

Administrative Reform in Brazil: Advances and Limits - 1995-98¹

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This paper examines the administrative reform policy in Brazil during the 1995-1998 period, in President Fernando Henrique Cardoso's first term of office. This policy was designed and implemented by the Ministry of Federal Administration and State Reform (Ministério da Administração Federal e Reforma do Estado - MARE), under the outstanding leadership of Minister Luiz Carlos Bresser Pereira. The reform's concepts, guidelines, objectives and strategies were systematized in the Steering Plan for the Reform of the State Apparatus (Plano Diretor para a Reforma do Aparelho do Estado). Our purpose is not to undertake a critical analysis of this policy, but rather of its implementation in the Brazilian federal administration. The first section contains a brief description of the political and economic context of the reform. The second section discusses the institutional framework of the reform and its design, focusing on the guidelines, objectives and strategies adopted. The implementation of the reform is addressed in the third section, which presents a more detailed account of the results that were achieved and a discussion of organizational, institutional and political factors that interfered in the reform's implementation. The fourth and last section reviews advances and obstacles in the implementation process, discussing the current prospects of continuity and consolidation of the administrative reform in Brazil. Although the aim is to present a critical view, the analysis will to some extent be affected by the author's professional experience as a member of MARE's team during the whole period.

1. State crisis and public administration

The design of the administrative reform policy took place at a moment of transition for postwar economic development in Brazil. This transition significantly affected the role of the State, its organization and administration style. Like in other Latin-American economies, the resumption of economic development and the consolidation of democratic political regimes have been observed to be strongly linked to the crisis of the State, reflected as both a fiscal crisis and a crisis in the way the State is managed. This last aspect, neglected during the eighties in Brazil, became the focus of the diagnoses and proposals that underpinned the design of the public administration reform policy.

1.1. Fiscal and structural aspects

The State crisis in Brazil arose most visibly as a fiscal crisis, starting in the early eighties. The State's poor investment capacity ever since is strongly associated with the fall in economic growth, generating an inflection in the high growth cycle that had been a feature of the fifties through the seventies. Less evidently, but emerging through the years as a frightening reality, the decline of the State's saving capacity took place together with a sharp rise in civil service maintenance expenses, especially with the payroll. The connection between the fiscal crisis, the crisis in the way the State performs its roles and the crisis in civil service management was a central statement in the proposition of the reform. This argument was presented at a time when the understanding of the fiscal crisis was still influenced by a narrower focus on control of expenses, rather than organizational and managerial change².

¹ Submitted as final paper in the Minerva Program, fall 1999, at George Washington University School of Business and Public Management, Institute of Brazilian Business and Public Management Issues.

² The argument about the connection between the fiscal crisis, the crisis of the development style and the public administration crisis was most systematically formulated by Minister Bresser Pereira in his book: BRESSER PEREIRA, Luiz Carlos. *Crise Econômica e Reforma do Estado no Brasil*. São Paulo: Editora 34, 1996.

The fiscal crisis

The fiscal crisis has its roots in the foreign sector, in the late 70's: the rise of petroleum prices and, later, of interest rates, was accompanied by a sharp reduction in the liquidity of the international financial system and imposed an adjustment effort supported by the State debt, through the so-called "debt nationalization"³. This adjustment became even more challenging due to the new commitments undertaken by the Brazilian State as a result of the enactment of the 1988 Constitution, which established a new regime for the allocation of revenues among federal, state and local governments and created a set of benefits in the social area, burdening the Social Security system. These new commitments and the persistence of the fiscal crisis lead to strong pressure on public administration particularly regarding the issue of personnel expenses. As will be discussed later, the growth of personnel expenses, mainly with the civil servants pension system, had a high impact on the performance of the public accounts.

During the 80's and 90's, the Brazilian State experienced persistent operational deficits, except in 1990 and in the period from 1993 to 1994. However, as from 1995, the performance of fiscal accounts deteriorated and primary deficits rose in 1996 and 1997. Analyses of the public accounts profile indicate the growth of expenses at the state and municipal levels and the growing burden of Social Security expenses as the main causes for this pull towards fiscal imbalance. In both cases, fiscal pressure can be viewed as a perverse effect of the adjustment to the fiscal regime and the new rights and benefits created by the 1988 Constitution. The range of new commitments established in the social area was not accompanied by a clear division of responsibilities and of revenue sources. Therefore, the political context in which the new Constitution was enacted led to the concentration of a set of distributive policies in a very short period, while several privileges embedded in the Social Security system remained unaddressed, particularly in the civil servants system. On the other hand, the Federal States and municipalities arose as sources of disorder and unpredictability concerning fiscal equilibrium, due to the slackening of the rules for the creation of new municipal districts provided by the new Constitution and to electoral pressures for distributive policies, under a new democratic context. Considering these conditions and also the increasing budget inflexibility in Brazil, the control of personnel and public administration maintenance expenses tends to be one of the few tools available to improve the performance of public accounts.

The exhaustion of the interventionist State model

The State crisis fits into a broader movement that, all over the world, is pushing the transition towards new forms of state, markets and political regimes. Market globalization has allowed easier access to huge amounts of financial resources in the international market. A general deregulation of the international financial system has taken place, driven by the new communication technologies and by the oversupply of resources from the developed economies. Increased trade and investment flows have created quite an attractive scenario where there is no longer room for protectionist policies and nationalist oriented economic development. Surprising evidence of this is the fact that

³ The adjustment of the foreign accounts imbalance after the petroleum crisis was carried out through a great effort to attract foreign resources from the international financial system, through State companies. With the reversion of the conditions affecting this market as from 1979 and the rise of interest rates, the State sector was severely impaired and compelled to withdraw from its role of supporting investments in the Brazilian economy.

this movement reached both the countries of the communist block and of Latin America⁴. Globalization posed new challenges to the reorganization of the National State on new bases, although these are still unclear. Besides the economic globalization, the democratic surge was the other driving force to overcome the interventionist States, leading to a collapse of the socialist regimes and Latin American bureaucratic authoritarianisms.

But it should also be observed that some particularities affect the context of State reform in Latin American countries. First, the reform is taking place alongside a crisis of the postwar development style. Second, it is accompanied by a severe economic crisis and by the fiscal collapse of the State. In that sense, the perception built during the 80's and 90's was that resuming long-term sustainable development demanded the reconstruction of the State. At first, the adaptation to the new conditions of the international economy generated a policy narrowly focused on an attempt to shrink the state apparatus and on the State's withdrawal from economic activity. These so-called first generation reforms emphasized the implementation of privatization programs, extinction of state organizations and reduction of personnel. At the end of the 80's the focus shifted to what was then defined as the second generation reforms, which were oriented to the promotion of a positive and prominent role for the State in a new way⁵. The reorganization and even the expansion of the state apparatus were proposed, according to new forms, roles and styles of intervention.

Under the assumptions of the new emerging model, increasing systemic productivity of the economy depends on state policies oriented to the issues of education, poverty and scientific and technological development. In order to perform in globalized markets, the State must be capable of building comparative advantages that, in this new scenario, are no longer derived from the natural resources provision of each economy. These kinds of advantages involve aspects such as qualification of manpower, communications infrastructure, transaction costs and socioeconomic stability. They are, for this reason, strongly linked to the performance of the State. In that sense, the challenge lies in ensuring adequate conditions for international competitiveness as a way to provide access to the benefits of globalization. The canons of the interventionist, protectionist and clientelist State of the postwar period are no longer acceptable for a satisfactory performance of the State. Hence it is required that the State provide:

- market regulation, instead of direct and discretionary intervention in the economy;
- coordination and mobilization of relevant actors of the society in order to implement policies for both the industrial sector and the social area, taking into account that current resources are limited and the State should stop playing the role of conductor or direct executor as in the past;
- transparency and reliability in policy design, compatible with the democratic environment, characterized by the mobilization of interest groups and social actors and by demands for transparency coming from the press and from the public opinion; this new political and social environment is also relevant to the performance of public managers; and

⁴ PRZEWORSKI, Adam et al. Sustainable Democracy. Cambridge: Cambridge University Press, 1997.

⁵ Multilateral organizations such as the World Bank played an important role in the evolution towards this new consensus that emphasizes the building of institutions as a key requirement for the success of adjustment policies. In other words, even in the case of successful implementation of neoliberal-type policies to decrease the size of the State, there is a need for state bureaucracies that are technically qualified and endowed with a certain degree of autonomy from interest groups. BURKI, Javed & PERRY, Guillermo E. Beyond the Washington Consensus: Institutions Matter. Washington: The World Bank, 1998.

- administrative efficiency under conditions of scarce financial resources, particularly in the implementation of policies to ensure access to civil and social rights, in areas such as public security, education, health and poverty reduction, with a view to correcting income imbalances and increasing the stability of the social environment.

The fiscal crisis can actually be understood as evidence of long-term transition: the search for a new form of State organization and performance to rise above the obsolete model of the National-Development State that was widely disseminated in Latin America through the postwar period.

1.2. Public administration crisis

In the beginning of the 90`s, the public administration crisis in Brazil surfaced clearly and was first diagnosed. On the whole, this area had been disregarded as an object of specific studies, in spite of the fact that it was increasingly becoming an obstacle for the resumption of economic growth and consolidation of the democratic regime. The lack of analyses and even of statistical data and basic information was a result of the weak presence of public administration as a subject on the political agenda. The new diagnoses emphasized the disorganization in the personnel area and the deterioration of the technical capacity for policy design and control by the ministries and the government's central organizations. The crisis in administrative capacity was clear, for instance, in the recognition that even the areas of excellence that in the past had attracted the best qualified cadres, databases and capacity for policy design were also victims of institutional decay, as a result of financial cutbacks, non-renewal of cadres and structure changes leading to the careless extinction of many public organizations⁶. Later, the Steering Plan⁷ provided a diagnosis that identified as the most relevant problems of the federal administration the growth of payroll costs, the distortions in the personnel wage structure, the dysfunctional rigidity of the legislation and of the bureaucratic controls over public administration that were crystallized in the 1988 Constitution, the loss of administrative autonomy of the agencies in charge of delivering public services, causing inefficiency and apathy, and the weakness of policy design and control by the ministries and central organizations of public administration. These aspects laid the groundwork for the design of the federal government's administrative reform policy and for this reason they deserve further examination.

Increasing costs of the payroll

The huge growth of the payroll costs in the federal government was an alarming fact in a context of persistent public accounts deficit. The most dramatic aspect was that this growth did not seem to be a result of policies aimed at improving the coverage or quality of the services rendered by the public administration. The number of civil servants decreased in the 80`s and 90`s. The diagnosis of the Steering Plan revealed that the growth of these expenses was a result of benefits secured by the bureaucracy in an environment of excessive tolerance towards the corporatism of the civil servants

⁶ A pioneering diagnosis was carried out in 1992 in the study commissioned by the National School of Public Administration (Escola Nacional de Administração Pública - ENAP): ANDRADE, Régis de Castro e JACCOUD, Luciana (orgs.). *Estrutura e Organização do Poder Executivo*. Brasília: ENAP, 1993. The description of a management crisis in the Brazilian State is also presented in HOLANDA, Nilson. *A Crise Gerencial do Estado Brasileiro*. In VELLOSO, João Paulo dos Reis (org.). *Brasil: A Superação da Crise*. São Paulo: Nobel, 1993.

⁷ MARE. *Plano Diretor da Reforma do Aparelho do Estado*. Brasília: Presidência da República, 1995.

and of absence of appropriate controls. The most paradoxical aspect was that a number of discrepancies remained regarding highly qualified careers in civil service that had very low wages, causing the loss of qualified cadres.

Personnel expenses escalated 136% between 1987 and 1995, rising from 19.7 billion to 46.6 billion, in indexed values. This total included a 333% increase of expenses with retired servants in the same period, whose participation in the payroll increased from 23% to 39% (Table 1). After 1996 the growth slowed down and the expenses tended to stabilize, due to the new wages policy and payroll controls.

Table 1
Payroll Expenses of Federal Government
 Billions of R\$

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Year	Active	Retired	Total
1987	12.5	4.5	19.7
1988	15.9	5.7	24.2
1989	19.6	6.8	29.9
1990	23.1	8.8	34.4
1991	19.6	6.7	28.2
1992	15.4	6.2	23.0
1993	17.3	11.7	31.1
1994	19.3	14.7	35.9
1995	25.6	18.1	46.6
1996	24.6	18.3	45.3
1997	24.7	18.8	45.7
1998	24.7	20.5	47.4

Source: Ministry of Planning, Budget and Management
 Data indexed by IGP-DI/FGV.

The total amount of expenses also includes intergovernmental transfers which are not shown.

The number of civil servants declined across the executive branch of the federal administration: between 1988 and 1994 this reduction reached around 17%. This trend continued from 1995 up to 1998, with a further reduction of 9.5%. It is worth noting that this trend was due, above all, to the flow of retirements, which does not lead to a reduction of payroll costs, because civil servants have their own pension system supported by budgetary resources and their pensions are paid through the federal administration payroll. Thus, personnel expenses were increasing, while the number of servants was declining and the costs of retirements were growing sharply (see Table 1).

Table 2
**Number of civil servants of the
 Federal Government's executive branch**

Year	Number of civil servants
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1988	705,548
1989	712,740
1999	628,305
1991	598,375
1992	620,870
1993	592,898
1994	583,020
1995	567,689
1996	554,736
1997	531,725
1998	513,720

Source: MARE

In spite of the growing personnel expenses, the wage structure of the federal administration presented several distortions: high management positions were under-paid in relation to the private market, while wages in lower positions were far above the market, a phenomenon that an analyst at the time called "inverted pyramid"⁸. Generally, the wages in the federal administration were found to be above the average of the Brazilian labor market, as supported by other studies⁹, although this positive aspect was neutralized by the low quality of recruitment, leading to the constitution of a very heterogeneous body of civil servants. The diagnosis recommended "turning the pyramid upward", by raising the remunerations of the managerial positions and of the highly qualified careers.

Excess details and rigidity of laws

A controversial aspect of the diagnosis undertaken in the Steering Plan was the attack on the so-called "bureaucratic counter revolution", crystallized in the 1988 Constitution. Such a revolution was thought to have been mistakenly driven by the Brazilian bureaucracy in an attempt to combat corruption and reestablish control mechanisms over public administration. In fact, the constitutional text responded to a predominant view along the eighties, which linked authoritarian government to administrative decentralization and a presumed connivance with corruption. The Constitution introduced a series of controls and adopted many centralizing and standardizing models regarding some of the central aspects of civil service organization, the most important being:

- introduction of a single labor regime (regime jurídico único) for civil servants;
- account scrutiny of all types of budgetary resource allocation ;

⁸ The expression was coined in a study carried out in 1994, whose data indicated that the directors of federal administration departments earned R\$ 1.467,35, while managers of big private companies earned R\$ 5.351,00 on average, which indicated a discrepancy of approximately 264%. The discrepancy for the positions (in increasing hierarchical order) of secretary of State, executive-secretary of a ministry and minister of State – when compared to their correspondents in the private section, was, respectively, of 459%, 519% and 376%.

SANTOS, Sergio Cutolo. Política de Recursos Humanos e Reforma do Estado, Brasília, 1994, draft.)

⁹ Trying to distinguish the impact of education level, gender and race differences, a World Bank study indicated that, in general, the federal government's wages and pensions, as well as of the state-owned companies, are substantially higher than in the private sector in Brazil. The same is not true, however, in the public administrations of the states and municipalities, where the wages of the civil servants are not competitive in relation to the market.

THE WORLD BANK. Brazil: From Stability to Growth through Public Employment Reform, October, 1997, draft. see specially, pp. 34-38)

- inclusion in the body of the federal government's general budget of the detailed budgets of all the agencies, even the ones that have their own resources directly collected;
- adoption of procurement procedures regulated in a single law by all the agencies and state companies; and
- submission to the approval of the Congress of any change in structure and administrative organization.

Minister Bresser Pereira's attack on the constitutional provisions concerning public administration targeted, on the one hand, the disregard towards corruption and lack of transparency in public administration, and on the other, the adoption of bureaucratic administration models already proven to be obsolete all over the world, but mistakenly crystallized in the Brazilian Constitution¹⁰. The position upheld by the Minister was that bureaucratic controls should be replaced by managerial controls. However, implementing the new organization and management models in the Brazilian public administration would entail previous removal of legal obstacles or constraints, including the ones contained in the constitutional text. At the same time, laws that were highly relevant for the operation of the federal administration were to be revised, such as the law of procurements (Law n. 8.666/93) and the statute of the federal civil servants, also known as "single labor regime" (Law n. 8.112/90), and a broad legal and normative deregulation was to be carried out.

Lack of autonomy and incentives to the agencies

The agencies' loss of administrative autonomy was another perverse effect of the tendencies towards centralization and intensification of bureaucratic controls. As noted in the previous topic, many provisions of the 1988 Constitution imposed on the agencies and state companies the same legal framework applied to the ministries and the government's central organizations. This new legal framework put an end to the existing management differences between, for instance, a ministry department in charge of policy design and control and an agency responsible for inspection, or a university. In that sense, the diagnosis of the Steering Plan pointed out the dramatic reversion in the autonomy of the agencies that constituted what is called in Brazil the "indirect administration". Such reversion was a departure from the prevailing decentralized model of the 60's and 70's¹¹.

Some of the main constraints affecting agencies derived from the inflexibility of legislation, and could be found in the areas of personnel, budget, purchases, structures and organization. The survey of the so-called "legal obstacles" was carried out by MARE's team through contacts with civil service managers that were sympathetic towards the reform. Regarding personnel management, the

¹⁰ BRESSER PEREIRA, Luiz Carlos. A Reforma do Aparelho do Estado e a Constituição de 1988. Brasília, ENAP (Texto para Discussão n. 1), 1995.

¹¹ Minister Bresser Pereira developed a clear argument in favor of restoring the guidelines of the administrative reform undertaken in the 60's during the government of General Castello Branco and systematized by Decree-Law n. 200/67, in opposition to what he saw as the bureaucratic retrogression of 1988:

"The bureaucratic retrogression that happened in 1988 cannot be attributed to a presumed failure of the decentralization and flexibilization of public administration that Law n. 200 would have promoted. Although some abuses have been committed under it in terms of excessive autonomy for the state companies or in terms of the patrimonialist use of agencies and foundations (which did not hold public selective processes for hiring staff), it is not correct to affirm that the retrogression can be imputed to such distortions."

BRESSER PEREIRA, Luiz Carlos. Reforma do Estado para a Cidadania - A Reforma Gerencial Brasileira na Perspectiva Internacional, São Paulo: Ed. 34; Brasília: ENAP, 1998, pp.176-177.

establishment of the single labor regime and a unified remuneration system had curbed much of the autonomy held by agencies to grant benefits or incentives to their cadres. Moreover, the unified regime, by leveling wages, hindered the most efficient agencies and those that had their own budget. This perverse effect was probably at the root of the institutional decay that affected many of these agencies as from the late 80`s.

The management of budget resources was impaired by a rigid legal regulation that inhibited initiative and agility in decisions related to budget re-allocation, supplementation of budget credits or the management of the agencies' own resources. In addition, this management was under permanent instability in terms of provision of resources, due to the rationing measures that were frequently adopted by the Budget Secretariat (Secretaria de Orçamentos). Similarly, the diagnosis of the Steering Plan analyzed the procedures for government purchases and outsourcing, regulated by Law n. 8.666/93, drawing attention to the overly detailed and complex rules and the standardized framework that prevented agencies from enacting their own regulations, tailored to their operational peculiarities. The result of this over-regulation would have been the increase of the costs of government purchases and the slowness of purchase process. It is important to highlight that these considerations, although requiring empirical data that did not exist at the time, were obtained from contacts with managers in the federal administration and reflected the prevailing view in this segment.

Weakening of the policy design capacity

The weakening of the capacity for policy design, coordination and control of the public administration affecting the ministries and the central government organizations, was another crucial component of the diagnosis that provided the basis for the administrative reform. Minister Bresser Pereira suggested the phrase "strategic core" to identify the government's central areas, which "define the laws and the policies and, ultimately, how to accomplish them."¹² This concept turned out to be an important reference in the definition of the reform policy, because it was a response to the widespread perception that the federal administration was drained of technical capacity in its central organizations. In fact, this phenomenon had its roots in the structure that had been established during the 60`s and 70`s, under Decree-Law n. 200/67, characterized by uncontrolled expansion of the decentralized administration while the control, coordination and design of policies at the center (or, in the terminology of the Steering Plan, the strategic core) were left in a situation of technical obsolescence and political and institutional weakness¹³. Strong evidence in that sense was the widespread practice in the federal government of resorting to technical cadres from State companies and agencies in order to fill senior management and advisory positions in the Ministries, due to the low quality of the available technical cadres. This situation

¹² BRESSER PEREIRA, Luiz Carlos. *Gestão do Setor Público: Estratégia e Estrutura para um novo Estado*. In BRESSER PEREIRA, Luiz Carlos e SPINK (orgs.), Peter. *Reforma do Estado e Administração Pública Gerencial*, Rio de Janeiro: Editora Fundação Getúlio Vargas, 1998, p. 33. The author situates the strategic core as permeating parliament, courts, presidency of the republic and ministries, including the leaders and the senior civil servants. From the point of view of administrative organization however, the concept was not precisely defined in the texts produced by the Minister and MARE's team.

¹³ Analyses such as the one by Luciano Martins qualified the growth of the Brazilian State during the period of bureaucratic authoritarianism as a pattern of "centrifugal and disjointed" expansion, whose characteristics would be the uncontrolled proliferation of state companies and the capturing of regulation and control functions by these entities, mostly due to the lack of cadres and the technical obsolescence of the government's central organizations.

MARTINS, Luciano. *Estado Capitalista e Burocracia no Brasil Pós-64*, São Paulo: Paz e Terra, 1975.

resulted in an inversion of roles, where the controllers depended on the controlled to carry out their functions.

2. The Reform in the Governmental Agenda

This section describes the theoretical foundations and the institutional framework for the design and implementation of the administrative reform, as well as the strategic options that have been adopted since 1995. Minister Bresser strove to achieve a broad systematization of the Brazilian experience from its beginning. This experience was expressly identified with what has been considered the mainstream of the international movement for reform and reinvention of the State: the "New Public Management" – NPM. The strategies and the institutional models that were defined in the Steering Plan tried to adapt NPM to the historical experience and existing problems of the Brazilian public administration. The reform became part of government's agenda thanks to the elaboration efforts and conspicuous presence of Minister Bresser Pereira in the national debate. However, the institutional framework for the implementation of the reform was somewhat limited by MARE's condition as a newly established ministry, with scarce technical resources and low institutional prestige.

2.1. Conception

The design of the reform policy was quite detailed and ambitious, comprising the elaboration of a theoretical and conceptual argument that attempted to embrace multiple components drawn from several international experiences. In that sense, the Brazilian reform achieved wide recognition, despite its few effective accomplishments, thanks to the quality and originality of the design effort promoted above all by Minister Bresser Pereira. An interesting aspect of the synthesis attempted in Brazil was the incorporation, by the Steering Plan, of seemingly contradictory elements present in different administrative reforms, such as the strengthening of bureaucracy in the strategic core, the withdrawal of the State from direct provision of services in the social area, the application of "quasi-market" mechanisms in the supply of services and the creation of mechanisms for social participation and guidance to citizens. The identification with NPM placed the Brazilian experience in a remarkable group that surprisingly includes not only different countries, but also different emphases and even different ideological preferences¹⁴. The common characteristics of these experiences, as a movement or tendency labeled as NPM, can be described by the presence of at least some of the following features¹⁵:

¹⁴ The variety of political and ideological trends in the experiences that share NPM characteristics can be illustrated, for instance, by the United Kingdom, where it was at first linked to "Thatcherism", but was continued by Blair's labor government, or New Zealand, where NPM is adopted by a Labor government, in spite of a strong emphasis on market models for public administration. Other countries, such as Australia, United States and Sweden, have also implemented reforms in this direction.

¹⁵ The highly inclusive characterization proposed by Bresser Pereira for NPM is presented in BRESSER PEREIRA, Luiz Carlos. *Reforma do Estado para a Cidadania - A Reforma Gerencial Brasileira na Perspectiva Internacional*, São Paulo: Ed. 34; Brasília: ENAP, 1998, pp. 109-112. An original synthesis that tries to take into account Latin-American peculiarities in the application of the NPM paradigm outside the developed world can be found in: Consejo Científico del CLADE. *Una Administración Gerencial para América Latina*, 1998, draft.

The synthesis presented here was extracted from MARE. *Os Avanços da Reforma na Administração Pública - 1995-1998*, 2nd edition. Brasília, MARE, 1998, pp. 20-21.

- decentralization of activities by means of their devolution to federal states and to the non-state public sector or by increased autonomy conferred to the agencies;
- separation between the design and the execution of the public policies;
- management controls upon the decentralized units, through new mechanisms, such as control of results, managed competition among service delivering agencies and social control, through user councils and citizen consultation mechanisms;
- establishment of partnerships with organized civil society for the management of collective services;
- evaluation of individual and institutional performance by means of systematic indicators;
- use of strategic planning integrated into the management process, comprising permanent setting of objectives and goals, at all levels;
- more flexibility in bureaucratic rules, removing useless rules and simplifying routines and procedures; and
- new personnel policies, comprising in particular: career progression rules based on performance; selective improvement of wages; focus on the development of managerial skills and personnel motivation.

It is clear from the multiple mix of models, instruments and orientations mentioned above that NPM is an open paradigm compatible with different ideological preferences. In addition to the systematization proposed by Bresser Pereira, surveys of several international experiences, such as the one carried out by Norman Flynn and Franz Strehl¹⁶, or by the OECD¹⁷, as well as the analyses by Donald Kettl¹⁸, confirm the existence of a wide reform movement based on the review of the traditional bureaucracy.

The proposition of an administrative reform based on the NPM guidelines stimulated a debate about some themes that triggered unfavorable reactions and were a matter of controversy. In fact, two themes in particular, intensely disseminated by Minister Bresser Pereira, caused rejection of the new model by some segments of the State bureaucracy, affecting the implementation of the project. First, the thesis of the "managerial administration" advocating that bureaucratic administration should be replaced by new managerial controls. The Minister also supported the "flexibilization" of laws and rules and the revision of provisions from the 1988 Constitution, and criticized the proposal for establishing in Brazil a civil service based on the French experience. These elements of Minister Bresser Pereira's formulations suffered a strong attack from senior bureaucrats that had taken part in other experiences of administrative modernization¹⁹. The critics sustained the inconvenience of the legal flexibilization and relaxation of controls when applied to a reality quite different from that of the public administrations of developed countries. According to this point of view, Brazil's problems were the clientelist appointments for public positions and the lack of autonomy of the bureaucracy to protect itself from political pressures from interest groups. This argument - although not completely mistaken - underestimated the progress that the democratic environment had provided, with public administration submitted to intense scrutiny from the press and from citizens

¹⁶ FLYNN, Norman & STREHL, Franz. *Public Sector Management in Europe*, London: Prentice Hall, 1996.

¹⁷ OECD. *Issues and Developments in Public Management*. Paris: OECD, 1997.

¹⁸ KETTL, Donald F. *A Revolução Global: a Reforma da Administração do Setor Público*. In BRESSER PEREIRA, Luiz Carlos & SPINK, Peter (orgs.). *Op.cit.*

¹⁹ An example of this was the series of critical papers concerning the reform, written by Congress advisers, some of whom had already been in management positions in the Executive branch. A balanced criticism of the managerial administration thesis is presented in: GUERZONI FILHO, Gilberto. *Perspectivas de Formação de uma Burocracia Pública no Brasil*. *Revista do Serviço Público*, ano 47, vol. 120, nº 1, jan-out 1996, Brasília, ENAP.

that are also users of the public services. In other words, the proposition of strict autonomy models for bureaucracy is not compatible with the tendencies of modern mass democracies.

Another theme was always present in the debate as a negative imputation: the political-ideological link that presumably existed between the administrative reform and neoliberalism, in spite of Minister Bresser Pereira's well known affiliations with social-democracy, as well as President Cardoso's. Moreover, the proposals and many of the measures that were put into practice along 4 years comprised the strengthening of the bureaucracy in the strategic core of the State and the proposition of models for decentralization of services that were intended to stimulate social participation in public administration. This allegation also pointed to the links between NPM-oriented reform experiences and the implementation of measures for reduction of expenses and structural adjustment of the public sector. But, as emphasized by Minister Bresser Pereira, "neoliberalism arose as a reaction to the fiscal crisis of the State and for that reason it was associated with cuts in expenses and State downsizing.. However, it became clear to the social-democratic administrations that fiscal adjustment was not an ideological guideline, but a necessary condition for any strong and effective government."²⁰

2.2. Organization

The establishment of a Ministry endowed with competences to design and implement an administrative reform policy in Brazil was a turning point, since this theme could be included in the government agenda as a priority issue. However, the institutional framework adopted meant that crucial stages of the design and implementation depended on the ministry's networking capacity across the federal government. However, this capacity was limited due to disconnection between the coordination and formal command of the policy, exercised by an inter-ministry council located in the Presidency of the Republic, and the formulation and implementation tasks, which were under the responsibility of MARE.

The legal competences of MARE comprised the formulation of policy and guidelines for the reform and modernization of the State, the execution of administrative reform projects and programs and the coordination, enactment of rules and execution of actions pertaining to the systems of human resources, administrative modernization, information and general services. Thus, the roles performed by the ministry combined innovation and inducement of change with the administrative routine. MARE was in charge of proposing policies to change public administration, which were to be implemented by the other ministries. Moreover, the ministry had the responsibility for issuing the federal servants payroll and enacting rules on personnel management routines, purchases, property maintenance and computer equipments and systems for the whole of the federal administration. This duality was apparent in the internal structure of the Ministry, which concentrated the tasks of policy design and project development in a specific internal unit (State Reform Secretariat) and in the Minister's office. However, it is important to point out that other areas of primary importance for the success of the reform were lead by other ministries: the budget was coordinated by the Ministry of the Planning and Budget, and the areas of financial administration and internal control were coordinated by the Ministry of Finance.

²⁰ BRESSER PEREIRA, Luiz Carlos. *Gestão do Setor Público: Estratégia e Estrutura para um novo Estado*. In BRESSER PEREIRA, Luiz Carlos & SPINK, Peter (orgs.). *Op.cit.*, p. 32.

The Chief of Staff's Office (Casa Civil) held the formal responsibility for the articulation and coordination of the State reform policy across all the ministries, which was performed with the support of the Chamber for the Reform of the State (Câmara da Reforma do Estado) headed by the Chief of Staff. The ministers in charge of matters of major relevance for the reform's implementation had seats in this Chamber²¹. This framework, although conceived for the purpose of facilitating contact and consensual deliberation on policies that affected several ministries, turned the Chamber into a negotiation and veto arena, particularly when deliberating about policies resulting in losses and risks or specific implementation responsibilities imposed on other ministries. In that sense, the Chamber tended to weaken policies and decisions that required strict implementation.

The Council for the Reform of the State (Conselho da Reforma do Estado) was also created to perform advisory functions. A group of well-known experts from the business and academic milieu or with past professional experience as senior public managers took seats in this Council, which was established to provide technical and political support from important personalities, whose credibility was used to endorse the reform policy.

The administrative reform secured an institutional locus and therefore a greater prominence in the government agenda. Through history, public administration reform had been a secondary issue or an issue subordinated to the government's economic agenda. Moreover, the government organizations involved in this area had been characterized by their lack of prestige, technical capacity and qualified cadres. The great institutional instability through the preceding years was also evidence of this.

In the past, administrative reform in Brazil had been associated with the Administrative Department of the Civil Service (Departamento Administrativo do Serviço Público – DASP), established in 1938 as the central organization for personnel, material, budget, organization and methods. The performance of this department was a turning point in the introduction of the bureaucratic administration in Brazil. Starting in the 60's, the segments of bureaucracy linked to the emerging area of planning managed to take control of the administrative reform policy, conferring more weight to the application of planning guidelines and decentralization. During this phase, the agencies expanded to become state companies delivering public services. DASP was extinguished in 1986 and gave place to the Public Administration Secretariat (Secretaria de Administração Pública - SEDAP) linked to the Presidency of the Republic. This was extinguished in 1989, being absorbed by the Planning Secretariat (Secretaria de Planejamento - SEPLAN) of the Presidency of the Republic. In 1990 the area became autonomous again as the Federal Administration Secretariat (Secretaria da Administração Federal – SAF) originally as part of the Presidency of the Republic. Between April and December of 1992 SAF was absorbed by the Ministry of Labor, recovering its autonomy soon afterwards as a General Office in the Presidency until the end of 1994. In the beginning of President Cardoso's first term of office, in January 1995, SAF was turned into MARE,

²¹ This model was replicated as a set of policies whose deliberation and implementation were coordinated by Chief of Staff's Office, then went through the Policy Chambers, one of which was the Chamber of the Reform of the State, composed of the Ministers of the Federal Administration and Reform of the State, of Planning and Budget, of Finance, of Labor, of the Joint-Staff of the Armed Forces and of the General Secretary of the Presidency of the Republic. The deliberations of the Ministers gathered in the Chamber relied on the technical support provided by another council, the Executive Committee of Reform of the State, where the executive secretaries of each minister and the secretaries of budget and of internal control had seats. This committee worked alongside the activities of the Chamber, on the previous technical analysis of themes that were submitted to deliberation.

a ministry that survived until the end of 1998. In the beginning of president Cardoso's second term, MARE was extinguished and its competences absorbed by the Ministry of Planning, Budget and Management (Ministério do Planejamento, Orçamento e Gestão - MP).

The institutional stability maintained along president Cardoso's first term allowed significant improvements of the technical qualification and databases in public administration, with the ministry's growing prestige and the changes in its institutional profile. Generally, MARE followed a path of institutional strengthening and increased presence in the government's policies, as it will be discussed in this paper. Some important innovations in its internal structure and organization resulted in deep changes in relation to the old SAF. First, a qualified team able to perform non-routine work in project development was constituted. In addition, Minister Bresser Pereira reactivated the public managers' career, recruiting civil servants selected and trained to perform management and advisory functions²². These civil servants, qualified to engage in projects focused on changing public administration, were part of a career linked to MARE, although they were also allocated to other ministries. Second, the guideline for an externally oriented performance by the Ministry, alongside the formulation of a set of projects addressing the reform's implementation. Third, the creation of an advisory body close to the Minister's Office for providing institutional information, and disseminating the Ministry's policies and projects. This body had privileged access to the Minister and to all units of the Ministry in order to assure a permanent flow of information to the external public by means of publications, mail and also by non-conventional media, such as the Internet. Fourth, ENAP and MARE worked very closely, which allowed taking advantage of the countless synergies that existed between the functions of civil servant training and the administrative reform projects. Previously, ENAP had worked in an insulated manner and there was no effective supervision by the minister over the School, in spite of its hierarchical subordination. Minister Bresser Pereira was able to exercise full control over the activities of ENAP, which in turn became more deeply integrated into the dynamics of the reform. Finally, MARE tried to apply target-oriented planning for and project management and disseminated internal councils of managers at various hierarchical levels to stimulate discussion and information sharing.

2.3. Objectives and strategies

The design of the Brazilian administrative reform called for a systemic approach of the change in the public administration, comprising the following aspects: legal and normative framework, structure and organization, management process and organizational behavior among civil servants and managers. This ambitious approach required quite complex implementation but, in a certain way, was supposed to be different from previous experiences that had created a negative image of administrative reform, such as the one undertaken during the Government of Collor de Mello, from 1990 to 1993. The implementation of that reform allowed many casuistic changes of organization charts and the extinction of agencies and government organizations.

The Steering Plan was formulated along 1995 and approved by the Chamber of the Reform of the State in November of the same year. The document was published with an introduction by the

²² The career of the Specialists in Public Policies and Government Management was a project focusing on the structuring of an elite of qualified servants, with a generalist professional profile and capable of inducing a process of change across the public administration. A first recruitment contest was held in 1988, after which the project was interrupted to be retaken in 1995, with the resumption of the contests that are now held every year.

President, and became a conceptual reference and a program, intensely used by MARE's team in the effort to implement the reform. The Steering Plan established guidelines, long-term objectives and implementation strategies, and also presented new institutional models for reorganization of the Brazilian public administration. At the same time, the bill of constitutional amendment was prepared and sent to the National Congress in August 1995. The amendment was aimed at removing legal obstacles to the reorganization of public administration and to curb corporate privileges crystallized in the constitutional text. This work was extended soon afterwards - and even before the approval of the amendment - to revise of the statute of federal civil servants (law of the single labor regime) and of law of procurements. The implementation of new institutional models also depended on elaboration of bills to be sent to Congress.

The main priority of the adopted strategies was in fact the projects concerning legal and structural changes, although these changes were understood in a much more sophisticated way, as a review of the functions of the State in parallel with the implementation of new institutional models for public administration. Actually, the characteristics of Brazilian public administration demanded that most of the intended changes be supported by laws, administrative acts or even by the Constitution, which were quite detailed in their provisions concerning public administration. In these circumstances, the strategy adopted focused on legal and institutional change, and from the beginning the efforts of MARE's team were focused on the formulation of the Steering Plan, the Constitutional amendment bill and the legislation required for the new institutional models. Under this strategy, following the creation of the conditions in the legal and normative framework, the new institutional models would be implemented, while more opportunities would be provided for the managers and civil servants to make use of the new administrative tools and techniques. In that way, the legal framework and the structure changes were set out as preconditions for progress in the improvement of the administration processes. The Steering Plan did not overlook aspects concerning innovation in the management processes, integration among information systems, transparency and access to information, although these themes were discussed quite briefly. A more detailed view of these multiple aspects will be presented below.

Removal of legal and normative obstacles

The changes in the Constitution were to combine measures for administrative and normative flexibilization of public administration, while attacking corporate privileges, promoting the turnaround of the bureaucratic "1988 counter revolution", according to Minister Bresser Pereira's description. The main changes proposed by the bill sent to the Congress²³ were:

- revision of the rules of tenure for civil servants, allowing their dismissal in case of economic or administrative necessity or for underperformance;
- suppression of the mandatory adoption of a single labor regime for civil servants, enabling the existence of multiple regimes, with or without tenure and specific pension system, according to the characteristics and needs of each sector of civil service;
- imposition of limits and more rigorous controls over civil servants' wages, with a view to combating the proliferation of distorted wages due to corporate power and legal tricks; and
- greater autonomy for the Executive branch to reorganize public administration.

²³ Two proposals for the amendment of the Constitution (Propostas de Emenda à Constituição – PEC), numbers 173 and 174, were sent to the Congress in August 1995. PEC number 173 was the object of a substitutive text that included most of the proposals in PEC number 174.

In addition to the constitutional changes, the Steering Plan also highlighted the need to revise the law of procurements (Law number 8.666/93), the statute of the federal civil servants (Law number 8.112/90), and generally the need for deregulation and simplification of laws, rules and regulations.

Revision of State functions and structure

The revision of State roles, perhaps the most daring proposal of the Steering Plan, was to reconsider the roles performed by the State according to different forms of property and management. Hence, this revision would transfer to society the activities that could be better performed in the non-state public sector²⁴. On the other hand, the activities that remained within the State would also be re-organized in order to separate the formulation, regulation and control functions from the provision of services. The latter would be organized on the basis of greater autonomy and management practices closer to those of the private sector. These changes would take place with the implementation of the new institutional models widely discussed in the Steering Plan - agencies and social organizations - according to Diagram 1 below.

Diagram 1
State functions and institutional models

State Sector	Function	Proposed Institutional Model
Strategic core	Policy design, rules and control	(Ministries)
Exclusive services	Security, defense, tax exaction, inspection and enforcement, regulation and basic social security	Executive agencies Regulatory agencies
Non-exclusive services	Education, health, social attendance, culture and scientific and technological research	Social organizations
Production and market services	Energy, transportation, communication	(Private Companies)

The typical State activities that remained within in the public administration were to be re-organized with greater administrative autonomy and performance controls. The institutional model to be adopted would include both the executive agencies and the regulatory agencies. The executive agencies would be operators of services like tax exaction, public security and basic social security. The regulatory agencies would perform activities related to the control of monopolist markets,

²⁴ The "non-State public sector" comprises the activities that are of interest to the collectivity but are organized and managed outside the State and also separate from the market, because they need to be provided in a way that ensures universal access. These activities include, for instance, education, health, social assistance, culture and scientific and technological research. Some of the assumptions, implications and applications of this concept are discussed in the texts published in: BRESSER PEREIRA, Luiz Carlos e CUNILL GRAU, Nuria (orgs.). O Público Não-Estatal na Reforma do Estado. Rio de Janeiro: Editora da Fundação Getúlio Vargas, 1999.

which were being created or enlarged as a result of privatization of public services. These activities include, among others, electric power distribution, telecommunication services and petroleum production. The agencies would enjoy greater larger autonomy in matters related to budget and financial administration, personnel, purchasing and outsourcing. But they would also be subject to management contracts entered into with their respective ministry. The negotiation and signing of a management contract requires complex preparatory work, especially in the areas of internal planning focused on objectives and goals and management improvement. In the case of the regulatory agencies, they would also be assured autonomy from the government, by means of a tenure regime for their directors.

Activities that do not entail the use of exclusive State prerogatives were to be decentralized to society. The model proposed considers that these activities can be managed more efficiently under the direct control of society, organized as non-state public entities, denominated in the Steering Plan as social organizations. This type of organization was an innovation that allowed the administration of these entities to follow the same rules of a private company, although subject to social control through a council of directors and to State control through a management contract. In addition, the social organizations would be non-profitable and their assets could be returned to the State in case of their extinction. The intention was to enable State entities performing non-State exclusive services to be exempted from laws, rules, formal controls and even from the bureaucratic culture that suffocated the state organizations. Therefore, a bold solution was proposed: to remove them from the State²⁵. This new institutional model would demand destatization of activities in areas such as education, health, environmental protection, culture and scientific and technological research. This destatization, however, was never meant to result in the privatization of these services, but rather in their relocation to the non-state public sector²⁶.

Thus, the State would withdraw from the management of these activities, while promoting the extinction of the State institutions responsible for their execution, but maintaining their financial support of these activities on new bases that ensured better administrative and institutional conditions for providing the services in a way that met the citizens' needs. The social organizations would be created outside the State, but in connection with the extinction of State institutions, whose activities could be absorbed by the social organizations, without any discontinuity.

New tools for management and control

The strategy of the Steering Plan took for granted that the dissemination of new methods and tools for management and control would follow the increase in autonomy as a result of successful

²⁵ In spite of his radically innovative conception, the strategy designed for reorganization of these services outside the State could be justified on the basis of the historical path followed by the Brazilian public administration, in which there was a persistent tendency to structure the decentralized entities, such as agencies and public foundations, under the strict rules of bureaucratic control. Hence, during the 80's the foundations that had been created by the State to perform services in areas that were governed by the same rules as the private foundations, such as education, health and culture, were finally structured as state entities, losing autonomy and becoming subject to rigid rules and laws. As a consequence, most of these entities fell into a process of institutional deterioration.

²⁶ The Steering Plan formulated the concept of "publicization" to establish a clear distinction between privatization of activities of a mercantile nature (production and sale of goods and services in the market) and removing from the public administration activities of collective interest, which do not need to be managed directly by the State, but depend on State resources to be provided universally.

implementation of the executive agencies and social organizations. Based on countless international NPM experiences, the strategy considered the adoption of such innovations as:

- management contracts for setting objectives, goals and performance indicators, which would be agreed between the managers of agencies and social organizations and their respective supervising minister;
- in connection with the previous item, strategic planning to formulate the institutional mission and the long-term objectives and goals would be a requirement for adequate preparation and celebration of the management contract;
- systems to evaluate the performance of the managers and civil servants; and
- dissemination of competition areas among the service providers, which would be possible thanks to the proliferation of social organizations, which would generate conditions for the allocation of public resources to be guided by the citizens' preferences.

New policy for human resources

The human resources policy formulated in the Steering Plan focused on solutions on two priority issues. The first was the reversion of the mistakes in the previous policy that would have deepened the phenomenon of the "inverted pyramid". In that sense, it prioritized the correction of wage discrepancies that had a bearing on some careers of high technical qualification and all the management positions. This guideline had countless advantages: it generated positive effects in terms of motivation and engagement among the most qualified servants, with little impact on payroll expenses, because these segments represented a minority in relation to the total number of civil servants. The other proposed guideline was to strengthen the strategic core of the State through personnel recruitment for the careers of high technical qualification, trying to reverse the institutional decadence of the central organizations of the federal administration.

Managerial information

In order to take advantage of the new frontiers opened up by the advances in computer technologies, the Steering Plan also discussed the need for a policy for information and information technology, emphasizing the differences between them. Regarding computer technologies, it was considered necessary to promote the integration among the databases of the federal administration, allowing the information to be used in the managerial process. More concretely, this would happen through the crossing of data and their aggregation according to the demands of each decision level. Hence, the data from the federal administration's personnel register could be correlated with data from the budget system or from the Treasury system, to produce reports about costs across a department or an administrative unit. Reports of this nature could be useful for decision-making. Besides the integration of data bases, the dissemination of computer equipment would also enable the establishment of a communications network to allow data transmission among the managers and technicians working with microcomputers, reaching all the federal administration units. In the area of information, the use of the Internet was pointed out as a medium with great potential for increasing access to information about the policies, projects and actions of the Government, as well as forwarding the citizen's queries and demands to the appropriate public organizations.

3. The reform implementation

In general, along the period of 1995 to 1998, the implementation of the Brazilian administrative reform achieved little when compared to the scope of the transformations proposed by the Steering Plan, although it achieved many advances in bringing about the legal changes that were considered a prerequisite for the reform. The approval of the constitutional amendment by the Congress was an unequivocal victory. Likewise, the approval of the law that regulated the social organizations. The same did not happen with the proposal for conferring management flexibilities to the executive agencies, which experienced limited progress. On the other hand, by the end of 1998, the dissemination of the new institutional models was still quite limited and far from effective assimilation within the Brazilian public administration. The legal changes in the procurement area were not successful: the proposal for a new law of procurement was formulated, but not sent to the Congress. In spite of that, some technological innovations were applied successfully in the improvement of the computerized government purchase systems. The new priorities proposed for the area of human resources were implemented and therefore a renewal of the profile of the federal civil servant seems to be underway. MARE's performance regarding the reduction of personnel expenses was compatible with the austerity that was demanded by the ministries of the economic areas in face of persistent public deficits. The improvement of the management process did not proceed in the direction pointed by the Steering Plan, because it required previous dissemination of the new institutional models. But other implementation strategies were successfully implemented, such as the creation of excellence recognition and incentive systems directed to the federal administration organizations. An overview of these aspects is presented below²⁷.

3.1. Legal and normative changes

The legal and normative changes that were accomplished include the approval of the constitutional amendment of the administrative reform, the law regulating the social organizations and a first - but still limited - set of laws, administrative orders and rules regulating the executive agencies and allowing greater management autonomy and flexibility. A complete revision of the statute of the federal civil servants was also approved, with a view to reducing privileges and making their rules more similar to those applied to the labor market. In the area of procurement, some changes were promoted in the law. A complete revision of this law was concluded but the bill was not sent to the Congress. Ground-breaking work was started on the revision of rules in the areas of personnel, purchases and organization, aimed at their simplification and deregulation.

Changes in the Constitution

The approval of the constitutional amendment of the administrative reform (Constitutional Amendment number 19/98) was an important victory for MARE. Minister Bresser Pereira's leadership along the process, his efforts to persuade the federal state governors to lend political support to the amendment and the public debate he sustained in the press, were decisive for this victory, and increased the prestige of the ministry²⁸. The approved text was a substitutive bill, but

²⁷ The information presented is based on the data compiled in: MARE. Os Avanços da Reforma na Administração Pública - 1995-1998. Brasília: MARE (Cadernos MARE da Reforma do Estado, number 15, 2nd edition), 1998.

²⁸ The description and analysis of the political process of negotiation and approval of the constitutional amendment of public administration is presented in the following papers: BRESSER PEREIRA, Luiz Carlos. Reflections of a Reformer: Amending the Constitution in Democratic Brazil, draft. To be published in: SCHNEIDER, Ben Ross and

preserved most of the original proposals and even expanded them with a set of other provisions, all of them compatible with the guidelines of the reform. The most important changes that were introduced in the constitutional text were the following:

- suppression of the compulsory adoption of a single labor regime for civil servants, allowing different forms of personnel organization, according to the profile and characteristics of each position or career²⁹;

- revision of the tenure rules to allow the dismissal of civil servants in situations of pressing need, whenever the share of tax revenues to bear the cost of the payroll rises above a limit fixed in law; and

- stricter rules to set the ceilings for the wages in the public administration, seeking to reduce the "super-wages" achieved through legal tricks or accumulation of positions and retirements.

The evaluation of the impacts of these changes on the public administration depends on the way they are subject to regulation by laws and implementation by the governments. In general, the changes brought about by the constitutional amendment only opened roads to be explored. The end of the single labor regime opened the possibility of different alternatives for the reorganization of careers in at the federal, state and municipal levels. This flexibility allows, for instance, the adoption of labor market rules for civil servants to be contracted to work in temporary projects or in low-skill positions, while the positions of higher qualification or hierarchy can be ruled by statutes that give tenure to their occupants. The former constitutional provision concerning the adoption of a single regime prevented this diversity of formats.

The revision of the rules of tenure was formulated through intensive negotiation in Congress. Instead of a general rule making the tenure regime more flexible, this negotiation led to a more detailed and limited rule, oriented to a specific objective: to reinforce conformity with the limit on personnel expenses by States and municipalities³⁰. Hence, the new constitutional provision made it easier for States and municipalities to adjust their budgets, by means of personnel reduction. Most of the States and an impressive number of municipalities face exhaustion of their capacity to implement public policies, because of the cost of their payrolls. Data collected in 1999 show that most States assign over 60% of their available revenues to their payrolls³¹, which leads to strong restriction of their capacity to invest and to implement public policies. In the beginning of 1998, the

HEREDIA, Blanca (eds.). *The Political Economy of Administrative Reform: State Building in Developing Countries*, 1999; MELO, Marcus. *A Política da Reforma do Estado no Brasil: Issue Area e Processo Decisório da Reforma Tributária, Administrativa e Previdenciária*, 1997, draft.

²⁹ The flexibility in the organization of personnel allows, for instance, the admission of civil servants with or without tenure, a specific Social Security regime or statutes that can be differentiated according to the characteristics of each segment of public administration. The federal government, state and municipal governments can make use of this flexibility through the approval of laws in the personnel area.

³⁰ A provision in the Brazilian Constitution set a limit on allocation of revenues to the payrolls of the federal, state and municipal governments, which was fixed by law as 60% of net revenues. The purpose was to avoid clientelist admission of civil servants and an excessive increase of personnel. However, as the Constitution assured tenure for civil servants after two years, it was difficult to reduce personnel in order to meet this limit.

³¹ According to data of February 1999, 17 of the 25 states are not meeting the 60% limit. The share of net revenues allocated to the payroll varied, considering all the States, from 70,2% in 1995 to 67,8% in 1996, 67,5% in 1997 to 67,1% in the beginning of 1999, revealing current difficulties for adjustment of public accounts in State governments. More detailed information is presented in MOG/SEAP, *Boletim Estatístico de Pessoal*, part b, section 7.

bills concerning the legal regulation required for the application of these provisions were approved by the Congress, together with a set of measures designed to promote fiscal adjustment, in a context of strong pressure after the depreciation of the Brazilian currency³².

In a different way, the provisions in the constitutional amendment concerning the suppression of privileges seem to be destined to a more difficult and slower implementation. The setting of a more rigid ceiling for wages should not result in any meaningful fiscal impacts, but it is a measure that reinforces public morality. However, the regulation in law of the new ceiling depends on negotiations that have been stalled due to corporate resistances from the Judiciary Power, segments of bureaucracy and Congress.

Several other provisions are part of the changes promoted in the Constitution. Their approval was an advance, since they are new concepts and guidelines that inspired the administrative reform. However, in spite of their symbolic importance, they did not need to become constitutional provisions in order to be implemented. It is well-known that the Brazilian Constitution is too meticulous and perhaps most of its provisions are merely the enunciation of guidelines or recommendations. The constitutional amendment of the administrative reform was no different. It incorporated a great number of provisions that require laws to be effective, most of them actually introduced by the Congress in the course of the negotiations. In that sense, the proposal originally prepared by the federal government was significantly expanded in the number and variety of provisions introduced in the constitutional text. There are important advances among the approved constitutional provisions, but they do not necessarily need to become constitutional provisions to be implemented (and besides, they require regulation in law in order to be effective). The following can be highlighted:

- stricter connection between the achievement and maintenance of tenure and the performance evaluation of the civil servant, seeking to strengthen the professionalization of the public administration cadres;
- reserve of commissioned positions for the exclusive appointment of civil servants³³;
- adoption of management contracts to increase the autonomy of public entities;
- citizen's participation in the public administration, introducing innovations such as access to information, responding to demands and queries and the participation of public service users in the administration of the services;
- regulation of access by public managers to privileged information that can be used for personal benefit;
- institution of prizes or bonuses for civil servants and organizations of the public administration that manage to promote reduction of expenses; and
- transfer of personnel and assets among the federal, state and local government levels, whenever services need to be decentralized from a higher to a lower level.

³² Complementary Law number 96/99 reinforced former regulation of limits on personnel expenses to be met by public administration, and Law number 9.801/99 regulated the dismissal of personnel whenever payroll expenses exceeded the limits fixed in law.

³³ The commissioned positions are provided for in the Constitution as the only positions in the Brazilian public administration that can be filled freely without requiring a public contest. In general they are destined to management or advisory functions, allowing temporary use of professionals from the private sector. But a frequent criticism is that these positions are used in a clientelist manner. The change accomplished by the constitutional amendment makes this distorted use more difficult.

The approval of the constitutional amendment of public administration represented a significant political victory for the administrative reform. However, as already mentioned, it did not bring immediate benefits to the reform's implementation, particularly in the case of projects designed to be developed across the federal administration. In fact, none of these projects required any constitutional change to be implemented. Therefore, without disregarding the prestige gained with the constitutional changes, it is clear that the effort spent in their formulation and negotiation produced more effective results in the states than in the federal government. In that sense, the mobilization of efforts required for this political victory, considering MARE's limited resources, imposed high opportunity costs, diverting efforts that could have been directed to other strategic alternatives for the implementation of the administrative reform. These alternatives could have been oriented by a more focused intervention inside the federal administration in order to achieve short-term results.

Law of social organizations

The formulation and approval of the law that regulated the social organizations called for extensive discussion in the government. This institutional model had plenty of innovative features and a non-incremental implementation: it required complete reorganization in order to turn a state institution into a social organization. Congress approved the law in 1998³⁴. Its provisions constitute an ingenious attempt to promote administrative decentralization, at the same time reducing the size of the State apparatus, but maintaining the State's responsibility in policy design and support to the social and science and technology policies. The innovation is the withdrawal of the State from the responsibility over the management of these activities, which would be transferred to society (but not to the market). In this sense, the approval of this law was a significant victory that shook the conservatism of the Brazilian administrative law, which inhibited modernization attempts in the public administration.

The solution adopted for the implementation of the social organizations sought to reduce the resistances that were expected, particularly from the civil servants. The "publicization" consists of extinguishing the state organization and at the same time bringing about its "rebirth" outside the State, under the legal characterization of a private entity. This change is accomplished without any discontinuity of the institution's activities. The social organization receives a "qualification" through a federal government decree, allowing it to absorb the attributions of the state entity that was extinguished, manage its facilities and equipments and receive budget resources to perform its activities. The granting of the "qualification" requires that the social organization implement a management contract with the ministry in charge of its area of activity. The social organization is directed by a council with a pluralist composition of representatives from the government and from civil society entities that have prestige and recognition in the same area. Hence, the civil servants have all their legal rights assured, so that they can remain in the social organization while preserving their functional link with the public administration until they retire. However, new employees are admitted according to the labor market rules.

The most controversial aspect of this law was the way in which the establishment of the social organization was regulated: it takes place outside the State but, in fact, the federal government keeps strict command over the whole process. Many of the project's critics saw a serious gap in

³⁴ The regulation of social organizations was approved as Law number 9.637/98.

the law concerning the absence of impersonal rules to regulate the selection of the social organization that would be granted the management of the assets and the budget that had belonged to the extinguished state entity. This gap could lead to the capture of State assets and financial resources by interest groups intending to take control of the institution. In that sense, they pointed out the need for stipulating impersonal selection rules to allow competition among different groups. In fact, the fears and uncertainties caused by a still unproven new model can explain the option for federal government supervision.

Flexibilities for the executive agencies

The implementation of the institutional model of the executive agencies, differently from the social organizations, followed an incremental strategy: the state institutions that intended to evolve towards the new model would not suffer any rupture. In particular, no legal changes were required: a federal agency could be granted, through a decree, qualification as executive agency, since it could enter into a management contract with its supervising ministry. The qualification requirements were regulated quite concisely in the law and detailed in a federal decree³⁵. Agencies qualified as executive agencies would enjoy greater autonomy and make use of the legal flexibilization provided in the law and in the rules. This flexibilization would not be extended to the non-qualified agencies. The purpose was to create an incentive to attract the managers of the federal agencies into adhering voluntarily to the new model.

The dissemination of the model would be accomplished in parallel with the revision of the laws and rules, aimed at the selection and approval of greater autonomies and flexibilizations. This would dissipate the fears of abusive use of the freedom granted, because only a restricted number of agencies would benefit, although the aim was to increase this number along time. The executive agencies would become laboratories for testing the innovations. Some difficulties were foreseen in the acceptance of these innovations in the budget, finance and control areas, which could be apprehensive in relation to a distorted use of flexibilization. Until the end of 1998, a very limited number of flexibilizations and increased autonomies had been approved, when compared to the set of suggestions that had been collected from the managers of many federal agencies. The approved flexibilizations and autonomies comprised the management of human resources, budget and financial resources, allowing some simplification and speeding up of procedures³⁶. However, they do not include demands such as the adoption by each executive agency of a specific wage structure, management of the agency's own budget by means of a global appropriation, autonomy in the allocation of revenues collected directly or adoption of the agency's own rules for purchases and contracts. At the same time, the limited dissemination of the new model, as described ahead, hindered the achievement of more significant advances in the legal and normative area.

Revision of the civil servants statute

³⁵ Law number 9.649/98 and Decree number 2.487/98

³⁶ The set of flexibilization measures and increased autonomies for executive agencies were enacted in Normative Instruction MARE number 7, July 1997, Decree number 2.488/98 and Law number 9.648/98.

The revision of the statute of the federal civil servants (Law number 8.112/90) was accomplished through successive amendments that changed many provisions of that law³⁷. The revision was aimed at reducing expenses and updating the rules in this labor regime that were considered privileges or paternalist concessions. The changes were accomplished along almost 2 years and represented an important political victory for the government, because they attacked ingrained advantages crystallized in the 1990 statute. They had been granted without careful evaluation of their costs. Moreover, many states and municipalities also adopted the changes promoted in the federal administration, when revising their own statutes. The changes included multiple aspects of personnel management and the rights and advantages of the civil servants. In some cases, it was necessary to tackle distortions and privileges, most of them resulting from flaws in the legal text that allowed for contesting in the Courts. Generally, the changes brought the rules governing civil servants closer to those applied in the labor market.

Revision of the law of procurement

The revision of the law of procurement (Law number 8.666/93) demanded prolonged formulation work carried out directly by MARE and afterwards with the Presidency of the Republic. The work resulted in a bill that was discussed extensively with government suppliers, and was also published to obtain criticism and suggestions³⁸. But the bill did not obtain the necessary consensus within the government to be sent to the Congress. The revision was aimed at simplifying rules, increasing differentiation among the procurement modalities, incorporating computer technology into the purchase procedures, strengthening the government's warranties concerning the execution of contracted works and allowing states, municipalities, agencies and public companies to have their own regulations, as long as they were compatible with the general provisions established in the federal law. However, several changes in specific aspects of the law of procurement could be accomplished through amendments to the law that were approved by the Congress³⁹. These changes allowed some progress in the simplification of procedures, particularly:

- wider use of more simplified modalities of procurement, through increasing the limits stipulated in the law for each modality; and
- regulation of new modalities of procurement enabling the continuous supply of the same product or service by several suppliers, in a single buying process.

Deregulation of administrative rules

The deregulation was an attempt to revise obsolete or useless laws and rules and to simplify and consolidate these rules in codes which would allow easier consultation and understanding of the law. According to the guidelines of the Steering Plan, citizens should understand the deregulation concept as the simplification and suppression of rules that represent useless formalist controls that inhibit the initiatives of managers or hinder their comprehension. However, the legal competences held by MARE drove this work towards a kind of internal deregulation, without impacts that could be directly noticed by the citizen. Nevertheless, internal deregulation could help improve the

³⁷ Law number 8.112/90, consolidation published in the Diário Oficial da União (Federal Official Journal) on March 18, 1998. The detailed description of modifications accomplished in this law is presented in MARE. Regime Jurídico Único Consolidado (Law number 8.112/90). Brasília, MARE, 1998.

³⁸ Bill of the bidding and contracts law, Diário Oficial da União, February 19, 1997.

³⁹ Law number 9.648/98.

efficiency of the federal administration. The work began in MARE, with the revocation of 150 normative acts by the end of 1998, in the areas of human resources, procurement, information systems and structure and organization. The strategy adopted focused on internal deregulation within the Ministry (but comprising the areas governed by rules formulated by MARE, reaching all the federal administration) and later inducing the other ministries to do the same. A “rule of the rules”⁴⁰ was also issued, which sought to regulate the formulation of rules in order to make them easier to understand. The classification and consolidation of all the federal legislation was established as a goal for the whole of the federal administration, starting with the approval of a law by the Congress, in February 1998 (Complementary Law number 95/98). The work on the normative revision that was being carried out by MARE was expanded to include compliance with this law, whose targets were much more ambitious. By the end of 1998, the work was still in progress.

3.2. New institutional models

The implementation of the new models for provision of services by the federal administration was an item of crucial importance in the administrative reform, but outcomes were limited to quite a small group of recent pilot-experiences. Several circumstances delayed the dissemination of the executive agencies and social organizations. First, the long time needed for negotiation and approval of legislation that regulated the new models. Second, the absence of a clear commitment by the government as a whole and also the nonexistence of incentives (or conversely, of sanctions) to induce their adoption. Third, the fears and resistances to the proposed changes, due to uncertainties and challenges associated with the new models. Fourth, the complexity and multiple linkages required for preparation and qualification as an agency or social organization: these linkages demand complete engagement on the part of managers and even civil servants in conducting a process of deep managerial transformation, rather than a simple formal change⁴¹. Hence, it was a big challenge that required full commitment from the institutions, the supervising ministries and other segments of the government. Finally, the absence of clear determinations from the federal government as a whole, particularly in the setting of goals to be achieved by the ministers concerning the implementation of executive agencies and social organizations. Actually, this may have been a result of uncertainty concerning the viability and long-term impacts of the dissemination of these new models⁴².

Dissemination of social organizations

⁴⁰ Normative Instruction MARE number 1, May 21, 1998.

⁴¹ The complexity and depth of this change, starting with previous preparation for implementation of an executive agency or social organization, can be observed in the various stages to be accomplished, as described in the manuals prepared by the technical team of the ministry: MARE. Organizações Sociais, Brasília, MARE (Cadernos MARE da Reforma do Estado, number 2), 1998 and MARE. Agências Executivas, Brasília, MARE (Cadernos MARE da Reforma do Estado, number 9), 1998.

⁴² By the end of 1995, regulatory agencies had also been implemented in the areas of petroleum, electric power and telecommunications, but this policy was not conducted by MARE, which interfered only in the definition of their internal structures. Their implementation was driven by privatizations carried out in these areas during president Cardoso’s first term, so that regulatory agencies had to perform a set of newly created functions. On the other hand, the model for executive agencies aims to improve the management of existing State institutions. Nevertheless, certain uncertainties still persist concerning the organizational format and autonomy of regulatory agencies, particularly regarding personnel, budget and finances.

The social organizations were implemented as pilot-experiences. MARE's team worked on the formulation of the necessary legislation between 1995 and 1997. During this period, implementation was impaired by lack of a law establishing the new model. After the approval of this law, in October 1997, the first two social organizations were created in the National Laboratory of Synchrotron Light (Laboratório Nacional de Luz Síncrotron), a center for research in physics, and Roquette Pinto Foundation (Fundação Roquette Pinto), an educative television network. These institutions became legally extinct and were then recreated outside the State as social organizations. Four other pilots were in development until the end of 1998, but did not reach a stage of effective implementation, with the creation of the social organization and extinction of the state entity.

The implementation of social organizations at the end of 1998 was still far from achieving the acceptance of the model. The group of state institutions across the federal government whose functions are structured according to the social organizations model includes about 200 institutions in areas such as education, health, culture, scientific and technological research and environmental protection. Therefore, the two pilots that are being implemented are no more than a preliminary test of the model. Progress in their dissemination should lead to a deep administrative reorganization in the education, science and technology and social policy areas by means of the withdrawal of the State from the direct management of these activities. Several circumstances hindered significant progress. First, the "demarches" involved in formulation, negotiation and approval of the law, which took almost three years. Second, the apparent radicalism of the intended change, requiring the legal extinction of each state entity and generating resistances due to the conformist bureaucratic culture that is still pervasive among civil servants and public managers. This feature of the model fueled some fears and an exaggerated perception of risks related to its implementation. Third, because of the government's dubious commitment with the new model, social organizations tended to be seen as MARE's policy. The Federal Government did not set implementation goals, so the model's dissemination depended on the persuasion skills of managers and ministers. This persuasion work was undertaken enthusiastically by the team and achieved an impressive response from many public managers interested in the adoption of a new model. However, implementation depended strongly on the agreement of the respective ministers. Despite this resistance, some Federal States and municipalities also adopted the model⁴³.

Dissemination of executive agencies

The dissemination of the executive agencies was also limited. In this case, the legal framework was not even fully outlined. By the end of 1998, qualification as executive agency had only been awarded to one institution, the National Institute of Metrology and Industrial Quality (Instituto Nacional de Metrologia e Qualidade Industrial - INMETRO). Seven other institutions were in the process of obtaining the qualification. The target-segment for this model is made up of about 30 federal institutions that have a role in the areas of tax exaction, inspection, promotion and provision of State exclusive services.

The implementation of this model was intended to persuade managers and ministers in the same way as that of the social organizations. Likewise, the government did not set dissemination goals

⁴³ The State of Bahia approved a law establishing social organizations and began their dissemination. Other states, such as Pará, Paraná and Maranhão, are also at tempting to implement the model.

for this model. However, the strategy that was adopted envisaged the building of the legal framework - a set of flexibilizations and increased autonomies – as soon as an increasing number of pilots allowed the identification and testing of new flexibilizations.

As explained previously, a first set of flexibilizations was approved between 1997 and 1998, after lengthy negotiation with the ministries responsible for the budget and finance areas. Within MARE, it was also necessary to negotiate the flexibilizations with the areas of human resources, procurement, administrative organization and information systems. Surprisingly, resistances arose even inside MARE, which evidenced the difficulty in assimilating the new anti-bureaucratic stance. In general, deeper changes did not win support inside the government as a whole, frustrating the expectations of the pilots' managers who were preparing their institutions for qualification as executive agency. At times, the perception of these managers was that the qualification as an executive agency seemed to impose more obligations, submission to scrutiny and high visibility regarding performance, without any compensation in the form of greater autonomy or benefits granted to their personnel⁴⁴.

3.3. Reduction of personnel expenses

The measures and policies to control the payroll adopted by MARE between 1995 and 1998 reversed the tendencies of the 1992-1995 period. Previously, there had been an increase in payroll costs due not only to the policy options of the previous government, but also to the weakness of the control mechanisms and the growth of retirements among civil servants⁴⁵. The former policy had been extremely generous, attempting to promote a widespread increase in the wages of nearly all federal civil servants, bringing about disastrous consequences such as the excessive growth of the payroll costs⁴⁶. Later, a readjustment was granted based on past inflation, at the beginning of President Cardoso's term, when the stabilization of the economy had been reached, so that this readjustment represented a real wage increase to the majority of the federal civil servants. As a result, the payroll costs jumped from R\$ 23 billion in 1992 to R\$ 46 billion in 1995, doubling in only 3 years (see Table 1). In 1996, these expenses were reduced by 2.7% in relation to 1995. In 1997 and 1998 they started to grow again, respectively, 0.8% and 3.7%, although much less than in the previous periods.

⁴⁴ MARE's attempt to create incentives for saving resources was unsuccessful. The proposal comprised a kind of award system allowing the payment of bonuses to civil servants of an executive agency or to the agency itself. If paid to the agency, the money could be used in training programs, purchasing of equipments or improvement of working conditions. However, it was not well understood by the Government as a whole, in spite of its conception, which expressly determines that the costs of the award would be financed with a share of the saved resources.

⁴⁵ In Brazil, due to legal and constitutional provisions, federal civil servants had extremely generous incentives for retirement such as: pensions of the same amount as wages paid when in activity and a monthly bonus upon retirement of up to 20% of the last wage. This bonus was extinguished as a result of revision on the civil servants statute. The law had established the extension of contribution to the pension system to retired civil servants, but a judicial pronouncement invalidated the act. The reduction of the value of pensions, which are equal to the wages of active civil servants, was pursued in the proposals sent by Government to the Congress, but was defeated. In addition, the Constitution establishes that any advantage granted to improve civil servants' wages must be automatically extended to retirees. These overprotective provisions encumber any attempt to increase the wages of civil servants.

⁴⁶ There is no convincing explanation for these decisions. Maybe the reduction of disparities among wages paid across the Executive and the ones of the Legislative and Judiciary - usually higher - exceeded the estimated costs due to successive extensions of advantages, often promoted by the bureaucracy in its own interest or by the Courts. Nevertheless, it was a popular policy among federal civil servants, although it did not generate improvements in the services provided to the population.

The cutback effort was based on restriction of the linear readjustments that used to be granted annually, considering the new context of price stability in the Brazilian economy, starting from 1994. The restriction of these readjustments was an unpopular policy among the federal cadres, but it could be applied under conditions that minimized eventual losses, since an expressive wage recovery had been achieved between 1993 and 1994. In addition, a set of measures to control the payroll was successfully implemented, strengthening the role of MARE as the Ministry responsible for personnel cost management. This success increased the credibility of the Ministry among the ministries in the economic area, which were determined to reduce expenses and control the public deficit. The measures adopted by MARE comprised the establishment of "filters" in the computerized payroll system⁴⁷, with the purpose of blocking illegal or irregular payments. Moreover, several audits were carried out under MARE's supervision, and 24 universities and 17 state companies were enrolled in the payroll system, managed by the Ministry. These institutions formerly issued their payrolls autonomously, in spite of receiving resources from the federal government's budget. Also, the register of retired civil servants and pensioners was updated, eliminating frauds and undue payments together with the implementation of a program for voluntary resignation in the federal government.

In spite of the success and recognition of MARE's performance in this area, serious restrictions still persist in the handling of personnel expenses, which are still growing due to judicial decisions. On the other hand, expense items related to personnel nowadays account for the largest share of the budget (about 53%), which turns them into obvious targets for fiscal austerity policies. Additional reductions of expenses will probably depend on the government's success in the reform of the federal servants' pension system.

3.4. Changing of the civil servants' profile

Several measures were adopted with a view to changing the profile of federal civil servants based on the diagnosis presented in the Steering Plan. The priority became recruitment of new civil servants and improvement of the wages of a highly qualified group of positions and careers, called "State careers"⁴⁸. These careers were responsible for functions under exclusive competence of the State, such as policy design, regulation, supervision and control. This policy was aimed at restoring the capacity of the strategic core to formulate, coordinate and control public administration policies. At the same time, an important effort to train federal civil servants was developed through ENAP.

The recruitment of civil servants was resumed in a systematic way, after several years of severe restriction, due to the growth of personnel expenses. However, the selection strategy adopted focused on filling highly qualified positions in central departments of the Federal Government. In the period from 1995 to 1998 about 46 thousand new civil servants were recruited, amounting to almost 10% of the 506 thousand civil servants in the federal administration (see Table 3). Recruitment for lower qualification positions (secondary and basic education) was severely

⁴⁷ It is estimated that the "filters" were responsible for savings of about R\$ 1,2 billion a year. The annual cost of the payroll of federal government civil servants is nearly R\$ 47 billion.

⁴⁸ According to MARE, servants of the following areas constituted the group of "State careers" across the Federal Executive branch: legal, diplomatic, public policies, inspection and police. MARE. Os Avanços da Reforma na Administração Pública - 1995-1998 (Cadernos MARE da Reforma do Estado, number 15). Brasília, MARE, 1998, pp. 68-69.

restrained. The profile of civil servants recruited in the period reveals that 56.8% of the positions filled required higher education, while 37.9% required secondary education and only 5% were lower level positions. Since among the federal civil servants of the Executive branch, 33.5% occupy positions requiring higher education, 57.9% occupy positions requiring secondary education and 5.7% are auxiliary positions requiring only basic education, it is clear that the recruitment contributed to the improvement of the profile of federal servants⁴⁹. Furthermore, in that period the total number of civil servants fell from 567 to 509 thousand. The implementation of public contests for recruitment became the object of planning - still incipient - aimed at setting the numbers of new cadres needed for each unit of the federal administration. This planning estimated the annual opening of vacancies for a period of five years, leading to gradual and continuous renewal of cadres. The rate of personnel replacement was controlled and used to determine the frequency of the contests. The purpose was to bring about a progressive decrease of personnel.

Table 3
Number of federal civil servants recruited through public contest: 1995-1998

Education level	Number of civil servants recruited				
	1995	1996	1997	1998	Total
Higher	7,709	6,309	6,579	5,755	26,352
Secondary	10,097	3,251	2,387	1,879	17,614
Basic	1,869	367	94	75	2,405
Total	19,675	9,927	9,055	7,709	46,371

Source: MARE

The recovery of the value of wages was also accomplished, favoring 46 careers, especially those with discrepancies in relation to the market or even to other careers in the federal administration with the same qualification. This was the case of careers that performed activities such as public policy formulation, legal defense of the State, agricultural inspection, scientific and technological research and activities related to the land reform policy.

In the training area, MARE achieved impressive results through more efficient use of the structure of its training center, attended by servants of the whole federal administration. From 1995 to 1998, ENAP trained about 7.5 times the number of civil servants trained in the 1991-94 period. Almost 50 thousand servants went through their classrooms in the four years between 1995 and 1998. Continuous training programs began to be offered, with stable contents and a focus on government policies. It is worth noting that ENAP was also resuming the recruitment for high qualification positions belonging to the career of Public Managers (Gestores Governamentais), carrying on a project specifically designed to supply cadres to Ministries in the areas of public policy design and management. A more systematic training policy was formulated and a decree was issued establishing a national policy for training civil servants, in August 1998⁵⁰. This decree was a first attempt to formulate a more structured policy exploring the connections between the training of

⁴⁹ The data on schooling of federal servants can be found in MARE. Boletim Estatístico de Pessoal. Brasília, MARE, part 2, sections 2.6 and 2.7.

⁵⁰ Decree number 2.794/98.

civil servants and priorities established by government policies. The organization of a training system had been envisaged, covering all the federal administration, with guidelines, information, and coordination levels and general rules for the training actions. But by the end of 1998 the implementation of the new policies was still in the beginning.

The modernization of the structure for positions in the federal administration began with the extinction of many obsolete positions. About 28 thousand vacant positions were extinguished and 73 thousand had their extinction established when their occupants retired. The extinct positions included: first, activities of a complementary or auxiliary nature in relation to the areas of major competence in each organization; second, cleaning, security, surveillance, property maintenance and other activities that could be outsourced. This policy were enacted along with an effort to provide better regulation for outsourcing procedures, with a view to improving the conditions for negotiating and establishing contract prices.

Apart from the revision of the guidelines for the personnel area, which corrected some of the errors of the previous policy, a broader policy for human resources was never formulated. Issues related to the reorganization of the federal administration careers and the implementation of a system of incentives, performance evaluation and training have not been properly addressed. However a few still incipient initiatives have taken place. The reasons for this omission can be found in the strategic design of the reform, which assumed that a deep reorganization of federal administration cadres would follow the dissemination of social organizations. The whole group of institutions that belongs to the non-State exclusive activities would be placed in the non-state public sector, so that recruitment to new positions should comply with the labor market rules. In other words, in the medium and long term, a huge decrease in the number of federal civil servants could be expected as a result of the dissemination of social organizations.

3.5. Improvement of the management and organizational environment

The Steering Plan was an approach to the reorganization of the State that emphasized legal and institutional aspects. However, the issues concerning the management process and the organizational culture and environment deserved only brief reference. There was a perception in MARE's team that the reform needed strategies and tools to allow interference in the management process, mobilizing both high echelons and the mass of public servants. To achieve this, it was necessary to deal with the culture and environment of the Brazilian Public Administration. After some hesitation, the Total Quality Management (TQM) approach was adopted as the tool capable of changing the work process and organizational environment.

The project was designed to promote a broad reorganization of Ministries, combining multiple tools, stages and dimensions, but did not win the necessary support for its implementation. This project was supposed to promote the extinction or restructuring of several federal organizations, along with the dissemination of executive agencies and social organizations and the application of the TQM tools⁵¹. It would enable MARE to take advantage of the synergies generated as a result of a process of simultaneous changes comprising legislation, structures, management process and including each ministry and their supervised agencies. This project, called "Restructuring and

⁵¹ The project was an attempt to combine two tools that were usually viewed as antagonistic: the downsizing of structures, whose application is instantaneous and traumatic, and the TQM, with an incremental implementation that requires the voluntary participation of employees and managers.

Quality", was designed to promote, in an ambitious and original way, the downsizing of structures and at the same time, the dissemination of the TQM. The issuing of a presidential decree was required in order to establish the guidelines and stages to be accomplished by all the ministries in the revision of their structures, setting of goals, improvement of managerial process and dissemination of executive agencies and social organizations. The strategic planning techniques and tools, TQM and structure analysis were to be used in that way. However, the decree was not issued, and MARE tried to implement the project through the adhesion of the ministers. MARE itself and two other ministries became pilot-experiences, but with few advances by the end of 1998.

An incremental approach was much more successful and was adopted in the implementation of award systems that were well received. The Federal Government Quality Award (Prêmio Qualidade do Governo Federal) was established in 1998, allowing the participation of any federal organization. Recognition through the award was intended to stimulate public managers to take part in the contest, in which their institutions were submitted to a diagnosis of their management performance. Hence, participation in the contest provided both a diagnosis based on the TQM concepts and guidelines and the mobilization of civil servants and managers for the improvement of management. The first award cycle proved the effectiveness of the strategy, attracting the participation of 53 organizations. Alongside this initiative, another award system focused on the units, projects and smaller organizations. This contest was supported by the intermediate echelons and project managers and was also a successful experience. The Contest for Innovative Experiences in Public Administration (Concurso de Experiências Inovadoras em Administração Pública), conducted by ENAP, has been promoted annually since 1996, with about 50 participants in each cycle. Generally, the recognition and award systems revealed a hidden vitality and diversity of initiatives for improving public administration, disseminated through all segments of the federal administration by highly motivated managers.

3.6. Information systems

The new computer technologies opened new frontiers in terms of access to information and its application in decision making. The information systems of the federal administration had been built in an era dominated by old "mainframe" technologies, which made it very difficult for the users of the information to handle the systems directly. Under the reform of the State, some advances made the systems capable of exchanging information among databases. In addition, computerized systems to support procurement processes were developed, in particular: a computerized register of suppliers, electronic publishing of bids and a system for registration of procurement prices. These innovations increased competitiveness in the procurement process, making it easier for small companies to participate and allowing managerial control focused on "practiced prices". The systems of personnel information, budget, finance and organizational data began to exchange their databases for the purpose of producing managerial reports. These reports allow gauging of the total costs in each administrative unit of the federal administration and are being issued since 1998.

3.7. Institutional communication

MARE was very successful in the dissemination of publications, documents and information about the reform, providing many different kinds of media and direct communication channels to its clients and the general public. The new electronic media, such as the Internet, were intensively used

and helped to build a positive image of the Ministry and its projects. MARE's website was always in second or first position as the most frequently visited site in the federal government. The information advisory body of the Ministry received about 30 thousand pieces of mail through the Internet or Post during President Cardoso's first term. The site and MARE's publications were engaged in disseminating the reform. The Ministry periodic publication of regularly published personnel statistical information extracted from its databases, formerly considered a true black box. The documentation of the main projects and several studies produced in the Ministry to support the reform were published and disseminated through the Internet or provided upon request. These publications reached a total circulation of about 40 thousand copies, in three years. The ministry also published a magazine ("Reforma Gerencial") distributed among opinion makers and during public events. The most interesting aspect was the new way of dealing with information, quite innovative and different from the prevailing secrecy of many Brazilian government institutions. This work helped to create a network of supporters of the reform and to change the established culture of bureaucracy concerning access to information by citizens.

4. The reform implementation: an appraisal

Although it is still early for a conclusive evaluation, some issues can be identified concerning the possibilities of continuity and consolidation of the Brazilian Administrative Reform. In general, the reform outlined by the Steering Plan still entails a great and persistent implementation effort. However, progress in the implementation may require the government to reaffirm, more clearly, its commitment with the proposed guidelines. The drive towards a new design for the Brazilian State, with its deeply innovative characteristics, went no further than the implementation of a few pilot-experiences. This design comprised a bold and comprehensive set of changes: from the revision of the roles of the State to the social and scientific policies, State restructuring and downsizing coupled with the dissemination of new institutional models for service provision, the adoption of new management tools and post-bureaucratic controls and the opening of areas to social participation through the non-state public sector.

As discussed in the previous pages, the formulation of the administrative reform policy in Brazil was not followed by a clear and expressed mandate for its implementation by MARE. Perhaps the skepticism, the fear of risks and uncertainties arising from the intended changes, and even the Brazilian government's own institutional features, hindered decision making towards stricter implementation. Likewise, this context was responsible for persistent ambiguity concerning the implementation of the Steering Plan: MARE's projects were always seen as Minister Bresser's projects, rather than government projects. In that sense, the implementation was underscored by the search for support and adhesion to projects that were developed as pilot-experiences. Therefore, the alternative adopted by the government was to allow experimentation of innovations, postponing their validation or widespread dissemination. Although it seemed a safer alternative, long-term continuity and institutional stability were still required for the reform projects to mature. As known, this was not the strategy adopted.. MARE's extinction⁵² was decided at the beginning of president Cardoso's second term and brought new and important components to what will possibly be a new design and strategy for reform, as commented below.

⁵² MARE was extinguished on January 1st, 1999 and its competences were absorbed by the Ministry of Planning and Budget, which was then entitled Ministry of Planning, Budget and Management.

The evaluation of the outcomes along four years is not a simple task, because these outcomes must be placed in the context of implementation, in which goals were often defined and strategies adjusted according to opportunities that arose and support that was won. In that sense, the implementation of the reform was evaluated positively by MARE's team in several internal seminars and in documents issued for dissemination of the reform⁵³. Some of the accomplishments that were considered outstanding for their technical complexity, creativity, novelty or strategic importance to a broad process of changing the Brazilian public administration were:

- the formulation of legislation and methodology for the transition of federal institutions towards the new institutional models of executive agency and social organization, as well as the formulation of the methodology for preparation, negotiation and evaluation of management contracts;
- the creation of computerized systems control the payroll and support government procurement;
- the intensive dissemination of the reform program in society through multiple media, such as publications, events, website and e-mail; and
- the implementation of award systems supported by methodologies for management evaluation which took into account public administration peculiarities.

As the point of view of MARE's team can be influenced by the perception of stages, objectives and goals that are often relevant only as an internal process inside the bureaucracy, it is possible that many of these accomplishments and the optimistic general view do not necessarily match the perceptions from other sectors of the government and from the Presidency of the Republic. In fact, the pressure for politically significant results really existed, and MARE's team was quite conscious of the need to achieve goals that could generate credibility for the reform. Also, the assimilation of the proposal by the Government met resistance niches, or at least distrust, from segments whose support would have been important for the Steering Plan. These niches were located in the budget and finance areas (and also among the Congress advisory bodies), which fear the granting of autonomies and the introduction of non-bureaucratic controls over executive agencies and social organizations. And they could also be found in areas of great importance for the consolidation of the reform's institutional models, such as in the Ministry in charge of education and at universities, where these models were not easily accepted.

Efforts to mobilize most of the civil servants were also undertaken, generating impacts that made them aware that there was a reform in course. Hence, the perception of the reform among the rank-and-file civil servants was strongly influenced by the impact of the revision of the tenure regime and by the policies to control payroll costs. In that sense, the reform was not successful at influencing the daily routine of the civil servants and, therefore, did not produce changes in the work environment or in the routines and procedures, despite the satisfactory results obtained with the training programs. The union entities of the civil servants were always aggressively opposed to the reform, but they were not capable of any significant mobilization. The same did not happen with the career associations of high bureaucracy. There was always a shared concern over maintaining some dialogue channels, but their leaders' position was of distrust and doubt in relation to the purposes pursued by the government, in spite of the fact that the policies adopted focused on improving remuneration and recruiting cadres for these segments.

⁵³ As an example of overall evaluation of accomplishments of the reform experience that is close to the predominant view in the team responsible for its implementation, see: MARE. Os Avanços da Reforma na Administração Pública - 1995-1998. Brasília: MARE, 1998.

But there was plenty of evidence concerning the successful assimilation of the reform. Its guidelines and proposals were supported by most of high and intermediate public managers, as can be verified in at least two opinion surveys⁵⁴. The Government's program for President Cardoso's second term incorporated all the guidelines and the design presented in the Steering Plan⁵⁵. Many state and municipal governments adapted the social organizations model and sought technical cooperation channels with MARE in order to implement the same kind of controls over their payrolls. Similarly, they asked for technical support to develop TQM programs. The concepts and the diagnosis of the Steering Plan became a study topic in many public administration courses throughout Brazil and in seminars and events.

MARE's extinction appears to be the consequence of the need to redefine the strategy in order to achieve faster outcomes and wider impacts. In other words, the government now intends to support stricter implementation, rather than the paths taken by MARE. Another important change is the coexistence in a single ministry of reform, planning and budget functions. In theory, planning can be a powerful tool for improving the management process, by setting objectives, goals and performance indicators. On the other hand, the establishment of links between the budget process and management controls and the fulfillment of goals is also a way to create incentives for improving institutional performance. Thus, the implementation of the reform would rely on two new intervention tools that are capable of reaching all units of the federal administration, allowing the application of incentives and even of sanctions that can be combined with the dissemination of the guidelines, institutional models and innovative tools developed by MARE⁵⁶. The aggravation of the crisis after the devaluation of Brazilian currency, in January 1999, generated a sense of urgency to adopt harsh measures to reduce and control expenses, and this can affect the administrative reform. The measures that can generate immediate cost-cutting should find support for fast and strict implementation. This is the case, for instance, of projects for managerial control over government procurement. Policies to reduce personnel expenses and even the dismissal of federal servants will also become politically acceptable. However, their implementation without incurring in the risk of further deterioration of the federal administration's performance depends on the analysis of structure and personnel allocation, which could have been done under the projects for structural reorganization developed by MARE, but that were never fully implemented.

MARE's extinction put an end to an organization that was on a positive path of institutional development. Hence, MARE had attracted motivated teams with good technical skills, its internal structures were flexible, and its decision making was relatively open and participative. There was

⁵⁴ Instituto de Estudos Políticos. Os Formadores de Opinião no País e a Reforma do Estado. Brasília: IESP, 1997. ENAP. Conhecendo a Clientela da ENAP: O Perfil dos DAS 101.4. Relatório Síntese de Pesquisa. Brasília, ENAP, 1998.

⁵⁵ Comitê Fernando Henrique Cardoso. Programa de Governo: 1999-2002. Brasília, 1998.

⁵⁶ MARE's extinction, bringing the reform close to the planning and budget activities, was supported by minister Bresser Pereira:

"(...) following a recommendation I supported, the Ministry of Federal Administration and Reform of the State was merged with the Planning Ministry. In this way it will be possible to tie the budget to the managerial reform, making more expedite and effective. In the first four years of the Cardoso administration the implementation of the reform depended solely on persuasion: in the second four years persuasion will be coupled with executive authority." p. 18
BRESSER PEREIRA, Luiz Carlos. Reflections of a Reformer: Amending the Constitution in Democratic Brazil, draft. To be published in: SCHNEIDER, Ben Ross and HEREDIA, Blanca (eds.).Op. Cit.

no serious lack of budget resources to implement the projects, and its range of computer equipments was quite satisfactory by Brazilian standards. The Ministry had employed efforts in the training and motivation of its team and tried to build a positive institutional identity, by means of internal programs for quality and for the improvement of the services provided to its clients. Its institutional image was quite favorable among related areas in public administration, in spite of some distrust among federal civil servants due to the cutback policies. There is a risk of those favorable conditions being disregarded, since the extinction and transfer of MARE's team and resources to other ministry may generate conflicts and disputes.

Finally, there is still the issue concerning the continuity of the Steering Plan as a policy reference for the Brazilian Administrative Reform. The Plan was an open conception, whose implementation, even under fully favorable conditions, could never be concluded in the period of a presidential term. Therefore, it is necessary to think in terms of current developments and strategic adjustments to a new context. But there is a risk of the Steering Plan being discarded as useless or utopian, in favor of narrowly conceived measures capable of resulting in immediate impact. In that case, would it be a step back in time, with the loss of the administrative reform identity as a specific issue in the government's agenda?

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