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# A New Public Management for Latin America

Latin American Centre for Development Administration  
CLAD

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## Introduction

State Reform has become the main topic on the world's political agenda. This process dates from the late seventies, with the onset of the crisis in the State model, which had been created by developed countries during the postwar and set off an unprecedented era of capitalist prosperity. The first response to the crisis was a neo-liberal-conservative reaction. Given the pressing need to reform the State, reestablish fiscal balance and the balance of payment of countries in crisis, it was felt advisable to simply propose State downsizing and total market predominance. The proposal, however, made little sense from the economic and political point of view. In fact, after some time, it was determined that rather than dismantling the State structure, the solution would lie in its reconstruction.

The object is to build a State that will be able to face the challenges of the post-industrial age. A State for the XXIst century, which will guarantee the performance of economic contracts, while also having the strength to guarantee social rights and competitiveness of each country on the international scene. Thus, a third way is being sought between neo-liberal *laissez-faire* and the former social-bureaucratic model of state intervention.

Building a new type of State is also the major consideration in Latin America. However, in addition to the global reform context, substantial Latin American idiosyncrasies exist. First, the situation in which these countries found themselves upon the outbreak of the crisis was much more serious than in the developed world. Not only did these countries face a serious fiscal crisis, but their previous economic development model (import-substitution) had also proved itself ineffective. Moreover, external indebtedness became chronic in practically the entire continent. A failure to solve these structural problems led, in most Latin American nations, to stagnation and high inflation throughout the eighties.

Faced with this scenario, the first generation of reform prioritized the financial scope of the State crisis. Thus, market-oriented reform, above all opening up to trade and fiscal adjustment, were the principal measures implemented in the eighties. In most cases, the major success of this first round of reform lay in the attempt to stabilize the economy *vis-à-vis* the threat of hyperinflation.

An examination of these first reforms shows that structural adjustment, whose ultimate objective was State downsizing, failed to resolve the set of basic problems faced by Latin American countries. For this reason, a second generation of reforms is in the making, aimed at restructuring the State. It is currently a recognized fact that the State continues to be a fundamental instrument for economic, political and social development in any country. It may, however, have to be implemented differently from the national-development pattern adopted in most of Latin America and from the social-bureaucratic model that prevailed in the developed world during the post-war.

In the process of rebuilding the Latin American State, the greatest challenge lies in rendering changing world trends compatible with the region's specificities. In regard to structural changes aimed at having world impact, Latin America must be prepared to face international economic competition that has accompanied globalization. The State will need to replace its former protectionist policies with measures that will make enterprises more competitive in the new international economic environment. To achieve this, a sound foreign trade policy will be needed, aimed at enhancing the countries' participation in world trade flows. Likewise, public and private funding should be strategically channeled to programs in the areas of education and science and technology.

Another structural trend points to the changing role of the State in the economic and social sectors. State action should be aimed primarily at social areas that will guarantee universal

health and education services, and at the promotion of economic development, creating instruments to guarantee microeconomic conditions that will attract private investment and foster systemic competitiveness in the country, through sound policies in science and technology and foreign trade sectors. As concerns the form of intervention, however, implementation of any major change in the role of the State will have to occur in the economic and the political spheres.

In economic terms, rather than intervening directly as a producer, the State should concentrate on regulatory activities. Privatization and the establishment of regulatory agencies will be a part of this process. Additionally, the State should develop its strategic capacity for joint action with the private sector and universities in order to create an appropriate environment for increasing competitiveness among enterprises<sup>1</sup>. It should be noted that the State should also act to ensure that the new development cycles and increasing productivity are virtuous in respect to the use of natural resources, the increase in the technological base and income distribution. This will allow for the vicious cycle of “poverty-making growth” that was characteristic of Latin America in the past to be broken.

In the social area, the role of the State in formulating and financing public policy should be strengthened. To this end, it will be essential to develop the capacity of governments to act as a catalyst in attracting to communities, enterprises or to the Third Sector parties that will share in the responsibility for implementing public works, particularly in health and basic education. In the Latin American case, however, there is a first *caveat*: it will be necessary to retain direct state intervention in the event that minimum social conditions are lacking for sharing activities with society. Consequently, situations in which services may be provided by more than one supplier and/or by public non-statal entities must be distinguished from those in which the state structure is the only supplier able to guarantee uniform, uninterrupted implementation of public policy.

These structural changes, among others, can only be made viable in Latin America when State Reform projects take into consideration three specific major problems in the region: the consolidation of democracy, the necessity of resuming economic growth and reduction of social inequalities. To a great extent, it is by virtue of these three specificities that State Reform in Latin America must take on new horizons entirely different from the previous, merely financial and technocratic perspectives.

Redemocratization is an important aspect of State Reform in Latin America, above all because it has an impact on the dynamics and pace of the process. Many of the reforms are dependent upon the establishment of new institutions, constitutional changes or profound modifications in the administrative system. This will affect the *status quo* of various groups, some of which have been entrenched for decades in the state structure. This dilemma will be especially evident when the transition is made from the first generation of reform, carried out by a small group of bureaucrats and technocrats isolated within the State, to the next generation, which will require the attainment of democratic coalitions to sustain the State Reform process.

The new stage of reform must be approved by political systems which arose towards the end of the authoritarian cycle but which were mostly unable to immediately consolidate democracy. The fact is that Latin American politics is still marked by a combination of weak parties, patronage, corporativism and personality leadership. Notwithstanding this, the lessons learned in Latin American countries with respect to the nefarious nature of dictatorial regimes gives strength to the notion that it will not suffice to approve State Reforms. They must be implemented in a democratic context, either by improving existing political institutions or by creating new ones.

It is true that democratic demands have increased enormously among the population. This was clearly demonstrated by the political decentralization process that took place in several Latin

American countries. A 1997 World Bank Report states that at present, some thirteen thousand local governments in the region elect their own leaders, as compared to three thousand in the late seventies <sup>2</sup>. Despite this, it is essential to strengthen the democratic forms of State/society relations, increasing accountability on the part of the system. This is a means for preparing citizens to control public activities, while also making them more efficient and of higher quality.

Besides democratization, Latin American State Reform is affected by questions relating to economic development and social inequalities. The State structure must not only put in place the conditions for sustainable economic development, but also guarantee the financial and administrative resources necessary for reducing poverty and the serious social inequalities that exist in the region. In regard to the latter, it should be remembered that one out of every three Latin Americans are living in poverty and that the level of inequalities in fifteen of the seventeen Latin American countries is greater than would be expected, given the degree of development achieved in these nations <sup>3</sup>.

If the ongoing State Reform project does not resolve these specific Latin American problems, it will lose social legitimacy in the short term. The reforms implemented thus far have solved only the matter of economic stabilization. Development has not been firmly resumed, income concentration has not been reverted and democracy has yet to become consolidated.

In this context, the Latin American Center of Administration for Development (CLAD), whose mission it is to cooperate with the dissemination and discussion of ideas and practices regarding State Reform, particularly the Public Administration, has a strategic role to fulfil: the promotion of managerial reform in the Latin American State. This is because Managerial Reform of the Administration, which is underway in a growing number of countries, offers a better response to the economic, social and political challenges faced in Latin America.

## **1.- Rebuilding the State and Recovering its Governance**

Rebuilding State capacity is an essential condition for enabling Latin American countries to deal successfully with problems of redemocratization, economic development and distribution of wealth. In this context, implementation of Managerial Reform is essential for improving the governance of the State and for enhancing democratic governability in the political system.

Managerial Reform is underway in the public administration of several countries, as shown in different comparative studies <sup>4</sup>. Notwithstanding the common characteristics of reform experiences, there is no unequivocal meaning or single organizational paradigm to guide all nations <sup>5</sup>. Consequently, this document attempts to define Managerial Reform as it best adapts to the reality and needs of Latin American countries.

The managerial model takes its inspiration from organizational changes that have occurred in the private sector, where the bureaucratic pyramidal forms of administration have been modified by making management more flexible, diminishing hierarchical levels and increasing the autonomous decision-making power of managers; thus, the name managerial. These changes led from a structure based on centralized rules to one that is sustained by responsibility of administrators and endorsed by effective results. This new model attempts to respond more quickly to the major changes in the economic and contemporary societal environments.

Despite the fact that it took its inspiration from the private sphere, the managerial model should inescapably adapt to the political democratic context in which the public sector is inserted. The specificity of governmental organization is derived, firstly, from the motivation behind it: enterprises seek profits, public managers must act in the public interest. It is true that politicians are also guided by the desire for reelection and bureaucrats may be captured by economic interests. But the need to pass democratic scrutiny makes the action of politicians and bureaucrats

subject to public control. This control may be found in representative democracy arrangements or in direct democracy mechanisms or, as has more recently been observed, in citizen participation in public policy evaluation, all of which are typical forms of the managerial model. This type of democratic control has no parallel in private organizations.

Another difference between the public sector and the private sector may be found in the decision-making process. In the private sector, the number of participants is restricted and there is greater capacity for faster decision-making. The government, on the other hand, takes decisions according to democratic procedures, which involves a greater number of actors and greater delays in decision-making, owing above all to the fact that such a system assumes mutual control among the branches of power and scrutiny by the opposition. Lastly, the legitimacy of an enterprise is the result of its survival in a competitive market, while governments must be democratically legitimized.

In sum, it has well been said, “The government may not be an enterprise, but it can become more enterprising”<sup>6</sup>, that is, it can become more responsive and flexible *vis-à-vis* the major environmental changes that are affecting all organizations.

In countries where Managerial Reform has been undertaken, it assumes, completes and modifies the first sweeping reform of the modern State, the weberian bureaucratic reform, which instituted a professional, merit-based civil service, an essential condition if the managerial public administration is to replace the bureaucratic public administration. Here lies Latin American specificity, as well as the challenge. Despite the fact that important centers of excellence and merit-based rules were established in the civil service of several Latin American countries, no country in the region completely set up a weberian bureaucratic model along the lines of the developed nations. These bureaucratic public administration spaces coexisted with persistent patrimonialism in various sectors and with the higher-level positions being designated through patronage, which often made it impossible to professionalise the upper echelons of the bureaucracy. For this reason, the challenge of implementing Managerial State Reform in Latin America is much greater than in Europe or the United States.

Faced with this challenge, some feel that it will not be possible to implement Managerial State Reform until all phases of the weberian bureaucratic model have run their course. This is in fact a sequential view of the public administration, to which CLAD puts forward two objections. First, developed countries did not follow a single path or a homogeneous institutional formula to arrive at bureaucratic administration in developed countries. A classical study shows, for example, that the United States, Japan, Great Britain and France followed quite different routes to achieve weberian bureaucratic model<sup>7</sup>. Thus, there is no specific recipe for achieving a professional civil service that, if not fully adhered to, could cause the model to fail.

This sequential or evolutionist view of the public administration contains still another error. It does not perceive the problems generated by the organizational paradigm contained in the weberian bureaucratic model, nor its inadequacies for current reality. The bureaucratic public administration did not account for the problem of efficiency. As a result of the decreasing resources available to governments, it became fundamental to increase administrative efficiency. This question is even more important in Latin America, where the State is poorer, society is more unequal and consequently, optimizing the resources used in social policies is essential.

Furthermore, the bureaucratic public administration became a self-referred organizational model. The weberian bureaucratic model was a fundamental instrument for advocating and guaranteeing the functioning of the first two modern waves of democracy, in 1870 and in the wake of World War II. Since the late seventies, however, this model no longer responded to the new demands for democratizing the civil service, particularly those that emerged at local level.

At the time, the public administration was guided by presumably universal rules and regulations, rather than by citizen expectations. The self-referred bureaucratic structure became more rigid and it lost the capacity to accompany the profound environmental changes observed since the onset of the Third Industrial Revolution.

To summarize, efficiency, democratization of the civil service and rendering the organization flexible are basic ingredients for modernization of the public sector, but they were not taken into consideration by the organizational paradigm of the bureaucratic public administration. Nevertheless, it should be noted that the criticism in this case focuses on the bureaucratic organizational model and not on the idea of professionalization of civil servants, which is a central notion of weberian bureaucratic model. One of the main elements of Managerial Reform is the professionalization of the bureaucracy that holds positions in the nucleus of State central activities; this assumes a merit-based system such as is advocated by the weberian model. CLAD's proposal is that, above all, a strategic core should be constituted within the State apparatus, with the capacity for public policy-formulation and for regulatory activities and the control of public service supplies. In this State sector, the existence of qualified civil servants who are trained on an ongoing basis, protected against political interference, well remunerated and motivated is essential. This is a *sine qua non* condition for implementing the managerial model.

Consequently, Managerial State Reform in Latin America requires first of all the full implementation of the weberian model of strengthening a strategic core occupied by a professional bureaucracy. However, it also requires modification of the organizational paradigm contained in the weberian model because the latter can no longer respond to the dilemmas of contemporary public administration. To this end, changes should be aimed at the following:

- a) Achieving flexibility in the organizations in order to make governments more responsive;
- b) Establishing a network of more democratic relations between the provision of public services and citizens/consumers;
- c) Implementing a contractual and competitive model for State action, based on which policy efficiency and effectiveness may be enhanced.

Thus, Managerial Reform contains an essential element of weberian bureaucratic model - professionalization- and it modifies other elements in order to rebuild the State structure to meet the challenges of the XXIst century at world level, as well as those pertaining specifically to Latin American countries.

Managerial Reform effects a structural change in the State apparatus and should not be confused with the mere implementation of new management forms, such as total quality. It changes the institutional incentives of the system in such a way as to transform the more general bureaucratic rules. This would allow public administrators to adopt more adequate management strategies and techniques.

Implementation of a institutional reform, however, does not imply the creation of an extensive and detailed set of legal rules. This has been the Latin American – indeed, Iberian American – tradition. Its results have been unfortunate, with an extremely rigid Administrative Law that hinders flexibility of the Public Administration, which is a major requisite of Managerial State Reform. Likewise, the administrative formalism existing in Latin America has served to “legally contaminate”, which could lead to the prevalence of informality and a real bureaucratic behavior that is not in line with the established legal universe. Thus, the establishment of administrative mafias or generalized inefficiency would be allowed<sup>8</sup>.

The success of institutional changes aimed at imposing the managerial model will hinge,

first, on the formulation of clear, general rules to modify the incentives for actors to act. This would be tantamount to a new contract between politicians, civil servants and society. Reforms would have to be continuously applied and monitored and, with respect to the bureaucracy, a new administrative culture would have to be established. Thus, transforming the rules and the administrative culture are part of the same process.

CLAD assumes that rebuilding the public administration through Managerial Reform will lead to improved State governance, understood as the capacity of the State to implement, efficiently and effectively, the decisions taken at political level. What would seem obvious is actually not so: the projects formulated by several Latin American governments were correct. But they lacked – and continue to lack – the capacity to implement them.

In order to achieve sound governance, the State must be set right in the fiscal and financial planes and it must be rendered competent in the administrative sphere. Such administrative competence will be derived from the appropriate implementation of the managerial model, supported by a strategic core composed of a technically capable and motivated bureaucratic elite<sup>9</sup>. Only by improving their capacity to govern may the State apparatus help balance the three major Latin American concerns, which might as well be repeated here: the consolidation of democracy, economic development and better distribution of wealth.

Moreover, Managerial Reform of the State will have a direct impact on one of these major Latin American concerns, the consolidation of democracy. To the extent that the managerial model undertakes to strengthen the democratic mechanisms of accountability and transparency in the public administration, it will have an important role to play in improving democratic governability. Consequently, CLAD feels that it is a matter not only of creating a more effective and efficient State; it is essential to establish a truly democratic State in Latin America<sup>10</sup>.

## **2.- Characteristics and Objectives of Managerial Reform**

Managerial Reform ensures the necessary mechanisms for increasing effectiveness and efficiency of public administration, besides creates new conditions that allow for a more democratic State/society relationship. The main characteristics of this administrative model are as follows:

a) Professionalization of the upper echelons of the bureaucracy marks the starting point for Managerial Reform. To this end, a strategic core should be formed within the State, composed of a technically trained and motivated bureaucratic elite, which will be critical for policy-making, supervision and regulation. This bureaucratic elite will also have to develop its negotiation capabilities and accountability before the political system. This will clearly differentiate it from the technocracy structured by authoritarian Latin American regimes who believed in their superior knowledge and practice in relation to the behavior of the political class, which they pointed to as opportunistic and irrational from the technical point of view. It is true that patronage and the politization of high-ranking Latin American bureaucrats must be pared down, but this must not be achieved by keeping civil servants from carrying out the necessary democratic supervision of politicians and society.

Regarding international experience with reform and the role of the high-ranking bureaucracy, two lessons deserve mention. The first is that a radical separation of the technical dimension on the one hand and the political dimension on the other cannot be achieved. Quite the contrary, the increased complexity of state activity forces politicians to draw up their strategies on the basis of technical components. In turn, the bureaucracy needs to adjust its action on the basis of political criteria, which are decisive in determining priorities in a democratic regime. In this regard, a comparative study of seven countries (United States, Great Britain, France,



Germany, Italy, Holland and Sweden) showed that high-ranking public officials are becoming policymakers. That is to say, they must combine their specialized knowledge with political responsibility<sup>11</sup>.

For a bureaucratic pattern of policymaker to become consolidated in Latin America it is essential that the high-level bureaucracy must become more stable and patronage must diminish, without, however, leading to the isolation of society. This could have deleterious results, such as a heightened corporatism in favor of the *status quo*, the lack of accountability towards citizens and even incentives for authoritarian behavior.

The second lesson is that the support and mobilization of high-level bureaucracies are key to the Managerial Reform process within the State. CLAD firmly believes that the main role of this bureaucracy lies not only in launching change but above all in continuous action to transform the current structures of Latin American public administrations. For this reason, it proposes that high-level bureaucrats should be organized by State corps or careers that should enjoy greater autonomy, albeit mindful of the need for political responsibility.

It is true that the degree of professionalization in the public administration will not be the same for all civil servants. World trends in managerial reform indicate that Latin America cannot adopt a single pattern for its legal system or contracting and treat all bureaucrats the same in terms of rights and duties. In fact, part of their public activity could be carried out by professionals who are not necessarily civil servants. Certain auxiliary or support duties to the States hard core may generally be outsourced, from the simplest, such as cleaning, to the most complex, such as information services. Notwithstanding this, active policies will have their place, giving dignity and value to those in public functions and demanding observance of strict codes of ethics in exchange.

b) The public administration should be transparent and its administrators should be democratically accountable before society. This is so because professionalization of the bureaucracy does not make it totally immune impervious to corruption, which is a world phenomenon that has spread far too much in Latin America. Several comparative studies, for example, the 1997 World Bank Report, are unanimous in that direct action is needed on the policy/administration relationship, the government machinery must become less political and decision-making more transparent, while investments are necessary to strengthen the ethical and wage patterns of civil servants.

In imposing greater autonomy and more accountability upon public managers, the Managerial Public Administration is becoming a fundamental instrument to protect the public patrimony and republican principles.

c) Decentralisation of public service provision is an essential step on the path to managerial State modernisation in Latin America. First of all, any functions that may be carried out by sub-national governments, which were previously centralised, should now be decentralised. This measure seeks to obtain not only improved efficiency and effectiveness, but also enhances citizens supervision and control of public policy. CLAD opts for decentralisation, but advises against the position whereby, always and in all cases, the decentralising process is considered to be the only means for resolving the problems of public administration. The reason for this is that the relationship between centralisation and decentralisation is not a dichotomy; they complement each other. The Central Government will continue to play a strategic role in guaranteeing equity, above all in countries faced with major regional socioeconomic imbalances, financing partly the provision of public services. Decentralisation implemented without a counterpart in less privileged areas tends to reproduce existing social inequalities, thus sustaining the historical pattern of perverse development that prevails in Latin America.

In nations lacking a local administrative tradition, the decentralisation process should initially be accompanied by technical support from the Central Government. In most countries in the region, the building of a national bureaucracy has been completed in one form or another; however, in the sub-national sphere, much has yet to be done. This measure should serve to encourage local governments to adopt policies based in management principles, seeking to avoid the return to the bureaucratic centralism that was historically characteristic of regional administrations.

Managerial State Reform will be more successful in the sub-national sphere as political and institutional reforms advance, above all considering that local Latin American bureaucracies have been the privileged locus of patrimonialism. Thus, for the potential democratisation of Public Power/citizen relations, contained in the managerial model, to be fully realised, there must be a change in political class/bureaucracy/civil society relations at local level.

Mention should be made, moreover, of the fact that the decentralisation process in Latin America has been characterised by heightened competition for resources among different government levels, often leading to predatory inter-governmental relations. The main results of this process have been growing indebtedness of sub-national governments in some countries in the region and a worsening of the fiscal war for investments, both of which phenomena producing harmful consequences for the national governments. It has well been argued that beyond a strict definition of what each level of government should do, the important thing is to establish cooperation mechanisms among them<sup>12</sup>.

For these reasons, CLAD firmly supports decentralisation, provided that this process is accompanied by continuing the execution of essential tasks on the part of Central Governments, linking managerial reforms to political and institutional reform in the local sphere and creating cooperation incentives among government levels.

d) As to activities that pertain exclusively to the State and remain within the Central Government, the administration should be based in organisational deconcentration. Central bodies should delegate implementation of functions to decentralised agencies. The principle behind this change is the belief that there should be a functional separation between policy-making structures and the decentralised and autonomous units that provide the services. Thus, the public administration should be guided by the results obtained by autonomous agencies.

e) The Managerial Public Administration works on the basis of controlling results, which is quite the opposite of the step by step control of rules and procedures, as formerly done in the weberian bureaucratic model<sup>13</sup>. In the Latin American case, however, State rules and procedures will have to receive yet special attention on account of the historically fragility of the Rule of Law. Even more so than in Europe and the United States, State's authorities in our continent should guarantee juridical security, administrative impartiality and judicial accountability of authorities and civil servants. These are essential conditions for establishing efficient markets and democratising public spaces<sup>14</sup>.

This does not mean that there exists an antinomy between managerialism and the predominance of rules and procedures in exclusive niches of State's authority. Quite the contrary, these logics must be combined and the space pertaining to each should be clearly defined. In the case of managerial logic, it is fundamental to the internal organisation of public agencies marked by beaurocratism, in regard to their relationship and above all, to the provision of public services.

In these spaces, Managerial Reform modifies the assumptions that guided bureaucratic administration throughout this century and which can no longer respond to current problems. With *a posteriori* control of results, the predominant assumption is the limited trust, rather than total distrust towards civil servants. The former weberian model attempted to closely watch the

decisions taken by the bureaucracy in order to avoid corruption and administrative inefficiency. But results left much to be desired, as demonstrated by Michel Crozier in the early sixties, when he studied the French bureaucracy<sup>15</sup>. Crozier concluded that the more regulations that were created, the more the public sector was taken over by informal power; control over the decision-making process was lost and the functioning of the system became more irrational.

Administration based on *a posteriori* control of results also forces the organisation to clearly define its objectives; the substantial aspects of the latter are analysed, rather than considering them as administrative processes. Thus, evaluation of the bureaucracy is based predominantly on whether or not goals are achieved, instead of judging whether rules, which in many cases are self-referred, have been followed.

Evaluation of bureaucratic performance serves not only to establish whether or not goals were met. Managerial public administration uses *a posteriori* control of results as a technical instrument capable of making organisations learn from their mistakes in order to prepare their strategies for the future. This has been referred to as the principle of organisational learning, which is essential in order that management by objectives should consist in more than a mere form of sanctioning or of pointing to those responsible for the inadequate performance of public agencies; it should succeed in developing the capacity to learn from past performance and continuously improve the rendering of public services<sup>16</sup>.

However, the definition of objectives is not enough to evaluate the results obtained by the bureaucracy and to place it in a process of continuous organisational learning. Three other mechanisms, essential to this process, must also be present

The first of these is the establishment of a contractual model between the central agency and decentralised agencies. This is known as the management contract, which is sustained by quantitative goals that are defined *a priori* and evaluated later. This management contract should also define what must be done after evaluation in the way of sanctions, rewards or other means for correcting errors. In sum, a management contract is an instrument that allows for a more rigorous estimate of efficiency, efficacy and effectiveness, such as increased transparency in public administration, as society knows in advance what the objectives of each agency are, its results and what it could be done to correct its faulty performance.

A good definition of organisational objectives also depends on a modification of the rigid hierarchy that characterised weberian bureaucratic model. This is so because it is important to make civil servants responsible for goals, aware of their organisation's mission and the best way to achieve this is by empowering and delegating autonomy to managers. This mechanism changes the form of management and organisation culture of the members of the bureaucracy, who may even feel more motivated by a system where individual decision-making and responsibility are heightened *vis-à-vis* their public agency. It is assumed that motivation on the part of civil servants will only increase if their new insertion in the Managerial Public Administration is compared with the role they played in the weberian bureaucratic model in which they were only spokes in a wheel that worked according to rules never fully clear to those who carried out the tasks.

Lastly, results-based public administration will require heavy investments in institutions building and training qualified personnel in order to allow for both organisational and individual performance evaluation. This is a key aspect of State Managerial Reform. In this regard, CLAD believes that Latin American States will be required to establish sound performance evaluation systems in the next few years if they truly wish to transform the current structures of the public administration.

f) The greater managerial autonomy granted to agencies and their managers should be

complemented by new forms of control. In the more basic aspects, control ceases to be predominantly the bureaucratic control that sought to determine whether all procedures were being correctly adhered to; now, it will concern itself with the progress made in policy efficiency and effectiveness. In Managerial State Reform, control, which previously was exercised only by administrators and the internal and external structures of control, is now, additionally, a combination of four types of control:

- Control of results, based on performance indicators stipulated precisely in management contracts.

- Cost accounting control, which encompasses not only the control of expenditures, but also the discovery of more economic and efficient ways to enforce public policy. The development of this ability was designated in the British administrative reform as the inclusion of “cost awareness” in the civil service. This has led to civil servants beginning to value the appropriate use of public funds and thus to have greater respect for the tax-paying population <sup>17</sup>.

- Control by administrated competition or quasi-markets, in which the various agencies seek to provide the best service to users. Such competition may lead to improved efficiency and effectiveness in the system in view of the fact that competition causes more rational use of resources and that there is a tendency to increase the range of services available to citizens.

- Lastly, social control whereby citizens evaluate public services or participate in their management. Social control is a key instrument for handling the complex relationship between citizens and their agents, politicians and bureaucrats. Obviously, the control over the bureaucracy exercised by politicians is essential in a representative democracy, but it is surely not the only control that ensures supply of the information the population needs to evaluate the public nature of State actions. It has been demonstrated that the control of the population over the bureaucracy – of the “fire alarm” variety – guarantees the maximisation of the relation between the principal (citizens) and their governmental agents. The cost of information is lower in this case than that pertaining to politician/bureaucrat relations and there are greater immediate benefits for society <sup>18</sup>.

But social control will only produce these benefits if it is based on sound institutional mechanisms <sup>19</sup>. Consequently, Managerial State Reform should create institutions that will establish incentives for the population to control Public Power. Experiences of this type have occurred in various parts of the world. For example, parents who co-manage schools; citizens who evaluate medical services; creation of ombudsmen who are designated to hear the population’s complaints regarding the quality of public policy and members of the community who are appointed to the councils of directors or as supervisors of a wide range of public organisations.

In addition to these controls related to the Managerial State Reform model, judicial control must be reinforced to deal with unlawful actions and to guarantee uniform treatment to citizens. This question is extremely important in Latin America, given the historical weakness of judicial bodies in the region, as opposed to the United States and even the European experience. At present, there are two main justifications for strengthening judicial control as a major aspect of the State reform process. The first, is that trust in the Judicial Branch among economic agents, above all with respect to supervision of Public Power is fundamental for good functioning of the market. Even more important, it is essential to improve judicial control in Latin America because the Public Power <sup>20</sup> is not fully respectful of the importance of civil rights and the effectiveness of the law. By way of illustration, the consumer rights of public service users throughout the continent are generally not protected. In fact, the managerial model may substantially change this situation, but the question will remain, “What would happen if these rights are not respected?”

Managerial controls need the judicial branch as a safeguard of the last resort.

g) Two forms of autonomous administrative unit must be distinguished in the managerial model of public administration. The first is composed of agencies carrying out activities that pertain exclusively to the State and are, therefore, monopolic by definition. In this case, decentralisation aims to make administration of the state structure more flexible.

With respect to the second type of decentralised agency, which acts in social and scientific services, CLAD holds that the State should continue to act in the general formulation, regulation and financing of social and science and technology development policies. It is nevertheless possible to transfer the provision of these services to a non-statal public sector in several situations, with the caveat that it is not a matter of privatising public services in the social area. The State will continue to be the principal source of financing and, more importantly, it will have a regulatory role. It will set out the general guidelines, as well as resume application of certain policies in the event that the implementing agencies are not carrying out the work as expected by the citizens. The conceptual confusion is due to a dichotomy that opposes “statal” to “private” and therefore, assumes that if the State is not directly rendering a service, then it has been privatised.

To overcome this dichotomy, CLAD recognises the existence of a third institutional framework, the non-statal public space. Within this perspective, the concept of public transcends that of statal and includes the ability of society to act in association with the State to supply public services, either from the way of control or of production<sup>21</sup>. Managerial State Reform proposes the transfer of the provision of social public services to the non-statal public space. This is based on the following four considerations: The first, refers to the need to make Latin American public administration more flexible, which is strongly marked by extremely rigid Administrative Law. Greater flexibility would make it possible to gain considerable ground in the way of efficiency and effectiveness, without affecting the basic principles of the Rule of Law as regards equal treatment to all citizens.

In addition to this, most social groups working in the non-statal public space are motivated by more than just pecuniary considerations. The ideological commitment to the cause in question – for example, services in the educational area or assistance to the elderly – brings the members of these organisations closer to one another and the commitment acquires more relevance than bureaucratic organisational precepts, or profit-seeking. In policies such as those of the social area, human devotion is of capital importance and this is found most frequently in organisations based on solidarity<sup>22</sup>.

Despite this major advantage enjoyed by the non-statal public sector, state regulation of these policies will continue to be fundamental. Government intervention may occur in the event of problems with the provision of such services. It should be remembered that in the United States, a country with a tradition of community management of certain services, there is a public agency that carries out inspections of NGOs and decides whether or not to grant them a licence to function. The concept of public is therefore dynamic, depending on the performance of the policy implementing agencies and their evaluation by government and society.

A third advantage of the non-statal public concept is that it proves the need of the State to improve its ability to cooperate with the community, the third sector and the market. Without this, governments will face difficulties in improving the provision of public services.

This, association with the market gives rise to new resources; which is extremely important at a time of scarcities. Association with the community produces active participation of the parties most interested in policy. Association with the third sector yields specialised knowledge and action by highly-motivated groups for problem-solving. Actually, the solution to

contemporary complex problems lies in finding a balance among the various institutional frameworks, the state, the market and the public non-state. For these reasons, we propose the adoption of the concept of a **Network State**<sup>23</sup>, which will be able to group together the various social logics and subjects to deal with the serious problems affecting Latin American countries, particularly in the social area.

Finally, the public non-state sector has the enormous advantage that it makes provision and management of public services more democratic. This is a key aspect of the managerial model, as will be explained below.

h) Another significant characteristic of Managerial State Reform is the fact that the provision of services is aimed at the citizen-user. This is revolutionary in public administration, as compared to the weberian bureaucratic model, which was self-referred; that is to say, it was aimed at reaffirming the power of the State and of state bureaucracy, rather than responding to the demands of citizens. CLAD undertakes the commitment of promoting the incorporation of this aspect of democratisation of the Public Power contained in the managerial model, into Latin American public administrative practice.

With this change, citizens should participate both in public policy evaluation and management, particularly in the social area. With respect to evaluation, several administrative reforms worldwide are introducing instruments to determine the results of public services through population polls. With respect to management, communities are taking on responsibilities for programmes in the areas of education, health and housing, as evidenced by several successful experiences in Latin America.

This process is reinventing the notion of government; it is modifying the State/society relation<sup>24</sup>. Citizens are called upon to assume an active role in organising collective action and, more specifically, in dealing with those problems that affect their daily life and that of their families – such as security in their neighbourhood, management of their children's schools, etc. Thus, the population may cease to be reactive as was the case during the hegemony of the weberian bureaucratic model. Previously, participation occurred during election campaigns, seldom elsewhere. If the provision of services worsened, "it was the fault of the government", a typical phrase in several Latin American countries. The consolidation of democracy in our region offers a two-fold possibility: to build an effective representative democracy, that will once and for all lead us away from our authoritarian heritage, and to establish new forms of participation, especially in respect of public control over the provision of public services at local level.

i) Lastly, it is essential to change the role of the bureaucracy in relation to democratisation of the Public Power. The principles of Managerial Reform dictate that the degree of accountability of civil servants must be increased in three major aspects: (i) before society, making the public administration more transparent and aimed at rendering accounts. In this regard, it is important to train public officials to begin to treat citizens as consumers whose rights must be respected. Bureaucrats will have to perceive the users of the service as possible allies in the search for solutions. (ii) Before elected politicians in terms of a representative democracy, whether they are in power or in the opposition; and (iii) before the formal and informal representatives of society, acting in the public non-state sphere.

To conclude, Managerial Reform seeks to increase efficiency, effectiveness and democratisation of Public Power. Based on this, to strengthen the ability of the State to promote economic and social development. CLAD believes that instilling new vigour into the Latin American State will make it focus and become more effective in the promotion of education, health, housing, basic income programmes, development of science and technology and foreign trade. Likewise, the successful implementation of the managerial model will make it possible for

the State to offer a stable macroeconomic foundation and create the conditions for increasing domestic and multinational private investment, as well as increasing the international competitiveness of Latin American countries.

### **3.- A Democratic and Progressionist Reform**

State Managerial Reform must draw up a different strategy from that undertaken by reform thus far. First, it must make use of the lessons learnt from past errors. Second, and more important, the objectives of Managerial Reform are different from those set out for reforms initially implemented in Latin America.

The first round of reform, of a more neoliberal strain, placed public bureaucracies and the traditional left on the defensive. These groups insisted in closing their eyes before the serious crisis that was devastating the Latin American State. Today, however, we know that the means used in implementing these reforms were not conducive to solving the problems. In regard to the public administration, the measures stressed downsizing, efficiency at any cost and a direct parallel between the public administration and business administration.

Managerial State Reform is opposed to this recipe. It considers downsizing as simply one more recourse - certainly not the most relevant - for achieving a fiscal balance and efficiency. Moreover, CLAD believe that downsizing cannot be approached as an end in itself or as a mere reaction to fiscal problems. Over and above that, unless the downsizing programmes are carefully planned, there is the short-term risk of losing the most qualified personnel. The long-term risks include demoralisation of civil servants, a lower quality civil service and a loss of credibility if downsizing is perceived as arbitrary and lacking in transparency<sup>25</sup>.

Managerial State Reform does not seek efficiency at any cost. First, efficiency cannot be separated from effectiveness, since optimisation of public resources without offering good service or solving social problems is incompatible with the values we are defending. Moreover, the managerial model should subordinate efficiency or any other rational administrative criterion to the criterion of democracy, expressed through the will of the people. The criteria defined in public spaces should prevail over any other technical rationality, which is why Managerial State Reform shuns a technocratic view of management.

Consequently, Managerial Reform does not resort to market principles as the means *par excellence* for charting the new courses of action for the public sector. CLAD proposes that modernisation of the public administration requires a redefinition of State/society relations and the building of a public sphere which will involve society and citizens in public policy management<sup>26</sup>.

Lastly, Managerial State Reform, as previously defined, very clearly sets out the distinction between public administration and business administration.

This is therefore not a proposal against civil servants. It is an attempt to render compatible professionalization of essential sectors of the bureaucracy with the increased accountability of civil servants before society and the political system. Weberian bureaucratic model did not take this into account. Additionally, CLAD is not defending increased politisation of the bureaucracy, along the lines of patronage as is characteristic of Latin America. Nor does it propose the opposite, that is, total isolation of the bureaucracy. Neither of these formulas will ultimately respond to the current need of the State to become more transparent, nor do they give the State apparatus the ability to carry out Network State functions, which would make it a catalyst for the various social and market interests.

CLAD proposes a new bureaucracy, rather than the end of bureaucracy. Which new stimulus in the work environment contained in the managerial model, civil servants will become more autonomous and empowered and will cease to be lifeless spokes of a wheel. They will

certainly have to be better trained and better remunerated if they are to take on the obligation to respond precisely to the goals of management contracts and the demands of citizen-users. Work contracts should be made more flexible for some of the civil servants; however, making the civil service more dignified will continue to be a State objective.

Nor is Managerial State Reform conservative, as some proclaim, often fearful of losing their *status quo*. Quite the contrary, it is essentially a progressionist proposal, for the following reasons:

- It affirms the responsibility of the State in relation to social rights and its role as a source of financing in the social service areas of education, health and culture.

- It assumes that the role of the State in the field of employment is not to create jobs, but to create favourable conditions for full employment. To this end, it is necessary to guarantee sound macroeconomic conditions and above all, to make massive investments in education, which will be the door to employment in the XXIst century.

- It seeks to broaden public spaces by creating the concept of the public non-statal and to increase forms of popular participation in the evaluation and control of public services.

- It assumes that collective action or cooperation among persons endowed with a public spirit is possible and effective. Obviously, a checks and balances systems will be required within the bureaucracy and the political system, though it must be stressed that unless there is a reliable budget to guide human action, it will not be possible to build up social coexistence, nor efficient and effective organisations. CLAD is therefore opposing the position based on the unlimited distrust of persons. Paradoxically, this position was the assumption of weberian bureaucratic model, as well as in the political economy of a neoliberal bias.

- It holds that besides being more secure, the supply of public services through public non-statal bodies can be much more efficient than private or even statal supplies.

The Managerial Reform proposal adopted by CLAD is essentially democratic. This is so because Managerial State Reform assumes transparency of the public administration, broadens the space for social control and transforms the public domain – rather than the self-sufficient market – into the guiding concept for reform. It renews the role of representative democracy and the affirmation of human rights, including “republican rights” in protecting the public patrimony.

To be successful, advocates of Managerial Reform will above all have to convince the various sectors regarding the diagnosis. Following that, reformers will need to establish new alliances, based on democratic-republican principles, with the high-level public bureaucracy, business, the workers and intellectuals. This process may extend over time, but it is important to bear in mind that this reform will prepare the State for the XXIst century. In this regard, CLAD fully supports the Managerial State Reform project for Latin America.

Latin America experienced a severe crisis in the eighties, which it is seeking to overcome in the nineties. It has gained awareness of the errors made in previous reforms and is now prepared to undertake Managerial Reform. It should do so, considering it to be a basic instrument that will give the State the ability to act positively in favour of sustained economic development, better income distribution and the consolidation of democracy.

#### NOTES

<sup>1</sup> According to Michael Porter (1990), **The Competitive Advantage of Nations**, The Free Press, New York.

<sup>2</sup> World Development Report (1997), **The State in a Changing World**, World Bank, Washington D.C., USA, page 112.

<sup>3</sup> Juan Luis Londoño (1996), **Pobreza, Desigualdad y Formación del Capital Humano en América Latina (1950-2025)**, World Bank Studies Latin America and the Caribbean, World Bank, Washington D.C., USA, page 3.

<sup>4</sup> See, *inter alia*, Norman Flynn and Franz Strehl (1996), **Public Sector Management in Europe**, Prentice Hall, London. In this paper, the authors compare administrative reform in seven European countries (Sweden, United Kingdom, Holland, France, Germany, Austria and Switzerland). Despite the political and ideological differences and



difference in conception of some reforms, there is a common line based on the managerial model. Also, in a comparative study, Donald Kettl describes a “global revolution” in the Public Administration, with various management measures that recur in several reform experiences. See Kettl, Donald (1998), “A revolução global: reforma da administração do setor público”, in **Reforma do Estado e Administração Pública Gerencial**, Luiz Carlos Bresser Pereira & Peter Spink (organizers) Fundação Getúlio Vargas, Rio de Janeiro.

<sup>5</sup> “Beyond ‘Progressivism’: A New Global Paradigm in Public Management?”, by Christopher Hood (1996), is an outstanding paper showing that there is no single reform paradigm at present, no magic recipe; in **International Journal of Public Administration**, 19/2.

<sup>6</sup> According to Gerald Caiden (1991), **Administrative Reform Comes of Age**, Walter de Gruyter, Berlin/New York, page 88.

<sup>7</sup> Bernard Silberman (1993), **Cages of Reason: The Rise of the Rational State in France, Japan, the United States and Great Britain**, The University of Chicago Press, Chicago.

<sup>8</sup> As demonstrated by Geoffrey Shepard and Sofia Valencia (1996), “Modernizando a administração pública na América Latina: problemas comuns sem soluções fáceis”, **Revista do Serviço Público**, 47/3, page 115.

<sup>9</sup> According to Luiz Carlos Bresser Pereira (1996), **A Reforma do Estado nos anos 90: lógica e mecanismos de controle**, Cadernos MARE, 1, page 44.

<sup>10</sup> See Joan Prats i Catalá (1998), “Governabilidade democrática na América Latina no final do século XX”, regarding the dilemmas of democratic governance in Latin America; in **Reforma do Estado e Administração Pública Gerencial**, Luiz Carlos Bresser Pereira & Peter Spink (organizers), Fundação Getúlio Vargas, Rio de Janeiro.

<sup>11</sup> Joel Aberbach, Robert Putnam & Bert Rockman (1981), **Bureaucrats and Politicians and Western Democracies**, Harvard University Press, Massachusetts.

<sup>12</sup> According to Rémy Prud’homme (1995), “The Dangers of Decentralization”, **World Bank Research Observer**, 10(2), page 218.

<sup>13</sup> This point is elaborated upon in two basic texts: Michael Barzelay (1992), **Breaking Through Bureaucracy**, University of California Press, Los Angeles, and Luiz Carlos Bresser Pereira (1998), “Da administração pública burocrática à gerencial”, in **Reforma do Estado e Administração Pública Gerencial**, Luiz Carlos Bresser Pereira & Peter Spink (orgs.), Fundação Getúlio Vargas, Rio de Janeiro.

<sup>14</sup> On this point, see Joan Prats (1995), “Derecho y management en las administraciones públicas”, **Reforma y Democracia**, CLAD Magazine, No. 3.

<sup>15</sup> Michel Crozier (1967), **Le Phénomène Bureaucratique**, Éditions du Seuil, Paris.

<sup>16</sup> According to Stewart Ranson & John Stewart (1994), **Management for the Public Domain: Enabling the Learning Society**, St. Martin’s Press, New York.

<sup>17</sup> See Les Metcalfe & Sue Richards (1989), **La Modernización de la Gestión Pública**, INAP, Madrid, page 50.

<sup>18</sup> See the paper by Matthew McCubbins & Thomas Schwartz (1984), “Congressional Oversight Overlooked: Police Patrols versus Fire Alarms”, **American Journal of Political Science**, No. 28.

<sup>19</sup> See Adam Przeworski (1998), “Sobre o desenho do Estado: uma perspectiva agent x principal”, in **Reforma do Estado e Administração Pública Gerencial**, Luiz Carlos Bresser Pereira & Peter Spink (orgs.), Fundação Getúlio Vargas, Rio de Janeiro.

<sup>20</sup> See Guillermo O’Donnell (1998), “Poliarquias e (in)efetividade da lei na América Latina”, **Novos Estudos Cebrap** No.51, São Paulo, July.

<sup>21</sup> Regarding the concept of public non-statal, see Nuria Cunill Grau (1995), “La Rearticulación de las Relaciones Estado-Sociedad: en Búsqueda de Nuevos Sentidos”, **Reforma y Democracia**, CLAD Magazine, No. 4. On the advantages of the provision of services by the non-statal public sphere, see Luiz Carlos Bresser Pereira & Nuria Cunill Grau (1998), Entre el Estado y el Mercado: lo Público no-Estatal, in **Lo Público no Estatal en la Reforma del Estado**, Luiz Carlos Bresser Pereira and Nuria Cunill Grau (editores), CLAD, Paidós, Buenos Aires.

<sup>22</sup> According to Henry Mintzberg (1996), “Managing Government, Governing Management”, **Harvard Business Review**

<sup>23</sup> According to Manuel Castells (1998), **Hacia el Estado Red? Globalización económica e instituciones políticas en la era de la información**, International Seminar “Sociedade e Reforma do Estado”, São Paulo, Março.

<sup>24</sup> The notion of reinventing government was first launched by David Osborne & Ted Gaebler (1992), **Reinventing Government: How The Entrepreneurial Spirit is Transforming The Public Sector**, Penguin, New York, USA.

<sup>25</sup> In this same regard, see Salvatore Schiavo-Campo (1996), “A Reforma do Serviço Público”, **Finanças & Desenvolvimento**, World Bank, September.

<sup>26</sup> This new form of public management for Latin America is advocated by, *inter alia*, Nuria Cunill Grau (1997), **Repensando lo Público a través de la Sociedad**, Editorial Nueva Sociedad and CLAD (Latin American Centre for Development Administration) Caracas; and by Luiz Carlos Bresser Pereira (1998), **Reforma do Estado para a Cidadania: a Reforma Gerencial Brasileira na Perspectiva Internacional**, Editora 34, São Paulo.

