



**Presidency of the Republic
State Reform Committee**

**WHITE PAPER
REFORM OF THE STATE
APPARATUS**

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Brasília, November 1995

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FOREWORD

The Brazilian crisis of the last decade has also been a crisis of the State. As a consequence of the development model adopted by previous governments, the State digressed from its basic functions and expanded its presence into the productive sector. The results have been gradual deterioration in public services, particularly those most intensively used by the poorer segments of the population, and a worsening of the fiscal crisis with its inevitable consequence of higher inflation. In this sense, reform of the State is an element of essential importance to consolidating the stabilization process and ensuring sustained economic growth. Only in this way will it be possible to attenuate social and regional inequalities.

Collaborating in the task of changing Brazil now being carried forward by both society and government, I have ordered that the "White Paper on the Reform of the State Apparatus" be elaborated. This Plan defines objectives and guidelines for reforming Brazilian public administration.

The historic challenge the country is now preparing to face is that of structuring a new development model capable of providing Brazilian society with prospects of a better future. A core aspect of this effort is the strengthening of the State so that it will effectively be able to fulfill its regulatory duties in the context of a market economy, render the basic services for which it is responsible and implement social policies as required.

This "White Paper" seeks to create the conditions needed for rebuilding public administration on a modern and rational foundation. In the past, implementation of a formal public administration founded upon rational-bureaucratic principles designed to combat the concept of the State as the property of a privileged class, the dominance of self-serving interest groups, nepotism and other evils that still persist and must be rooted out was considered as significant progress. However, by restricting itself to rigid hierarchical standards and concentrating on controlling processes instead of results, the

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system thereby introduced was shown to be stultified and inefficient and, therefore, incapable of coping with the magnitude and complexity of the challenges established by the process of economic globalization. With the dawn of the current decade, the situation worsened as a result of hastily implemented administrative reforms that disorganized important centers of decision and adversely impacted the “administrative memory”, while dismantling the systems of information engendering so vital to the process of government decision-making.

The time has come to take a leap forward toward a form of public administration that I would classify as “managerial”, based upon modern concepts of administration and efficiency that concentrate on controlling results. It must be a decentralized system capable of reaching out to the citizen for, in a democratic society, it is the citizen who gives legitimacy to State institutions and, therefore, becomes the “privileged client” of the services rendered by the State.

We must reorganize the structure of administration with emphasis on the quality and productivity of public services; on making civil service a truly professional activity entitled to more faire wages at all levels of activity. In many of the developed and developing nations, this reorganization of the state apparatus has already been successfully implanted.

The diagnosis and theoretical framework presented in the “White Paper” served as the basis for Constitutional Amendment proposals sent by the Executive to the National Congress for purposes of reforming the administrative and social security sectors (in the latter case, with respect to civil service retirement benefits and pensions). On the one hand, these amendment proposals are designed to ensure implementation of the progressive aspects of the 1988 Constitution that, in fact, were never brought to fruition, such as the definition of precise wage ceilings for active and retired personnel and the requirement that a legislative bill be approved before wage increases can be granted to the employees of any branch of government. On the other hand, a more flexible approach to stability coupled with permission for differentiated employment systems have the aim of making it feasible to adopt a managerial form of public administration. The finality of the social security amendment is to ensure that retirement occurs at a reasonable age level and that benefits are proportional to the time during which the civil servant has contributed to the system.

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Opinion polls have demonstrated that the reform of the state apparatus has the overwhelming support of the population. Though this support is fundamental, it is not sufficient. If we desire to move forward in the adoption of modern forms of public management, it is essential that civil servants themselves view their role under a new prism, for the true and most deep-rooted reform must certainly occur in the day-to-day exercise of their public functions.

Since it implies a more flexible approach to the job stability of public sector employees, the administrative reform has been labelled as contrary to their interests. Nothing could be further from the truth: the good employees — doubtlessly an absolute majority — have absolutely nothing to fear. Quite the contrary: the objective is to give enhanced value to civil servants, providing them with professional motivation, wages compatible with the national labor market, coupled with a reasonable degree of job security. Only in this way will it be possible to restore creativity, responsibility and dignity to those civil servants, whose greatest aspiration is to serve the population well.

It is my hope that all those who perform public functions in the Federal Government will read this “White Paper on the Reform of the State Apparatus” with the attention it deserves. Success of the transformation of the Brazilian State depends on compliance with its guidelines. The “Plan” — already being implemented in several of its various dimensions — is the result of wide-ranging debate within the Chamber of State Reform.

However, the challenges to full implementation of the reform are immense and will demand the dedication and enthusiasm of all. It is our task to give an urgent and effective response to the population who, on electing me to the Presidency of the Republic, expressed its trust in the capacity of this administration to change Brazil and to create a model of social justice capable of ensuring all citizens of the basic right to a life founded upon the principle of human dignity.

Brasília, November 1995

Fernando Henrique Cardoso
President of the Republic

White Paper on the Reform of the State Apparatus

1 Introduction

In a democracy, State and society are a single, indivisible reality. The Constitution defines the authority and limitations of the State which draws its power to legislate and to tax the population from the legitimacy granted by the citizenry, through the electoral process. In turn, society expresses its aspirations and demands through formal and informal channels of communication with the constituted authorities. Priorities are defined through democratic dialogue between the State and society and the government's role is to dedicate itself to these priorities with the objective of building a more prosperous and faire nation.

In recent years, in all parts of the world we have witnessed a still far from conclusive and often very heated debate on the role that the State should play in contemporary life and the degree of its intervention in economic affairs. In Brazil, this is a particularly relevant theme, especially when one considers that, as a consequence of the development model adopted, the State has deviated from its primary functions and involved itself extensively in the productive sector. The strong presence of the State in the market has generated increasing distortions and, as a consequence, the market itself has taken on an artificial character that is simply intolerable in the 90s. There is no doubt that, in a capitalist environment, the State and the market are the two central institutions that directly or indirectly orient economic systems. Thus, if either one of them operates in an erratic manner, crisis will be inevitable. It was precisely this that occurred in the 20s and 30s, when the ineffective operation of the market generated an economic crisis of enormous proportions. In the 80s, it was the crisis of the State that placed the economic model in check.

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It is important to emphasize that redefinition of the role of the State is a theme of universal impact in the current decade. In Brazil, the question takes on decisive importance, precisely due to the weight of the State's presence in the national economy. So much so that the need for redefining and rebuilding the State has become a question of highest priority, since the State is already unable to adequately meet the terrible overload of demand imposed upon it by the citizenry. Thus, reform of the State is far from an abstract theme. Quite to the contrary, it is a demand put forward by a citizenry that has become increasingly frustrated in its aspirations and expectations.

Though the crisis of the State began in the 70s, it was only in the 80s that it truly came to the fore. In a number of countries, fiscal disorganization was accompanied by processes of declining economic growth, increased unemployment and rising levels of inflation. After many and varied attempts to explain these phenomena, it finally became clear that the cause of economic lethargy in the developed nations and of grave imbalances in the countries of Latin America and Eastern Europe was the crisis of the State which had been unable to adequately process the overload of demands that the population had imposed on it. The economic disorder reflected the State's difficulty in continuing to manage the growing expectations that had grown out of the welfare policy applied with relative success in the postwar period.

World War I and the Great Depression were the high points of the crisis of the market and the Liberal State. In its place, a new format of the State was born, with a decisive role in fostering the economic and social development process. From that moment, the State came to play a strategic role in coordinating the capitalist economy, motivating forced savings, leveraging economic development, correcting market distortions and guarantying a more equal system of income distribution.

Nevertheless, this model of the State has also grown outmoded, victimized by the distortions rooted in the tendency of business and employee groups to use the state in their own limited interest and made obsolete by the accelerated process of technological development and the globalization of the world economy, two elements that have generated even more intense competition among the nations of the world. Consequently, the crisis of the State can be defined (1) as a fiscal crisis, characterized by the growing loss of credit on the part of the State and by negative levels of public savings; (2) as exhaustion of the strategy of State intervention, a model that has taken on highly varied forms — the Welfare State in the developed nations, import substitution strategy in

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the Third World, and economic centralization in the communist countries — and (3) as the obsolescence of a form of administration of the State or, in other words, the outdatedness of bureaucratic public administration.

In the case of Brazil, though the crisis of the State began in the 70s, it only became truly apparent in the second half of the 80s. The most evident signs were the fiscal crisis and exhaustion of import substitution strategy, both of which should be viewed in the broader context of outmoded forms of economic and social intervention by the State. At the same time, the apparatus of the State concentrates and centralizes functions and is characterized by rigidity in its procedures and excessive norms and regulations.

In the 80s, in the wake of the process of democratic transition, the first reaction to the crisis was simply to ignore it. A second and equally inadequate reaction was the neoliberal response, characterized by the ideology of the minimalist State. Both were soon shown to be unrealistic: the first because it underestimated the inherent imbalance; the second, because it was utopian. It was only in the mid-90s that a more consistent response was posed the challenge of overcoming the crisis: the idea of reforming and rebuilding the State, in such a way as to reconstruct its financial autonomy and its capacity to implement public policies.

In this context, there is an urgent need for the following: (1) a lasting fiscal adjustment; (2) market-oriented economic reforms that, coupled with industrial and technology policies, ensure internal market competition and create the conditions required for the nation to cope with the forces of international competition; (3) social security reform; (4) innovation in social policy instruments, generating social services of greater scope and improved quality; and (5) reform of the State apparatus, for the purpose of enhancing governance or, in other words, the State's capability to implement public policies with the required degree of efficiency.

The economic ministries — particularly the Ministries of Finance and Planning — are charged with proposing alternative solutions to the fiscal crisis. The sectoral ministries are encharged for a review of public policies, founded upon the new principles of economic and social development. The role of the Ministry of Federal Administration and State Reform is to generate the conditions to enhance its capacity to govern in the sense described above. In doing this, its specific mission is to orient and instrumentalize the reform of the State apparatus according to terms of reference defined in this White Paper by the Presidency of the Republic.

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By State apparatus it is understood the public administration in the broad sense or, in other words, the organizational structure of the State in its three branches (Executive, Congress and Judiciary) and three levels (Federal, State and Municipal). The State apparatus is composed of the government — that is, the authorities responsible for each of the three branches, a body of employees and the military forces. The State is broader in scope than the apparatus because it also encompasses the constitutional-legal system that determines rules and regulations applicable to the population within the borders of a territory. The State is the bureaucratic organization with monopoly power over legal violence, the apparatus given the power to legislate and tax the population of a specific territorial area.

These concepts make it possible for one to distinguish State reform from the reform of the State apparatus. Reform of the State is a wide-ranging project involving different and varied sectors of the government, together with society as a whole. Reform of the State apparatus is much more limited in scope, being oriented to the objective of making public administration more efficient and more responsive to the citizenry. This White Paper focuses its attention on the federal public administration, but many of its guidelines and proposals are equally applicable at the state and municipal levels.

State reform should be understood in the framework of the redefinition of the role of the State, which would no longer be directly responsible for economic and social development through production of goods and services. Abandoning this role, it would be strengthened in its task of fostering and regulating this development. At the economic level, the State is essentially an instrument of income transferral. This is a responsibility made necessary by the existence of public goods and external economies which limit the capacity of the market to allocate resources. To perform this function of redistribution or reallocation, the State collects taxes and channels them into the classic objectives of guarantying internal order and external security, the social objectives of greater justice or equity, and the economic objectives of stabilization and development. In pursuing the latter two objectives — themes of central importance in the current century — the State has tended to assume the function of direct execution. However, the distortions and inefficiencies that have resulted from this process have made it clear that reforming the State must also imply transferring activities that can be controlled by the market to the private sector. It is for this reason that privatization of state owned companies has become a common element in these reform processes. At this point, however, one must highlight another process that is just as important, but which has not yet become as patently clear: decentralization to the nonstate public sector of the execution of services

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that do not involve the exercise of the power of the State, but which should be subsidized by the State, such as education, health, culture and scientific research. We will term this process “public sector/nonstate transfers”.

There are multiple facets to the reform of the State. The fiscal adjustment restores to the State its capacity to define and implement public policies. Based on the process of trade liberalization, the State abandons the protectionist strategies inherent to import substitution policies. The privatization program reflects an awareness of the gravity of the fiscal crisis and of the consequent incapacity of the State to foster forced savings through state owned companies. It is through this program that the State transfers the task of production to the private sector which, in principle, is equipped to do this with greater efficiency. Finally, through a process of public sector/nonstate transfers, it moves production of competitive services that are not the exclusive responsibility of the State to the nonstate public sector by establishing a system of partnerships between State and society in the interest of financing and controlling such activities.

Thus, the State abandons its role as executor and direct renderer of services, while preserving its task of regulator and provider or fosterer of such services, principally in such social sectors as education and health. These are services of essential importance to the development process, in the sense that they involve investments in human capital and, therefore, develop the citizens required for democracy. At the same time, they contribute to a more fair distribution of income, a task that the market by itself is incapable of performing, since the supply of unskilled labor is much greater than demand. As the agent responsible for fostering these services, the State will continue subsidizing them while seeking to attain direct social control through the participation of society.

Viewed under this prism, the objective is to strengthen the State in its tasks of regulation and coordination, particularly at the federal level, coupled with gradual decentralization of executive functions in the rendering of social and infrastructural services to the state and municipal levels.

In the framework of this tendency, the aim is to enhance governance — the State’s capacity to govern — through a programmed transition from a type of bureaucratic, rigid and inefficient public administration that is inward looking and founded upon internal control, to a system of managerial, flexible and efficient public administration, oriented to meeting the needs of the citizenry. What is lacking to the Brazilian government is not the power to govern or, as

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some would have it, “governability”, since the government clearly possesses democratic legitimacy and the support of civil society. But, it faces a problem of governance, to the extent that its capacity to implement public policies is limited by the rigidity and inefficiency of the administrative structure.

2 The Three Forms of Public Administration

The reform of the State apparatus has become an imperative in the 90s for a second reason. Not only is it a response to the generalized crisis of the State, but is also characterized as a form of defending the State as *res publica*, something public in nature, belonging to all and existing for all.

In modern democracies, defense of the *res publica* is carried out at two distinct levels: the political level and the administrative level. At the political level, we have the fundamental institutions of democracy through which not only the individual and social rights of the citizens are defended, but through which the “public right” to participate equally in the public thing is also ensured. The explicit expression of the public right to the patrimony that belongs to all is a step forward now being taken in nations across the world. The left’s criticism of the “privatization” of the State corresponds to the right’s criticism that the State and society are being victimized by the generalized practice of “rent seeking”, the pursuit of extra-market revenues or advantages of specific groups through control of the State. In the context of democracy, the growing practice of direct participation and control of the public administration by the citizens, mainly at the local level, is a new form of defending the *res publica*.

At the administrative level, bureaucratic public administration arose in the nineteenth century together with the Liberal State, for the precise purpose of defending the *res publica* against the concept that views the State as

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the property of a privileged few. However, as the State took on responsibility for the defense of social rights and expanded in its dimensions, it became clear that the costs of this defense could be greater than the benefits of the consequent control. For this reason, in the current century bureaucratic practices are being replaced by a new type of administration: managerial administration.

Reform of the State apparatus cannot be conceived outside the perspective of the role of the State redefinition and, therefore, assumes prior recognition of the alterations that have occurred in its responsibilities over the course of time. In this way, seen from a historical perspective, we note that public administration — the principles and characteristics of which should not be confused with private company management — has evolved through three basic models: patrimonialist public administration, bureaucratic and managerial public administration. Though these three forms have followed one upon the other over time, none of them has been entirely abandoned.

Patrimonialist Public Administration - From the viewpoint of this concept, the State apparatus functions as an extension of the power of the sovereign and his aids, servants and the like hold the status of royal nobility. Positions are considered as sinecures. No difference is drawn between the *res publica* and the *res principis*. Consequently, corruption and nepotism are inherent to this type of administration. At the moment in which capitalism and democracy became dominant forces, the market and civil society began to differentiate between themselves and the State. In the framework of the new historical moment, dominance of state administration by a privileged class became an unacceptable malignancy.

Bureaucratic Public Administration - This form arose in the middle of the nineteenth century at the time of the Liberal State as a means of combatting corruption and nepotism that marked the period of dominance of those who viewed administration as their own privileged turf. The guiding principles of its development are professionalization, the concept of career, functional hierarchy, impersonality, formalism, in short, rational-legal power. Administrative controls aimed at avoiding corruption and nepotism are always preceding. It is founded upon a fundamental mistrust in public administrators and in the citizens who channel their demands to the administration. For this reason, there is always a need for rigid controls over processes, for example, in the contracting of personnel, procurement and the meeting of demands.

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On the other hand, control, ensuring the power of the State became the servant's very reason for being. As a result, the State turns inward and loses the notion of its basic mission which is that of serving society. The fundamental quality of bureaucratic public administration is effectiveness in controlling abuses, while its basic defect is its inefficiency, sense of self-reference, incapacity to turn outward and serve the citizenry as clients. However, this defect was not seen as a determining factor at the time of birth of bureaucratic public administration, since few services were then provided by the State. The State restricted itself to maintaining order and managing justice, guarantying contracts and property.

Managerial Public Administration - This form emerged in the second half of the twentieth century as a response, on the one hand, to the expansion of the economic and social functions of the State and, on the other, to the technological development and globalization of the world economy, since both of these brought to the fore the difficulties consequent upon adoption of the previous model. The efficiency of public administration — the need to reduce costs and increase the quality of services, with the citizen as the beneficiary of this effort — became an element of essential importance. Reform of the State apparatus came to be oriented mainly by the values of efficiency and quality in the rendering of public services and by development of a managerial culture in organizations.

Managerial Public Administration represents an advance and, to some extent, a break with bureaucratic public administration. However, this does not mean that it rejects all of its principles. Quite the contrary. Managerial public administration is founded upon the previous system and has conserved a number of its fundamental principles, albeit with a greater sense of flexibility, particularly with respect to the principles governing personnel hiring based upon rigid criteria of merit, existence of a structured and universal system of wages, careers, constant evaluation of performance and systematic training. The fundamental difference is to be found in the form of control, no longer focused on processes but rather on results and not on rigid professionalization, though professionalization continues as a fundamental principle.

In Managerial Public Administration, strategy focuses on (1) a precise definition of the objectives that the public administrator should attain within his unit, (2) ensuring the autonomy of the administrator in the

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management of human, material and financial resources so that he can attain the contracted ends and (3) afterwards control and accountability of results. At the same time, managed competition is carried forward within the State itself, wherever it is possible to foster competition among internal units. At the level of the organizational structure, decentralization and reduction of hierarchical levels have become essential. In summary, it is affirmed that public administration must be open to greater participation on the part of private agents and/or the organizations of civil society at the same time in which it must shift its emphasis from procedures (means) to results (ends).

Managerial Public Administration is based on business administration but should not be confused with the latter. While business revenues depend on payments made freely by clients in the purchase of products and services, the revenues of the State originate in taxes or, in other words, obligatory contributions with no direct return. While the market controls business administration, society controls public administration through elected politicians. While business administration seeks private profit in order to maximize the participation of stockholders, in the expectation that collective interests will be satisfied through market instruments, managerial public administration is directly focused on the public interest.

In this latter point, as in many others (professionalization, impersonality), Managerial Public Administration is no different from Bureaucratic Public Administration. In the classic public bureaucracy, there is a very clear and strong notion of the public interest. However, the difference is to be found in the meaning of public interest which must not be confused with the interests of the State. For bureaucratic public administration, the public interest is often identified with affirmation of the power of the State. In basing their activities on this principle, public administrators channel a substantial portion of the activities and resources of the State into meeting the needs of the bureaucracy itself which, in turn, is identified with the power of the State. Consequently, the content of public policies is relegated to a secondary position. Managerial public administration denies this vision of the public interest and identifies the public interest with that of the collectivity and not with the apparatus of the State.

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Managerial Public Administration sees the citizen as a taxpayer and client of its services. The results of the State actions are considered good not because administrative processes are secure and under control, as bureaucratic public administration would have it, but because the needs of the citizen-client are being met.

The contemporary managerial paradigm, founded upon the principles of trust and decentralization of the decision-making process, requires flexible forms of management, more horizontal structures, decentralization of functions and incentives to creativity, as opposed to the ideology of formalism and technical strictness of traditional bureaucracy. The principles of orientation to the citizen-client, control by results and administered competition take their places alongside such characteristics of the good bureaucratic administration as systematic evaluation, compensation according to performance and permanent training.

At present, a realistic vision rebuilding the State apparatus on managerial foundations must take account of the need to solve the asymmetries consequent upon the persistence, in contemporary administration, of aspects inherent to the past concept of patrimonialist administration, as well as of the formal and anachronistic excesses of the traditional bureaucratic model. For this reason, one must have an unimpaired vision of the dynamics of rational-legal or bureaucratic administration. It is not a question of simply discarding it, but rather one of reflecting upon those aspects that are now outdated, coupled with those that remain valid as forms of guarantying the effectiveness of public administration.

The managerial model took hold in the developed world when, through a clear definition of the objectives of each unit of the administration, decentralization, changes in organizational structures and adoption of modern values and forms of behavior at the core of the State, it demonstrated that it was more capable of fostering growth in the quality and efficiency of the social assistance offered by the public sector. In Brazil, the reform of the State apparatus will fundamentally mean introduction of the culture and techniques of modern management into public administration.

3 Background Information

3.1 The DASP Reform

In Brazil, the model of bureaucratic administration began emerging in the 30s, in the framework of a rapid process of industrialization in which the State played a decisive role by intervening strongly in the productive sector of goods and services. Starting with the reform undertaken by Maurício Nabuco and Luiz Simões Lopes during the Vargas government, Public Administration underwent a process of rationalization that was reflected in the creation of the first bureaucratic careers and in attempts to adopt civil service examinations as the system of admission to public service. Implementation of Bureaucratic Public Administration is a clear consequence of the emergence of modern capitalism in Brazil.

With the aim of administrative modernization, the Public Service Administrative Department - DASP was created in 1936. In early years, public administration was impacted by Taylor's theory of scientific administration, based on the concepts of rationalization through simplification, standardization and rational acquisitions of materials, review of structures and applications of methods to definition of procedures. It should be noted that it was in that period that the budgetary function was instituted as a formal activity permanently linked to the planning function.

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As regards human resources administration, DASP represented an attempt to create a bureaucracy based on the weberian model and, therefore, on the principle of professional merit. However, despite adoption of some important instruments at the time, such as the system of public competitive examinations and training, a human resources policy that responded adequately to the needs of the State was not consistently adopted. Though going through a process of transformation, the system of self-serving administration (against which bureaucratic public administration inveighed) still held sway within the Brazilian political framework. The period of despotic local leadership gave way to clientelism and *fisiologismo* (a political practice that is guided to foster the self-serving interests).

3.2 Moving Towards Managerial Administration

In the light of the inadequacies of the model, the bureaucratic administration implemented as of the 30s, underwent a series of reform attempts. In some cases, experiences were characterized by the extinction and creation of organizations and, in others, by the constitution of parallel structures aimed at attenuating bureaucratic rigidity. In the area of administrative reform, the latter practice was, for example, adopted during the JK administration, with creation of special commissions, such as the Commission of Administrative Studies and Projects, charged with carrying out studies on simplification of administrative processes and ministerial reforms, and the Commission of Bureaucratic Simplification, which had the objective of elaborating projects aimed at the overall reform and decentralization of services.

The reform implemented in 1967 through Decree-Law 200 was a landmark in attempts to overcome bureaucratic rigidity and could even be considered as the first step toward managerial administration in Brazil. This Decree-Law transferred activities to semi-autonomous government agencies, foundations, state owned companies and joint capital enterprises with the purpose of achieving greater operational dynamism through functional decentralization. Among the principles introduced were those of administrative rationality, planning and budget, decongestion of the higher echelons of authority (deconcentration/decentralization), the attempt to ensure the presence of competence and information in the decision-making process, systematization, coordination and control.

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The managerial paradigm of the period — compatible with the State monopoly in the production of goods and services — guided growth of the outer administration (that consists of public foundations and semi-autonomous agencies) in an attempt to make administration more flexible and, thus, enhance the operational dynamics of the State economic activities.

However, the reforms introduced by Decree-Law 200/67 did not trigger changes in the framework of the central bureaucratic administration and, therefore, resulted in coexistence of centers of efficiency and competence in the outer administration alongside archaic and inefficient forms of administration within the direct or core administration. The truth is that the bureaucratic core was unduly weakened through an opportunistic strategy adopted by the military regime which, instead of developing the careers of high level public administrators, preferred to hire the upper echelons of public administration through state owned companies.

In the mid-70s, a new modernizing initiative in public administration began with creation of SEMOR - Secretariat of Modernization. It brought together a group of young public administrators, many of whom had concluded graduate studies abroad, and charged them with introducing new management techniques into the federal public administration, particularly in the area of human resources.

In the early 80s, a new attempt was made to reform the bureaucracy and orient it toward managerial public administration, with creation of the Ministry of Bureaucratic Modernization and the National Program of Bureaucratic Modernization - PrND. The objectives were those of bringing new life and agility to State organizations, decentralization of authority, improvement and simplification of administrative processes and fostering of efficiency. Initially, the activities of the PrND were concentrated on combatting the bureaucratization of procedures. At a later stage, it shifted its emphasis to the development of the National Program of Bureaucratic Modernization in an effort to curtail the excessive expansion of the decentralized administration motivated by Decree-Law 200/67.

3.3 The 1988 Retreat

The move toward managerial public administration ground to a halt during the 1985 process of democratic transition. Surprisingly enough, though it represented a very significant victory for democracy, one of the costs of the process was the politically-motivated distribution of public sector jobs within the outer administration and representative offices of federal ministries located in the states, to the members of the victorious political parties. A new form of self-serving populist administration was born. At the same time, the upper echelons of the bureaucracy were denounced — particularly by conservative forces — as responsible for the crisis of the State, in the sense that they had generated its excessive growth.

The combination of these factors resulted in an unprecedented bureaucratic retreat in the 1988 Constitution. With little or no public debate, the Constitutional Assembly placed a straightjacket on the State apparatus by extending practically the same rigid bureaucratic rules adopted within the strategic core of the State to the services of the State and to state owned companies themselves. The new Constitution decreed the loss of executive autonomy by concentrating on structuring public sector entities, instituted the obligatory nature of a single system of public sector employment for civil employees of the Federal Government, states and municipalities, and denied operational flexibility to the outer administration by imposing the same operational norms that governed the core administration on foundations and public semi-autonomous agencies.

To some extent this bureaucratic retreat was a response to the self-serving interest groups that came to dominate the country at that time. It was also a consequence of the defensive attitude adopted by the high level bureaucracy that, in the conviction that it had been unjustly accused, decided to defend itself in an irrational manner.

The bureaucratic retreat cannot be attributed to a supposed failure of the process of decentralizing and making public administration more flexible that had been fostered by Decree-Law 200. Though excesses were committed in the name of that instrument — both in terms of excessive autonomy for state owned companies and in the self-serving use of semi-autonomous agencies and foundations (where there was no requirement for selective public

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processes in manpower hirings), it would not be correct to conclude that these distortions were causes of the retreat. Since the democratic transition in Brazil occurred in the midst of the crisis of the State, this crisis was mistakenly identified by democratic forces as, among other things, a result of the process of decentralization that the military regime had sought to implement. On the other hand, the democratic transition was accompanied by a wide-ranging campaign against growing state control and this led the members of the Constituent Assembly to increase bureaucratic controls over state owned companies and establish rigid norms for the creation of new public companies and subsidiaries of those already in existence.

Two results were generated: on the one hand, abandonment of the move toward managerial public administration and reaffirmation of the ideas of classic bureaucratic public administration; on the other, given the dominant intervention of self-serving interest groups in the process, institution of a series of privileges incompatible with even bureaucratic public administration. As examples, we have a system of rigid job stability for all civil servants that is directly related to generalized application of the single juridical system in effect in the core administration and foundations and semi-autonomous agencies, retirement with full pay that bears no sense of proportion to time of service or to contributions made by the employee.

All of these facts contributed to a loss of prestige on the part of the Brazilian public administration, despite the fact that Brazilian public administrators are for the most part competent, honest and imbued with public spirit. These qualities, which they have shown since the 30s when professional public administration was implemented in Brazil, were a decisive factor to the strategic role that the State played in Brazilian economic development. Implementation of the industrial base in the 40s and 50s, the adjustment of the 60s, development of infrastructure and installation of the capital goods industry in the 70s, financial adjustment and reform once again in the 80s, and trade liberalization in the 90s, would not have been possible were it not for the competence and public spirit of the Brazilian bureaucracy.

The distortions provoked by the new Constitution were soon felt. In the Collor administration, however, the response put forward was also mistaken and only further aggravated existent problems by concentrating on tearing down instead of building up. Basically, the Itamar Franco administration

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was concerned with recovering the wage levels of civil servants which was submitted to a huge reduction in the previous administration. Administrative reform discourse took on a new dimension as of 1994, when the presidential campaign introduced the perspective of organizational and cultural change of public administration in the direction of managerial administration.

4 Diagnosis

As a result of the 1988 bureaucratic retreat, there was a significant increase in the costs of the administrative structure both in terms of outlays on personnel and on goods and services. And this was accompanied by an enormous increase in the inefficiency of public services. The data on Tables 1 and 2 clearly confirm this post-Constitution tendency. Though there has been a substantial reduction in the number of active civil servants in the executive branch of the Federal Government — from 713 thousand in 1989 to 580 thousand in 1995 (Table 1) — participation of the federal payroll in GDP did not decline. In fact, it increased from 2.89% of GDP between 1980 and 1987 to an average of 3.17% of GDP in the 1988-94 period (Table 2). Growth in expenditures was even more expressive in states and municipalities which began receiving a larger share of the tax inflow.

The increase in outlays on personnel was small in the federal administration because the need for fiscal adjustment, coupled with the relative reduction of its participation in tax revenues, resulted in suspension of practically all competitive job examinations and, therefore, in a reduction in the number of active employees, as those reaching retirement have not been replaced. The fact is that, over recent years, there has been a significant change in the profile of civil servants, with a growing number of retired employees in detriment to the total number of active workers.

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The contingent of active executive branch employees — considering civil employees in the core administration, semi-autonomous agencies, foundations, public companies, joint capital companies and former territories — registered a decline in recent years. In 1988, there were 1,444,000 active employees whereas, at the end of 1994, the total came to 1,197,000 employees. Figures on the historical evolution of the number of employees in the other branches of government are not available, but their participation in the total is rather small.

Given the quantitative reduction that has occurred in employment, one cannot speak of an excessive number of civil servants. However, there are a number of areas in which unnecessarily large contingents of public employees are concentrated, while other sectors are operating with deficits, such as in non-bureaucratic activities in the areas of health and education.

Aside from this, we must relate this analysis to the process of decentralization of functions among the different levels of government within the State itself and the transfer of functions to the nonstate public sector. Composition of the public sector labor force in 1992 (which has not undergone significant change in relation to the present situation) in terms of its distribution among the three spheres of government, shows that the states employed (49%) practically the same employed by the municipalities (26%) and the Federal Government (25%) taken as a whole. This distribution profile, which evinces a clear concentration at the state level, is in principle incoherent with the municipalization of the execution of services, as required by constitutional precept.

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**Table 1: Evolution in the Number of
Executive Branch Civil Servants**

	CIVIL SERVANTS*	TOTAL**
1988	705,548	1,442,657
1989	712,740	1,488,608
1990	628,305	1,338,155
1991	598,375	1,266,495
1992	620,870	1,284,474
1993	592,898	1,258,181
1994	587,202	1,197,460
1995***	580,035	

(*) Civils belonging to the core administration, semi-autonomous agencies and Foundations: does not, therefore, include the military.

(**) Aside from civil employees governed by civil service law, also includes public companies and joint capital companies.

(***) Position in March.

Source: SRH/MARE - SEST/MPO

**Table 2: Evolution of Federal, State and
Municipal Government Expenditures (in % of GDP)**

	Federal Govt.	States & Municip.
Annual average 70/79	3.41	3.87
Annual average 80/87	2.89	4.18
Annual average 88/94	3.17	6.53

Source: IBGE

4.1 Basic Questions

The diagnosis of the Brazilian public administration involves answers to several basic questions:

(1) Should the State continue performing the same activities? Could some of these be eliminated? Or should they be transferred from the Federal government to the states or municipalities? Or should they be transferred to the nonstate public sector? Or to the private sector?

(2) On the other hand, given its new functions as a regulating entity and not an executive entity, should the State create new institutions?

(3) In performing its functions, does the State need the existent amount of employees? Is employee quality and motivation satisfactory? Does there exist an adequate human resources policy?

(4) Do public organizations operate with quality and efficiency? Is priority given to orienting their services to meeting the needs of the citizen, understood as their client, or are they oriented more to the simple control of the State itself?

A response to these questions will demand a broad and permanent process of evaluation of the Brazilian public sector. A task that was carried out in the passage from the latest federal administration to the current one, when two ministries were abolished and different government entities were either restructured or even created. However, it is clear that there is still a great deal to be done. The fact is that what is being initiated is a wide-ranging administrative reform for which the basic guidelines are provided in this White Paper.

In the effort to diagnose the Brazilian public sector, we will, on the one hand, concentrate our attention on the conditions of the labor market and on human resources policy and, on the other, on distinguishing among the three dimensions of these problems: (1) the institutional-legal dimension, related to the obstacles of legal nature that stand in the way of achieving greater efficiency in the State apparatus; (2) the cultural dimension, defined by the coexistence of self-interest-based values and, mainly, bureaucratic values with new managerial and modern values in Brazilian public administration; and (3) the managerial dimension, as related to administrative practices. The three

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dimensions are interrelated. There is a tendency to subordinate the third to the first, when one affirms that it is impossible to implement any reform in the area of management until the institutions have not been changed through Federal Constitution altering. Obviously, this is a mistaken view of reality. Despite the difficulties, it is already possible to foster changes in the administrative culture and reform the management dimension of the State, at the same time in which measures are taken to alter the legal system.

4.2 The Institutional-Legal Framework

Down through Brazilian history, there have been administrative reform movements identified with the merger, extinction and creation of organizations. Not only do these changes reveal a high level of instability in governmental structures, but they have also been unable to avoid maintenance of obsolete, burdensome and hierarchical structures that are not dynamic and that are overly expensive, particularly due to the tendency to centralization and overlapping of different organizations and entities.

In 1988, in an effort to avoid the arbitrary exercise of power and strengthen democratic institutions, the Constitution (article 48, indent XI) withdrew from the executive branch its exclusive authority to act in organizing public administration through the structuring of public sector entities. Not only did this create serious obstacles to the modernization of State organizations, but also failed to avoid the undesirable subordination of needed structural changes to political whim.

With the aim of streamlining the utilization of resources, the 1988 Constitution put forward the administrative principle of decentralization of execution of social and infrastructural services, together with utilization of budgetary resources to the levels of states and municipalities. Consequently, the share of tax revenues channelled to the latter spheres of government increased. However, advances in the sense of granting greater autonomy to the states and municipalities in the execution of services have moved forward very slowly. This has been less a problem of lack of legal definition than a consequence of an idea deeply rooted in Brazilian political culture that social development must be a direct responsibility of the Federal Government. This is in direct opposition to Brazil's long tradition of exercising power at the municipal

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level that dates back to the colonial period. However, we are gradually managing to abandon this stance, to the extent that the municipalities — already in an advantageous position in terms of funding — have begun taking on greater responsibilities in the social area.

The traditional bureaucratic model that the 1988 Constitution and the entire system of Administrative Law have prioritized is based on formalism, excessive norms and procedural rigidity. Under the pretext of taking a totally impersonal approach, achieving administrative transparency and, therefore, attaining social control have become more difficult. Excessive regulations are an expression of the emphasis given to norms and processes to the detriment of results.

The rigidity of the job stability granted to civil servants makes it difficult to adapt staffing to the real needs of the public sector and to hold employees accountable for results. In much the same way, transformation of competitive examinations — the generalized demand for which is considered one of the great advances of the 1988 Constitution — into some type of sacred taboo has made it difficult to transfer employees between similar positions. On the other hand, the excessive demands in terms of controls in procurement proceedings and the minute details that are demanded in budgets are examples of the bureaucratic vision enshrined in Brazilian legislation. These factors have made it extraordinarily difficult to ensure the proper operation of the public administration. Here, one should emphasize that information systems are lacking, while clear performance indicators simply do not exist in the different entities of the central and outer administration.

4.3 Human Resources

Brazilian legislation reflects the absence of a human resources policy that is coherent with the needs of the State apparatus. In principle, it is this aspect of public administration that is most vulnerable to the effects of the fiscal crisis and adjustment policy.

The legislation that regulates labor relations in the public sector is inadequate, particularly in the sense that it is overly protective and inhibiting of entrepreneurial spirit. Immediate examples of this are the indiscriminate

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application of job stability to all civil staff employed in the public sector and the rigid criteria of selection and contracting of personnel that make it impossible to recruit employees directly on the market, in detriment to the stimulation that could be offered through competition.

Some of the mistakes committed by the 1988 Constitution in the administration of human resources can be cited. Through institution of the Single Legal System for public employees, it initiated the process of seeking uniformity of treatment as regards all employees of the central and outer administration. Employee hirings were restricted to public competitive examinations, when a more flexible system of recruitment could have been adopted without reverting to past self-serving interest group domination (for example, a public selective process for employees subject to ordinary labor legislation and who would not be classified within the careers that are exclusive to the State).

On the other hand, public competitive examinations are carried with no sense of regularity and without periodic evaluations of staffing needs. This leads to the hiring of excessive numbers of people at one and the same time, followed by long periods in which no hirings are effected. A system such as this makes it clearly impossible to create true public sector careers.

Aside from this, extension of civil service law to all civil employees expanded the number of workers with job stability, while enormously increasing the costs of the administrative machinery. At the same time, many employees no longer value their positions sufficiently, simply because the distinction between efficiency and inefficiency loses relevance in this framework. Since positive incentives are also restricted — given the difficulties involved in defining a system of performance bonuses and the fact that the wage percentage span of careers (percentage difference between the highest and lowest wages) was violently reduced and, in most cases, no longer represents even 20% — public administrators were denied the instruments needed to motivate their employees, with the sole exception of bonuses for occupying positions that, by their nature, are entitled to extra financial compensation (DAS). The reduction in the percentage span of career wage structures — including some more recent cases involving Treasury analysts, budget analysts and budget managers — has reduced the positions involved to nothing more than simple public sector jobs by eliminating one of the typical characteristics of a career, which is the incentive to move upward over the course of time.

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From the point of view of technical, managerial and operational staffs, human resources administration lacks a system of incentives for professional employees. There is a very evident absence of an organic policy of training, permanent improvement and wages in keeping with the enhanced value accorded the exercise of public functions.

There are also serious distortions in the distribution profile of public employees in the different careers. Of total employees subject to civil service legislation, approximately 47% are grouped into undefined careers allocated in the Plan of Positions and Careers - PCC. At the same time, there is a strong concentration of personnel at the operational levels, while the technical staff — representing the intelligence of the State — is very small.

The only truly structured careers are those of diplomacy, teaching and the military. These are careers that have a sufficient percentage span between the wage floor and ceiling (between the lowest and highest salary) to encourage employees to seek advancement and to make it possible to utilize promotion policies based on performance evaluations, as demonstrated in Table 3. Other careers, such as Prosecutors, Federal Police, Internal Revenue, Finance, Control and Budget and Budget Managers have some degree of structure, but their wage spans are quite small.

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Table 3: Percentage Span in Federal Administration Careers*

POSITION/CAREER	WAGE SPAN %
BUDGET/ FINANCE AND CONTROL	
Analyst	26
Technician	44
SPECIALIST IN GOVT. POLICIES AND MANAGEMENT	
Manager	26
AUDITING	
Fiscal Auditor of the National Treasury	6
National Treasury Technician	12
OFFICE OF THE ATTORNEY GENERAL OF THE NATIONAL TREASURY	
2nd Category Attorney to 1st Category Attorney / Special Category Deputy Attorney	8
DIPLOMACY	
3rd Secretary to 1st Class Minister	51
TEACHING CAREER (UNIVERSITY - 40 HRS)	
Assistant Teacher to Full Professor	222
RESEARCH CAREER IN SCIENCE AND TECHNOLOGY	
Research Assistant to Full Researcher	114
MILITARY	
Second Lieutenant to Fleet Admiral	181

Source: MARE: SIAPE

July/95 Position

Note: Wage span of a career is the percentage differential between the lowest and highest wage in that career.

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Though marked by bureaucratic culture and governed by the principle of professional merit, Brazilian public administration as a whole never attained consolidation as a professional bureaucracy following Weber's model. Though groups of acknowledged competence were formed, particularly in the careers described above, as well as in different areas of the outer administration, the system of competitive examinations never became routine and the value of real wages varied sharply due to unstable wage policies. The instruments of selection, evaluation, promotion and training that supported this model are outdated.

Though one can interpret the 1988 Constitution and the Single Juridical System of contracting public employees originally as attempts to preserve the administration, while avoiding the political use of positions and fostering enhancement of civil service through employee protection, the fact is that these elements contributed to restricting the operational capacity of government by making it difficult to adopt human resources management mechanisms based on the principles of giving value to effective professional performance and seeking to improve the results of organizations and the quality of the services rendered.

4.4 The Labor Market in the Public Sector

The conditions of the labor market in the public sector also played an important role in the State's human resources management and, consequently, in the very process of modernization, to the extent that these conditions define the degree of incentives that this market offers to well-trained professionals and recent graduates who have demonstrated the necessary competence. In this sense, we will analyze the relationship between the fiscal crisis, the dynamics of this market and civil service wage scales, and draw a comparison between private and public sector wage scales.

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4.4.1 The Fiscal Crisis and Expenditures on Active and Retired Civil Servants

The participation of personnel expenditures in Federal Government revenues has shown an historic trend towards growth. Based on Table 4, we observe that participation of overall outlays on personnel in available revenues (which correspond to gross tax revenues, after deduction of fiscal incentives and legal and constitutional transfers) increased in this decade in comparison to the figures for the 80's. To a great extent, this was due to the 1988 Constitution. Since 1990, it has remained in the range of between 55% and 60%.

Table 4: Participation of Personnel Expenditures in Available Revenues

AVERAGE 82-84	38.4%
AVERAGE 85-87	40.6%
AVERAGE 88-89	50.9%
1990	60.1%
1991	57.9%
1992	57.2%
1993	60.4%
1994	56.1%
1995*	60.4%

(*) Accumulated up to July.

(**) Gross tax revenues (-) fiscal incentives (-) legal and constitutional transfers.

Notes: This calculation does not correspond to the criterion defined by Complementary Law 82/95 which, among other elements, also considers Social Security revenues and expenditures not included here.

Source: National Treasury Budget Operations

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Table 5 shows growth in the Federal Government payroll and participation of active and retired civil servants/pensioners in the payroll. Expenditures include payment of the civil servants of the central and outer administration, public sector companies, joint capital companies and, furthermore, transfers to the states and Federal District.

**Table 5: Federal Government Personnel Expenditures
(billions of April/95 Real)**

	AVE. 91/93		1994		1995*		1996**	
	R\$	%	R\$	%	R\$	%	R\$	%
ACTIVE	14.1	69.6	18.1	64.0	22.2	63.4	24.2	59.8
INACT/PENS.	6.2	30.4	10.2	36.0	12.8	36.6	16.3	40.2
TOTAL	20.3	100.0	28.3	100.0	35.0	100.0	40.5	100.0

(*) Estimate

(**) Forecast

Source: Ministry of Planning

Based on the information set out in Table 5, one can easily observe that there has been a proportionately greater increase in expenditures on retired personnel than on active personnel as a result of the number of retirements in recent years (approximately 110,000 between the beginning of 1991 and June 1995). This process was not matched by the contracting of new active employees. At the same time, retired personnel receives payment that is, on average, 8.3% higher than the value of the final wage of active civil servants (in the case of those who retire after completing the full time of service).

Last March, the number of active employees in the central and outer administration (considering civil employees of the executive branch) came to 580,035 people (54.8% of the total), while the number of retired personnel and persons who, in some manner, generate pension payments came to 478,181 (45.2% of the total). Given the fact that the average age of active civil servants is rather high (42 years) and assuming that the average annual number of retirements will continue at the same level (about 18,000, without considering atypical periods), the tendency is for the number of active employees to be equal to that of retired personnel within three years.

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It is estimated that, in 1995, 36% of the personnel outlays of the Federal Government will be channelled into payments of retired personnel. However, if one disregards such sporadic outlays as vacation pay, 13th annual wage, expense allowances, transportation indemnities and expenditures from previous fiscal years (some of which are typical of active employees), this proportion increases to 45%.

From the fiscal point of view, this will be an unsustainable situation. The Federal Government will be forced to take on increasing deficits or further compress wage outlays on active employees and on expenditures on consumption and investments in order to bear the burden of retirement benefits. Consequently, reform of the civil service social security system is an indispensable and fundamental step in solving the fiscal crisis and even achieving reform of the State.

Aside from its explosive nature from the fiscal point of view, today's public social security system is, from the social point of view, unfair and imbalanced, in the sense that it promotes the retired of workers who are at the peak of their productive capacity and pays retirement benefits to former workers that are considerably higher than the benefits paid by the private sector to its retirees, while not demanding a corresponding contribution to the system. And all of this is paid by the taxpayer, when it is a well known fact that, in Brazil, given the weight of indirect taxes, the smaller a person's income level the greater will be the proportion of that income given over to taxes.

As demonstrated in Table 6, the average benefit of Federal Government retirees is 8.1 times greater than the benefits paid to retirees of the public retirement system (INSS), while the average contribution of federal civil servants is 3.4 times greater than those insured by the general Social Security system.

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Table 6: Comparison between INSS System Coverage and Federal Government System Coverage (annual values)

	Revenues (Rs\$)	Outlays (Rs\$)	Persons Insured	Benefi- ciaries	Average Contrib. (Rs\$)	Average Benefit (Rs\$)
Fed. Govt.	3.3B	12.8B	910,000	760,000	3,626	16,842
INSS	32.5B	32.6B	30M	15.6M	1,082	2,088
Fed. Govt./ INSS	10.2%	39.3%	3.0%	4.9%	3.4 times	8.1 times

Notes: M = millions of persons; B = billions of Real. We have adopted the following hypotheses: Federal Government Revenues: 1,665B of employee contributions, corresponding to 7.5% of an active personnel payroll (the other 4% that form the average rate of contribution to the Civil Service Social Security Plan of 11.5% were reserved to health expenditures) of 22.2B, plus the same amount from the Federal Government.

Average Contribution = Revenues/Insured Persons.

Average Benefit = Expenditures/Beneficiaries

In the INSS framework, a retiree receives benefits equivalent to an average of 1.7 times the minimum monthly wage, with 73% receiving just one minimum monthly wage and a full 90% in the bracket from one to five times the value of the minimum monthly wage. In contrast, retired civil servants of the executive branch receive an average of 15 times the monthly minimum wage, while those of the Congress and judiciary have respective average retirement benefits of 36 times and 38 times the monthly minimum wage. In the INSS system, poorer workers retire by age at 62 while, in the public service, those who fully complete their time of service retire at an average age of 56 (without considering teachers who are entitled to retire earlier and who would evidently further reduce this average; for example, university professors frequently retire before reaching the age of 50, though average retirement age is 53).

People who begin to work for the State at a relatively advanced age contribute for a shorter period of time to the public sector social security system. Despite this, they are able to retire with full benefits which — it must not be ignored — are 8.3% higher than their most recent salary, since they are entitled to an additional promotion on passing from the active to the retired

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ranks (in the case of those who complete their time of service). In some situations, there is the possibility of counting time of service at double its real value and wage increases granted to active employees (including productivity bonuses) are extensive to retired personnel. No actuarial relation necessarily exists between time of service, contributions and the value of benefits paid.

Aside from being an unfair system, approximately 85% of its costs are borne by the National Treasury since it was only recently that civil servants began contributing to their own retirement fund. In the INSS framework, for each R\$ 1 collected, approximately R\$ 1.9 is spent on benefits, in contrast to the public sector system in which R\$ 4.6 are spent for every R\$ 1 collected.

4.4.2 Evolution of Civil Service Wages

During the Collor administration, the wage policy applied to civil servants was marked by an across-the-board drop in the real level of wages for purposes of reducing Treasury outlays on personnel. As shown in Table 7, the wages paid in specific careers dropped sharply in comparison to 1990 levels (this performance is similar to what occurred in other careers not included in the table). Starting in 1993, the government made an effort to recover wage levels which have now moved back to a level close to that of the end of the 80s.

Table 7: Evolution of Civil Service Wages (June/95 Real)

ANNUAL AVERAGE	FISCAL AUDITOR	SOF ANALYST / TREASURY MANAGER	PCC UNIVERSITY LEVEL	PCC ASSISTANT LEVEL
1989	3,528	4,778	1,171	201
1992	3,852	1,698	723	134
1994	3,314	1,408	1,158	168
JUN. 1995(*)	4,719	3,497	1,363	191

(*) Value in the month.

Note: These amounts refer to the wages of the end of the table, with the exception of PCC - Assistant Level, which refers to the initial value of the table.

Source: MARE: "Diário Oficial da União"

4.4.3 Wage Imbalances

The fundamental characteristics of the Federal Government wage system is imbalance. A bureaucratic wage system is one in which all salaries are organized into a single table composed of 30 to 40 levels. The careers are organized within this universal earnings structure. A graduate level career will be more extensive and will occupy the upper portion of this table, while an operational career will be located in the lower segment of the table. Table 7 gives us an idea of these distortions. One should note the difference between the graduate level PCC and the earnings of the other university level careers.

In Brazil, there is nothing even comparable to a universal, standardized structure of civil service wages as exists in developed countries in which the bureaucratic public administration has reached a level of full development. What does exist is the Plan of Positions and Careers - PCC, which could play the required role. However, what it is in fact is nothing more than the situation from which everyone desires to escape to be incorporated into specific careers which, thanks to the special system of bonuses, have reasonably good wages. In general, what exists is an extremely distorted wage structure in which some careers — particularly in the juridical and, secondly, economic sectors — are well-paid as a consequence of bonuses designed to reward performance. The other positions, particularly the university level PCC are poorly paid. At the same time, in comparison to the private sector, operational functions that require low skill levels are also very well paid.

In Brazil, there is a generalized belief that civil service wages are low. This is not precisely true. They are low in some sectors and high in others. Table 8 is based on a comparison between the wages of the public sector and the private sector, in which the earnings of positions with similar responsibilities in the two markets were compared. The calculation of civil service wages used the wage structure and distribution of employees within the wage scale of each position. The data were collected by SIAPE. In the case of private sector workers, the position and wage survey carried out by Coopers & Lybrand was utilized. The values are updated by inflation up to May 1995. In the case of public sector executive positions, the DAS positions from 4 to Special Nature were utilized.

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The results demonstrate that, while executive and professional graduate level personnel receive higher wages in the private sector, the less skilled workers (such as those who work in auxiliary administrative activities, CPD, stocks, maintenance, installation, security, reception, janitor services, kitchen services and others) have wages that are substantially higher than in the private sector (the detailed data are included in the appendix to this report). The major consequence of this situation is difficulty in recruiting more qualified personnel for public administration, those people who are required in order to ensure the renewal, creation and dissemination of methods that contribute to the managerial modernization of the State.

**Table 8: Average Wages: Private and Public Sector
(May 1995 Reais)**

	AVE. PRIVATE SECTOR WAGE	AVE. PUBLIC SECTOR WAGE	DIFFERENTIAL PUB/PRIV
EXECUTIVE POSITIONS	7,080	6,069	-14%
UNIVERSITY LEVEL POSITIONS	1,899	1,814	-5%
SECONDARY/TECHNICAL LEVEL POSITIONS	926	899	-3%
OPERATIONAL POSITIONS	437	635	45%

Source: MARE: STAPE and Coopers & Lybrand

Initially, information on positions with similar responsibilities in the public and private sectors was gathered. In the calculation of the average earnings of each position, average wages were used in the private sector, independently of the size and location of the companies. In the case of the public sector, the survey utilized the wage structure and the frequency distribution of civil servants on the wage scale of each position. For executives, a sampling was done of the value of the earnings of the occupants of DAS at different levels, considering the director-president as Special Nature DAS. Directors were considered as DAS-6 and Managers as DAS-5, except in the case of positions of a juridical nature that have a slightly different hierarchical structure. The indirect benefits of these positions were not considered.

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One could argue that wage differentials (the distance between the lowest and the highest wage) are very large in the private sector and, consequently, the public sector wage structure would be contributing to improve the nation's income distribution profile. To some extent, there is truth in this statement. However, the ordering of wages (from the highest to the lowest) is not similar in the two sectors: and it is precisely this characteristic that discourages public sector employees, generates productivity distortions and makes people wary of entering the civil service.

Consequently, the inexistence of both an adequate wage policy (given the fiscal restrictions to which the State is subject) and of a structure of positions and wages compatible with the functions exercised, and the excessive rigidity of the process of civil servant hiring and dismissal (worsened since the creation of the Single Juridical System) — all of which are considered to be fundamental characteristics of the public sector job market — have the effect of inhibiting development of a modern public administration focused on managerial aspects and generation of results.

In this framework, the existence of a system of bonuses for those occupying DAS positions — a fact generally understood as a grave deviation from the bureaucratic model, since it permits the contracting of people from outside the public sector — is, in reality, a highly positive element since it introduces some degree of rationality into the wage system and establishes a mechanism of incentives for more competent employees.

In the first place, it should be stated that only a minority of positions are occupied by noncivil servants. As shown in Table 9, 75.5% of the occupants of DAS positions are civil servants governed by civil service legislation or employees of federal state owned companies. Secondly, the overall earnings of those in DAS positions are based on a rising scale that comes close to being a career system.

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Table 9: DAS Occupants

	Quant. of Civil Serv.	Ave. Age	Women	Univ. Level	Civil Serv.	Ave. Wages*
DAS-1	7,206	41	45.2%	50.8%	78.5%	2,665
DAS-2	5,661	42	39.0%	61.8%	77.7%	3,124
DAS-3	2,265	44	36.0%	71.0%	71.4%	3,402
DAS-4	1,464	46	28.8%	81.3%	65.4%	4,710
DAS-5	503	48	17.3%	86.1%	60.6%	6,018
DAS-6	128	50	16.4%	85.9%	48.4%	6,339
TOTAL	17,227	42	39.5%	61.0%	75.5%	3,112

Source: SIAPE

* Includes earnings of the position and function. Only effective civil servants are included in the calculation of the amounts in this column.

At the beginning of 1995, the law that increased the nominal value of the DAS 4 to 6 and of the earnings of Special Nature Positions further perfected this system by determining that the wages of the position of origin of the civil servants involved should be deducted. Actually, by making the rigid and distorted structure of the Brazilian wage system more flexible, the DAS system represents a step in the direction of a managerial public administration. The DAS are occupied on the basis of a true market in which the ministers and public sector directors that have DAS positions available must compete among themselves for the best elements in the federal civil service. In this way, more competent employees are duly rewarded. Obviously, there are distortions in the system, such as in those cases in which undeserving people — normally from outside the ranks of the civil service — are named to DAS positions. However, such distortions are exceptions and not the rule. And they are exceptions that will become increasingly rare to the extent in which a greater and growing number of DAS positions are reserved by law to federal civil servants.

4.5 Cultural Dimension and Managerial Dimension

The problems analyzed to this point are strongly related to the institutional-legal dimension and, therefore, require constitutional reform or changes in ordinary legislation. However, all of these bottlenecks are directly related to the bureaucratic culture that exists in the country, and that is strongly concerned with avoiding the practices common to the system of administration dominated by and oriented to self-serving interest groups. In historical terms, it is well known that rational-legal or bureaucratic domination arose in the 19th century as a higher form of domination, made legitimate by the use of law, in opposition to the traditional (divine) and arbitrary power of the prince and to the affection of charismatic leadership. It arose, therefore, as a reaction to the then dominant administrative culture oriented to the interests of a privileged few. At the level of public administration, its affirmation implied development of a bureaucratic culture that, on the political level, corresponded to the dominance of the liberal state and the corresponding liberal ideology that administrative law expresses so well.

This bureaucratic culture has not yet acknowledged that the aforementioned type of self-serving administration — though present in practice — no longer constitutes a value in today's Brazil. It does not recognize that, in a democracy, politicians are increasingly controlled by their electors. For this reason, it preserves a fundamental mistrust of politicians who are judged as always ready to subordinate public administration to their electoral interests. In practical terms, the result is a lack of trust in public administrators and, for this reason, the authority required for them to take autonomous decisions with respect to the use of human, material and financial resources is withheld from them. It is here that we find the roots of the rigidity of stability and civil service examinations, of the formalism of the bid system and the detailing that is demanded in budgets. These obstacles to efficient public administration will only be overcome when — coupled with institutional-legal change — there is a cultural change in the meaning of managerial public administration.

The institutional-legal dimension and the cultural dimension of the obstacles to modern, managerial, efficient public administration focused on meeting the needs of the citizenry is complemented by the management

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dimension. Actually it is in this latter element that public administration demonstrates its energy, since its efficiency and effectiveness will depend on its managerial capacity.

This factor is at the core of the administrative technique that questions how to do something, with what methods, in what way, under the guidance of what values. A good management defines objectives clearly, recruits the best human resources through public selective examinations and processes, permanently trains its employees, develops systems of motivation that go beyond the purely material to encompass those of a psychosocial nature, grants autonomy to executive personnel and, finally, holds them accountable. None of this exists in the federal public administration.

The bureaucratic model implemented in Brazil appends elements of the good bureaucracies that still exist in France and Japan to the defects inherent to bureaucratic public administration in terms of rigid control of process and the absence of training and career structures. There is little creativity in the instruments of supervision and monitoring which are, therefore, unable to accompany technological change and meet the need for a constant process of rethinking and proposing new objectives and methods in a manner marked by agility, brevity and low cost. Aside from this, the system does not have self-regulatory mechanisms and is refractory to innovation. Its capacity to respond to new and constant stimuli is limited and this fact makes it archaic and inefficient.

In bureaucratic public administration, the mechanism par excellence of motivation is promotion on the basis of merit within formally established careers. In this mechanism, time, together with courses, performance evaluations and examinations, are essential elements to the administrator's gradual rise through his profession. However, given the dynamics of the technological development of contemporary societies, this scheme of career is becoming increasingly outmoded. Young administrators are no longer willing to await the age of 50 to reach managerial positions. At the same time, the instability of the Brazilian political and administrative systems has made career development difficult. Even in the case of new careers created in the second half of the 80s, such as finance and budget managers and analysts, the percentage span in their wage scales was rapidly reduced in order to permit access to younger elements. The system of rewards and motivation of public employees has been increasingly identified with the holding of positions entitled to bonuses.

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Therefore, it has become essential that we rethink the system of motivation of Brazilian civil servants. There is no doubt that fundamental positive motivation is related to the civil servant's sense of mission. It is easier for the civil servant to define this meaning than it is for the private sector employee, since the activity of the State is directly focused on the public interest while private activities are only indirectly focused on these interests through the instruments of market control. However, at time of crisis and transition such as our current moment, the role of the State and of the civil service tend to become confused. The bureaucratic idea of a State turned inward upon itself is clearly outmoded, but it has not yet been possible to implement a culture of serving the citizen-client in the Brazilian public administration.

The second motivation is professionalization of public service, not only through competitive examinations and public selective processes, but principally through a system of career promotions based on merit and accompanied by corresponding increases in wages. Though this motivation is fundamental, we have already seen that it cannot have the rigidity peculiar to bureaucratic careers. One must ensure professionalization without the corresponding rigidity of the bureaucracy.

Finally, it is also essential that there be negative motivation characterized by the possibility of dismissal for insufficient performance. Though this is secondary to positive motivation, there is no doubt that, without it, it will be difficult — if not impossible — to lead the ordinary employee to give the necessary value to his job.

This diagnosis shows that, today, a consistent reform of the State apparatus requires more than a simple rearranging of structures. Overcoming traditional modes of state action requires decentralization and redefinition of structures, providing them with intelligence and flexibility and, above all, developing managerial models for the public sector that are capable of generating results.

The modernization of the State apparatus also requires creation of mechanisms that make feasible the integration of citizens into the process of definition, implementation and evaluation of public sector action. Through growing social control, it will be possible to afford quality services.

5 The State Apparatus and Systems of Property

To cope with the main problems that stand as obstacles to implementation of a modern and efficient State apparatus it is essential that one define a conceptual model that distinguishes among the fundamental segments characteristic of the action of the State. The option for building this model has the major advantage of making it possible to identify specific strategies for each segment of State activity, while avoiding the simplistic alternative of proposing generic solutions to problems that are peculiar to each sector. However, there is also the disadvantage of the intrinsic imperfection of models, since they always in some way represent a simplification of reality. These imperfections — characterized by possible omissions and difficulties in defining the borders that separate one segment from another — will be perfected to the extent that the debate delves deeper into the subject.

The State is the bureaucratic organization (or apparatus) that holds the power to legislate and tax the population of a specific territory. Consequently, the state is the only organizational structure that has the unilateral power to go beyond its own limits and create obligations for others.

The State apparatus or public administration in the broad sense encompasses (a) a strategic core or government, composed of the heads of the three branches, (b) a body of employees, and (c) a military and police force.

Basically, the State apparatus is governed by constitutional law and administrative law, while the State is the entity responsible for sanctioning or guarantying these and other law codes. When we add to the State apparatus the entire institutional-legal system that regulates not only the State apparatus but all of society, the result is what we call the State.

5.1 The Sectors of the State

It is possible to distinguish four sectors within the State apparatus:

STRATEGIC CORE. Corresponds to government, in the broad sense. It is the sector that defines laws and public policies and demands compliance. Therefore, it is the sector in which strategic decisions are taken. It corresponds to the legislative and judicial branches, the public ministry and, in the executive branch, the President of the Republic, ministers and their direct aids and advisors who are responsible for planning and formulation of public policies.

EXCLUSIVE ACTIVITIES. This is the sector in which services that only the State can perform are rendered. These are the services or agencies in which the outgoing power of the State is exercised — the power to regulate, inspect, foster. As examples we have the following: tax collection and inspection, police, basic social welfare, unemployment services, inspection of compliance with health regulations, mass transit systems, purchase of health services by the State, environmental control, subsidies to basic education, passport issuing, and so forth.

NONEXCLUSIVE SERVICES. Corresponds to the sector in which the State acts simultaneously with other public nonstate and private organizations. The institutions in this sector do not have the power of the State. However, this power is present because the services involve fundamental human rights, such as education and health, or because they represent relevant “external economies”, to the extent that they produce gains that cannot be appropriated by these services through market instruments. The economies generated are immediately disseminated to the rest of society and cannot be transformed into profit. Examples of these organizations are universities, hospitals, research centers and museums.

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PRODUCTION OF MARKET-ORIENTED GOODS AND SERVICES. Corresponds to the area of activity specific to business. It is characterized by economic activities focused on profit but that are situated within the State apparatus, such as the sector of infrastructure. They are within the State either because the private sector lacks the capital required for these investments, or because they are naturally monopolistic activities in which control by the market is not possible. Consequently, if these activities are to be privatized, they will require strict regulations.

5.2 The Sectors of the State and Types of Management

Each one of the cited sectors has its own peculiar characteristics both in terms of priorities and administrative principles adopted.

In the strategic core, it is essential that decisions be the best possible and that they then be effectively implemented. Efficiency is less important than effectiveness. What is important in the first place is to know if decisions that are being taken by the government effectively serve national interests, if they correspond or not to the more general objectives upon which Brazilian society has focused. In the second place, once decisions have been taken, that they be effectively implemented.

In the field of the exclusive activities of the State, of nonexclusive services and of the production of goods and services, the efficiency criterion is essential. What is important is to meet the needs of citizens with good quality at low cost.

As we have already seen, today there are still two relevant forms of public administration: BUREAUCRATIC PUBLIC ADMINISTRATION and MANAGERIAL PUBLIC ADMINISTRATION. Though excessively formalistic and concentrated on controlling processes, the first has the advantages of the security and effectiveness of decisions. On the other hand, managerial public administration is fundamentally characterized by the efficiency of services rendered to thousands and even millions of citizens. In these terms, it is more

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suitable that there be a combination of bureaucratic and managerial public administration because, in this area, it is essential that the decisions taken be absolutely correct, while the fundamental administrative principle is that of effectiveness, understood as the capacity to see that decisions taken are complied with and implemented securely.

In the sector of exclusive activities and competitive or nonexclusive services, the important elements are the quality and cost of the services rendered to citizens. The corresponding principle is that of efficiency or, in other words, the pursuit of an optimal relationship between quality and the cost of the services made available to the public. Thus, administration should necessarily be managerial. Evidently, the same must be said of state owned companies since, as long as they remain in the hands of the State, they must obey the managerial principles of administration.

5.3 The Sectors of the State and Systems of Property

Another important distinction is related to the forms of property. Despite the fact that, in common language, we tend to speak of just two forms of property — STATE PROPERTY and PRIVATE PROPERTY — contemporary capitalism has a third, intermediate and highly relevant form: NONSTATE PUBLIC PROPERTY. These are nonprofit organizations that are not the property of any individual or group and are focused directly on serving the public interest. The type of property most commonly indicated will vary according to the sector of the State apparatus.

At the strategic core, property must necessarily be state owned. In exclusive State activities, where the outgoing power of the State is exercised, property must also be in the hands of the State.

However, in the nonexclusive sector or competitive sector of the State, the ideal form of property is nonstate public property. It is not the property of the State since it does not exercise State power. At the same time, it is not private property, since it is a type of service that is subsidized by its very nature. Nonstate public property makes social control easier and more direct through participation of the different segments involved in administrative coun-

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cils, at the same time in which it favors a partnership between society and the State. Organizations in this sector are entitled to greater administrative autonomy than is possible within the State apparatus. As a trade-off, their directors are called upon to assume greater responsibility together with society in the management of the institution.

In production of market-oriented goods and services sector, efficiency is also the fundamental administrative principle and managerial administration the most recommended form. Given the possibility of coordination through market instruments, private property is the rule. State property can only be justified in those cases in which private capital is not available — certainly not the case in Brazil — or when there exists a natural monopoly. However, even in this case, private management will tend to be more suitable, provided that it be accompanied by a safe system of regulation.

6 Objectives

The definition of objectives and strategies of reform of State apparatus is presented below and is a consequence of the diagnosis and theoretical assumptions in which the the analysis above is based.

Given the crisis of the State and the lack of realism in the neoliberal proposal of the minimalist State, one must rebuild the State in such a way that it not only guaranties property and contracts, but also exercises a role that is complementary to the market in the coordination of the economy and in efforts to reduce social inequalities.

To reform the State is to improve not only the organization and personnel of the State, but also its financing and entire institutional-legal system, in such a way as to make it possible for the State to build a harmonious and positive relationship with civil society.

The reform of the State will make it possible for its strategic core to take more correct and effective decisions and for its services to operate much more efficiently — including the exclusive services that operate directly under its command, and its competitive services, that will be only indirectly subordinated to the extent that they are transformed into public nonstate organizations.

To reform the State apparatus means to ensure the apparatus of

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greater governance or, in other words, greater capacity to govern and improved conditions for implementation of laws and public policies. It means making the exclusive activities of the State much more efficient through the transformation of its semi-autonomous entities into “autonomous agencies” and by making competitive social services much more efficient by transforming them into public nonstate organizations of a special type: “social organizations”.

In the reform of the State apparatus, we can distinguish several overall objectives and specific objectives for its four sectors:

6.1 Overall Objectives:

- ✓ Increase the governance of the State or, in other words, its administrative capacity to govern effectively and efficiently, focusing the action of the State’s services on the meeting the needs of the citizenry.
- ✓ Limit the action of the State to those functions that are specific to it, while reserving — in principle — nonexclusive services to public nonstate property, and the production of goods and services to private initiative.
- ✓ Transfer actions of a local character from the Federal government to the states and municipalities: only in emergency cases would the direct action of the Federal Government be called upon.
- ✓ Transfer actions of a regional nature partially from the Federal Government to the states, in such a way as to build a better partnership between the states and the Federal Government.

6.2 Objectives for the Strategic Core:

- ✓ Increase the effectiveness of the strategic core, in such a way that the democratically agreed upon objectives can be suitably and effectively attained.
- ✓ With this in mind, modernize bureaucratic administration — still justified at the level of the strategic core in terms of effectiveness and security — through policies of civil service professionalization or, in other words, a career policy, annual civil service exams, permanent programs of continued education, effective wage administration, at

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the same time in which steps are taken to introduce a managerial culture based on performance evaluation into the bureaucratic system.

- ✓ Provide the strategic core with the necessary managerial capacity to define and supervise management contracts with the autonomous agencies responsible for the State's exclusive activities and with the social organizations charged with the nonexclusive services of the State that are carried out in partnership with society.

6.3 Objectives for Exclusive Activities:

- ✓ Transform semi-autonomous agencies and foundations that possess State powers into autonomous agencies administered under the terms of a management contract: based on strictly professional criteria, the director chosen by the Minister — not necessarily from within the State — will have wide-ranging freedom to administer the human, material and financial resources at his disposal, with the condition that he attains the previously agreed upon qualitative and quantitative objectives (performance indicators).
- ✓ To achieve this, substitute rigid bureaucratic public administration focused on *a priori* control of processes with managerial public administration based on *a posteriori* control of results and on administered competition.
- ✓ Strengthen the adoption of those practices that prioritize popular participation both in the formulation and in the evaluation of public policies, thus making feasible social control over these policies.

6.4 Objectives for Nonexclusive Services:

- ✓ Transfer these services to the nonstate public sector, thus transforming current public foundations into social organizations or, in other words, nonprofit entities governed by private law that have specific authorization from the Congress to formalize management contracts with the executive branch and, consequently, are entitled to budgetary allocations.

- ✓ In this way, achieve greater autonomy and, consequently, greater responsibility for the directors of these services.
- ✓ At the same time, achieve direct social control over these services on the part of society through its board of directors. In broader terms, strengthen those practices involved in the adoption of mechanisms that prioritize the participation of society in the formulation and evaluation of the performance of the social organization, with the aim of making social control feasible.
- ✓ Finally, achieve an enhanced partnership between the State, which will continue to finance the institution, the social organization itself and the society that it serves and which should also participate, in a minority position, in its financing, through acquisitions of its services and through donations.
- ✓ Consequently increase efficiency and quality of services and, in this way, better serve the needs of the citizen-client at a lower cost.

6.5 Objectives for Market-Oriented Production:

- ✓ Give continuity to the privatization process through the Privatization Council.
- ✓ Reorganize and strengthen the regulatory entities of natural monopolies that come to be privatized.
 - ✓ Implement management contracts in the national industries.

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	FORM OF PROPERTY		FORM OF ADMINISTRATION	
	State	Private	Bureaucratic	Managerial
ESTRATEGIC CORE Legislature, Judiciary, Presidency, Heads of Ministries, Public Ministry	<input type="radio"/>			<input type="radio"/>
EXCLUSIVE ACTIVITIES Regulation, Inspection, Fostering, Public Safety, Basic Social Security	<input type="radio"/>			<input type="radio"/>
NON EXCLUSIVE SERVICES Universities, Hospitals, Research Centers, Museums	Transfer to Non State Public Sector → <input type="radio"/>			<input type="radio"/>
PRODUCTION FOR THE MARKET State owned companies		Privatization → <input type="radio"/>		<input type="radio"/>

7 Transition Strategies

The strategy of the reform of the State apparatus was conceived on the basis of three dimensions: the first is institutional-legal and deals with the reform of the juridical system and of property relations; the second is cultural and is centered on the transition from a bureaucratic culture to a managerial culture; and the third dimension views public management under the prism of the perfection of current bureaucratic administration coupled with introduction of managerial administration, including the aspects of modernization of the organizational structure and management methods.

Even though they have a certain independence one from another, these dimensions operate in a complementary manner. The first will make it possible to effect structural changes in the operations of the State apparatus, since it presupposes elimination of the major bottlenecks in the juridical-legal system; the second, however, will make it possible to bring managerial culture into operational feasibility centered on results achieved through effective partnerships with society, and cooperation between administrators and employees; finally, the third will make it possible to strengthen new managerial practices and, in this way, obtain significant progress, despite the fact that legal constraints will not have been entirely removed. It will now be introduced to the strategic foundation for each dimension and the definition of a complementary strategy that covers the transition from the present moment to the targeted goal, with indication of the partial results to be obtained over the short, medium and long-term.

7.1 Institutional-Legal Dimension

The strategy proposed in this dimension is oriented in the sense of making feasible the fundamental transformations that are the objective of the reform of the State apparatus, following three specific vectors. In the first place, making it possible for the State to focus on meeting basic social demands. Secondly, facilitating a redefinition of the State's traditional system of acting, evolving from the role of executor to that of the element that fosters social and economic development. Finally, the proposed strategy should create the conditions required for implementation of the managerial administration model in the sector of the State's services.

It is important to emphasize that the State's fundamental commitment is not to carry out all of the functions demanded by society within its own specific apparatus. Instead of this, it has the task of ensuring or facilitating these actions whenever possible and this should imply adoption of innovative operational and functional mechanisms.

However, to operate the intended changes, it will be necessary to improve the juridical-legal system, particularly in terms of the constitutional order, in such a way as to eliminate existent constraints that block adoption of an agile form of administration with a greater degree of autonomy, capable of coping with the challenges of the modern state. In this sense, the reform involves constitutional amendments. Some reforms, such as those involving the economic order — already approved by Congress — and the tax reform, which is now in debate, should be viewed in the broader context of the reform of the State. Reform of the Social Security System is both a reform of the State in general and a reform of the State apparatus, since it deals with the system of civil service retirement benefits and pensions.

This amendment has enormous importance to the country given the explosive nature of growth in State outlays on retired personnel. This problem will be faced to the extent that early retirements — before the age of 60 — are avoided and retirement benefits are made proportional to effective contributions. It is also important that special retirements be eliminated with rules being established for the updating of the amounts paid without tying them to the real increases granted active employees.

7.2 The Constitutional Amendments

Finally, there are the two amendments on administrative reform, already being analysed by Congress, as well as the social security amendment, that has segments which concern civil servants. Over the short-term, these amendments have the aim of facilitating fiscal adjustment, particularly in the states and municipalities, many of which have an excessive number of employees. However, it is also important for the Federal Government in the area of the social security system. Over the medium-term, these reforms have the purpose of modernizing bureaucratic administration that prevails within the strategic core, while introducing the concept of managerial administration in the sector in which State services are rendered. By imposing ceilings on the wages of active employees and the earnings of pensioners and demanding that a legislative bill be passed in order to increase wages in the three branches of government, these amendments seek to eliminate the privileges and imbalances that characterize the Brazilian public sector wage structure. Together with the constitutional reform, there will also be need for the Congress to approve a whole gamut of ordinary legislation.

7.2.1 The Two Public Administration Amendments

The amendments to the chapter on public administration are fundamental to the transition to a managerial public administration, since they incorporate and make feasible a new perspective with respect to the management and control of the State apparatus. The provisions encompassed by the bill are of strategic importance to achieving administrative reform, for they deal with management principles and norms, the juridical relations of employees with the administration and the prerogatives of the three branches of government in terms of administrative organization and the setting of the wages of those positions that provide auxiliary or administrative services.

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The first amendment covers the chapter on public administration. The major changes are as follows:

- ✓ end to the compulsory nature of the single juridical system, making it possible once again to contract employees under the terms of ordinary labor legislation;
- ✓ requirement of public selective processes for the contracting of personnel under the terms of ordinary labor legislation and maintenance of civil service exams for the contracting of the corresponding personnel;
- ✓ more flexible approach to the job stability of civil servants making dismissals possible by reason of heavy failings, insufficient performance and excess staff:
 - ✓ in the latter two cases, the civil servant will be entitled to indemnity;
 - ✓ in case of insufficient performance, the purpose is to lead employees to value their jobs and make it possible for the public administrator to hold employees accountable; dismissals will only be possible after an adequate evaluation and with the right to a specific administrative process that ensures employees full rights of defense;
 - ✓ in case of dismissal due to excess staffing, the dismissal will have to obey general criteria to be defined in complementary legislation, and the corresponding positions will be automatically eliminated with re-creation of such positions being permitted only after a hiatus of four years;
- ✓ possibility of placing employees on leave with earnings that are proportional to their time of service, as an alternative to dismissal by reason of excess staffing;
- ✓ permission for contracting foreigners for public service through public selective examinations or processes, provided that it be authorized by specific legislation;

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- ✓ strict ceilings on the earnings of civil servants and members of the branches of government, including personal advantages, corresponding to the salary of the President of the Republic;
- ✓ strict limits on the values of pensions and retirement benefits to amounts equivalent to those earned while on active duty;
- ✓ facilities for transfers of personnel and responsibilities among the units of the Federation: the Federal Government, member states, Federal District and municipalities, through formalization of agreements;
- ✓ elimination of the principle of wage equality among the different branches of government as a subjective right, though the principle is to be maintained as a fundamental element of good administration.

The second amendment (1) defines balanced treatment among the three branches with respect to the prerogatives related to administrative organization and (2) determines that wage increases for employees — excluding those exercising direct power — of the three branches of government may only be generated by congressional approval of legislation. The initiative will always be taken by the respective branch of government, but approval will depend on presidential sanction.

The second amendment strictly obeys the principle of autonomy of the three branches. This autonomy was conceived by Montesquieu as a system of checks and balances designed to avoid predominance of one branch over the other. In relation to employee wages, this system of checks and balances had ceased to exist and this introduced heavy distortions into the principle of basic wage equality. It is acknowledged that it will not be possible to eliminate these distortions over the short-term, but it is fundamental to impose limitations on them.

7.2.2 The Social Security Amendment

The social security amendment is of fundamental importance to the public sector. This instrument eliminates the so-called full retirement and early retirements, which have transformed the Brazilian public social security system into a system of privileges. Retirement of employees will occur basically by reason of age, with a small correction for time of service and will be proportional to the contribution made by the employee in question.

These two principles also apply to the private sector. However, the public sector social security system will continue distinct from that of the private sector, since the State will continue fully guarantying the social security system of civil servants independently of wage levels. For the private sector, expectations are that the State will warranty retirements up to a certain level of minimum monthly wages. From that point forward, each citizen will adopt a complementary retirement system negotiated with private sector pension funds.

Obviously, the constitutional amendment does not define the details of the public social security system. The general idea is to require a contribution that, in actuarial terms, would be compatible with retirement with 75% to 80% of the average wage received in the last 36 months prior to passage to the ranks of retired personnel, given the average earnings expected for the contributions of civil servants. However, it will not be necessary — and probably not even convenient — to create a capitalization system, since the State is not a good manager of this type of fund. Though based on a calculation of earnings of a virtual fund, the public retirement system should continue as a system of sharing and not of capitalization. In principle, it should be a system common to all those who hold positions and jobs.

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7.3 Ordinary Legislation

Approval of the constitutional amendment will immediately require definition of ordinary and enabling legislation dealing mostly with the following:

- ✓ definition of specific processes of dismissal by reason of insufficient performance;
- ✓ definition of the indemnity in the case of dismissal by reason of insufficient performance and of dismissal by reason of exceeding staffing, in which case a larger indemnity is called for;
- ✓ definition of the exclusive careers of the State (which should not be confused with the exclusive activities of the State, though there is a close relationship between the two concepts), composed of employees who exercise powers of the State; in this case, their members may not be dismissed by reason of excess staffing;
- ✓ in the same enabling legislation, definition of the general criteria for dismissal by reason of excess staffing;
- ✓ definition of the rules governing the workings of public selective processes;
- ✓ definition of a new system of social security for employees that will be guaranteed by the State and based on a system of retirement by age and earnings that are proportional to the contribution or to the time of service for the State;
- ✓ definition of a civil service health system;
- ✓ review of the Juridical Bylaws of Civil Servants;
- ✓ definition of general legislation on the wage system of the Federal Government with the aim of increasing the transparency of the system and making wage ceilings truly effective;
- ✓ laws designed to achieve bureaucratic streamlining and deregulation of public services;
- ✓ public social security law, covering all those holding government positions and employment.

7.4 The Cultural Dimension and the Managerial Dimension

Transition to a managerial public administration will only be possible if approval of the legal changes required is accompanied by a simultaneous change in the country's administrative culture. This culture was strongly impacted by recent forms of administration founded upon self-serving interest groups and still has a significant bureaucratic character, since it is based upon a fundamental mistrust in the possibility of cooperation and collective action. Individuals are viewed essentially as egotistical and a-ethical, in such a way that only step-by-step a priori control of administrative processes will make possible to protect the *res publica*. The change to a managerial culture is a quality change. It is not the adoption of the opposite position or, in other words, a naive sense of trust in humanity. The intention is only to give a provisional vote of confidence to administrators and control results afterwards.

Only this type of culture will open the doors to partnerships and cooperation. Only in this way will it be possible to make feasible not only diverse forms of partnerships with society, but also vertical cooperation between public administrators and employees, between government and civil servant unions. Without this partnership and cooperation, true efficiency will be impossible.

On the other hand, a posteriori controls of results must be extremely severe. The bureaucratic public administration — the product of a lower stage in society's development that is much more authoritarian and class oriented — emphasizes processes because it knows or presumes that it is unable to punish violators. Managerial public administration emphasizes results because it supposes that it will be capable of punishing those who fail or do not fulfill their duties.

Without the cultural change from bureaucratic to managerial public administration, it will be impossible to approve the institutional-legal reforms. And, therefore, it will be equally unfeasible to move forward in the management dimension. However, the three changes are not to occur sequentially but rather concomitantly, with one or the other of the dimensions in a dominant position at one time or another.

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The true reform of the State apparatus occurs within the management dimension. It is there that public administration becomes more effective and efficient. It is there that the necessary cultural changes occur. It is there that managerial administrative practices do, in fact, come to the fore. It is there that performance indicators are defined, that personnel is trained and motivated, that flexible strategies are developed in the interest of achieving the established goals.

Though it depends on institutional-legal reforms, the change of management is not restricted to those reforms nor can it sit back and await them. It is essential that an entirely new philosophy, a new managerial culture, accompanied by the respective practices, be implemented in public administration.

Modernization of management will be attained through implementation of laboratories, particularly in the semi-autonomous agencies focused on the exclusive activities of the State. The purpose here is to initiate the process of transformation into autonomous agencies or, in other words, agencies focused on results and equipped with administrative flexibility and broad managerial autonomy.

The first step will be to implement a system of institutional evaluation with the objective of identifying the purpose of each entity of the public administration so as to align — or realign — these purposes with the greater objectives of the State. Following that, a systematic evaluation will be elaborated based on the construction of performance indicators that make it possible to measure the degree to which the intended objectives are being reached.

Parallel to this, activities in the area of human resources will be implemented making it possible to improve the managerial and technical capacities of the public sector through recruitment of strategic personnel in annual competitive examinations and public selective processes for small groups of civil service candidates. In this way, it will be possible to initiate a permanent process of renewal of the State's employment rolls. In this same area, the role to be played by schools of government will be of fundamental importance to the training and development of human resources in manners directly related to the objectives of the reform of the State apparatus. The activities to be imple-

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mented in the area of human resources have the aim of giving greater value to efficient civil servants through recognition of their work by the citizenry. This, in turn, will result in a change in civil servant image in front of society, resulting in greater autonomy, initiative and accountability, while reducing formalistic controls and encouraging adoption of a policy that generates consequences as a result of both good performance and insufficient performance.

In conclusion, the reform strategy in this dimension calls for a renewal of the quality program, which should emphasize not only the question of total quality but that of the participation that is essential to enhancing the efficiency of services at the operational level. The Program of Quality and Participation in Public Administration will be aimed at improving quality and efficiency in the rendering of public sector services.

7.5 The Dynamics of Transition

The objectives and principles of this White Paper on the Reform of the State Apparatus will be implemented gradually. Based on a system of monitoring and permanent evaluation of the results obtained by the different specific projects listed below, efforts will be made to fulfill the stated objectives. To the extent that obstacles are removed, new projects will be proposed for the purpose of adapting the strategy to the new realities identified. Consequently, this White Paper has no intention of exhausting the task of reforming the State apparatus, but rather has the very real objective of making the process of change irreversible through immediate short-term results, coupled with others that will be attained over the medium and long-term. For the purposes of this document, the short-term will be considered as the period up to the end of this year of 1995, while the medium term will be defined as 1996 and 1997 and the long-term will coincide with end of the current administration's mandate or, in other words, early 1999.

Consequently, short-term objectives involve the start of the process of management modernization through actions that do not depend on changes of a more structural nature in the juridical-legal system. Over the medium-term, expectations are that it will be possible to approve the amendments

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and their respective enabling legislation, as well as the project of Social Organizations, while also giving continuity to the process of modernization of management in a more consistent manner based on a combination of actions in both the institutional and managerial dimensions. Finally, over the long-term, the objective is to consolidate the process of change, based on the idea of its irreversibility, providing the State apparatus with a structure that has the degree of flexibility required to make it possible to cope with the challenges of adjustment that, though they will certainly come forward in the future, cannot as yet be precisely defined. The results expected in these three temporal dimensions are detailed below.

In the short-term, it is possible to imagine advances in the direction of the modernization of public management based on specific laboratory actions aimed at establishing two basic institutions: the "autonomous agencies", in the area of the exclusive activities of the State, and the "social organizations", among the competitive or nonexclusive services.

These actions will be preceded by a program of awareness for managerial staff and other civil servants aimed at adoption of the new management model. They will be supported by a wide-ranging program of human resources training and development in the various government schools. Parallel to this, a program of deregulation will be initiated with the purpose of eliminating current obstacles to the proposed model within the executive branch. Following the new approach in the Program of Quality and Participation in Public Administration, emphasis will be given to the continuity of improvement in the rendering of public services and the start of the process of institutional evaluation. The latter will be founded upon elaboration of a system of indicators that makes it possible to judge organizational performance from the internal point of view and from that of the users of those services. In this way, true social control will become feasible. Finally, in terms of short-term results, one can also consider the holding of public competitive examinations in strategic areas of the public administration. This will make it possible to initiate the process of recovery of technical and managerial capacities in the framework of the State apparatus. Though still limited from the point of view of their scope and depth, these changes mean the first steps in the direction of a continuous process of improvement in government management.

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Over the medium-term, expectations of approval of the constitutional amendments and their respective regulations, of the legislative authorizations for implementation of the social organizations, and the further deepening of the process of implementing the new managerial culture centered on results, on administered competition and based on performance evaluation, will open the way for changes of a more structural nature in the desired direction. In this stage, it is expected that public administration entities will adopt a new managerial posture based on well-defined objectives aligned with those of the government and which implement a new system of performance evaluation at both the institutional and individual levels. Also as a medium-term objective, one must cite expectations of the implementation of project-citizen and adoption of a new human resources policy built upon the new model to be implemented. These results should point to a new vision of Brazilian public administration, focused on the citizen and on the professionalization of civil servants and founded upon an institutional and managerial restructuring based on the principle of social control.

Finally, in the context of long-term objectives, it is expected that the reform of the State apparatus will produce fundamental transformations that will make it feasible to achieve the so ardently desired State that induces and fosters the social and economic development of Brazil. To achieve this stage with the flexibility required to cope with the new challenges that will certainly come forward, the expected results must be seen within two dimensions: the first is internal in nature and concerns consolidation of the managerial culture and effective enhancement in the value of civil servants by, once more, recognizing the true worth of public service; the second is external in nature and is based on the rise of a new society founded upon the principal of popular participation that places the state, once more, in its rightful position as an instrument for the full exercise of citizenship.

8 Projects

In the managerial dimension, the reform of the State apparatus will be carried out through a series of projects under the responsibility of the Ministry of Federal Administration and State Reform. However, supported by the Executive Committee on State Reform and oriented by the Chamber of State Reform, MARE's role will be that of catalyst. The effective work of the reform will be carried out at the level of the individual ministries which will develop their own projects, with the aid of advisory services provided by MARE.

8.1 Basic Projects

In the managerial dimension, there are three basic projects that will make it possible to implement managerial administration in the Brazilian public sector. On the horizontal level, there is the Structural Evaluation project which will make an overall analysis of the structure of the State. At the level of exclusive activities of the State and operating vertically and at much greater depth, we have the project of Autonomous Agencies. Finally, at the level of nonexclusive services, there is the project of Social Organizations accompanied by the program of transfers to the nonstate public sector.

8.1.1 Organizational Structure Evaluation

This project is fundamental to development of autonomous agencies and social organizations. It has the purpose of analyzing the missions of government organizations and entities, identifying overlapping responsibilities, unsuitability of functions and possibilities of decentralization with the aim of providing the State with a modern and agile organizational structure open to popular participation. Obviously, this is a permanent and priority task of the government as expressed in a series of acts that resulted from the provisional measure that initiated the reorganization of the government and extinction of two ministries: the Ministry of Social Welfare, including its connected foundations, and the Ministry of Regional Integration.

The project is founded upon several basic questions: 1) What is the mission of this entity? 2) Should the State be charged with this mission and with the respective activities involved? 3) Which activities can be eliminated? 4) Which should be transferred from the Federal Government to the states or municipalities? 5) And which can be transferred to the nonstate public sector? 6) Or to the private sector?

On the other hand, given its new functions as regulator and not executor: 1) Should the State create new institutions? 2) Which ones?

The response to these question should be the least ideological and most pragmatic possible. What is important is to obtain an optimized result given the scarcity of resources. However, this result is not and cannot be judged only from the economic point of view, but must be seen from other angles including justice, culture and security, which are also essential to the responses to these questions.

Based on the response to these questions, there will be proposals for the extinction, privatization, transfer to the nonstate public sector and decentralization of entities, and also for the incorporation and creation of organizations.

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The starting point is a discussion of the functions and roles of the State in its different spheres. The next step is an analysis of the authority and organizational structures of the central and outer administration, with the aim of verifying whether they are insufficient, oversized or overlapping, while also considering the possibilities of decentralization.

This analysis will be made in an effort to make State programs and priorities compatible with the institutional structure of the Federal Government. Given the importance of this task and its scope, a work group of the Executive Committee of State Reform should permanently concern itself with this theme which, at the same time, is a responsibility of the Department of Modernization of MARE.

8.1.2 Autonomous Agencies

Accountability for results and the consequent management autonomy are the roots of this project aiming to change semi-autonomous government agencies and foundations, that exercise exclusive activities of the State, into autonomous agencies, with emphasis on modernization of their management.

The Project of Autonomous Agencies will be developed in two dimensions. In the first place, the legal instruments required to make the intended transformations feasible will be drawn up and a study will be made to overcome the obstacles that exist in current legislation, norms and regulations. Parallel to this, new approaches will be applied in several selected semi-autonomous agencies which will then be transformed into experimental laboratories.

8.1.3 Social Organizations and Nonstate Public Sector

Even in the institutional-legal dimension, the strategy of transition to a managerial public administration calls for elaboration of a legislative bill — already in an advanced stage — that will permit transfer of nonexclusive State activities to the nonstate public sector, where they will take on the form of “social organizations”.

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The objective of the project of Social Organizations is to allow for decentralization of activities in the sector of the rendering of nonexclusive services, in which the power of the State is not exercised. This is based on the assumption that these services will be more efficiently rendered when performed by the nonstate public sector, with financing provided by the State.

By "social organizations" is understood those entities governed by private law that, at the initiative of the executive branch, obtain legislative authorization to formalize management contracts with that branch and, consequently, become entitled to receive budgetary allocations.

The social organizations will have financial and administrative autonomy, and will be obligated to observe the conditions set down in specific legislation such as, for example, the composition of their councils of administration, in such a way as to avoid privatization or transformation of such entities into veritable fiefdoms. They will receive budgetary resources and may obtain other inflows through the rendering of services, donations, inheritances, financing, and so forth.

Those entities that attain the position of social organization will be entitled to greater administrative autonomy. However, at the same time, their directors will be held accountable for their results. Parallel to this, the social organization will seek a greater degree of social participation in the sense that they will be subjected to the social control of society through councils of administration recruited from among the communities that they serve. Aside from this, partnerships with society will be built and should finance a lesser but still significant share of the costs of the services rendered.

Transformation of nonexclusive state services into social organizations will be done on a voluntary basis through the National Public Sector/Nonstate Transfer Program at the initiative of the respective ministries. Priority will be given to hospitals, universities and technical schools, research centers, libraries and museums. The task of making the program operational will fall to a National Council of Nonstate Public Sector Transfers, which will be composed of representatives of different ministries.

8.2 Additional Projects

Aside from the three projects already cited, there is a series of other projects essential to implementation of managerial administration in the Brazilian State. We will list the main projects below.

8.2.1 Project Citizen

This project has the objective of improving the relations between entities of the public administration and the citizenry, in the framework of their institutional responsibilities as stated in the guidelines of the State Reform Project, and situating these activities in terms of the citizen's aspirations and needs, in the following areas:

- ✓ simplification of obligations of a bureaucratic nature created by the State apparatus and with which the citizen has to cope from crib to grave;
- ✓ implementation of a system of receiving complaints and suggestions from the citizenry on the quality and efficacy of public services that require a pro-active response on the part of the public administration;
- ✓ implementation of an information system for citizens with respect to operation and access to public services and any other clarifications that may be required;
- ✓ in defining the quality of the service — which must take account of performance indicators — an element of fundamental importance will be the time during which a citizen has to wait to have his needs satisfied; lines are the plague that afflicts the system of serving citizen needs.

The scope of the project should be viewed under the prism of two aspects:

- ✓ from the angle of the sphere of government, in the first stage, its scope will be restricted to federal entities and will be gradually extended to the state and municipal spheres;
- ✓ from the angle of the nature of the public administration, the project will focus initially on the core administration and will later encompass the outer administration, semi-autonomous agencies and foundations;

3.2.2 Performance Indicators

This project, which is essential to implementation of the autonomous agencies and social organizations, will have to be carried out in a partnership between MARE and the Ministry of Planning and Budget. It will demand a systematic and wide-ranging effort to define quantitative performance indicators for the exclusive activities of the State. These indicators — later incorporated into the definition of the overall budget — will be the basis for formalization of management contracts between the director of the entity and the respective ministry. Based on these management contracts, it will be possible to implement a model of managerial public administration.

The difference between this project and that of Autonomous Agencies or Social Organizations is found in the fact that while those will focus on few entities, in which there will be a concentrated effort to apply the new management techniques, this project represents just the first step in a long process of defining clear performance indicators that will be used as the general standard of accountability in the entire federal public administration. Therefore, just as in the case of the Structural Evaluation, this project is horizontal in nature and will seek to encompass all extant public semi-autonomous agencies and foundations.

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8.2.3 Quality and Participation

This project was conceived as the basic instrument for modernization of public management, with emphasis on the principles of quality and the participation of employees at the operational level. The goal is not only to achieve change in the forms of management, but also in the culture of organizations in that which concerns cooperation between administrators and employees. It has the objective of introducing new public management concepts and techniques based on performance, reduction of errors to a minimum and participation of employees in the definition of work processes.

In recent years, total quality and productivity have taken on great importance among administrative techniques. This Plan recognizes this importance but understands that these techniques will be of importance if, at the operational level, they are capable of generating higher quality services, in the framework of a zero error philosophy, as well as enhanced cooperation among employees and administrators. At the more general level, the strategy of managerial public administration is fundamental and the program of quality and productivity — better termed the program of quality and participation in the public sector — should be subordinated to this strategy.

8.2.4 New Human Resources Policy

The preparation of the new public administration that will arise out of the current reforms must necessarily and essentially involve the professionalization and enhanced value of civil servants. In this light, a new human resources policy must be formulated to meet the needs of the State in its new roles of regulator and coordinator of economic, social and political agents, while also improving the rendering of services.

In this light, adaptation of human resources is a priority element of the process of change and, therefore, requires a policy that will guide all aspects including the contracting of new employees, personnel development, an adequate wage structure that encourages performance through incentives, and institution of careers compatible with the needs of the modernized State apparatus.

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Careers can be classified into State careers, composed mainly of the employees of the strategic core governed by civil service legislation, and careers of employees covered by ordinary labor legislation utilized in the outer administration and in operational services, including those of the strategic core.

Career plans are hierarchical and are separated according to the nature and complexity of tasks. Positions and jobs are distributed among the different classes on the scale and career promotions will be based on performance evaluations and approval in specific courses.

Organization of careers will meet the needs of the administration and will be based on the responsibilities of the positions in question. Whenever possible, efforts will be made to enrich the employee's work particularly in those posts that involve routine activities. These responsibilities can be classified as generic when they are common to the entire system of administration or specific to one or more organization or entity, depending on the responsibility in question.

Together with the structuring of careers, a policy of regular competitive examinations should be established that will make it possible to provide the quantity of employees truly needed for the full development of activities and a regular and permanent system of rebuilding the labor force. Competitive examinations for the main careers will be held every year. A MARE Directive will announce the exams, the number of vacancies and the months in which they are to be held up to 1999.

With respect to the civil service retirement and health plan system, the project proposes new regulations for the benefits included in the civil service social security system, particularly with respect to the criteria applied to the granting of retirement benefits. These should be governed by the overall principles that govern the General Social Security System, as follows: a) definition of the grace period; b) proportionality between the quantity of contributions and their amounts in relation to the value of the retirement benefit; and c) maintenance of special retirement for those involved in highly burdensome, unhealthy or dangerous activities. In this way, the objective is to review criteria for granting benefits and the amounts and systems of pension increases.

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Thus, the aim is to attenuate existent pressure brought to bear on the Treasury by the volume of payments to retired personnel and pensioners. Those advantages that represent distortions would be abolished, together with those that are not compatible with the reality of the nation and are, therefore, repudiated by society. Furthermore, this project proposes creation of adequate systems of financing for the Program of Total Health Assistance for civil servants and their families.

8.2.5 Citizen-Oriented Civil Servant Enhancement

The objective of this project is to give added value to individual talents and foster a synergetic reaction among the groups and organizations that are part of the federal public administration, with the aim of providing Brazilian citizens with better quality services and a more ready response to their demands.

The objectives are: (1) create the psychosocial conditions required for strengthening entrepreneurial spirit within the public sector, coupled with ethical behavior and efficient performance; (2) strengthen the sense of mission and the commitment of civil servants to the rendering of better quality services to the citizen, and (3) obtain greater civil servant satisfaction with regard to work and the quality of life.

This project will be gradually implemented through participatory action in such a way that civil servants themselves will assume responsibility for its implementation in a system of co-management. Mobilization teams will be formed in each Ministry and a central mobilization core will be formed, at the same time in which internal consultants will be readied to supply methodological orientation.

8.2.6 Human Resources Development

This project is to be implemented by the State's different public administration schools, as a means of making feasible the modernization strategy of public management. Its objective is the training and preparedness of civil servants so that they will be able to make an agile and efficient system of public administration operational.

The operational model in the area of training calls for the following initiatives: (1) a basic core with a synthesis-text of the values included in the new paradigm of government management; (2) an area of educational technology for support to pedagogical activities; (3) new instruments of evaluation, based on a review of those used in reaction evaluation, and new instruments that make it possible to evaluate the impact of training.

In this context, the programming of courses should emphasize such themes as new public management strategies, managerial development and human resources oriented to the introduction of managerial administration, serving the public, as well as training in the utilization of information technology, which will be the basic tool for implementation of programs of reform of the State apparatus.

8.2.7 Review of Ordinary Legislation

Given the importance and urgency of this project, it has already been presented in detail in item 7.1.2 of this White Paper.

8.2.8 Government Network

The project seeks to provide a modern data communications network interconnecting the public administration in a secure and agile manner. This will make it possible to share the information that is contained in the different data banks of the various organizations of the State apparatus. At the same time, it will supply a communications service (based on E-mail, forms, agendas and "discussion lists", all of which will be electronically generated) so that it will be possible to transfer the greatest possible quantity of information

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to society in general and to government entities themselves. This will be an instrument of importance to enhancing the transparency and efficiency with which the affairs of State are performed.

Initially, the data communications infrastructure already available in Brasília will be utilized (REMAV - High Speed Metropolitan Network, RENPAC - Package Network, etc.). The Government Network will then be prepared (and later extended to the entire country) and will emphasize:

- ✓ security required to ensure privacy and the inviolability of communications;
- ✓ standardization of procedures to reduce costs and simplify usage; and
- ✓ information sharing to avoid waste.

Until such time as full operation of the network is technically feasible, different data banks or types of information will be made available via Internet or different organizations in Brasília that will be interconnected with electronic communications services. Starting in 1996, with implementation of high speed networks in the rest of the country, the Government Network will be expanded to the country's major cities.

8.2.9 Systems of Public Management (Managerial Control and Information)

Administrative systems focused on public management encompass various areas: civil personnel, general services, administrative organization and modernization, information and informatics, planning and budget and internal control. The objective of these systems is to make it possible to achieve transparency in implementation of government actions and thus permit these activities to be monitored and evaluated. At the same time, they have the objective of making non-proprietary and non-confidential information available to the government and to society as a whole.

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With this in mind, several information systems were developed or are now being developed, with varying degrees of automation. Among the most important of these are the processing of the fiscal budget and social security budget (SIAFI), that which processes the payroll and records of federal civil employees (SIAPE), the investment budget (SIDOR), the planning of government actions (SISPLAN), the reference file of suppliers, involving prices and catalogues of services and material (SIASG) and the supply of information on governmental organizations and its macro-responsibilities (SIORG).

Independently of the initial intentions upon which they were founded, these systems have been used to meet the operational needs of the public administration, relegating managerial information or information of public interest to a secondary or even inexistent position. Consequently, they have not played the role of instruments of support to the decision-making process. What is needed is a project that will make it possible to interconnect and rechannel the different systems of information strategically, in such a way as to incorporate the new concepts of management of the State apparatus. Aside from establishing standards of integration and technological support suited to the development of new systems, while maintaining and improving those already in operation, it will be necessary to seek out information gathered in a coherent way — without duplication of efforts — and processed safely and efficiently, when such information is of a managerial nature and should be made available to the entire public administration.

Increasing the reliability and reducing the costs of these systems will make them accessible to all of society so that it will be able to play its role of controlling and judging the performance of the public administration. In this way, the systems will be compatible with the objectives of Project Citizen and the Government Network, by permitting this information to be made available by a variety of means (with emphasis on such easily accessed systems as INTERNET) permanently fed by the services and resources of the Government Network.

9 Entities of Strategic Importance to Reform of the State Apparatus

The successful implementation of this White Paper is directly related to the commitment of each ministry to this challenge of reforming the State apparatus.

Participation of the ministries involved is essential. Here, one must emphasize the task of the Office of Civil Staff, which is responsible for coordination, and of the Ministry of Finance, particularly in the strategic role of the Federal Secretariat of Control, which will contribute greatly to implementation of a philosophy of control by results. Planning will also have an important mission, especially in the area of budget, as it adopts a model based on the definition of objectives, effective mechanisms of evaluating results and, consequently, greater flexibility in budget operations.

Finally, the sectoral ministries will play a role as partners, both at time of formulation, and in project implementation, since the reform is to occur in the different organizational units of each segment of the Brazilian public administration.

By way of conclusion, the system proposed for implementation of this Plan calls for the following levels with their respective macro-responsibilities:

- ✓ *Chamber of State Reform and its Executive Committee*, responsible for the political-strategic dimension, with the responsibilities of approving, monitoring and evaluating reform projects:

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- ✓ *Council of State Reform*, a consultative and coordinating entity responsible for the proposed programs before civil society;
- ✓ *Office of Civil Staff of the Presidency of the Republic*, charged with general coordination of all activities related to the reform of the State apparatus and to the reform of the State itself;
- ✓ *Ministry of Federal Administration and Reform of the State*, charged with formulating, proposing and negotiating the actions and projects of State apparatus reform, through all of its respective secretariats;
- ✓ *Ministry of Planning and Budget*, in relation to the reform of the State apparatus, charged particularly with planning the activities of the State and of a budgetary system that is compatible with managerial public administration;
- ✓ *Ministry of Finance*, in relation to the reform of the State apparatus, charged with effective control of expenditures and internal controls.

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