilateral and multilateral relations
Central Government • Ministry of Finance • Ministry of Local Government • LDF-Technical Support Team • National Local Government Finance Committee • National Steering Committee • National Technical Advisory Committee	Fund Management Providing strategic policy direction Resource mobilisation Implementing LDF activities Monitoring and Evaluation Auditing Disbursement of Funds Enforcement of polies	Controlling more resources Prestige/status Good conditions of service Career development
District Council • Council Secretariat • Councillors • Members of Parliament	Implementation of activities in LDF Approving projects Monitoring and activities Resource management	Career development Patronage and clientelism Controlling resources Gaining political mileage

(Table continued overleaf.)

Table 4.3: Actors in LDF, their Interests and Roles (Continued)

Actors	Roles	Interests
Local Community • Project Management Committees • Beneficiaries/villages • Chiefs	Community mobilisation Implementation of activities Registering project beneficiaries Managing funds Monitoring and evaluation	Community development (school blocks, roads, bridges, afforestation projects) Capacity building (gaining knowledge and skills to project committee members) Financial gains Community recognition Giving back to community (volunteering)

Source: Author

4.4 Institutional Design and Power Games among Actors in the LDF

Donors, government and local communities in the LDF play several power games in pursuit of their interests, cooperating or competing depending on which power games are being played and which interests are being pursued. Niu (2016:212) drew on illustrations from Ethiopia to demonstrate that power games are "unavoidable" in the interactions between donors and recipient countries because of complicated relationships, differences in interpretations and applications of the rules of the game, and different interests. This chapter section argues that power games in the LDF concern the influencing of institutional design so that the adopted institutional design will then serve the interests of the greatest power holders. Power games that influence the institutional design of the LDF are either formal or informal. Formal power games are played by actors in the LDF using official spaces for decision-making, and for the interpretation and application of the rules of the game. With informal power, actors control the agendas from outside formal structures by engaging several tactics; for example, by establishing task forces that take a long time to resolve issues – or never present any conclusions at all – thereby excluding other actors from taking part in particular decisions (becase the decision-making is already ‘in hand’) This strategy includes procrastination, or foot-dragging, at work to give an impression that a matter is being resolved (Scott, 1985, 1992). This section (4.4) discusses both the formal and informal power games that are played by donors, government administrators, politicians, chiefs and local communities in contesting the legitimacy of the LDF division of labour, or who is supposed to do what.

The power games played between the LDF donors and domestic actors (government administrators, politicians, chiefs and local communities) mostly relate to the interpretation and application of certain rules. Donors insist on applying formal institutions in the LDF whereas domestic actors, as gatekeepers, use both formal and informal rules of the game to manage the LDF. The discussion in this section shows that formal and informal power influence the institutional design of the LDF to allow the distribution of resources to clients, who support the regime and social networks that are critical to maintaining the government that is in power. The Government and LDF administrators also play formal and informal power games that shape the institutional design of the LDF in a way to serve their interests, retaining the LDF as a lucrative project and also an opportunity for career progression. Although most of the power battles are fought under the discourse of bringing greater institutional order to the LDF, this is only the proxy battle. The real battle behind the contestation over roles is over the resources and prestige that come with control of the LDF. The arguments in this section, as highlighted above, are demonstrated by two of the power games played by actors in the LDF: the Expanded LDF play (by domestic actors) and the Public Trust and merger of the LDF-TST with the NLGFC play (involving donors and national institutions).

4.4.1 The Expanded LDF: Power Games by National Institutions

In the Expanded LDF power game, the major argument is that government administrators and the LDF-Technical Support Team (particularly their Executive Officers) are the gatekeepers and patrons for their ethnicities and political and social networks (Cooper, 2002; Beresford, 2015). As gatekeepers, they are empowered to open gates for their inner circle – because it is ‘their turn to eat’ - and close the gates on those who belong to the opposing political networks (Wrong, 2009). These gatekeepers reinforce the power of the state because of their responsibility to control state resources, including development aid. The Malawi Government has facilitated this patronage by exercising informal power through the appointments of the Executive Directors for the LDF-Technical Support Team.

Current LDF institutional design puts the implementing agency of the Fund, the LDF-TST, under the Ministry of Finance. The Ministry of Finance has entered into financing agreements with the development partners and has thereby become the legal borrower of funds on behalf of the Malawi Government.[45] The senior management of the LDF have entered into an employment contract with the Ministry of Finance, which still indicates that the LDF is positioned under the Ministry of Finance. Furthermore, the Ministry of Finance has put it on record that the LDF-TST is under their authority, as stipulated in the LDF-TST Operations Manual: "The Ministry will maintain a dedicated LDF-TST that will be responsible for the day to day operations of the fund." (Malawi Governemnt, 2009:11) Therefore, the LDF-TST has been tasked to oversee the implementation of the LDF based on this delegated mandate. That the LDF-Technical Support Team was housed under the Ministry of Finance was also emphasised by the Secretary to the Treasury (known also as Principal Secretary of the Ministry of Finance) when he was asked to confirm the new appointment of the Executive Director of LDF: "I can confirm that he (Ted Kalebe) is heading the LDF and he has started work. The LDF is working in the same line as the MASAF and it is under my ministry" (Munthali, 2010). The appointments for the most senior post in the LDF-Technical Support Team, the Executive Director role, show that there are "two publics in Africa" (Ekeh, 1975:2), where technical officers are not only expected to promote the interests of their government, but they are also expected to distribute state resources preferentially to their own social and political networks. Hence the LDF-TST's Executive Officers are very much gatekeepers and patrons. Ekeh's (1975) idea of "two publics in Africa" is still relevant to democratic Malawi in the context of these findings because the government and political elites attempt to gain legitimacy through agents that use informal institutions. The idea of "two publics in Africa" is strongly linked to patronage especially on the aspect of premodial civics which means the Ekeh's idea is still

[45] The Ministry of Finance does this with support from the Ministry of Justice and Constitutional Affairs, who are responsible for providing legal advice (LDF-Technical Support Team, 2009:11).

applicable in the contemporary politics of development as demonstrated by the case of LDF in Malawi.

The institutional design that puts the LDF and the Technical Support Team under the Ministry of Finance has brought about tension between the Ministry of Finance and the Ministry of Local Government over the legitimacy as to which ministry is in a better position to house the LDF. The Ministry of Local Government has questioned the decision to have the LDF-TST under the Ministry of Finance, arguing that the LDF is most concerned with decentralisation and development, not finances. The Ministry of Local Government argues that they are the rightful institution to house the LDF-TST because they are the holders of the National Decentralisation Policy and Local Government Act – the legal and policy instruments that govern all decentralisation and rural development programmes. The Ministry of Local Government has a well-established Directorate of Rural Development and possesses experience in managing and implementing decentralisation programmes as accumulated over two decades. A key informant observed that the name of any programme tells a story regarding the host ministry: "so the element of Local Development in Local Development Fund clearly tells you that the Ministry of Local Government and Rural Development is supposed to be the host."[46] The argument is that there cannot be any other ministry better positioned to house the LDF than the Ministry of Local Government because of their expertise and their mandate on the matters that the LDF is addressing. The Ministry of Local Government supervises local governments (councils) and the LDF is being implemented by local councils. However, the Ministry of Finance uses the same logic regarding names of programmes to counter-argue that they are the legitimate host of the LDF. It was observed by a key informant in the Ministry of Finance that, "the programme is called Local Development Fund. It is a Fund and that is an issue to do with finances. The Ministry of Finance, Economic Planning and Development handles all finances and signs agreements on funds whether the source is internal or external."[47] The Ministry of Finance has indicated that they have the capacity and experience to manage finances, including the LDF. A further line of argument by the Ministry of Finance is that local development is a cross-cutting issue, hence the LDF can be housed

[46] Key informant interview, Director, Ministry of Local Government, Lilongwe, 16 February 2016.

[47] Key informant interview, Senior officer, Ministry of Finance, Lilongwe, 10 February 2016.

in any ministry that has the adequate coordinating capacity to bring all the actors together and harmonise the policies on local development for effective implementation.

These tensions between the Ministry of Local Government and the Ministry of Finance have led to adjustments in the institutional design of the LDF pertaining to the hosting ministry. The LDF was housed by the Ministry of Finance at the start of the programme in 2008 up until mid-2012. After mid-2012, the LDF was placed under the general administration of the Ministry of Local Government. On all occasions of the LDF being transferred to another ministry, the reason given by the government was that it should “improve coordination between development partners and public institutions and enhance performance at the implementing level.”[48] However, besides this formal justification for moving the LDF between ministries, these moves have been the closely associated with a senior political figure and cabinet minister in the ruling party, Honourable Goodal Gondwe, who “most of the times taken with him the LDF to the Ministry he has been moved to. He has been to the Ministry of Finance two times and Ministry of Local Government once. The LDF has moved with him twice to the Ministry of Finance and once to Ministry of Local Government. When he was not the Ministry of Finance or Ministry of Local Government, the invisible hand of the Office of the President and Cabinet was involved.”[49]

During fieldwork, two reasons emerged as to why cabinet reshuffles have involved this Minister, effectively leading to a re-design of the institutional framework on three occasions. The first reason is that the LDF is a huge project that brings significant funds to the Government, hence the Government wants to have a Minister positioned in the LDF who “understands and talk the technical language of donors and political language of government and politicians.”[50] The Minister concerned is an economist by profession who has worked for the African Development Bank (eight years), the International Monetary Fund (22 years) and also the Central Bank of Malawi. He has served as Chief

[48] Key informant interview, Principal Budget Officer, Ministry of Finance, Lilongwe, 10 February 2016.
[49] Key informant interview, senior officer, Ministry of Finance, Lilongwe, 10 February 2016. The concerned minister was Minister of Local Government and Rural Development (2009-2010) and Minister of Finance (2004-2009; 2014-to date).
[50] Key informant interview, senior officer, Ministry of Finance official, Lilongwe, 10 February 2016.

Economic Advisor to the President of the Malawi Government, and as Secretary to the Treasury in the Ministry of Finance. In addition, he was a Member of Parliament from 2004, up until 2014. The second reason why the Minister, Honorable Goodal Gondwe, effected institutional change in the LDF design concerning which ministry it was housed under, is that he was a senior political figure who was accustomed to commanding influence in positions concerning the control and allocation of resources.

According to Oya and Pons-Vignon (2010:15), certain decisions in Sub-Saharan Africa are made based on what they call ‘forced/forged consensus’ with “technocrats cynically articulating a convenient way of policy making that matches donors’ preferences.” Forced consensus is the application of informal power whereby developing countries conduct themselves in accordance with the unwritten rules of the game but so as to meet some of the expectations of the development partners. Unlike the Washington consensus that is often imposed on developing countries such as Malawi (Olukoshi, 1998; Mkandawire and Soludo, 2013), forced consensus is a ‘comfortable zone’ for aid recipient countries because it is an opportunity for aid fungibility by the placing of their ‘own people’ in influential positions without ‘raising the eyebrows’ of the donors. The appointments for the LDF show the willingness of the Government to maintain the flow of resources by appointing individuals who are approved of by the development partners. Forced consensus also shows creativity on the part of government as to how power should be exerted on donors in a way that maintains the inflow of resources, but does not require adherence to the agreements that they have signed with the donors.

There are several manifestations of informal power that have been exercised on donors to influence the institutional design of the LDF. One such manifestation concerns recruitment, whereby the appointing authority (the Head of State) controls the appointment process for responsible officers; for example, the President will appoint a Minister of Finance who development partners will accept and be willing to work with. The exercise of informal power in the LDF is also apparent in the application of the informal rules of the game that exclude certain other people from being appointed as Ministers. Notwithstanding the point that the appointment of cabinet ministers are the prerogative of the President, the expectation is that that the Minister of Finance should also be approved by development partners: this may mean that the prospective appointee should have experience of working with donors. Bachrach and Baratz (1962) regard “exclusion by the *(mis)use* of qualifications” as an instance of the exercise of informal power, and “being in good books with donors”[51] as an exclusion qualification against those who are not. Informal power is also exercised in the appointment of senior government officers, including those working in the LDF, because “it should please His Excellency [the President] to appoint senior officers like Principal Secretaries.” For ministers, “it is the prerogative of the president to appoint individuals serve in his or her cabinet.” In both cases – for ministers and principal secretaries – formal institutions create space for the exercise of informal power by the president as appointments are defined as private matters (Bachrach and Baratz, 1962; Heinsohn, 2004; Haugaard, 2002). The President, as the appointing authority, has a huge say regarding key appointees that oversee the LDF (Ministers and principal secretaries for Finance and Local Government) yet he or she is not obliged to make the criteria used for deciding such appointments available to the public. Both formal and informal power plays out at the same time in these appointments. As suggested by McCallan-Chen (2000), decisions and non-decisions can occur in open and closed spaces. The manipulation of appointee criteria, and the withholding by the appointing authority of the information that is considered in reaching a recruitment decision are manifestations of formal and informal power, as permissible by the formal and informal rules of the game governing the LDF.

The Ministries of Finance and Local Government have both actively played formal and informal power games influencing the institutional design of the LDF. These power games have involved a shift away from the original institutional design to a design that would allocate them maximum benefits in terms of funds, prestige and policy influence. These two ministries have adopted different lines in their power games, as aimed at further changing the LDF’s institutional design. The Ministry of Local Government have exercised their mandate as the holder of decentralisation and rural development policies, to formulate an Integrated Rural Development Strategy as a way of fully placing the LDF under their own Ministry. At the same time, the Ministry of Local Government “has avoided being seen to be targeting the LDF by including all Ministries that hold on to the rural development donor funded projects in the Integrated Rural

[51] Key Informant Interview, senior officer, Ministry of Local Government, 9 April 2016, Lilongwe.

Development Strategy."[52] The Integrated Rural Development Strategy sets out how Malawi can harness its own resources and have a common implementation approach to programmes on rural development (Malawi Government, 2016:10). The Integrated Rural Development Strategy is set to be implemented through different policy instruments, including the Expanded Local Development Fund. This Fund would be an integrated financing mechanism to establish a "pooled funding arrangement where sector ministries and donor partners put their resources in a basket for purposes of funding local development activities" (Malawi Government, 2016:46). It is interesting to note that, based on the Expanded Local Development Fund, government ministries would be required to completely devolve the development budget and route all resources for rural development into the basket fund. This means even the resources that are currently held by the Ministry of Finance would also have to be devolved and put into one basket fund, which councils would then have access to.

The Expanded Local Development Fund would empower the Ministry of Finance to use its powers and "discretion on the Local Development Fund Vote to pool the development resources with clear calendar for disbursement to the councils" (Malawi Government, 2016:47). However, in the politics of institutional design, the Ministry of Local Government, using their power as policy formulators, have narrowed the role of the Ministry of Finance in the LDF to just that of pooling resources into one basket. This limited scope of duty for the Ministry of Finance in the Expanded Local Development Fund was also made clear by the Ministry of Local Government in the 2016 Cabinet Paper, which stated, "the Ministry of Finance should pool together the development resources meant for local development and micro-projects from sectoral Ministries and put them in one basket in the LDF. These resources should be from both foreign and Malawi Government" (Malawi Government, 2016:2-3). These decisions outlined for the Expanded Local Development Fund are a result of the exercise of informal power by the Minister of Local Government, who has re-defined and limited the scope of the Ministry of Finance in their managing of the projects and resources implemented by district councils. In exercising informal power, power holders define

[52] Key informant interview, Deputy Director, Ministry of Local Government, Lilongwe, 3 February 2016.

and redefine roles to suit their own interests, which includes aligning themselves with the core elites as critical to attaining those interests.

The Ministry of Local Government has district councils and the National Local Government Finance Committee (NLGFC) as their strategic partners in their efforts to place the LDF under their own ministry. In the proposed Expanded LDF, district councils "shall have overall authority of the financial policies and controls of the funds at the Council" (Ministry of Local Government, 2016:3). Councils are happy about this because the current the LDF takes a top-down approach and undermines the development plans of the councils. The NLGFC is the designated custodian of resources for the proposed Expanded LDF, which is currently the role played by the LDF-Technical Support Team. It is important to mention that the Expanded LDF would change the configuration of the ministries and 'teams' in control of the LDF resources because the LDF-TST would be abolished. An abolishment of the Technical Support Team, with its roles being taken over by the NLGFC, would entail a return to the original institutional design of the LDF, as proposed by the Ministry of Local Government study that was conducted in 2005. This study recommended an LDF Management Unit be established within the NLGFC to manage the LDF disbursements to district and urban assemblies, following certain agreed procedures and agreements (Ministry of Local Government, 2005:109).

The Ministry of Local Government has on many occasions advocated for the abolishment of the LDF-TST as an independent government agency for this reason, given by a key informant: "LDF - Technical Support Team does not auger well with decentralisation policy and came into existence through the back-door."[53] This 'back-door' establishment of the LDF-TST involved the use of informal connections and also unconventional policy dialogue by former MASAF staff in order to have the LDF Management Unit taken out of the NLGFC. The then MASAF Secretariat took advantage of the fallout between the newly elected President, Bingu wa Mutharika, and the immediately preceding president, Bakili Muluzi, after the 2004 presidential elections. The Secretariat used bureaucratic and political machinery to convince the newly elected President that the Ministry of Local Government wanted to frustrate his

[53] Key informant interview, senior officer, LDF-Technical Support Team Lilongwe, 12 April 2016.

regime by placing the MASAF under the NLGFC to eventually 'kill' MASAF.[54] The use of informal channels to create the LDF-TST is not contested by the LDF staff. In an interview, a respondent from the LDF-TST confirmed that informal channels were used in order to have the Technical Support Team established outside the NLGFC: "We had to use underhand tactics to survive. We met and talked to those that mattered in political and administrative circles to make our case of the LDF- Technical Support Team being a standalone institution."[55] This reflects a manifestation of informal power in the original institutional design of the LDF.

In order to establish an independent LDF-Technical Team that was not attached to the NLGFC, the MASAF Secretariat had presented the picture to the newly-elected president that the MASAF was the most effective way of reaching out to the local communities: they aimed at suppressing alternative narratives that were in support of other funding modalities – in an exercise of informal power (Bachrach and Baratz, 1962; Scott, 1985). The LDF administrators persuaded the authorities to decide in their favour regarding the continuation of the MASAF and they recommended the adoption of the new, independent LDF-TST. Informal power was also exercised in the creation of the impression that the NLGFC could not manage the LDF because of the funding mechanism being comprehensive in terms of the delivery of development aid at a local level. Politicians interpreted the LDF as being a basket of funds which could be linked to the patronage necessary to maintain political stability and political power (Arriola, 2009; Peiffer and Englebert, 2012). Donors, particularly the World Bank, supported narratives for establishing an independent implementing agency (the LDF-TST) even though they were aware that the LDF would be fungible. The MASAF, which became the LDF, was the World Bank's most visible and well publicised programme in Malawi, such that the Bank did not want it to be abolished. Based on these events leading to the transformation of the MASAF into the LDF, and the establishment of the LDF-Technical Support Team, my argument is that where interests meets, local actors can strategically align themselves with donors. Similarly, donors can work through local actors to exercise informal power and prevent certain decisions from ever being made,

[54] Bakili Muluzi was a United Democratic Front president. The fallout was a result of Bingu wa Mutharika quitting the United Democratic Front, the political party that had sponsored him into power, to form his own political party, the Democratic People's Party.
[55] Key informant interview, senior officer, LDF-Technical Support Team, Lilongwe, 12 April 2016.

while at the same time, they can promote the making of other decisions; in this case, the decision to create the LDF-TST.

The conduct of the LDF-TST, formerly MASAF, staff demonstrates that informal networks are critical to institutional design as they help with the mobilisation of bias and the closing off of other alternatives. There was a selective consultation in the run-up events to the establishment of an LDF technical support team outside the National Local Government Finance Committee, such that most of the organisations and ministries that were consulted were those who were already in favour of establishing a different institution to the NLGFC in managing the LDF. Nondecision-making power in the institutional design of the LDF was exercised through a mobilisation of bias that involved "excluding items from an agenda, creating selective precedents, defining matters as a private affair, excluding others by endless red tape, creating committees that never reach decisions, or 'losing files" (Heinsohn, 2004:139). The World Bank, though consulted, already had a position favouring the establishment of a Project Implementation Unit outside the NLGFC because of concerns about a lack of capacity at the NLGFC to manage big projects, and concerns regarding the NLGFC's strong ties to the Ministry of Local Government as its parent Ministry. The Ministry of Finance supported the World Bank's view because, to them, having the LDF under the NLGFC effectively meant placing the Fund under a 'rival ministry,' the Ministry of Local Government.

4.4.2 The Public Trust and Merger of LDF-Technical Support Team and NLGFC: Power games by donors and national institutions

As an institution with an interest in maintaining their control of the LDF, the LDF-Technical Support Team has employed a strategy aimed at surviving their own abolishment should the Expanded LDF be approved by the Malawi Cabinet. In this regard, the LDF-TST has proposed their becoming a Public Trust (see Table 4.3 for highlights on actors supporting and opposing the establishment of a Public Trust, and the narratives used to justify their position). As a Public Trust, the LDF-TST would be an independent organisation established by law, mandated to manage the LDF. The LDF-Technical Support Team have argued that their transformation into a Public Trust would be advantageous to the Malawi Government because a Public Trust "increases public ownership of the people and accountability."[56] The Technical Support Team's argument is that it is in the interest of the Malawi Government to have the LDF-TST as a Public Trust because this would enhance the credibility of LDF operations and so win the confidence of the donors. The Technical Support Team refers to the recent withdrawal of aid by donors as an indication of their loss of confidence in Malawi's public fiscal management systems, hence the need to have vibrant institutions, such as a Public Trust, that would be credible and trustworthy. The unwritten incentive for the LDF-TST is that by transforming into a Public Trust, there will be the opportunity to increase the number of donors who are contributing resources to the LDF.

The expression of interest to establish a Public Trust is an indication that proponents for the LDF-Technical Support Team as an implementing agency outside the NLGFC made errors regarding fallacy of continuity and fallacy of stretchability in the process of institutional design. According to Coram (1996:98) fallacy of continuity is committed when it is assumed that "small changes in initial conditions within a given set of institutions might have large consequences for the outcomes", whilst fallacy of stretchability is experienced when it is believed that "small changes in the institutions will only have small consequences." The Malawi Government established the LDF as a pooled fund to be managed by the LDF-TST with the anticipation that many donors would bring together their resources for local development, which has not happened because the LDF has only three donors while there are more than 31 ODA donors operating in Malawi (Malawi Government, 2014). What was thought to be a small change in the establishment of the LDF-Technical Support Team outside the NLGFC, contrary to the original design, brought large consequences in that many donors have not been willing to contribute their resources to the LDF.

The power game played in the proposal for the creation of a Public Trust has been played out using the strategy of mobilisation of bias and coalition-building, as evidenced by several steps taken by the LDF-Technical Support Team. In mobilisation of bias, the LDF-TST has promoted the idea that a Public Trust is the only and best option for achieving policy harmonisation and to prevent proliferation. Aid effectiveness discourse dominates the power play for a Public Trust as proponents know

[56] Key informant interview, senior officer, LDF-Technical Support Team, Lilongwe, 23 January 2016.

that such a narrative will be appealing to donors (Gulrajani, 2014). The LDF-Technical Support Team has partnered with the Ministry of Finance and the World Bank to make the case for this creation of a Public Trust. Councils and other development partners, particularly from the European Union, have also spoken in favour of transforming the LDF-TST into a Public Trust. The functional and organisational review of the LDF-TST that recommended the transformation of the Technical Support Team into a Public Trust was commissioned by the LDF-TST themselves, with support from World Bank and the Ministry of Finance. The review was undertaken by a consultancy firm, and as administration function is within the remit of the Ministry of Local Government, then this consultation should have been processed and approved by the Ministry of Local Government. Instead, all logistics were handled by the LDF-TST and approved by the Ministry of Finance.

According to a Ministry of Local Government official, *"*The LDF- Technical Support Team flouted procedures which the donors and Ministry of Finance were fully aware of but condoned because they have interests in the LDF- Technical Support Team becoming a Public Fund."[57] It should be noted that the study recommending that the LDF-TST should transform into a Public Trust, mentioned above, was only commissioned after a previous study on the functional and organisational review of the LDF was terminated on the grounds of "poor performance by the Consultants. The first Consultants were to recommend a merger of the Technical Support Team and the NLGFC, an idea that does not go well with the LDF-TST."[58] The LDF-TST did not support this merger for fear of loss of jobs, prestige, control of resources and reduced remuneration because the LDF-TST have had better conditions of services than have the NLGFC.[59] The LDF administrators have also been worried that the World Bank could withdraw their funding if the two institutions were to merge as the Bank has been sceptical about the effectiveness of such a merger. The World Bank funds 100% of the operational costs for the LDF-TST, which includes salaries, allowances and other

[57] Key Informant interview, senior officer, LDF-Technical Support Team, Lilongwe, 6 January 2016.

[58] Key Informant interview, senior officer, NLGFC official, Lilongwe, 22 January 2016.

[59] The LDF-TST and the NLGFC have a total workforce of 48 and 45 employees respectively, totalling 93. If the two institutions were to merge, an overall workforce would reduce to 78 if the new institution were to only focus on core functions, or the overall staff workforce would reduce to 72 if both core and non-core functions were to be taken on board by the new institution (Malawi Government, Department of Human Resources Management and Development, 2017).

benefits (Malawi Government, Department of Human Resource Management and Development, 2017).

The LDF-Technical Support Team has the support of the World Bank for becoming a Public Trust. The financial resources that commissioned the study to support this were also provided by the World Bank. The exercise of informal power may be seen in the way that the procurement of the personnel who would conduct the study was handled. According to the Ministry of Local Government, the procurement of services of that nature, and the substantial funds involved, should be processed by the Ministry of Finance and the Ministry of Local Government. However, the Ministry of Local Government was bypassed such that they were not involved at all in the procurement procedures of the consultant who undertook the assignment (recommending transformation of the LDF-TST into a Trust or Commission): the LDF-TST only involved the Ministry of Finance. In this regard, control of the decision-making process in the outcomes of the consultancy report was gained by the Ministry of Finance, who were sympathetic to the idea of transforming the LDF-TST into Trust or Commission. A technical officer in the Ministry of Local Government also indicated: "The LDF-Technical Support Team involved personnel that produced the recommendations they wanted. We understand they terminated contract of other consultants because their report was to recommend something that they do not agree with; merger of the LDF-Technical Support Team and NLGFC."[60] Informal power can prevent certain decisions from being made, which is exactly what the LDF-Technical Support Team did by engaging consultants that were seemingly sympathetic to their preferred narratives, bypassing the Ministry of Local Government and terminating the contract of other consultants before they completed any assignment that would lead to the LDF-TST being taken over by another organisation.

In response to this strategy as employed by the Technical Support Team, the Ministry of Local Government halted the implementation of any recommendations from them. Then, the Ministry of Local Government, with support from strategic allies, supported a decision that also reflected the exercise of informal power: they recommended the commissioning of a study that would recommend what they had been advocating for – the merger of the LDF-Technical Support Team with the NLGFC. The Ministry of

[60] Key Informant Interview, Senior Officer, Ministry of Local Government, 25 January 2016.

Local Government took advantage of the highly public service reforms programme to lobby for a functional review on the merger of the LDF-TST and NLGFC, which was then conducted by the Management Services Division of the Department of Human Resource Management and Development.

The World Bank's interest was to have an independent institution managing the LDF that would be legally backed by law for accountability reasons. The Ministry of Finance has supported the transformation of the LDF-TST into a Public Fund as a way of avoiding the alternative Expanded LDF that would reduce the World Bank's power and role in the LDF. The idea of the LDF-TST becoming a Public Trust is supported by district councils because they would then be dealing directly with that body, unlike in the current institutional design where councils go through the Ministry of Local Government and NLGFC. Local councils are not particularly keen on the involvement of Ministry of Local Government and the NLGFC in the LDF because the Ministry of Local Government is viewed by them as acting like a supervisor who interferes with in-house matters whilst the NLGFC, "behaves like auditor always finding faults in what councils do and punish them."[61] Within the donor community, the idea of constituting the Technical Support Team as a Public Trust has been encouraged by the Delegation of the European Union to Malawi, who successfully supported efforts towards registering the National Initiative for Civil Education from a government project to a Public Trust in 2012.[62] However, as with the national institutions, the donor community is not in unison on transforming the LDF-TST into a Public Trust. The two development partners, UNDP and IrishAid have supported the formulation of the Integrated Rural Development Strategy that proposes the Expanded LDF should completely take over the current LDF, which is supported by the World Bank, KfW and the AfDB. The UNDP, as advocates of decentralisation, have also supported the Ministry of Local Government in opposing the establishment of a Public Trust.

[61] Interview informant interview, Thyolo District Council, Thyolo, 8 March 2016.

[62] At the time of institutional re-designing of the National Initiative for Civic Education, other options were (1) registering as an NGO; (2) becoming a Commission established by the Constitution or Act of Parliament; and, (3) registering as a Private Trust. Registering as an NGO and Private Trust were not feasible options in terms of attracting donors, whereas becoming a Commission was not going to be supported by government because the National Initiative for Civic Education was critical of government especially during elections.

The UNDP would prefer to see the LDF transformed into the Expanded LDF, rather than letting it become a Public Trust, because the UNDP "was in a taskforce that established the LDF though they never joined the pool. Supporting a Public Trust would be tantamount to saying they were wrong in establishing the LDF which they don't want".[63] The Ministry of Local Government has opposed the establishment of a Public Trust on the grounds that it would be adding another layer of management and re-centralisation, which should be avoided because the government policy is to decentralise all development functions and resources. The Ministry of Local Government's opposing view to the establishment of the LDT-TST as a Public Trust was made clear in a memo dated 11 May 2016 to the Executive Director of the LDF-Technical Support Team wherein the Ministry argued that creating a Public Trust would be a duplication of effort and institutions: instead, they argued that they should be strengthening the already existing institutions, the Ministry of Local Government and the NLGFC. Like the LDF-Technical Support Team, the Ministry of Local Government has deliberately used the discourse of harmonisation and alignment, as featured in the Paris Declaration, to make their case appealing to the development partners that already see the LDF-TST as a project of three banks: the World Bank, the AfDB and KfW.

4.5 Conclusion

In this chapter, I have discussed the actors who participate in the LDF pooled fund, their roles and their interests. I have examined how formal and informal power games are played by these actors and how these games have shaped, and seek to shape, the institutional design of the LDF as a pooled fund. I have argued that despite diverse and competing interests among players (donors and domestic institutions) the LDF remains sufficiently accommodating and convenient to promote individual interests, and the LDF was designed in such a way that each of the three donors were given the space to pursue such interests. In line with research question addressed in this chapter, I have argued that donors beyond reducing poverty and good governance as reasons for their participation in LDF, their other interests are influencing policies, strengthening bilateral and multilateral relations and gaining financial rewards (multilateral development banks). Local policymakers, politicians and members of local communities are interested in LDF because they want development aid to implement

[63] Key informant interview, Ministry of Finance, Lilongwe, 4 December 2015.

development projects, strengthen patronage networks, advance professional career, enhance and consolidate political support and prestige for ministries (Ministries of Finance and Local Government) to control a well-resourced fund. Although earmarked funds may appear to be a failure in a pooled fund, I have demonstrated that the LDF was informally designed not to work as a pooled fund. Instead, the formal and informal power games played between the development partners and the domestic actors have created a situation where actors of similar interests to the aid-giving organisations are the only participants, and where the policy-holders for decentralisation and finances are the only active participants from the domestic actors' communities. Despite several proposals for LDF institutional (re)design – Public Trust, Expanded LDF, legislation and merger of the LDF-Technical Support Team and National Local Government Finance Committee– the status quo has continued to be maintained by way of co-option, consensus, coercion and coalition-building to protect and defend the interests of the LDF actors. Formal and informal power games played by actors in LDF that shape its institutional design are written and unwritten rules of the game of the proposed Public Trust, Expanded LDF, merger of the LDF-Technical Support Tean and National Local Government Finance Committee. I have argued that the models of institutional design that have been proposed by different actors in the LDF mirror the interests that they each want to attain, and the process of attaining such 'First Bests' is largely guided by informal power and discourses, rather than formal and official narratives.

CHAPTER 5: THE IMPACT OF THE EXERCISE OF POWER IN POOLED DEVELOPMENT FUNDS ON LOCAL GOVERNANCE

5.1 Introduction

Development aid is a critical resource at various levels within national and local government for many developing countries. At central government level, development aid is related to policy formulation, and the monitoring and enforcing of national standards across different departments within the public machinery. At local government level, aid mainly contributes to the implementation of programmes. The ways in which aid is channelled to both central and local government matters in terms both of service delivery and outcomes. In this chapter, the research question I will address is: '*What is the impact of the exercise of power in pooled development funds on local governance?*' The main argument in this chapter is that the ways in which formal and informal power are exercised impacts upon local governance in several ways. I argue that in pooled funds, where actors are pursuing individual interests, it is unavoidable that power will play out in ways that impact upon local governance. I also assert that both formal and informal power are exercised in the LDF. As discussed in the previous chapter, national actors mostly use informal power to influence the decisions that will ultimately shape the institutional design of the LDF, whereas donors mostly exercise formal power to influence these outcomes. In this chapter, the discussion focuses on local governance for two reasons: first, the LDF as a pooled fund mechanism uses local governments as implementing agencies for most of its activities; and secondly, the LDF aims at improving local governance by harmonising several development financing arrangements in the rural development sector. The LDF has been, and continues to be, a major financial resource for local councils, such that it has contributed to significant changes for councils regarding policy direction and service delivery. By focusing on the impact of pooled funds on local governance, I will demonstrate the circumstances whereby formal and informal powers are complementary and where they compete, which affects the fast implementation of projects, the deepening of patronage, the circumvention of government machinery, and the institutionalisation of project aid.

5.2 Fast Implementation of Projects

One of the problems of development aid in receipent countries is slow implementation of projects. Foot-dragging can be an exercise in informal power by government authorities who wish to delay government projects (Scott, 1985, 1992). However, such slow implementation of projects frustrates both development partners and recipient countries because this reflects badly in terms of their joint capacity to achieve outputs. For development partners, delays in project implementation negatively affect their campaigns for resource mobilisation, weakens their legitimacy as viewed by their constituents, increases budgetary costs, and reduces policy influence because of missed targets (Winters, 2010; Collier et al., 1997). Donors may then opt for bypassing government structures on the grounds of slow progress in the implementation of activities by public institutions, the mismanagement of funds by aid recipient countries, and aid fungibility (Khilji and Zampelli, 1994; McGillivray and Morrissey, 2000; Petterson, 2007). These concerns, as raised by development partners, are valid: in developing countries, delays in public service delivery can have major consequences while development aid has the potential of transforming the living standards of people if well utilised (Sachs, 2003). As will be discussed later in this chapter, donors have in many cases resorted to utilising bypass aid delivery mechanisms in the channelling of their aid to beneficiaries. Though some bypass mechanisms have delivered outputs on time, they also go against the principles of delivering aid as advocated by the 2005 Paris Declaration, the 2009 Accra Agenda for Action and the 2011 Busan Partnership for Effective Development Cooperation.

Regarding the time frames related to the completion of projects for the LDF as a pooled fund, I contend that there is a fast implementation of projects in this case because of the forces within both formal and informal power structures, as well as a reduced bureaucracy when compared to other aid modalities, such as budget support. Interviews and focus group discussions (FGDs) for this study have demonstrated that formal and informal powers are exercised to expedite the implementation of projects in the LDF because this works in the best interest of donors, government, the LDF administrators, politicians and local communities. Decisions and nondecisions are made to control and manipulate the agenda in such a way that actors can achieve their interests. Whilst hastening the implementation of activities in the LDF, formal and informal power is exercised to establish new networks and to integrate others, such that the institutional design of the LDF is affected by these changes (Shearer et al., 2016). As will be discussed in section 5.3, the fast implementation of projects in the LDF is achieved through the bypassing of government bureaucracy – which has ultimately changed the institutional design. The LDF-Technical Support Team (LDF-TST) is used by development partners in the LDF to implement projects at their desired pace, as reflected in their development financing agreements. In an interview, an official from the LDF-Technical Support Team explained how a US$ 36 million Education Sector Wide Approach project was diverted from the Ministry of Education to the LDF-Technical Support Team at the request of the World Bank, and other donors, because the Ministry of Education had failed, for three years, to implement the project. This Ministry had failed to implement the project because of their long bureaucracy on public procurement. When the Education Sector Wide Approach project (ESWAP) was transferred to the LDF-TST, 1,703 classrooms and 203 teachers' houses were constructed within three years; from 2012 to 2014. It is important to note that, while the Ministry of Education did not facilitate the construction of even a single classroom or teacher's house in three years, the LDF-TST surpassed the project output within the same time frame. The confidence in the Technical Support Team regarding this timely completion of a project was recognised by the Principal Secretary for the Ministry of Local Government, who remarked: "The efficiency and effectiveness the fund has demonstrated over the past three years has earned the LDF-Technical Support Team a lot of confidence by all stakeholders. As such government has made a decision that the LDF partner with Ministry of Education to improve infrastructure in the sector" (Jassi, 2012).[64] By diverting resources under ESWAP from the Ministry of Education to the LDF-Technical Support Team, my findings confirm the findings of Van de Walle (1999) and Dietrich (2013), among others, that donors utilise different implementation strategies in order to deliver aid on time.

The timely completion of projects is showcased by the LDF-TST and donors, particularly the World Bank, as providing a role model in terms of the enhancement of public service delivery. The LDF-TST is a reference point for the design of projects in other African countries where the World Bank is implementing its social funds programme, and the LDF-Technical Support Team has hosted several missions on study tours. For instance, teams of managers from the Tanzania Social Action Fund have regularly conducted study tours to the LDF-TST Technical Support Team to familiarise

[64] Kaphaizi, former Principal Secretary for Ministry of Local Government.

themselves with the implementation of the Community Savings and Investment Programme.[65] Delegations from both Zambia's and Kenya's Managing Social Funds Programmes have also been on study tours to the LDF-TST to learn different aspects of project management at the recommendation of their governments and development partners (LDF-Technical Support Team, 2015). Through study tours, the Technical Support Team is a knowledge broker between the World Bank and other implementing agencies in countries that have social funds programme. This tells us that the mission behind study tours visiting the LDF-Technical Support Team is not simply to make use of the knowledge and experience of the LDF-Technical Support Team, but it is also a strategy by the World Bank in wielding more formal power through the institutionalisation of new formal rules of the game. A former World Bank Senior Project Officer said, "Each of the visiting teams from Tanzania and Zambia were asked to incorporate lessons learnt from Malawi in their programmes."[66] This encouragement of teams being invited to visit and learn lessons from the study tours is a manifestation of a move to establish more formal institutions that will be used to make decisions, in this exercise of formal power.

Donors use study tours to benchmark best practices and the indicators are that these benchmarking trips exert donors' power both on aid recipients and on the structural, institutional design of aid modalities including pooled funds (Sending and Lie, 2015). According to Rose and Miller (2010:271), benchmarking represents "governing from a distance," which happens in tandem with the exercise of formal power within the confines of formal institutions. Formal power plays out in tours and has an impact on the institutional design of pooled funds as the rules of the game become similar either in a normative or in a mimetic way (DiMaggio and Powell, 1983; Beckert, 2010). For example, Malawi's social funds programme, the MASAF (now renamed the Local Development Fund) was implemented following a series of study tours to Latin America where the World Bank was implementing other social funds programmes. Therefore the LDF's institutional design shares similarities with other social funds programmes as implemented in Latin America (Parker and Serrano, 2000).

[65] TASAF Management Unit. 2006. *Tanzania Social Action Fund Quarterly Report (July-September 2006*). [Online]. [Accessed July 2017]. Available from: http://www.tasaf.go.tz/
[66] Key informant interview, former Senior Regional Project Offer, the World Bank, 26 April 2016, Lilongwe.

Benchmarking therefore creates room for the establishment of formal institutions, and this provides incentives for the donors to exercise formal power, while the process of managing these benchmarking or study tours also shows the exercise of informal power. Regarding the study and benchmarking tours undertaken by the teams from Tanzania and Zambia to the LDF-TST in Malawi, benchmarking was an exercise of informal power because, "It was donors that decided on Malawi being the country where Tanzania and Zambia should go for baselines and learning best practices."[67]

Mdee and Thorley (2016) studied the World Bank funded Productive Social Safety Net Programme in Tanzania. In their study, they established that, "the programme uses a system of community-based targeting" (Mdee and Thorley, 2016:15). In the LDF in Malawi, projects are also implemented using community-based targeting, just as in Tanzania. A former World Bank senior project officer gave a reason as to why Malawi's LDF-TST was chosen to share their experiences with Tanzania: "We asked TASAF (Tanzania Social Action Fund) to visit Malawi to learn from the LDF-Technical Support Team how they were managing community-based targeting. Yes, Malawi is doing fine but the main reason was that Tanzania and Malawi are coordinated by one regional office at the World Bank. It makes sense that way when you want to have a harmonized system."[68] Donors, therefore, deliberately recommend that their aid recipients visit countries that fit those outcomes that they want to be achieved after the end of the study tours. By manipulating the criteria of the exemplary countries to be learned from, or by withholding information concerning certain aspects of the benchmarking trips, donors also exercise informal power that impacts institutional design. The study tours are also an exercise of informal power between the donors and the 'role models' themselves, because they will both be involved in decisions for "the way things work" (Pantazidou, 2012:12). This study finds that the LDF-Technical Support Team limited the scope of the TASAF and Zambia operations by sharing their own 'best practices' which the visiting teams then had to incorporate into their programmes. As discussed, benchmarking and study tours are recommended as facilitating the sharing of knowledge for improving the institutional design of aid modalities. However, Hayman

[67] Key informant interview, former Senior Regional Project Officer, the World Bank, 26 April 2016, Lilongwe.
[68] Key informant interview, former Senior Regional Project Officer, the World Bank, 26 April 2016, Lilongwe.

et al. (2017) argue that the flipside of such benchmarking indicators is the creation of pressure upon actors to manipulate certain data. Sending and Lie (2015) made the same observation for the World Bank’s Country Policy and Institutional Assessment in Malawi and Ethiopia. The Malawi and Ethiopia Governments had the incentives to withhold certain data that would have been damaging to their receiving of aid based on the benchmarks and indicators in the Country Policy and Institutional Assessment. In order to have an increased share of the aid available, the two governments provided only such data as would help them to score a high qualifying grade. This is proof that benchmarks and study tours may lead to the exercise of informal power whereby aid recipient actors manipulate decisions by giving false information that will fit into the broad framework being used. In view of these findings that institutional designs in the ‘receiving’ country cannot be the same as those in the ‘sending country, Andrews (2018:159) suggests adopting a “problem driven iterative adaptation approach” to institutional design. The problem iterative adapataion approach puts into consideration the local formal and informal institutions to come up with institutional designs that are responsive to the interests of stakeholders. The argument of exporting best practices is discouraged by the problem iterative adaptation approach to institutional design.

From the perspective of Bachrach and Baratz’s power typology and Gaventa’s powercube framework (see chapter 2), study tours are spaces where international and national actors exercise formal and informal power to influence the institutional design of aid modalities, including pooled funds, in ways that will help them to achieve their interests. Study tours are invited spaces because only experts attend these trips, to share ideas with fellow experts. Due to the multilevel and horizontal governance in aid modalities, it is possible for the actors within a level to share knowledge with each other, just as actors can share knowledge between the different levels. The study tours involving the Malawi Social Action Fund (MASAF), Tanzania Social Action Fund (TASAF and Zambia Social Investment Fund (ZAMSIF) represent a horizontal governance whereby actors at the same level in the powercube share knowledge to influence invited spaces at the local level. Multilevel governance in the study tours is demonstrated by the involvement of the World Bank – an international actor – in their organisation of the national actors to attend the study tours. Study tours have an element of both formal and informal power as ‘best lessons’ are shared to promote particular structured codes of conduct and knowledge that are deemed to be working effectively.

Structured institutions establish “the rules of the game that power relations operate” (Frediani, 2010:181) and effectively limit the agency of some of the actors involved in study tours because these actors will have to operate in accordance with the ‘best lessons.’ These ‘best lessons’ create structures for the exercise of formal power by defining what actors can and cannot do (Eyben, 2004).

‘Best lessons’ in study tours are also transmitted from international to national level through observation: involves the informal power in the powercube. The cues that actors receive during study tours create the foundation for the informal power that actors will exercise. This informal power is needed to produce an institutional design that is responsive to local spaces, and such institutional design is always an outcome of formal and informal rules of the game. What informal institutions do is contest the legitimacy and applicability of the formal rules of the game such that formal institutions may eventually adapt to local spaces. This explains why, the study tours that have involved different actors, such as the MASAF, TASAF and ZAMSIF have variations: they are influenced by their local spaces because local spaces exude different dynamics of formal and informal power. Study tours are undoubtably a means of promoting similarity among pooled fund institutional designs – a process that DiMaggio and Powell (1983) refer to as institutional isomorphism, although the obstacle to this institutional isomorphism of pooled funds in the LDF, for example, is the resistance from local actors who are pursuing their own interests.

The success of the LDF-Technical Support Team on their timely completion rate of projects, as discussed above, presents a different picture when critically observed. A within-case analysis by this study, as to which of the donors’ projects achieved timely completion, indicated a qualified success story, and not all donors contributing resources to the LDF have had their projects implemented within the agreed time frames. Success on this point has varied among donors, with the World Bank having a relatively higher timely completion rate than the AfDB (African Development Bank) and KfW. Projects under the Urban Window funded by KfW and AfDB have struggled to be completed on time, unlike a number of projects in the Community window funded by the World Bank. For instance, for the construction of the Monkey Bay Rural Growth Centre in Mangochi (funded by AfDB) the project time frame was one year (March 2013 to March 2014); however, this was extended by a further three years to a completion date in mid-2017, and it is yet to be completed at this time of writing (2018). In fact, none of the four Rural Growth Centres that the LDF is constructing with funding from the AfDB have been completed on time. Project time frames for all four Rural Growth Centres have been extended from one year to a minimum of three years. Across Malawi more widely, numerous delays have been reported in the completion of LDF projects that have been funded by all three participating donors, the World Bank, the AfDB and KfW.[69]

My fieldwork supports calls by Eichenauer and Reinsberg (2017) and Acht et al. (2015) for a re-examination of the hypothesis that bypasses are always the fastest way of delivering aid to local communities. The argument is that not all bypasses will be successful in delivering aid to local communities quickly. What allows bypasses to deliver aid quickly depends on the incentives and rules of the game in the aid modality institutional design that allow and ensure that actors can make decisions quickly. The institutional design of the LDF is premised on a decentralization framework such that decision-making power is assumed to be with local councils and communities. However, the LDF is still centralised because donors and ministries continue to hold on to power so that at each level of management in the LDF, actors hold on to power through formal and informal rules of the game. As discussed in chapter 4, actors in the LDF play formal and informal power games to maintain their influence on the Fund, and such power games have contributed to the centralisation of the LDF. For instance, the LDF-Technical Support Team have taken over the responsibilities of councils such that the Technical Support Team are now an implementer rather than being simply a broker between donors and councils, as was formerly the case. As argued in the preceding chapter, the LDF-TST justifies this stretching of its mandate and their

[69] See: Mughogho, L. (2016). ‘Karonga Residents Angry over Abandoned Stadium Project’. *Malawi 24*, 17 May 2016. [Online]. [Accessed on 14 December 2017]. Available from: https://malawi24.com/2016/05/17/karonga-residents-angry-abandoned-stadium-project/ . Also: Malawi News Agency. (2016). ‘Kasungu Stadium delay displeases minister...’. *The Nation*, 26 January 2016. [Online]. [Accessed 15 December 2017]. Available from: http://mwnation.com/kasungu-stadium-delay-displeases-minister-vincent-khonje/. Also: Malawi News Agency. (2016). ‘New Ntcheu bus depot opens June’. *The Nation*, 2 May 2016. [Online]. [Accessed 17 December 2016]. Available from: http://mwnation.com/new-ntcheu-bus-depot-opens-june/. Finally: ‘Construction of Luchenza Municipality City Bus Depot Starts,’ http://blantyrepost.com/index.php/2016/12/01/construction-for-luchenza-municipality-bus-depot-starts/x.

overtaking of councils in this way on the premise that the councils have insufficient capacity; a claim that is contested by council officials as being, in the words of a key informant at the district council, "just another excuse not to relinquish power to local communities."[70] The LDF-TST's justification for not devolving power to local councils is a narrative for institutional bricolage whereby the LDF-TST and the Ministry of Local Government find 'faults' with local councils so as to bend the rules of the game and suspend the adoption of a decentralised institutional design for the LDF. Bachrach and Baratz (1962) indicate that refusing changes on the grounds of the weak capacity of other organisations is one of the occurrences of informal power. The LDF-TST and the Ministry of Local Government have also taken advantage of the situation that donors have centralised their operations in the LDF; as such, local councils, the LDF-TST and the Ministry lack the collective agency to influence donors to devolve to power to local councils, as formally required by the original LDF institutional design. This institutional practice among donors is the basis for the Ministry of Local Government and the Technical Support Team combining their efforts to establish informal institutions "that repeat themselves continuously, forming a pattern and becoming institutionalised" (Frediani, 2010:181), so changing the way that the institutional design of the LDF is operationalised as a pooled fund.

The central argument for the discussion above is that the institutional design of pooled funds is self-servicing because, with the exercise of formal and informal power, written and unwritten rules of the game aim at promoting the interests of all actors contributing to the pool, but especially the more powerful ones. In the LDF, power is exercised to create the rules of the game that will give a competitive edge to power holders in the realisation of their interests, which can include fast implementation of projects. For domestic actors, there are also other interests in making sure that the institutional design of the LDF allows for a quick implementation of projects. Quick implementation of projects also means reaching out to local communities with resources that will be distributed through several channels including patronage. The section below discusses how power shapes the institutional design of the LDF in a way which makes aid fungible so that it is distributed among the social networks of the power holders, even when donors insist on a distribution of resources that is based on formal institutions.

[70] Key informant interview, Director, Mangochi District Council, Mangochi, 22 March 2016.

5.3 Deepening of Patronage

One key feature of politics in Africa is patronage (Chabol and Daloz, 1999; Beresford, 2014; Mkandawire, 2014). Patronage takes state-society relations onto the path of a personalised engagement between political elites and citizens while favours are sought by each from the other. Citizens are clients who must tread carefully when dealing with the state, a patron, otherwise they will not have access to certain resources. Pooled fund aid modalities are used by authorities to distribute resources to their supporters, rewarding them for their loyalty. The LDF is also used to make inroads to those constituencies who are not favourable towards those in charge of resource allocation. Providing resources to constituents who do not formally qualify for aid occurs within the institutional framework of the LDF. This means that the official rules of the game are not applied in some cases to include certain people who would not qualify as beneficiaries if rules and procedures were being strictly followed.

This study's interviews and FGDs show that the LDF is a funding mechanism that has been used as a means for patronage by domestic actors, including chiefs, MPs, councillors and district council officials. Patronage is possible within the LDF through the exercise of informal power, which evades the application of formal rules in the distribution of resources to clients. The bypassing of criteria in the allocation of resources and an informality in the application of policies also sometimes occur with the knowledge of development partners and the LDF officials. Public officials, development partners and the LDF-TST allow this informalisation in resource allocation procedures when the pressure to do so comes from elected representatives. They do this so as not to be seen to be sabotaging the representatives' political agenda of reaching out to the electorate. The LDF officials, public officials and development partners also fear the sabotage of their own programmes by politicians if they were to insist on a strict application of the rules of the game. An acceptance of the suspension and manipulation of policies is illustrated by events that have occurred in the implementation of the LDF Malawi Social Action Fund Project, as explained below.

In 2013, the World Bank indicated that the beneficiaries for the Public Works Programme under the LDF MASAF IV's conditional social cash transfer project were the ultra-poor who undertook manual labour under the programme (2013:7). The World Bank defined the category of ultra-poor people as being those with an income of MK

10,029.00 or below per year (2013:7).[71] The LDF MASAF IV was implemented using a Catchment Area approach whereby only the ultra-poor residing in the hotspots that constituted the Catchment Area were registered as beneficiaries. The enrolled beneficiaries were paid MK 800 per day for 36 days in a year, spaced in three equally divided cycles of 12 days. However, through interviews and FGDs with council officials and community members, it emerged that two important formal rules of the LDF MASAF IV were being violated for the purposes of enrolling people who did not qualify, but who were important to the political survival of their MPs, councillors and chiefs' associates. First, in Mangochi and Thyolo, council officials took instructions from MPs and councillors to enrol people who were not recommended at the open community forum. Those who were registered with special instructions from the MPs, councillors and chiefs were mostly members of these people's own political party, and/or were family relations. The Minister of Local Government lamented about such abuse of resources in the LDF: "We know there are other irresponsible officials who take advantage of government resources to benefit themselves, and for that reason we will be monitoring to ensure they are put to its intended use" (Nankhumwa, *Daily Times*, 2016). Despite such warnings, so far no-one has been dismissed, despite clear evidence of wrongdoing. One explanation is that it is politically correct for the Minister to condemn this practice, but politically undesirable to discipline chiefs and councillors because they are the gate-keepers to the electorate.

The second formal rule of the LDF MASAF IV that has been violated concerns the registration of beneficiaries for projects within certain impact areas whereby the beneficiaries do not belong in the relevant Catchment Area. In both main study districts (Mangochi and Thyolo), focus group discussions with the Area Development Committees revealed that it had been agreed at Area Development Committee level that beneficiaries working in particular Catchment Areas should include people from other communities whose areas had no allocated Catchment Area, or where a Catchment Area was yet to be funded. This is contrary to the rules of the LDF MASAF IV, as handed down to councils from the World Bank and the Technical Support Team. In one study

[71] Ultra-poor households earn income very irregularly, and it is often acquired through manual labour or by asking others for money or food. These households suffer from severe malnutrition, typically eating only one meal per day, and usually own few productive assets (World Bank, 2013:7).

interview, a councillor stated: “I represent the whole ward not just a section of it. There are many people that are poor. This programme is only concentrating on few areas. In some cases, some communities do not have Catchment Areas are they are completely left out yet there are also poor people there. Our interest is to make sure that development is spread across all communities in the ward hence we negotiate with the communities in the Catchment Areas to show brotherly love to other poor people by accepting them to work in their areas.”[72] However, the primary interest of this councillor is not so much reaching out to the whole constituency, but rather in spreading interventions to all members of communities as this ensures more votes. An MP has also made remarks indicating that the Public Works Programme is an instrument for patronage, to reward loyal constituencies and punish ‘trouble-makers’: “I cannot tolerate that nonsense where underserving people should benefit yet people in my area are so poor and without an income to earn money to buy maize. These are the same people who petitioned Parliament not to swear me in, marched against me and that made me vow never to work with them again” (Ndomondo quoted by Kamande, *The Daily Times*, 2016). By re-interpreting the criteria of identifying beneficiaries, this MP is exercising informal power to prevent the Council from making certain decisions based on formal institutions. The MP is controlling the agenda and outcome regarding who to include and who to exclude in the LDF projects.

These instances of violating the formal rules of the game in the LDF show how pooled funds encourage patronage by not confronting those who do ignore the formal institutions for their own personal political and economic interests. Formal institutions in Africa are frequently not effective as some would envisage – a claim that is widely covered in the literature (for example, OECD, 2011; Vandenberg, 2006; Young, 2003). The failure of pooled funds in Africa including Malawi is sometimes attributed to ineffective formal institutions and, conversely, the dominance of informal institutions. However, Chabal and Daloz (1999) acknowledge the place of the informal institutions, including those used to deliver aid through pooled funds. Chabal and Daloz (1999) argue that “Africa Works” uniquely and differently from ‘developed societies’ with well-established bureaucracy because of Africa’s own social, political and economic conditions. The breaking and bending of institutions by those in power works to benefit the communities, who they represent and serve (Vail, 2009; Hodder-Williams, 2014).

[72] Interview with a councillor, Mangochi District Council, 14 March 2016.

The deviations from institutional design are accepted both by local communities and by political authorities because “Africa Works” in accordance with the communal psyche. Therefore, “Instrumentalization of disorder” (Chabal and Daloz, 2009) is possible with the exercise of agency and informal power in pooled funds, and this is sustained by the fact that many actors in the pooled funds benefit from the breaking and bending of the rules of the game. The institutionalisation of informal institutions and the exercise of informal power is also encouraged by ‘success’ stories from Rwanda and Ethiopia where there is a realisation that ‘working with the grain’ improves the effectiveness of aid modalities including pooled funds (Booth, 2012; Levy, 2014). However, pooled funds that have a decentralised institutional design, such as the LDF, may not benefit greatly from the illustrations taken from Rwanda and Ethiopia because the aid modalities in these countries follow an i~~n~~formal centralised approach to delivering development aid.

In the LDF, patronage has also been entrenched in terms of the recruitment of the most senior manager at the LDF-Technical Support Team. Since it started operations in 2009, the LDF-TST has had four Executive Directors.[73] Of these four directors, one of them (Kakhobwe) was hired on two separate occasions (once by the United Democratic Front and once by the People’s Party).[74] In the case of two appointments, the Executive Directors had no clear connections to political parties or family ties to the State House. However, the other two appointees evidently reflected the interests of the ruling party in the case of one, and family ties to the State House on the part of the other. Of the two politically and socially connected Executive Directors, one is a member of the inner circle of the ruling party.[75] After his tenure as Executive Director of the LDF-Technical Support Team, he became Director General of State Residences. The other Executive Director

[73] Sam Kakhobwe, Edward Sawerengera, Ted Kalebe and Charles Mandala

[74] Sam Kakhobwe, who was hired by the United Democratic Front and the People’s Party. LDF’s predecessor, MASAF operated under the regimes of three political parties: the United Democratic Front (1995-January 2004), the Democratic Progressive Party (February 2005 to April 2012 and May 2014 to date) and the People’s Party (May 2012 to April 2014).

[75] In 2014, he was appointed Ambassador of Malawi Government to in Brazil. On September 2016, he was appointed Malawi Ambassador to United States of America. He is Ambassador Extraordinary and Plenipotentiary of the Republic of Malawi to the United States on a residential basis. He is also accredited on a non-residential basis to the Bahamas, Canada, Mexico and Puerto Rico.

built his political capital with the ruling party when, as an MP, he switched his loyalty from the opposition political party (Malawi Congress Party) to join the ruling party (Democratic Progressive Party) at the time when the ruling party had only six MPs in the 193-member Parliament. He has also been in other politically appointed positions, these being: second vice president (Central Region) of a political party (DPP), Minister of Economic Planning and Development, Minister of Energy and Mines, and now Malawi Ambassador to Belgium and the European Union. As evidence that the appointments for LDF-TST Executive Director are politically connected, most of them have been relieved of their duties when the political party to which they were aligned went out of Government. A common characteristic of all political parties is that when they are in government, they prefer to appoint an interim Executive Director from among senior managers, before ultimately offering the position to their chosen candidate.[76]

Given the huge amount of funding in the LDF-TST's control, it is considered imperative by the political parties to have their favourite appointee occupy the most senior post, which helps to soften the position of the Technical Support Team regarding policies on the distribution of resources. This is another illustration where informal and formal power interface to produce those outcomes as sought by political authorities either for themselves or for their electoral base. The political appointee becomes an institutional bricoleur (de Koning, 2011) who will navigate through informal institutions to deliver the political and economic outcomes as expected of him or her by the appointing authority. The Executive Director as institutional bricoleur exercises power to resist and adapt to formal institutions, whilst ensuring that the informal rules of the game are being applied (Sadan, 2004). The director appointments are strategic in the way that appointees are expected to be instrumentalists who will triumph over the other

[76] There have been four acting terms of Executive Director since the LDF began: 2006-2009, by the Director of Finance and 2006-2009, 2010-11 and 2014-August 2015, by the Director of Research and Training. The Director of Research and Training was confirmed as Executive Director in September 2015. This appointment of Charles Mandala is still regarded to be on merit and with no clear political and social connections. As the incumbent Executive Director, Charles Mandala is the only head of LDF-Technical Support Team to have been appointed and confirmed in that position among the internal LDF-Technical Support Team staff since its inception. He has been with LDF-Technical Support Team since the time of its predecessor, MASAF, at the start in 1995. He participated in the design of MASAF in the early 1990s as a District Commissioner.

participants in the decision-making processes, and prevent any decision-making that would prevent them from achieving their own interests (Bachrach and Baratz, 1962). Political appointees are gatekeepers, who influence decisions and nondecisions to control agenda from behind the scenes. Political appointees support the political correctness of projects, as championed by their supporting political party, while political parties access resources that would otherwise be ring-fenced – by having their appointee in place.

One interviewee from the LDF-TST stated that the politically appointed Chief Executives "are willing to help the political party in pushing for resources-with or without technical justification."[77] For instance, between 2009 and 2010 when the Executive Director was one of the political appointees as discussed above, two Ministers of Local Government managed to have Rural Growth Centres implemented in their home districts (Chitekesa and Jenda Rural Growth Centres in Phalombe and Mzimba districts respectively) when these had previously been denied funding as failing to meet the criteria. A further example is that the incumbent Minister of Local Government (during my fieldwork), "influenced allocation of a stadium under Urban window to his constituency (Mulanje Central) when it did not qualify using the set criteria".[78] In these two instances, gatekeepers manipulated information to influence favourable decisions regarding the allocation of resources to those districts that were associated with their patrons. The manipulation of information is a manifestation of informal power in this case because the gatekeepers prevented decisions that would allocate resources to different areas. My fieldwork therefore establishes that the LDF-TST has faced political pressure for the allocation of certain projects to the constituencies of the political elites, mainly by Ministers and powerful MPs.

[77] Interview, senior technical officer, LDF-Technical Support Team, Lilongwe, 13 April 2016.
[78] Interview, Principal Rural Development Officer, Ministry of Local Government, Lilongwe, 09 April 2016. In the same interview, the respondent explained how another Minister of Local Government, appointed by President Joyce Banda during the People's Party administration, influenced the allocation of LDF projects under the Local Authority Window (the construction of a community day secondary school and a market) to her constituency, Mchinji North. The projects remain, at this time of writing, unfinished as the contractor and the Ministry of Local Government are fighting in Court in the bigger scheme of the Cashgate case.

At the time of this research (2016), a popular view among officials in the Ministries of Local Government and Finance, was that each of the Ministers for these departments have had a project from the LDF captured, so that a project has been allocated to each of their constituencies contrary to the case if the procedures and criteria had been properly followed. This demonstrates that even where development aid is ring-fenced and protected, developing countries can still find the means to access resources around this ring-fencing and protection. Leiderer (2012) argues that development aid is fungible in countries where informal power sidesteps formal rules of the game, and the findings for this study support the claim by Briggs (2017:188) that, "donors do not seem to exercise a great deal of control over aid targeting within countries." In the context of Malawi, donors lose control of their aid as contributed to the LDF because the Government, LDF administrators, chiefs and politicians exercise informal power that is compatible to the local context and they enable distribution of resources through patronage. Formal and informal rules of the game are used by actors to access resources and reward those individuals and groups of people that have demonstrated loyalty to those in power, and who are supportive of their political careers. The LDF has deepened patronage in Malawi because the resources that donors contribute and deliver through this modality are still accessible to the political elites. The LDF as a pooled fund brings extra resources to the disposal of political authorities for the delivery of goods and services to a few members of the society groups who are loyal to them. Furthermore, by making resources available, pooled funds promote patronage by weakening domestic accountability such that citizens do not question decisions made by states and political authorities because they also do benefit from the very same resources (Brautigam and Knack, 2004; Mkandawire, 2010).

Moore (2007) and Tilley (2016) argue that aid, including that delivered through pooled funds, affects quality of governance as rulers are more accountable to donors than they are to citizens. Statistics from the World Bank (2016) and Mo Ibrahim (2015) support the claim that aid affects the quality of governance; a higher ODA received by a country leads to a poorer quality of governance (Kangoye, 2011). In Africa, Botswana receives 2.6% net ODA as a percentage of government expenditure, and ranks third in Africa for good governance, scoring 74.2%. In comparison, Uganda's net ODA received is as high as 49.3%. Uganda ranks 19th in Africa for quality of governance, and scores as low as 54.6% in this regard (World Bank, 2016; Mo Ibrahim, 2015; Awortwi and Aiyede, 2017). Arguably, there is less demand for quality governance by citizens when their duty to contribute to financing development projects by paying tax is overtaken by the donors who are contributing considerable resources to the pooled funds (Chabal, 1992). The demand for quality governance is even lower when citizens can access public goods and services without meeting the cost and, more importantly, when they access these goods and services through their social and political capital and networks. Citizens continue such access by being obedient to the informal rules of the game, which include acceptance of the status quo, without demanding quality governance.

5.4 Circumventing Government Machinery

As discussed in chapter 2, pooled funds bring together the development aid of several actors for delivery to recipient countries through domestic institutions. The major arguments in support of the establishment of pooled funds include reduction of transactions costs, harmonisation of policies and alignment of donors' policies to those of the aid recipient country (Ohno and Niiya, 2004; Foster, 2007; Killick, 2004). The rationale for pooled funds culminates into the cardinal principles of the Paris Declaration, the Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation. Though recent debate on development financing has changed focus from foreign aid to domestic resource mobilisation, the 2015 Third Conference on Development Financing in Addis Ababa still maintains that the use of domestic institutions to deliver development resources is the most effective way of building strong institutions in recipient countries. Thus, development partners and recipient countries still share a formal consensus that bypass structures are not helpful in terms of improving the capacity of domestic institutions to manage aid. As a pooled fund, the legitimate expectation of the LDF is that aid will be channelled to the existing mainstream government institutions. This is because parties to the LDF – the Malawi Government and the development partners – are signatories to the 2005 Paris Declaration, the 2009 Accra Agenda for Action and the 2011 Busan Partnership for Effective Development Cooperation. However, my discussions with several officials in government ministries and development agencies do not support the view that the LDF pooled fund uses already existing government structures to deliver aid to local councils and communities as the primary beneficiaries. A popular view among bureaucrats was that the LDF pooled fund has led to the establishment of new institutions and procedures, which do not necessarily work in the way that government machinery works. Furthermore, respondents indicated that the institutions specifically established to manage the LDF are not following government procedures, but are also working in a way that circumvents government machinery; in other words, the newly created institutions are bypassing domestic government institutions.

The interview respondents in the Ministry of Local Government often referred to the LDF-Technical Support Team as proof of a bypass institution. As discussed in chapter 4, the LDF-Technical Support Team is an implementing agency, which manages the day-to-day operations of the LDF and is also a semi-independent institution, established under the Ministry of Finance. The LDF-TST performs several functions, including funds allocation and auditing – responsibilities that are legally assigned to the National Local Government Finance Committee under Section 143 of the Malawi Constitution. A respondent in the Ministry of Local Government indicated, "the LDF-Technical Support Team is not part of government machinery. Figuratively, it is within government because that is what policies say but in reality it is not controlled by government as it should be. It is an institution that is semi-independent as such it avoids using government machinery on critical aspects such as funds administration. The LDF-Technical Support Team should have been a government entity if it was aligned to the National Local Government Finance Committee".[79] The Ministry of Local Government views the LDF-TST as a bypass because they have the overall control of funds and they use their own financial management systems rather than those used by the government ministries and departments. The LDF-Technical Support Team, therefore, represents to a large degree various bypass units created at both the seat of government and in district councils, for the avoidance of mainstream government machinery.

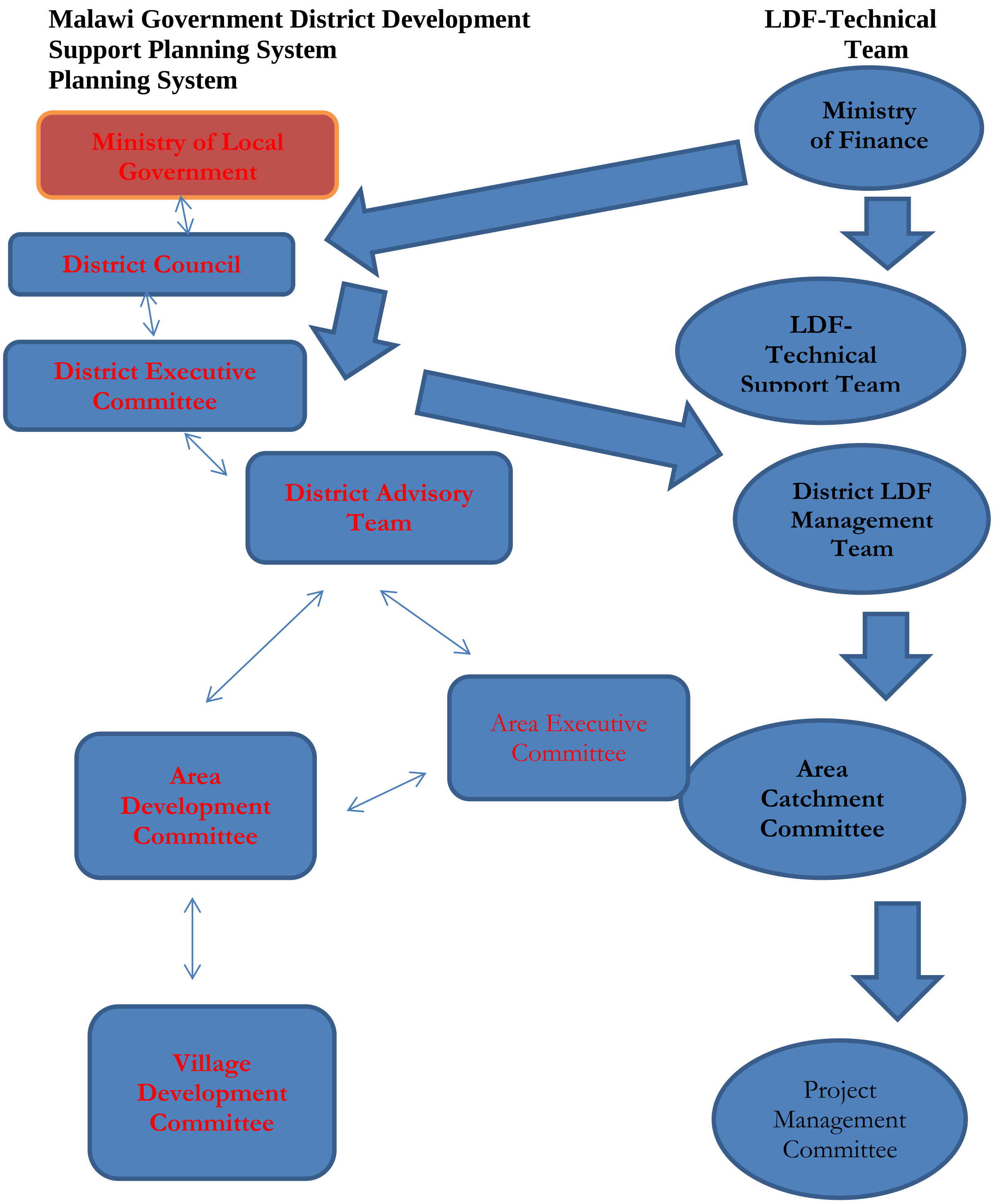
This circumvention of government machinery in the LDF is frequently happens at central government and at decentralised community structures (the Area Development Committees and Village Development Committees), although it does also happen at district council level (District Executive Committees). The reason for significantly greater bypassing at central government and community structure level is that local councils are used as gate-keepers by politicians – to access communities and voters –

[79] Key informant interview, Deputy Director, Ministry of Local Government, Lilongwe, 22 March 2016.

and also by donors to access central government bureaucrats (as policy authorities).[80] The bypassing which is orchestrated at local council level is both internal and selective in the sense that the LDF-TST are strategic and innovative; not creating entirely new institutions, but rather adapting to councils' pre-existing institutions. Cleaver (2002) describes the approach taken by the Technical Support Team as institutional bricolage: the LDF-TST bypass existing institutions by working on them to re-create an institutional framework that suits their own agenda (the agenda of the changing agent). The institutional bricolage in the LDF is observable whereby the LDF-TST use councils as an entry point to communities, but then utilise their own handbooks and guidelines, which reflect different funding windows. The LDF-Technical Support Team is itself a bypass and implementing agency and is also an outcome of institutional bricolage because (as discussed in chapter 4) the LDF-TST was devolved from the National Local Government Finance Committee to be a stand-alone unit following formal and informal discussions among the then Malawi Social Action Fund staff, politicians in the inner circle of the President, and development partners; in particular, the World Bank, the Ministry of Local Government and the National Local Government Finance Committee itself. Figure 5.1 shows how the LDF circumvents the government planning system using bypass structures such as the LDF-TST, the District LDF-Management Team, Area Catchment Committees and Project Management Committees.

[80] In Malawi there are city, municipal, town and district councils under the umbrella term of 'local councils'.

Figure 5.1: Malawi Government and LDF-Technical Support Team Planning Systems



Source: Author

There are several reasons why donors bypass the institutions of development aid recipient countries (Alesina and Weder, 2002; Brautigam and Knack, 2004; Dietrich, 2016). As found in this study, the bypassing of government machinery in the LDF is justified by donors for several reasons, these being: councils have weak implementation capacity due to a shortage of administrative and technical staff; there are weak fiscal management systems at both central government and local council level; and, there are slow decision-making processes in government leading to the wastage of resources and the missing of deadlines and targets. As much as the donors in the LDF have raised these issues, their main concern is actually the abuse of funds by government institutions. As indicated in chapter 2, the Cashgate scandal of 2013 has strengthened the case of donors for bypassing government machinery.[81] Regarding my study district of Mangochi, the chairman of the District Council was quoted in *The Daily Nation* (2016) complaining about financial mismanagement and the abuse of funds: "There is laxity in financial management at the Council. This is persisting because Council officials take advantage of the absence of an effective Council oversight system. The trend is menace and is paralysing development in our wards…limited production of financial reports, little attention to audit reports, abuse of locally generated revenue are some of the problems."[82] This persistent abuse of funds amidst recent and current public sector reforms provides an argument for donors to further bypass government structures. With the bypassing of public machinery, the LDF has further weakened the already weak institutions of public machinery and this circumvention has denied public institutions the opportunity to acquire their own experience; instead they work according to the best practices and policies that the donors would like them to follow.

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[81] See: 'Audit faults councils on K3 billion spending,' http://mwnation.com/audit-faults-k3bn-council-spending/; 'Government warns councils against abuse of resources,' http://news.anotao.com/link/mw/20160901107618/www.times.mw/government-warns-councils-against-abuse-of-resources/; 'K20 million Dowa Local Development Funds go missing,' http://www.faceofmalawi.com/2013/07/k20m-dowa-local-development-funds-go-missing/; 'The missing sense of accountability,' http://www.times.mw/the-missing-sense-of-accountability/; 'LDF moves to arrest theft in councils,' http://mwnation.com/ldf-moves-to-arrest-theft-in-councils/; 'Stealing from the Poor Councils Plundering Public Works Funding,' http://www.times.mw/stealing-from-the-poor-councils-plundering-public-works-funding/

[82] See: Kandodo, A., (2016) 'Financial management laxity worries Mangochi councillors' Accessed on 10 October 2016, available at http://mwnation.com/financial-management-laxity-worries-mangochi-councillors/

The LDF has amplified the effects of development aid through a circumvention of bureaucracy whereby institutions that were weak have become weaker and those that were strong have become stronger (Dutta et al., 2013). In my view, the LDF has fortified those institutions that are outside the public machinery because donors, pooling their resources in the LDF, have equipped those institutions with the best and latest technology as necessary to implement their desired activities, and have funded them to attract and retain well-qualified staff, who have then been effective in lobbying influential policy authorities. The assertion by Booth (2011c) that capacity will not be built in developing countries if donors continue to avoid working with the existing institutions, is applicable in the context of the LDF. Instead of avoiding institutions, as weak as they may be, *Doing Development Differently* (advocated by the Overseas Development Institute) and *Doing Development Politically* (championed by the Leadership Development Programme) call for donors to work with local institutions to understand the factors blocking the effective delivery of aid, and to jointly devise solutions to resolve any problems. *Doing Development Differently* and *Doing Development Politically* emphasise the point made by critics of bypass structures that aid modalities will have to change from ‘best practice’ to ‘best fit’ to align the donors’ interests and programmes to those of the recipient country. Donors in the LDF do not currently use the ‘best fit’ approach to aid delivery, otherwise the domestic public structures for aid delivery improvement would still exist.

5.5 Institutionalisation of Project Aid

Development aid is channelled to developing countries through various modalities in the category of either on-budget or off-budget. On-budget aid modalities are preferred by recipient countries because then they have control of the resources, and decide by themselves how these should be allocated. This means donors have no control over resource allocation where on-budget modalities are strictly followed. Conversely, donors prefer to deliver aid through off-budget modalities because then they have room to engage with recipients on those matters considered key by them. Off-budget modalities contribute to a proliferation of aid because donors may have many interests, pursued through various interventions. As will be argued below, delivery of aid through off-budget modalities and projects is a result of the exercise of formal and informal power by donors and domestic actors who structure the institutions that make way for project aid.

According to the Malawi Government (2009), the LDF was established to combat the proliferation of development aid schemes in Malawi, especially in the local governance and rural development sectors. The LDF also aimed at improving governance by having a few players in the local development sector who could easily coordinate with each other and work together. The decision of the Malawi Government to pursue aid channels for the reduction of aid proliferation was made clear in 2009, when they banned the creation of new Project Implementation Units (PIUs) running parallel to national institutions and policies (Nilsson and Nkhoma, 2014). In 2009, Malawi had more than 48 parallel PIUs, implementing the projects of 12 donors. However, by 2015, Malawi still had 33 parallel implementation units – six more than the 27 parallel PIUs that the Government was aiming to have by 2011. Malawi Government (2011:107) indicated that the decree stopping the establishment of PIUs "was to phase out 27 parallel Project Implementation Units by 2011"; this was intended to cause a natural extinction of such PIUs by phasing out the existing ones. Interestingly, the hype for independent projects by donors was still high in the health sector where, "a well organised and functioning SWAp" (Sector-Wide Approach; Ministry of Finance, 2011) was put in place: more than 100 projects from more than 20 donors provided funding to the health sector outside of the SWAp arrangement.[83] Also, parallel PIUs were still being established after the decree to stop their establishment was issued. The Malawi Government backtracked on stopping the establishment of new PIUs upon the insistence of donors as some donors made the establishment of parallel PIUs a condition to their giving aid. Out of the 33 parallel PIUs that existed in 2015, six were affiliated to donors participating in the LDF; the AfDB (1) and the World Bank (5). As the government favoured budget support, the ban on PIUs by government was a step in the right direction, for them, towards achieving more budget support aid modalities. However, this decision, and the backtracking, shows how the government has played by double standards when mobilising resources from donors. Double standards is an instance of informal power whereby the agenda is controlled by manipulating certain aspects of decision-making, such as giving customised responses to donors in the LDF. The decision of the Malawi Government to ban the establishment of new PIUs was an act

[83] SWAp refers to mechanisms "by which Governments and donors can support the development of a sector in an integrated fashion through a single sector policy and expenditure programme, under Government leadership, using common management and reporting procedures and progressing towards the use of Government procedures to disburse and account for all funds" (Foster and Fozzard, 2000:55).

of double standards and an exercise of informal power because whilst they banned PIUs in order to pursue the harmonisation and alignment of development aid, the same government allowed the establishment of new PIUs, especially in the Ministry of Health.

From the interviews I conducted with donors and senior government officials in the Ministries of Finance and Local Government, opinion was divided as to whether the LDF is managed by a parallel PIU, or not. Donor representatives from the World Bank and KfW argued that the LDF is a Government-managed pooled fund, which might initially suggest that the Fund is not therefore managed by a PIU. When asked about his views regarding the LDF-Technical Support being a PMU (also known as PIU), a Senior Technical Officer at AfDB said, "We have always believed that the LDF-Technical Support Team is government institution because employees have their job contracts with government."[84] However, it was a popular view among government officials that the LDF *is* managed by a parallel PIU, which is the LDF-Technical Support Team. The LDF-Technical Support Team is therefore one of the parallel PIUs that still exist, despite the policy position held by the government to abolish PIUs. My interviewee in the Ministry of Local Government demonstrated how the LDF-Technical Support Team is a parallel PMU (project management unit): "the LDF-Technical Support Team operates outside government machinery. On paper they appear to be part of government but in practice they are not – they do their own project planning, handle finances and hold discussion with donors on their own."[85] My basis for arguing that the LDF-TST is a parallel PIU is that the Technical Support Team does not meet the criteria of an *embedded* Project Implementation Unit as outlined by Government. For an entity to qualify as an embedded Project Management Unit, it has to meet three of four requirements: (a) the terms of reference for externally appointed staff are determined by the country implementation agency, not by the donor; (b) the most professional staff member is to be appointed by the country implementation agency, not by the donor; (c) the salary structure of national staff (including benefits) must not be higher than that of civil service personnel; and (d) PIUs are accountable to the country's implementing agencies, and not to external funding agencies (Ministry of Finance, cited in Said et al.,

[84] Key Informant interview, Senior Technical Officer, AfDB, 12 April 2016, Lilongwe.

[85] Key informant interview, Rural Development Officer, the Ministry of Local Government, 19 April 2016, Lilongwe.

2011). The LDF-Technical Support Team does not meet the required three out of four descriptors as outlined by the Government, hence the Support Team is a parallel PMU.

As discussed in chapter 4, the LDF-TST's accountability is inclined towards donors, who then have a huge influence on recruitment even though senior officers are appointed by the Secretary to the Treasury in the Ministry of Finance. The Technical Support Team's inclination to donors rather than the government makes the LDF-TST a parallel PMU. In chapter 4, I discussed how employees at the LDF-TST played informal power games in resisting a merger with the National Local Government Finance Committee because the Technical Support Team's salaries are higher than those of their colleagues at the NLGFC. This discrepancy in salaries is a further indication that the LDF-TST is a parallel PMU. One of the Directors at the Technical Support Team signalled his discontentment with the merger based on salary differences: "I would obviously resign if the LDF-Technical Support Team merges with the National Local Government Finance Committee. It is better I get another job anywhere than for lower salary than the one I am receiving. I cannot allow to have my salary reduced three times by this merger."[86]

The LDF-Technical Support Team is not therefore an embedded Project Management Unit. The LDF-TST exists to implement the projects of the donors who are pooling their resources into the LDF. Thus the LDF-Technical Support Team is a multi-donor parallel *Project Implementation Unit* that is designed as an arm's length government institution, yet does the bidding of donors. For donors, the LDF-Technical Support Team is convenient to them because of a reduction in transactional costs. More importantly, the Technical Support Team lends donors a good public image in terms of harmonisation with, and utilisation of, government structures while it is effectively just another parallel PIU. In view of the ban in 2009 on the establishment of new parallel implementation units, and the gradual abolishment of the existing ones, most donors began using Project Coordination Teams to implement their projects. Project Coordination Teams operate with Ministries as units established to manage project activities. However, Project Coordination Teams are not fundamentally different from the banned PIUs because these are also controlled by the donors (Said et al., 2011).

[86] Key informant interview, Senior Officer, LDF-Technical Support Team, 19 March 2016.

This study demonstrates that the LDF is the antithesis of what it was established to do and be in terms of eliminating project aid at both national government and district council level in the local development sector. The existence of the LDF-Technical Support Team as a parallel PIU, despite a ban of the same, has led to the continuing establishment of PIUs by donors participating in the LDF, and even by donors outside the LDF. A good illustration of this point is that the AfDB, as recently as in September 2016, established a new parallel PIU to manage the Agricultural Infrastructure and Youth in Agribusiness Project.[87] The LDF has set a precedent for the establishment of independent projects in the local development sector such that the sector remains crowded with many participants, leading to the same problems of local governance and aid proliferation that the LDF was designed to address. Many development partners in the local development sector have taken advantage of the existence of the LDF-Technical Support Team, making reference to it to justify the establishment of their own managing entities. Even within the public sector, the Ministry of Local Government have themselves used the LDF-TST as a precedent for implementing local development projects through a Project Coordination Team instead of channelling resources into the LDF pooled fund.

Since 2010, the Ministry of Local Government has been implementing a US$ 28.1 million eight-year Rural Livelihoods and Economic Enhancement Programme through a parallel PIU (IFAD, 2016).[88] The Ministry of Local Government also implemented a project on the Rural Livelihoods Support Programme worth US$ 16.5 million, between 2004 and 2014[89] (IFAD, 2014b). During fieldwork, I established that the Ministry of Local Government was actively seeking funding from donors for two new programmes: (1) The Road Map Towards the Development of a Medium Term Programme for

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[87] The total cost for the project is UA 19.36 million, with contributions from AfDB (UA 16 million, loan), EU (UA 1.6 million, grant) and the Malawi Government (UA 1.76 million, In Kind; AfDB, 2016).
[88] The Programme is co-financed by The International Fund for Agricultural Development (IFAD; US$ 15.6 million of which US$ 8.1 million is a loan); The OPEC Fund for International Development (OFID; US$ 10 million); the Malawi Government (US$ 0.4 million); the Royal Tropical Institute of the Netherlands (US$ 0.1 million); and, private sector and beneficiaries (US$ 2 million; IFAD, 2014a).
[89] Of which US$ 14.8 million is a loan from IFAD, while the Government contribution is US$ 1.2 million, with the balance of US$ 0.5 million being a contribution by the beneficiary communities (IFAD, 2014b).

Strengthening Local Governance and Promoting Integrated Rural Development; and (2) the Malawi Municipal Support Programme.[90] The PIUs in the Ministry of Local Government enjoy strong political support at ministerial level and abolishment seems 'seems wholly unlikely when considering, for example, such remarks as those made by the Minister of Local Government, who praised the Rural Livelihood and Economic Enhancement Programme: "What we have seen today in the project is impressive and on behalf of government I can say, that is the way to go" (Mwale, quoted in *The Daily Times*, 2016:2). The decision made by the Ministry of Local Government to have their own Project Implementation Teams is not surprising because, as discussed in chapter 5, the Ministry has had issues with the LDF-Technical Support Team and does not recognise it as the legitimate implementing agency of the LDF. In addition, the competition for resources and supremacy between the Ministry of Local Government, the Ministry of Finance and the LDF-Technical Support Team is another incentive for the Ministry of Local Government to establish their own Project Coordinating Teams. Here, the Ministry of Local Government has exercised informal power by creating parallel PMUs using precedents as set by the donors.[91] Bachrach and Baratz (1962) indicate that informal power manifests itself by referring to selective precedents when making decisions. Selective precedents direct decision-makers to an outcome that is wanted by those influencing the agenda behind the scenes. These selective precedents as occurrences of informal power play out to shape the institutional design of pooled funds, which is demonstrated by the LDF in that donors can run their own projects in this pooled funds system.

The originating problem of the institutionalisation of parallel implementation units at central government level has trickled down the governance system so that a line of such parallel units runs from alongside central government, to the district councils, and to the field administrations of the local communities. In both Mangochi and Thyolo District Councils, there is a District Social Support Committee to oversee all project

[90] Total cost: US$ 8.2 million.

[91] The Ministry of Finance also has projects managed by Project Coordinating Teams; (1) Malawi Public Policy Research and Analysis Project, (2) Support to Coordination of National Population Policy Implementation Project, (3) Development Effectiveness and Accountability Project, (4) Support for the Management of EDF Resources, (5) NAO-SU Programme Estimate PE 6, (6) Recapitalisation of Malawi Enterprise Development Fund, (7) Financial Sector Technical Assistance Project, and (8) Institutional Support Project for Public Financial Management.

activities for the LDF MASAF IV: District Social Support Teams are supported by the District Technical Committee.[92] All of these LDF MASAF IV committees (which exist in other district councils also) are established under the District Executive Committee but ultimately function as independent committees due to the competition for resources. At the community level, all LDF projects are managed by Project Implementation Committees that are independent of the Government-established committees (the Area Development Committee and the Village Development Committee). For the LDF MASAF IV Window, in addition to the District Technical Committees, activities are organised into catchment areas, clusters and projects, which means that there are three more committees, at different levels, below the District Technical Committee. In the 2015–16 funding cycle, records from the Directorate of Planning and Development show that Mangochi had 29 Catchment Area Committees, 141 Cluster Committees and 173 Project Management Committees. Within the same funding cycle, Thyolo had 40 catchment areas and more than 400 projects, which translates into 40 Catchment Area Committees and more than 400 Project Management Committees (Thyolo District Council, 2015).

With reference to the figures above, the impact of the LDF is the promotion of a multi-layered and multi-sectoral governance for aid delivery. The positive side of this is that the LDF can access the skills of a wide range of people from the sectors that are involved. However, the flaw in this kind of aid modality is the institutionalisation of project culture and the establishment of a parallel governance structure alongside the one legitimately sanctioned by the government. The LDF project structures make the governance processes fragile and unstable due to Malawi's heavy dependence on donor funds; hence good local governance is always threatened by the prospect that funds from donors may become unavailable. With the institutionalisation of a project aid modality like the LDF, there is competition for power between the government and the parallel structures created by a pooled funds system (Sinha and Hubbard, 2011; Mariz et al., 2014). The democratically elected government structures lose power to project committees because of the acceptability that the latter gain from local communities as a result of delivering on their promises, which they can do because they are well supported financially and technically. This impact of pooled funds on local governance is that power resides more in project committees than in government structures, hence

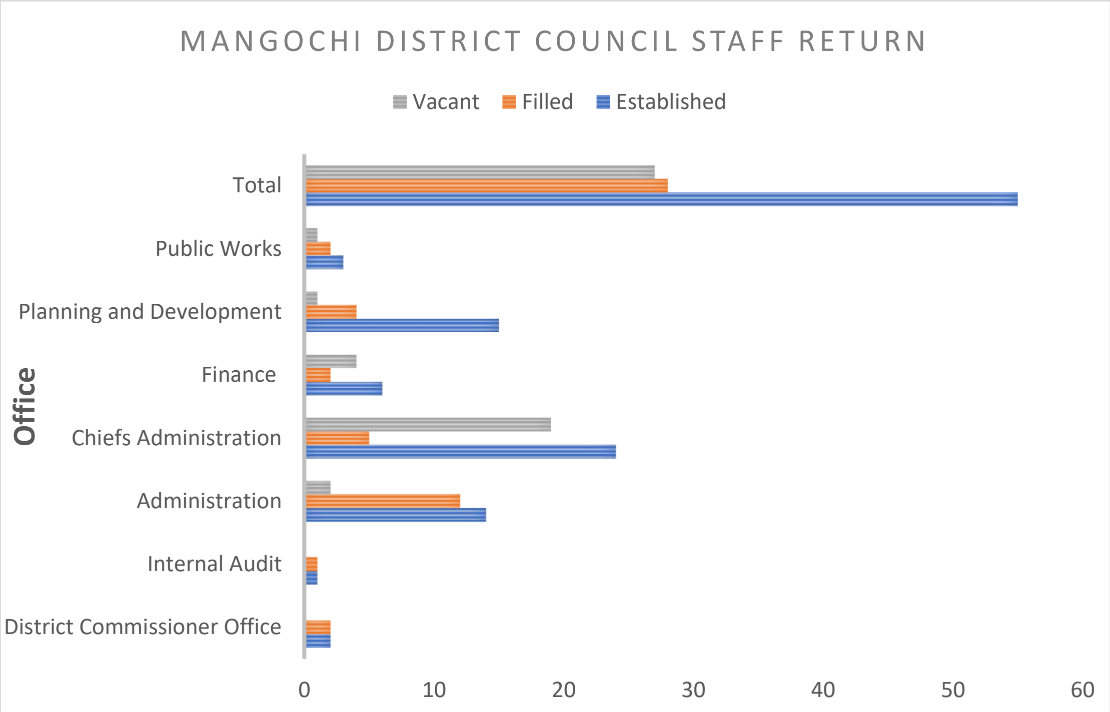
[92] Local Development Fund Malawi Social Action Fund Project IV.

there is a competition for policy execution mandates between the government and project actors. Harrison and Mdee (2017) established that there was this same competition for power and an institutionalisation of project aid in Tanzania's water sector: "local brokers compete for control over the development project." Power struggles were also evident in the governance of natural resources in Uganda (Oosterveer and Vliet, 2010). A key characteristic of the government and project consultative committees in Tanzania and Uganda is that all actors engage in formal and informal rent seeking strategies in order to possess and retain power (Harrison and Mdee, 2017; Leach and Scoones, 2015; Oosterveer and Vliet, 2010). It is important to note that competing groups use both formal and informal power to influence decisions by ensuring that certain rules of the game are made and interpreted according their own interests. In this regard, power is exercised to promote and sustain the narrative that an institutional design for pooled funds can allow project aid if this design will serve the interests of the actors contributing resources to the pool. A mobilisation of bias (Bachrach and Baratz, 1962) by proponents of project aid has led to an acceptance of the narrative that project aid can be embedded in pooled funds. In the LDF, differences between pooled funds and project aid have been suppressed to the point that the LDF's institutional design has accommodated both pooled funds and project aid.

5.6 Administrative Burden and a Weakened Capacity for Policy Implementation

The LDF, as a project, imparts extra responsibilities on councils. These responsibilities are discharged by a range of departments, including technical and support departments. Through interviews, I established that these departments are overloaded with LDF tasks, which do not match the number of staff available. For instance, Mangochi District Council has 49% of its positions vacant, and the vacancy rate for Thyolo District Council stands at 55% (Mangochi, 2016; Thyolo, 2016). This high vacancy rate in Mangochi and Thyolo is due to the failure to recruit new staff in accordance with increased establishment, the transfer of employees without replacement, retirement, and deaths (Mzungu, cited in *The Nation*, 2017). Below, Figure 5.2 shows staff return (establishment, filled and vacant) for Mangochi District Council.

Figure 5.2: Mangochi District Council Staff Return – Establishment, Filled and Vacant Positions



	District Commissioner Office	Internal Audit	Administration	Chiefs Administration	Finance	Planning and Development	Public Works	Total
Vacant	0	0	2	19	4	1	1	27
Filled	2	1	12	5	2	4	2	28
Established	2	1	14	24	6	15	3	55

Staff Return (in numbers)

Source: Author

Mangochi District Council secretariat has a staff establishment of 55 positions. Out of these 55 positions, 27 are vacant. Some of these vacant positions are in senior management and include Director of Finance, Director of Public Works, and Accountant. Vacancies in senior management also exist in Thyolo District Council. These vacant senior positions are frequently filled by officers in acting positions, a strategy which aids councils in addressing the vacuum in leadership, and which is also used to motivate staff in terms of gaining promotions. At the time of this research (2016) both Mangochi and Thyolo's Chief Accountants were working in acting capacities as Directors of Finance; a position they had each been occupying since 2014. While this strategy serves a purpose, as acting officers mostly work hard to get positions substantively, councils (specifically and especially Councillors, MPs and District

Commissioners) have sometimes used officers in acting positions to assist in the breaking or bending of policies and procedures, for they act under duress and fear of failing to be confirmed for a position. A clear example of this tactic being employed is as follows: in Mangochi as of 2015, three Building Supervisors were sometimes jointly acting as Director of Public Works. At the discretion of the management, the Council appointed only one of the Building Supervisors to act as Director of Public Works. The Council sought approval of controversial projects from this acting director during his term, knowing that he would approve for fear of losing the position to one of the remaining Building Supervisors.

The decision by council officials, councillors and MPs to maintain people on acting positions is therefore a clear example of nondecisions whereby actions are taken behind the scenes to influence outcomes. For Mangochi and Thyolo, officers were deliberately maintained in acting positions so that councillors, MPs and senior council officials could use their job insecurity and desperation to get confirmed into positions as baits in order to achieve their own interests. McCalla-Chen (2000) argues that formal and informal power can manifest themselves in written and unwritten rules of the game. Informal power regarding acting positions was exercised using formal institutions because the official position given to the officers was that they were under 'observation' as required by conditions of service before any officer is confirmed into a position. Playing informal power games on acting officers was within the interests of senior council officials and councillors because this allowed them to receive cooperation for a long period of time that they otherwise might not have received if officers had been securely confirmed into positions.

Despite the shortages of staff in the council finance departments, as discussed above, councils are required by the LDF-Technical Support Team to have separate accounts dedicated for LDF funds: this has resulted in councils having many dedicated accounts. For example, in 2016 Thyolo had 10 active bank accounts spread over three commercial banks.[93] Out of the 10 bank accounts, six belonged to projects. Thus, more than half

[93] The bank accounts are: (1) Other Recurrent Transactions; (2) Operational Account (for Local Revenue); (3) District Development Fund (for funds from different donors); (4) Local Development Fund; (5) Salaries; (6) Rural Infrastructure Development Programme (for European Union Roads construction and maintenance); (7) National Aids Commission; (8)

(60%) of these bank accounts were project dedicated accounts. Despite the Council having a bank account – the District Development Fund – where all donors in the district are required to deposit their project funds, donors demand that their project funds then be maintained in a separate account dedicated to their project alone. It should be noted that Thyolo District Council had at this time more than five bank accounts that were not active because the associated projects had been phased out. Such inactive accounts drain council resources because of the monthly service charges that remain payable. However, In Thyolo and Mangochi, the District Councils do not always close inactive accounts in anticipation that donors will return, either with the same project or a different one. For instance, Thyolo District Council still maintains the bank account for the Irrigation, Rural Livelihoods and Agricultural Development Project, that was funded by the World Bank and the International Fund for Agricultural Development (IFAD) because projects resurface with new financial commitments.

While each donor demands that their own accounting and administrative formats and procedures be followed, a key finding is that systems and procedures are not therefore harmonised at the district council level. This lack of harmonisation is between government and donors, and also among the donors themselves. Local councils are operating using two systems (project and public) to conduct their business and access funds from both central government and from donors. This strategy has paid dividends, but at the cost of a compromise in public services: public officials spend time on the LDF activities because of the lucrative allowances given as compared to government work. In November 2016, the LDF-Technical Support Team recruited their own Project Officers for all 35 local councils in Malawi, who were then paid twice as much as their seniors, the Directors of Planning and Development. Though both positions are recruited through the Government's Department of Human Resource Management and Development (DHRMD), the decision to pay Project Officers more than the Directors was made because the Project Officers are LDF-TST project staff with a different salary structure, and their contract is governed by "the Development Credit agreement of the Malawi Government entered into with the World Bank" (DHRMD, 2016:2).[94] My

Emergency Recovery Programme; (9) Deceased; and (10) Social Cash Transfer Programme (Thyolo District Council, 2015).

[94] An appointment letter for ~~a~~ one Project Officer dated 10 November 2016 states, "A salary of Five Hundred Sixty-One Thousand, One Hundred Ninety-Eight Kwacha Thirteen Tambala

findings therefore support the view that development aid distorts the labour market (Dietrich, 2016). Furthermore, a multi-country study by the Overseas Development Institute (2008) conducted in Tanzania, Ghana, Malawi, Uganda and Mozambique showed that development agency and donor supported projects attract the staff with the best talent and experience, and this contributes to the weakening of central and local government administrative systems in aid recipient countries. The realisation that development aid, including aid delivered through pooled funds, weakens the administrative systems of aid recipient countries is connected to questions of aid effectiveness and the emergence of aid effectiveness agreements: the 2005 Paris Declaration, the 2009 Accra Agenda for Action and the 2011 Busan Partnership for Effective Development Cooperation (Yamada, 2013; Riddell and Nino-Zarazua, 2016).

The disparity between the promise and practice of aid effectiveness agreements in aid recipient countries mirrors the power relations between donors and aid recipient countries that affect the institutional design of pooled funds. Evidence suggests that both parties fail to commit themselves to the rules of the game as outlined in the aid effectiveness agreements. Whilst aid recipient countries favour pooled funds that can be achieved through a harmonisation of donor policies and an alignment of aid modality systems, donors prefer project aid because it gives them the power to make decisions on project activities and expenditure (Williamson, 2010; Eyben, 2006). As discussed in chapter 4, controlling the agenda either through formal or informal mechanisms is important when delivering aid, and this explains why power is contested in pooled fund institutional design where aid recipients take full charge of development aid. The need to be in control of power has affected the institutional design of pooled funds such that project aid is accommodated in pooled funds through the ring-fencing of resources. As is the case with the LDF, aid recipients retain power in pooled funds by establishing a blended institutional design – of formal and informal institutions – that directly or indirectly serves their interests.

In addition to a compromise on public service delivery, local councils also experience administrative burden, aggravated by the fact that councils are grossly understaffed. Local councils host several delegations of representatives from donors and from central

(K561, 198.13) per month is offered. This is consolidated salary which is taxable and inclusive of housing, children, telephone, water and electricity allowances".

Government, who visit for monitoring purposes, as one example. My interviews with staff in local councils indicate that these visits are, in the words of one District Council interview respondent, "disruptive to operations of the council because every week we have meetings with donors. We have to prepare for these meetings and it takes days to put together a programme for discussion. After the meeting and when they are gone, we are required to produce a report. Projects are time demanding and we just have to deliver otherwise these donors quickly go when you don't pay attention to them."[95] As indicated above, much of council staff time is spent on meetings with officials from both donors and central government, which leaves less time for the senior staff to address matters of long-term policy and strategic planning. My argument is that a lack of harmonisation (between the procedures of government and those of donors) creates added administrative burden on already understaffed councils, which constitutes a disservice to local council operations. As argued in chapter 4, local councils have become the implementing agencies of donor projects, just as the LDF-Technical Support Team is an implementation agency of donor projects. This too has brought challenges because councils need to produce different types of report for different donors.

This study also establishes that the pressure on local councils to deliver projects according to the expectations both of the LDF-Technical Support Team and the donors has contributed to the weakened capacity of councils to implement policies and programmes. This pressure on councils is increased because of insufficient time frames given to them for the implementation of projects. In most cases, the stipulated time frame for project delivery is inadequate in terms of the level of quality that can be achieved, especially given that councils are understaffed. For instance, Thyolo District Council got MK 239 million for the first cycle of 2015–16 to be spent in just 12 days on implementing all the projects funded in that four-month cycle). This pressure on councils to spend quickly is also reflected in a 2013 press statement from the LDF-Technical Support Team, when the release of funds to councils was announced: "The Councils are requested to commence implementation of the sub projects and submit the full list of projects to benefit from the funding to the LDF TST not later than 15th June

[95] Interview, Acting Monitoring and Evaluation Officer, Mangochi District Council, Mangochi, 26 April 2016.

2013. Councils are also requested to promptly make payment of wages to public works beneficiaries and submit expenditure reports to the LDF TST as soon as this activity is completed" (LDF TST, in *The Weekend Nation;* 2013). This press statement was made on 1 June 2013, and councils were instructed to submit reports by 15 June 2013: councils were given only one week for the implementation of projects and one week for report writing. Such inadequate time frames given to councils in which to spend huge amounts of funding also indicates that development aid under the LDF does not reflect concerns as to the quality of the infrastructure or other project outputs for Malawi. Instead, funds are being exhausted for the sake of showing that councils have the capacity to spend.

This pressure on councils to spend quickly is not specific to the aid industry in Malawi as extensive literature on this topic is recorded for several aid recipient countries. Mwega (2009) reports how the Kenyan government was under pressure to exhaust funding for the health sector in order for donors to maintain the flow of resources for the implementation of Sector Wide Approach activities. Kanbur (2000:322) narrates his experience of pressure to spend whilst working for World Bank in Ghana: "I came under pressure from several sources, some of them quite surprising, to release the tranche…There was a steady stream of private sector representatives, domestic and foreign, arguing for release of the tranche both because of fears of what macroeconomic disruption would do to the business climate and also because some of them had specific contracts with the government." Mosley et al. (1995) add their knowledge to this argument, noting that loan officers in World Bank's country offices are under intense pressure to meet country disbursement targets regardless of the unpromising performance of governments – as has often been the case with Zambia, Malawi and Mozambique, among other African countries.

The pressure to spend faced by multilaterals and bilaterals is linked to the exercise of informal power by aid recipient countries in the institutional design of pooled funds in that aid recipient countries demand that their interests be met knowing that donors will give in to their demands because of a desperation to spend funds. Where donors do not accommodate the interests of aid recipient countries in institutional design, aid recipient countries still proceed with the formally agreed institutional design, but only pay lip service to implementation knowing that donors will not retract their aid as they want to meet their country disbursement targets. Either way, the pressure on donors to disburse funds gives and expands the agency of aid recipient countries to design pooled funds in a way that better serves their interests. Thus, aid recipient countries have an opportunity to influence the institutional design of pooled funds when pressure for conditionality is outweighed by the pressure on donors to disburse funds. Furthermore, the pressure to spend faced by donors causes aid recipient countries to feel entitled to receiving aid so that any threats by donors that they will withhold aid cease to be credible (Svensson, 2003; Renzio and Hanlon, 2009). This agency by recipient countries in institutional design is exercised only when recipients have knowledge about expenditure pressure, acquired either through formal or informal means – knowledge that the donors are facing pressure to meet country disbursement targets.

5.7 Conclusion

In this chapter, I have discussed the impact of the Local Development Fund as a pooled fund mechanism on local councils and local governance in Malawi. This study has established that the impact of power exercised in pooled funds on local governance include: fast implementation of projects; deepening of patronage; circumvention of government machinery; institutionalisation of project aid, increased administrative burden and weakened capacity for policy implementation for councils. I have demonstrated that, in the implementation of the LDF, informal rules of the game supersede formal ones as players seek to attain project results and meet political ends. This chapter has questioned the ability of agencies (donors and local governments) to act as agents of transformation, given that vested interests prevent these parties from taking action on the sensitive and controversial issues as listed above. At the same time, action is important for successful, and arguably needed, agenda reform. Development agencies, in some situations, enable patronage to protect their own interests, hence undermining their concurrent message for instituting an objective and impersonal allocation of resources as based on specific criteria and backed by the formal rules of the game. Finally, elected representatives should not be considered to be the only patrons in development financing mechanisms such as the LDF: public officers are also patrons since they too distribute favours to their clients in return for their clients' support.

CHAPTER 6: POWER AND OWNERSHIP OF POOLED DEVELOPMENT FUNDS

6.1 Introduction

In this chapter, I will discuss the extent to which power affects the ownership of pooled funds by different institutions of the Government in Malawi operating at three levels: central, district and community. This chapter addresses the third research question of the thesis: '*To what extent do different aspects of power affect the ownership of pooled development funds by national, district and sub-district bureaucrats?*' My main argument in this chapter is that power is centralised in the hands of the donors and the LDF-Technical Support Team such that the LDF as a pooled fund is not fully owned by the domestic national, district and sub-district actors. I will also argue that both formal and informal powers are exercised by actors in the LDF using written and unwritten rules of the game. Donors and LDF administrators exercise much more formal power than they do informal power, whereas domestic actors exert much more informal power than formal power. The interface between formal and informal power in the LDF is a manifestation of the control sought for ownership of the LDF through the use of formal and informal institutions. As will be demonstrated in this chapter, the division of roles and responsibilities between donors, the LDF administrators and the national, district and sub-district authorities disempowers this last group of actors who do not see the LDF as one of their own programmes because they do not meaningfully participate in the formulation of LDF policies. However, ownership of pooled funds is often linked to the participation of local development players in the development planning processes, as attested to by specific literature on participation and aid modalities: this will be discussed later in the chapter (see also Bandstein, 2007; Oden and Tinnes, 2003; Cooke and Kothari, 2001; Hickey and Mohan, 2004). The Local Development Fund fits well in participation and decentralisation discourses because, as a financing mechanism, the LDF was designed to promote the participation of grassroots agencies in local policy and development processes so that these agencies could effect outcomes. The LDF is promoted by the assertion that decisions regarding its projects are to be made by local people in a bottom-up approach which reflects both central and local development planning systems.

6.2 Centralisation of Power in Local Development Planning System

Decentralisation reforms in Africa have promoted participatory local governance since the third democratisation wave of the early 1990s (Bratton and van de Walle, 1997). Since this time, decentralisation has been at the top of the agenda for many democratic countries in Africa as part of the state-society reforms aimed specifically at achieving an inclusive governance. Crawford and Hartmann (2008) observe that almost all Sub-Saharan African countries have implemented such reforms. Decentralisation has two primary objectives: to transfer decision-making power to local communities and to facilitate development. The hallmark of decentralisation in Malawi is the local government elections that are within the Local Government Act (1998) and National Decentralisation Policy (1998). The key message within this Act and Policy is that the power to make policy decisions is to no longer be solely in the hands of the appointed public officials, but more so in the hands of local communities.

Devolution for Malawi meant breaking away, in 1993, from a 31-year tradition of centralisation in terms of local development planning and financing, as previously orchestrated by the one-party regime, the Malawi Congress Party, led by President Hastings Kamuzu Banda (Kasiya, 2014). Chinsinga (2007) indicates that the national policy formulation processes during Banda's administration was both centralised and elitist. Contrary to this tradition, the democratic decentralisation of 1998 made it possible for localised and participatory national and local policy formulating processes to be introduced. Malawi Government (2011) has indicated that the local development planning system for local councils should involve several actors, including local communities. This reflects a bottom-up approach to policy formulation processes that is captured by the four pillars of the local development planning system: "district-focused, people-centred, bottom-up and participatory" (Malawi Government, 2011:11). Many development and governance interventions implemented by local councils and other actors at the district and community level have embraced these four principles in their development planning and financing. The above changes to local governance in Malawi also effected changes regarding the exercise of power. Devolution shifted the exercise of power from being elitist (Dahl, 1957) to being pluralist (Bachrach and Baratz, 1962, 1970) through the transfer of decision-making power from central government administrators to local government officials. Decentralisation apparently opened opportunities for different groups of people to participate in making decisions and nondecisions, although the reality later proved disappointing for some. A similar pattern of decentralisation providing hope for the involvement of local communities, and also disappointing experiences of decentralisation, will be discussed further below. Certainly, these experiences have also been reported in Tanzania, Kenya, Zambia, Uganda and other aid dependent African countries implementing social funds programmes (Mdee et al., 2017; Barasa et al., 2017; Chikulo, 2014; Matlosa, 2005). In recent years there has been a recentralisation in development planning in African countries as a result of the competition for power from among several development players including donors who often, as discussed in chapters 4 and 5, bypass governments in their delivery of aid.

In Malawi, with the relatively recent devolution of power to local councils, the district development planning system has required local councils and development partners to develop projects based on district development plans. The Ministry of Local Government has indicated that district development plans are owned by people because the process of developing the plans is bottom-up: “It is recognised that all planning begins at the community level. Project proposals are first developed by the grassroots level structures, with full evidence that a project proposal has been generated by the beneficiaries within the local government authority. Technical inputs into the proposals emerge during the appraisal phase-thus, towards the end of the process” (Malawi Government, 2011:11). The district development planning system was designed to ensure that planning and decision-making would be participatory by creating a platform for the involvement of local people in all aspects of the development process. In this regard, the ownership of district development plans by local communities is the primary reason for councils and development partners to be named within, and involved with, those plans. Malawi Government (2011:24) has asserted that the ownership of district development plans by local communities has continued to be maintained but that district development plans need to be aligned to national policy because they are formulated through an iterative process.

The LDF, as a pooled fund, is expected to conform to the district development planning system in all aspects including planning and financing. According to the Malawi Government (2011) the LDF is an instrument that institutionalises many aspects of the transfer of power to district councils and sub-district structures because it is designed and programmed as a bottom-up and participatory aid modality. This participatory approach is also stressed by the LDF-TST (2009:12): “The implementation of the LDF will involve the participation of several players at central and local government levels; each with clear responsibilities to ensure successful delivery and achievement of design objectives." The bottom-up approach of the local development planning system is incorporated within the LDF by using community committees that are tasked with the responsibility of managing projects in liaison with district council and central government institutions. These community committees include Project Management Committees, School Management Committees, Village Development Committees and Area Development Committees. In an ideal scenario, the LDF projects would be implemented as outlined in the District Development Plans, meaning projects that would be identified, prioritised and approved by Village Development Committees and then later submitted to higher authorities (Area Development Committees, the District Executive Committee and the District Council) for further prioritisation and approval. It is true that the LDF-TST choose projects that have been identified by the local communities and approved by the district council. Based on the local development planning system, the LDF-TST do not implement projects of their own choice and they have limited room to manoeuvre in terms of project identification and implementation because it is in fact the local communities who are empowered to identify projects for implementation. My understanding is that the narratives surrounding the local district development planning system are framed and aligned to a dominant narrative of 'Power to the People', as championed by the National Decentralisation Policy and Local Government Act. More importantly, the local development planning system and the national development planning frameworks create a strong link for the participation of the communities in local development planning and ownership.

The argument that the local development planning system and the LDF policy frameworks follow a system which leads to the ownership of policies by local communities will be challenged in this chapter. I would argue that the local development planning system is not as commanding and powerful as it should be due to its being overpowered both by development partners and the LDF-Technical Support Team, who are financially more stable and strong than are the district councils, councillors, MPs and local communities. My discussions with several stakeholders at the central and district council level indicate that the Local Development Fund is in fact top-down (see discussion in chapter 5). A popular view by this study's interviewees was that the LDF has been formulated by technical experts who refer projects down to local councils and communities for implementation. The LDF is therefore top-down because it is prioritised to address problems as identified and outlined in project documents other than those of the district council and the local communities. This is a result of donors and central government having different priorities from those operating at district and sub-district level. The various funding windows of the LDF attest to the project and donor centred approach of the LDF because "donors fund specific windows particularly those with activities that are of interest to them."[96] Interviews with several officials from development agencies, the Ministry of Local Government, the Ministry of Finance and the National Local Government Finance Committee revealed that some content of the LDF policy documents is incorporated at the insistence of the development partners. This insistence frustrates the bottom-up and participatory principles that the LDF was founded on. Donors and the LDF-TST, "get councils and government administrators to do what they want them do by referring them to memorandum of understanding which requires them to implement projects proposed by the LDF-Technical Support Team."[97] Such referencing to signed and binding documents is an occurrence of formal power because formal rules of the game are enforced in the making of decisions.

A good illustration of the development partners exercising formal power based on the written rules of the game is the following: in 2009 the African Development Bank made it a condition that funds for the LDF would only be released to the Malawi Government after the AfDB had vetted and approved the LDF Operations Manual as stipulated in their Loan Agreement. In my interview with a Project Officer at the African Development Bank, he read the following from the Project Appraisal Report of Local Economic Development Project "The first disbursement of the Loan shall be conditional upon the entry into force of the Loan Agreement and the fulfilment by the Borrower on the following condition…The Bank's approval of the Operations Manual is a Condition Precedent to First Disbursement. The Operations Manual should be acceptable to the African Development Bank." (AfDB, 2008:14) The African Development Bank demanded the right to approve the LDF Operations Manual because, "We wanted to be sure that elements of the contract necessary to us were incorporated in policy documents such as the Operations Manual."[98] One of the main conditions that the bank insisted be

[96] Key Informant Interview, Director of Local Government Services, Ministry of Local Government, Lilongwe, 5 April 2015.
[97] Key informant interview, Director, Mangochi District Council, 29 March 2016, Mangochi.
[98] Key informant interview, Local Economic Project Officer, African Development Bank, Lilongwe, 23 April 2015.

honoured by the LDF-TST was the use of the Procurement Guidelines of the African Development Bank for all procurement of goods and services drawing resources from the bank.

The decision to revise the Operations Manual was accepted by the LDF-TST as way of detaching themselves from the Ministry of Local Government, who had prepared the Operations Manual as well as other handbooks. For the African Development Bank, revising the Operations Manual was a means of securing a voice in the LDF as the Operations Manual "used lots of government language."[99] The revised Operations Manual overrode the government-formulated manuals that were developed with the input from the district councils and local communities in partnership with the Decentralisation Secretariat or with the then MASAF. The African Development Bank procurement guidelines also overrode the central government and district procurement policies and laws, namely the Public Procurement Act (2003) and Public Finance Management Act (2003). A key informant in the Ministry of Local Government indicated, "We [the Ministry of Local Government] drafted all the manuals with our day to day interaction with district councils and local people but much of it was taken away to pave way for the views of development partners. The LDF-TST had no choice apart from giving in to the demands of development partners to receive the funds".[100]

My argument is that in vetting and approving the LDF Operations Manual, the AfDB effectively suspended the application of the district development planning system in favour of their own policies. As indicated above, the procurement of goods and services for the LDF-funded activities required adherence to the AfDB procurement procedures. A further example of the AfDB exercising formal power is that in May 2013, the LDF-TST advertised for expressions of interest for a position on the production of radio messages and jingles for the local economic development project: the indication was, "Eligibility criteria, establishment of the shortlist and the selection procedure shall be in accordance with the African Development Bank's Rules and Procedures for the use of Consultants" (LDF-TST, 2013:2). A number of narratives gathered from my

[99]Key informant interview, Local Economic Project Officer, African Development Bank, Lilongwe, 23 April 2015.

[100] Key informant interview, Principal Rural Development Officer, Ministry of Local Government official, 9 April 2015.

interviews with development partners and local policy makers highlighted one common element: donors exercise formal to influence the agenda and institutional design of the LDF, which has led to a lack of ownership of the LDF by local actors. Formal power is exercised by donors as they limit the scope of the decisions that government administrators and local communities can make. Two actions taken by the African Development Bank – revising the LDF Operations Manual and the LDF vetting policy documents – illustrate how donors make decisions that lead to the outcomes that they want to attain. Donors prevent the Malawi Government from making decisions of their own and taking their own preferred actions because the ‘agreed’ and amended formal institutions governing the LDF, and the mandates of the donors as actors, do not allow the Government to do so. Using formal institutions, donors direct the government to make the decisions that they want them to make by reminding government administrators that they cannot do what they want to do because it is not permissible by the new documents – which is also an exercise of formal power because donors have directed the government to those options that best suit them by overwriting previously agreed documents, which become less visible as they are superseded.

Where donors have handed down policies for central government institutions and district councils to follow and implement, these domestic institutions have only used such policies to continue the running of projects, rather than being able to fully own and embrace these policies themselves. This is why government administrators exercise informal power on donors in the LDF: they sometimes accept undesired terms that the donors insist upon, but only pay lip service to certain aspects of the agreements and commitments made. As discussed in chapters 2 and 4, it is widespread practice for aid recipients to backtrack on their commitments once funds have been disbursed to them (Riddell and Nino-Zarazua, 2016; Gulrajani, 2014; Engleber and Peiffer, 2012). Unsworth (2015) argues that, whilst donors determine the parameters for aid recipients’ decision-making, and impose their will upon them, donors are also aware of their constraints regarding the sanctioning of countries that do pay lip service. In some instances, it is necessary for donors to ignore the lip service strategy of the aid recipients for the sake of protecting their own interests in the pooled funds.

Such narratives in the LDF are illustrative of occurrences whereby donors and government administrators exercise informal power on each other but with different interests. As discussed earlier, government administrators do not fully own the LDF but are sufficiently cooperative to avoid donors withdrawing their aid. In Malawi, local ownership of district development plans face a 'double blow' as these plans have to fit into the national policy frameworks (Malawi Vision 2020, Malawi Growth Development Strategy II and National Export Strategy, among others) and also the donors' assistance strategies. The narrative of 'Power to the People' in the district development planning system is defeated by clauses embedded in policies and laws, which are designed to keep power at the seat of Government and within the orbits of the development partners. Decision-making power in the 'local' development planning system is retained by central government and donors, contrary to the principles of devolution and participation, and this is reinforced by the Local Government Act Section 21(6), which gives the Malawi President powers to dissolve local councils when they have acted unlawfully and contrary to central government policies.

6.3 Pooled Fund Projects as Development Plans – Who Owns What?

A key feature of post-colonial Malawi has been the formulation of national development policies in a centralised development planning system. As discussed in chapter 2, domestic development policies in Malawi date back to 1962 when the initial Statement of Development Policies (1962–1965) was formulated. Development policies provide strategic and long-term direction on matters regarding national development. National development policies also reflect one of the key debates in post-colonial Africa, with the focus on the creation of developmental states that are guided by policies formulated with local input. The debate as to local ownership of development policies was later considered and reinforced by the 2002 Rome Declaration on Aid Effectiveness and subsequent international development agreements from the 2005 Paris Declaration to the 2010 Busan Development Partnership Agreement. According to Mkandawire and Soludo (2003), the establishment of independent National Planning Commissions across Africa has reflected a commitment to institutionalise distinct African cultures through long-term through long-term development planning and the creation of developmental states. Malawi has had several development planning commissions and also advisory boards to the President, including the Malawi National Economic Council, the Malawi Development Advisory Council, the High Level Development

Council and the recently established National Planning Commission.[101] Whilst in previous administrations, policy making was coordinated between independent planning commissions or advisory boards, the Ministry of Finance, and the Office of the President and Cabinet, in the current administration the Ministry of Finance and the Office of the President and Cabinet lead the process of formulating policies in conjunction with specific line ministries and government departments.

As discussed above, central government and district policies set the context in which all development actors are required to operate. However, the LDF-TST and donors set their own operating environment within the LDF by amending central government and district policies either directly or indirectly. My research shows that the development partners in the LDF create policies that are followed by district councils, rather than the LDF development partners following the policies formulated and approved by central and local governments. A project approach to development aid is the main reason why central and local governments are overpowered by development partners when it comes to following institutionalised development planning frameworks. Many LDF projects have been redesigned several times depending on what the donors have been aiming to achieve within a project. This redesigning of LDF projects is not undertaken to align projects to the policies and priorities of the government, but is done to consolidate the power that the development partners already possess. For instance, the World Bank has redesigned and refinanced the MASAF seven times since it started in 1995.[102] Within the same period (22 years), the Malawi Government's overarching development policy, Malawi Vision 2020, has not been revised at all, and will expire in 2020; therefore, the overall development goals for Malawi have not changed. It is true to note that the five-year medium-term strategy (as outlined in the Malawi Poverty Reduction Strategy Paper of 2002) that began operationalising Malawi Vision 2020 has been revised, but still only three times.

[101] Established under the National Planning Commission Act 2017 (No.12 of 2017).
[102] (1) MASAF I, (2) MASAF II, (3) MASAF III, (4) MASAF III-APL I, (5) MASAF III-APL II, (6) MASAF III-APL III, and (7) MASAF IV.

The Malawi Growth and Development Strategies I, II and III, produced in 2006, 2011 and 2018 respectively, originate from the Malawi Poverty Reduction Strategy.[103] Malawi Vision 2020 has economic-social development goals while the Malawi Poverty Reduction Paper has changed its goals and policy orientation from social to economic in the Malawi Growth and Development Strategies I and II. The finding that the LDF-TST overpowers central government and district council policies is evident in that the current LDF MASAF IV prioritises productive safety nets as well as strengthening the systems and capacity building for the coordination of social protection programmes across institutions (linked to environmental conservation, climate change and social cash transfer). In comparison, the first priority of the Malawi Growth and Development Strategy II is agriculture and food security.[104] This is shown in Table 6.1 overleaf. In precise terms, the top priorities of the LDF MASAF IV are environmental protection, including addressing the effects of climate change through safety nets, and also better coordination of social protection projects, whereas these issues are reflected in the ninth and last priorities of the Malawi Growth and Development Strategy II.[105]

Table 6.1: Priorities of LDF Donors, Malawi Government and Local Councils (Mangochi and Thyolo)

Donors in LDF Pooled Fund	Priority 1	Priority 2	Priority 3
World Bank LDF MASAF IV	Productive safety nets	Strengthening systems and capacity building for the coordination of social protection	Environmental protection

[103] Booth (2003) argue that the Malawi Poverty Reduction Strategy Paper and other PRSPs were more aligned to the Poverty Reduction Strategies of the World Bank than to Malawi Vision 2020.

[104] The proposed project of MASAF IV was to strengthen Malawi's social safety net delivery systems and the coordination of the Malawi National Social Protection Programme across programmes (World Bank, 2003:2).

[105] The nine key priorities of MGDS II are: "(1) Agriculture and Food Security; (2) Transport Infrastructure and Nsanje World Inland Port; (3) Energy, Industrial Development, Mining and Tourism; (4) Education, Science and Technology; (5) Public Health, Sanitation, Malaria and also HIV and AIDS Management; (6) Integrated Rural Development; (7) Green Belt Irrigation and Water Development; (8) Child Development, Youth Development and Empowerment; and (9) Climate Change, Natural Resources and Environmental Management" (Malawi Government, 2011:ix).

		programmes across institutions	
African Development Bank	Local economic development	None	None
German Economic Group	Urban development	None	None
Central Government (Malawi Growth and Development Strategy II)	Agriculture and food security	Transport infrastructure and Nsanje World Inland Port	Energy, industrial development, mining and tourism
Local Governments (District Development Plans)			
Thyolo District Council	Access to portable water	Social services infrastructure	Food security
Mangochi District Council	Primary school enrolment	Reducing environmental degradation	Reducing morbidity and mortality

Sources: Compiled by author: Thyolo District Development Plan (2010); Mangochi District Development Plan (2012); World Bank (2013); LDF (2014); African Development Bank (2006); KfW (2010) and Malawi Government (2011).

Table 6.1 shows the top priorities for each of the donors to the LDF pooled fund, as well as the top priorities for the Malawi Government under different national development policies, and also the priorities for the local councils of Mangochi and Thyolo as the case studies for this research. The first priority for Thyolo District

Council, access to portable water, is not listed in any of the top priorities for the LDF donors. A document review of the Thyolo District Development Plan indicates that the first priority for the World Bank's LDF MASAF III (APL III) and LDF MASAF IV, namely education and the environment, are sixth and tenth priority respectively for Thyolo District Council (Thyolo District Council, 2010:8).[106] The first priority for Mangochi District Council – increasing primary school enrolment – is also not among the top three priorities of the World Bank in the LDF MASAF IV, which prioritises productive safety nets through capacity development and environmental protection. Similarly, increasing primary school enrolment is not listed as a top priority either for the African Development Bank or for KfW, the German Economic Group.

Such instances of mismatched priorities as highlighted above mirror the exercise of formal and informal power in the LDF, which has implications on institutional design concerning who does what and consequently who owns what. The heavy hand of donors in the local development planning system is seen when the needs of central government, local councils and communities are not prioritised and instead it is the interests of the donors that are served. Donors use signed agreements (formal institutions) to get district councils and local communities to implement what has been agreed, but agreed under the threat of withdrawn funds. Donors also exercise power over the Malawi Government to put aside the local development planning system and original formal agreements by using the formal institutions and structures that they create to manage the LDF. The formal power used by donors is embedded in the written rules of the game governing the channelling and administration of resources (Dahl, 1957; Frey, 1971). The resulting formal institutions are binding for all parties and donors have imposed sanctions on the Malawi Government when they have not been followed; for example, by suspending aid, as was the case with KfW when the Malawi Government did not conduct local government elections in 2005 (as discussed in chapter 4).

Donors use power that is vested in them through formal institutions to take action that leads to the attainment of their interests, such as particular policy reforms, profits and visibility. In the case of Malawi, the government relies on donors for their contributions

[106] Thyolo's prioritised issues are: (1) access to portable water, (2) social services infrastructure, (3) food security, (4) reduced impact of HIV/AIDS, (5) increased income, (6) access to quality education, (7) access to health care, (8) access to markets, (9) security, and (10) environmental protection (Thyolo District Council, 2010:8).

to the pooled fund so that the LDF activities can be implemented. This dependence on donors reduces the agency that the government has to follow their own local development planning system; therefore, the LDF is donor driven and not effectively owned by the central government, district councils or local communities. The exclusionary and elitist nature of decision-making in the formulation of the LDF plans is contrary to the expectations, as described in section 6.1, of the LDF being pluralist and inclusive, as expected of decentralised pooled funds.

To answer the research question being addressed in this chapter – 'To what extent does power affect the ownership of pooled funds by national, district and sub-district bureaucrats?' – the response in this section is that donors exercise formal power more often than informal power to control the agenda of development plans such that government administrators from the national to the community level do not feel that they own the development plans outlined in pooled funds, including the LDF.

6.4 Resource Allocation Modalities as Disempowering Instruments

Pooled funds are designed to provide a single modality of channelling and allocating resources to a government, either at a national or local level (Bandstein, 2007). The discussion in chapter 4 focused on the incentives for actors in pooled funds to use a common aid modality for: the reduction of transaction costs, the harmonisation of policies among donors, the alignment of donor policies and systems to those of the recipient country, and to allow local ownership of policies (Severino and Ray, 2009). In the LDF, there have also been attempts to use a common modality for allocating resources to district institutions. However, the modalities and policies used to allocate resources to the LDF pooled funds override the central government and district policies. For the World Bank funded MASAF IV, the LDF-Technical Support Team allocates resources to districts using an Intergovernmental Fiscal Transfer Formula that uses a combination of princiles: equal share (30%) and equally weighted (70%) four variables (land area, population, infant mortality and illiteracy) (Boex and Martinez-Vazguez, 2007). This Intergovernmental Fiscal Transfer Formula is technically breached by district councils at the recommendation of the LDF-TST so that resources are rather allocated to project activities which are "geographically targeted at catchment area using Vulnerability Assessment Mapping data and poverty rates-incidence of ultra-poor persons" (LDF-Technical Support Team, 2009). I attest that this 'recommendation' by the LDF-TST fails to promote the use of the Intergovernmental Fiscal Transfer Formula by its omission of two important variables: population and food insecurity.

The LDF-TST recommendation also alters the local development planning system because the development planning unit involved shifts from management by village development committee to management by catchment area. Changes in the development planning unit and consequently changes in resource allocation modalities are a result of alterations to the LDF programme design that now make catchment areas the cost centres rather than the village development committees, contrary to as is stated in the Local Development Planning System. In addition, district councils now prioritise environmental protection projects over their own priorities to draw on resources from the LDF: district councils do not feel ownership of any policies and projects because they are constrained to adopt the LDF policies, as indicated by a council official from Thyolo: "We do what they tell us to do. It is their project and we only follow. We cannot fully own the LDF because we are only implementers."[107] My finding is that all three LDF development partners (the World Bank, KfW and the African Development Bank) do not follow the central government and local development planning systems. As discussed earlier in this chapter (see also chapters 5 and 6), donors do not follow the local development planning system, which is actually a threat to them achieving their interests. As a third illustration, the African Development Bank awarded Mangochi District Council a project on the construction of a Rural Growth Centre, which was not based on the Intergovernmental Fiscal Transfer Formula as required by the Local Government Act, but rather based on the criteria set out in the African Development Bank's Local Economic Development scheme, and in consultation with the Ministry of Local Government.

The formal and informal changes in central government and local development planning systems reflect the power relationships at different layers of the LDF. Baldstein (2007) argues that the ownership of pooled funds and policies is affected by power unevenness between donors, local government administrators and communities in a top-down pooled fund aid modality, implying that government administrators and local communities are less powerful than the donors. Baldstein's argument is that donors agree on using rules of the game as dictated in part by themselves when dealing with

[107] Key informant interview, Director, Thyolo District Council, 7 February 2015.

aid recipients, even in scenarios where donors have common interests and deal directly with end beneficiaries. Birdsall et al. (2005) and Collier et al., (1997) concur with Baldstein (2007) on the direct relationship between development partners and end beneficiaries, again, even when pooled fund modalities are used. Where donors put their resources in a basket that is managed by a semi-governmental organisation, such as the LDF-Technical Support Team, ownership of policies is affected because of an additional layer of management. The intermediary organisation between donors and aid recipients may create their own rules of the game by which to operationalise donors' policies, affecting how both formal and informal power is exercised.

Depending on the institutional arrangements put in place, intermediaries can exercise formal and informal power as frontstage or backstage actors (Ayres et al., 2017; Freidman, 1995). Friedman (1995:16-17) distinguishes frontstage from backstage actors based on roles and visibility: "frontstage actors are visible to the audience and have to stay in role whereas backstage actors are hidden from public scrutiny and can engage in negotiations less constrained by formal rules." In the LDF, the LDF-Technical Support Team plays both roles of frontstage and backstage actor on behalf of donors, and the role of frontstage actor on their own behalf and on behalf of the Ministry of Finance. As a frontstage actor, the LDF-TST interprets and applies formal and informal rules of the game on behalf of donors, and they exercise formal and informal power in a way that reinforces the narrative that government administrators and councils need to accommodate the instructions of donors. The Ministry of Finance works through the LDF-Technical Support Team in discussions with donors at a technical level, as well as in brokering communications with the Ministry of Local Government, which is a competing ministry. In instances where the LDF-TST have represented donors or the Ministry of Finance, they have proved to be an institution that uses policies, such as formula to allocate resources, to disempower the government administrators and councils.

6.5 Power Dynamics with Non-state Actors as Promoters of the Ownership of Development Planning Systems in Pooled Funds

Democratic governance creates space for the participation of several players in development and policy processes at both central government and local levels. Chiweza (2007) establishes that many donors in Malawi are now supporting NGOs to implement projects on local governance and decentralisation. According to Wild (2015), the current approach of donors to support NGOs in local governance development planning processes and policy-making dates back to 2002 when CARE International Malawi first piloted the idea of community scorecards. Some of the donors funding local governance projects include the World Bank (Global Partnership for Social Accountability programme), USAID (Malawi Local Government Accountability and Performance Programme)[108], the European Commission (Chilungamo programme)[109] and a consortium of DFID, the Royal Norwegian Embassy and Irish Aid (Tilitonse Fund).[110] Some local governance projects, such as Kalondolondo[111] and Mwananchi,[112] phased out at the end of their cycle. Multilateral and bilateral development partners have also awarded grants to international NGOs to implement local governance projects. Depending on the prevailing local 'political mood', these NGOs then either implement the projects themselves or sub-contract them to local NGOs. For instance, USAID funds Catholic Relief Services of America to implement the United in Building and Advancing Life Expectations project which has a component of social accountability. However, the United in Building Life Expectations project is implemented by several

[108] The Malawi Local Government Accountability and Performance Programme is a five-year programme with an estimated budget of US$ 20-25 million (see: https://www.devex.com/funding/r?report=tender-malawi-local-government-accountability-and-perform-189037.

[109] The Chilungamo programme is a five-year programme; budget of EUR 48,000,000 from the 11th European Development Fund (European Commission, 2016). European Commission. (2016). *Commission Decision of 22.6.2016 on the individual measure in favour of the Republic of Malawi to be financed from the 11th European Development Fund*. [Online]. [Accessed 7 May 2018]. Available from: https://ec.europa.eu/europeaid/sites/devco/files/decision1-measure-malawi-2016_en.pdf.

[110] The Tilitonse Fund provides funding for a seven-year programme with total funding of £12 million available for grants (see: http://tilitonsefund.org/).

[111] Kalondolondo was funded by DFID, but the project implementation overseer was a consortium of three NGOs: Plan International, CONGOMA and ActionAid Malawi. Implementation was conducted by CBOs (Community Based Organizations) and NGOs across the country.

[112] Mwananchi was funded by DFID and ODI. Coordination was by Malawi Economic Justice Network (MEJN) with implementation of activities conducted by local NGOs.

local NGOs including the Catholic Development Commission of Malawi, National Smallholder Farmers Association and CARE Malawi. My research has established that the number of Malawian CSOs in local governance has recently increased following the interest of multilateral and bilateral donors in funding social accountability projects at the local level. Social accountability projects have a nationwide footprint because they are implemented in all 35 local councils in Malawi. As of February 2017, one grant-facility institution, the Tilitonse Fund, had 72 active local NGO and community-based organisation (CBO) grantees[113].

The fieldwork for this thesis supports my argument that the operations, magnitude and scale of CSOs in social accountability projects matter in terms of power reconfiguration and in ultimately affecting the ownership of policies. This argument is supported by the popular view among local council officials that voluminous social accountability projects by NGOs can be a blessing or a curse, depending on how particular NGOs engage local councils to support their activities on policy formulation and implementation. In a research interview, a senior officer in the Directorate of Planning and Development at Thyolo district council indicated, "NGOs empower us with knowledge regarding matters of policies. But same NGOs turn against us and work with local communities empowering them with knowledge on options they have dealing with councils. It is sad because sometimes they withhold the truth and give communities wrong information"[114] Social accountability projects can help to balance power between citizens and public officials, and balancing power between local councils and communities is important for Malawi because of a legacy whereby, after the 31-year rule of a single regime, public officials have in the past wielded a lot of bureaucratic power to the disadvantage of the local people (Chasukwa and Chinsinga, 2013; Tambulasi and Chasukwa, 2014). Social accountability projects in Malawi are now implemented based on coalition building and collaboration between NGOs and local communities with the input of local people incorporated into policy processes (Tembo, 2013). Also, social accountability projects aim to expand space for the exercise of formal and informal power by local communities in policy formulation and implementation.

[113] See: http://tilitonsefund.org/.

[114] Key informant interview, Director, Thyolo District Council, 23 March 2016.

Through civic education projects, citizens are mobilised to exert collective power on local councils and the extra-local development planning systems are used to ensure that the voices of local communities are incorporated in district policies. Where social accountability projects have been successful in striving for policies that come from the people, ownership of such policies is firmly proclaimed by local communities. Though social accountability projects aim to balance power between citizens and public officials, they have also shifted power to local communities. This has created tension between public officials and local communities. Furthermore, this tension blocks public officials from paying attention to local people, hence a backlash whereby policies have remained top-down and not bottom-up – not owned by the local communities. In relation to the research question stated earlier being addressed in this chapter, my finding is that public officials view their power as zero-sum and therefore feel that they are disempowered by social accountability interventions that empower local communities to demand officials' participation in the local development planning system. In the broader picture of patronage politics, the tussle for power in the LDF is due to the "shadow state" (Reno, 1997:1) being weakened by the empowerment of local communities.

The LDF-Technical Support Team is that shadow state because they provide public services where it should, surely, be the government providing those services. Whilst the LDF-Technical Support Team reaches out to the public, one of the core reasons for maintaining it is that the government uses the LDF-Technical Support Team as a shadow state to distribute resources to the patronage networks of the elected representatives (MPs and councillors) and government officials, ministries and local councils. When a shadow state such as the LDF-TST is weak, the elected and government officials also lose power as they lose the means of reaching out to their loyalists with resources. The tussle for power to control the LDF-TST also reflects the "two publics in Africa" model (Ekeh, 1975) where public officials serve two interests: professional and of ethnicity. As public officers, their loyalty is to the government and they must do everything within their power to achieve what government wants them to achieve. However, as members of social and political networks, their clan and political associations also expect to be helped by them to access public resources. The LDF-TST as civic public use "loose coupling" (Goddard et al., 2016:12) to distribute resources to clients of government and their own clients. In loose coupling, LDF-TST take the established formal institutions as symbolic and bypass them to use the informal written institutions because they give them political legitimacy. In the case of LDF, formal institions are mere rhetoric responding to donor pressure just for the purpose of earning institutional legitimacy and donor confidence but have less to do with preventing patronage as donors think they do. As discussed in chapter 5, the LDF-Technical Support Team is an institution entrusted with power that can be used to bend the rules of the game for the benefit of strengthening the social and political networks of those in power. A tussle for power is therefore expected when civil education projects threaten the institutional design of the 'institutional gates' in a way that would change the rules of the game and stop the patronage distribution of resources.

I established during fieldwork that in order to keep control and power, Thyolo and Mangochi district councils have repeatedly asked NGOs to leave the districts for not operating within the councils' district development plans. According to council staff in the Directorate of Planning of Development in Thyolo, the decision to ask NGOs to leave the district, for not abiding by what the district development plans require them to do, is based on local ownership. One official explained, "The district development plans is what people mandated us to implement. If any actor goes outside the district development plans, he or she is acting on his or her own accord therefore stops representing local communities. We are here to make sure that all players are implementing what people want. If they do not want to implement what is in the district development plans, then we are justified to chase away because they are operating on their own terms of conditions."[115] Similar remarks were also made by a district council official in the Directorate of Public Works in Mangochi: "We have our plans based on needs-assessment that we undertook. However, many times our development partners in the NGO sector do not honour the district development plans. We have no choice but to tell them leave the district or do what the district development plans are requiring them to do."[116] These remarks are a clear example of councils being the legitimate representatives of local communities, and requiring NGOs to adhere to their mandate.

[115] Key informant interview, Director, Thyolo District council, 11 February 2015.
[116] Key informant interview, Director, Mangochi District council, 7 April 2015. Note that in Thyolo and Mangochi, NGOs are yet to be forced to leave the districts on grounds of not honouring district development plans.

The narratives highlighted above show that councils exercise informal power by instructing NGOs to adhere to their mandate as a way to limit both their scope of operations and the input that they make to the policy formulation process. Councils make nondecisions by blocking suggestions from NGOs, hence policies are adopted as decided by the councils. However, a popular narrative by which NGOs justify their operations with district councils is similar to the one indicated by public officials representing the interests of the people. A district civil education officer from The National Initiative for Civic Education Trust, a civil society organisation implementing a social accountability project in both Mangochi and Thyolo, disputed the claim that they operate outside the district development plans: "the plans and projects we present to the district councils are what people want in local communities, Public officials visit the communities because of limited financial resources but we are always on the ground. To say that we are outside district development plans shows that they cannot adapt to the needs of people."[117] Numerous NGOs have disputed claims that their projects fail to reflect the interests of the local communities, and further insist that they are better representatives of the people than are the district councils because they address the 'real problems' faced by local people. Essentially what NGOs are doing is to question the extent to which the district development plans are owned by the local authorities. NGOs have questioned the effectiveness of councils as representatives of local communities when it comes to capturing the needs of the people, therefore they are known for undermining the legitimacy and mandate of councils to conduct business on behalf of these local communities.

District councils therefore exercise informal power to break or weaken contact between NGOs and the local communities. This breaking or weakening of the NGO-local community relationship implies a return to a direct relationship between local councils and communities. However, councils do realise that this reduction in the agency of NGOs and weakening of the link between NGOs and local communities is problematic because of the decentralisation that the councils proclaim to practice. Consequently, the only practical option for local councils is to regulate the scope of the NGOs as well as the relationship between the NGOs and the local communities. Local councils regulate the relationship between NGOs and local communities through a Memorandum of

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[117] Key Informant Interview, District Civil Education Officer, National Initiative for Civic Education Public Trust, Mangochi, 13 April 2015.

Understanding, signed by themselves and also the NGO. In Thyolo, the Council signed a Memorandum of Understanding with a CSO Network which obliged NGOs to implement development projects based on the district development plans, and further required NGOs to report the progress of their projects to the district council.[118] The Memorandum of Understanding requires both NGOs and local councils to be accountable, and the difference in its descriptions of accountability suggesting that district councils and local communities are principals whilst the NGOs are agents. The Memorandum of Understanding between local councils and NGOs is a manifestation of the formal power that is exerted by local councils, as discussed earlier.

6.6 Accounting for the Failure of Pooled Funds to Enhance Local Ownership

Pooled funds are designed on the assumption that they will enhance local ownership, which is critical to development aid effectiveness (Leiderer, 2013); pooled funds thrive on the idea that due collaborative power will be achieved because development players will have common interests and goals, and pooled funds purportedly rule out antagonism amongst development players since this would derail progress towards their common interests. Based on my fieldwork, I would argue that while common interests are necessary incentives for collaboration in terms of the pooled fund as an aid modality, these interests are not always sufficient to hold the development partners together. There are other interests, related to country and organisational-contextual factors, that are important for both donors and recipient countries, and these require consideration in order for pooled funds to work. Contrary to my prior expectations, my fieldwork has established that development partners in the LDF rarely work together as was seemingly promised by the LDF design, and therefore the collaborative power of theory is not achieved in practice. Each development partner retains a substantial amount of power in their LDF agreements with the Malawi Government, hence defeating the LDF's established purpose as a pooled fund.

[118] M'mbelwa District Council also signed a Memorandum of Understanding with CSO Network, (see: http://www.pachimalawi.com/mmbelwa-district-council-signs-mou-with-cso-network/), as did Salima, Ntchisi, Dedza and Zomba District Councils and Luchenza Municipal Council, among others. Other councils have Service Charters that function similarly to a Memorandum of Understanding.

As discussed in chapter 4, development partners continue to work as isolated donors within a loose framework of the LDF pooled funding. The individual agreements that donors have with the LDF-Technical Support Team negatively affect the subsequent ownership of policies by local districts and communities due to the competing interests of donors and central government authorities. One contributing reason why donors continue to retain certain powers and functions within the LDF is that there is a loss of confidence by donors in the public financial management system of Malawi, which is viewed as being weak, and because of the prior, proven embezzlement of funds within the country. The German Ministry for Economic Cooperation and Development (BMZ) made a clear statement about their own loss of trust in the country's public financial management: "Given the deficit in public financial management in Malawi, Germany does not see a perspective to disburse general budget support in the near future."[119] The Cashgate scandal (the 2013 theft of US$ 32 million of public funds in Malawi) does vindicate donors in believing that public financial management systems in Malawi are prone to abuse. Also, bypass arrangements, such as those made by the LDF-Technical Support Team, are premised on a weak public financial management system. The National Local Government Finance Committee, constitutionally mandated to handle all the financial transactions of local governments in Malawi, is currently bypassed by the LDF-Technical Support Team. In addition, councils and project management committees are required to have a dedicated account for the LDF, such that it is impossible to mingle LDF funds with funds from the Council and non-LDF donors. This bypassing on the one hand, and the imposition of systems and procedures to manage LDF funds on the other hand, have contributed to the lack of ownership of the same policies by local councils and communities.

Organisational and country-specific policies also contribute to the failure of the LDF as a pooled fund that can promote local ownership. In my interviews with LDF development partners, I established that each of the donors use their own procedures to discharge certain functions according to their organisational policy and agreement with the LDF-Technical Support Team. For instance, procurement in the LDF by the Technical Support Team follows the procedures of the donor who is funding the activity to be implemented; that is to say, if it is a public works programme in the Local

[119] See Mhango, G. (2014). 'Germany suspends budget support to Malawi'. *DW website*. [Online]. [Accessed 3 May 2017]. Available from: http://www.dw.com/en/germany-suspends-budget-support-to-malawi/a-17604234.

Authority Window, then the World Bank procurement procedures are followed. Even for the Urban Development Window, jointly funded by KfW and the African Development Bank, the LDF-TST uses the procurement procedures of either KfW or the African Development Bank, depending on who is providing the funds. For procurements of goods and services that involve huge sums of money, the process is centrally handled by the Technical Support Team under the supervision of the donor providing the funds. Single sourcing contracting above MK 150,000 requires a review by the Office of Director of Public Procurement (ODPP) and the local bidding for works for contracts estimated to cost more than MK 5 million is managed by the central government (LDF-TST, 2009). Regarding KfW, a key informant in the LDF-Technical Support Team indicated that the "LDF uses consultants because that is the policy of KfW as a German government bilateral agency. All activities by KfW are implemented within Urban Development window therefore involving huge sums which makes it important for them to centrally manage the projects."[120] Both KfW and the AfDB bypass local councils by contracting consultants and private sector organisations to carry out activities on their behalf. The use of different systems and policy procedures by donors that bypass district councils and local development committees, as required by the donors' own organisational policies, reflects a centralisation of power in individual development agencies, which defeats the idea of the LDF as a pooled fund, and detracts from a sense of local ownership.

6.7 Conclusion

This chapter has discussed the extent to which power affects the ownership of the LDF by government administrators and local communities at national, district and sub-district level. I have argued that both formal and informal power in LDF are exercised by donors and the LDF-Technical Support Team in a centralised manner such that local communities, district councils and central government do not fully own the LDF. This study finds that the LDF is a centralised financing mechanism and not the decentralised and participatory development planning mechanism that it was intended to be at first design. The LDF has become a top-down development financing and planning instrument that overrides the interests and priorities of local committees and district councils because donors and the Technical Support Team use their authority to decide

[120] Key Informant Interview, senior officer, Urban Development Directorate, LDF-Technical Support Team, Lilongwe, 18 February 2016.

on the inclusion and exclusion of issues and nonissues, and so they control the LDF agenda.

Primarily, local actors in the LDF are concerned with making decisions and nondecisions relevant to aggregating resources from donors and central government, and with facilitating a funds mobilisation strategy on behalf of central government. This emphasis within the LDF sometimes leads to a disregard of local interests, which therefore frustrates local ownership. The LDF fails in being a pooling of resources, ideas, systems and procedures that is successful in reducing transactional costs – as was originally conceptualised. The Fund is rather a means by which donors finance their own individual and earmarked projects. Formal and informal power are exercised in a way that influences LDF institutional design to accommodate the individual projects of the donors, disregarding the concept of pooling funds as removing such individual emphasis. Within this chapter, I have demonstrated the ways in which the LDF represents a contest whereby different players exercise formal and informal power based on written and unwritten rules of the game whilst ultimately competing for their own policies and interests.

CHAPTER 7: CONCLUSIONS, ORIGINALITY AND AREAS FOR FURTHER RESEARCH

7.1 Introduction

Power is important in Malawi's development aid landscape as it is linked to influence and to control over decisions and nondecisions. Specifically, power is important in donor-government relations because of the government's high dependence on their development partners for the funds to implement social projects. Donors and the Malawi Government authorities each exercise power using formal and informal rules of the game so that decisions and nondecisions will be made in their best interests. Indications from this study are that power is central to determining the institutional framework of aid modalities in the disbursement of aid so that donors, as well as recipient countries, can achieve their interests. Whilst the official discourse in development aid is that donors and aid recipients should treat each other as partners, which implies that they have the same decision-making power, the evidence suggests that a power imbalance still exists between donors and aid recipients (Daniel, 2014; Gautier and Ridde, 2017). The persistence of such power imbalances between donors and aid recipients is paradoxical because each of these actors have pledged their commitment to the values of treating each other as equals by signing several agreements, including the Paris Declaration, the Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation. However, power imbalances remain evident even while donors and aid recipients exert formal and informal power to control the processes for determining the institutional design for the delivery of aid to beneficiaries. This study has engaged issues of power and aid modality institutional design using the case study of the Local Development Fund in Malawi to examine how power shapes the institutional design of pooled funds. The main research question that has guided the study is: '*How and in what ways does power shape the institutional design of pooled development funds as an aid modality*?'

The Malawi Local Development Fund is an important case study for addressing this question because it is a pooled fund involving multilateral and bilateral donors (the World Bank, African Development Bank and the German Economic Bank) and the Malawi Government, whereby all parties have varying degrees of power regarding how they can make decisions and nondecisions. The Local Development Fund is also a significant case study for this research because it is implemented in a poor country that is heavily dependent on foreign aid. Thus, Malawi was selected as a research country because of its dependence on development aid: 40% of the budget is funded by donors and net official development assistance (ODA) received in Malawi (% of GDP) is reported at 14.2 % (World Bank, 2015). As discussed in chapter 1, despite a massive inflow of development aid over approximately five decades, Malawi remains one of the poorest countries in the world. The 2016 Human Development Report categorises Malawi as one of the least developed countries worldwide, ranked in the position of 170 out of the 188 countries surveyed, thus eighteenth from the bottom (UNDP, 2016). From an economic based indicator, the World Bank classifies Malawi as a low-income economy with a Gross National Income of US$ 350. The development indicators in Malawi challenge the positive correlation between foreign aid and well-being achievement as claimed by Kosack (2003), and the assertion that foreign aid increases positive growth as indicated by Gomanee et al. (2002). It is perhaps puzzling that a country which has received huge amounts of financial assistance for a sustained period of time remains stuck near the bottom of the Human Development Index, as measured by the United Nations Development Programme. However, aid critics, Kharas (2007b), Kharas and Rogerson (2012), Easterly (2003, 2006, 2009), Bauer (1971, 1975), Moyo (2009) and Hayter (1971), provide evidence for the negative impact of aid on the well-being of people in developing countries. Easterly (2003) argues that aid is wasted in developing countries because of corruption and elite capture. Kharas (2007b) and Moyo (2009) indicate that how aid gets to developing countries is one of the chief reasons for aid ineffectiveness, whereas for Hayter (1971) aid is imperialism that serves the interests of donors.

The paradox of Malawi being an aid recipient, yet poor country has attracted research interest from various perspectives: economic, policy, politics, international relations and public sector reform. The topic of development aid in Malawi has consistently gained the interest of researchers because of Malawi’s current programmes on public sector reforms, their increased levels of corruption, the strong regional integration policies and the issue of emerging donors. Despite this huge interest in development aid in Malawi, and the existence of substantial literature on the topic (Chitsamba, 1991; Chinsinga, 2005; Magolowondo, 2005; Msowoya, 2013; Khomba, 2018), a knowledge and information gap still exists on how power shapes the institutional design of aid modalities, particularly pooled funds. To address this gap, the research of this thesis has focused on this area in the context of Malawi.

The original claim for this research is the empirical knowledge contributed to understanding how power shapes the institutional design of pooled funds based on the case study of the LDF. The Malawi Local Development Fund began in 1994, when no academic research focusing on power and the institutional design of pooled funds had yet been undertaken. Even since 1994 there have been no studies on how power shapes the institutional design of pooled funds that focus on either the LDF or on any of the other pooled funds in Malawi. As regards the methodological approach for operationalising this research, in-depth documentary analysis supported six months of extensive fieldwork, completed in Malawi, for the collection of primary data through key informant interviews and focus group discussions. This paper has argued that the formal and informal power exercised by donors, Malawi government administrators, politicians (MPs and councillors) and local communities has interacted to shape the institutional design of the Local Development Fund pooled funds. It has been found that donors and local actors in the LDF control agendas and make decisions based on formal institutions when exercising formal power. Data from the fieldwork also indicates that actors in the LDF exercise informal power by intentionally including or excluding certain people – or groups of people – in the decision-making process in order to ensure or to prevent certain decisions from being made; and that actors also manipulate information so as to achieve their own desired outcomes, among other actions. There is an interface between formal and informal power, which influences the institutional arrangement of the Local Development Fund such that all actors work to best ensure that the rules of the game will be aligned to and serve their own interests. This thesis also argues that donors and local actors are engaged in various formal and informal power games as they try to attain and protect their interests in the LDF pooled funds. Whilst donors frequently use formal power to attain their interests (policy influence, monetary gains, gaining visibility), local players often exercise informal power to continue receiving aid; they practice patronage and clientelism, and they consolidate the position of their 'bigmen' in the case of politicians.

This thesis also acknowledges the difiiculty of demonstrating intention in institutional design mainly because of non-decisions that are taken behind the scenes. Institutional designs are informed by formal and official interest and narratives as outlined in the documents. These official positions are visible and implemented through formal structures. However, data for this research shows that some intentions of insititional design are found in undeclared interests and unofficial narratives. This means, as demonstrated by this study, the researcher has to go beyond the face value of official narratives and interests to understand other interests and narratives that have not been written down yet are critical to institutional design. Methodologically, the researcher has to collect data from invisible and hidden actors who may be difficult to identify by the fact that they are operating behind the scenes. Where informal instititutions dominate the formal institutions, as is in Malawi, the intention of institutional design may be difficult to identify because the unofficial interests are covert. In this research, as discussed in chapter 4, unofficial interests were identified through probing during FGDs and key informant interviews to demonstrate that unofficial interests, other than official interests, are sometimes behind the prevailing institutional design.

7.2 Research Questions

As indicated earlier, the main research question of this thesis is: "*How and in what ways does power shape the institutional design of pooled development funds as an aid modality?*" For the purpose of answering this overarching question, and examining the themes of this research as outlined in the above section, three specific research questions were proposed. Below are the conclusions for each of research questions.

7.2.1 What are the interests of actors in pooled funds and power games played in the institutional design of pooled funds?

Development aid has been under scrutiny for decades regarding its effectiveness in meeting its objectives including poverty reduction, promoting good governance and implementing policy reforms (Banks et al., 2015; Richey and Ponte, 2015; Patel and Mitlin, 2002). Some of the reasons attributed to aid ineffectiveness are weak coordination among donors and recipient countries, the proliferation of development foreign aid, and incomprehensive aid modalities (Kimura et al., 2012; Acharya et al., 2006). Different aid modalities may be proposed depending on what the development aid is intended to achieve, and the prevailing conditions in the recipient countries. Commins et al., (2013) argues that pooled funds are an aid modality established on the assumption that all participating players have the same interests and that, as such, there will be cooperation instead of the competition that otherwise characterises donor-donor and donor-recipient relations. Under a pooled funds system, it may be assumed that donors and recipient countries will be equal partners, conducting their business based on a clear division of labour. As equal partners, it is implied that power would be equally shared among the players irrespective of how much they are contributing to the fund pool, which includes sharing power equally between the donors and the recipient countries. In pooled funds, equal partnership is epitomised by an independent secretariat that performs functions based upon a framework, agreed by donors and recipient countries, such that no player unduly influences the decisions made by the independent implementing agency. Furthermore, to demonstrate that recipient countries are equal partners with donors in pooled funds, donors agree to work by the priorities of the recipient government, hence addressing the long-time critique that, through development aid, more powerful donors impose their will on less powerful recipient countries.

One of the main findings of this study regarding the distribution of power within the LDF and the interests of the participating players, is that much power is still concentrated in the hands of development partners despite the promise of pooled funds that will distribute power equally to all players. I have established that the development partners in the LDF use formal institutions (such as credit agreements and donor-government fora) to influence decisions such that the LDF-Technical Support Team and the Malawi Government commonly implement plans that have already been decided by the development partners. Development partners exercise formal power drawn from the formal institutions of written policies and agreements, which is reinforced by their financial and ideational strength. And yet, while donors exercise significant formal power, the public institutions in Malawi that are entrusted with the role of implementing the LDF exercise considerable informal power either: by implementing the policies with some changes, with or without the knowledge of donors; or, by not implementing the policies at all. By not implementing certain decisions, or implementing some of the decisions but with changes, public institutions in Malawi have been involved in reshaping the institutional design of the LDF through informal power. Local policy makers invoke nondecision-making powers to challenge the decisions and interests of donors. The empirical data for this thesis shows that public institutions implement these protest conditionalities at an operational level rather than at a strategic leadership and policy-making level. It is possible for public institutions to pay lip service to the agreements of the LDF at the formal level, but then to retract at the operational level because of weak monitoring mechanisms on the part of the donors, and the sheer human resources that would be required to regularly check adherence to agreements at local council level.

In answering the question of how power is distributed within the LDF, it was important to understand the interests of the participating players and how their interests have informed the power dynamics that have shaped the LDF's institutional design. This thesis has established that despite the claim in the literature that actors in pooled funds have common interests (Stern et al., 2008; Wood et al., 2011), in fact the key players in the LDF have different interests. These key players were identified as being: the development partners or donors (the World Bank, KfW and the AfDB) and the Malawi Government (the Ministry of Finance, the Ministry of Local Government, local councils, the LDF-Technical Support Team and the National Local Government Finance Committee). A wide range of interests exist within the LDF because donors and public institutions have different mandates. Donors, like public institutions, are heterogeneous groups pursuing various interests appropriate to their mandate. Within the LDF, even though all three development partners are banks with commercial interests, the fact that two of the development partners are multilaterals (the World Bank and the African Development Bank) and one is bilateral (the German Economic Group), has impacted upon the Fund's collective interest, and has also affected the manner of approach made to the donors, by the government, regarding their initial and continuing participation in the LDF pooled funds.

Following the 2005 Paris Declaration, which promoted a harmonisation in donor projects and use of resources, and the ownership of development policies and outcomes by recipient countries, the LDF was established as a financing mechanism that would harmonise the development aid intended for better local governance and poverty reduction. The LDF created an opportunity for donors to reposition themselves as development partners who were committed to the international narratives of harmonisation and country ownership, as promoted by the Paris Declaration. However, based on empirical data, this study concludes that donors still earmark their development aid to allow them to achieve their individual interests. For example, at the outset of the LDF, the development partners resisted a pooled fund that would have made the Malawi Government in charge of all funds contributed by donors for local development. Taking advantage of the varying interests among local public institutions, and of deficiencies in the public machinery to administer development aid, the pro-donor public institutions lobbied for a pooled fund similar to ‘Flexible SWAPs’ (van Donge, 2007), an institutional design that permits development partners to earmark their resources, even though the agreed optimal option, to the recipient country and in terms of harmonisation, is the non-prevalence of discreet funding. The LDF is instead a pooled fund mechanism that is convenient to donors, allowing them to achieve their individual interests while using the common implementing agency or Secretariat (the LDF-TST). However, the current institutional design of the LDF does accommodate the interests of all of the actors mentioned above to varying degrees, and this result follows an active series of power games played by donors and local institutions in defense of their distinct and common interests.

The analysis of data for this research on the distribution of power and commonality of player interests in pooled funds disagrees with certain literature indicating that international development agreements, particularly the Paris Declaration, distribute power equally and that actors have the same interests (Coppin, 2012; Williamson, 2009). In view of this observation, one conclusion of this study is that the Paris Declaration is premised on a ‘faulty’ assumption that donors have common interests so that their participation in and contribution to pooled funds is guaranteed. This thesis shows that even within a recipient country, different units of the same government have competing interests and, as such, they often clash. However, the institutional crisis and dual loyalty experienced in the LDF from being co-hosted by two ministries (the Ministry of Local Government and the Ministry of Finance) is arguably deliberate, as it serves the interests both of development partners and the Malawi Government. This research agrees with Anderson and Patterson (2017) that donors and government administrators all instrumentalise aid for their own benefits: this instrumentalisation of aid is achieved through the exercise of formal and informal power as manifested in the control of agenda using formal institutions, as well as by limiting the scope of decisions through performances of compliance (Bachrach and Baratz, 1962; Scott, 1985; Anderson and Patterson, 2017).

The formal and informal power games played by actors within the LDF reinforce an adherence to the current institutional design, such that it is difficult to envision a pooled fund whereby funds from donors and the Malawi Government are not earmarked or associated with parties' own interests. Since 2008, when the LDF was instituted, the formal and informal power games of the donors and the Malawi public institutions have been played in the political, policy and legal spheres with major changes having been proposed to the institutional design of the LDF, including: the LDF being a Commission established in the Constitution; the LDF being an independent project implemented by an independent NGO; the LDF-Technical Support Team merging with the National Local Government Finance Committee; and, the LDF being an independent institution with its own legal mandate established by an Act of Parliament. So far none of these proposals have been approved. Changing the current institutional design would mean reconfiguring the incentives structure of who wins and who loses, and no player in the LDF seems willing to put at risk the interests they already have at stake.

7.2.2 What is the impact of exercise of power in pooled development funds on local governance?

A key investigation of this thesis has been the impact of the LDF as a pooled fund on the development and governance structures in Malawi, from the national to the community level. In answering the second research question, above, attention was focused on how the participating agents within the LDF discharge power, and how that power interfaces with several power hubs to impact upon development structures at the different levels responsible for the implementation of development policy in Malawi. This study has highlighted that it is important to understand how the power centres of the LDF interact via formal and informal institutions at each level of development policy implementation and how that interaction impacts upon the institutional design of the LDF pooled fund.

Despite arguments that pooled funds have positive impacts, such as the reduction of transactional costs, aid fragmentation and aid proliferation (Barakat et al., 2012; Dietrich, 2016), this research demonstrates that pooled funds such as the LDF bypass government machinery in aid delivery through formal and informal power. The development structures tasked with the responsibility of implementing the development policy of the Malawi Government are circumvented by pro-donor committees specifically established to implement LDF activities. Such bypassing of government structures has become widespread because even the Ministries of Finance and Local Government, encouraged by the conduct of donors that seek independent project management committees, have established their own projects that also bypass the sanctioned committees at the various levels of governance. Some of the projects that bypass government machinery in aid delivery are hosted by the Ministries and Departments of the Malawi Government but are funded by donors. This bypassing of government structures, either by donors or by the ministries and departments, is a manifestation of informal power that involves paying lip service, foot-dragging, playing double standards and public performance, which all in turn influence the institutional design of aid modalities.

As argued in chapter 4, donors and government have different reasons for bypassing the public structures of aid delivery. In Malawi's LDF institutional design, donors bypass government structures for reasons that include fast project implementation, weak policy implementation capacity by government, a weak public financial management system, a need for visibility, publicity associated with individual donors rather than a group of donors, and corruption and bribery in public machinery. The Government's bypassing of its own structures is motivated in terms of the consolidation of power sought by government ministries; also by the prestige and high status for ministries related to the control of a huge budget; finally, bypassing is related to personal self-interests regarding career progression and the financial benefits available that are supplementary to monthly salaries. I argue that, much as both donors and the Government bypass public structures at various levels of governance, their interests in such bypasses are different. The fact that both donors and government ministries benefit from bypassing government committees makes the circumvention of government structures an attractive way of apportioning development aid, hence the LDF institutional design reflects such a pathway.

The justifications, as mentioned above, that development partners give for bypassing government aid delivery arrangements relate to power. For instance, as discussed in chapter 5, Project Management Committees are involved in the LDF bypassing of Area Development Committees and Village Development Committees on the premise of empowering local communities with specific tasks. In support of this view, Tilley and Tavakoli (2011) have indicated that the bypassing of aid delivery modalities empowers public machinery because local communities make their own decisions. However, my findings do not support an assertion that bypassing is a successful strategy for the transferral of power from central government authorities to local communities. This study's fieldwork data, collected from respondents in development agencies and from public officers from the Ministry of Local Government, Ministry of Finance and local councils, all indicates that such bypassing creates additional levels of management – in the form of Project Management Committees and other LDF-based committees at various levels of governance – which is at odds with a rationale for local empowerment. LDF-based committees have an advantage over government committees with respect to handling LDF issues, and they are also thought to be the more legitimate committee by virtue of falling within the organisational hierarchy of the LDF: this disempowers the government committees. Ahmed et al. (2016) argue that in Ghana, donor support to decentralisation programmes led to the disempowerment of community committees as these were sidelined in favour of the project-based committees. In Malawi, as in Ghana and other aid dependent and implementing countries, project-based committees are incorporated within decentralisation frameworks, but in a way that actually disempowers community committees.

The dominance of projects in the LDF is another key finding related to the impact of the exercise of power in pooled development funds on local governance structures at district and community level. The LDF has many project committees, hence the Fund is implemented in the form of a project aid modality. The project aid management approach regarding the handling of the LDF has contributed to Malawi's governance systems being fragile and weak due to the uncertainty of funding and donor priorities. Thus, while government business is ideally permanent and perpetual (Farazmand, 2001), the LDF project aid has contributed to intermittent public service delivery and weak governance for the periods during which funds are either withdrawn, delayed or suspended. An institutional vacuum is created with the phasing out of each LDF project, as was the case in 2005. In 2005, the LDF was suspended when there was a power struggle between the then incumbent president (Bingu wa Mutharika) and the immediately preceding president (Bakili Muluzi), which resulted in donors withholding their funds and pushing for changes in the institutional design of the LDF. A project management approach to government business in the LDF has also led to a competition for resources among several development players, namely district councils, civil society organisations, LDF project-based committees, decentralised public development government committees, and government ministries and departments. These institutions regard the LDF as a source of funding with which to meet the costs of their operations, a situation which is reinforced by the additional role of grant-issuing that the LDF-Technical Support Team is indirectly tasked with. Also, the existence of multiple bypasses institutions means that pro-donor project committees run parallel to government established committees, hence distorting the line of authority in the LDF institutional set-up.

The discussion in chapter 5 and the conclusions highlighted above clearly indicate that the LDF is disjoined because of parallel structures, created through the exercise of formal and informal power, that undermine each other and cause competition for resources among the development partners. Despite concerns about the LDF working not as a pooled fund but as a project, additional policies that dismantle the LDF pooled funds as a pooled fund continue to be formulated and implemented through the use of formal and informal power that continues to be exercised by donors and by government officers. My conclusion is that public bureaucrats and donors implement ostrich policies that deliberately ignore harmful practices, including the power struggles and games of the donors, that limit the institutional design work that would enable the LDF to function as a pooled fund –because it serves their interests to do so. My thesis supports the literature arguing that when donors ignore the role of local informal power in aid delivery mechanisms, they may be contributing to the falling apart of aid modalities such as the pooled fund (Williams et al., 2008; Levy, 2014). My argument is that recipient countries also contribute to the falling apart of pooled funds, as is suggested by Moss et al. (2008) in their essay on "Aid-Institutions Paradox"; Gibson et al. (2005) in "Samaritan's Dilemma"; and Ndulo (2014) in "Amplification Effect". I conclude that the current institutional design of the LDF is a hybrid one that combines the elements of pooled funds and of project aid modalities as a way of accommodating the interests of the donors and the Malawi Government.

7.2.3 To what extent do different aspects of power affect the ownership of pooled development funds by national, district and sub-district bureaucrats?

Based on the empirical data of this research, there are two key conclusions regarding how power affects the ownership of pooled funds by local authorities at national to sub-district level, as discussed in chapter 6. The first conclusion reflects that, although the LDF was originally promoted as being 'bottom-up' to increase ownership by local players, a lot of power is exerted by top-level authorities in a top-down approach. These authorities use the policies and resources available to hand down programmes to local councils and communities. This thesis's observation that council priorities are different to those of the LDF programmes indicates that power is yet to be transferred to local councils and communities: the LDF does not respond to the priorities of local councils and communities and so local stakeholders do not feel that the LDF is their own programme. Policy documents for Malawi (the 1999 National Decentralisation Policy and the 1999 Local Government Act) outlined that both national and local development planning processes would need to be decentralised, which implies that the communities were set to be making more decisions. The local councils and local communities responded by being more active in producing development plans and determining resource allocation. Local communities were the starting point for the bottom-up approach promoted by the national and local development planning systems. The LDF pooled funds, being a development financing arrangement, should arguably have followed a bottom-up approach, whereby local communities and recipient countries would be key players in the process of designing the rules by which to govern resource allocation and development portfolios. However, the findings from this research show that bureaucrats in the Ministry of Local Government and in the local governments did not support the intended decentralised policy practices regarding how plans should be formulated and resources be allocated. The popular narrative in the Ministry of Local Government is that the LDF is centralised and managed in a top-down approach such that decisions are made by top officials, either independently or jointly, from the donor community, central government and the LDF-Technical Support Team. The LDF as a pooled fund has in fact been designed by technical experts who have prioritised the interests of the donors and the Government; as such, district development plans have often been bypassed.

The second key conclusion as to how power affects the ownership of pooled funds, based on this study's empirical data, is that Malawi's local councils and local communities have utilised informal power and the unwritten rules of the pooled fund development aid game to (re)distribute resources in such a way as to increase their chances of achieving their own interests, sometimes contrary to the instructions that are given by top officials. Informal power is also important for patronage on the part of bureaucrats and political players, as exercised by the LDF-TST and by donors, who sometimes know that local councils and communities are waiving adherence to the agreed guidelines but they do not enforce the rules, which demonstrates that the endurance and ownership of the LDF is gathered from an application of informal institutions and patronage (Ekeh, 1975; Cooper, 2002; Beresford, 2014). As indicated earlier, there is a gap between policy theory and practice regarding resource allocation, which contributes to local authorities not fully owning the LDF, although they do exert some power.

7.3 Original Contributions

The original contributions of this research to the body of knowledge on the political economy of aid modalities, power and pooled funds are three-fold. The first originality claim of this study is the empirical contribution to understanding of how power shapes the institutional design of pooled funds using the case study of Malawi's Local Development Fund. This thesis makes an original contribution to literature on political economy of pooled development funds by arguing that informal power facilitates establishment of certain institutional designs that promote individual interests as well collective interests so long as it is convenient. Informal power also blocks emergence of certain institutional designs that impede attainment of their interests. Studies on informal power in the political economy of development aid in Africa have recently focused much on Rwanda and Ethiopia (Whitfield, 2009; Furtado and Smith, 2009; Booth and Golooba-Mutebi, 2012; Crisafulli and Rendmond, 2012; Mkandawire, 2013; Behuria, 2016; Laura and Berry, 2016; Huggins, 2016). In this regard, this study contributes to the understanding of the role of informal power to institutional design of pooled funds with findings from a country, Malawi, that has often not been paid attention to. Specifically, this research contributes to literature on by contextualizing how informal power is exercised by policymakers, politicians, traditional leaders, donors and community members to shape institutional design of LDF, a pooled development fund.

In the context of LDF, the contribution of the thesis is that donors just as Malawi as a recipient, are also trapped in patron-client networks that make them exercise informal power shaping institutional design of LDF in their favour. This means literature should re-examine the argument that donors are custodian of best practices because they exercise formal power based on formal institutions. As discussed in chapter 4, donors exercise informal power and get engaged in patron-client relations by turning a blind eye to the malpractices in LDF because correcting such malpractices will impend attainment of their interests. Connection to this contribution is another original contribution in that the discussion in this thesis is based on six months' fieldwork in Malawi where data was collected through key informant interviews and focus group discussions. So far, there has not been any study on the Local Development Fund focusing on power and institutional design since its establishment in 2008. Thus, the Local Development Fund has operated for ten years but there have been no studies with primary data to understand how donors and government administrators exercise informal power to shape the institutional design of pooled funds. As discussed above, this contribution to the body of knowledge is significant because empirical insights challenge as well as support some of the assumptions made in literature on aid modalities, power and pooled funds in the Global North and South including Africa.

The second original contribution of the thesis is the filling of a gap in the literature regarding institutional design. There is scholarship on development aid that argues that donor-dependent countries are 'powerless' and passive recipients of development aid and, as such, institutional designs for aid modalities are handed down to them (Moravcsik, 1989; Gukurume, 2012). It is clear that donors have interests that they pursue through the provision of development aid, just as the recipient countries also have interests. This thesis makes an original claim that aid recipient countries influence the shape of the institutional design of pooled funds by exercising informal power on donors. This original contribution to the debate depended on finding and examining the utilisation of informal power upon donors by developing countries in order to ensure their desired institutional design of pooled funds to serve their own interests as aid recipients. Recipient countries exercise informal power to reinterpret the formal institutions of the donors to create their own practices and norms (informal institutions) that they then use to access and distribute resources, with or without the knowledge of the donors. Contrary to the claim by Sandor et al. (2009) that donors and aid recipients who participate in pooled funds have common interests, I have demonstrated that donors and recipient countries have different interests. These differences in interests can cause a troubled relationship between the principal and agent that can lead to an exercise of power through domination and obedience. There is literature, by Coppin (2012) and McArthur and Werker (2016), for example, asserting that, due to the domination of donors over recipient countries, interactions between the two parties in pooled funds are instructional and instrumental in the sense that the 'powerful donors' instruct 'powerless recipients' on what should be the institutional design of pooled funds. In this research, the empirical data does not greatly support the argument that recipient countries are overly powerless in their interactions with donors. I would instead argue that recipient countries use their informal institutions and networks, as well as domestic policies and procedures, to counter and neutralise the power of the 'powerful donors.'

This research also contributes specifically to an understanding of the nature of the agency of recipient countries. Anderson and Patterson (2017) argue that recipient countries – dependent agents – respond to donor projects through dependent agency that involves behind-the-scenes resistance, performance and telling a donor a story to access their resources. However, "performance of compliance" (Scott, 1990, cited in Anderson and Patterson, 2017:10) does not mean dependent actors are powerless because they also redefine issues and institutions in the "offstage of the world of the subordinates" (Scott, 1990:191). I argue that recipient countries perform compliance as a way of influencing donors to accommodate them in the formation of institutional design. Performing compliance is the "Weapon of the Weak" (Scott, 1990) that recipient countries use to resist the domination of donors as well as to exercise their own influence upon them. The fact that donors adapt their 'first-best institutional design' by negotiating with recipient countries on what institutional design to adopt, 'second-best institutional design,' is a clear demonstration of recipient countries challenging the 'powerful' donors. My contribution to the understanding of power relations between donors and recipient countries in the design of aid modalities is that developing countries face domination because of formal institutions, but through informal power exercised 'offstage', they do influence donors on the shape of the institutional design to be adopted. Performing compliance does not mean that recipient countries are powerless actors because this form of resistance can be effective in terms of countering pressure from donors in the process of the shaping of institutional design. Thus, recipient countries should not be viewed as powerless, but rather as less powerful actors with the ability to exert power on donors, mostly in an informal way, that includes paying lip service to agreements, not being cooperative once agreements are signed and resources are delivered, withdrawal of support, foot-dragging, or other exercises of resistance (Scott, 1985, 1990; Anderson and Patterson, 2017).

In this thesis, I have demonstrated how the Malawi Government have foot-dragged in enacting a law that would give the LDF-Technical Support Team more legal support, as recommended by donors. The Malawi Government has also resisted legislating the LDF-TST to keep donors divided as each donor has their own preference on the nature of the legislation that should re-establish the LDF-Technical Support Team, including an Act of Parliament and the Constitution. This is the key informal practice that has made the government powerful and able to influence donors in shaping the institutional design of a pooled fund, the LDF. Recipient countries such as Malawi do amend the rules of the game and institutional design to divide donors: in this case study on the LDF pooled funds, the research and discussion has demonstrated how informal power works on donors by investigating how, for example, the World Bank abandoned their idea of having a Management Unit within the National Local Government Finance Committee (to administer their development aid package) due to the informal power games played by officials in the Ministry of Local Government and Ministry of Finance, and also by the Decentralisation Secretariat, the Local Government Finance Committee and by ex-employees of the World Bank funded project, MASAF. In this research, the first-best design for the World Bank was a Management Unit hosted by the National Local Government Finance Committee and the second-best design was the LDF-Technical Support Team – which mainly serves the official and unofficial interests of donors, the LDF-Technical Support Team themselves, the Ministry of Finance, local councils and local communities.

The third original contribution of this thesis is that the research provides a better understanding of power and the delivery of development aid in terms of how to achieve effectiveness: this paper contributes to the literature on development patrimonialism by providing an empirical discussion regarding the role of informal power and informal institutions in facilitating or blocking the institutional designs of pooled funds that might help achieve more effective development aid in Malawi. In particular, the research contributes to a better understanding of the role of patronage and informality in development aid in view of the prominent concepts that have emerged, including: Going with the Grain (Kelsall, 2010; Levy, 2014), Political Settlements (Laws, 2012; Yanguas and Hulme, 2014), Adaptive Development (Wild et al., 2015), Thinking and Working Politically (Dasandi et al., 2016), Politically Smart, Community Led Development (Booth and Unsworth, 2014), Problem-Driven Iterative Adaptation (Andrews, et al., 2013; Andrews, et al., 2017; Andrews, 2018) and Development Patrimonialism (Booth, 2012; Booth and Golooba-Mutebi, 2012). My contribution to the academic debate on informal power and informal institutions in relation to the highlighted concepts is the recognition that donors, particularly the aid agencies who operate in aid recipient countries get trapped in the patron-client networks and informal power games of the domestic institutions. All these concepts recognise the role of informal power and institutions in the design of development interventions, including aid modalities, especially in those societies dominated by patronage-client relations and networks. These concepts suggest that domestic institutions in aid recipient countries are also trapped into patron-client networks and encourage donors to understand these networks before designing and implementing further interventions.

According to some literature (Araral, 2009; Bracking, 2016), multilateral and bilateral development partners may be seen to be custodians of a Weberian bureaucracy, or system, which is rational, modern and functional, such that donors cannot be part of client-patron networks: the argument is that development partners and development agencies are the custodians of the best practices that the recipient countries will need to emulate. However, this study's research challenges claims that development agencies are Weberian and insulated from playing the power games that lead to patron-client networks. This study demonstrates that development partners are implicated in patron-client networks, and roles may even switch such that recipient countries become patrons and it is the development partners who become the clients. This switching of roles is explained in terms of the formal and informal power games that actors play in pursuance of their interests. Development agencies in aid recipient countries are under pressure to perform to the satisfaction of their head offices; as such, they sometimes abandon the

Weberian principles of their bureaus. The development agencies (World Bank, AfDB and KfW) examined in this study, who are operating in Malawi, 'Work with the Grain' to achieve goals, which means an involvement in patron-client networks – even as clients themselves. By ignoring certain malpractices, these donors have become the clients of the Malawi Government and, arguably, interested in the continuation of such malpractices as will serve their interests.

7.4 Recommendations for Further Research

The research of this thesis has focused on how power shapes the institutional design of pooled funds. In particular, it was investigated how formal and informal power have shaped the institutional design of the LDF as a pooled fund aid modality. From the outset, it was clearly stated that this research did not aim to fill all gaps in the existing body of knowledge for this subject specialism. Whilst conceptualising, collecting and analysing data for this research, I identified three areas for further research, as necessary to contribute knowledge to the existing literature, and to provide further insight into the emerging themes surrounding power and development aid modalities, as discussed below.

7.4.1 The Power of Traditional and Emerging Donors on Shaping the Institutional Design of Aid Modalities

One focus for the research of this thesis was an investigation into the power and interests of the traditional bilateral and multilateral donors who have contributed their resources to the Local Development Fund pooled funds. This focus on traditional donors was by default since there are only the World Bank, the African Development Bank and the German Economic Group (KfW) that pool resources together into the Local Development Fund basket. These traditional donors have dominated development aid architecture in Malawi since the early days of the post-colonial era in terms of making contributions. While it is appreciated that traditional donors are not homogenous, clearly they are in a category distinct from that of emerging donors (Banik, 2013; Dreher et al., 2013; Mawdsley, 2012; Kim and Lightfoot, 2011). In the recent past, development aid from emerging donors to Malawi has greatly increased. The formation of South-South regional and continental bodies, such as Brazil, Russia, India, China and South Africa (BRICS), has also increased the visibility and influence of non-traditional donors in Malawi. In this regard, future research should investigate development aid modalities and the institutional design of pooled funds whereby traditional and non-traditional donors are pooling resources. Research on this theme would provide insights as to how traditional and emerging donors exercise formal and informal power in pooled funds given that they have different aid policies and practices. This research has investigated the engagement between traditional donors and the Malawi Government. However, non-traditional donors such as China are becoming increasingly visible and powerful in Malawi. Future research should examine how traditional donors are responding to the increased dominance and presence of non-traditional donors in Malawi: it should be of interest to examine whether or not the traditional donors are making changes to the aid modalities that they use, or whether they are switching to different aid modalities. Such research should also investigate the impact of any such changes on the flow of resources both to the Malawi Government and to non-governmental organisations.

In October 2015, the European Union Commission, through the European Investment Bank, announced a business and investment development facility of EUR 30 million for financing private sector development projects with the National Bank of Malawi. In January 2017, the Royal Norwegian Embassy expressed an intention to strengthen trade and investment ties between Norway and Malawi as a means to making Malawi less dependent on aid. These changes in the aid modalities utilised by non-LDF traditional donors in Malawi incorporate business and investment principles similar in nature to Chinese development assistance. Further research is needed to establish the impact of these changes, and whether they are a response to the development assistance provided by the emerging donors in Malawi. In the same spirit, further research is needed to examine whether the traditional donors (multilateral and bilateral) are weakening their aid conditionalities in Malawi because of the increased development assistance from non-traditional donors, particularly China. The other consideration for future research on this theme would be an investigation of the approach taken by the Malawi Government in accommodating traditional and non-traditional donors, which may be working in competition with each other rather than complementing each other. It would also be of interest to discover relevant strategies employed by the Malawi Government, such as whether the presence of emerging donors is being used as leverage to bargain with the traditional donors for increased aid allocation and better aid quality and effectiveness.

7.4.2 Power and the Institutional Evolution of the LDF/Pooled Funds in Malawi

From an institutions viewpoint, the research of this thesis has examined the interests of domestic actors and development partners in the LDF, and the formal and informal rules by which they engage within this arena in order to pursue those interests. As much as this research has discussed the narratives for each of the proposed LDF institutional designs, as championed by domestic actors and donors, with also a discussion as to the interests of these players in the LDF, this research has not examined those factors that contribute to the adoption of particular institutional designs and the rejection of others. In view of this, the second area that needs further research regards the evolution of the institutions governing pooled funds in Malawi: it is important that future research should pursue further understanding of the formal and informal power games that were played leading to the acceptance of particular institutional designs at different stages of the LDF evolution. Such research may best be situated within path dependency and historical institutionalism theoretical frameworks because of the great potential of thereby explaining the patterns of institutional design within the LDF. Such frameworks should also be pivotal in explaining the rules of the game that have been the building blocks for LDF design, and also the reasons behind their endurance for a period of over two decades. Research on the institutional evolution of the LDF is important, especially given the influence that the initial MASAF of 1995 has had on subsequent MASAF designs, including that of the LDF today. Also, future research should take a long-term view as the history of LDF dates back to 1995. Researchers should establish which are the generalisable factors that have had the capacity to facilitate agreements between government officials and the development partners on the particular pooled funds institutional design to be used for the disbursal of funds, or for the management of development projects in developing countries. A further possible consideration for future research would be the examination of the evolution of the LDF institutional designs in line with global trends for pooled funds management. In the context of Malawi, such studies could usefully include: the Central Medical Stores Trust, the National Initiative for Civic Education Trust, the Malawi Human Rights Commission and the National Roads Authority. If future research takes a global perspective, the findings should add knowledge to the debates on institutional design as related to power and policy transfer.

7.4.3 Locally Managed Trust Funds

The literature to date suggests that development aid Trust Funds are operated by donor organisations, be they multilateral, bilateral or multi-bi, while development aid is assumed to be a clear channelling of resources from the Global North to the Global South (Reinsberg, 2017; Gulrajani, 2016). However, I recommend that this view be re-examined. As discussed in this thesis, the WB, the AfDB and KfW contribute their resources into a 'pool.' However, this pool is not operated, at least in principle, by KfW, the AfDB and the World Bank. It is operated by a semi-governmental organisation, the LDF-Technical Support Team. Though not a Trust Fund, the Local Development Fund incorporates certain aspects of a Trust Fund. Trust Funds aim at reducing the operational costs for donors, which the creation of the LDF-Technical Support Team also aimed to do. Trust Funds are flexible in terms of design and lifespan, as is the LDF, which evolved from being the MASAF in 1998 to being the LDF in 2009. In another aspect of evolution, donors have been changing the rules of the game in the LDF since 2009, as based on recommendations from both internal and external evaluations. Furthermore, the name of the aid facility itself, the Local Development Fund, may seem to suggest that it is a Trust Fund. However, this research has demonstrated that the LDF in Malawi is a project that is not a Trust Fund in other key respects (see chapters 4, 5 and 6). Based on these observations, future research should focus on investigating the possibility of the existence of Trust Funds that are managed by national governments or institutions in the Global South. With consideration of the discourse on the alignment of aid, whereby donors are encouraged to use the systems, policies and structures of the developing countries to manage aid, it would be interesting to find out if there are any donors who do contribute to Trust Funds managed by aid recipient countries.

7.5 Conclusion

This chapter has discussed conclusions, original contributions and areas for future research which are based on the primary data collected in Malawi for a case study on the Local Development Fund. One of the three main conclusions is that donors and local actors (government administrators, politicians, local communities) exercise formal and informal power, which is exercised to shape the institutional design of pooled funds in a way that allows actors to achieve their individual interests. The second key conclusion is that the exercise of power by the actors in pooled funds has several impacts, including fast implementation of projects, deepening of patronage, administrative burden and bypassing of public machinery. This study's third key conclusion is that power in the

LDF is concentrated in the hands of the donors and the LDF-Technical Support Team such that the LDF is not wholly owned by local authorities and communities, as should be required by the National Decentralisation Policy (1999). The principal originality claim of the thesis relates to the empirical contribution made to the existing literature on power and the institutional design of aid modalities, based on the case study of the Local Development Fund. A further original contribution is the finding that aid recipients, as well as donors, influence the shaping of the institutional design of pooled funds by exercising formal and informal power through written and unwritten rules of the game. The written rules of the game used to exercise formal power are, for example, the aid agreements between donors and the Malawi Government, whereas the informal institutions used for nondecisions include paying lip service to agreements, manipulating the information given to donors, establishing committees and taskforces that do not provide conclusions, excluding and including certain people in decision-making, and creating selective precedents. This research engaged Bachrach and Baratz's (1962) and Gaventa's (2006) concepts of power to demonstrate how decisions and nondecisions are used to shape an institutional design that helps actors to achieve their interests. This research has demonstrated that informal power is significant to the institutional design of pooled funds in Malawi, as in other African countries, because of a high level of patronage and the dominance of informal institutions in the distribution of resources to clients by patrons.

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APPENDICES

Appendix 1: Traditional Authorities for Mangochi District

1	Senior Traditional Authority Jalasi
2	Traditional Authority Bwananyambi
3	Traditional Authority Chowe
4	Senior Traditional Authority Chimwala
5	Traditional Authority Mponda
6	Traditional Authority Makanjira
7	Traditional Authority Katuli
8	Sub Traditional Authority Namavi
9	Traditional Authority Chilipa
10	Traditional Authority Ntonda
11	Traditional Authority Nankumba

Appendix 2: Traditional Authorities of Thyolo District Council

	NAME OF TRADITIONAL AUTHORITY	AREA OF JURISDICTION IN VIEW OF THE CONSTITUENCY
1	Senior Chief Chimaliro	Thyolo East
2	Senior Chief Thomas	Thyolo West
3	Senior Chief Kapichi	Thyolo Central
4	Traditional Authority Nsabwe	Thyolo South
5	Traditional Authority Mphuka	Thyolo West
6	Traditional Authority Nanseta	Thyolo Central
7	Traditional Authority Khwethemule	Thyolo South West
8	Traditional Authority Bvumbwe	Thyolo Thava
9	Traditional Authority Nchiamwera	Thyolo North
10	Traditional Authority Changata	Thyolo Central
11	Paramount Ngolongoliwa	Thyolo East
12	Sub Traditional Authority Boydi	Thyolo North
13	Sub Traditional Authority Thukuta	Thyolo South
14	Sub Traditional Authority Maggie	Thyolo North
15	Sub Traditional Authority Mbawera	Thyolo South

Appendix 3: Key Informant Interview Checklist (Government Officials and Donors)

GENERAL (Background) QUESTIONS

- Can you briefly provide me with some background about your role here (in this organisation) and how it relates to the LDF?
- How long have you been in that role and if you have been in other related roles prior to this?
- What is your description about Local Development Fund (LDF)?

In what ways is power distributed and exercised between development partners and national government institutions within LDF?

- Who are the main actors participating in LDF?
- What are their roles (actors you mentioned above) in LDF?
- How do the actors work with each other and with you?
- Which actors have the most power over the LDF? Why do you think they are the powerful actors in LDF?
- Which actors have the least power over the LDF? Why do you think they are the least powerful actors in LDF?
- What are the interests of the actors in LDF?
- What is your experience working with multiple players with different interests?

To what extent does the institutional framework of LDF bypass central government structures in the delivery of resources to local governments?

- What is the institutional design (architecture) of LDF?
- What strategies were used by donors and Malawi Government to push for inclusion of their institutions/rules of the game (interests) in LDF?
- What are the procedures used to transfer resources from donors to central government and from central government to local government?
- What are the procedures followed to deliver resources to the local governments?
- What, if at all, are those procedures not followed?
- Under what circumstances is the method (formula) used to allocate resources to district councils not followed?

- What role, if any, do elite groups (for instance, politicians, chiefs, businessmen) have in the allocation of resources in LDF?
- Who do you think are the major winners and losers in LDF? Why do you think so?
- What will you miss and not miss about LDF if it is stopped today?

To what extent is LDF owned by national and district bureaucrats?

- How did LDF emerge?
- What would you identify as contribution of national and local bureaucrats to LDF design?
- Does LDF address problems of the district council as outlined in the District Development Plans?
- What are the issues in LDF that local actors (bureaucrats and politicians) do not agree with?
- What are the issues in LDF that donors do not agree with?
- Would you consider LDF as a pooled fund that emerged as a result of discussion by local people? How?

CONCLUSION REMARKS

- Anything you would like to tell me about power dynamics in LDF among donors, government officials and other groups of people?
- Any person you would recommend that I talk to on issues we just discussed?

Thank you for your time

Appendix 4: List of Key Informant Interviewees

	POSITION	INSITUTION	DATE OF INTERVIEW
1	Financial Director	National Local Government Finance Committee	3-12-2015
2	Economic Planning and Financial Analyst	National Local Government Finance Committee	3-12-2015
3	Principal Budget Officer	Ministry of Finance, Economic Planning and Development	4-12-2015
4	Monitoring and Evaluation Specialist	Local Development Fund-Technical Support Team	5-12-2015
5	Monitoring and Evaluation Officer	Ministry of Local Government and Rural Administration, Nkhotakota District Council	6-12-2015
6	Independent Consultant and Former Secretary to the Treasury	Freelance/Ministry of Finance	17-12-2015
7	Director (Urban Window)	Local Development Fund-Technical Support Team	6-1-2016
8	Social Development Specialist	African Development Bank	20-1-2016
9	Chief Planning and Economic Services Analyst	National Local Government Finance Committee	22-1-2016
10	Local Revenue Specialist	National Local Government Finance Committee	22-1-2016
11	Consultant at GMAH Consultants	Local Development Fund-Technical Support Team	23-1-2016
12	Planning and Economic Services Analyst	National Local Government Finance Committee	2-2-2016
13	Programme Analyst-Local Governance	United Nations Development Programme	2-2-2016

14	Programme Analyst-Economic Competitiveness and Private Sector Development	Unired Nations Development Programme	2-2-2016
15	Deputy Director of Local Government Services	Ministry of Local Government and Rural Development	3-2-2016
16	Former Executive Director	National Local Government Finance Committee	4-2-2016
17	Executive Director	Malawi Local Government Association	5-2-2016
18	Chief Rural Development Oficer	Ministry of Local Government and Rural Development	5-2-2016
19	Executive Director	Grassroots Movement for Health and Development	4-2-2016
20	Former Deputy Director of Local Government Services	Ministry of Local Government and Rural Development	5-2-2016
21	Director – Department of Economic Planning and Development	Ministry of Finance, Economic Planning and Development	8-2-2016
22	Principal Social Welfare Officer	Ministry of Gender, Children and Social Welfare	8-2-2016
23	Social Welfare Officer	Ministry of Gender, Children and Social Welfare	8-2-2016
24	Administrative Officer	Development Fund for Local Authorities	9-2-2016
25	Former President	Malawi Local Government Association	10-2-2016
26	Director – Local Government Services	Ministry of Local Government and Rural Development	10-2-2016

27	Principal Secretary (Performance Enhancement System)	Office of the President and Cabinet	10-2-2016
28	Technical Adviser-Development Effectiveness and Accountability Programme	United Nations Development Programme	
29	Project Officer (LDF)	German Economic Group-KfW	16-12-2015
30	Director of Rural Development	Ministry of Local Government and Rural Development	16-2-2016
31	Deputy Director of Local Government Services	Ministry of Local Government and Rural Development	16-2-2016
32	Principal Secretary	Ministry of Local Government and Rural Development	23-2-2016
33	District Social Welfare Officer	Ministry of Gender, Children, Disability and Social Welfare	23-2-16
34	District Civic Education Office	National Initiative for Civic Education, Thyolo	7-3-16
35	Assistant District Civic Education Officer	National Initiative for Civic Education, Thyolo	7-3-16
36	Senior Community Development Assistant	Ministry of Gender, Women and Children Affairs, Thyolo	7-3.16
37	Social Cash Transfer Programme Desk Officer	Ministry of Gender, Women and Children Affairs, Thyolo	8-3-16
38	District Commissioner	Ministry of Local Government and Rural Development, Thyolo	8-3-16
39	Monitoring and Evaluation Officer	Ministry of Local Government and Rural Development, Thyolo	8-3-16

40	Chairperson of the District Council and Councillor	Ministry of Local Government and Rural Development, Thyolo	8-3-16
41	Environmental District Officer	Ministry of Natural Resources, Environment and Climate Change, Thyolo	9-3-16
42	Director of Planning and Development	Ministry of Local Government and Rural Development, Thyolo	9-3-16
43	District Forestry Officer	Ministry of Natural Resources, Environment and Climate Change, Thyolo	9-3-16
44	Acting Director of Public Works	Ministry of Local Government and Rural Development, Thyolo	10-3-16
45	Lands Officer/Monitoring and Evaluation Officer	Ministry of Local Government and Rural Development, Thyolo	15-3-16
46	Acting Director of Finance	Ministry of Local Government and Rural Development, Thyolo	15-3-16
47	Director of Planning and Development	Ministry of Local Government and Rural Development, Mangochi	22-3-16
48	District Commissiner	Ministry of Local Government and Rural Development, Mangochi	22-3-16
49	Acting Director of Public Works (Building Supervisor)	Ministry of Local Government and Rural Development, Mangochi	24-3-16
50	Roads Supervisor	Ministry of Local Government and Rural Development, Mangochi	24-3-16

51	Senior Programme Officer	Iceland International Development Agency, Mangochi	25-3-16
52	Senior Traditional Authority Thomasi	Traditional Chief, Thyolo	19-3-16
53	Traditional Authority Mchiramwela	Traditional Chief, Thyolo	16-3-16
54	Director of Administration	Ministry of Local Government and Rural Development, Mzuzu City Council	3-4-16
55	Social Welfare Assistant	Ministry of Gender, Women and Children Affairs, Mangochi	4-4-16
56	District Forestry Officer	Ministry of Natural Resources, Environment and Climate Change, Mangochi	5-4-16
57	District Civic Education Officer	National Initiative for Education Civic Public Trust, Mangochi	6-4-16
58	Chairperson and Councillor	Mangochi District Council, Mangochi	6-4-16
59	Senior Traditioal Authority Mponda	Mangochi District Council	6-4-16
60	Social Welfare Assistant and Desk Officer for Social Cash Transfer Programme	Mangochi District Council	5-4.16
61	Chief Accountant	Mangochi District Council	5-4-16
62	Team Leader (Malawi Government-EU Democratic Governance Programme,	Ministry of Justice and Constitutional Affairs)	14-4-16

	Vice Chairperson (NICE Board of Trustees)	NICE Public Trust	
63	Executive Director	Local Development Fund-Technical Support Team	12-4-16
64	Former Programme Manager/Team Leader	GIZ	14.4.16
65	Former Regional Programme Manager	World Bank (Tanzania Office)	21-4-16
66	Professor of Social History and Co-Founder of NICE Trust	University of Malawi	22-4-16
67	Professor of Political Science	University of Malawi, Department of Political and Administrative Studies	22-09-17

Appendix 5: Focus Group Discussion checklist (Area Development Committee, Village Development Committee, and Project Implementation Committee)

GENERAL (Background) QUESTIONS

- Can you briefly provide me with some background about your role here (in this organisation) and how it relates to the LDF?
- How long have you been in that role and if you have been in other related roles prior to this?
- May you describe Local Development Fund (LDF)?

"How and in what ways is power distributed and exercised between development partners and national government institutions within the pooled development funds?"

- Who are the actors in LDF at the district and sub-district level?
- What roles do they play in LDF?
- Who are powerful actors in LDF at the district and community level? Why do you think so?
- Who are least powerful actors in LDF at the district and community level? Why do you think so?
- Why do you serve in the committee on LDF?
- What are the strategies put in place by community committees to pursue interests of communities?
- Explain circumstances of misunderstanding on the roles you have had between district officials and your committee?
- What are the strengths and weaknesses of LDF setup (institutional design) as it is now?
- Do you feel like you can be heard if given the opportunity to give your input on how to improve the institutional design? What would be your recommendations?

To what extent does the institutional framework of LDF bypass central government structures in the delivery of resources to local governments?

- What procedures are followed in transferring resources from district council to local committees?
- What are the procedures used to transfer resources from donors to central government and from central government to local government?
- What are the procedures followed to deliver resources to the community committees?
- What, if at all, are those procedures not followed?
- Under what circumstances is the method (formula) used to allocate resources to district councils not followed?
- How is procurement of goods and services handled in LDF by the community committees?
- What difference does LDF make in the communities? (It's a question on winners and losers.)
- What will you miss and not miss about LDF if it is stopped today?

"To what extent is LDF owned by national and district bureaucrats?"

- What is your say in activities implemented under LDF?
- Do you think LDF offers what you need as members of the community?
- Are you aware of any consultations that happen in LDF with members of the community before projects are allocated?

CONCLUSION REMARKS

- Anything you would like to tell me about power dynamics in LDF between local communities and district council officials?

Thank you for your time

Appendix 6: List of Focus Group Discussions

	NAME OF THE COMMITTEE	DISTRICT	NUMBER OF PARTICIPANTS	DATE
1	Mchiramwera Area Development Committee	Thyolo	11 (6 male; 5 female)	16-3-16
2	Nkolokosa Village Development Committee	Thyolo	7 (3 male; 4 female)	16-3-16
3	Mbandanga Primary School LDF Project Management Committee	Thyolo	10 (6 male; 4 female)	15-3-16
4	Monkeybay LDF Rural Growth Centre Main Committee	Mangochi	6 (5 male; 1 female)	25-3-16
5	Mpondasi Area Development Committee, Traditional Authority Mponda	Mangochi	6 (2 male; 4 female)	6-4-16
6	Mwachande Village Development Committee, Mponda ADC	Mangochi	6 (3 male; 3 female)	6-4-16
7	LDF Project Committee at Mchoka Primary School	Mangochi	5 (3 male; 2 female)	6-4-16
8	Koche Area Development Committee, Traditional Authority Mponda	Mangochi	5 (4 male; 1 female)	7-4-16
9	Matunga Village Development Committee, Koche Area Development Committee, Traditional Authority Mponda	Mangochi	6 (2 male, 4 female)	7-4-16
10	Malunga Primary School LDF Project Management Committee, Koche Area Development Committee, Traditional Authority Mponda	Mangochi	7 (7 male, 0 female)	7-4-16
	Total		**69 (41 men, 28 women)**	