

**THE POLITICAL ECONOMY OF CIVIL SERVICE REFORM IN
BRAZIL: THE CARDOSO YEARS**

(Draft)

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INTRODUCTION

In the mid-1990s, Brazil initiated a uniquely broad and bold attempt to reform its public personnel management system. Civil service reform was launched during the first Cardoso administration (1995-1998) as one of the key components of a larger attempt to fundamentally restructure the country's state apparatus. The basic thrust of the original plan was managerialist in orientation and included both a major organizational transformation of the executive bureaucracy as well as a major overhaul of the federal civil service. During the second Cardoso administration (1998-2002), civil service reform continued to be pursued vigorously, but much less visibly. This time around, moreover, priorities shifted significantly. Managerialist goals became less salient. Instead, attention concentrated on the reduction of public personnel spending and on the strengthening of career-based systems in strategic areas of the executive bureaucracy.

Brazil has not been alone in the pursuit of a new generation of public personnel management reforms. Over the last decade, numerous other Latin American countries have embarked upon major modernization efforts in this domain as part of broader programs aimed at rebuilding state capacity. Two key features make the Brazilian case peculiarly distinctive, however, within the regional context. First, the depth, breadth and boldness of its original managerialist reform plan. Second, the fact that, so far, reform has proven more successful in -intrestingly enough- strengthening the career system than in pushing forward the initial managerialist agenda.

Most other recent civil service reform experiments across the region exhibit an overall managerialist flavor. No other experiment in Latin America, though, has been as openly, comprehensively and decidedly managerialist than the one pushed forth by Bresser Pereira during the first Cardoso presidency. In many ways, in fact, Bresser's reform program pioneered the whole approach within the region and greatly contributed to its diffusion. Paradoxically, this most managerialist of experiments has also been one of the most successful in allowing for the revamping and effective strengthening of a professional merit-based system in key areas of the executive.

Managerialism draws its main intellectual inspiration from the perspective known as New Public Management. This perspective developed in response to the perceived pathologies of consolidated career system in advanced democracies, namely: rigidity, overregulation and excessive bureaucratic autonomy vis a vis elected politicians and the citizens represented by them. The remedies proposed include: greater flexibility –in particular, removal or weakening of tenure rights-, greater managerial autonomy, decentralization and results-based forms of administration and control. In short, the dismantling or weakening of classic meritocracies.

The blueprint provided by managerialism offered, in Bresser's view, a way to leapfrog the Brazilian bureaucracy into the XXI century. Rather than attempting –one more time- to build a classic career system, Brazil could learn from the experience of others, avoid the pitfalls the weberian civil service model, and move forward in the construction of a truly modern, efficient and professional bureaucracy. It is important to note that Bresser's plan, though basically managerialist, nevertheless contemplated an important even if limited role for a professionalized merit-based career system. His goal was not to fully eliminate such system,

but rather to make it more compact, more flexible and to locate it only in what he called the strategic core of the state apparatus. The inclusion of this career component within an overall strongly managerialist program was, in part, the result of political expedience. It was also, however, and perhaps most importantly, the result of a strategic vision aimed at effectively strengthening rather than eroding state capacity

Bresser's managerialist push ended up producing few tangible results in the short run. The 1988 constitutional provision that insured civil servant's tenure rights was suppressed, but the victory was mainly symbolic. Other managerialist measures –notably that involving the radical restructuring of the executive bureaucracy- languished. The public blast produced by the push itself along with significant progress in other less salient and less managerialist aspects of Bresser's reform –i.e., the development of a comprehensive and reliable information system for human resource management and the strengthening of careers at the core- proved pivotal, however, in paving the way for further and more effective change during the second Cardoso administration. From 1998 onwards, civil service reform became much less public and contentious. Its pursuit was conducted almost exclusively within the executive itself and done so under the a single super ministry that brought together those agencies responsible for achieving fiscal discipline and those charged with the task of reforming the state bureaucracy. The alignment of these two objectives under a single bureaucratic unit granted, for the first time, civil service reform the full backing of central budgeting and fiscal authorities. Such backing facilitated implementation. It also, however, stymied the original managerialist impulse substituting it with a much greater emphasis on the strengthening of a centrally designed and managed career system in key areas of the executive bureaucracy.

This document analyses the political economy of civil service reform in Brazil during the two Cardoso administrations. Its main purpose is to provide a detailed empirical account of the politics of the reform's implementation. Its broader objective is to advance in the comparative identification of the key political factors and conditions behind the initiation, sustainability as well as actual results of the latest generation of civil service reforms in the region.

Brazil's reform experience is analytically interesting because it challenges most available approaches for the study of the politics of civil service reform specifically and state reform more generally. Moving from clientelistic, predatory and irresponsible bureaucracies towards efficient and merit-based ones involves huge political hurdles and costs. Doing so in a country with a very large, extremely complex and unusually rigid bureaucracy as well as with a political system marked by the existence of innumerable veto points would appear to be virtually impossible. Contrary to the expectations one would derive from both conventional wisdom as well as from available explanatory frameworks in this area, Brazil not only launched one of the most ambitious civil service reform programs in the region, but also managed to effectively move—even if still incompletely and only fragmentarily- in the direction of a stronger, more effective and more efficient civil service. Brazil's reform experience constitutes a major practical and political feat. The initial conditions along with the peculiarly adverse institutional and political environment under which the experiment was carried out also make it unusually challenging and potentially interesting in analytical terms.

The conceptual and analytical framework employed to shed light on the political economy of the Brazilian reform process distinguishes four main phases or aspects of such process –

initiation, formal implementation, practical execution and sustainability- and highlights the influence of four types of causal factors: structural, institutional, ideological and strategic. The basic argument developed in what follows is that, in the Brazilian case, structural factors –in particular fiscal duress and the centrality awarded by the two Cardoso governments to macroeconomic stability- help account for the initiation, the sustainability, and, especially, for the deepening and fiscalist turn of the reform effort during the second mandate. Differences in the institutional setting within which the first and the second phases of the reform were carried out are used to shed light on the differential degree of actual success achieved in each one of them –lower in the first than in the second. Strategic and ideological factors, finally, are given pride of place in explaining the bulk of the initial reformist impulse as well as many of the most important achievements -both concrete and symbolic- of the overall reform process.

BRAZIL'S PUBLIC PERSONNEL SYSTEM: A BRIEF COMPARATIVE AND HISTORICAL OVERVIEW

In the course of the last 20 years, Brazil, as other countries in the region, has experienced major macro-institutional transformations. The redemocratization process that began in 1985 and the shift in developmental model triggered by the fiscal breakdown of import-substitution industrialization turned out to be, however, peculiarly turbulent. Instability became the norm and by the late 80s both the Brazilian polity and its economy appeared to be spiralling out of control. In the early 90s, the first real attempt at market-oriented reform was pushed forth. By mid-decade, macro stability –both economic and political- was, finally, achieved

Size, cost and quality: recent trends

During the 1990s the structure and role of the federal bureaucracy underwent considerable change. Decentralization, privatization and outright downsizing redefined some of the functions of the central administration's and also contributed to a moderate reduction in its size. In spite of these processes as well as of the negative growth rates of public employment during this period, however, the overall size of the Brazilian public sector and the cost of the public payroll remained high when compared with other countries in the region.

Table 1. Size and Cost of Government.

Countries	Public personal/Pop	Public personal/EAP	Sector payroll public/Tot public expenditure
Argentina	4.90	11.70	37.80
Brasil	3.30	7.50	38.30
Chile	2.50	6.30	...
México	4.80	12.00	44.60
Aver. Latin America	3.88	9.38	40.23
Canadá	4.00	8.40	10.00
EE.UU.	7.10	14.70	8.00
Francia	7.00	15.60	16.00
España	...	10.20	11.00
Aver. Developed	6.03	12.23	11.25

Source: Carlson and Payne, 2001; WDI, 2001; y IMD, 2000

Table 2. Public Expenditure and Fiscal Revenues in 1998.

Countries	Total Public expenditure /GDP	Tributary Income/GDP
Argentina	18.39	16.11
Brasil	42.06	19.80
Chile	20.31	20.82
México	19.95	15.31
Latin American Average.	25.18	18.01
Canadá	48.75	37.46
EE.UU.	32.60	28.33
Francia	54.10	45.24
España	42.90	34.16
Aver. Developed	44.59	36.30
Aver. Countries High-Mid Income	22.8	21.10

Source: Carlson y Paine, 2001 y WDI, 2001

Decentralization of budgetary resources, though significant, did not translate into a reduction of the federal government's spending, but did result in a very important rise in the personnel costs of municipalities and states. Table 3 shows how the payroll absorbed much of the financial gains derived decentralization measures of the 1988 Constitution.

Table 3 Evolution of the public personnel expenditure

	Federal	States and Municipalities
Average per year 70/79	3,41	3.87
Average per year 80/87	2,89	4.18
Average per year 88/94	3,17	6.53
2001	3,15	6.51

Source: Plano Diretor da Reforma do Aparelho do Estado, MARE, 1995;

Anuário Estatístico, MDIC, 2002; STN, Consolidação das Contas Públicas, 2000/2001

Reliable indicators of the quality of government bureaucracies are not widely available. Existing evidence, even if fragmentary, suggests, however, that the quality of the Brazilian bureaucracy is not as in the past. Data from Transparency International reveals, for instance, that the country occupies an intermediate position in relation to other Latin American nations.

Table 4. The Quality of Bureaucracy

Countries	Rendición de cuentas*	Control sobre funcionarios públicos*	Calificación IPC** en 2001	Lugar IPC
Argentina	2.5	2	3.5	57
Brasil	2.4	3.3	4	46
Chile	3.9	3.7	7.5	18
México	2.4	1.7	3.7	51
Perú	1.9	2.6	4.1	44
EUA	...	...	7.6	16
Inglaterra	...	...	8.3	13
España	...	...	7	22
Francia	...	...	6.7	23

* Scale from 1 to 10 where 1 is not a transparent country and 10 means maximum transparency. Rendición de cuentas means the degree of transparency and access to the federal public expenditure. Control over the public employees reveal the access to information about their wages as well as punishments applied to them in case of corruption. ** Perception of Corruption Index - Índice de Percepción de la Corrupción (IPC). 91 países.

Sources: Transparencia Internacional, Índice de Percepción de la Corrupción, página electrónica; CIDE, Transparencia Presupuestaria en América Latina, mimeo.

An important indicator of a positive trend in terms of quality concerns the recent evolution of personnel recruitment. As table 5 shows, the percentage of new civil servants with university degree has risen steadily since 1995. The move that suggests a realignment of the profile of the public sector workforce at the federal level. This positive trend was made possible by the large numbers of retirements triggered by the 1988 Constitution. Retired civil servants have been replaced by a more a qualified type of professional. The result has been a more professional and more qualified civil service.

Table 5. Evolution of the participation of new civil servants with university degree.

Year	Public Selections (A)	University Degree (B)	Percentage (B/A)
1995	19,675	7,709	39.2
1996	9,927	6,309	63.6
1997	9,055	6,574	72.6
1998	7,815	5,861	75.0
1999	2,927	1,937	66.2
2000	1,524	1,348	88.5
2001	660	621	94.1
Total	51,594	30,366	58.86%

Source: Boletim Estatístico 75 (2002: 51)

Two initiatives of Cardoso's second mandate deserve special mention when we discuss the quality of civil service. First there was the First National Research about Satisfaction of Public Service Users (inspired on the British experience of the People's Panel). The survey focused on health, education and social security. The results were satisfactory (the percentage varied between 61% and 79% in most cases) and a revealing piece of information came out: the results were better among the users of public services. Second, the government established a Quality Citizens Charter¹ that required federal institutions to publish and regularly update a set

¹ Decree 3507, 13/06/2002

of indicators of service delivery. The same legislation institutionalized the National System of Satisfaction of Users of the Public Sector.

A number of initiatives were also pursued in the effort to combat corruption during Cardoso's second presidential term. In May 1999, the government created a Public Ethics Commission in charge of the elaboration of a Code of Conduct for the upper echelons of the federal administration (published in August 2000). In 2001, the *Corregedoria Geral da União* (MP 2143-3, 02/04;2001) was created as a means to institutionalize a responsive mechanism to investigate whistleblowers claims. Lastly, the *Corregedoria Geral da União* was merged with the Secretary of Internal Control and with the *Ouvidoria Geral da União* into the *Controladoria Geral da União*, located at the Presidency. Though still far too soon to evaluate its results, all of these measures indicate the government's clear awareness about the importance of the problem

Brazil's public personnel system at the outset of the Cardoso reforms

Brazil was one of the first countries in the region to establish a meritocratic career civil service. The first entrance examinations were legally authorized in 1936 and their implementation began one year later, after the creation of DASP –Administrative Department of Public Service. (Geddes, 1994;52,53) All constitutions since the 1930s (1934, 1937, 1946, 1967, and 1988) moreover, have consistently enshrined the principles of a merit based professional bureaucracy. In actual fact, however, and until quite recently, those principles were never actually implemented.

As in most other countries in the region, public employment in Brazil has been one of politicians' key political resources. Understandably, attempts to remove or at least reduce their discretion over hiring, promotion and remuneration have faced stiff resistance. Reforms aimed at increasing the efficiency and, particularly, effectiveness of government bureaucrats have been recurrent. Regardless of whether these efforts sought to strengthen the career system (1937 and 1988) or, instead, tried to bypass its rigidities through the introduction of more flexible arrangements (1967 and 1979), clientelism and patronage always found a way to recapture the new structures. (Hagopian, 1996 and Santos, 1997).

Up until the 1960s, less than 10% of total state employees joined the civil service through public entry examinations. The vast majority entered the system through a variety of provisional mechanisms and later "transformed" into civil servants with tenure and full pension rights. The 1967 managerial reform further hollowed the importance of the career civil service by creating incentives for the expansion of an entrepreneurial public sector made up of state owned enterprises, foundations and autarchies. The boom of the so-called "indirect administration" during the authoritarian regime (1964-1984) helped mask and bypass the problems generated by the absence of a professional bureaucracy in core areas of the executive. The techno-bureaucracy - a typical phenomenon of the 1960s, 1970s and 1980s - was hired on a private basis. While some institutions adopted merit based procedures that produced the "pockets of efficiency" of the Brazilian developmental state (like Central Bank, BNDES, PETROBRAS, IPEA, CVRD), most of other institutions used private contracts to hire along clientelistic lines.

Successive administrative reforms along with the steady growth of government personnel from the 1930 onward produced an increasingly unwieldy and highly fragmented and heterogeneous public personnel structure. By 1988, there existed at least four types of public personnel regimes within the state apparatus. First, institutions known as pockets of excellence where public sector employees were recruited through private contracts on meritocratic grounds. Second, government employees recruited through private contracts on a patronage basis. Third, civil servants recruited on the basis of merit like the diplomats and tax inspectors. Fourth, civil servants who acquired tenure and pension rights through political or administrative means.

Important pockets of professional excellence in key areas of the executive bureaucracy along with operation of highly effective informal coordination mechanisms –within the executive as well as between business and government- allowed the Brazilian state, however, to act as the pivotal agent of rapid –even if highly unbalanced and unequal- economic development and social modernization. (Schneider, 1991) The fragile institutional, administrative and fiscal anchors of Brazil's, otherwise very successful, developmental state ended up eroding it from within. Paradoxically, “ a fairly strong state undermined its own strength through efforts to fortify itself” (Weyland: 1998: 52). The relentless expansion of state intervention –particularly during the military regime- undermined the state's financial resource base and greatly enlarged the opportunities for rent-seeking. The final crisis exploded during the 1980s and led to a new and eventually more fundamental round of attempts to reform the state in general and the civil service in particular.

The first reformist episode, after the return of democracy, was undertaken in the context of the debate and passage of the 1988 Constitution. As previous constitutional texts, the new Constitution formally enshrined the principles of the classic career system as the centerpiece of the state's personnel regime. By granting tenure and pension rights to all of those employees originally hired under private contracts, it also re-enacted the age long practice of extending career status and rights, through legislative approval, to personnel that had arrived government posts through clientelistic channels and practices. This time around, however, the Constitution turned the civil service into the only legal public personnel regime, thus making it impossible to hire public servants on a private basis.

Between 1988 and 1994, the number of federal civil servants fell from 705,548 to 587,802. Part of the reduction can be explained by the efforts at downsizing of the Collor administration as well as by the labor-saving effects of the widespread introduction of information technologies. Much of the fall, however, had to do with the incentives in favor of retirement generated by the 1988 Constitution. Basically, because the extension of generous pension rights to those having recently acquired status as civil servants led many of them to seek early retirement. The fiscal cost of this development ended up being huge, but was not immediately noticeable due to the distortions produced by very high levels of inflation. Massive retirement during this period was extremely important in setting the stage for more radical reforms during the two Cardoso administrations. Firstly, because it generated growing fiscal pressure and, secondly, because it opened up space in the bureaucracy for new types of merit-based recruitment.

Figure 1. Evolution of active public employees



Another important consequence of the 1988 Constitution and one that would also pave the way for the deeper and more comprehensive attempts at state reform pushed under President Cardoso has to do with its impulse in favor of decentralization

The economic team convinced President Collor de Mello² that the government should immediately begin to adapt itself to (some of) the decisions of the new constitutional framework. An improvised and superficial administrative reform exclusively oriented at cost-cutting was implemented in the beginning of 1989. The Secretary of Administrative Reform was extinguished and incorporated to Planning Ministry. The career system studies were suspended. The National School of Public Administration aborted the experience of the “enarque” emulation, although the first promotion was concluded and the “governmental managers” were hired as civil servants. ENAP managed, though, to form three promotions of recently selected civil servants for the budget and treasury sectors in 1989, areas with major professional deficits recognised even by the economic team.

Collor’s effort at administrative reform began immediately after his inauguration and was launched simultaneously with the Collor Plan -another strong economic macrostabilisation plan aimed at controlling spiralling inflation. The struggle against corruption and rent-seeking had been an important slogan of his campaign and a key point of his proposal was to confront the public sector bureaucracy, demobilise it in economic terms and defeat it. A hasty and badly designed effort at radical downsizing produced high costs and perverse effects.³ The reforms destroyed key systems of administrative information and undermined government effectiveness by the continuous reorganization of state functions. Collor severely damaged bureaucratic competence by promoting careless and successive changes, in particular, the fusion of ministries, agencies, SOEs, foundations, and departments. Employees contracted under private arrangements not protected by the 1988 Constitution were fired and those with

² The first presidential direct election since 1961 mobilised the country and resulted in the election of an outsider, Collor de Mello, a fashionable representative of the oligarchies of the Northeast.

³ At that time, government efforts to fire people were not supported by the Judiciary Supreme Court that interpreted the legislation in a very restrictive way.

less than five years of work prior to its passage were sent home with wages proportional to years of public service.⁴ At the same time, delays in public sector wages adjustment in an inflationary context promoted major financial losses that accentuated the massive demoralisation of the federal civil service, till than recognised as problematic but still valued and partially functional in the dynamic “pockets of efficiency”.

Table 6. Degree of Organisational Stability between 1964-1992.

Presidential mandates	Number of public bodies of the macro-structure	Number of changes	Indicators
Castelo Branco (1964-1967)	13	5	0,722
Costa e Silva/Médici (1967-1974)	23	0	1,000
Geisel (1974-1979)	23	2	0,913
Figueiredo (1979-1985)	24	2	0,917
Sarney (1985-1990)	24	10	0,583
Collor (1990-1992)	25	25	0,000

The Degree of Stability (S)= number of organisations of the federal macro-structure N (ex: ministries) minus lthe number of changes in the period “n”, divided by N again. Therefore, E=(N-n)/N
Source: Andrade e Jaccoud (1993: 129)

In December of 1990, Law 8112 detailed Constitution provisions on the subject and extended permanent civil servants’ rights (a marginal parcel of the work force at that time) to all governmental employees. The immediate consequence was the retirement⁵ of 45.000 functionaries, the vast majority of which had been originally hired under private contractual arrangements, but with enough accumulated time in public service to be eligible for unusually attractive retirement benefits.⁶ Collor’s impeachment in September of 1992 was, among other things, a direct consequence of the formidable growth of corruption made possible by the severe weakening of the state bureaucracy that his very policies had promoted.

Table 7. Evolution of civil servants 1988-1994.

YEAR	STATUTÁRY*	TOTAL**
1988	705.548	1.442.657
1989	712.740	1.488.608
1990	628.305	1.338.155
1991	598.375	1.266.495
1992	620.870	1.284.474
1993	592.898	1.258.181
1994	587.202	1.197.460

* Civil personnel, Direct Administration, Autarquias and Foundations; personnel.

** Includes state firms and societies of mixed economy.

⁴ The numbers are controversial although Santos mentioned 112.000 employees fired and 55.000 classified as “available” and receiving proportional wages.

⁵ The retirement legislation for civil servants has one decisive advantage over the private schemes: the maintenance of full wages (proportional with time on service when lack less than five years)

⁶ Legislation established, as general rule, 30 years of service for women and 35 for men, a situation clearly inconsistent with modern demographic tendencies and macroeconomic financial needs.

THE POLITICAL ECONOMY OF CIVIL SERVICE REFORM UNDER CARDOSO

Macroeconomic stabilization radically altered Brazil's economic landscape and removed the price distortions under which political and economic decision-making had been conducted since the 1970s. The implementation of the Real Plan was a huge success. In a short span of time, hiperinflation was controlled and inflation rates were brought down to world accepted levels. In the case of the public sector, though, price stabilization starkly confronted policy-makers with the enormous financial burden generated by the 1988 Constitution; namely: the sharp rise in wages and social security costs produced by the dramatic expansion of the number of employees endowed with civil service rights. Government had traditionally delayed adjustments in wages and pensions as a means to fund itself. In a hyperinflationary context, the budget was a piece of fiction and the management of cash flow allowed the government to redefine priorities without Congress' active participation. The sharp fall of inflation severely limited the executive's ability to transfer civil servants' (active and retired) income to other areas. Moreover, there were legal obligations that now acquired meaning given the reduction of the differences between nominal and real prices. The Real Plan forced all economic agents to "get prices right" and, in so doing, opened the way for the introduction of other reforms, such as privatization, trade liberalization and administrative reform. (Naím, 1995)

Fernando Henrique Cardoso was easily elected President in October 1994 thanks to the success of the macroeconomic stabilisation plan implemented under his aegis as Minister of Finance during Itamar Franco's presidency. Once elected, Cardoso formed his cabinet according to his political priorities, but also under the restrictions imposed by his multiparty coalition.

The PSDB party manifesto proposed a conventional civil service reform in order to improve government efficiency. The proposal included the implementation of a merit system, resumption of public examinations, formulation of a career plan and adoption a gradual approach for building up a professional career service in the progressive public administration style.

Cardoso himself was not particularly concerned with a broader administrative reform because he thought that there were lots of changes to be implemented which did not require changes to the constitution. The president believed that the government machine needed only small adjustments, as long as he could rely on a few pockets of excellence (Oliveira, 1981) to implement the more proactive strategies required by his government plans.

The President and his economic team had only one major concern in relation to public sector reforms before his inauguration: the social security system covering the public sector employees, a major source of fiscal problems and social inequality. The 1988 Constitution had extended civil service rights to a huge number of public sector employees, previously hired under private contract arrangements. Three rights were particularly sensitive: tenure, retirement with full wages, and extension of any pay rise to retired workers and pensioners. The combination of a sudden rise in the number of civil servants with the enactment of the rights just mentioned resulted in an explosive situation for the government finances.

One of the last choices of Cardoso's cabinet was the Secretary of Federal Administration, the ministry in charge of public administration issues like civil service and procurement. He invited an old friend - Bresser Pereira – to take charge of an area perceived as difficult, sensitive, but not particularly politically attractive because of the complexity of the problems it would have to face. Bresser Pereira had acted as Minister of Finance for a brief period during Sarney's presidency. He was also a well known and regarded political economist, a PSDB cadre, and a private manager of a large supermarket chain. He had all the credentials required to occupy a ministerial position close to the president.

Cardoso discussed with Carvalho - his Chief of Staff – and Bresser what was the best institutional arrangement for the ministerial position charged with public management issues. They agreed that a Ministry was a better solution than a Secretary of the Presidency because it had more resources, status and visibility, conditions perceived as necessary for the tasks to be faced. The cost of the choice was basically the loss of immediate access to the president that a Secretary would have allowed. Given Bresser Pereira's close relations with Cardoso the deal looked perfectly reasonable.

Bresser Pereira found a public sector in disarray after a turbulent decade. The rapid expansion of clientelism during the first redemocratisation years⁷, the period of explosive inflation⁸, the downsizing of the Collor years, the implementation of the common juridical regime (RJU)⁹, and the erratic Franco presidency had all produced serious damage to the federal public sector. Available data on the bureaucracy, moreover, was extremely scarce and unreliable.

Government personnel had not been renovated. Professional careers had become non-existent, except in traditional strongholds (tax inspectors, diplomats, and prosecutors) and the strategic careers created during the Sarney presidency were moribund. The federal executive was in a state of complete disarray after years of continuous reorganization. Even the concept of state reform had become fuzzy and had lost much of its credibility. The topic was not included in the Washington Consensus (Williamson, 1990). Civil servants have traditionally been the “forgotten price” (Naím, 1995) in the processes of structural adjustments. Meanwhile, neither the World Bank (1994) nor the Inter-American Development Bank (1994) had any innovative prescription about what to do or how to go about civil service reform in spite of the recognition of its importance to the implementation of second generation reforms in Latin America.

⁷ Clientelism did not disappear during the authoritarian regime as Hagopian (19??) demonstrated in her study about how the military and the political elite engineered a new *modus vivendi* after the 1964 *cup d'etat*. However the way the public sector expanded from 1967 until 1988 masked its occurrence because there were no formal distinctions on the way state owned companies, foundations and autarchies hired personnel during this period. Some public organisations adopted Weberian merit based career systems while others used private contract mechanisms to disguise clientelism practices.

⁸ The Real was the fifth macro-economic stabilisation plan in eight years, after the Cruzado (1986), Bresser (1987), Summer (1989), and Collor (1990) plans.

⁹ The RJU was the last decision of the Constituency legislature, elected in 1986. But it was implemented under the Collor presidency in the middle of its successive and disastrous attempts to cut personnel costs at any price.

The First Cardoso Mandate (1995-1998): The Crusade of a Policy Entrepreneur

Bresser Pereira defined the mandate of the Ministry of Administration and State Reform (MARE) as reforming the state apparatus, a more precise term that circumscribed MARE's jurisdiction and avoided complicated interfaces with other areas of the government, for instance, those engaged in the privatization process. Since the beginning, the government also decided that some related policy domains like public sector social security and regulatory agencies should fall under the Ministry of Social Security and the sectoral infrastructure and utilities ministries, respectively. Thereby, MARE was relieved of some demanding and conflictive issues that could bring more trouble than its infant capacities could bear.

Initially, MARE worked as a policy platform charged with the design of an innovative proposal for the wholesale reform of the country's state apparatus. Bresser and his team formulated a comprehensive and ambitious reform plan for areas such as personnel, public sector organisational rules, procurement and control. The diagnosis contained in the plan pointed to the need for managerial reform in order to modernise the Brazilian public sector. Flexibility – in organisational, personnel, and budgeting matters - was identified as the key requirement for the modernisation of the Brazilian state.

Bresser decided that the strategy to be adopted included a constitutional reform. The first months of the Cardoso government were marked by the definition of the executive's priorities, which included the clarification of what structural reforms should be pursued through constitutional amendments. Given the disappointing results of the 1993 Constitutional Review – a scheduled opportunity to introduce constitutional changes with a simple majority in Congress – Cardoso listed three reforms as his initial priorities: social security, fiscal and political reforms. Thanks to Bresser Pereira's persuasive argumentation, administrative reform joined the group.

The reform proposal took a dual form: a white paper and a constitutional amendment. The first was a document to be used as an advocacy tool, a political communication text. The second was a detailed attempt to reform all the elements of the constitution that needed to be transformed according to the reform proposal.

Bresser Pereira's strategy contrasted with the general view of the government that problematic issues should be removed from the Constitution, not amended. However, as Melo (2002) has convincingly showed, the administrative reform strategy pursued by Bresser paid off. Basically, because it was approved by Congress, even if only after three years of negotiations as well as of a number of major concessions. Other reforms like social security, in contrast, were rejected by Congress because the “de-constitutionalization” strategy looked like a blank check that the legislative refused to concede on the grounds of ignoring the executive's real intentions.

Minister Bresser plan's faced strong opposition from key presidential ministries – Chief of Staff Clovis Carvalho and Secretary of the Presidency Eduardo Jorge . Other members of the President's inner circle of the President - the Ministry of Planning José Serra and the Minister of Education, Paulo Renato de Souza- regarded it with considerable suspicion. Carvalho did not share Bresser Pereira's voluntarism or his insistence on the need to introduce wholesale

changes in public organisations functioning structures. Jorge did not think that a constitutional reform was a requirement to modernise the federal executive. Serra did not see state reform as a big priority and Souza was afraid of the impact of the proposed reforms on the federal universities. Nevertheless, after six months of intense negotiations and refinements, Bresser Pereira got Presidential support to send his proposal of constitutional amendment – the 58th version – to Congress. Thanks to his skilful rhetoric (Gaetani, 1998), his proximity to the President and to his ability to mobilize the governors support¹⁰, Bresser was able to overcome his many opponents.

Cardoso’s speech on the occasion in which he publicly supported the amendment was, nevertheless, revealing. The President said that Bresser had ahead of him three main tasks: convincing public opinion, persuading Congress, and last but not least, conquering the government to his ideas¹¹. In doing so, Cardoso endorsed the proposal, but at the same time distanced himself from the protracted negotiations about complex administrative details that the approval of the reform demanded.

The Role of Human Resource Policy in Bresser’s Reform Proposal

Public personnel management was considered so important that nine of the ten tables contained in the White Paper *Reform of the State Apparatus* focused on the diagnosis of the problem. The document showed that participation of personnel expenditures in available revenues had fallen from 60,4% in 1993 to 56, 1% in 1994, but also indicated that such participation would rise in 1995 (MARE, 1995: 41) The White Paper showed, moreover, that the share of inactive personnel and pensioners in the federal government personnel expenditures had reached 36% in 1994 (MARE, 1995: 42).

Average wages in the private sector were 14% higher than those in the public sector for executive positions and 45% lower in operational one (MARE, 1995: 47). This data, it must be noted, was being collected and published for the first time. Making this information public proved extremely important politically. Bresser did it because he knew that the best way to gain supporters for his proposal was to use the data to build up the “need to do something” and to create a sense of urgency about it.

Table 8. Comparison between average salaries in the public and private sector in 1995

Positions	Difference between the public and the private sector
Executive Positions	- 14%
Positions that require a degree	- 5%
Intermediate Positions	- 3%
Operational Positions	+ 45%

Source: MARE, SIAPE and Coopers & Lybrand

¹⁰ The political support of the state governors came at the right time in order to persuade the President. They believed that the removal of tenure was decisive to allow them to fire public sector employees, a necessary condition for keeping their payrolls under the limits the Camata Law. This Law (1995) established that the payroll could not exceed 60% of the current revenues of the government (federal, provincial and municipal). Later this limit was further reduced to 50% (31/05/1999) as a part of the fiscal effort of the second mandate. Bresser Pereira convinced the governors that the approval of the amendment was in their best interest since it would allow them to liberate resources spent in the payroll in the pursuit of other goals.

¹¹ Information quoted in two interviews of government high officials that participated in the meeting.

The reform combined new organisational ways of delivering governmental services with different employment arrangements. The public sector was supposed to be formed by two areas: those owned by the state and those not owned by it. The former included the strategic core (Legislature, Judiciary, Presidency, Heads of Ministries, Public Ministry) and bureaucratic units in charge of activities that only the state could perform (Regulation, Inspection, Public Safety, Social Security). The proper form of administration of these two sectors was the bureaucratic form. The latter, in contrast, would include all of the services that did not need to be delivered exclusively by the state (universities, hospitals, research centres, museums) as well as those areas in charge of production for the market (state owned companies). The proper form of administration of these sectors was the managerial form.. See the Table 16 bellow to understand how governmental institutions should be shaped.

Table 9. Bresser’s Overall Plan: The Limits of State Intervention

	Public sector (State Owned)	Public but not State Owned	State Owned Companies
Main activities	State as civil service	Transformed in public but not state owned organizations	Privatization
Auxiliary activities	_____	_____	Contracting Out →

Source: (Bresser Pereira, 1997: 30)

The overall proposal contained two critical elements: the introduction of new public organisational forms and major changes in the existing human resource regime, in particular: the extinction of tenure and of the single juridical regime for state employees (RJU). The new organisational structures were executive agencies and social organisations, both inspired in the Anglo-Saxon reforms. Changes in the RJU were considered essential to allow new employment regimes in the public sector as well as tenure suppression, a prospect that the economic team was particularly keen about.

Bresser’s public personnel reform contained important managerialist elements. Five merit particular attention. First, there was an explicit effort to align public and private sector wages. Second, bonuses based on performance were introduced. Third, allocation of public personnel was made more flexible. Fourth, the National School of Public Administration was intensively used to train all types of public employees (i.e, not only those located in the strategic core) as well as, higher level officials in all areas as a way to disseminate new public management ideas (almost 20,000 per year between 1997 and 2001). A fifth managerial element of the human resources policy was the specification of the conditions governing provisional contracts and the creation of a third type of regime for public servants -public employment. This third regime did not reach the implementation stage, though, due to the opposition of the Judiciary as well as of other public institutions who regarded it as worse than the other two: private contracts and civil service.

The proposal also included a more conventional approach to the human resources problem in the case the strategic core and the sector of exclusive state activities. The challenge here was to strengthen merit based bureaucracies in the state owned sector. In this area, MARE proposed a large package of initiatives that included: resuming public entry examinations, strengthening the careers of the executive core, controlling the payroll, publishing updated personnel statistics, removing unacceptable privileges from the ordinary legislation, and introducing performance management mechanisms oriented towards enhancing the merit system.

MARE carried out a detailed analysis of the personnel needs provoked by retirement. In order to keep employment at its current levels, a rule of thumb was established. The recruitment process should focus on 1/30 of agencies' total needs per year in order to avoid disruption in the public service in question. In addition, it also increased the number of years of service required for civil servants retirement. The government also implemented three voluntary retirement programs¹² after 1995 that produced a small impact in the executive workforce but signaled the interest in producing a realignment of the profile of the civil service..

In the realm of public personnel, thus, Bresser opted for a reform plan that combined managerial and classic meritocratic elements. (Heredia and Schneider, 1998) In so doing, he was attempting to solve two problems: a new one and an old one. On the one hand, he was concerned with the new challenges of the public sector that needed a more innovative and flexible approach to human resources management. On the other hand, he faced the historical challenge of building a merit-based system against clientelism and patronage practices.

The Constitutional Amendment: Actors and Political Dynamics

The President was sympathetic to Bresser's reform proposal but not to the point of exposing himself to unpopular judgements or to the political costs derived from the difficult negotiations around the amendment. Those Ministers closest to the President supported the reform, but did so reluctantly given their personal reservations with respect to Bresser Pereira and to the design of the project. Almost three years after its arrival in Congress and at the cost of major concessions, the proposal was finally approved by Congress. The proposal was so "mature" that it was voted few weeks before the re-election presidential campaign, a sign of its political harmlessness.

Bresser had carefully designed his proposal in order to align it with the main economic team interest: the consolidation of the Real plan. Moreover, he presented the constitutional amendment as a requirement for macroeconomic stabilisation. This allowed him to obtain initial support from the economic team, especially after implementing tough controls over the payroll and keeping the personnel expenditures under surprisingly low limits thanks to the incorporation of information technology systems and permanent auditing practices.

The reform was presented as part of a fiscal as well as an efficiency effort. The economic team, however, did not commit itself to the implementation of the new organisational forms

¹² Three programs were carried out under Cardoso Presidency and they were joined respectively by 7800 (1996), 5733 (1999) and 1418 (2000) public servants (Pacheco, 2002)

required for the institutionalization of the new public service contracts. The obsession with the fiscal surplus blocked any serious discussion about budgetary decentralization, thus effectively cancelling the possibility of moving ahead with the implementation of Bresser's new organizational structures.

International institutions were not centrally involved in the Brazilian reform effort. Neither the World Bank nor the Inter American Development Bank participated in the design of the program. None of them tried explicitly to incorporate their new concepts and tools in their ongoing operations with Brazilian government. The IADB provided financial support for the implementation process after the middle of the first mandate, but without a clear sense of what elements of the reform had to be reinforced or amended¹³. The British international co-operation agency (DFID) became involved in the reform process after the White Paper was published. British consultants¹⁴ played an influential role in disseminating new public management ideas and concepts within the Brazilian government and, especially in supporting MARE's team and the Court of Counts (Tribunal de Contas da União – TCU) familiarisation with innovative managerial ideas. CLAD published an important document – A New Public Management for Latin America – under Bresser Pereira's intellectual influence.

Congress played a predictable role in a context in which the president needed a majority of sixty per cent in both houses to approve a constitutional amendment. Two topics captured the politicians' attention: the removal of tenure and the relationship among the wages of the three branches of government. The former was the most controversial issue of the reform and was intensively monitored by the media and by the civil servant unions. The latter was the object of tough backdoor negotiations among the top authorities of the Executive, Legislative and Judiciary.

With respect to tenure, the government got an important, but mostly symbolic victory because the original proposal was severely watered down. With respect to the establishment of wage limits for the three branches, the executive was defeated because of the combined opposition of the leaders of Congress and of the Judiciary and because of the pressure of their bureaucracies, whose role was recurrently underestimated in the negotiations.

Haggard (1997) has suggested that administrative reforms involve the renegotiation of existing pacts between politicians and bureaucrats as mediated by the balance of power between the executive and the legislative and by the nature of the party system. The Brazilian case reveals the importance of additional actors: Legislative bureaucracies and the Judiciary. The Congressional bureaucracy has powers which are invisible to external observers. Judges constitute a particular case of the Judiciary bureaucracy and do not have the same employment status of senators and deputies. Therefore more attention needs to be paid to how they negotiate their interests as civil servants. The problem is especially serious in the absence of any discussion about external control of the Judiciary.

¹³ An example of the search behaviour of the Bank was an interesting but controversial report about the public sector wages structure carried out by a reputed group of economists - Fogel, M. et al. (1998). The issue was treated in rigorous technical terms but completely detached of the ongoing reform attempts.

¹⁴ Kate Jenkins and a group of associated consultants supported the Secretary of State Reform at MARE. KPMG was selected to provide technical assistance to TCU. The former project was not renewed after three years but the later got more funding support of DFID because of its success.

Bresser's relationship with civil servants' unions was ambiguous and complex. Overall, unions opposed his reform plan. His offer to strengthen the moribund careers in strategic ministries allowed him, however, to gain the support and active cooperation of bureaucratic elites. MARE resumed the public entry examinations for the careers of public managers, budgeting analysts, and finance and control analysts. A schedule of exams was established and hundreds of young professionals joined the public sector because the salaries were raised to competitive levels. In doing so, Bresser made it clear that he supported the regeneration of the strategic core of the executive while, at the same time, fighting privileges and advocating new employment arrangements in those areas for which the state did not need to be responsible, like universities, hospitals, research centres and others. This strategy allowed him to put the unions on the uncomfortable position of having to defend privileges widely regarded as illegitimate.

The executive machinery was divided with respect to the reform. Senior civil servants supported the initiative, while the majority of those positioned at the operational level were suspicious of it. The project was well received by most of those civil servants and appointed officials who occupied high positions in government as well as by the more informed civil servants who lived in Brasilia. However there was strong opposition from the bureaucracies of the Judiciary, Congress, *Ministério Público*, Court of Counts, states and municipalities.

Second generation reforms usually need cooperation from Congress (Rinne, 2001: 48), but Bresser did not have strong backing from either the politicians or from the Legislative bureaucracy. Political parties were not particularly sensitive to the debate about administrative reform. The negotiations in Congress proved exhausting and forced Bresser Pereira to make important concessions to get something approved. The governors who had been so important in influencing the presidential decision of sending the proposal to Congress did not have enough power to command their political bases in relation to this matter.

The Left opposed the reform, but the effects of its resistance were limited given that it only controlled 20% of Congress. The strongest opposition came from traditional politicians who belonged to the President's coalition. It is useful to remember that most of them belonged to the 1987-1990 legislature that had approved the new constitution and Law 8112 (the RJU). Traditional politicians neither understood nor agreed with many of the project's ideas. They did not want to incur the political costs of suppressing tenure. Moreover, they were also, in a sense, hostage to Congress permanent bureaucracy and did not want to approve changes that could affect an untouchable bureaucracy long characterised by its autonomy.

The Judiciary was the other main opponent of Bresser's reform. The judicial establishment neither assimilated nor agreed with the main ideas of the new human resources policy. The proposal to introduce upper limits on the wages of all the three powers simultaneously was adamantly opposed by the Supreme Court on the grounds that it infringed on the independence of the Judiciary. Judicial opposition was not particularly surprising. Of the three branches of government, the Judiciary has long been known to be the most opaque and, thus, the one most vulnerable to the problems of formalism and clientelism (Piquet Carneiro, 1989). Bresser Pereira knew that the strongest opposition to his reform would come from the lawyers and the judges that specialised in administrative and constitutional legislation. However, he

consciously tried to push the reform through because he considered that the executive had to confront the challenge.

Interestingly, Bresser Pereira managed to mobilize considerable support for his crusade in the media and with the public at large. Bresser along with MARE's top officials became active promoters of the reform across the country. They toured all levels of government, maintained regular and extensive contact with the media, and actively sought to sway officials in other federal ministries to their cause. They met, debated and negotiated with unions, governors, policy experts and academicians. Under Bresser's leadership, administrative reform became a truly national and public issue, not restricted to the government itself. After an initially hostile reaction from the media and in spite of its complex and arid nature, the reform project gained wide public sympathy. Influential analysts and journalists also gradually came to support the reform. Even some businessmen became aware of it and endorsed it, although they played a minor part in the debate. Through public deliberation and active campaigning, MARE was able to create a sense of desirability and urgency that helped generate a positive public opinion environment toward change. (Gaetani, 2001).

Convincing the government proved to be, in contrast, one of the hardest tasks faced by MARE. Key ministries did not buy the reform. Some were very close to the President like Jorge and Carvalho. Others were key clients of the reform, but did not actively engage on its implementation. Areas like education and health did not assimilate the new organisational forms proposed by MARE and considered the new ideas too risky and threatening. Economic agencies, in particular, did not provide effective support to establish a contract and a performance culture in the public sector because they did not want to incur the required financial commitments in a context marked by successive budgetary cuts. As a result, MARE had to restrict the introduction of pilot projects in discrete areas of weak ministries like Science and Technology (social organisation), Social Communication (social organisation) and Development of the Production, Industry and Trade (executive agency).

Table 10 Actors' Positions vis a vis Reform during the First Mandate

Actors	Positions with respect to the reform
The President	Moved from suspicious to supportive in a first moment. Then moved to a distant reserved position when the proposal was sent to Congress.
Economic Team (Ministries of Finance and Planning)	Distant in the beginning, happy with the controls and savings with payroll, satisfied with public selections to their careers, sceptical with respect to the reform innovative ideas, and obsessed with fiscal surplus and cost-cutting practices.
Executive (other ministries)	Sceptical, suspicious and reluctant to engage in the reform implementation process.
Executive (civil servants and public sector employees)	Divided between a small qualified group of sympathisers and a majority of critics.
Legislative (politicians)	Resistant with respect to sensitive issues of the reform like tenure and the equalisation of the wage limits within the three powers.
Legislative (permanent bureaucracy)	Against the reform, especially those points related to tenure, Congress self-organisation attributions and establishment of wage limits for the three powers.
Judiciary (Judges)	Against the reform, especially those points related with tenure, Judiciary self-organisation attributions and especially the establishment of wage limits for the three powers.
Judiciary (permanent bureaucracy)	Against the reform, especially those points related with tenure, Judiciary self-organisation attributions and especially the establishment of wage limits for the three powers.
Political parties	Fragmented as usual. The left was against while the others were open to negotiations usually on an atomised basis. The support of incumbent governors of different parties was decisive to send the proposal to the Congress.
International institutions (BID e World Bank)	Surprised, sympathetic and supportive in the case of the IADB and DFID (British Co-operation).
Unions and Career Associations	Recognised as qualified interlocutors although they opposed the reform, in general.
Public opinion makers	Initially critical but gradually conquered by persuasive data, advocacy and argumentation.

Bresser's Reform: Main Results

Bresser's legacy was impressive in spite of the loss of momentum of the reform after the approval of the Constitutional Amendment. His record in terms of civil service reforms seems particularly impressive, especially given the low salience awarded to this component within his overall strongly managerialist plan. The civil service elements of MARE's reform effort produced significant improvements in all traditional fronts. The government successfully strengthened strategic careers like those of MARE and the economic ministries through public examinations, favoured wage rises, special training programs, and the introduction of performance management reward schemes. Personnel expenditure, moreover, was contained through the adoption of several measures like publishing all relevant federal government

personnel information, introducing computerised payment controls, organising civil service compulsory database, and only partially replacing retiring civil servants.

During the transition between the first and the second Cardoso mandates Bresser Pereira was transferred to another Ministry and the new Ministry of Planning, Budgeting and Management absorbed MARE, just a few months after the reform's approval. A number of factors contributed to this intriguing and most critical outcome (Gaetani, 2000). The first was the executive inner circle's evaluation that the implementation of the reform required a different bureaucratic arrangement under new leadership. The second was Bresser's conclusion that the reform needed the unification of key instruments like budgeting and the payroll to be successfully executed. The third was the turbulence provoked by the international financial crisis that forced the devaluation of the Real.

The end of the first Cardoso administration left, however, important unfinished business in the area of public personnel management. First there was the regulatory agencies' personnel problem. The executive had created three regulatory agencies in the utilities sector: gas and oil, energy, and telecommunications. Because of government lack of definitions, an improvised solution was adopted, neither bureaucratic nor managerial. Public sector employees from state owned companies were transferred to these first generation regulatory agencies. Moreover, the wages of the appointed positions were above those paid in the parental ministries. The pressure to create a favourable environment for international investments was used as a justification for this measures, in an area, it is important to note, outside of MARE's jurisdiction.

Second there were the consequences of mismanagement of the public sector workforce within large areas of the executive. Authorized public entry examination were carefully chosen because Bresser Pereira did not want to allow recruitment under civil service arrangements to public organisations supposed to become, for instance, social organisations. But few public bodies opted for taking the risks of volunteering for pilot projects. A majority of public institutions decided to by pass the law and resort to controversial arrangements that involved hiring outside its limits. Two solutions were intensively used to deal with situations allegedly involving emergency conditions: hiring people through U.N. agencies (UNDP, UNESCO, OPAS and others) or through university foundations (private foundations that belonged to the federal universities). The distortions derived from these practices cannot be attributed to MARE, but in the absence of feasible solutions, the improvised alternatives became in practice institutionalised.

Third, the approval of another Constitutional Amendment related to the Social Security of the Public Sector in December 1998 notwithstanding, changes in this front were, in fact, minimal. This amendment established equal treatment for private and public employees. The government was unable to persuade Congress, however, to eliminate public employees so called "acquired rights". As a result, unacceptable benefits to civil servants were kept in place and the pension time bomb continued to tick along. .

Fourth, in spite of major improvements in the personnel control system, several institutions outside the President's direct jurisdiction remained out of it. These institutions were the *Ministério Público*, the Congress, the Court of Counts, and the Judiciary. All of them argued

successfully that their autonomy and independence allowed them to be kept out of any kind of external control over their payroll and personnel systems. MARE had managed, for instance, to bring all universities under control but did not have the means to force other areas of the three powers to join the system. Given the deeply entrenched opacity of this institutions and the low likelihood of reigning them in, the President chose not to fight that battle.

In spite of these important limitations and in addition to the significant gains obtained in the career civil service, Bresser's reformist push also managed to maintain the downward trend in the growth of public employment -3 percent over a 6 year period.

Table 11. Evolution of employment distribution

Employment	1993	1996	1999
Private	72,9	74,5	75,5
Public*	27,1	25,5	24,5

*Includes all levels of government and all types of labour arrangements
Source: Marconi (2002, 181)

Civil Service Reforms under Cardoso's Second Term: Continuity and Change

The absorption of MARE by the new Ministry of Planning, Budgeting and Management was confusing and disruptive. A new Secretary of State of Public Administration (SEAP) with ministerial status was created to accommodate Bresser's deputy. SEAP absorbed the traditional administrative functions of MARE and an ordinary Secretary of Management took over the functions previously performed by the innovative Secretary of State Reform. A close staffer of Carvalho was appointed to lead it. Both were technically subordinated to the new Ministry of Planning, Budgeting and Management. The new arrangements survived six months when the Secretary of State of Public Administration was extinguished and its functions redistributed to ordinary Secretaries like Human Resources, Logistic and Information Technology, and others. Bresser's team was effectively dispersed although some it members continued to gravitate around public management issues¹⁵.

The new Minister of Planning, Budgeting and Management – Martus Tavares – made the consolidation of the fiscal adjustment his number one priority. Tavares was an expert in budgeting chosen by the President and the Finance Minister because of his expertise in that field. He had worked in the federal government since the late 1960s and had a reputation as a skillful fiscal conservative. As the deputy of Parente - former minister turned into Chief of Staff of the new Ministry- he appeared to be the right man for the moment.

Tavares established a clear strategy as soon as he came into office. On the one hand, he tried to control public expenditure. On the other hand, he searched for institutional mechanisms capable of transforming a policy shift into a structural transformation. His choice was a new legislation. He persistently pursued the approval of a new law that disciplined public

¹⁵ The maintenance of the Secretary of Human Resources and the Presidency of the National School of Public Administration were important to keep momentum alive in two areas – personnel and training – that provided a sense of continuity of Bresser Pereira's managerial reform, re-labelled as a process of disseminating an entrepreneurial management culture.

expenditure at all government levels. The Law of Fiscal Responsibility incorporated elements of previous legislation and also a new and ingenious “incentive”: all those politicians or high public officials that failed to complying with the law would be banned from running in future elections. The message was clear: the threat was to the future of the political careers of the executive leaders, not their pockets. The other enforcement mechanisms contained in the proposed law were watered down in the course of the negotiations with Congress, but the sanctions related to politicians careers were salvaged. The penalty did not appear to be particularly severe, it was easy to enforce and turned out to be surprisingly effective. Through it, Tavares was able to place fiscal concerns at the core of Brazilian politics and managed to pass a law that actually modified politician’s behavior.

Meanwhile, a new policy cycle had began in 1999: the resuming of a planning, programming, budgeting and systems (PPBS) approach combined with new managerial and contractual elements. Since 1967, every new government in Brazil had been obliged to elaborate a long term global plan – *Plano Plurianual* – during its first year in office. In the middle of Cardoso’s first mandate, policy entrepreneurs associated with the total quality management movement introduced a number of innovative managerial changes in a small group of priority projects. At the end of 1998 they gained presidential support for promoting radical change in the planning and budgeting system.

While the country was absorbed by the financial crisis and the re-election campaign, a new budgeting law was approved with the specific aim of dismantling traditional inertial budgeting procedures. The challenge was to recover the meaning of programming in the budgeting process. New guidelines for the next PPA (2000-2003) were launched and a set of managerial innovations in planning and budgeting were introduced. The plan was structured around programs. All programs had to be oriented toward problem solving and each had to have an accountable manager. Managers would receive special treatment – including customised training programs at ENAP - by government authorities. Results would be measured regularly through performance management indicators. *Avança Brasil*, the PPA 2000-2003 propaganda label, became Cardoso’s government plan for the second mandate.

During the first two years of his second term, a number of partial and low-profile reform initiatives were carried out. New programs were launched in areas like total quality, de-bureaucratization, e-government, procurement, training PPA managers, and others. Social organisations flourished but only in a very special environment: Science and Technology, not surprisingly the ministry to which Bresser was transferred when he left MARE.

A second generation of regulatory agencies (Santana, 2002) was created, especially in the health sector, by people involved in Bresser Pereira’s previous initiatives. Public entrance examinations were provisionally suspended because of the financial crisis and the resulting urgency awarded to expenditure cuts. The locus of public management innovations had moved to the planning and budgeting arenas. Paradoxically, the new policy cycle also claimed the managerial label emphasised by Bresser Pereira, in spite of the absence of linkages between the two processes.

Public management remained a low status issue until 2000 when some rotation in top bureaucratic positions occurred. The merger of Planning, Budgeting and Management had

attempted to enhance the coordination among of the three areas, putting them under a unified command. The integration was supposed to facilitate the implementation of the public management reforms initiated under the first Cardoso government, but the expectations were not becoming reality. Moreover, the human resources policy was not well located amid the Secretary of Human Resources and the Secretary of Entrepreneurial numerous management attributions.

Given the complexity and the scale of the new ministry's activities, Tavares and Dias decided to create a number three position in the Ministry of Planning, Budgeting and Management. The Minister was supposed to operate upwards and to perform political functions. The Executive Secretary Dias (number two) would be responsible for budgeting and planning, by far the most important functions of the ministry. The deputy of the Executive Secretary (number three) was charged with the complex and time consuming management of issues related with human resources, careers, positions, public management issues, public sector organisations and logistic.

The new position was occupied by Farias, an experienced ex-member of the first promotion of the public managers career, who had acted as Director of the modernisation area in the Secretary of State Reform in MARE under Bresser. A new locus was created to deal exclusively with MARE's legacy and especially with the "impossible task" of rationalizing and modernizing human resource policy. The position was well thought out, had little public visibility and allowed Tavares and Dias to concentrate their attention on the government's top priorities, in particular: fiscal adjustment.

Resuming a strategic treatment of the human resources policy

Farias knew how conflictive the human resources problem was because he had been in charge of managing the allocation of appointed positions to the ministries under Bresser. He also knew that he needed solid arguments in order to change the economic team's negative perception of human resources policy as a permanent source of problems, distractions, and expenditure. Farias was keenly aware of the need to approach public personnel management in a strategic fashion. He used the stream of retirements to incorporate fewer and better qualified people. Under him, the government resumed resume public entry exams but only in a few selected areas. A new concept was created – and formalised in legal terms – the group of *careers of the management cycle*, the materialisation of Bresser Pereira's idea of a strategic core of merit based careers in charge of activities performed exclusively by the state.

One of the first decisions in relation to these careers was to expand the difference between initial and final wages so as to lengthen their career horizon. Table 12 shows how this range was expanded in an effort to attract and retain highly qualified civil servants in strategic areas.

Table 12. Range of main executive careers 1995-2002.

Cargo / Carreira	Inicial	Final	Amplitude ano 2002*	Amplitude ano 1995**
Orçamento / Finanças e Controle				
Analista	2.970,03	6.971,06	135	26
Técnico	1.218,71	2.278,76	87	44
Especialista em Pol. Públ. E Gestão Govern.				
Gestor	2.970,03	6.971,06	135	26
Auditoria				
Auditor-Fiscal do Receita Federal	3.242,20	7.328,06	126	6
Técnico do Receita Federal	1.330,33	3.006,83	126	12
Procuradoria da Fazenda Nacional				
Procurador 2ª categoria a Procurador 1ª categoria / Subprocurador de categoria especial	5.592,11	5.822,44	4	8
Diplomacia				
3º secretário a Ministro 1ª classe	3.661,94	5.617,51	53	8
Carreira de Docente (Superior - 40 hs)				
Professor Auxiliar a Titular	884,02	3.454,41	291	222
Carreira de Pesquisa em Ciência e Tecnologia				
Assistente de Pesquisa a Pesquisador Titular	2.186,29	5.066,66	132	114

Fonte: Tabela de remuneração dos servidores públicos federais, Min. Planejamento, fev. 2002; Plano Diretor da Reforma do Estado.

* Amplitude de uma carreira é a diferença percentual entre a menor e a maior remuneração dessa carreira.

He also proposed – and the executive accepted – the introduction of bonuses based on performance within the strategic careers. In doing so, he maintained the policy of avoiding linear adjustments to all public sector civil servants. The objectives of the scheme were threefold. First, to promote the alignment of the salaries of the executive careers to those paid for equivalent functions in the private sector. Second, to help reduce the drain of highly qualified civil servants to the private sector because of the lack of competitive wages. Third, bonuses would make it possible to reward performance without increasing retirement costs – this element proved decisive in getting the support of the economic team. A similar procedure was extended to the civil servants that belonged to the general cadre. The government issued the Medida Provisória 2048-26 / 29/06/2000 to create around 9000 “Commissioned Functions” exclusively to civil servants that were not members of the privileged careers. Two years later a performance management bonus - with individual and institutional elements - was created by the Law 10104, 09/01/2002. All those instruments need to be refined in order to gain credibility and public acceptance but the general principles were settled.

An unexpected ally helped Farias fine tune his strategy: the budgeting career experts concerned with introducing improvements in the personnel expenditure projections. The Budgeting Secretary became during this period the pivot of the fiscal policy. Due to deteriorating fiscal and macroeconomic conditions, the incentives to pursue rigorous budgeting projections had become stronger. Until year 2000, those projections had been formulated by sector specialists of the Budgeting Secretary under the pressure of intense negotiations with sectoral ministries. Motivated by the increasingly urgent need to improve the quality of budgetary projections, the incumbent Secretary took two decisions: he centralized all personnel expenditure projections in one department and decided to conduct all

projections and the negotiations in coordination with the Executive Secretary Deputy in charge of the human resources and management policy.

The results were immediate. From that moment on, the Ministry of Planning, Budgeting and Management was able to adopt a cohesive position in all of its negotiations with all government institutions of the federal level. Successive improvements allowed the achievement of two historical landmarks in the human resources policy. First the government established a transparent and institutionalised procedure to negotiate with all areas of the executive and – more important – with the other powers, traditionally reluctant to even talk about personnel matters. Second the government generated reliable numbers for its budgeting projections that incorporated elements of a planned human resources policy. None of these practices had precedents in Brazilian public administration history.

At the same time, public entry exams were resumed for the careers of the strategic core of the executive. Careers in the Ministry of Planning, Budgeting and Management received high priority. More generally, however, the resumption of scheduled entry examinations along with the introduction of performance bonuses and selective wage increases allowed Farias to continue the work initiated by Bresser. Namely, that of staffing the state's core with highly qualified civil servants recruited on a strictly meritocratic basis. Though the numbers were small – less than one thousand in 2002-, the new public managers and the budgeting & planning analysts helped introduce a major change in the executive.

The command over exceptionally comprehensive and reliable data, allowed the Ministry of Planning, Budgeting and Management to enhance its negotiating position in relation to the economic area of the executive and, especially, vis a vis the career organisations and unions. Another facilitating condition involved Tavares', Dias', and Farias (as well as Malan – the Finance Minister) condition as career civil servants. All of them had reputations at stake and conquered their credibility over their career's trajectory. Therefore they managed to guarantee agreements with the majority of the public sector careers without any type of polarisation, with the exception of the professors of federal universities and social security tax inspectors.

In gaining the cooperation of elite civil servants as well as in strengthening the merit system, the Tavares-Dias-Farias were able to produce positive results in key areas: contention of the payroll, improvement of the profile of the public sector workforce (thanks to the combination of the flux of retirements and selected replacements), establishment of a schedule for public entry examinations, selective pay increases for careers in the strategic core, training at an unprecedented level, and maintenance of working relationships with the unions. Moreover, they did all that in a period of severe fiscal constraints, and practically without publicity or visible recognition.

The Political Dynamics Away from the Public's View

Policy change usually has multiple explanations but some of them are harder to establish because they do not show up clearly. That is precisely the case of the human resources policy during the second Cardoso mandate.

During this period, a number of key actors converged around a new consensus that allowed for the introduction of low visibility reform measures that, nevertheless, produced important real change. This policy window made it possible not only to save reform from the brink of derailment, but also to, in many ways, deepen it and make it more effective. The constellation of actors centrally involved in the second stage of the reform effort was smaller than in the initial period and needs to be examined in more detail.

The President was supportive but distant from all these initiatives because he delegated to his economic team powers to deal with all public management issues – including the human resources policy. The existence of the mechanism of *medidas provisórias* in the Brazilian political system (Carey and Stuttgart, 1998) favoured a more comfortable attitude of the presidency because it gave the Chief Executive extraordinary powers to rule and govern in cases of legislative opposition or delay.

Most policy decisions during this period were initially taken through *medidas provisórias*, and later transformed in ordinary laws. Cardoso conciliatory style also favoured a more friendly relationship with the executive bureaucracy in spite of his unpopularity within the civil service in general. The executive authorised pay rises to appointed positions (occupied by civil servants and outsiders) and promoted selected wages realignments through bonuses and performance management schemes. His attitude contrasts strongly with the way previous presidents dealt with the issue (like Sarney's populism, Collor's confrontational style, and Franco's paternalism). None of these changes could happen without Cardoso acquiescence and formal support.

The economic team benefited from the presence of Farias, a policy insider¹⁶, who acted as the central player of civil service reform during Cardoso's second mandate. The establishment of a consensual *modus operandi* in the upper echelons of the Ministry of Planning, Budgeting and Management allowed for an unprecedented level of coordination between those responsible for the three areas. Close coordination along with the strong incentives generated by the need to control expenditure are critical in accounting for their considerable success.

Moreover, Tavares and Dias demonstrated an unusual capacity to heed Farias judgements, despite the fact that they barely knew each other before working together at the Ministry. The return of a member of Bresser's team to the Secretary of Entrepreneurial Management helped reinforce the coordination among the three areas and to recover the reformist impulse's momentum. Other important officials in the Ministry of Planning, Budgeting, and Management –in particular, the Secretaries of Planning, Budgeting, Management, Human Resources, Logistics & Information Technology, and the National School of Public Administration- also supported the main thrust of the reform effort. In the absence of a strong charismatic leader, the combined role of all of these players managed to keep the reform rolling

Human resource policy during this period clearly favored the members of the careers of the cycle of management. Their career corporations and associations succeed in positioning them

¹⁶ Hecló (2000, 261) pointed out the importance of policy experts within the context of backdoor policies because they have room for manoeuvre and credibility capital to propose and suggest new policies.

as part of the strategic core of the executive. This allowed them to obtain special and preferential treatment in terms of wages, bonuses, training, and career perspectives. In this years, unions were progressively replaced by the career associations. The former did not achieve major gains in their negotiation with reformers; the latter, in contrast, skilfully exercised pressure selectively and in a non-confrontational way.

The rest of the civil service – usually represented by large scale Unions - did not have motives to be particularly happy. They felt resentful and forgotten, without other perspectives than waiting for retiring, applying to other jobs, or trying to be approved in public selections for the main career positions. Even in their case, the executive provided some minor pay rises as well as a continuous education training program. Both initiatives were deemed insufficient, however, to counter widespread dissatisfaction with the government’s human resource policies.

The reform measures introduced during the second mandate gradually came to be noticed by qualified observers like journalists, public opinion analysts, and academic experts. Bresser Pereira had helped build a public management policy community as well as an infant issue network that survived his removal from MARE. The support of members of this community helped legitimize the new emphasis on the strengthening of the career civil service and thus contributed to buttress the Ministry of Planning, Budgeting and Management reform effort.

Table 13. Actors’ Positions in relation to Reform in the Second Mandate

Interest groups and main players	Positions with respect to the initiatives
The President	Supportive thanks to delegation of powers to the economic area
Economic Team (Ministries of Finance and Planning)	Supportive after the establishment of a new organic locus to deal with public management and human resources policies.
Executive (other ministries)	Secondary
Executive (civil servants and public sector employees)	The careers of the cycle of management were supportive, because attended. Other careers were benefited in different scales although the majority became resentful.
Legislative (Politicians)	Absent
Legislative (permanent bureaucracy)	Absent
Judiciary (Judges)	Absent
Judiciary (permanent bureaucracy)	Absent
Political parties	Absent
International institutions (BID e World Bank)	Absent
Unions and Career Associations	Critical and supportive depending on the circumstances and groups. In general they got much better results than in the previous period
Public opinion makers	Aware and supportive

The number of effective actors mobilized during the second period (1999-2002) was smaller than those involved in the first mandate. (1995-1998). The participation of the Judiciary was minimal and restricted itself to a forthcoming decision about a new employment regime. The Court of Counts forced the re-evaluation of controversial hiring mechanisms that disguises the deficit of human resources in many government areas. The Legislative was important because

the law was exhaustively negotiated between Congress and the government, although the voting and procedural barriers to overcome were less great than those of a constitutional amendment.

Tavares involved himself directly in the negotiations. The public debate in Congress mobilised the national attention. Public opinion makers supported the initiative and developed a view of the broader issue of “state reform” through fiscal responsibility lenses, specially the limits to the payroll and the limits of expenditures with personnel by all government powers.

The Inter-American Development Bank extended a loan to state governments specifically oriented towards enhancing fiscal capacities and responsibilities, while at the same time supported the Secretary of Entrepreneurial Management in implementing reform initiatives negotiated under Bresser Pereira’s leadership¹⁷. Unions and career associations interacted with the Ministry of Planning, Budgeting and Management in direct negotiations and, in their view, conquered unprecedented gains in the context of constructive talks.

A cumulative balance

The number of civil servants continued to fall after 1995, but at a lower pace

Table 14. The Evolution of civil servants 1988-1994

YEAR	STATUTÁR*	TOTAL**
1988	705.548	1.442.657
1994	587.202	1.197.460
1995	580.035	1.033.548
1999	508.632	967.819
2000	496.889	964.798
2001***	469.192	931.311

(*) Civil Servants of the Direct Administration. (**) Includes SOEs (***) March position
Source: Ministry of Planning, Budgeting and Management.

During the second period, small scale but influential policy changes occurred at the human resources sub-domain thanks to firm and coordinated support from the top. Coordination between personnel management and budgetary planning in the context of fiscal duress proved particularly helpful in allowing for the effective implementation of desired goals.

Some complex problems emerged more clearly during the second mandate, all related to the allocation of human resources in public organisations. Bresser Pereira was capable of blocking hiring to the civil service to several institutions that, according to his reform design, were supposed to work on a new basis (Social Organisations and Executive Agencies). However, the innovative organisational forms proposed in the first mandate did not take off. The main consequence was the search for other type of hiring arrangements that could not be neither civil servants nor private contracts.

¹⁷ MARE (1998)

Two alternative solutions emerged: hiring people through international institutions or through university foundations that operated on a private basis. In doing so the governmental ministries like education, environment, health, science and technology by-passed the control mechanisms typical of the public sector without breaking the law. Because each ministry was isolated in the decisions, the government as a whole took time to get a picture of the whole problem. Only when the Court of Counts (TCU) questioned the issue, the government began to react. A code of conduct was signed and the practice will be subject to stricter rules from now on, which means that only real consultants will be hired through these mechanisms, not workforce for ordinary functions.¹⁸

Another problem was a new employment regime that the government tried to introduce in the public sector: a third way between the traditional civil service and a private contract typical of the the labour legislation. The public job – as it was called – looked like a middle term contract (ex: three years) and was used as an emergent expedient mechanism to solve immediate problems of the regulatory agencies. The juridical establishment, however, did not assimilate it and the alternative is currently being abandoned.

The government was forced, however, to use expediency to deal with shortage of personnel in the short term, which explains its having intensively resorted to use of short term contracts over the last eight years. This solution allowed state agencies to address their most urgent personnel requirements while waiting for public entry examinations to be organized and resumed. Short term contracts, however, also made it possible for government to postpone the introduction of more expensive solutions. In short, through this mechanism, the executive bought time and saved money.

Table 16 shows the evolution of different types of recruitment (public exams and short term -- -distinct form of the international institutions and universities) over the last eight years. The picture reveals that, in spite of the reformist effort, progressively more stringent fiscal constrains forced government to rely more and more intensively on short term contracts

Table 16 Evolution of different types of recruitment, 1995-2002

Year	Recruitment through public exams	Short term contracts
1995	19675	5468
1996	9927	8773
1997	9055	9508
1998	7815	7677
1999	2927	6625
2000	1524	9765
2001	660	10597
2002	11*	2697**

*Underestimated. More than 10.000 new posts will probably be fulfilled this year.

** Provisional

Source: Boletim Estatístico 75.

¹⁸ See the *Termo de Conciliação para Contratos de Organismos Internacionais* (06,06,2002). The numbers are not precise because they depend on information of many institutions. However the estimates achieve 8000 thousand people hired through international contracts when less than 25% were effectively consultants.

Beginning with Bresser, the requirements of entering the civil service were redefined so as to attract a more qualified workforce. In 1995 39.2% of the new civil servants had a university degree, by 2002 63.6 did. (MPOG/SRH, 2002: 51) It is important to note, however, that the total number of new civil servants for the careers in the Management Group and in Tax Inspector corps were, respectively, 1816 and 4606. This means that only a very small fraction of new public servants (plus diplomats and federal police) belonged to the upper echelons of civil service. The lack of alternatives due to lack of progress in setting up the new labor regimes envisioned by the new types of organizations conceived by Bresser, along with the impossibility of many agencies of fulfilling their personnel needs through short term contracts, forced the expansion of public entry examinations, however, to areas of the executive that did not belong either to the executive core or the careers of the management cycle

The effort to contain the fiscal cost of government wages throughout the two Cardoso Presidencies also paid off. Particularly so after 1998 when the fiscal adjustment was tightened.

Table 16. Evolution of the public personnel expenditure

Year	Personnel / Discounted Current Revenues of the Federal Government	Personnel / Current Revenues of the Federal Government
1995	56,2	29,8
1996	45,8	26,8
1997	45,9	25,4
1998	45,9	23,9
1999	39,7	23,7
2000	35,8	22,2
2001	35,3	20,5

Source: Boletim Estatístico 75, MPOG

In spite of the reduction of public expenditure on personnel, the average salary of federal civil servants grew 21% between 1993 and 1999 (Marconi, 127). The pay rises were higher in the Legislative and in the Judiciary, a factor that helps explain the changes in the distribution of the payroll expenditure among the three powers.

Table 17. Distribution of the public expenditure with personnel among powers

	1995	2002
Executive	83,2	79,2
Civil	61,0	53,1
Military	22,2	26,1
Legislative	3,2	3,7
Judiciário	6,8	12,7
Transferências	6,8	4,4
Total	100,0	100,0

Source: Boletim Estatístico 75, MPOG

Legislative and Judiciary bureaucracies acted through out the process as key opponents of transparency in particular and reform in general.¹⁹ Their special position and their ability to resist reform explains why the participation of the executive declined in four points while the Judiciary almost doubled its share in the federal personnel public expenditure. It has become increasingly clear that comprehensive civil reform faces strong opposition not only within the executive but mainly in Congress and Judiciary. The Legislative and the Judiciary branches do not participate in the Personnel System of the government. Both have their own pay-roll systems an neither of them is especially transparent. In spite of the gradual adoption of merit based selections by the Congress and Judiciary, the situation in both is still much more opaque than in the Executive branch.

The human resources landscape at the end of the Cardoso era was marked by two major trends: the strengthening of the careers that belong to the cycle of management and the gradual extension of public examinations as recruitment mechanisms for public institutions not considered by Bresser's original plan as performing exclusive state functions. More stringent requirements have allowed for the incorporation of more qualified professionals into the civil service. More competitive salaries along with an extensive, intense and continuous training program have also helped upgrade the quality of the upper echelons of the Brazilian bureaucracy.²⁰ The reform initiated in 1995 did not build a full merit based professional bureaucracy. Over the course of the last eight years, however, Brazil has achieved considerable progress in setting up the foundations of such a system.

A Brief Contrast Between the Two Periods.

Some common features were shared by both processes. First, in both cases there was a positive –rather than a negative- perception of the role of the state and the central aim of the reform effort was to use civil service reform as means to strengthen as opposed to merely reducing the state apparatus. Second, through out the period, fiscal duress provided a critical inducement to reform, but the influence of fiscal considerations grew significantly in the second mandate. Third, during both periods, the President supported the reform effort and granted reform leaders –first Bresser, later the Ministry of Budget, Planning and Management- with considerable room of maneuver. Fourth, statistics were permanently generated and updated in both periods and proved crucial in helping push forth the reform effort. Finally, the reforms did not directly antagonize the bureaucracy in spite of the clashes that occurred in the first mandate between Bresser Pereira and the public sector corporations around the tenure issue.

The two reform moments benefited from the existence of conditions that favored implementation. The success of the Real Plan made the huge fiscal costs of the 1988 Constitution increasingly visible. This provided a powerful impulse for addressing public personnel issues. Fiscal constraints became larger and more rigid during the second mandate and generated incentives for a closer coordination between human resource and budget policy.

¹⁹ The 1988 Constitution about the public sector social security rules and unique juridical regime are good examples of the influence of Congress bureaucracies successful lobbies. The difficulties of the negotiation of salaries limits in the 19th Constitutional Amendment by Bresser Pereira revealed how strong the Judiciary opposition can be.

²⁰ The National School of Public Administration trained around 20000 state employees in short term courses focused on strategic contents. The statistics can be misleading, but the capacity building effort based on human capital is self evident.

In sharp contrast to many other countries in the region, however, fiscal duress in Brazil was not associated with a merely downsizing assault against the state bureaucracy.

Bresser's managerial rhetoric did not conquer the economic Ministries given its emphasis on mechanisms that favoured delegation and autonomy. These areas did not fully understand his proposal, but mostly were unwilling to incur the financial costs and management risks of introducing managerial solutions. During the second mandate, a low profile neo-weberian approach was adopted with the full support of the areas in charge of financial and macroeconomic policy. This approach made sense to the economic team given their own career background and given its emphasis on centralized budgetary control.

The decision making process during the first Cardoso presidency took place at the inner circle of the Presidency, at the ministerial level, and in the Congress. In the second one, it centered almost exclusively within the Ministry of Planning, Budgeting and Management, with presidential remote support. The compatibility between the fiscal concerns of the economic team mindset and the sensitivity to a tightly managed civil service reform process was built by an alliance of high officials at the unified Ministry of Planning, Budgeting and Management.

The implementation process in the first mandate was championed by MARE. The fronts were multiple and the tasks faced tended to overload the ministry's limited capacities. Bresser's ambitious program, on the other hand, lacked critical instruments, such as the coordination with budgetary authorities and the full support of the economic team. This blocked effective implementation of his most innovative proposals (e.g., performance contracts between the new governmental bodies (agencies and social organizations) and the ministries. The implementation process of the reforms in the second mandate was championed by the Ministry of Planning, Budgeting and Management. Most of the instruments required were under the Minister jurisdiction which greatly aided the actual execution of desired changes.

Finally, factors affecting the sustainability of the reform effort differed across the two periods. Bresser's managerialist reform program lost momentum after the extinction of MARE. It took two years to set the process once again in motion. The reformers were dispersed and the issue fell from the executive agenda after the removal of the reform champion from the ministerial team. During the second period, the reform was rooted in routines and operational practices located at the Executive Secretary and the Budget Secretary. However it is fair to say that there are some sequence aspects to be considered. It is hard to conceive the second cycle of reforms without the occurrence of the first. The survival of the reform impulse during the second Cardoso mandate owes a huge debt to Bresser's "big bang" approach during the first one. This, in spite, of the limited success of Minister Bresser's managerial agenda in practical terms.

Table 18 summarizes and schematically contrasts the main features of both processes.

Table 18. A Balance of the Two Civil Service Reforms

	First Mandate	Second Mandate
Political and Economic Conditions	Macro-economic and political stabilization	Centrality of fiscal constrains and stable political environment
Agenda Setting	Role of a policy entrepreneur who persuaded the President	Entrance of an insider in the role of human resources policy co-ordinator
Ideological approach	Managerialist	Fiscalist and Weberian
Decision Making	Exhaustive negotiations within the Executive and between the Executive, the Congress and the Judiciary	Alliance between low profile high officials at the Ministry of Planning, Budgeting and Management
Implementation	Difficult because of the multiplicity of fronts, the degrees of complexity of the proposal, and the innovative aspects of the design	Built up in the previous reforms, benefited by the unified command of the MPOG, and traditional instruments
Sustainability	Low because of the dependency with respect of the main reformer political capital and the size of the challenge	Promising because of the adherence of the policies proposed as well as of the embeddedness of the contents

CONCLUSIONS

Comparative experience and available empirical studies indicate that an efficient, responsible and professional civil service constitutes a key ingredient of state capacity and thus an important variable in accounting for nations' differential long term developmental records. Awareness about the social and economic costs of public personnel systems plagued by inefficiency, clientelism and corruption is quite old in Latin America. Efforts to address these problems have been pursued repeatedly. Over the last decade, though, numerous countries in the region have initiated a new generation of civil service reforms. These initiatives have been part broader efforts aimed at adjusting the structure and performance of the state apparatus to the opportunities and constraints produced by democratic polities and market-centered economies.

Recent public personnel management reform experiments across the region share important commonalities. The reduction of the fiscal weight of the government's payroll has been a major concern in virtually all of them. Shared also has been the overall negative view of classical career systems (e.g., excessively rigid, inefficient and unresponsive) and the common emphasis on the need to move towards more flexible and results-oriented personnel management schemes. A third similarity concerns the large gap between declared reform objectives and actual results achieved so far.

Initiating civil service reforms is not easy. Sustaining the reform effort over time, effectively implementing legal changes, and translating desired objectives into concrete results is even more difficult.. Many of the hurdles and restrictions standing in the way of successful change in this domain are technical and financial. The most important and often intractable obstacles, however, tend to be political and institutional.

Many Latin American bureaucracies have long been characterized by high levels of inefficiency, clientelism and corruption. One key source of these deficiencies has to do with two crucial and widely shared features of their traditional public personnel management regimes: the centrality of irresponsible discretion in all aspects of personnel administration (i.e., entry, promotion, remuneration, firing) and the strong collusion between political and bureaucratic elites. Successful civil service reform in this type of context must necessarily involve the willingness and capacity to reign in discretion and collusion. The problem, however, is that reducing the salience and scope of these two features tends to be extremely tough politically because doing so threatens vital interests of many of the groups and elites that effectively control political power.

Brazil's most recent experience in the realm of civil service reform is exceptional within the region for a number of reasons. Three are particularly noteworthy. First, though many other Latin American countries embarked upon new generation reforms in this domain in the course of the 1990s, none did so with the breadth, depth and boldness exhibited by Brazil, particularly during the first Cardoso mandate. Second, the pursuit of the most comprehensive managerialist reform experiment in the region has, so far and in contrast to many other Latin American countries, fared better at strengthening –even if only partially- classic meritocratic careers in key areas of the executive bureaucracy than in refashioning the country's state apparatus along managerialist lines. Third, significant progress in addressing some of the many daunting problems that plagued Brazil's public personnel system at the outset of the reform has been achieved in spite of the peculiarly formidable obstacles posed by the country's political institutions. In other words, in spite of having one of the political systems with the largest number of veto points in the region, Brazil has managed to move further along the reform path than other Latin American countries facing less unpropitious politico-institutional conditions. .

This document has examined the political process through which civil service reform came to be introduced and pursued in Brazil from the mid-1990s onward. The basic framework proposed for addressing the problem distinguishes four main phases or aspects of the process as a whole (initiation, formal implementation -i.e., introduction of changes in laws and regulations-, effective execution -i.e., translation of legal change in actual transformations in behavior- and sustainability) and considers the influence of four major types of causal factors: structural –changes in the balance of power between rulers and groups outside government-, institutional; ideological, and strategic.

The initial decision to pursue civil service reform and to award it a relatively high priority within the first Cardoso's government agenda appears to have been the result of two central factors. The first had to do with: the effects of price stabilization in making the huge fiscal cost of the 1988 Constitution provisions concerning the civil service increasingly visible. The second, and particularly crucial one, was the role of an energetic and innovative policy entrepreneur close to the President –Minister Bresser- in pushing the reform through. Bresser Pereira's importance in triggering the reform effort as well as in opening up political space for its implementation can hardly be exaggerated. He convinced Cardoso about the importance of the issue, framed the problem and proposed a global and innovative solution, collected and publicized previously unavailable information on the state of the country's civil service, and personally fought all of the critical battles required to amend the constitution. He also built a

team, a policy community and managed to generate a constituency for reform among the public at large where none had previously existed. Several elements help account for Bresser's success. Undoubtedly his closeness to the President and the government's awareness about the need to do something about the wage and pension bomb delivered by the 1988 Constitution helped a great deal. Crucial also, however, were his vision, his commitment to strengthening rather than simply downsizing the state apparatus, and his efforts at collecting and publicizing information about the civil service. Few of Bresser's capacities and attributes are common or replicable. One of the few, but nevertheless critical lessons reformers might usefully draw from his experience, however, concerns the importance of collecting and publishing information in building support for this type of changes.

The approval of the constitutional amendment required to implement Bresser's plan took three years of intense and exhausting negotiations with Congress. Its final approval, however, was won at the cost of major concessions to traditional politicians. As a result, its impact turned out to be much more important in symbolic terms—particularly the suppression of tenure—than in practical ones.

Civil service reform managed to survive the exit from government of its central architect and most important advocate. During the second Cardoso administration the issue remained in the government agenda. This time around, however, priorities changed, the reform process became less public, and significant—even if fragmentary—effective change was effectively pushed forward. During this second period, much less emphasis was placed on the introduction of managerial measures. The focus shifted, rather, toward fiscal control of the payroll and toward the selective strengthening of civil service careers in key areas of the executive. In accounting for the shift in priorities, in the locus of the reform process, and in the greater degree of actual progress effectively achieved two factors seem especially important. First, the sharp deterioration of the country's fiscal and macroeconomic conditions. Secondly, the decision to place human resource policy within the same ministry charged with planning and budgeting and to concentrate the reform process largely within the executive itself. A third element needs to be incorporated, however, in order to more fully understand both the government's decision to sustain the reform effort as well as its capacity to bring about effective, even if moderate, change. That element has to do with the legacy of Bresser's initial reform push. Three aspects of that legacy deserve special mention: the staying power he impressed on the issue, the information systems and analytical capacity he helped create, and the career components that even if less salient than the managerialist ones were nevertheless present in his original plan.

The central motivation to pursue and sustain an ambitious and, so far, quite successful civil service reform effort came from the values and beliefs of policy entrepreneurs. During both periods, reform leaders enjoyed presidential support and operated in a structural environment shaped by increasingly stringent fiscal and macroeconomic constraints. Cardoso himself was not particularly interested in civil reform, he trusted his team's proposals enough, however, to delegate ample power to them. The Brazilian experience suggests, in sum, that the probabilities of successful civil service reform improve when macro-causes are combined with micro-motives.

Brazil is still far from having addressed all of the problems of its personnel management system. Much needs to be done still to build a strong, efficient and professional civil service. The overall structure and landscape of Brazil's federal executive civil service in 2002, though, is radically different from that of the early 1990s and its prospects for further potential improvement are probably more promising today than they have ever been.

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