

Public management policy change in Brazil : 1995-1998

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1 Introduction

Cardoso's presidencies were marked by a significant number of reforms and policy initiatives in the public sector, notably macro-economic stabilization, trade liberalization and privatization. But there was an important policy domain in which relevant reforms occurred that was listed neither in the influential Washington consensus nor in Cardoso's party manifesto (PSDB, 1994): public management. More interesting, this time public management reforms did not happen within the context of a regime change as it was the case in the Vargas, Castelo Branco and Sarney administrations.

When Cardoso took office in January 1995, there were no clues that Brazil would soon be going through public management reforms, although the so called New Public Management (NPM) ideas and literature had been around for some years (AUCOIN, 1990; HOOD, 1991; BARZELAY, 1992). The policy landscape was not particularly favorable because of the weakness of the academic community (GAETANI, 1999), the unawareness about what was going in the field in other countries, and the prevalence of a traditional view of public administration in the supranational institutions like the World Bank and the Inter-American Development Bank (BRESSER PEREIRA, 2002)

At the end of Cardoso's first mandate a constitutional amendment related to reforms on the public sector apparatus was approved with the support of a qualified majority of the Congress after almost three years spent in debates, negotiations, reformulation and deliberations. The amendment included the creation of new forms of public sector organizations (like agencies and quangos) and of different forms of employment relationships within the public sector and the mitigation of tenure constraints to government employees. The less likely of planned constitutional reforms had been approved thanks to Bresser Pereira's entrepreneurial actions and skilful strategy (MELO, 2002).

The Brazilian reform captured the world's attention. Under Bresser Pereira's leadership and intellectual influence, CLAD published a continental manifesto - a New Public Management for Latin America (CLAD, 1998) - which seemed to suggest a turning point in the region's perspective on public management reforms. Thanks to Bresser Pereira's persuasive argumentation, the Inter-American Development Bank provided Brazil with a loan to implement the public management reforms. Even the World Bank, which had taken a more traditional and cautious approach to the problem, began to change his attitude after publishing the influential 1997 report on state reform (WORLD BANK, 1997).

However, after the reform approval by Congress and Cardoso's re-election, the reform lost momentum and was dropped from the executive branch's agenda. The Ministry in charge of the implementation of the reforms was extinguished and the Ministry of Planning absorbed its functions. Bresser Pereira was transferred to another ministerial post. The reform label - managerial administration - was replaced by another one: entrepreneurial management. Bresser Pereira's team was dissolved and reassigned to new areas. The reform moved to a new implementation stage under other group direction.

This text is an account of the public management reform episode. It applies a narrative structure

(BARZELAY et al, 2001) to establish the chain of events that need to be explained. The narrative is organized around key events within the episode and related to its occurrence. Some of the relevant events are selected to be analyzed because of their relevance. The events initiation and termination as well as their internal dynamic are explored in a comparable way in order to allow further comparisons. The narrative structure of the episode is presented at the Figure I. The text refers to the events included in the diagram.

Some specific questions need to be listed in advance in order to identify puzzles that need to be answered later. What factors explain the occurrence of a reform that apparently “came out of the blue”? Where did the reformist ideas come from? What factors explain Bresser Pereira’s success in persuading the government to adopt his ideas? Why did it take so long for Congress to approve the proposal? To what extent the reform content made it possible and produced policy change? What factors explain the exclusion of the issue from the agenda during the transition between the first and second mandates, just after if faced an uphill struggle inside the Executive and in Congress? Those questions are answered within the text and referred to the events structure.

A reforma do aparato do Estado 1995-1998



Figura 1: Estrutura narrativa do episódio

- EA = Eventos anteriores
- EC = Eventos contemporâneos
- E = Eventos no interior do episódio
- ER = Eventos relacionados
- EP = Eventos Posteriores

2 Antecedents

At the end of 1993 there was little hope that he could reach any one of them. He chose his foreign ministry, senator Cardoso¹, a well known social democrat intellectual, to be his fourth minister of finance in less than two years. The constitutional review² was aborted because of a budgeting commission scandal that paralyzed Congress and forced the resignation of several deputies. The country was agonizing for another fresh start after the frustration that followed the first presidential election in thirty years.

Cardoso put together a solid and experienced economic team under the co-ordination of Carvalho, an old friend and reputed executive. Against all the odds, a successful macroeconomic stabilization plan was formulated and implemented within months, on the verge of new presidential elections³. Backed by the plan's success, Cardoso became the Franco's presidential candidate⁴, leading a broad coalition formed by his center left party and the center right liberals. The more the impact of the elimination of inflation was felt by the population⁵, the more his political support grew, independently of ideologies or manifesto ideas. Cardoso was easily elected president in the first round, although he had been virtually unknown to the majority of the population until few months before.

Given his extraordinary political capital, he had a free hand to organize his cabinet. Few weeks before his inauguration, he invited Bresser Pereira, another old friend who had been the coordinator of the fundraising activities of his campaign, to join the government. Bresser Pereira was an hybrid, a mixture of political activist, academic economist and private executive. He had also been Finance Minister for a few months during the Sarney presidency (1985-1990). Bresser Pereira had also participated in the Montoro's administration in São Paulo (1982-1986), together with some other important ministers of Cardoso's cabinet like Jose Serra (Planning), Clovis Carvalho (Chief of Staff) and Paulo Renato (Education). Bresser had been Montoro's Home Office Secretary and later became the state bank president.

Bresser Pereira aspired to be Minister of Foreign Affairs but his personal profile as well as political and corporatist reasons blocked his ambitions. He told the president, however, that he would be glad to contribute to his government in a challenging position close to Cardoso, with lots of things to be done like the Secretary of Federal Administration (SAF). SAF was a Secretary of State linked to the Presidency which had been neglected under Franco's government who nominated a retired military to head it (Romildo Cahim) after a failed attempt to co-opt a left wing politician for the position.

Cahim, Bresser Pereira's predecessor, had been chosen to sign the anti-corruption commitment of the president but he made no serious attempts at implementing public management policies. After Collor's disastrous downsizing period, Franco's inactivity was not perceived as a huge problem because at least the federal executive machine could rest and recover from its debacle under the previous presidency. Therefore, SAF was perceived by politicians as an unattractive position because they would not have neither resources, nor the media to project themselves on the political arena. The choice of Bresser Pereira looked perfectly convenient and politically costless at that time⁶.

¹ See Prior Event PE21 on the diagram.

² See Prior Event PE12 on the diagram.

³ See Prior Event PE22 on the diagram.

⁴ See Prior Event PE13 on the diagram.

⁵ See Prior Event PE23 on the diagram.

⁶ Later it would become clear that the shadow of the ex-Finance Minister was a threat to the economic team since the very start of Cardoso's presidency. Bresser Pereira was condemned to face difficulties not only because of his state reform

Few days before Cardoso's inauguration, Carvalho and Bresser Pereira agreed that the latter's position should be a Ministry, not only a secretary of state with ministerial status⁷. Bresser Pereira successfully demanded that the ministry should specify his mandate on its name. Therefore he took over a new Ministry called *Ministerio da Administracao e Reforma do Estado - MARE* (Ministry of Administration and State Reform). A ministry was a more powerful platform in terms of resource mobilization and political status. However there was a loss involved in this choice, neither properly perceived nor correctly evaluated at that time⁸. As a minister, Bresser Pereira would not have the automatic access to the President that Secretary of State of the Presidency allowed.

3 An accidental reformer

Bresser Pereira and Cardoso were founders of the Brazilian Social Democratic Party (PSDB) but the party manifesto did not propose any innovative approach with respect to public management issues. The main ideas were related to the historical progressive public administration challenge: the creation of a merit based civil service, the battle against corruption and the professionalization of the bureaucracy. Neither public management reform was on the administration initial agenda nor Bresser Pereira had any previous familiarity with the issue in spite of his long and successful professional trajectory.

The ministerial team was formed by a homogeneous group of alumni from the São Paulo's branch of the Getulio Vargas Foundation⁹. Bresser Pereira tried to bring more reputed intellectuals to the key positions of MARE but he did not succeed because of their skepticism with respect to the possibility of making a difference and the insufficient incentives for experienced professionals to join the government. There was also a reputation problem. One of Bresser Pereira's legacies when he left the Finance Ministry was a juridical claim related with the indexation of wages when he launched a failed stabilization plan. A large number of employees appealed to the judiciary system to recover those losses and later won the cause. As a result, people tended to consider Bresser Pereira as a potential liability because of his tendency to allow his voluntarism prevail over his judgment capacity.

Bresser Pereira also successfully co-opted a residual group of public managers, a career that had been created during the re-democratization process. Although this group was reduced to less than half of the members it had when awarded the first, and until then, unique promotion, they intended to be a professional vanguard in Fabian style of the state reform process. After just a few months, there was a clash among the core group of these careerists because of their reluctance to join the managerial credo. But thanks to their influence and his own envisioning capacities, Bresser Pereira decided to resume public promotions to the public managers career as well as to budgeting analysts and other terminal careers.

mandate but because of the threat he represented to the economic team in terms of the political economy debate within the government, irrespective of whether he meant to join it or not. As a personal appointee of the president (and given his previous background) he could always become a political and economic alternative.

⁷ See Event 1

⁸ The debate around MARE's creation was an avant premiere of the competition problems that Bresser Pereira would face in dealing with Carvalho at the Home Office. Jurisdiction disputes as well as disputes over access to Cardoso's ears would mark their coexistence for the next four years.

⁹ The specification is important because the São Paulo branch was not the historical base of the public administration Brazilian community, a position occupied by the Rio de Janeiro matrix. In spite of the fact that both branches belonged to the same organization, they were also rivals and took different paths. Rio de Janeiro was oriented towards public administration and economics while São Paulo concentrated on business administration and local government.

In organizing periodic public exams, Bresser Pereira resumed the regeneration of the executive core that had been aborted in 1988-1989 and provided MARE and the Ministry of Planning with a qualified and fresh workforce to implement public management initiatives¹⁰. MARE would always count on the members of these revamped cadres at second and third hierarchical levels (but not on the top positions). Although managerialism was emphasized as the key element in Bresser Pereira's rhetoric, he de facto implemented unprecedented progressive public administration measures that had been tried since the thirties¹¹.

4 Initial positioning

Given Cardoso's previous commitment to the aborted constitutional review in 1993, Bresser Pereira's initial attitude was consistent with the administration's general approach to the problem: removing from the constitutional text everything that should be subject of ordinary legislation – the “*deconstitutionalization*” approach. Administrative reform was supposed to join other constitutional reforms like the social security, fiscal, regulation and political system reforms on the executive branch pipeline of negotiations with Congress. However, it did not occupy a high position on the government's agenda (and also neither on the public's agenda). Bresser Pereira immediately realized that given Brazilian political and juridical culture the trick could not work on sensitive matters like administrative reform. Neither Congress nor the Brazilian civil society would agree on providing the government a blank check, a strategy tried with frustrating results by the Social Security Ministry later¹². Therefore he opted for a detailed constitutional reform strategy that gravitated around a constitutional amendment.

By the same time a more precise definition of the state reform issue emerged. Bresser Pereira and his team knew that they needed a tractable definition to work on it. They needed to specify an issue image under their jurisdiction in order to structure the specialized agenda around which the reform should be pursued. Two decisions were taken in the first months of the new administration¹³. First, MARE's mandate should concentrate on the reform of the state apparatus. Second, two other controversial issues – regulatory agencies and social security of civil servants - should not be addressed by MARE but by other ministries (The Chief of Staff and sectoral ministers and the Social Security Minister, respectively). Both decisions reduced MARE's friction with other areas of the executive branch and provided a more clear focus of its mandate with respect to the public management domain. The scope of MARE's mission had been also reduced which allowed a more cohesive approach of the challenge of rewriting the chapter on public administration of the 1988 Constitution.

In his second month in office, Bresser Pereira was giving interviews about his perception of the state reform problem as well as the government intentions in terms of priorities and strategies. He immediately triggered public controversy¹⁴ around the tenure issue, perceived as a constraint to intra-state adjustment needs. The rigidity of the 1988 Constitutional provisions was identified as the main bottleneck to be overcome. Employment relationships as well as organizational matters were both

¹⁰ See Portarias 1731 and 1732, 04/07/2002

¹¹ See Related Event 13 on the diagram.

¹² See Melo (2002) for an interesting comparison between the administrative, fiscal and social security reform. Melo argues convincingly that Bresser Pereira's strategy is one of the key explanations for the relative success of his public management reform, in contrast with the deadlocks and failures that characterized the other reforms.

¹³ The first was Bresser's choice. The second was a presidential choice, influenced by coalition reasons.

¹⁴ The Chief of Staff of the Presidency – Carvalho – publicly overruled Bresser Pereira and asked him to avoid provocative statements that could embarrass the government, specially with respect to issues that had not been sufficiently discussed within the cabinet.

crystallized in a way that blocked state action. MARE concentrated its initial efforts on the review of the constitutional provisions in order to scrutinize all topics that needed to be updated and adjusted to the government view.

In picking the constitutional text as the main focus of his attention, Bresser Pereira generated an immediate conflict with Eduardo Jorge, the Secretary of the Presidency, who had been a close Cardoso advisor since when the president was a senator in the 1980s. Jorge was also a PhD in public administration and had worked closely with Cardoso during the 1988 National Constitutional Assembly period. In his personal view, the government did not need to change the constitution to promote administrative reforms. His perspective was closer to Beltrão's ideas that tended to minimize the role of changes in legislation and structures as signs of public management policy change.

In the first meeting of Cardoso's cabinet in February, Bresser Pereira's proposal of a detailed strategy to review the constitution caused immediate impact. None of the ministers present had anything similar to talk about, not even the Finance and the Social Security ministers who were in charge of more mature issues, closer to the administration's decisional agenda. On the one hand, Bresser Pereira's performance captured the president's attention to his proposal. On the other hand, he provoked concerns on other ministries who were suspicious of his voluntarist style and innovative ideas. His fast move pushed the reform of the state apparatus to the list of structural reforms that should be considered as priorities of the Cardoso government. Politics followed policies (LOWI, 1964). In fact, politics followed entrepreneurial actions that raised expectations around policies.

5 Generating a policy alternative

As a fast mover, Bresser Pereira was personally involved in taking stock of the national and international record of the public management issue. He met Beltrão and assimilated his concerns with over-bureaucratization. He met Cintra who had tried to build up a public policy approach anchored in the Ministry of Planning in the late 1980s. He met Osborne who suggested him to pay attention to what was going on in New Zealand and Britain. He visited Britain where he made a first contact with Jenkins, a key operator of the Next Steps Agencies process. He also began to frequent the international public management policy circuit in order to get in touch with different perspectives about public sector reforms.

The fusion of Bresser Pereira's ideas and the contacts with the policy proposals that were floating around the world and the stimulating debate with some advisors¹⁵ resulted in a new formulation¹⁶ (MARE, 1997). The public sector should be split in three areas: those who should remain under state control, those who should be transformed in public but not state owned organizations and those which should be privatized.

Within this framework, most of the secondary administrative functions of these organizations should be contracted out. Accountancy and employment legislation of the private sector should be adopted in the second and third group while traditional public sector rules should be reserved for the core state activities. Moreover, tenure should be removed and firing mechanisms should be introduced in the public sector in two special circumstances: insufficient performance over time and organizational redundancy situations, when the positions or the institution were supposed to be terminated.

¹⁵ The Secretary of State Reform concentrated a creative group of public administration experts. They played an influential role in the policy design stage but later faced a harder time at the implementation stage.

¹⁶ See Event 2 on the diagram.

The proposal included other relevant elements like the establishment of a limit to public wages in the three powers, the review of distortions in the human resources legislation, the creation of new forms of public sector organizations like the executive agencies, the social organizations and others. The administration took notice of his intense movements at the same time that the public debate tended to concentrate on the tenure issue, a public opinion dogma at that time. Bresser Pereira was successfully capturing the administration and the media attention while other ministers were barely familiarized with their missions.

At that time MARE was fully operational and began to generate some initial data that provided empirical evidence to most of Bresser Pereira argumentation¹⁷. A diagnosis of the executive public administration emerged and allowed the development of a broader strategy based on five points. First, data should be always used to strengthen the reform proposals. Second, the public opinion debate should be diverted from the president and concentrated on the minister or MARE in order to preserve Cardoso. Third, the constitutional amendment should be the working plan of the ministry. Fourth, a white paper should be written to support public advocacy required to smooth the amendment negotiation within Congress. Finally, MARE should keep the initiative in all reform fronts independently of the negotiation status of the constitutional amendment. Therefore the reforms should be tackled simultaneously to advocacy, implementation and negotiation activities.

6 Reaching the executive decisional agenda

MARE worked frantically during 1995 in order to get the executive approval of two important documents: the constitutional amendment and the White Paper on The Reform of the State Apparatus. A State Reform Chamber had been created to discuss and approve both¹⁸. The chamber was a collegial mechanism created by Carvalho in order to allow consensus building and induce government cohesiveness around sensitive issues to be pushed through the Congress agenda¹⁹. In principle Cardoso was supposed to coordinate the activities but he designated his Chief of Staff minister to represent him²⁰. The chamber included important ministries like Planning and Labour which did not really play any relevant role in the process. The stage was dominated by the clash of Bresser Pereira against Carvalho and Jorge.

Those clashes had different motivations. In Barzelay terms (BARZELAY, 1986), there were problems of competition with the Chief of Staff Minister and conflict with the Secretary of the Presidency. The dispute with Carvalho was personal and based on territorial claims while the differences with Jorge were ideological and based on policy different perspectives. And both were much better placed than Pereira to influence Cardoso, because, unlike Bresser Pereira, they had instantaneous physical access to him. As a result, successive versions of both documents were generated and continuously refined until they were considered minimally adequate to be published. The stress had been huge and the price had been high in terms of political capital. Ironically, the more Bresser Pereira changed the proposal to attend his key interlocutors' demands the more they became suspicious of the robustness of the

¹⁷ See the Boletins Estatísticos editados by MARE (several numbers).

¹⁸ See Event 3 on the diagram.

¹⁹ The chamber was both a co-ordination and decision making arena that Carvalho had piloted successfully during the launching of the Real plan. Cardoso decided to adopt it to deal with co-ordination problems in some government sectors like state reform.

²⁰ The chambers were mechanisms typical of Carvalho managerial style but did not fit in the president's profile or modus operandi.

proposal²¹.

MARE counted on the economic team acquiescence because of the alignment of the plan's main proposals with fiscal priorities. Bresser Pereira attached the reform approval to the consolidation of the "real" (the new Brazilian currency), a piece of rhetoric that worked on the defining moments of the reform debate at the beginning of Cardoso's first mandate. But complicity does not mean effective or sufficient support. The economic team's perspective was shaped around cost cutting measures. Bresser engaged immediately on expenditure control efforts, especially with respect to the pay roll distortions. His team's determination, as well as the adoption of modern information technology control systems, paid off. As a result, MARE gained credibility to move forward on the innovative areas of the public management design. Unfortunately, Bresser Pereira's insistence in questioning some aspects of the macro-economic policy – he never left his political economist hat – made the same interlocutors suspicious about his real intentions. Given his intellectual competencies, previous experience in executive posts and personal relationship with the president, some people always perceived him as a potential candidate to the finance and planning ministries.

MARE's advocacy work was decisive at that stage²². One of its main advocacy arenas was the Secretaries of Administration National Forum. Backed by detailed figures, Bresser Pereira successfully persuaded the state governors who took office at the same time as Cardoso that if they did not adjust their pay roll they would not be capable of delivering popular and effective public services. A federal law that established tight controls and parameters for public expenditure had just been approved at that time²³. Therefore, the best thing they could do was to support strongly his proposal in order to get its approval as fast as possible so as to allow them to fire redundant employees. The public positioning of the governors that supported Cardoso's coalition convinced the president that he had nothing to lose in sending the proposal to Congress. The issue moved from the executive to the legislative arena²⁴.

Bresser Pereira had won the initial rounds against the two goalkeepers of the presidency and had neutralized the reluctance of the economic team with respect to his plan. The president gave his endorsement to the proposal, which meant that it was ready to be sent to Congress. Cardoso's words in support of the Bresser proposal at that time were revealing: "You will face three challenges. First to persuade the public opinion that the proposal is in the country's best interest. Second, to negotiate the proposal with Congress. Last but not least, you will have to convince the executive branch that it is a good proposal for the public sector functioning. You will have to convince the government"²⁵.

In this speech, Cardoso skillfully marked three positions. First he gave his support to sending the proposal to Congress. Second he distanced himself from the process, transferring the task of the executive to Bresser Pereira. Finally he did not explicitly commit the presidential resources with negotiations neither within the cabinet nor with Congress. Bresser Pereira was condemned to face an uphill struggle in multiple fronts to persuade the three audiences Cardoso had mentioned. The presidency effectively supported the negotiation later on but the terms of the negotiation were not under Bresser Pereira control.

²¹ The version of the Constitutional Amendment sent to Congress would be the 58th (MELO, 2002: 189) Although this was considered natural, as part of a continuous refinement, it contributed to reduce the credibility of his team on Carvalho and Jorge's eyes.

²² See Related Event 11 on the diagram.

²³ According to the Camata Law, the states could not spend more than 65% of their current revenues with the pay roll. Only two states could accomplish this target at that time.

²⁴ See Event 4 on the diagram.

²⁵ The quotation is derived from the comments of a participant of the meeting.

7 Implementation during negotiation

In the Brazilian political system, sending a project to Congress is an important step towards enacting a new legislation, but not as significant as one could ordinarily presume. First, it does not mean that the executive has arrived at a final and cohesive position about the issue at that stage. The negotiation within the executive goes on, now also influenced by the government coalition supporters. The executive can always change it later. Second, the executive can also use the provisional measures²⁶ to ensure that its proposals will have legal effect if Congress does not vote them timely. Therefore, the government frequently publishes an ordinary legislation before Congress decides about it. Third, sixty per cent of constitutional votes are needed to approve a constitutional amendment, a quorum that pushes the limits of the presidential coalition support.

The implementation process of the public management reforms began simultaneously with the submission of the proposal to Congress²⁷ for three reasons. First, the approval of new legislation by Congress takes time, especially on the case of a constitutional amendment (MELO, 2002). Second, there was a case to be built with the public opinion in order to exercise pressure over Congress to approve the amendment. The Whiter Paper was written especially with this aim. Third, the more implementation measures were taken during the period in which the amendment was under Congress consideration the more the whole piece of legislation would look natural and inevitable.

MARE's activities were structured in multiple fronts: human resources (recruiting, training, allocating etc), innovative organizational issues, procurement, international loans, negotiation and advocacy. The minister championed directly most of them. Given the unpredictable pace of the reform in Congress, Bresser Pereira tried to implement everything that did not depend on legislative approval, although taking the future changes for granted. It was a conscious tactic decision that looked reasonable at that time, when the size of the obstacles had not yet been fully revealed.

On the human resources front, MARE immediately delivered impressive results. First, data about the federal pay roll, a classic unknown black box, began to be generated, refined and published for the first time in Brazilian administrative history. Second, MARE implemented information technology based systems to manage the pay roll. The results in terms of savings and corruption control were immediate. This sole initiative accounted for most of the credibility and respect that MARE gained with the economic team. Moreover, it was a public and transparent crusade²⁸. Third, Bresser Pereira determined that public examinations should be carried out on annual basis for strategic careers like public managers in order to equip a hollow executive with man-power essential to perform governmental functions. Bresser wanted civil servants recruited on merit basis to populate the core of the executive branch²⁹. Fourth, the National School of Public Administration (ENAP) was aligned with MARE's policy and delivered an unprecedented program of continuous education based on new public management ideas. At the same time ENAP formed the recently recruited fresher civil servants for strategic careers and carried on a publishing strategy that emphasized the reform ideas.

Procurement was another area immediately tackled by MARE. Procurement had always been a traditional bottleneck in the relationship between the state and the private sector. It had always been a

²⁶ About *medidas provisórias* see PESSANHA (?).

²⁷ Another example of the shortcomings of the linear model of policy making analysis: implementation before final decision making.

²⁸ See Law 9527, 10/12/1997

²⁹ See Related Event 13 on the diagram

source of complains by all those in the public sector concerned with responsiveness and timely and effective delivery. An imperfect change in the legislation had occurred in 1993³⁰. Bresser Pereira adopted a sensible and fresh approach to the problem. Given his personal experience as a private executive, he knew how important it was to provide a more simple and manageable perspective in contrast with the over-bureaucratization derived from legalist dominant views. The technical approach adopted resulted in a new piece of updated legislation and a new law was approved³¹.

The design and assimilation of the new organizational forms proved to be more problematic³². The concepts of executive agencies and social organizations were not properly understood, as one could naturally expect. They did not fit in the Brazilian juridical system. They looked imported bodies at odds with administrative law. In spite of Bresser Pereira's efforts most of the ministries whose organizations were potential candidates to be transformed into executive agencies and social organizations were not persuaded by the reform rhetoric. The public employees and the top managers were not convinced either. They did not see how Bresser Pereira could honor terms of agreement that were supposed to commit a flow of resources over time without the Budgeting and Treasury engagement on the negotiations.

More seriously, gradually a paradox took shape: while Bresser Pereira's deputy piloted the ministry's machine, the innovative aspects of the reform were carried out by the Secretary of State Reform. The area that demanded most support was selling new organizational arrangements to the executive bodies. The fate of the implementation of the reform was being defined on the creation of new organizations like executive agencies and social organizations. But this was the area that counted on less resources to deliver its mission, in spite of the motivation of the team. Without the economic team support and facing internal tensions, the reform lost momentum when the candidates to be transformed into innovative structures became skeptical.

During 1997, Bresser Pereira realized MARE could carry on with the plans to create new organization structures because it did not require a constitutional amendment. A simple *medida provisória* could enabled the executive to bring them to existence. That had been also the case of the regulatory agencies³³. Therefore he could accelerate their implementation without having to wait for the approval of the amendment that was facing an uphill struggle in Congress. He knew it since the beginning but wanted the constitutional amendment to institutionalize the proposal. Bresser Pereira also expected that the implementation of social organizations and executive agencies would reinforce the reform case with Congressmen. A provisional measure was enacted allowing the government to create both new organizational bodies³⁴. But the list of potential candidates had been reduced from more than twenty to a few special cases³⁵.

8 The long decision making period

The amendment trajectory in Congress was influenced by three main factors: the legislative dynamics, the interest groups' capacity of making pressures and the executive timetable of priorities.

³⁰ See Law 8666/1993.

³¹ See Law 9648, 27/05/1998

³² See Related Event 12 on the diagram

³³ See Related Event 2 on the diagram and Laws 9427, 26/12/1996; 9472, 16/07/1997, and 9478, 06/08/1997.

³⁴ See Laws 9637, 15/05/1998 and 9640, 27/05/1998.

³⁵ There was only institution chosen to become executive agency (INMETRO) and five to become social organizations (one state owned TV and four science and technology institutes).

The literature on executive-legislative relationships in Brazil provides arguments for two opposite interpretations. The first suggests that the president is hostage of an unmanageable Congress given the weakness of the Brazilian political party system. In this interpretation, the president is forced to build and manage a huge and highly costly coalition each time he needs Congress to vote important matters because of the fragility of his congressional base (LAMOUNIER, 1996 AND MAINWARING, 1997). The second suggests that, in spite of the above mentioned features of the Brazilian political system, the president has plenty of resources available to get voted whatever he wants, given his capacity of trading favors and resources for votes when the situation requires. The approval rating of the executive projects submitted to final voting reveals a huge rate of success (FIGUEIREDO AND LIMONGI, 1999, AND PEREIRA, 1999). Critics suggest, however, that projects arrive at that stage only when they are ready to be voted on the grounds of previous backdoor logrolling practices. Intermediate explanations suggest that the truth lies somewhere on the middle because both phenomena occur in different circumstances.

The Constitutional Amendment faced strong opposition at both Committees through which it had to pass³⁶. In both cases, Bresser Pereira's political skills as well as the executive support were decisive to put it through. But the concessions stripped the project of most of its important aspects like the limits of public wages and tenure removal.

With respect to the interest groups involved in the Constitutional Amendment debate, Bresser Pereira faced two types of opposition: explicit and implicit. The explicit opposition was championed by the civil servants unions. However the unions have neither the votes nor the strength to obstacle the government proposal. The other type of opposition, however, was much stronger and effective: Congress and the Judiciary bureaucracy and the juridical establishment. Public management reform was not a theme capable of mobilizing the public opinion attention, except in the case of tenure. Bresser Pereira successfully persuaded the executive that tenure should be mitigated in some cases but he did not make a dent on the Legislative and Judiciary positions with respect to this issue.

There was a more serious problem, however. The constitutional amendment included a provision that established limits to both branches establishing their own wages. Given the chain of administrative linkages between top political wages like those of the congressmen and judges and the ordinary wages of the bureaucrats, the wages of the latter in the two branches depended on the former payments. Neither Congress nor the Judiciary accepted that the executive could establish limits to their remuneration.

The co-ordination of the issue-traffic of the governmental projects in Congress was under the responsibility of the Secretary of the Presidency and the Chief of Staff Ministry. Therefore they had three crucial capacities: establishing the voting priorities, defining the desired sequence of the projects, and negotiating the final project texts given the broader interests of the president. The constitutional amendment had been included among the government priorities in spite of Jorge and Carvalho reluctance. They gave in thanks to Bresser Pereira's persistence, the president acquiescence and the fact that sending a proposal to Congress did not effectively commit the government with its approval.

Once the amendment was sent to Congress, Bresser Pereira had to continuously fight for the executive's attention. There were always other projects that deserved priority like the social security or the president re-election constitutional amendments. There was never a good moment to push it to the top of the executive-legislative agenda. But nothing moves in Congress without being pushed. It

³⁶ See Melo (2002) for a detailed account of the issue trajectory at the Congress.

became evident that Bresser Pereira did not have enough political support to make it move faster. Exasperation, however, was not necessarily a good advisor. Ironically, the approval of the Provisional Measure that created social organizations and executive agencies weakened Bresser Pereira's position. Together with the water down of the tenure removal from the constitutional text, the provisional measure reinforced Jorge's old perception that after all there was no point in changing the Constitution in order to implement public management reforms. Second thoughts about the strategy adopted were disseminated within the inner circle of the presidency. A consensus slowly emerged: the champion involved in policy specification process should not be the same person responsible for the reform implementation.

Finally, when the negotiations arrived at an impasse, the Chief of Staff and the Secretary of the Presidency stopped acting as brokers and took Bresser Pereira's place in the last hour negotiations, especially with the Judiciary and Congress about the limits of their remuneration. The result was a new round of concessions "in order to get something approved" in the words of a key government minister. After all, at that stage the government, needed to approve anything to avoid demoralization in the eyes of the public. The executive gave up the remuneration limits and the final project was at last voted practically without dents. The government was so relaxed about its low political risk after so many changes that the amendment finally approved few weeks before the voting of the presidential re-election constitutional amendment³⁷.

9 Declaring victory and moving on

In the beginning of 1998, Bresser Pereira painfully realized that he had lost the battle within the government to implement the reforms. In the political front, he could not over-rule the Chief of Staff and the Secretary of the Presidency. His relationship with Cardoso did not provide him with enough political capital to win the dispute over jurisdiction borders and policy ideas from which the president distanced himself. In the implementation front, he did not have the instruments to persuade executive institutions to become executive agencies and social organizations. The economic team had narrowed its priorities to fiscal targets and did not support innovative projects that sounded suspicious in terms of resource demands in the short term. In his own turf, tensions between his team were flourishing in spite of his ascendance over his supporters.

Then, "the creator decided to destroy the creature", in the words of a participant of the process. Bresser Pereira was frustrated by the difficulties faced within the government and conscious of the limits of the presidential support. The presidential re-election constitutional amendment was the only real issue at the agenda at that stage. Bresser had concluded that MARE could not perform its mission without the instruments – notably the budget - to implement the reform. Therefore, why not merging MARE and the Ministry of Planning, an idea immediately sponsored by Carvalho³⁸? After all, after the approval of the constitutional amendment the reform was just "a matter of implementation", as Bresser Pereira wrote in a last newspaper article in 1998 (FSP, 12/1998).

Bresser Pereira's final act was taking a leave from the Ministry to take over the fundraising functions of Cardoso's presidential campaign. Once again the president convoked his reliable old colleague to take care of a sensitive issue. After Cardoso's easy win at the elections' first round, the president appointed him to the Ministry of Science and Technology, an area with which Bresser was presumably familiar and an appealing piloting sector to the reform projects, especially in organizational matters.

³⁷ See Later Event 11 on the diagram.

³⁸ See Later Event 3 on the diagram.

MARE was extinguished and its functions were reassigned to two areas: the Secretary of State of Public Administration (SAP) and the Secretary of Entrepreneurial Management (SEGES). The former was headed by Bresser Pereira's deputy. The later was led by a Carvalho's advisor. Both were located at the Ministry of Planning, although SAP had ministerial status.

The new appointee for the Ministry of Planning, Budgeting and Management – Pedro Parente – was perceived by Carvalho and Bresser Pereira as a man capable of implementing the reforms. He was supposed to be the bridge between both the areas of planning and budgeting, in the one hand, and public management, in the other. A policy cycle had finished and the transition towards a new one had began.

10 Conclusion

Bresser entrepreneurial role was so evident that the reform became personalized. He defined the problem in his own terms on the beginning of the issue career in a way that neutralized potential opposition. He generated an innovative policy proposal that combined elements from the new public management fad with traditional progressive public administration ideas. He also performed a key political role in negotiating the constitutional amendment within the executive branch as well as with the Congress. In short, he catalyzed the three streams in the way required to promote policy change according to Kingdon's formulation.

The epilogue was sad but revealing. When Cardoso promoted a reshuffle of his cabinet because of a political scandal and the international financial crisis he took advantage of the turbulence to move Bresser Pereira from MARE and extinguished the ministry. The issue did not survive at the top of the government agenda without his champion, no matter his shortcomings. Implementation took place on other basis, although the legacy of Bresser Pereira was beyond dispute.

There was substantive policy change in two public management policy sub-domains: organizational arrangements as well as personnel legislation. Social organizations as well as executive agencies became part of Brazilian institutional landscape, although in exploratory basis. Three new forms of employment arrangements emerged from the reform: civil service, private contracts and public contracts. In spite of all defeats and concessions during the negotiation stage Bresser Pereira successfully enabled a more flexible public sector.

All the main policy processes - agenda setting, problem definition, issue image formulation, alternative specification, and decision making - derived from Bresser Pereira restless actions and determination. The context played a role as well as the institutional features of the Brazilian political system. The political stream was stable over the period as well the economic domain. But it is hard to conceive the reform without his decisive interference. The public management debate became part of the national scene. A policy community flourished under the leadership of MARE's activities. The dissemination of new public management ideas was unequivocal, thanks specially to ENAP role in providing training on large scale on new concepts, techniques and tools.

The Brazilian case provided an interesting example of successful public entrepreneurship – even if partial - on an hostile environment. It suggests that more attention should be paid on the role of individuals on policy processes in spite of the controversies of this kind of approach. Entrepreneurship is a matter of individual behavior as well as functional role. More research should be carried out in order to clarify its potentialities as an explanatory factor of policy change as the episode suggests.

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