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The Relevance of Financial Management for the Brazilian Economic Stabilization Program.

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FOREWORD

The development model adopted by the Brazilian government during the last decade resulted in a deterioration of public services. The state digressed from its basic functions and expanded into the productive sector

worsening the fiscal crisis along with the inevitable consequence of high inflation rates.

The challenge for Brazilian society and government is to structure a new development model that will provide the country with a better future. In this sense, the state must be strong in order to fulfill effectively its regulatory duties in the context of a market economy. It must also render the basic services for which it is responsible, interfering only in instances where the private sector cannot provide these same services effectively. Finally, the implementing of social policies is also required.

Brazilian public administration is moving forward toward a managerial system based upon modern concepts of administration that concentrate on controlling results. It intends to allow the citizen to be a privileged client of the services rendered by the State, giving legitimacy to public institutions.

The purpose of this paper is to show the importance of an efficient public financial management system integrated to the whole. In many of the developed and other developing nations, the reorganization of the state apparatus has already been successfully implanted, with emphasis on the quality and productivity of public services.

This paper also discusses the relevance of supporting the proposed Constitutional Amendments that are part of the reform of the state. Furthermore, the approval of these amendments is necessary in order to adopt a managerial form of public administration.

The challenges to full implementation of the reform are immense and will demand the dedication and enthusiasm of all those who perform public functions in the Brazilian Federal Government. Public Financial Management can play a key role towards supporting this new model of social justice, founded upon the principle of human dignity.

INTRODUCTION

The subject of this paper is framed by the wider context of the Brazilian Reform of the state apparatus, and the Stabilization Program launched in July of 1994. Accordingly, the focus is on financial management as a critical component of the total system of public administration and the role it can play in implementing government's policies to promote national economic, social, and other developmental goals.

The many alternative methods for public financial management and the mechanics of their implementation are not elaborated upon in this paper. These technical topics are the subject of many excellent publications, and the optimal method of public financial management that will satisfy Brazil's specific needs must be determined in practice, and chosen from these available methods.

The approach taken in this paper is to emphasize the role for public financial management in support of public administrative reforms that meet developmental needs. The individual system of public financial management, and the different mechanisms already in place are not as relevant as the principles of public administrative reform that they help put and keep in place.

The quality of any decision taken is entirely dependent on the nature of the information made available. It is well known that timely and reliable financial data guides the formulation of policy, as well as initiating operational reforms. In this paper, given the emphasis on reform, this elementary point cannot be overstated.

In the absence of reliable financial data, decision makers are often compelled to rely on information that is outdated and incomplete when making crucial strategy determinations. This affects the quality of the decision that is reached most immediately. In addition it also affects the reliability that decision makers can place on their data sets. This reliability, or the lack of it, serves to undermine the confidence that policy makers have in the decision formulating process itself. A clear example of this situation is reflected by the many years of high inflation that Brazil has undergone and that has led to an enormous distortion of the budgetary system. Even today, after almost three years of stabilized prices, local governments are still having a difficult time trying to

recover confidence and find alternatives other than holding back payments to gain from inflation in order to make ends meet.

One of the most elementary and decisive issues of public reform that needs to be considered, is the availability of high quality financial data. The specific issues of Brazil will determine what mechanism the government should establish in order to develop a system of reliable data flows or improve the one that is in place.

I - Fiscal and Stabilization Objectives

Brazil's plans for social and economic improvement can rise or fall with the strengths and weaknesses of fiscal and stabilization policies. Usually, in developed countries, fiscal policy is viewed and implemented from a "top-down" perspective. However, considering the serious fiscal imbalances that the country is undergoing, a "bottom up" perspective is one that should be pursued.

In other words, policy, financial, and management frameworks must adjust to the two basic elements of the adjustment program. One of these elements is stabilization which is necessary to correct the macroeconomics imbalance. The other is structural reform, centered on the supply side, which is necessary to change incentives and restructure the basic conditions for microeconomics improvement. These market-oriented reforms are trade liberalization, public sector reform, and financial sector reform.

Furthermore, fiscal and monetary restraints are necessary factors for sustainable growth along with social and revenue policies aimed at reducing poverty and meeting macroeconomics objectives.

Fiscal policy is the financial result of the whole of the government's program for development. It should reflect the aspirations, politics, and decision-making processes of the society. It is the outcome of the struggle over interests, ideas, and resources, and its fundamental strategic principles are universal.

If one compares the Treasury Department/fiscal policy institution, with the Central Bank/monetary policy institution, and measure their levels of autonomy while performing one policy or the other, it is difficult to predict successful accomplishments. There can be no equivalent institution implementing fiscal policy. Success in the areas of fiscal and stabilization policy involves channeling forces behind decision-making into processes that have integrity, stability, and access to high quality information.

In contrast to monetary policy - that can impose pressure at the strategic level to obtain coherence in the relevant aggregate indicators over long periods of time - fiscal policy must integrate with intricate, detailed decision-making processes concerning all the components of the government's presence in the economy that results in fiscal flows.

The recent results of fiscal imbalances of states and municipalities, and the fact that the central government has little or no control over them, illustrates the consequences of low levels of integration. There are measures that have been taken but there is still a long way to follow and this matter will be discussed further in more detail.

There needs to be harmony between executive and legislative decision making processes towards the pressures and incentives for the institutions which spend or earn money in order to maximize their efficiency and effectiveness. This harmony is hard to achieve and in Brazil as well as in many other countries, controlling fiscal aggregates by broad expenditure cuts, and across the board tax increases, has indicated that this approach works rarely even for short periods of time.

The above approach causes disruption to public institutions that are subject to centrally directed funding cuts and consequently, to the public services they provide. It also disrupts the credibility of the taxing system and taxes that the private sector pays adding to the cost of goods and services with low trade off benefits.

The elimination of serious fiscal imbalance requires a long-term program of structural reform of both the expenditure and revenue sides of the government. It is necessary for these two sides do be completely integrated in order to reform the public sector.

The government should convince politicians and the society that its role in the economy is to perform only those issues that it deals better with than the private sector and manage to "get rid" of all the state owned businesses that should instead be in the hands of the private sector.

Simultaneously, the government needs to establish systems of governance, resource allocation, management, and evaluation which ensure that all its institutions are progressing, namely providing more and better services each year within constrained budgets.

Finally, in order to restore fiscal balance, the tax system needs to be based on the fundamentals of stable tax rates, coherent with reality and controlled by a tight tax administration.

It is also important to consider the time dimension, taking into account the fact that there are major items of public expenditure which involve long term commitments and need to be planned over a long period of time. A prime example, for instance, is the Social Security System, along with medical services for aging populations that should be included under the fiscal policy view.

If we focus on the expenditure side of the balance, these issues demand planning, budgeting, management, and reporting, which calls for a sophisticated application of modern financial management techniques.

The above concepts can be usefully illustrated by considering :

- the rate of return in terms of dividends that all public companies in Brazil have distributed over the last ten years related to all the budgetary transfers that have been made by the central government;
- participation of personnel expenditures in federal government revenues that have shown an historic trend towards growth.

Based on Table 1, the participation of overall outlays on personnel in available revenues, (which correspond to gross tax revenues, after deduction of fiscal incentives and legal and constitutional transfers), increased in comparison to the figures of the 80's. This was largely due to the 1988 Constitution. Since 1990, it has remained in the range between 55% and 60%.

Table 1- Participation of Personnel

Expenditures in Available Revenues

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

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

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

Table 2 shows growth in the federal government payroll and participation of active and retired civil servants/pensioners in the payroll. Expenditures include payment of the civil servants to the central and outer administration, public sector companies, joint capital companies, and furthermore, transfers to the states and Federal District.

Table 2 : Federal Government Personnel Expenditures

(billions in April /95 Real)

	Average 91/93		1994		1995		1996	
	R\$	%	R\$	%	R\$	%	R\$	%
Active	14,1	69.6	18,1	64.0	22,2	63.4	24,2	59.8
Inact/Pens	6,2	30.4	10,2	36.0	12,8	36.6	16,3	40.2
Total	20,3	100.0	28,3	100.0	35,0	100.0	40,5	100.0

(*) estimate

Source : Ministry of Planning

Based on the information in Table 2, as a result of the number of retirements in recent years, there has been a proportionately greater increase in expenditures on retired personnel than on active personnel. This process was not matched by the hiring of new employees. At the same time, retired personnel receive payment that is, on average, 8.3% higher than the value of the final wage of active civil servants.

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

It is also important to consider that states and municipalities have, if not the same problem, worse scenarios than the federal government, in which their expenditures with personnel surpass their revenues.

Having observed the importance of fiscal and stabilization objectives and seen some examples of the intricate model to which they must comply, the next topic points out the budgetary aspects for achieving fiscal and economic goals.

II - Characteristics of an Effective Budget and Public Expenditure Management Process

Formulation and execution of the government budget have proven to be critical for the achievement of fiscal and economic goals. Moreover, they affect the decision rights of the many parties involved, the information they have to work from, and the incentives they respond to.

Effective financial management demands a budget and public expenditure management process which has a number of characteristics :

- oriented towards medium and long term strategy;

- a strategy that minimizes friction between management requirements of agencies, backed by law and macroeconomics requirements that appear;
- annual stable and predictable results;
- the establishment of very clear rules about entitlements and accountability for spending;
- a production of clear information about the purposes of public expenditure at least in terms of inputs and preferably in terms of outputs;
- a provision of strong incentives for accountable officials to stay within their budgets and to spend money as intended.

While this list of features is somewhat obvious, although Brazilian government budgetary and expenditure systems exhibits some of them, these systems have been used to meet operational needs of public administration while relegating managerial information to a secondary or even nonexistent position. The same can be said concerning information that is or should be of public interest.

The budget and expenditure process is a set of rules which defines the terms for political debate about the role of government and the use of public resources.

Disagreements between people and institutions within the Executive and the Legislature will often, either by accident or design, disrupt the budgetary process itself. This results into an irrational allocation of public expenditure, becoming the outcome of an unreliable process, which no party feels responsible for.

A budget with a fiscal deficit is unsatisfactory to all parties involved in the debate and they all are opposed to it. Also, a budget process that responds excessively to short-term pressures, as is the case in Brazil, ends up building up serious problems for both the medium and long term.

As noted in the previous chapter, it is not productive to put short-term quantitative fiscal objectives above the fiscal decision-making process. However, it is important to establish a firm process which is well understood, based on complete fiscal information and which provides a long term framework of fiscal policy. Easy to say, very hard to achieve...

Over the last 15 years, experience in the United Kingdom and other countries provides evidence that gaining control over the level and distribution on public expenditure requires very determined action by the top leadership and the executive, backed by strong, and even somewhat rigid, processes for preparing advice and making decisions.

In this case, the system of expenditure control needs to be effective in order to achieve the fiscal and economic goals and it must be capable of changing the levels and priorities of spending.

Considering that in Brazil departmental requests for next-year funding are based on expenditures made in the current year, establishing baseline forecasts can be an important technical issue, if it is meant to be rigorously followed. Recent instructions emanated from the Planning Ministry establishing these baselines for the upcoming fiscal years and therefore lowered the levels of projected expenditures for 1998 in real terms.

Brazil has a highly computerized detailed central financial control system that helps verify whether funds will be spent in accordance with the intentions of the legislature and in accordance with central line-item controls. This concept has been recommended for use in the former Soviet Union but still has the disadvantage of tying up local managers in "red tape" which distorts their incentives away from effectiveness and compliance.

This integration of development planning processes with budget processes, is a significant issue and Brazil has budgetary and development planning cycles that are not well coordinated, and in some cases they even conflict.

There is no reason why the financial aspects of development planning should be separate from the budget process. There are many theoretical reasons for integrating these processes; among them, are meeting the requirements of donors and external financiers, who see it as a way of influencing priorities, earmarking, and keeping track of funds.

III - Defining the Core of an Efficient Government Financial Management

The scope of government financial management is generally taken to be budget planning and preparation, appropriation by the legislature, budget implementation, accounting, and financial reporting. Audit and evaluation is commonly, but not always, added to this list.

A description of public financial management can be found in many publications. The following extracts are typical.

"Financial management is defined as encompassing all, or part, of the processes and functions of : planning and programming; budgeting; budget execution and accounting; and audit and evaluation." (Miller 25)

"The object of financial management is to ensure that, to the maximum practical extent, the resources entrusted to it are acquired and used lawfully, efficiently and effectively."(Mckinney 48)

In order to be effective, this process requires reliable costing information from an integrated financial management process. The following principles are quoted as a guide for financial management reform :

"Use a structured planning and programming process for evaluating and choosing alternatives for achieving desired objectives.

Make resource allocation decisions within a unified budget.

Integration of budgeting and accounting.

Use accounting principles which match the delivery of services with the cost of the services.

Encourage financial accountability.

Measure outputs as well as inputs.

Prepare consolidated reports."(McKinney 105)

Theoretically, the Brazilian financial management system pursues all the above principles but lacks a firm foundation in financial information that is required for a sound financial management. This firm foundation can be achieved by an integrated system of budget formulation, budget execution, and accounting, which focuses on the costs of past and future decisions.

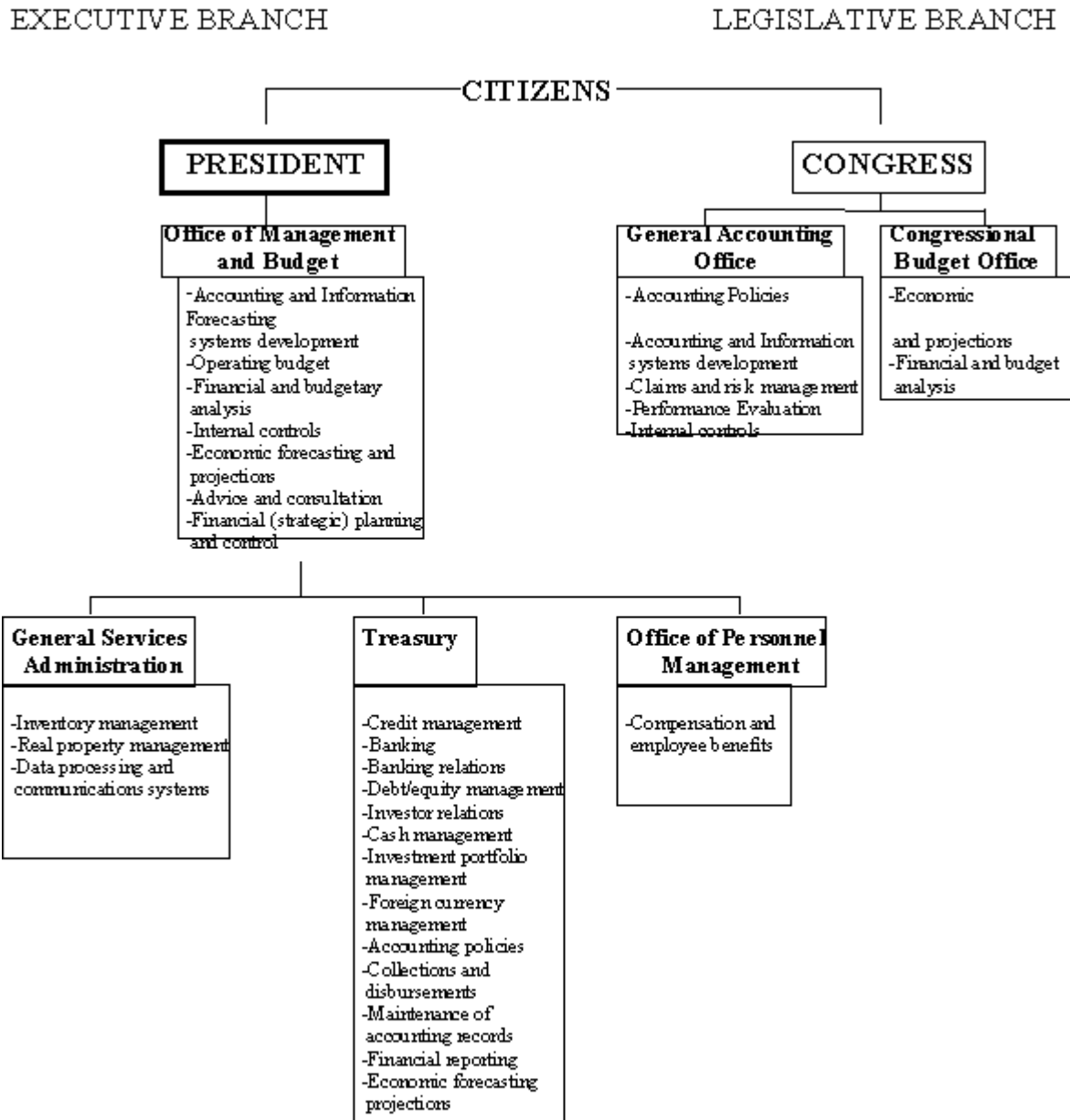
This overview of financial management does not consider the major contributions that a capable system of public financial management will bring to the processes of structural reform, organizational change, corporatisation or privatization.

The narrower scope adopted for public financial management by typical definitions of the subject, is frequently identified as a key component within the wider systems of public resources management and policy formulation alongside development programming, personnel, and property management systems.

The integrated concept of public financial management concerned with international development is advocated in literature. A key feature of this approach to public management reform is that the critical issue of public financial management is integrated within, but essentially subordinate to the main objectives of results-based management. This view is somewhat included as a project within the Brazilian reform of the state apparatus under the title of "Systems of Public Management".

Illustrated below are the individual and shared financial management roles and responsibilities within the United States Federal Government. They should be studied in depth for evaluation and applicability purposes.

**Chart 1 - Organization Chart of the United States Federal Government
Financial Management Functions**



Source : Recent Developments in Accounting and Financial Management in the United States
International Monetary Fund

Another important issue that should be taken into account is the opportunity cost of money in the collection of government funds and in disbursements practices.

Cash management is sometimes neglected by the Brazilian Treasury department officials whose primary interest in the budget execution process is only the issue of raising finance or disbursing funds.

Considering the large flow of funds, usually between 30% to 40% of GDP in any given year, the process of conserving cash, optimizing the flow of cash, and raising the awareness of cash costs is definitely in the best interest of public finance.

The reasons that explain this lack of concern are numerous and begin with the fact that government departments or spending agencies experience no cost for managing their cash resources poorly and neither benefit for managing them well. Most managers are not aware that the cost of borrowing money is a significant element in the cost of their programs or activities. Other reasons are lack of coordination of the actual spending with the apportionment's of the budgetary appropriation and the fact that the accounting system in place has as a primary focus the accountability for funds (still deficient), and not the efficiency with which funds are utilized.

As observed previously, the overlapping power/authority measures of the Treasury department - fiscal policy institution - and the Central Bank - monetary policy institution, along with lack of expertise and political pressures towards private sector interests, end up reducing more the opportunity cost of money.

IV - Determining the Level of Government Interaction with Civil

Society - Governance Issues

Linking financial management with the wider issues of public management and development, raises considerations of the political mandate and role of government; the processes by which its authority is exercised and its capacity for formulating and implementing policies. Collectively, these facets of government interaction with the civil society are referred to as governance issues.

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

In Brazil one can observe that the government in the past decade assumed an expansive development role, while failing to deliver reasonable levels of basic public services. The relationship between governance capacity and successful public administration reforms must be examined in order to evaluate government's effectiveness.

The World Bank, in its role as a multilateral funding agency, has identified three key aspects of governance :

- the form of political regime;
- the process by which authority is exercised in the management of the country's economic and social resources for development;
- and the capacity of governments to design, formulate and implement policies and discharge functions.

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

The form of political regime described above as a goal, and a change in the role of government give way to the most profound improvements in public sector management. The worldwide privatization movement over the last 10 or 15 years is a clear example of this change, Brazil included.

In order to reform Brazil's public sector, management is a major component for improving the governance issue. Public sector management is concerned with the Civil Service, the government budget, public investment, accounting, auditing, financial management systems, strategic planning, program evaluation, the public finances including aid coordination, economic management, the executive decision-making system, the structure of agencies, and the allocation of responsibilities. It also includes relationships between different levels of government and the framework for management of public enterprises and semi-autonomous government bodies.

Similarly, structural reform of government activities, aimed at enhancing overall governance processes, can yield large improvements in public sector management. Governmental reforms can improve the quality of policy and management by removing conflicts of interest, improving information flows, and strengthening incentives for performance. It can also promote a wider public interest in policy formulation and shape the accountability relationships between politicians, civil servants, and the managers of public institutions. Reforms to these structures will have an impact on the efficiency and effectiveness of public services delivery. An example of changes that have this impact is to establish competitive sources of provision among public sector providers, between them and between private sector providers. This will bring about major improvements in the price and quality of services delivered.

The design of government's financial management system can have a major influence on whether competitive provision regulations based on efficient and fair competition between suppliers can be implemented.

V - Integrating the Public Financial Management System into the Total Governance Framework.

When considering improvements to governance, the role for public financial management arises at a number of points. While the public financial management system is the application of doctrines, principles, and techniques, it must be integrated into the total governance framework if it is to contribute as part of an organic whole to enhancing a country's development prospects. There are examples around the world of a failure to achieve this integration, which show that it can result in wasted expenditures at best, and dysfunctional management systems at worse.

Brazil's financial management system cannot be judged solely on the basis of whether its various components conform to best practice. Rather, a successful financial management system is a core component of a total system of management and needs to work in harmony with the other elements (human resources, strategic and operational planning, information systems.) that are employed to achieve the objectives of government.

Recent efforts have been made to develop strategic planning at all levels of the Finance Ministry in order to adjust to the overall objective of reducing expenditures in an integrated model without disrupting operational activities. The task of implementing and controlling what has been planned is the challenge that follows.

Another recent debate concerns the use of accrual accounting which may provide vital managerial data in some circumstances, and is an expensive irrelevancy in others. Accordingly, any decision to adopt accrual accounting methods needs to be based on the particular data needs of public managers; not on purely technical considerations.

Lack of integration between the financial management system and the total management system can make administrative reform fail, or even step backwards. The actual Brazilian central financial control system that restricts flexibility and innovation needs to be balanced with the modern management philosophy of granting managers power and freedom over the use of resources while keeping this freedom under the umbrella of these manager's explicit financial accountability.

The management system reform, proposed to the Brazilian Congress, is a performance-based one, that focuses on the specification and achievement of explicit goals in an environment of increased accountability instead of

on the traditional bureaucratic model of legislated responsibility.

A recent World Bank Policy research report named "The East Asian Miracle" shows that most of East Asia's extraordinary growth is due to superior accumulation of physical and human capital, and that investments in people are a key factor for improvement.

Considering that principles of effective management involve:

- clear expression of, and agreement about, objectives;
- managers who are accountable for results;
- the freedom to manage resources subject to incentives for efficiency and effectiveness;
- and clear information about performance.

Also, considering that they underlie the recent public sector reform efforts while having long been established in successful private sector organizations, it should be remembered that a high standard of organizational performance ultimately comes about because of people, not management systems. Management systems can increase the probability that people perform successfully, but cannot guarantee it. On the other hand, poor management systems can inhibit good performances by people who would otherwise be capable of achieving them. The human side of improving performance is fundamental to a global approach of how to improve public management.

It is useful to think of successful management as involving attention to both the "hard" and the "soft" side of management. The "hard" side of management involves setting goals, systems, financial management, personnel policies, information technologies, structures, controls and procedures. The "soft" side of management includes motivational factors such as organizational values, leadership, empowerment of staff, team building, personal development, and strategic thinking in assessing and shaping the environment.

It is generally thought by management experts that these softer elements of management make the difference between a satisfactory and a high performing organization.

Other studies show that setting standards for compliance results in efficient production if work is routine, repetitive and predictable. However, when there is much uncertainty, complexity, rapid change and high interdependence, this control-based approach loses much of its effectiveness. Therefore, a change in mind-set and values, from a control based approach to a commitment-based approach is the one to pursue.

Located on the "hard" side of management, financial management is about implementing concepts, systems, and processes which establish essential hygiene factors in the government as a whole, which enable satisfactory accountability for resources to be achieved. It can bring major improvements in government-wide budgeting, reporting and fiscal policy, but the softer aspects of management show that they have a greater effect at the individual organization level.

Accountability and transparency.

Accountability has to do with holding institutions, and people, responsible for their actions. Traditionally, the Brazilian government has emphasized an organizational form in which responsibilities are arranged hierarchically; with the ultimate responsibility for detailed decisions resting at the top, with the Executive or Legislature itself.

The trend in the private sector towards decentralization and customer orientation is also becoming a trend of the public sector, with emphasis on public participation, and concern for clients and consumers of public services. This change reflects the wider acceptability of more democratic and participatory modes of power sharing. The whole process needs to support the knowledge that in order to be well managed it must retain financial accountability over the use of public resources.

Transparency involves the availability of good quality information to interested parties, and the public at large. Good quality information from public and private institutions strengthens the motivations of managers and politicians to ensure that results are achieved and that resources are well-managed.

Transparency applies not just to information, but to government processes themselves, including fiscal, and economic decision making, procurement procedures, and others. The role that an effective public financial management system can play in enhancing transparency is fundamental to any efforts towards improving government management.

As quoted from the IMF publication "Government Accounting and Financial Management in Latin American Countries" :

"the accountancy profession is weak in most Latin American countries and commands little respect. Few talented young people therefore seek to enter it, thus perpetuating its weakness."

Considering that the profession of accountancy can be seen as the application of a set of codes and principles which are designed to provide key information to interested parties about the affairs of government and business, the above quote must be better evaluated. Even though there has been some development in the private sector concerning public disclosure of financial information, the recent incidents involving the banking system and fraudulent statements show that accountancy is not held in the same esteem as it is in some industrialized countries.

VI - An Integrated Financial Information System

Considering the integration aspects discussed previously, financial information requirements for public management should be designed to reflect the fundamental accountability structures of the public administration. The system in Brazil, that tracks detailed expenditure items over the whole of the Government and feeds information into the center is the most appropriate. However, as mentioned above, the cash management aspects or the efficiency with which funds are utilized can represent an important factor for reducing the fiscal deficit.

Besides aggregating financial information flows coming from all departments of government, the system should collect this financial data in a way that reflects the costs of delivering public service for performance monitoring purposes, while keeping the specific accountability details at the departmental level.

SIAFI experience

The large scale computer development of administrative systems focused on public management has been somewhat successful in Brazil. SERPRO(Servico de Processamento de Dados) is a public company that develops several administrative systems that have the objective of making it possible to achieve transparency of the implementation of government actions. These systems are also directed towards allowing monitoring and evaluation of all government actions by the government itself and by society as a whole.

Among the most important information systems developed is the processing of the fiscal budget and social security budget - SIAFI - that allows for an integrated system of control and accountability. Since the stabilization program was launched in July of 1994, SERPRO is franchising their product to other data processing companies to provide a similar system to states and municipalities around Brazil; a natural fact which will increase the integration factor. Also, the recent creation of two coordinations in the Treasury Department aimed to control, centralize, and evaluate the financial behavior of the local governments is also a very positive move toward avoiding even worse than predicted scenarios.

Other important systems developed are (SIAPE) the processing of payroll and records of federal civil employees; (SIDOR) the investment budget; (SISPLAN) the planning of government actions; (SIASG) the reference file of suppliers, involving prices, catalogues of services, and material; (SIORG) and the supply of information on governmental organizations and its macro-responsibilities.

Independently of the initial intentions upon which they were founded, these systems have been used to meet the operational needs of the public administration, relegating managerial information or information of public interest to a secondary or even nonexistent position. Consequently, they have not played the role of instruments of support to the decision-making process.

What is needed is a project that will make it possible to interconnect and rechannel the different systems of information strategically, in such a way as to incorporate the new concepts of management that were discussed previously. Aside from establishing standards of integration, and technological support suited to the development of new systems, while maintaining and improving those already in operation, it will be necessary to seek out information which is gathered in a coherent way, without duplication of efforts, and processed safely and efficiently. Such information is of managerial nature and should be made available in a timely manner to the entire public administration.

Increasing the reliability and reducing the costs of these systems will make them accessible to all of society so that it will be able to play its role of controlling and judging the performance of public administration. Such easily accessed systems as the INTERNET are to be permanently fed by the services and resources of the government network and will contribute substantially to an optimal financial management system.

VII - Conclusion

Public financial management in Brazil is dominated by central controls that are excessively process oriented. Effective communication between the central and the spending agencies about resource reality are lacking.

While centralization contributes to avoid abuses, creates control and provides some transparency, it imposes unnecessary additional strain on the budget process and on policy-makers. It also contributes to a loss of financial consciousness of spending agencies.

As the types and instruments of control increase, efforts to control waste and abuse of authority diffuse and lack accountability. Control is more important than achievement, and most managers have lost their sense of relevance and control. The system should delegate responsibilities and account for results.

A system-wide approach to fiscal policy implementation and public sector management must be taken so that the techniques of modern financial management can contribute to improve government management. The major contributions will improve and support :

- the development of fiscal strategy;
- the quality of fiscal decisions;
- the reliability of the budget and expenditure processes;
- and the quantity and utility of information for the legislature and the public at large.

Finally, effective performing public institutions are essential for development and they require motivated, competent managers with high integrity, who have been given the freedom needed to manage and to be innovative. However, how one is to get there is the crucial question. There is no general answer other than to observe the approval of the proposed public sector management reform, observe its implementation, and also important is the inclusion of an advanced public management system as a necessary component of strategies to move from economic crisis back to development.

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