New Public Management Reform: Now in the Latin America Agenda, and Yet...

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As countries can be classified according to the level of economic development, they may also be evaluated in terms of political development; in one case the criterion is income per capita, in the other, the quality of governance achieved by the country. Both kinds of development are in principle correlated. The more advanced a country is the better quality of its governance. Both variables are reinforcing, involve mutual causation: the farther a country went forward in economic growth, the better will be its governance, and vice-versa. Yet, in spite of all its limitations, it is possible to measure the level of economic development of a country in relatively objective terms, although it is extremely difficult to do the same in relation to the political development.

Thus, a first approximation often used (or assumed) in evaluating governance or public sector modernization of a given country or region, is to predict its quality out of the level of economic development, and, possibly, the recent rates of economic growth. This is a dismal correlation, because it leaves little room for developing countries catching up. They lack physical capital, human capital, technology, but if they were just allowed to import and develop political institutions of better quality that the one their level of economic growth would predict, this would be a way out from the low rates of growth that most of them, including all Latin America, have been presenting – low rates that refute the old hopes of long term convergence to the levels of growth of the developed countries.

Yet, if in relation to Latin America, we use this method, concentrating ourselves in public management, we will predict that many countries did not even made civil service reform, much less got engaged in new public management or managerial reform, given the low levels of growth of the region (and the quasi-economic stagnation they under-

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went in the last 20 years). And this prediction will not be much far away from reality. Looking a little more carefully, we will see also that patrimonialism remains an important ingredient in state organization, and that the attempts to promote civil service or bureaucratic reform, in a moment when advanced countries are already involved in managerial reform, ceased to be a form of modernizing the state, and was reduced to a mere form of advancing corporatist interests. As a trade-off, since the theme began to be debated in CLAD's international congresses, managerial or new public management reform is in the agenda of most Latin American countries. Institutional change and reform implementation advance slowly, hesitantly, but advance.

In this paper I will evaluate public sector reform in Latin America, and particularly the two basic reforms the state apparatus historically experienced in some advanced countries – civil service or bureaucratic reform, in the nineteenth century, and managerial or new public management reform, since the last quarter of the twentieth century. In the first section, I will define briefly what I understand by political development or better governance and relate it to public management reform. In the second, I will show how insistent and frustrating were Latin America attempts to make civil service reform. In the third section, the processes of decentralization and citizens' participation will be briefly discussed. In the forth, I will shortly describe the advances in public management reform in Chile and Brazil, in the later case with my direct participation and the attempt to develop a general theoretical framework for a reform consistent with Brazil' social and political reality. In the conclusion I will mention how, through the restructuration of CLAD, and the realization of yearly CLAD international congresses, new public management entered definitively in the reform agenda of Latin American and Caribbean countries. Nevertheless, Latin American countries remain far away from an effective, efficient, and accountable public management system.

Political Development and Management Reform

Political development may take place in any of the political 'instances' that form the political system: civil society, the political regime, the state apparatus and its administration. A turning point in political development is the Capitalist Revolution, that is both an economic and a political phenomenon. Except for the rare moments of Greek and

Roman republics, one can hardly speak of political development before capitalism: in the economic realm it is marked by the industrial revolution, and the appropriation of economic surplus by a new bourgeois class within which business entrepreneurs engage in capital accumulation and innovation, and realize profits in the market; in the political realm, by the separation of the public from the private patrimony. In the absolute state civil society does not exist. When it emerges, Hegel's 'bourgeois civil society', it is still weak and has little influence. In modern democracies, it is large and vigorous, debating in the public space, and forming public opinion. In institutional or political regime terms, political development or improved governance means the change from arbitrary rule to the rule of law and liberalism, and, in a second moment, from authoritarianism to liberal democracy.

These are well-known political advances, which occur at the civil society and the institutional instances. They should, in principle, be matched by respective developments in the state apparatus organization, but what we see is that organizational and administrative changes tend to move at a slower pace than changes in the political and institutional level. Actually, while I have been able to detect six forms of political regimes since the modern national-states emerged – the absolute, the liberal, the liberal-democratic, the social-democratic, and the emerging social-liberal state – I may only detect three forms of state administration: patrimonial, bureaucratic, and the emerging managerial administration (or new public management).

The transition to the liberal and constitutional state was accompanied, at administrative level, by the change from patrimonial to bureaucratic public administration. This is civil service or bureaucratic reform, which Weber admirably analyzed, having as model the German bureaucracy. Civil service reforms took place in Western European countries in mid nineteenth century, in the realm liberal but not yet democratic states. Later the state changed into liberal-democratic, and, still later, into social-democratic, but the state apparatus remained bureaucratic. Only in recent years we can observe the emergence of the social-liberal state in some developed countries, particularly in the ones in which bureaucratic public administration starts to waive down to new public management. Yet, change is extremely slow, since inertia, vested interests, and an entrenched bureaucratic ideology represent major obstacles to public management or managerial reform of the state apparatus.

It is interesting that resistance comes out of the false belief that managerial reform is a radical alternative to bureaucratic public administration, that it will involve the dismissal of civil service, when, in fact, it is just a new form of managing the state, which turns senior civil service more autonomous and more accountable. While bureaucratic public administration emerged in the nineteenth century, in liberal-authoritarian regimes, where granting the rule-of-law and the separation between the public and the private patrimony represented the two major challenges, managerial public administration rises in democratic countries, where the rule of law is well established, and the challenge is to make the administration more efficient and more accountable to society. The major changes are in the accountability mechanisms. While bureaucratic public administration was controlled by strict procedures, auditing, and parliamentary review, in managerial public administration new forms of making managers more able to take decisions and more accountable gain force: control by outcomes, managed competition, and social control.

Among the countries that went farther in public management reform are Britain, New Zealand, Australia, all the Scandinavian countries, United States, Brazil, and Chile. Italy is deeply engaged in reform, and in France and Germany some movements can be seen in this direction, but the administration remains essentially bureaucratic. Although we have in our list two Latin American countries, most countries in the region did not make even the civil service reform.

It is usual to link managerial reform with 'neo-liberal' reforms. This only makes sense if neo-liberal is the same as ultra-liberal, as most people in Latin America believes. Yet, if neo-liberal reforms just mean market oriented reforms, where competition and individual choice play an increased role, I have no contention with the term. Public management reform may be ultra-liberal, as it was in New Zealand while a conservative government was in office, and may be social-democratic, as it was the case of Brazil. It may be ultra-liberal, as it stresses radical downsizing of the state apparatus, contracting out social and scientific services financed by the state with private enterprises instead of with non-profit organizations, and elimination of the distinction between public and private managers; or it can be social-democratic, as it is more concerned with a more efficient use of resources than with downsizing.

as it contracts out social and scientific services with non profit organizations instead of private enterprises, as it uses social control as a major accountability tool, as it valorizes a small, but well paid, senior civil service to perform the exclusive activities of state according to public ethos.

It is usual also to link public management reform to 'second generation reforms' that would be pushed by World Bank in the developing countries, including Latin America. This is just mistaken information. The World Bank was indeed heavily committed to market oriented reforms since the Baker Plan (1985) defined these reforms as pre-condition for the solution of the debt crisis. It was also responsible, in the early 1990s, for the distinction of the 'first generation of reforms' (fiscal adjustment, privatization, trade liberalization), from the 'second generation', that would include state reform. Yet, World Bank' second generation of reforms did not include managerial reform. State reform meant to the bank – and still means –, first of all, downsizing; second, it means realizing or completing civil service or bureaucratic reform.[1]

Public management reform was not included in World Bank's agenda, first, because its bureaucracy was not sufficiently aware of it. I participated in 1996 from an international conference on the reform of the state in Latin America, where only one paper refer to the problem, and yet, negatively.[2] Later, in 1998, I participated from a huge internal seminar of the Bank, in which, for the first time, the Bank showed a clear interest in the subject.[3] During the four years that I was deeply involved in managerial reform in Brazil I received several visits of World Bank people, but none showed any interest on what was going on.

Second, the Bank officials, that, in the mid 1990s, had some knowledge of public management reform, maintained its reserves in relation to it. The essential argument was 'sequencing': developing countries should, first, complete civil service reform, and only after would be able to engage in public management reform.[4] The expression sequencing, used originally by economists and political scientists to discuss whether economic liberalization should precede political liberalization or vice versa, was extensively used by international officials in the 1990s, either to justify reform or to postpone it. Actually the issue is controversial because, although there is clearly a point on it, sequencing can serve as a convenient excuse for insisting on undertaking a civil service reform agenda before any public management reforms.

The use of the sequencing argument was not exclusive to international advisers. Regional bureaucracies also adopted it. Take, for instance, Mexico. In the late 1990s its professional civil service argued that, before thinking in public management reform, it was required to enact a law formally establishing a professional civil service. The 'civil service reform' was not much more than securing tenure to civil servants. This movement gained momentum in the eve of the electoral defeat of the Institutional Revolutionary Party (PRI), as the Mexican bureaucracy, including the more competent officials, felt threatened, and looked for more stability. It is doubtful, however, that legal tenure for the bureaucracy would do any good to the country or to its civil service.[5] In countries where the rule of law is well established and democratization process has solid basis in society, civil service counts with a reasonable stability that does not depend on law provisions. Actually, confirming what had happened in Brazil in its transition to democracy fifteen years before, these fears were proved unfounded. The opposition party indeed won, but the feared discharges did not materialize.

The Western European countries and the United States had, first, civil service reform, and later, managerial reform. Yet, this does not mean that developing countries are supposed to follow the same steps. Insistence in 'completing' civil service reform in a complex and fast changing world, where bureaucratic public administration lost most of its 'raison d'être', is often useless. New public management's increased flexibility may be seen as a new opportunity for nepotism – civil service's worst enemy – but in practice, in a democracy, managerial reform is a more effective way to fight nepotism and clientelism, and to promote political and administrative decentralization, than just sticking to bureaucratic rules.

For sure, adaptations are supposed to be made. As Francisco Gaetani observes, "state reform in Latin America should be distinguished from the ones observed in the G-7 countries… It is not possible to take as equivalent the crisis of the welfare state and the populist crisis…"[6] As we will see, this orientation was followed in the Brazilian 1995 reform. The demand for entrance competitions remained a constitutional requirement, although the increased autonomy and accountability of public managers is incompatible with patrimonialist practices.[7]

An interesting example of the almost useless efforts to reform today's public administration when this is attempted outside a manage-

rial reform framework is given by Colombia's decentralization attempts. Restrepo Botero, writing on the subject, compares the 20 years old effort to decentralize to the Sizyphus' myth: the king of Corinth, Sisyphus, was condemned to repeatedly roll a huge stone upward a hill only to have it roll down again as soon as he had brought it to the summit. The author gives another explanation for the continuous failure in decentralizing. Decentralization would be part of a neo-liberal strategy. Actually, it is just a simple, unsophisticated way of making bureaucratic administration suppler and better adapted to demands of citizens. A way that is fully consistent with new public management, while incompatible with bureaucratic public administration.[8]

Reforms and Reforms in Latin America

For lack of reforms the Latin American states for sure will not perish… Governments have been constantly involved in 'administrative reform` in the region. And more recently, under the pressure of United States, since the 1985 Baker Plan, that officially defined the American commitment to neo-liberal reform in the indebted countries as the strategy for 'solving' the problem, this kind of reform has been attempted everywhere in the continent. Nor the classical administrative reforms nor the 'second generation' reforms did much. The only exception is the devolution to states and municipalities, but this political decentralization process was rather the outcome of the democratization that took place in the 1980s in the region: either bureaucratic or neo-liberal reforms, both characterized by a centralizing vein, were sympathetic to this type of reform.

The literature on 'administrative reform' in Latin America is as huge as the number of attempts to make reforms in the region. Peter Spink, who made a survey of the area, observed that Latin American bureaucracies seems to be permanently engaged in administrative reform: "The administrative reform theme and, more recently, the reform of the state, has maintained a visible presence in Latin America in most of the last 70 years".[9] But, in all cases studied, administrative reform meant bureaucratic reform. The objective was to establish in each Latin American country a civil service like the French, the German, or, at least, like the American… The challenge was to overcome patrimonialism, to turn public administration professional.

Yet, patrimonialism remained strong in the region, and the attempts towards a professional civil service often just ended in protecting corporatist interests of the local bureaucracies, concerned with achieving special privileges in relation to the respective labor markets. When competent professional bureaucracies got formed, as we can see in the larger Latin American countries, this bureaucracy has little to do with the classical Weberian bureaucracy: it is much more entrepreneurial, more technical, more flexible, more adjusted to the demands of state agencies and state-owned enterprises.

Brazil was one of the few Latin American countries that did a full civil service reform: the 1936 DASP. Yet, it was never completed.[10] Brazil was never able to have a civil service similar to the French, or even to the American one. In the 1930s the bureaucratic reform was rather under influence of the American civil service than the French, but later, particularly during and just after the 1998 Constitution, the country tended increasingly to have as model the French administration and the ENA – the École Nationale d'Administration. Each new government attempted to 'deepen' the administrative reform, to turn bureaucratic what was patrimonialist or just clientelist. Some successes were achieved, but, in general, the Brazilian public administration, in 1995, when begins public management reform, was far away from the bureaucratic model.

It is difficult to know which countries, besides Brazil, have been engaged in something near civil service reform in Latin America. My conclusion is that, although some interesting advances are taking place in Argentina, Uruguay, Mexico and Colombia, only Chile may be included in this category. Oszlak does not respond this question directly, but, from his analysis of the personnel selection and recruitment systems in the Latin American countries, it is possible to deduce that, besides Brazil and Chile, also Argentina is experiencing public management reform.. He supposes four situations – (a) a generalized public competition system, (b) use of informal but relatively selection criteria, (c) personal confidence criterion as the dominant one, and (d) mixed system – and concludes that "Argentina, Brazil and Chile are the only countries that report the generalized adoption of selection procedures as defined in (a). In other cases these procedures are only adopted as an exception, in specific jurisdictional realms like diplomacy or heath care services".[11] Except in the case of Brazil, where a more formal process exists, the head of the department is the only responsibility for recruit-

ment and selection of the required personnel. Yet, although most Latin American countries did not undertake effective civil service reform, Oszlak reports that "employment stability of public servants tends to be great".[12] In other words, we have the worst of the worlds – a perverse system of incentives: no impersonal selection through public competitions but extended tenure rights.

How, then, can we explain so much talk – and deed – on neoliberal public sector reform in Latin America in the past twenty years? Public sector reforms were not only words – it did happen –, but it did not include public management. These reforms were conducted by economists: local economists and economists from international agencies like World Bank and IMF. Most of these economists are bureaucrats, who have little familiarity with public management, and developed mixed feelings on the subject. On one hand, they have an idea that a professional civil service is something good; on the other, they know that the times of classical bureaucracy are over. Thus, they tend to leave the question aside, and reduce public sector reform to structural adjustment, privatization, downsizing, and fighting corruption.

Take two dramatic cases: Argentina and Peru. Two quite different countries that have in common only the depth of their respective foreign debt and fiscal crisis. Yet, there was no real administrative reform in either country, just drastic reduction in state personnel, and, in the case of Argentina, some decentralization. As highlighted by Ghio and Etchemendy, in Argentina, one of the major objectives of the Menen administration, which started in 1989, was to undertake administrative reform, but, eventually, downsizing prevailed over more qualitative aspects.[13] The same may be said of Peru.

Decentralization and Participation

Yet, there is one kind of effectively modernizing administrative reform that did happen in several Latin American countries: devolution or political decentralization. According to a World Bank' study, "since 1983, all but one of the largest countries in the region have seen transfer of power, resources, and responsibilities to subnational units of government".[14] In Brazil and Argentina devolution starts in the 1980s, and is clearly an outcome of the transition to democracy that then takes

place in these countries. In Brazil decentralization was from central government to states and principally municipalities. In Argentina, it was rather to the provinces, and specifically in the area of basic education.[15] Reacting to the concentration of power in central government during the military regimes, the general idea behind was that the central government was supposed to transfer to the provinces and/or the local level all social services except social security, so that they become better adapted to and better controlled by the local people.

As an outcome of the 1988 Brazilian constitution, the municipalities' share in total tax revenues doubled. For some time, mayors had difficulty in using this new money, since the states and the federal government continued to supply their habitually poor services. The Constitution had refined revenue shares but not the government levels' responsibilities. Yet, gradually, municipalities took on new social tasks. The Constitution already required that 25 percent of the municipalities' expenditures were reserved to education; a 1998 constitutional amendment, requiring that 60 percent of this total be bestowed to basic education, and establishing as penalty the loss of federal resources if this was not done, made descentralization advance further. In Mexico one the major electoral commitments assumed by the Fox administration was decentralization. In Venezuela, decentralization began in the late 1980s, but there are indications that it represented a failed attempt. The Chavez administration adopted a recentralization policy with the argument that devolution had just benefited limited groups of the Venezuelan society. I am not able to evaluate this argument, but there is almost no doubt that, given the large rents coming from the oil industry, political elites in Venezuela have been engaged in rent seeking more than anything else. It seems that decentralization efforts since the late 1980s were not able to reverse this generalized political behavior (Briceño Reyes, 2000).[16]

Another type of devolution – to Indian communities instead of to regions – has been occurring in Bolivia. There was in Bolivia a strong resistance to decentralization, coming particularly from some old left groups, who associated decentralization and privatization – and viewed both reforms as endangering national autonomy. However, the formation of a national-state was always relative in Bolivia, given the poverty of the country, and the fact that the two great Indian nations in Bolivia, the Quechua and the Aymara, had never been integrated into the Bolivian state, and still today constitute quasi-states within the national-state.

A constitutional amendment and the Law of Popular Participation, both in 1994, recognized this fact, and initiated a devolution process to the local communities: the 'territorial organizations', meaning Indian lands, were recognized, political and administrative power was devolved to municipal governments, new forms of budget allocation were defined. Besides, in each municipality were organized Local Committees of Economic Development (CODEL – Comisión de Desarrollo Económico Local), which "are not an institutionalized organism but a space for public debate and agreement at municipal level". Participate from these committees all sorts of local citizens' organizations, NGOs, religious organizations, business associations, workers' associations, and particularly the indigenous associations.[17] As observed the main responsible for the reforms in Bolivia, this was an "impossible decentralization", which, in fact, as responded to major demands, was made possible, and may today be viewed as a successful reform in Latin America.[18]

A major macroeconomic problem that decentralization brought was fiscal indiscipline. In the 1980s central governments in Latin America finally realized that they had no other alternative than balance their budgets. Yet, as devolution was taking place, the next problem was to curb populist practices at state and local levels. In the World Bank study above referred, this is correctly the central concern. Public services may be more efficient and responsive at local level, but macro economic problems involved should not be dismissed. After the 1988 Brazilian Constitution, one of the major macroeconomic problems that had to be confronted was the imposition of fiscal discipline to the subnational units. First the state banks had to be controlled, and most of them, privatized. Second, the states' and large municipalities' debts were consolidated. And, third, a Fiscal Discipline Law (2000) imposed severe sanctions to governors and mayors that proved unable to control their accounts.

Decentralization usually entails increased political participation, or the use of social control or social accountability mechanisms. When public policies are under the power of central government, social accountability is, by definition, precarious. In the moment devolution takes place, social control starts to be a possibility.

Nuria Cunill Grau, surveying the theme in Latin America, found three models, distinguished by its more or less formal character. While the Bolivian model giving power to territorial organizations, would be

more closed, the Mexican system expressed in the National Solidarity Program, would be in an intermediary situation, and the Colombian "veedurías ciudadanas" would be the less formally institutionalized and more open to participation of all types or citizens' organizations. Yet, she observed that either formalization or lack of it is a good criterion to evaluate social control. To start, it is required to have citizens, and a state that recognize them as such. Thus, "independently of the formalization of the social control models, whenever the state decides institutionalize social control the effectiveness of the policy will depend on the effectiveness of state itself: by definition, if the state is fragile, social control will also be so". Consequently, Cunill Grau concludes that the conditions for effective social control are just beginning to exist in Latin America.[19]

In fact, decentralization and social control depend on the existence of citizen rights, to begin with the right to full disclosure of information on public agencies. In other words, it depends on the existence of the rule of law, and, more broadly, on the advance of democracy. Democracy is no substitute for decentralization and social control, but the later are outcomes of the democratization process, and, in the same time, they are factors making for better democratic governance. The advance of democratization, the transition from the first stage of democracy, when free elections already exist but elites continue to concentrate almost all power to more advanced forms of democracy, depends essentially on an increased public debate, and on varied forms of social control, that begin by the local level and are fueled by devolution. In the 1970s and the 1980s, one of the key figures in the long process of transition to democracy in Brazil, André Franco Montoro – a politician and a law professor – distinguished himself not only by the democratic principles he promoted, but also by always tying democracy to devolution and participation. Yet, evaluating the decentralization process in Latin America, Iván Finot came to the conclusion that "only exceptionally citizens' participation in public management beyond elections has been achieved."[20]

Managerial Reform

Decentralization and social accountability are part of managerial reform, but should be distinguished from it. Managerial reform or public management reform involves more than devolution: involves also decentralization within each sphere of government. On the other hand,

social control is just one of the three new forms of making officials accountable (the other two are control by management contracts and outcomes, and managed competition). While civil service reform is concentrated in procedural control and parliamentary review, public management reform emphasizes these three additional accountability tools..

Given this definition, I believe that, in Latin America, only in Chile and in Brazil we can see the beginnings of public management reform.

Chile - The economic and political transformations that took place in Chile were not accompanied by similar changes in the way of managing the state apparatus. Since 1982 Chile does not face a critical or unmanageable situation that makes necessary the adoption of drastic measures. Furthermore, it does not face any of the problems that usually go with the state reform processes, such as fiscal crisis, widespread corruption, evident inefficiencies or serious questioning about the appropriate size or scope of the state. Despite these trends, Marcel (1997) points out that the recent administrative reform in Chile is designed to address its most serious problems. In particular, civil society are placing new demands on public institutions, and the state is trying to respond with a reform agenda that uses its available resources most effectively.

According to Marcel, the process of state modernization in Chile, which implementation started in 1993, already under democratic rule, was developed around three axes. First, a new organizational culture emerged and was concentrated on results, in contrast with the traditional focus on procedures. Second, the adoption of a strategy of gradual and cumulative change sought to produce long-term changes in public institutions. Third, reform effort remained within the direct control of the executive branch: central administration and executive agencies.

Yet, the initiative that makes me include Chile among the countries that started public management reform, was the incorporation of a system of performance indicators and targets in the budgetary provisions. This innovation started in 1994, and after three years of application managed to reach approximately 70 state agencies and 300 indicators.

A pilot program, launched in 1993, was conceived with the notion that, despite bureaucratic rules, public agencies were flexible enough to undertake public management initiatives and capable of defining their own functions and goals. The core of the program was the develop-

ment of strategic planning exercises. With the participation of directors, staff members, and clients these exercises attempted to achieve a clear identification of the organizational mission, the objectives, the services to be delivered, and the main clients. After this analysis, specific management projects should be developed and a managerial information system, structured. These projects, in turn, would establish specific management targets and commitments and permit internal and external review. Targets and commitments could then be turned into performance agreements or management contracts, which would consider incentives and awards for good management. This program was applied initially in five public agencies and later extended to five other agencies within the Ministry of Finance, all having being completed in 1995.

The experience of the pilot program inspired a more comprehensive program that consolidated a managerial perspective on state reform. In this sense, public management reform was viewed as a gradual process: feasible, partial initiatives were implemented without big legal changes. Moreover, incentives, demands and guidelines on institutional managers would play a central role in the administrative reform. In line with this reform agenda, the new government under President Eduardo Frey established an Inter-Ministerial Committee, made up of the Ministries of the Interior and of Finance, and the General Secretariat of the Presidency. Its fundamental purpose would be the promotion, coordination and planning of initiatives to be implemented in public agencies. In mid-1994, the first initiative developed by the Committee was the signing of 'modernization commitments' between 43 public bodies and the central government, represented by President Frey. These commitments, proposed by the bodies themselves, covered a variety of fields and presented various levels of complexity. The evaluation of these commitments at the start of 1995 showed that they reached close to 80% in the agreed targets.

Nonetheless, the Dirección de Presupuestos of the Ministry of Finance concluded that the gradualist and sequential focus adopted by the Pilot Program was too slow to produce a significant effect over the whole public administration. It decided to promote a more aggressive agenda, concentrating on the generation of performance indicators in order to integrate them into the budgetary process. During the preparation of the budget, in the second half of 1994, some leading agencies were requested to identify performance indicators and targets for the

year of 1995. Twenty-six public bodies responded to this request and 107 performance indicators were selected for them. This information was incorporated into the 1995 budget act and was favorably received by the National Congress and by the press. This system was extended in the following year: it reached 67 institutions with 291 indicators in 1996.

The new Lagos administration (2000) maintained the program involving strategic planning and control by outcomes through the national budget, but centered its attention on a 'complete institutional redesign of the state organization'. On the other hand, a civil service reform, creating a professional civil service and defining bureaucratic careers, became a major objective. Thus we had a return to the principles of bureaucratic public administration, although the new managerial tools were not rejected.[21]

The Brazilian 1995 Managerial Reform - The 1995 public management reform was the second major administrative reform in Brazil. There had been tree prior administrative reforms, but the second and especially the third one were soon reversed. The first, beginning in 1936, was the bureaucratic reform that established a professional civil service and the principles of bureaucratic public administration. The second, established by the military regime through the Decree-Law nº 200 (1967), was the developmental reform – a kind of pioneering public management reform –, which was discontinued in 1988, with democratization. The third, embodied in the 1988 Constitution, was a counter-reform that tried to establish or re-establish rigid bureaucratic rules within the Brazilian state.[22]

Public management reform started in 1995, with the Plano Diretor da Reforma do Aparelho do Estado (White Paper on the Reform of the State Apparatus), and with the executive branch submitting to Congress a constitutional amendment to the chapter on public administration of the 1988 Constitution. I was personally involved in the reform between January 1995 and December 1998, as head of the Ministry of Federal Administration and Reform of the State (MARE), in the first Cardoso administration. Implementation of the reform continues, now under the new Ministry of Management and Planning (that emerged from the merger of MARE with the Ministry of Planning).[23]

It is important to distinguish public management reform defined in the Plano Diretor from the constitutional amendment that came to

be called 'administrative reform'. The constitutional amendment played an important part of public management reform, because, besides allowing for the reform, roused a national debate that changed traditional views of public administration.

Managerial public administration was introduced as representing a superior stage to bureaucratic public administration. Historically we had, first, patrimonial administration of the state; then bureaucratic public administration; and finally, managerial public administration. To make public managers more autonomous meant to make them more efficient, given the complexity of the problems modern governments face in a fast changing world. To make them more accountable meant to develop new forms of strategic planning and of control. The objective was that the state – and more broadly, society – used the limited available resources in a better and more efficient way, and also in a more democratic way. Thus, besides giving importance to classical forms of political accountability (procedural rules, auditing, and parliamentary review) the reform proposed three managerial accountability forms: control by contracted outcomes, by managed competition, and by social control.

Previous to the reform, a complete diagnosis of the state of the Brazilian public administration at that moment was undertaken. In the constitutional amendment the basic idea was to make more flexible the existing full tenure system for civil servants, and to eliminate the single law regime for hiring personnel for the state. The basic objective was not to eliminate personnel redundancies – although this was also a legitimate objective – but to make public management more efficient and more accountable. Or, in other words, to valorize competent professionals.[24]

Many of the institutional changes, however, did not require formal constitutional amendments. When the three basic organizational institutions of the reform, 'regulatory agencies', 'executive agencies' and 'social organizations' (hybrid institutions between state and society that execute social services), were formally created, it was not necessary to change the constitution. Other important changes in public administration did not involve constitutional reform: an effective remuneration policy for civil servants; yearly recruitment and selection of new officials for the "state careers";[25] and elimination of undue privileges statutory civil servants had acquired in the law that had established the "single public labor regime" (a requirement of the 1988 Constitution that the 1998 managerial amendment terminated).

In a critical study of the 1995 Managerial Reform, Celina Souza e Inaiá de Carvalho correctly observed that, although the reform emphasized decentralization, it did not concentrate in the regional complexities involved in implementation.[26] Indeed, devolution was a political and administrative process that preceded managerial reform and had its own autonomy, so that, given the limited powers assigned to MARE, I thought more realistic not to deal further in the process than I already had.. In this small ministry my team and I were more concerned with a broad and long range state reform, trying to define the role of the state, distinguishing the exclusive activities of the state – that should remain within the state apparatus – from social and scientific services – that should be contracted out with non-profit (or public non-state, as I preferred to call) organizations –, and from the production of goods and services for the market, which should be privately owned. Moreover, I was concerned with administrative decentralization within the federal government, making public managers more autonomous and more accountable, through the creation of executive and regulatory agencies, and the transformation of social and scientific services in 'social organizations". Finally, our objective in MARE was to improve public services' efficiency and quality, orienting actions to the citizen-client instead of being self-referred, as usually happens in bureaucratic public administration.

As a political economist, since 1987 I have been, diagnosing the Brazilian (and the Latin American) crisis not only as a foreign debt crisis, but also as a fiscal crisis of the state. Thus, the 1995 Managerial Reform, instead of being seen as an exogenous constraint imposed by globalization, was rather viewed as consequence of the endogenous crisis of the state. Globalization should not be dismissed, but the emphasis was rather in the crisis of the Latin American developmentalist state. Moreover, the proposed reform was directly related to my insistent critique of the two opposite ideologies that have been dominating the Brazilian scene for long: on one hand, the old developmentalist and statist ideas, on the other, the conservative ultra-liberal credo sponsored by conservatives of all kinds, often with the support of the international organizations in Washington.[27] These are false alternatives, ignoring that they do not apply to the reality in developed countries, and that an intermediary developing country like Brazil is also able to find its own way between these two extremes.

The 1995 Managerial Reform adopted a managerial approach to public management and a social-democratic and social-liberal approach to the role of the state. The reform is managerial because it draws inspiration from the management of private companies, and because it adopts the promotion of public agencies' autonomy and accountability as its basic strategy to achieve more efficiency and quality. It is democratic because it presupposes democratic governance, makes social control by civil society a major form of political accountability, and requires transparency from public agencies. It is social-democratic because it asserts the state's role of guaranteeing the effective protection of social rights. It is social-liberal because it believes in the market as an excellent but imperfect resource-allocating agent, and views contracting out services and managed competition as excellent accountability tools. Although it reasserts the state's duty to protect the weak – the poor, the children, single mothers, the elderly – it does not aim to be paternalistic. It does not underestimate his or her capacity to work to defend his or her own rights of citizenship, so long as the state offers the right incentives and opportunities.[28]

The reform was not in the agenda of the country, nor in the manifesto of the political coalition that won the 1994 elections. When the new ideas began to be exposed to public opinion, in January 1995, opposition was generalized. But as public debate continued, backing was bit by bit achieved. Eventually it gained broad support in public opinion and among senior civil servants. Finally, against all initial prospects, Congress approved the constitutional amendment in 1998.[29]

In the beginning of 1998, realizing that the constitutional amendment was finally being approved by Congress, I concluded that the implementation of the reform could not and should not be undertaken by a small ministry like MARE, short of executive power. Considering the Chilean experience of using the administrative power existing in the Ministry of Planning and the Budget Office, I proposed that the implementation of the reform should be responsibility of a new Ministry of Planning, Budget and Management (that would emerge from MARE's merger with the Ministry of Planning and Budget). The proposal coincided with other views in the administration, and was adopted by President Cardoso in his second term, starting in 1999.

Since this date the reform is being gradually implemented, under the responsibility of the new ministry and of the Secretary of Management. Instead of being called 'Managerial Reform', a new and similar name was adopted: 'Entrepreneurial Management". Advances are happening, not only at federal, but also at state and municipal level, since the 1995 reform changed the agenda all over the country. Transformations are gradual, what make some believe that the reform failed. It did not. Major administrative reforms have a critical moment of institutional and cultural change, and a long and uncertain process of implementation.[30] What is important is to know if the new views turn dominant in society and among senior civil servants – and I have no doubt that they had.

Conclusion

I conclude this review of public management reform in Latin America with a reference to CLAD – the Latin American Centre for Development Administration. This is a small multilateral Iberoamerican organization formed by 25 member countries, with headquarters in Caracas. I was his president from 1995 to the end of 1997, and, since then, president of its Scientific Council.[31] In this period I was able to change the organization mission so that it became a major forum of debates for public management reform in the region. Since 1996 CLAD is organizing major yearly congresses, with a support from BID, the Bank of Interamerican Development and other international organisms.[32] During three days hundreds of papers are discussed in around one hundred panels. In the 1998 Congress, in Spain, the ministers of public administration of the member countries signed the Madrid Declaration, "A New Public Management for Latin America". Prepared by CLAD's Scientific Council, this document, which is available in CLAD's web site, represents a major change in the Latin American views on administrative reform: it ceased to be viewed as civil service reform and started to be understood as public management reform.

Public management reform is just beginning in Latin America. An active civil society, where public debate plays a major role in shaping public opinion, and institutional reform, particularly public management reform, are two strategic factors in promoting economic development in the region. This will happen in the moment that the density of the

public space, the quality of public management institutions, and the professionalism of civil servants prove to be better than the one that the level of income per capita would lead us to predict. For the moment, in spite of some advances made, we cannot say that much was achieved. For sure, civil society advances, and a Weberian civil service ceased to be an ideal. Instead, more flexible labor contracts, and professional and competent but more autonomous and accountable public officials are now required. On the other hand, neither the developmentalist state nor the ultra-liberal minimum state make any sense. The statist model of development got exhausted, but the ultra-liberal alternative proposed (or imposed) by the rich countries did not show the promised results. The region badly need better governance, better political and administrative institutions, that will enable their governments to find their own ways of promoting economic development and reducing blatant social injustice: public management reform adapted to Latin American circumstances certainly have a role to play in this area.

Notes

1 See Nunberg and Nellis (1995).

2 The conference had as title "State Reform in Latin America and the Caribe", and happened in Madrid, October 14-17. The referred paper is Shepherd and Sofia Valencia (1996) "Modernizing the Public Administration in Latin America: Common Problems, No Easy Solutions". 1996,copy. Published in Portuguese in Revista do Serviço Público 47(3).

3 I refer to 1998 World Bank's PREM (Poverty Reduction & Economic Management) annual meeting (Washington, June 3-4, 1998). In this meeting new public management was clearly a new thing: Jeremy Cooper explained Britain's executive agencies program, and I spoke about the model of managerial reform that was being adopted in Brazil since 1995.

4 Shepherd and Valencia (1996) showed their reserves in relation to managerial reform for a question of sequencing: Latin American countries would not be prepared to such reform. Almost two years later, in the 1998 PREM meeting referred above, Allen Schick, a World Bank's distinguished senior official as Shepherd, maintained the same approach. He defined NPM as opposed to Old Public Management. What sustained OPM was a certain ethic: public ethic, professionalism, trust. In New Public Management we have three strands: managerialism (managers empowerment); contractualism (freedom to contract) out; and marketization (exposing public organizations to competition). Each version is more demanding. Developing countries will only be able to engage in less demanding version. Sequencing is essential.

5 See Amaparán

6 - See Gaetani (1998a: 100).

7 - See Retrepo Botero (2000).

8 - Observe that

9 - Peter Spink (1998: 5).

10 - DASP stands for Departamento Administrativo do Serviço Público, the Brazilian agency that took charge of the reform.

11 - Oszlak (2001: 17).

12 - Oszlak (2001: 20).

13 - Ghio and Etchemendy (1998).

14 - See Burki, Perry and Dillinger (1999: 1). The exception is Peru. The study cover the 14 largest, by population, Latin American countries, from Brazil to Nicaragua and Paraguay.

15 - On the devolution of health care in Argentina see Carlos A. Vassalo (2000).

16 - See Rivas (2000) and Briceño Reyes (2000).

17 - See CEPAD (2000).

18 - See Carlos Hugo Molina Saucedo (1994).

19 - See Cunill Grau (2000: 284-292, 301, 322).

20 - See Finot (1999: 74).

21 - Lecture given by Hector Oyarce, "Proyecto de Reforma y Modernización del Estado en Chile", representing the Chile government at the conference Changing Governance and Public Sector Reform in the Americas. Ottawa: Canadian Centre for Management Development, May 1-2, 2001.

22 For an account of the Brazilian state evolution from patrimonialism to public management reform see Bresser-Pereira (2001b).

23 - In my personal web page, www.bresserpereira.ecn.br, the Plano Diretor and other documents and papers related to the 1995 Managerial Reform of the State may be found.

24 - On the valorization of civil service in the Brazilian reform see Ferreira (1999) and Marconi (1999).

25 - By 'state careers' was meant the civil service careers that were engaged in exclusive activities of state.

26 - See Souza and Carvalho (1999: 201). For other competent analysis and critiques of the reform, see, among others, Azevedo e Andrade (1997), Lima Junior (1998), Cruz (1998), Gaetani (1998), Barreto (1999).

27 - About this critique see particularly Bresser-Pereira (1990, 1993a, 1993b).

28 - On the historical forms of state – absolute, liberal, liberal-democratic, social-democratic, and social-liberal – see Bresser-Pereira (2001c).

29 - For an account of the political strategies that were used see Bresser-Pereira (2001a). A general presentation of the reform is in the book Reforma do Estado para a Cidadania (Bresser-Pereira, 1998). In English see Bresser-Pereira (1996, 1997).

30 - On the effective advances of the 1995 managerial reform, see Bresser-Pereira (2000) and Nassuno (2000).

31 - CLAD's Scientific Council is formed by Luiz Carlos Bresser-Pereira, Nuria Cunill Grau, Adam Przeworski, Joan Prats y Català, Leonardo Garnier and Oscar Oszlak.

32 - In 1995 BID's president, Enrique Iglesias, was one of the first person to give full support to the reform ideas I was proposing. Since then, and specially to make possible the first congresses, BID's support, through the Office for State Reform, was crucial.

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