

**Re-thinking Approaches to Government Reforms**  
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**Using an NPM template to design government reforms:  
the case of Brazil**

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*This case study illustrates the application of an NPM benchmark case as a template for public sector reform design. There have been no fewer than eight attempts since 1937 to introduce durable reforms in Brazil's public sector. For various reasons each failed to take root or was ineffective. A new round of reforms began in 1998 based on a NPM benchmark, constructed from the combined experience of the UK, Australia and New Zealand. Core elements included the introduction of checks and balances between the Executive, the Legislature and the Judiciary, changes in organisational structure, and changes in the incentives faced by public sector employees. Importantly, cross-party support for amendments to the Constitution, required to permit these changes, was won at an early stage. Despite some setbacks, continued resistance from some quarters and an agenda of work still to be completed, there has been important progress in changing the culture of the civil service with improvements in its transparency and efficiency.*

Over the past sixty-two years, there has been a series of administrative reforms in Brazil, but none of these reforms has taken root. Eight governments, three of which were authoritarian régimes, have instituted these administrative reforms. In the 1930s, the reforms were against the coup d'état. In 1956, a central task force was created in preference to the reform of the state apparatus. The 1960s managerial changes were not accompanied by effective reforms, and clientelism, capture and unaccountability remained. The late 1970s saw "de-bureaucratisation" reforms, but these ended in financial crisis and centralisation. A decade later, corruption and a lack of accountability saw the introduction of rule-bound reforms and the empowerment of Congress. Further reforms in 1990 were defeated by a combination of the politicisation of the judiciary, a lack of design, political fragility and economic crisis. The eighth set of reforms since 1937 were introduced in 1998.

*The Benchmark Case*

The 1998 reforms were formulated against an NPM 'benchmark' constructed from the combined experience of the UK, Australia and New Zealand. The main benchmark features included a Westminster-type parliamentary government, a consolidated party system, a professional meritocratic bureaucracy and hierarchical rule-bound societies that had a common law tradition and exhibited a certain degree of trust in the government, which had relatively low administrative power. Furthermore, in these countries the Treasury has a pre-eminent position, and corruption and clientelism are residual.

*The 1998 Reforms.*

The 1998 Brazilian public sector reforms were inspired by the rigidity and rule-bound nature of the administration and its inefficiency. They were managerial in nature and

their design was guided by the NPM approach. The core elements of the proposals included: the end of homogenous tenured employment in the public sector with remuneration proportional to years spent in a job; the introduction of checks and balances between the Executive, the Legislature and the Judiciary; and the creation of new bodies. They were intended to enable policy innovators and entrepreneurs to liberate the public sector.

The White Paper on public sector reform incorporated novel ideas for the renovation of Brazilian traditions and new concepts in Brazilian administrative law. It contained nine main objectives:

1. Managerialism and public choice were utilised to introduce the NPM global paradigm with the aim of catching up with developed nations;
2. Examples of reforms in other countries, the Administrative State (USA) and the Next Steps (UK), were to be used to increase manageability;
3. Ideas of the contractual state were used to implement a contractual culture;
4. The technological revolution enabled government by network systems;
5. Privatisation, references to the Washington Consensus, public choice and structural adjustment, were intended to generate revenues and to increase competition, productivity and investments;
6. The same references were used to introduce economic rationalism and New Right ideologies;
7. Citizen responsiveness and citizen empowerment were justified by the post-bureaucratic paradigm;
8. Management accounting and efficiency driven systems were to be introduced to increase cost consciousness and to cut back management costs;
9. Output orientation and performance management were to be used to increase efficiency, economy, effectiveness and rewards differentiation.

### *Progress to date*

The 1998 reforms have produced successes and failures. A cross-party consensus on the need for reform was created, ensuring the two-thirds majority required for the approval of constitutional amendments. The Brazilian Constitution had been one of the main impediments to the earlier introduction of effective administrative reforms. It contains a great deal of detail concerning the public service and it is difficult to amend because of the requirement of a two-thirds majority in the legislature. However, politicians and the public regarded any reduction in majority required for constitutional change to be handing too much power to the President. The ability to secure the consensus required for alterations to the Constitution was therefore a key to the success of what followed.

This led on to the removal of tenured public sector employment, the revitalisation of public service careers and the extension of accountability. The launch of a national debate on public sector management and the emergence of a community of NPM experts will reinforce these successes. Furthermore, the reforms generated support from CLAD, as well as from the World Bank, the Inter-American Development Bank and the UK Department for International Development.

Nevertheless, so far, other aspects of the reforms have failed, largely due to a lack of sustained support from the judicial establishment. This legal and some cultural resistance has not been wholly overcome. Moreover, the executive has not fulfilled all of its obligations under the NPM contract.

A number of other issues remain to be resolved. There is no linkage between macroeconomic structural adjustment and the microeconomic management of public expenditure. There is a lack of adherence to service level agreements by front line organisations, especially by hospitals and universities. There is a lack of expertise, a lack of a 'public management community', although this problem is unlikely to persist with the recent establishment of a community of public sector management experts in Brazil.

Whilst these issues remain, the NPM reforms of the late 1990s have been relatively successful in liberating the public sector and extending its accountability. The failures, mainly due to resistance to change and a lack of a foundation of knowledge about public sector management, can be overcome more easily than the problems of clientelism, the capture of social welfare and crisis that characterised earlier reforms.

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