

THE 1995 PUBLIC MANAGEMENT REFORM IN BRAZIL: REFLECTIONS OF A REFORMER

Luiz Carlos Bresser-Pereira

In Ben Ross Schneider and Blanca Heredia, eds. (2002) *Reinventing Leviathan: The Politics of Administrative Reform in Developing Countries*. Miami: North-South Center Press: 89-101. In Portuguese: *Revista do Serviço Público*, 50(4): 5-28, October 1999.

Abstract. In this paper the author – Minister of Federal Administration and Reform of the State in the first Cardoso Administration (1995-98) – asks himself why, in this period, the constitutional amendment that became known as the Administrative Reform, was approved by Congress, while the Tax Reform and the Social Security Reform were not. His answer is that the Administrative Reform (a) responded to a social demand; (b) had a clear objectives (to make viable the Managerial Reform of the Brazilian bureaucratic public administration); (c) presented a precise design, particularly on the proposed change of tenure rights; (d) involved political alliances and limited compromises; and (e) was the outcome of a national public debate, which ended by persuading public opinion and the Brazilian senior civil service.

After the Cardoso administration was inaugurated in 1995, constitutional amendments designed to reform the state became major items on the agenda of the new government. Besides a first amendment eliminating the state monopolies in energy and communications, approved quickly by Congress in the first months of the new administration, the Cardoso government sent three major constitutional amendments to Congress to reform taxation, social security, and public administration. By 1999 only

Luiz Carlos Bresser-Pereira teaches political economy at Getúlio Vargas Foundation, São Paulo (bresserpereira@uol.com.br www.bresserpereira.org.br).

administrative reform had really progressed.¹ As the minister in charge of administrative reform in this period I will, in this paper, make some reflections on the progress of that reform in the first Cardoso administration. First, I will briefly define the managerial form of the proposed reforms, and second try to answer some of the major questions about it. Why did the Cardoso government decide to propose to Congress a full fledged administrative reform, when it was not high on the political agenda of the country and had not been an issue in the 1994 presidential campaign? Why was public opinion ultimately receptive to the general ideas of a managerial reform of the civil service? Why did the senior civil service endorse the more specific proposals in the Plano Diretor da Reforma do Aparelho do Estado? Why did Congress approve the constitutional amendments necessary to implement the Plan? How important was the existence of a previous social demand for administrative reform? Or was an appropriate design the differential factor in relation to the other reforms? Or it was the democratic character of the national debate that the amendment gave rise? Finally what were the strategies to identify and neutralize opponents on the one hand and seek out political allies on the other?

According to my experience the approval of major reforms depend on four factors: need, policy design, democratic persuasion, and alliances. There is need when the reform responds to an effective social demand. The correct design of a reform, i.e., the fact that the new proposed institutions give an effective and clear answer to the existing demand, is essential to its approval. Third, in democracies reforms depend on national debates through which public opinion is shaped and persuaded. And fourth, to get the support of the politicians in parliament, besides the approval of public opinion, it is necessary to establish some strategic alliances.

A Managerial Reform

The 1995 administrative reform in Brazil can be characterized as a managerial reform. It was designed to replace the existing mix of bureaucratic public administration and clientelist or patrimonialist practices by a managerial public administration that broadly follows the principles of the “new public management.” Often “administrative reforms” in Latin America are just ad-hoc changes in the government organization chart that are undertaken when new administrations take office. These are superficial

¹ - Administrative reform was part of the second generation of reforms, together with social security and tax reform. Trade liberalization and privatization, that got momentum in the early 1990s, constituted the first generation of reforms. Trade liberalization was completed in 1993; privatization of competitive industries was completed in 1996, already in the Cardoso administration; of monopolistic or quasi-monopolistic utilities (energy, communications, railroads, ports) continued throughout the decade.

administrative changes that do not involve significant institutional changes. In fact, there were only two real administrative reforms since modern national states were built: bureaucratic or civil service reform and the managerial reform. The first, analyzed by Weber, involved the formation of a professional civil service and took place in mid nineteenth century in Western Europe, in the early twentieth century in the United States, and in the 1930s in Brazil. Managerial reform, the second real reform, makes bureaucratic procedures and regulations more flexible and confers a higher degree of autonomy and accountability for government agencies and their managers. Managerial reform is a new historical phenomenon that gained momentum in the last two decades as government reformers began to realize that one of the reasons behind the current fiscal crisis of the state was the structural inefficiency of bureaucratic public administration.

The Brazilian managerial reform was originally defined in the *Plano Diretor da Reforma do Aparelho do Estado* (1995).² After assessing Brazil's highly inefficient civil service, this plan (and related documents) develops a theoretical framework for the reform, a framework initially inspired by the managerial reforms begun in the 1980s in some OECD countries, particularly Great Britain. The major elements of the Plan include:

- a. decentralizing social services to sub-national units;
- b. delimiting the area of action of the state more precisely by distinguishing three areas of state activity: first, the "exclusive activities of the state (those involving state power that will remain within the central executive); second, the social and scientific activities that are not exclusive state responsibilities and that should be transferred to the non profit sector, and third, the production of goods and services for the market;
- c. distinguishing core activities, that have to be performed by politicians and senior officials, from support activities that may be outsourced;

² - For the *Plano Diretor* see Ministry of Federal Administration and Reform of the State (1995). There is an English version for the *Plano Diretor* with the title *White Paper on the Reform of the State Apparatus*. See also the fourteenth *Cadernos MARE da Reforma do Estado*, published by the Ministério da Administração Federal e Reforma do Estado, the papers and the book I wrote on the subject, and the papers published by ENAP (Escola Nacional de Administração Pública), mostly published in the *Revista do Serviço Público* and in Petrucci and Schwarz, eds. (1999). The *Cadernos* are available at the web-site www.mare.gov.br. My papers on the subject available in English are "From Bureaucratic to Managerial Public Administration" (1996a), "Managerial Public Administration: Strategy and Structure for a New State" (1996b), and "Reform of the State in the 90s: Logic and Control Mechanisms" (1997); the book is *Reforma do Estado para a Cidadania* (1998).

- d. separating policy formulation from execution;
- e. granting more autonomy and more accountability to the executive or service activities of the state, that either will take the form of “executive agencies” (when their activity involves state power), or the form of “social organizations”, i.e., a special type of non-profit service organization that receives government funding (but do not involve state power, as is the case of hospitals, schools, research centers, museums, etc.);
- f. assuring accountability through management by objectives, the creation of quasi-markets, and several mechanisms of direct democracy or social control combined with increased transparency in civil service, rather than through detailed definition of procedures, cross checking, and auditing – the classical bureaucratic controls, that are not eliminated but reduced

A crucial characteristic of the Brazilian managerial reform, besides the decisions to privatize state-owned enterprises that produce goods and services for the market and to outsource to the private sector support activities, was to transfer to the non-profit sector (instead of maintaining under direct state ownership) the social and scientific activities that are completely or partially financed by public funding. Another characteristic was the emphasis given to strengthening the strategic core of the state where major policy decisions are made by politicians and senior civil servants (such as stabilization programs designed in economic ministries).

Progress to Date

There are several reasons to consider the Brazilian managerial reform a success, so far. First, the basic institutions required for a Managerial Reform of public administration were set up. The constitutional amendment (what the press and public opinion considered the key to “administrative reform”) was approved by the Congress with minor changes to the original government proposal. This amendment made tenure rights for civil servants more flexible and established a cap for high, sometimes very high, salaries in the public sector. The amendment also eliminated the constitutional requirement for a “regime jurídico único” that had created a single labor regime for all civil servants regardless of the functions they performed, and stopped the Judiciary or the Legislative branches from increasing salaries without a previous law (or incorporating temporary gratification as permanent salary).

Beyond the constitutional amendment, the government enacted laws defining the two central organizational institutions of the managerial reform – the “executive

agencies” and the “social organizations.” The government also established the norms on “management contracts” that defined the performance indicators each organization was to achieve in exchange for enhanced autonomy. The law on the labor regime of federal civil servants, that previously granted a series of privileges for civil servants, was thoroughly amended. MARE defined a new human resources policy which established that only members of “state careers” (those involved in exclusive state activities) should continue to be recruited (since support activities are supposed to be outsourced and social and scientific activities transferred to the non-profit sector) and required that the remaining civil servants to be recruited should be highly trained and well paid.

Second, total quality management (TQM) was established and became widely accepted as the major management strategy that state organizations should adopt. A managerial reform needs a management strategy. Total quality control is a business strategy that fits public management well, since it adopts many other criteria of excellence besides the bottom-line rate of profit that is by definition absent in government. In the early 1990s government reformers first attempted to introduce quality management in Brazil’s federal administration. Despite the efforts of a group of strong believers in quality management, the attempt failed, because the differences between private and public administration were not well defined, and because since quality management was not inserted in an overall reform model. The lack of an overall model meant that senior civil servants lacked the autonomy required to adopt the more adequate means to achieve the desired management outcomes.

In the late 1990s total quality management gained new life in the context of overall managerial reform. The differences were clear: while private management is an economic activity controlled by the market, public administration is a political endeavor, politically controlled. Success in the private enterprise means profit, in public organization, public interest. One can transfer private management tools to the public sector, but only in a limited way. I can decentralize, control by outcomes, foster managed competition, focus on the client, but decentralization involves democratic control, desired outcomes have to be decided politically, quasi-markets are not markets, the client is not just a client but a client-citizen empowered with rights that go beyond customers’ rights. By clarifying these differences and increasing the autonomy and responsibility granted senior officials, quality control in public administration gained legitimacy and became the official management strategy to implement the reform.

Third, public opinion, political elites, and particularly senior civil servants overwhelmingly supported the reform. According to several public opinion polls, around 75 percent of the population approved the constitutional amendment to promote administrative reform. Around 80 per cent of the senior civil service approved not only the amendment but more specifically the proposals of the *Plano Diretor da*

Reforma do Aparelho do Estado. This support was confirmed in a national survey of opinion leaders in late 1997 that showed senior civil service to be second most supportive group (the first were businessmen, followed in third place by journalists, intellectuals, and finally union leaders, who were supportive but by a smaller majority). In 1998 a survey on the reform among intermediate civil servants showed similar support.³ Only one important sector of the senior civil service, the judiciary, did not support the reform, though it did not oppose it openly. I made several unsuccessful attempts to speak to the Supreme Court and the Public Prosecutors' main body. I was able to talk with the jurists specialized in Administrative Law, but their reactions were more negative than positive. Yet, they received with great interest my political theory paper which gives a juridical foundation for the reform, "Citizenship and *Res Publica*: The Emergence of Citizenship Rights".⁴

Fourth, states and major cities began adopting the new institutions and practices of the managerial reform. The separation between exclusive activities of the state and social and scientific services that the state decides to include in its budget is being increasingly adopted. Several state and some major local governments created "social organizations," although in some cases with some distortions in relation to the original design. Total quality programs have spread to many parts of Brazil. A good example of the influence the managerial reform is having in the states of the federation is the state of Pernambuco. In January of 2000 the new governor approved the *Plano Diretor da Reforma do Estado* (2000), which follows closely the original *Plano Diretor da Reforma do Aparelho do Estado* (1995).

Fifth, the new ideas and new words that were introduced or emphasized by the reform – as "managerial reform", "exclusive activities of the state", "strategic core of the state", "executive agencies", "social organizations", "management contracts", "performance indicators" – became the common language in Brasilia's senior civil service, and a major theme in the Brazilian schools of government and public administration.

In synthesis, the Brazilian 1995 managerial reform of public administration advanced in the three dimensions which *Plano Diretor* proposed: institutional, cultural, and managerial. New institutions were established, a new view of public administration emerged, and new management practices are beginning to be adopted. Assessing the reform, Indermit Gill (1998) wrote a paper with a suggestive title: "Some Determinants of Sustainable Public Administration Reform. Or, Why I am Optimistic about Administrative Reforms in Brazil". In contrast, the two other reforms

³ - On the study of opinion leaders see Instituto de Estudos Políticos (1997); on the survey of intermediate officials, ENAP (1998).

⁴ - See Bresser-Pereira, 1997a. This article appeared in the *Revista de Filosofia Política* and was also published in three Brazilian law journals.

(tax reform and social security reform) that were in the country's political agenda for a long time did not progress as far. The constitutional amendment for social security, that Congress eventually approved in late 1998, was only a shadow of the original government project. The tax reform presented in 1995 was finally abandoned until late 1998 when the administration presented a new amendment project. Why such different outcomes? As noted at the outset, I identify four major factors: need (or an effective social demand for reform), a reform proposal well designed to meet the need, democratic persuasion, and coalition building. Let me elaborate on each.

Responding to a Latent Constituency

The first requirement for a successful reform is that it responds to an effective (although possibly hidden) social demand. This was the case of managerial reform in Brazil in 1995, when the Fernando Henrique Cardoso administration started. The demand existed but it was hidden: it was not clear to anybody, it was not in the political agenda of the nation, it was not a relevant theme in the 1994 presidential campaign. In the political platforms of the two major candidates there was scarce references to public administration reform. What existed was just the conventional wisdom referring to the need of decentralizing social services to the states (something that was taking place since the 1980s), strengthening professional bureaucracy, and fighting clientelism.

In fact, Brazil lived a paradox. The state and its bureaucracy had come to a major economic and political crisis in the early 1980s. The state led capitalist-bureaucratic model of development entered into a political crisis, given the bankruptcy of the military regime, and an economic and financial crisis, that started as a debt crisis and high inflation but soon revealed its inner cause to be the fiscal crisis of the state and the exhaustion of national-developmental strategy for growth. In this context of crisis the state bureaucracy should be expected to lose prestige and influence, but it did not. With the transition to democracy in 1985, the policies of the opposition parties (assumed to be leftist and democratic) once in government revealed a mixture of populism and bureaucratism. A bureaucratic ideology was re-born from the ashes of crisis in the second part of the 1980s, underlining the presence of what Diniz (1998: 33) called a paradox: "the presence of a strong bureaucratic power in a devastated bureaucracy." But in this moment, as state bureaucrats lacked a minimum national project, they engaged in rent-seeking, successful rent-seeking. The major institutions that facilitated rent-seeking were the tenure article and the pension system in the 1988 Constitution, and the 1991 Law of the Regime Jurídico Único. These entitlements created privileges in pay and pensions to civil servants and granted them full tenure, early retirement with full salary, and, in practical terms, made them unaccountable to society.

In January 1995, when I presented the first ideas on the reform of public administration (lessening the full tenure the Constitution granted to all civil servants, nearing state and the private labor markets, and using public non-state (non-profit) organizations to perform the social and scientific services supported by public money) it created a tempest. The theme was new, and thus threatening, or apparently threatening. The negative reaction was almost universal. People had not yet had time to understand my proposals, since the press conveyed it in a fragmented and generally negative way. “This minister talks too much; he should act not speak,” was a common (and authoritarian) critique, as if it was possible to reform the Constitution and the laws of a nation without speaking, without debating the issues.

Yet, after a few months, when I presented the ideas of a managerial reform in a more structured way to the senior civil service, the reception was extremely positive. Many said that, at last, we had a meaningful public administration reform, demonstrating that the best civil servants in Brazil were waiting and asking for a reform of that type. Support among top bureaucrats, along with the subsequent support in public opinion, demonstrated that the demand for a reform of the type I was proposing, though latent, was strong in the Brazilian society.

A National Debate

Yet, I felt that what I was proposing made sense and that it responded to a real demand of Brazilian society unhappy with the services provided by civil servants. Despite the lack of formal Presidential support for a constitutional reform of public administration (Cardoso had only authorized me to discuss the issue with the public in general and politicians) I decided to persevere. The Brazilian democracy is new and maybe incomplete, since it is marked by elitism and poor accountability, but it is a real democracy, where major political changes may only take place if they have support in public opinion. Thus public debate was essential to me to make my case in public, to hear reactions to my ideas, and to profit from some ideas that would necessarily come from an open debate. I had a good idea of what I wanted, but I recognized that these ideas could be improved by debate.

The national debate on the reform of public administration was a real one. I, and members of my staff, presented our plan all over Brazil. I was in the press almost every day – a press that eventually gave an enormous contribution to the debate. In the beginning journalists distorted the ideas, especially by consistently limiting the issues to few contentious ones, particularly the tenure of civil servants. Ultimately, the media performed their role of conveying a national debate, while most journalists came to support the proposals, as public opinion began also to support them.

An effective debater needs to be prudent and avoid direct confrontation when possible, but also be clear and straightforward and have the courage and determination attack the problem directly. This is a risky strategy. An alternative might be to wait until the problem gets so bad that the reform design emerges spontaneously (out of some suggestions you made). This delaying tactic may be a good strategy when time is not scarce, but it is not my way. Reforming public administration in Brazil was something that had to be tackled, and it demanded immediate action. Criticizing the existing situation, denouncing privileges, demanding change was something that could not be postponed. “You may lose your job if you insist in these proposals”, people often told me in the first months in my new position. They repeated the warnings that were made to me 12 years before, when I was finance minister of Brazil (just after the collapse of the Cruzado Plan and the unilateral moratorium declaration on the foreign debt by my predecessor). At that time the country faced a deep financial crisis, and I decided to propose an innovative (and risky, according to many) solution for the debt crisis: securitization of the debt with a discount. To the warnings in the 1990s I gave the same answer I gave before: “What is the value of a job in government if you are not doing what you are supposed to do”.⁵ When a country faces abnormal times, a deep crisis, ministers cannot be just prudent; they have also to have the courage to assume risks.

Yet, the risk of failure would diminish if people were informed and persuaded. In democracies, reforms depend on supportive public opinion that can only be generated through a national debate. Many observers in Brazil still believe that the fate of reform depends on the political strength of the administration, or the rationality of the reform. Both variables are no doubt important, but the weightiest factors are support in public opinion and among political elites. Public support is essential when the reform deals with the everyday life of people. When this is not the case, a technical debate plus the required, narrow political alliances may be enough to advance reform. But when a reform deals with basic institutions, public opinion support is crucial. This support is more likely to emerge if the ideas are explained in simple and straightforward ways, and if reformers are ready to repeat their arguments time and time again.

⁵ On my time in the Finance Ministry, see Bresser-Pereira (1995). I left the Finance Ministry some months later, in December 1987, because I was not able to implement the badly needed fiscal adjustment. Yet, 14 months later the Brady Plan adopted my two main points on the debt: securitization and relative de-linkage, in the negotiations, between IMF and the- commercial banks.

A Clear Design from a Precise Diagnosis

Competent reform design requires imagination and an accurate diagnosis of the problem. The basic assessment was clear to me from the beginning: the 1988 constitutional attempt to restore or rather fully establish classical bureaucratic public administration had been a disaster. With the excuse that the main enemy to fight was clientelism, public administration was made rigid and inefficient. The bureaucracy lacked a system of incentives and punishments and was overly constrained by redundant regulations and strict procedures. Privileges of all sorts were created that benefited bureaucrats who at this time excelled in rent seeking. The backward movement towards a classical bureaucratic system in a country that at that time faced a deep crisis of the state, but whose bureaucracy had been able to adopt in the years before a successful managerial strategy to promote economic growth, represented a terrible retrogression, that had as outcomes unsustainable increases in personnel costs, deterioration of public services, and a demoralized civil service. Instead of correcting the statist and protectionist distortions of the previous growth strategy – a movement that began later in the early 1990s –, in the first five years of the new democratic regime bureaucratization and rent seeking mixed together, with terrible consequences for the prestige of a civil service that had previously contributed with competence and public spirit to the country. Yet, starting from this basic assessment, my team got involved in a complex and difficult diagnosis of the situation of the federal public administration, where the lack of data of all sorts was startling. There were no organized data on numbers of civil servants, on costs, on salaries and their evolution. Only general cost information was available.⁶

Yet, there was no time to lose. The design of the reform has to be divided in two aspects: the definition of a constitutional amendment, that was sent to Congress in July 1995; and the design of the managerial reform proper, as it was defined in the *Plano Diretor da Reforma do Aparelho do Estado*, approved by the Committee on the Reform of the State and by the President of the Republic in September 1995. The *Plano Diretor* included a detailed assessment of Brazil's civil service, a theoretical framework for a managerial reform, and specific proposals that substantiated and completed the constitutional amendment.

When I came to office, in January 1995, I had only read about the subject of administrative reform the book *Reinventing Government*, by Osborne and Gaebler (1992). My visit to Great Britain, following a suggestion of David Osborne, was essential to the design of the *Plano Diretor*, since this country is probably the one where the new public management ideas were furthest developed and most effectively

⁶ - Now the data are available in the *Boletim Estatístico*, that the first Ministério da Administração Federal e Reforma do Estado and now the Ministério do Orçamento e Gestão publish monthly.

implemented. The cooperation agreement with the British government and the support of a very competent consulting group of retired senior civil servants played a major role in giving management substance the ideas and institutions in the *Plano Diretor*.⁷ The general design of the reform, present in the *Plano Diretor* and in the subsequent papers and documents that were published, was since the beginning well received by the senior civil service, the consultants, and the political scientists specialized in public management.

In relation to the constitutional amendment, the problem of design was also decisive, particularly when we compare the administrative reform with the social security and the tax reforms. When the new administration started in January 1995, two beliefs were widespread, even among ministers. First, since the Brazilian constitution was extremely detailed, reform in many areas meant “desconstitutionalizing” it, i.e., eliminating articles and paragraphs from the constitutional text. The second main belief was that the basic design of each reform was already known: the only question was just writing it. I never shared the second belief that was biased by the arrogant attitudes so common among new people suddenly in power, but the first sounded reasonable to me. If you have an extremely detailed constitution, the best way to amend it is to eliminate specific provisions, replacing them, if necessary, by general principles. This was the approach adopted by the writers of the social security amendment. It was also the approach I took, when I first sat down with three staff people to start the job of amending the chapter on public administration of the 1988 Constitution.

I started with article 37, its items and paragraphs. The procedure at the meeting was simple: cut this item, leave the next, cut another one, and another. For about an hour I went ahead with this job. It was simple, straightforward, to desconstitutionalize. Still easier would be to eliminate the whole public administration chapter from the Constitution. Most constitutions do not have a chapter on this subject. Yet, suddenly it dawned on me: “Desconstitutionalization is easy, but will not work. People in Brazil criticized the detailed character of the 1988 Constitution, but as a matter of fact they like detailed constitutions. They want to have all their rights clearly spelled out. If I continue to go ahead in this way, congressmen will say that the Cardoso government is asking for a blank check. And they will just not approve the reform.”

Thus, I decided to stop my work, and begin over, starting with a different approach. Instead of desconstitutionalizing, I would write as clearly as possible the changes that I wanted, specifying for instance, how tenure for bureaucrats should be more flexible. In what precise circumstances would civil servants be subject to redundancy dismissal (overall fiscal effects or dismissal for insufficient performance)?

⁷ - The British consultant group was headed by Kate Jenkins. She and my Secretary of State Reform, Angela Santana, played a major role in the general design of the reform.

How should civil servants be protected from political instead of technical decisions on dismissals? The task then was entirely different and much more complex. It took five months to be completed. It required creativity, humility to accept the good critical ideas coming from the national debate, juridical competence to know all the problems involved, and diligence to write a precise text.⁸

This decision to drop desconstitutionalization and to opt for a quite detailed amendment was crucial. It did not permit the rapporteur of the administrative reform in Congress (rapporteurs have an enormous power in passing a constitutional amendment in Brazil) to do what the rapporteur of the social security reform did a few months later. Since the reform of social security opted for desconstitutionalization, the rapporteur charged that the administration was asking for a blank check from Congress, and decided to do what was obvious to him and to most of his colleagues in parliament: he filled the check in. In the process he disfigured the reform, reintroducing in the constitutional text all the privileges (rights) that the reform had intended to eliminate. It was clear to me several months before that happened to the social security reform that the desconstitutionalization strategy involved that risk – a risk that I had no reason to incur. Since its initial conception the amendment to reform the administration had a clear design that I expected to be reasonable and gradual in producing change. Each article, each paragraph was tightly written and clearly founded. This was probably a major reason why the parliament introduced only minor changes in the original proposal. The substance of the amendment was kept intact, and eventually, after a long and difficult debate, approved.

The specific initial design facilitated the national debate that in turn contributed to the quality of the design. Brazil is a democratic country. It is not the democracy of our dreams, but it is a democracy. There is freedom of speech and the press, rule of law, an independent judiciary, and an active parliament that is very responsive to public opinion and to pressure groups. So, persuading public opinion was essential for our reforms. During the two and half years the amendment was discussed in Congress I became the national advocate of the reform. I presented the *Plano Diretor* and the amendment everywhere, in all forums, and actively debated and argued every part of it. In this debate I worked to present a simple and clear message, where the positive (not just the punitive) aspects of the reform were also apparent.

The media had a pivotal role in the debate. Initially, journalists were interested only in the short-term and fiscal aspects of the reform: downsizing, the break-down of the stability or tenure rule, and the salary cap that would eliminate some extremely high salaries. They had little interest in the more positive medium-term objectives of the reform such as the new role for the public non-state sector, the increase in efficiency, the focus in the client-citizen, the new human resources policies, and the

⁸ - In relation this last requirement the role performed by Paulo Modesto was crucial.

yearly recruiting for the state careers. But I was able to “sneak” in the new ideas, so that little by little it began to become evident that I was not, as my adversaries suggested, “the henchman of civil servants,” the “damned neoliberal” or the “market fundamentalist” that wanted to erase the state, but on the contrary that my message involved rebuilding the state, increasing state capacity to perform its classical roles of protecting human rights, defending the national interest, and assuring the macroeconomic fundamentals, as well as modern roles of promoting social welfare and international competitiveness. Among the human rights, I defined a fourth set of rights (besides civil, political and social rights) -- republican rights -- which I defined as the rights every citizen has that the public patrimony be used for public purposes, or that the *res publica* be shielded from rent-seeking. This argument, which I fully developed in a paper (see Bresser 19xx@), had always a powerful rhetorical or persuasive effect to senior bureaucrats.

Making Alliances and Identifying Adversaries

In the fight to change institutions you are never alone: you have your adversaries, whom you have to identify clearly, and your allies, whom you have to call as fast as possible to help you. The adversaries of reform in Congress and in society were clear to me: they were the representatives of the old patrimonialist and of the not-so-new corporatist interests surrounding the civil service. The alliance between these apparent extremes – the patrimonialists on the right, the corporatists on the left – was immediate, and not so surprising as one might think. After all, the patrimonialist old right was always an major part of the ruling classes in Brazil, and is as accustomed to the classical forms of rent-seeking (nepotism, clientelism), as the old corporatist left is familiar with the bureaucratic forms of rent-seeking involving particularly pay not related to effective work and pensions unrelated to social security contributions. This alliance, which has in common the authoritarian demand by bureaucrats for a greater autonomy not accompanied of accountability, became clear in the first vote, in the powerful Constitution and Justice Committee of the House of Representatives, that decides on the constitutional “admissibility” of the each amendment: the old patrimonialist right and corporatist on the left, voted together trying to defeat the reform.⁹

⁹ - I am using the expression “patrimonialist” to identify the political practices that mixed up the private and the public patrimony in an individual or family base, and the expression “corporatist” to name the same practice coming from an organized or associative group. I distinguish “corporatist” from “corporatist” practices, the last referring to modern social-democratic state, where capital-labor relations are politically negotiated and involve an active government intermediation.

Since the adversaries were identified, I did not hesitate in denouncing them. In this case compromise was not possible. Patrimonialist politicians defend personal or family interests, and corporatist politicians, group interests. The first are usually organized in local political groups, the second, in unions. But they have in common rent-seeking: their endeavor is to capture the public patrimony, to privatize the state. At first I tried to persuade representatives of the old left, but dialogue soon proved unfeasible. My first action as appointed minister, in December 1994, before the inauguration of the new administration, was to invite for lunch the president of the Central Única dos Trabalhadores, Vicentinho da Silva. The invitation was refused, as were all the attempts I made to present my reform to the Congressional Deputies of the Partido dos Trabalhadores – PT. When the amendment proposal was ready, around July 1995, I presented it to the Deputies of all other major parties, but with the PT it was impossible. Although some PT representatives privately agreed with most of changes, the majority did not and even opposed discussing them.

Yet, it should be emphasized that the political opposition is not the only one to blame for the lack of a real public debate in Brazil. The government's representatives commit the same error when they systematically disqualify the opposition ideas instead of discussing them. Lack of common ground prevailed – a lack of common ground that is typical of new democracies like the Brazilian, where a sort of intolerance based on the belief that the world is divided between the just and the unjust, the right and the wrong, dominates. When this kind of attitude prevails, debate is impossible. The only alternative to the reformer is to denounce the adversaries' inability to argue and debate, which was what I did. But it is also necessary to develop efforts to make the debate possible, never to turn down opportunities for discussion, to make arguments instead of accusations or personal observations, or offering sociological or psychoanalytical "explanations" for the adversaries' opinions.

While defining the adversaries I also had to establish alliances. I started with the President's authorization to propose the reform to the nation. Later, I counted with his firm support coupled with the support of the economic ministers who viewed the reform as a tool for fiscal adjustment. My obvious allies outside the administration were businessmen, given their permanent conflict with the bureaucracy, but this support was not enough, since it eventually counted little in a country where the bureaucracy was always so strong. In the nineteenth century and the First Republic it was a patrimonialist bureaucracy; since the 1930s, an increasingly professional bureaucracy, but always a powerful bureaucracy. So, I needed a much broader political support.

After the first month in office I discovered my two major allies: mayors and governors who knew better than anyone how bureaucratic administration created obstacles in Brazil. Governors and mayors directly suffered the problems of redundancy, the impossibility of firing incompetent and redundant personnel, the

constitutional requirement of a unique labor contract for all people working for the state making all them statutory civil servants, the capacity of the local legislative and particularly judiciary branches of increasing their salaries autonomously, the abusive salaries of some civil servants (the Brazilians call “marajás” the civil servants receiving abusive salaries, out of the Indian word for a local and rich potentate, *maharaja*), and particularly the difficulty in demanding work from civil servants given the constitutional tenure rule. I traveled all over Brazil. I visited governors and participated in countless meetings and congresses of mayors (we have more than five thousand mayors) to debate the reform with them. Their support was crucial.

The outcome was rewarding. In a meeting of governors with the President, in the Planalto Palace, in July 1995, one of them, expressing the feeling of the others, said: “The administrative reform is the most important reform the administration is proposing”. In fact the social security reform was more important in fiscal terms, since the privileges civil servants dispose related to early retirement and full pension independent of contribution were covered in that reform. But a statement like that was politically a victory, specially considering that during these first few months the administrative reform had received a strongly negative reception elsewhere in the country.

In the case of the governors, the alliance was not limited to words; it also involved effective action. Each state in Brazil has a secretary of public administration. I invited them all to Brasilia to participate in the writing of the amendment. They brought their jurists, participated in many and endless meetings, and gave an effective contribution. Later on, in the two years and half the amendment was voted in Congress, the participation of the secretaries of administration was always active, helping to persuade the Deputies from their respective states.

Getting Support of Senior Civil Servants

But my problem was not just getting legislation approved. I also needed the ideas in the *Plano Diretor* to be endorsed by the senior civil service that would ultimately be in charge of implementing the reforms. Thus, the support of senior civil service was crucial both for the approval of the constitutional amendment and the implementation of the *Plano Diretor*. I counted from the start with the help of some top administrators for the design of the reform. We formed a highly qualified team that included some of my former students of economics and public administration at the Getúlio Vargas Foundation in São Paulo, some of whom were already settled in Brasilia and working in government, and a group of outstanding civil servants whom I came to know after arriving in the capital in January 1995.

To get the support of the senior civil service I had, first, to overcome a prejudice that threatened to make my job impossible. According to the adversaries of the reforms, I was “against” civil servants, and I would be their “henchman.” Since I was not “one of them,” and since I argued against bureaucratic public administration in favor of managerial public administration, I would therefore presumably scorn bureaucrats. Thus I heard often that the support of the bureaucracy was impossible. In the first moment even some friends, as Health Minister Adib Jatene, who later was one of the more active supporters of the reform, shared some of these views, when, in the first week of the new administration, he said to journalists that, referring to my proposal of modifying the constitutional full tenure rule, that, not being a civil servant, I knew little about public administration.

My answer was always: “This support is possible and I will have it. Managerial reform is not against bureaucrats, it is against bureaucratic public administration, it is against a form of administering the state that prevents senior civil servants from managing, taking decisions, and choosing the best means to achieve their objectives.” I knew that my action and my speech often confused people. How could I be against bureaucratic public administration and in favor of a state bureaucracy? But my answer was again direct: “In the state, I need managers to manage, and these managers are the civil servants, the bureaucrats. They have to have more freedom to decide, they cannot be constrained by unnecessary rules and regulations, they must acquire new capabilities while being more accountable to society. They need to learn new skills: the skills related to taking decisions motivating people. But they will be always state bureaucrats, that exert monopolist power in name of the state.”

In this question of being for or against bureaucrats, my personal views were always clear. Both my father and mother came from families of bureaucrats. I know well the strategic role bureaucrats have in the formation and development of nation-states. I have no doubts about the crucial importance of the state not only in securing property rights, but also in protecting civil and social rights, and in promoting economic growth and international competitiveness. I would never have been appointed to the position of Minister of Federal Administration if I thought differently. I may be a critic of bureaucracy and many forms of state intervention, as I am a critic of capitalism and market failures, but as it makes no sense being against businessmen or business managers, the same applies to state officials. Both perform necessary roles in society. Prejudices against me in relation to this matter ran high in the first year of the reform, given my personal experience in the business sector, and the permanent accusation of neo-liberalism made by the opposition parties against the Cardoso administration. Yet, I had no difficulty in candidly debating this question with everybody, anywhere. Although I did not always persuade my interlocutors, I always surprised them.

I depended a powerful persuasion tool: the *Plano Diretor*. Every time I was able to present it – and I made this as many times as I had the opportunity to do so – the reception civil servants gave to it was positive if not enthusiastic. I remember when I first presented the plan in the Câmara da Reforma do Estado. Martus Tavares, one of the more respected civil servants in Brazil, working for the Planning Ministry, said then that this was the first fully integrated and modern proposal for reforming public administration in Brazil. Antonio Anastasia, executive-secretary in the Labor Ministry, reacted in a similar way, and got deeply involved in the design of the reform, particularly in the juridical aspects of the law creating the social organizations, despite the enormous responsibilities he had in his own ministry.

But besides debating and striving to persuade senior civil servants, I took concrete measures to get their support. I gave special treatment to the concept of “state careers,” defined as those that involve the use of state power, like legal defense, tax collection, auditing, police, diplomacy, policymaking, etc. These careers were poorly paid compared with rank and file civil servants who receive around 50 percent above market salaries. Salaries for most state careers were lower than the pay for similar jobs in the private sector. Thus, although general pay raises were suspended in 1995, I obtained several salary increases for specific careers. These increases were smaller than I expected given the fiscal constraints, but the increases at least signaled an alliance. In addition, I realized that entrance examinations for state careers were irregular and ad hoc. Some state careers had not been recruiting new members for several years. When an entrance examination was held, many candidates passed, and entered a long list from which candidates would be called for several years. I fully changed all these practices. Instead, entrance examinations were scheduled for all state careers for the next three years, with precise dates, exam contents, and number of vacancies. State careers count more, now, and recruitment procedures provide a steady supply of new members to replace retirees. The reform package thus demonstrated the value of the civil service in concrete and visible terms.

The Battle in Congress

Although we had a good design for the reform, had been successful in persuading public opinion and the political elites, had been able to make alliances with governors, mayors, businessmen, and senior civil servants, I knew that the real challenge would come in Congress. It took two years and half in Congress for the reform to be approved. Administrative reform stalled initially because the social security reform, that was presented earlier, had precedence. In 1997 only when it became clear that there was a lot more consensus on reform of public administration than on the reform of social security reform was administrative reform allowed to go ahead. Delays also resulting from the formal process of getting a constitutional amendment approved which in Brazil is extremely complex and time consuming. The most time consuming

part of the process though was to convert the persuasion process and the alliances that were taking shape in society into effective support of politicians in Congress.

Generating support in Congress was no easy job. Among political scientists in Brazil, there is an intellectual debate that is as interesting as it is misleading. On one side is the dominant view that governability is obstructed by the party system and the electoral system (proportional vote with open lists) which do not produce clear majorities. Add to this a detailed constitution and a 3/8 majority required to reform each article, and it becomes even clearer how difficult it is to reform basic institutions in Brazil. On the other side, Figueiredo and Limongi (1994 and 1995) recently challenged this view and presented an impressive amount of data demonstrating, first, that presidents are usually successful in passing in Congress the legislation they need, and, second, that the political system is not so fragmented as it is said, since the voting follows party lines reasonably well, and party lines in turn correspond broadly to left-right ideological cleavages.

When considering the great numbers of projects of law, most of them ordinary laws, probably Figueiredo e Limongi are correct. But when we are dealing with a constitutional amendment that affects the interests of many, eliminates privileges, and allows for transferences of resources, the fragmentation theory applies. Managerial reform was institutionalized in Britain through a few “white papers” and just one piece of legislation that easily passed in the British parliament. In contrast, in Brazil, where the government may have, as Cardoso’s did, a comfortable majority, approving a controversial constitutional amendment is extremely difficult. The majority is comprised of a heterogeneous and undisciplined coalition of parties, so that, besides the working to gain approval of public opinion, one needs to make compromises and to establish internal alliances within the Congress. I did both things.

The major compromise we had to make was on redundancy dismissals. I preferred a more open mandate on this issue for all the executive branches of all three levels of government (federal, state, and municipal), but this proved unfeasible. I had to concede in the reform legislation that redundancy dismissals would only occur when expenditures on personnel exceeded 60 percent of total revenues. There was already a constitutional provision establishing this limit, but the executive branch did not dispose of the means to comply because tenure was fully guaranteed. With the approval of the administrative reform this unrestricted right to tenure was broken down, but redundancy was defined as excess of expenditures (the 60 percent figure) instead of excess of personnel.

The most significant internal alliance I made in Congress was with the house representatives from the states that previously were federal territories. These states have a large, disproportionate number of representatives in Congress, and some of these new states have since 1988 civil servants paid by the Federal Government. According to the 1988 Constitution, all civil servants of the former territories who

were active employees on the day the Constitution was promulgated (October 3, 1988) should be transformed in statutory federal employees paid by the Federal government though working in the new state governments. Implementing this provision proved difficult, especially determining exactly who was active on that day? Around one thousand people were left in a gray area, and were permanently threatened of dismissal.

Auditors at the Tribunal de Contas, the external control body for Congress, often asked for such dismissals, but they never happened, either because the civil servants were necessary, or because the opposition in the legislatures of the new states to such a move was strong. When I came to office, in January 1995, a chronic conflict characterized relations between my ministry (responsible for controlling and firing civil servants in the former federal territories) and the respective house representatives from the new states. Bureaucratic officials in my ministry wanted to fire people only for legal reasons, not because they were convinced that the employees were clearly redundant. I decided to change all this, and regularize the legal situation of the civil servants who were in the gray area. Thus, an agreement was reached on the matter, and from then on I could count on additional votes in Congress.

Conclusion

The passage of the constitutional amendment reforming Brazil's public administration, combined with the support of public opinion and the senior bureaucracy for the main institutions and policies in the *Plano Diretor da Reforma do Aparelho do Estado*, add up to a success story. The success resulted from a clear and innovative design, a national democratic debate through which public opinion was persuaded and additional inputs for reform design were secured, support of public opinion and of the senior civil service, strategic political alliances with governors and mayors, and agreements and some compromises with congressmen.¹⁰

This outcome coincides with two rules I have established for myself when working in government: first, when you have a good cause do not be afraid and work for it even if it means risking your political future, and, second, when you have a clear argument, never give up, regardless of the obstacles and difficulties. My experience in the Ministry of Federal Administration and Reform of the State, in the first Cardoso administration, was the most rewarding public experience I ever had. I was able to introduce a new theme in the political agenda of the country, to present a project – managerial reform – and have it approved in Congress and by the more relevant group that will implement it: senior civil service. In addition I was able to give course to

¹⁰ - I agree with Melo's view on my role in his chapter in this volume but will not repeat his conclusions here.

these new ideas at a regional level. After three years as president of CLAD (Centro Latinoamericano de Administración para el Desarrollo, a small multilateral organization oriented to public administration with headquarter in Caracas) its directive council, formed by the member countries' ministers of administration, approved a document formally recommending the adoption of managerial reform (CLAD, 1998).

I know that there is much yet to do, but, as re-elected President Fernando Henrique Cardoso told me in December 1998, when he was forming his new cabinet, and invited me to be his Minister of Science and Technology, "the essential work to be done in administrative reform is already done." I was happy with the comment, but one should not take lightly the problem of implementing the reform. This process of implementation had only just begun. There is a lot to be done in this realm. The president was well aware of this fact. To make this implementation more effective, and following a recommendation I strongly supported, the Ministry of Federal Administration and Reform of the State was merged into the Planning Ministry. The new ministry is now called Ministry of the Budget and Management (Ministério do Orçamento e Gestão). This merger will tie the budget to the managerial reform, and thus make it more effective and rapid. This is already happening. The government's overall PPA (Plano Plurianual) adopted a strongly managerial orientation. 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.

In the implementation process a major challenge is to involve rank and file civil servants. In this area I faced enormous difficulty since my first day in office, when CUT's president refused my invitation to talk. The union that represents these civil servants in Brasilia, SINDISEP, adopted from the start an extremely aggressive attitude. In July 1995 the union paid for billboard and TV commercials saying: "Bresser wants to erase the civil service. He wants to abolish public health and public education, and transform the state into a police state." I was indignant. Nothing was farther from my convictions and personal history. I spoke several times with CUT representatives in an effort to establish a dialogue. I candidly discussed my ideas and constraints. But there was obviously no common ground. Yet, I did not give up. And, to my surprise the mood was entirely when, in December 1998, in one of my last audiences in the Ministry of Federal Administration and Reform of the State, I received the newly elected directors of the union (CUT members but representing internal opposition). This time the conversation was more than courteous: although marking their differences, they demonstrated interest in knowing more about managerial reform. I left the meeting contented, because there was finally common ground shared by the rank and file civil service unions. Habermasian communicative action started to be possible, and there is nothing more important to the advance of

democracy than that. There is now a possibility that rank and file civil servants will also participate in the reform.

In conclusion, managerial reform was only beginning in Brazil. It was begun because the basic institutions leading to it were approved; yet it is just beginning because its implementation will take years. To me was a privilege to lead this reform between 1995 and 1998, as a member of the Cardoso administration. It was a fascinating experience in reforming the state and particularly the public administration in my country. Writing this paper I hope that my reflections will help future reformers to increase state capacity, and to make civil servants autonomous and more accountable and effective in securing the public interest.

References

- Bresser-Pereira, Luiz Carlos (1995) "A Turning Point in the Debt Crisis". *Revista de Economia Política*, 19(2) April 1999. Originally published in São Paulo: Getúlio Vargas Foundation, Department of Economics, Working Paper nº.48, November 1995.
- Bresser-Pereira, Luiz Carlos (1996a) "From Bureaucratic to Managerial Public Administration". In Bresser-Pereira e Spink, eds. (1999). Paper presented to the seminar on the reform of the state in Latin America, Brasilia, May 1996.
- Bresser-Pereira, Luiz Carlos (1996b) "Managerial Public Administration: Strategy and Structure for a New State". *Journal of Post-Keynesian Economics*, 20(1) Fall, 1997. Paper presented to the Wilson Center, July 1996.
- Bresser-Pereira, Luiz Carlos (1997a) "Cidadania e Res Publica: A Emergência dos Direitos Republicanos". *Revista de Filosofia Política - Nova Série*, vol.1, 1997 (Porto Alegre: Universidade Federal do Rio Grande do Sul, Departamento de Filosofia). Available in English in: www.bresserpereira.org.br.
- Bresser-Pereira, Luiz Carlos (1997b) "A Reforma do Estado nos Anos 90: Lógica e Mecanismos de Controle". *Lua Nova - Revista de Cultura Política*, nº.45, 1998. Originally published in *Cadernos MARE da Reforma do Estado*, no.1, Brasília, Ministério da Administração Federal e Reforma do Estado, July 1997. Available in English in: www.bresserpereira.org.br.
- Bresser-Pereira, Luiz Carlos (1997) "Reform of the State in the 90s: Logic and Control Mechanisms". Brasilia: Ministry of Federal Administration and Reform of the State, *Cadernos MARE da Reforma do Estado*, no1, July 1997.
- Bresser-Pereira, Luiz Carlos (1998a) "Uma Reforma Gerencial da Administração Pública no Brasil". *Revista do Serviço Público*, 49(1), janeiro 1998. Available in English in: www.bresserpereira.org.br.

- Bresser-Pereira, Luiz Carlos (1998) *Reforma do Estado para a Cidadania*. São Paulo: Editora 34.
- Bresser-Pereira, Luiz Carlos and Peter Spink, eds. (1999) *Managerial Reform in Latin America*. Boulder, Co.: Lynne Rienner Publishers. In print.
- CLAD (1998) *A New Public Management for Latin America*. Caracas: CLAD – Centro Latinoamericano de Administración para el Desarrollo, 1998.
- Diniz, Eli (1998) “Uma Perspectiva Analítica para a Reforma do Estado”. *Lua Nova - Revista de Cultura Política*, n.º.45, 1998.
- ENAP (1998) *Conhecendo a Clientela da ENAP: O Perfil dos DAS 101.4. Relatório Síntese de Pesquisa*. Brasília: ENAP- Escola Nacional de Administração Pública, March 1998.
- Figueiredo, Argelina Cheibub e Fernando Limongi (1994) “O Processo Legislativo e a Produção Legal no Congresso Pós-Constituinte”. *Novos Estudos Cebrap*, n.º.38, March 1994.
- Figueiredo, Argelina Cheibub e Fernando Limongi (1995) “Mudança Constitucional, Desempenho do Legislativo e Consolidação Institucional”. *Revista Brasileira de Ciências Sociais*, n.º.29, October 1995.
- Gill, Indermit S. (1998) “Some Determinants of Sustainable Public Administration Reform. Or, Why I am Optimistic about Administrative Reforms in Brazil”. Brasília: The World Bank Brasilia Office, November 1998. Paper prepared for the British Council sponsored Seminar on Public Reform in Brazil and the British Technical Cooperation, London, November 23, 1998.
- Governo do Estado de Pernambuco (2000) *Plano Diretor da Reforma do Estado*. Recife: Comissão Diretora de Reforma de Estado, January 2000.
- Instituto de Estudos Políticos (1997) “Os Formadores de Opinião no País e a Reforma do Estado”. Brasília: Instituto Brasileiro de Estudos Políticos, February 1977).
- Melo, Marcus André (1998) “When Institutions Matter: The Politics of Administrative, Social Security, and Tax Reform in Brazil”. Paper included in this volume, originally presented at the LASA – Latin American Studies Association – Congress, Chicago, September 24-26, 1998
- Ministry of Federal Administration and State Reform – MARE (1995) *Plano Diretor da Reforma do Aparelho do Estado*. Brasília: Imprensa Nacional, November 1995.
- Osborne, David e Ted Gaebler (1992) *Reinventing Government*. Reading, Mass.: Addison-Wesley.
- Petrucci, Vera e Letícia Schwarz, eds. (1999) *Administração Pública Gerencial: A Reforma de 1995*. Brasília: Editora da Universidade de Brasília.