



**The Institute of Brazilian Issues
Minerva Program**

PUBLIC GOVERNANCE IN THE 21st. CENTURY.

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“Poverty is not just a fatality but the result of wrong options and bad behavior. Today the big synthesis of the growth is known as: stability of prices under the macroeconomic process; competition under the microeconomic field; international opening to trade; and strong investments in human capital. "Neither, the tower nor the ship are useful without the man," according to Sófocles.

“...Originally, I had hoped the government could be a social engineer, modeling development. Now, I pray that it can be just a gardener, preparing the soil, pulling out the weeds and leaving the plants to grow...and a Good Samaritan, to take care of the social role”.

“ Society in the next millennium will be globalized and digitized. Ignore those things could be self-destructive. Our language will be in terms of bits much more than in terms of "atoms".

Roberto Campos

Summary

PUBLIC GOVERNANCE IN THE 21st CENTURY

The correction of social inequalities as a primary objective of the state reform program proposed in *the Master Plan of the State Reform (Plano Diretor da Reforma de Estado)*, defined objectives and established guidelines for the reform in the Brazilian public administration. It was, in essence, a challenge and a leap heading for the search of the modernization of the administrative structure. Moreover, it started a cultural change in the Brazilian public service on proposing new management concepts based on efficiency and focusing mainly on the citizen.

The modernization of the public administration processes, initially driven by a focus on the reform of the state institutional structure, specifically of its hierarchical organization and expenditure patterns, reaches today its deepest level, i.e. the new conscience of the rules of administrator and of the State.

The first stage of the administrative reform presented by Minister Bresser Pereira, through the execution of the *Master Plan of the State Reform (Plano Diretor da Reforma do Estado)* in 1995, until the extinction of the *Ministry of the Federal Administration and State Reform*, was evaluated and analyzed by Minerva Program participants over the last 2 years. Nevertheless I'll briefly comment on some aspects of the Plan.

It was the basis and the guideline to the program proposed by the *General Office of Administration of the Ministry of Planning, Budget and Administration*

Along with the simple reform, the main objectives proposed were the changes in the public administrator's role, sometimes proposing above and beyond in public management, with transparency and public dialogue, without losing sight of the points of constant evaluation with the support of information system resources.

Nevertheless, to achieve the true transformation in the administration standards one important pattern is the cultural changes. Deep changes in the values and the culture of the Institutions.

To achieve this goal the public managers and servants play the most important role. Their appropriate development is essential to build the basis to enhance the governance structure and strengthen the trust on public institutions.

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2 – Introduction

2.1 The global context

The world phenomenon called Globalization was the main lever for the deep social transformation over the last two decades of the 20th century. Specifically the acceleration of the technological changes reduced the distance between countries and made us realize the tremendous social inequality on our planet.

The gap between the growth of some and the stagnation of others turned into a social problem more than an economic issue. Nevertheless, the crises of the totalitarian regimes and the democratization process of those countries served to enforce the need of a deeper change. From that time on, not just the role of the state had to be changed but also the concept of citizenship and social participation.

Globalization, fast evolving technologies, the importance of market forces, and rising citizen expectations are setting the pace. How can governments respond, and at the same time ensure the well-being of all segments of society?

The process of reforming government was the focus of debate in several meetings around the world. In one, the Global Forum II, the world leaders agreed that:

One cannot ignore the importance of the new technological, economic, social, cultural and political challenges resulting from the Information Age. These challenges have necessitated a redefinition of the role of the public sector. The debate on the state's role centers not on "less state" or "more state", but rather on the building of a "better state" that has the ability to elicit, coordinate and articulate interests, expectations and demands with a view to strengthening and broadening the horizons of the public sector. The

"reinvention" of government may often mean the adoption of market solutions and processes. Above all, however, it must mean reasserting the state's effectiveness vis-à-vis that of the "market" as a consequence of the challenges of the Third Millennium. This does not imply an assertion of a dichotomy between the state and the market; on the contrary, it must be understood as a response to the need for creating synergies between the state and the market to enable them to connect in a manner that results in a "better state." As this century opens, there is reaffirmation of the close link between democracy and markets as the institutional capital necessary for development and growth. The goal of state reforms, therefore, should not be just reducing the size of the state, but the development and the enhancement of the welfare of its people - a government that serves all of its citizens - through collaboration and cooperation, in this era of globalization. Globalization, propelled by the revolution in information technology (IT) has been transforming the institutions of societies, and their very culture. But the impact has not been uniform. Neither is accessible to the new technology. Unequal access to IT and a trained labor force have the potential of sharply increasing income between disparity and poverty. The so-called "digital divide" will marginalize communities within countries and some countries. The potential growth of ecommerce raises serious and complex taxation issues involving municipal, state and central governments, and even international cross-border issues. Most governments depend on sales taxes as their primary source of revenue. The nation state is not in danger of disappearing; rather the scope and the responsibilities of political institutions, in general, and of governmental ones, in particular, are expanding. Nations still maintain considerable power and play a relevant and irreplaceable role in managing this change. This power can only be ensured through collaboration and co-operation at all levels with other nations, within its own local and regional jurisdictions, and other transnational organizations and associations."

2.2 The Latin American and Caribbean Context

In 1990, facing the problems that followed the great debt crisis of the 80's, a group of Latin American and Caribbean policy-makers and members of academic communities participated in a conference sponsored by the Institute for International Economics in Washington. Their goal was to evaluate the progress achieved by Latin American and Caribbean countries during the 80's and, at the end, propose policy instruments in order to promote and accelerate the macroeconomic stability and social development of the region.

Their conclusion was placed in a document called "Washington Consensus". It was not the only instrument to propose changes, not even the only to discuss the subject but it was a stonewall. It focused on the policy on the needs of the region.

The evaluation and the changes in the Role of the State was a natural consequence of this process. Financial and Social Institutions for Development played an important role in order to start and support the changes. The IMF, the World Bank, IDB, OECD and non-governmental institutions provided the countries its technical advice and financial support.

3 – Changing the Role of the Government

The State Reform was initially conceived as a political reform in order to consolidate the Democratic State and provide the citizens' instruments to claim their rights, thus, strengthen the civil society and enhance the state efficiency. It was one natural demand came from the globalization process that disclosed the great inefficiency of the states and differences among countries.

Because of the needed structural and social changes, the state reform had to be implemented in the long term, demanding strong planning and dialogue between its leaders, the market institutions and society in general.

Over the past decade government reforms were initiated simultaneously in several countries that shared several issues, mainly focused on reducing the size of government. This was expected to lead to efficiency gains and improvements in government performance.

During this period of time one intense political and philosophical discussion about the role of the state took place within several institutions around the globe. However, this paper will not explore this subject in detail.

Common characteristics of all these reform efforts are, in general, to find an "ideal size" of the state that would bring efficiency gains not necessarily through cuts in governmental programs. The goal of development of political and institutional reforms was to enhance efficiency; with a focus on the transparency of government plans, disclosing its goals, targets, outcomes and and to disseminate information to the public with emphasis on citizens as clients and consumers.

Playing an important role in these processes were agents such as the IMF, WORLD BANK, IDB and OECD that offered substantial help in its improvement.

3.1 The INTERNATIONAL MONETARY FUND

In the first article of the IMF Articles of Agreement we find the purposes of the Fund. Specially Article II claimed to help developing countries during the late 80's and early 90's.

Article II claims the following: To facilitate the expansion of balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income to the development of the productive resources of all members as primary objectives of economic policy”.

Beyond the lend-based policy, the IMF also has a policy to advise country members about other issues and offer its expertise on matters such as central banking, monetary and exchange rate policy, tax policy and administration, governance, training officials, and official statistics with the objective of strengthening the design of members' economic policies.

3.2 The WORLD BANK

The World Bank target and main focus have been the poverty reduction. Working with governments offering social programs and government growth policy the Bank intends to help governments to improve the functioning of markets through regulatory reforms and transfer resources to the poor through spending.

The regulatory policy is one of its targets because it can positively affect the reduction of inefficiency and the elimination of market failures that hurt the poor. Improvements in the efficiency of public service provision, as well as public sector reform are focused to improve access of the poor to public services.

Additionally in 1999, the IMF and the World Bank began joint assessments of member countries' financial sectors to help identify actual and potential weaknesses.

Both institutions' teams usually offer their assistance to central banks and financial systems as a guide to the measures needed.

3.3 The INTERAMERICAN BANK FOR DEVELOPMENT – IDB

The IDB - InterAmerican Bank for Development also has an important role in promoting and financing projects for State Reform in Latin America and the Caribbean, mainly in the last decade. During this period of time, they helped about 27 countries with 150 programs.

Until last June, the approved programs for the state reforms received over \$6 billion from IDB. Of these resources, 95% were allocated to strengthening the Executive Branch of the governments – at federal, state and municipality levels.

The basic line to their action on this pattern was:

- ? To strengthen the democratic governance on developing the institutional role of the State;
- ? To support the independency of the judiciary branch
- ? To strengthen the role of the legislative branch and to support the improvement of the electoral system and the political parties
- ? To enhance the transparency of the public administration and to fight against corruption by increasing social control
- ? To implement modern concepts of public management, by profesionalizing public servants and promoting ethics and transparency in public management.
- ? To support the decentralization of the public management by using modern fiscal systems
- ? To promote strategic alliances between the state, the private sector and society in order to increase development.

According to the IDB, the reforms were focused on general principles and values but had to consider the specific conditions of each one of the countries and to take into account its institutions as part of its historical heritage.

This means that IDB does not consider the state reform exclusively over the technical approach, only by the strategic planning and macroeconomic aspects. It led the process individually by considering that the successful implementation depends on the ability in manage cultural differences, values, conflicts of interests and find a reasonable consensus among the participants.

3.4 The ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPEMENT - OECD

The OECD helped many member states in improving and promoting changes within the public sector, and indeed governance in order to enhance social cohesion and economic growth. Effective governance was an important tool and shelter to foster growth and reap the benefits of a new economy and increased global trade and investment. As an instrument to help social cohesion by ensuring that benefits are shared widely and equitably among individuals and regions.

An important part of OECD's advice is related to be an organization in the service of its members aware that there is not and should not be one universal model for the future public sector, even among the member states. The temptation existed among some members to simply use the same analytical patterns and to transfer models of public administration and government.

Nowadays, the process in course is focused on Regulatory Reform in many of the OECD member countries.

3.5 A Global Forum on Reinventing Government

In January 1999, representatives of 45 countries participated in a meeting called "A Global Forum on Reinventing Government" held in Washington, DC. It was organized by the U.S. government, in partnership with multilateral organizations (The

World Bank, The Inter-American Development Bank) and non-governmental institutions (the Ford Foundation and The Kennedy School of Government).

The Global Forum was aimed at facilitating an exchange of experiences on the process of strengthening the countries' democratic institutions, with a particular focus on improving its performance.

The main issues addressed then were:

? Improving the understanding of available alternatives for creating democratic institutions

? The transformation of government, structural changes in the ways government operates

? Improving government performance and enhancing relationships between the government and its people

These following questions were raised at the first forum:

? How much importance must governments give to markets when establishing public private partnerships for government action?

? How can outcome evaluation systems strengthen these partnerships?

? How can governments reconcile these new systems of outcome evaluation with the existing structures and processes?

? How can the emphasis on the "reinvention" of government redefine the relations between government and citizenry?

One year after the first meeting, representatives of the governments of various countries, multilateral agencies, the business community, and nongovernmental organizations met at the Global Forum II. The purpose of the forum was the establishment of an agenda that included topics for action in the conduction of a democratic State and governance oriented toward the well-being of its citizens.

The Government of Brazil hosted Global Forum II: "A Democratic State and Governance in the Twenty First Century". It took place in May 2000 in Brasilia, Brazil.

This forum was intended to help solidify a substantial and sustainable agenda for the future. At its conclusion there was interest in instituting the forum as a permanent event.

3.5.1 Forum Conclusions and Agenda

Agenda for the Democratic State and for Governance in the 21st Century

✍ It is recognized that the various previous experiences of state reform were motivated by the following:

a) Inadequacy of the role of the state and of the public sector design in the face of the ever-changing scenarios of globalization, technological development, and productive restructuring;

b) Fiscal crisis associated with the public deficit, the foreign debt, and the unsatisfactory performance of public enterprises;

c) More stringent and complex demand patterns on the part of citizens;

d) Perverse effects of the state's action resulting from patrimonialism, political patronage, and corruption;

e) Recognition that the public sphere is not limited to the State sphere and includes actions of a public nature promoted by civil society;

f) Inappropriate provision of services by the social protection system, involving both the exclusion of significant segments of the population and inadequacy of services rendered.

✍ These types of motivations have led to a minimalist approach to reform emphasizing smaller government, economic and administrative efficiency and overestimating the capacity of democratic institutions to carry out a value assessment debate.

✍ It is now possible to see that the minimalist model does not satisfactorily meet some challenges such as the following:

a) To create a propitious environment for the functioning of the market and economic growth;

b) *To contribute to broad-based equity and social cohesion. The social divide manifests itself via insufficient supply, and through frustration and dissatisfaction regarding the provision of services. The threat is that civil society can lose its cohesiveness as each party seeks its own particular solutions;*

c) *To legitimize the democratic character of institutions. Priority has not been given to combating the democratic deficit: ethics violations, corruption, and constitutional formalism are some of the factors leading to crises in public institutions and their loss of prestige and credibility.*

✍ Failure to meet these challenges tends to cause “civic fatigue”, which threatens to undermine the perennial and radical establishment of democracy.

✍ Contributions to this Forum lead to reflection on the experience of the recent past and suggest some perspectives on the new functions of the state in its relations with the market, with distributive justice, and the legitimizing of the democratic game rules.

<p>THE STATE CAN NO LONGER BE AN ALL-POWERFUL STATE BUT NEITHER WILL IT NECESSARILY BE A MINIMAL STATE.</p>

✍ During the forum debates some alignments and principles of an agenda for the democratic state and for governance in the 21st century:

a) *The state that is needed is one capable of acting proactively in the institutional rebuilding of society. Governance is not confined to a state’s borders but implies the development of channels of cooperation with the market and civil society;*

b) *There is need to revitalize the world of politics through a debate regarding values and the ultimate objectives (the public interest) with all the social players in order to restore the credibility of governments, of public administration, and of democratic institutions;*

c) Good governance requires a holistic approach in the sense that reform of the state should not be restricted to the Executive Branch but should also include the Legislative and the Judiciary Branches;

d) Governance requires the establishment of alliances, coalitions, partnerships and networks, encompassing the market, civil society, government at all levels and international cooperation;

e) Partnerships can be related to any state function or activity without this meaning a retraction or withdrawal from responsiveness on the part of the state;

f) Decentralization should be achieved by politically, institutionally, and fiscally sustainable means;

g) Fiscal accountability on the part of public decision-makers should be sought;

h) There is a need for a long-term program which puts aside the false dichotomy between universalism and narrowly focused action.

✍ **The awareness of the need for coalitions for governance requires the development of the state's institutional capacity to coordinate and encourage such alliances.**

✍ **The development of a State's capacity requires a model of public management with the following characteristics:**

a) Strengthening of the public function and professional development of civil service;

b) Suitability of the state's organizational architecture: right-sizing, with an emphasis on the regulatory function and on the improvement of the rendering of universal services associated with the rights of citizens;

c) Focus on results through ongoing evaluation so as to permit the strategic (ex-ante) control of public policies;

d) Concern with efficiency, costs and accountability regarding the use of resources;

e) Orientation towards citizens;

f) Simplification of procedures, regulations, and legislation;

g) *Increased management autonomy for public agents through the establishment of contractual relations based on results and accountability requirements;*

h) *Transparency in actions and decisions and full access to public information, so as to permit the development of social control mechanisms;*

i) *Development of innovative institutional arrangements involving various players for representation of interests, provision of services, cooperative regulation, and social control.*

✍ One element that is of utmost importance in the future agenda of states is the reality of the new economy, of information technology and the knowledge-based society. The market plays a key role in the consolidation of the new economy but, left to its own devices, the market will not on its own keep an eye on desirable social justice standards, while promoting the necessary advances. Without strong government policy to further equity there is the danger of further intensification of the structural mechanisms of differentiation and inequality. It is up to governments, with the cooperation of the market and civil society, to implement policies aimed at preventing digital divide and the consequent deepening of inequality. Government action should focus on several key thrusts, such as:

a) *Public support for the dissemination of access to the new technologies, focusing on more vulnerable groups;*

b) *Regulation of the sector, particularly as regards content, security and privacy as well as information of public interest;*

c) *Exemplary use of information technology;*

d) *Backing for technological evolution;*

e) *Promotion of digital entrepreneurship.*

✍ This agenda should not be construed as a panacea or a universally valid formula but should take into account the circumstances of each nation or region.

Finally, the forum stressed the importance of defining the purpose of reform. It is not enough to propound an institutional engineering and new management mechanisms (what the State should be and how it should act). Neither is it enough to think that the macroeconomic effects of reforms are obvious – the cost of reforming is lower than the cost of not reforming. It is necessary to discuss and debate about which substantive projects will guide state action. Substantive issues emphasized included combating corruption, elimination of poverty, reduction of inequality with an emphasis on information technology, promotion of social cohesion equity and economic development.

3.6 The Government of Canada Experience

Canada is already well advanced in its transformation now moving on to a knowledge-based economy. Its policy set out in the government's 1999 agenda statement to parliament, recognizing explicitly that "knowledge and creativity are now the driving force in a new knowledge-based economy."

A profound transformation is now underway within the Canadian federal government. One of the consequences is that the nature of the services provided by the public sector are becoming more and more knowledge intensive. Another is that citizens in the knowledge economy expect service delivery to be organized seamlessly from their perspective and for their convenience. And a third is that government internally must be equally connected as Canadians in general and become a model user of information technology. Public service in this age of knowledge will be very different from the industrial age.

The Canadian government's strategy is based upon huge investments in technology and involves the creation of a full technical infrastructure to support new service delivery models. This infrastructure will ensure compatibility between government programs and guarantees security and confidentiality.

As referred in the Canadian Government report : *“In a knowledge-based economy, the advantage goes to countries that are innovative, have high levels of productivity, adopt technology readily, and invest in skills development for its citizens. In such an economy, we have recognized that citizens will require the support of a leading edge public service – one recognized for its knowledge, know-how, and innovation. We have also recognized that if the public service is to put information seamlessly into the hands of citizens, it needs first to put information seamlessly into the hands of public servants. And, it needs to invest in learning by public servants.”*

The changes achieved one deeper level, in which the trust in public institutions led the reforms towards the total transparency and disclosure in a knowledge based society.

This means that the public service must transform itself into a learning organization, to serve citizens well in a knowledge age.

They pointed out values knowledge, ideas and relationship-building as an integral part of its business. The main concepts they base its goals are knowledge focused. Such as :

? Learning is not an add on, but is integrated into the corporate mission. How goals and objectives are achieved is directly related to the competencies of its people.

? Knowledge is viewed as the key corporate asset. It is generated through strategic use of existing information and experience, and from experimentation and risk-taking.

? Learning must be legitimized by leaders through a formal policy and time and resources set aside in the budgeting process.

? A public sector organization that focuses on serving must clearly be able to understand the needs of citizens. To do this it must be able to engage citizens in

policy development and setting standards and incorporate the knowledge gained in decision-making processes.

? Measures the process and outcomes of learning. In other words, it learns how to learn.

“ The core strategy for building a successful organization in a knowledge economy must revolve around changing organization a culture and investing in people. Changing from an industrial to a knowledge-based mode of organization requires revolutionary, not evolutionary change. And it is, most of all, about people and their understanding, not just about tools or technology. “

Knowledge management is more than old wine in new bottles.

3.7 The United Kingdom

The UK counted with the help of the Modernising Public Services group until last October when it was merged with the Centre for Management and Policy Studies (CMPS) with the purpose of encouraging the development of better public services and helping to improve the effectiveness of departments, agencies and the wider public sector and encouraging the spreading of best practices across the public sector.

They point out the main goals of the Public Service in Nine Principles of Public Service Delivery

Every public service should:

? Set standards of service that users can expect; monitor and review performance; and publish the results, following independent validation wherever possible

? Be open and provide full information and provide full information about services, their cost and how well they perform

? Consult and involve present and potential users of public services, as well as those who work in them; and use their views to improve the service provided

? Encourage access and the promotion of choice: Make services easily available to everyone who needs them, including using technology to the full, and offering choice wherever possible

? Treat all fairly -treat all people fairly; respect their privacy and dignity; be helpful and courteous; and pay particular attention to those with special needs

? Put things right when they go wrong - put things right quickly and effectively; learn from complaints; and have a clear, well-publicized, and easy-to-use complaints procedure, with independent review wherever possible

? Use resources effectively - use resources effectively to provide the best value for taxpayers and users

? Innovate and improve - always look for ways to improve the services and facilities offered

? Work with other providers - work with other providers to ensure that services are simple to use, effective and coordinated, and deliver a better service to the user.

Any other key policy initiatives are the statement on improving departmental productivity, by:

- ? reducing fraud
- ? better quality services
- ? electronic government
- ? reducing rent-seeking
- ? improving procurement
- ? innovation and responsive customer services
- ? asset sales

3.8 THE UNITED STATES OF AMERICA

Throughout the 80's, the reform of public institutions in the U.S. led institutions into an advanced process of change. The American government counted on the Office of Intergovernmental Solutions to provide the government innovations and better practices.

In the early 90's the Vice President Al Gore's campaign to "reinvent Government" was one of the most remarkable reform efforts in American History. The strategy for management reform was based on the vice president's pledge: "A GOVERNMENT THAT WORKS BETTER AND COSTS LESS".

The program was divided in three phases: Phase one, with reforms to governmental processes; Phase II, the reinventers switched the program from process reforms to the basic question of what government should do; and Phase III, they worked to reinvigorate the initiative with new ideas, including a sustained assault on problem agencies and the development of special activities designed to appeal more broadly to citizens.

The political stake of the reinventing government campaign ensured that it could be part of the 2000 presidential campaign. In fact, it was part of Vice President Gore campaigning for the presidency.

Important role to acknowledge and reward innovations in American government is played by the Ford Foundation, that supports the "Innovations in American Government Program" launched in 1985. Over the past several years, the program has become a significant force in identifying and promoting excellence and creativity in the public sector.

Through its annual awards competition, the program has recognized 280 innovative programs, which have received \$17.2 million in Ford Foundation grants. By offering the recognition and grants, the program provides concrete evidence that governments can work to improve the quality of life for citizens and that it deserves greater public trust. By highlighting exemplary models of government's innovative performance, the program serves as a catalyst for continued progress in addressing the nation's most pressing public concerns.

The Ford Foundation has presented a \$50 million grant to Harvard University to serve as a permanent endowment for the Institute of Government Innovation, which will built on the success of the Innovations in American Government Program. The Institute will house the Innovations in American Government Program and will serve as the hub for a global network of individuals dedicated to excellence in government:, including an array of innovators, students, policy analysts, and journalists. The Institute will host conferences and training sessions for practitioners, release relevant publications, establish research fellowships, and help forge institutional alliances to foster innovation in governments around the world.

3.9 The Brazilian State Reform

1995-1998: State Reform in the country's agenda

In the President Fernando Henrique Cardoso's first term in office, the subject of the reform of the State's apparatus was included in the country's agenda. In few words, that means to move from a bureaucratic public administration, centered in the control of rules and procedures, toward a managerial administration model, focused on the results for the benefit of citizens.

Taking into account the legal framework of the Brazilian public administration, in which the rules of the public function are inscribed in the country's constitution, it was

first necessary to rearrange the supreme law and some other complementary laws. The reform had therefore three dimensions: legal-institutional, management instruments, cultural adjustment.

The Ministry of Federal Administration and State Reform (MARE) formulated the Directive Plan of the State Apparatus Reform, approved by the President who has defined the main guidelines for changes towards the managerial administration.

During the four years of the President's term, the following efforts were carried out: to elaborate and to publicize the reform proposals, to approve the legal reformulation, to create new institutions (the executive and ruling agencies, the social organizations) and to prepare the civil servants and managers for changes. The Nacional School for Public Administration - ENAP, which was linked to MARE at that time, has supported such efforts.

In his second term in office, President FHC has undertaken a ministerial reform. Concerning the State's reform, the idea was to join, in just one ministry, the functions of management, budget and planning.

? Planning, budget and management gathered in just one ministry.

The Ministry of Planning, Budget and Management (MP) was created from the merger of two former ministries: Ministry of Planning and Budget (MPO) and Ministry of Federal Administration and State Reform (MARE). After this merger, the new ministry absorbed the responsibility for the definition of the general policies for all the federal public administration in the fields of management, human resources, information and administration services, and also planning, budget and property.

Regarding the public management, the new PPA (Pluriannual Plan) emphasizes the entrepreneurial management model which focus is centered on results, on the improvement of the services offered to clients, on the simplification of bureaucratic requirements, on the reduction of costs for the acquisition of goods and

services, on value of the employees, on the development of the managers and civil servants. The Plan will guarantee the coordination and strategic adjustment to the government actions.

Since 1988, the Brazilian Constitution states that the executive power ought to submit to the Congress (the Deputies Chamber and the Senate) the Pluriannual Plan (PPA) for four years. The 2000 –2003 PPA are already the third plan. The greatest insight of PPA is to adjust the budget to the plan for each year, and also to guide management simultaneously. This means that every governmental action is organized in programs, each program corresponding to one responsible person.

In order to answer the society's demands for better public services, with low costs, the Pluriannual Plan has adopted an administration articulated in programs for assuring more responsibility and transparency in the public management. This innovation intends to bestow better results on the public action and it represents an important instrument to the ongoing public administration reform started in 1995.

The elaboration of the Plan had as its starting point the president's governmental program, apart from a deep study about the national development guidelines and an inventory of the federal administration actions. Afterwards, the President has set strategic directive lines, which were absorbed and adjusted by each State Minister for the conduction of the programs in each different ministry.

The greatest challenge faced by *Avança Brasil* is to restore the Country's sustainable development in four areas: social, economic, political and environmental – without increasing the public deficit. On the other hand, it is expected to revolutionize the management methods in the Federal administration by adopting a responsible management, directed to the results for the citizen, supported by the transparency and the commitment to the performance and the measurement of the results – what we call “managerial management”.

The Ministry is also in charge to promote the entrepreneurial management of the resources aiming at the country's sustainable development.

Entrepreneurial Management

- ? Results oriented
- ? Partnerships
- ? Mobilization
- ? Change in management
- ? Solutions network: to overcome restrictions together with the other

Ministries

- ? Transparency viewing the social control
- ? Focus on the citizen-client

Resources

- ? Human, financial, physical and organizational
- ? Resources articulation for development
- ? Efficiency and efficacy in the allocation and application of resources
- ? Mobilization of investments in structural projects of development

Sustainable Development

- ? Environmental, political, social and economic sustainability
- ? Development with economic stability
- ? Mapping of investment opportunities and synergies for the structuring businesses of the country's development and integration
- ? Reduction of social and regional disparities

The former minister Bresser Pereira says in his “Reflections of a Reformer : Amending the Constitution in Democratic Brazil” that *“In synthesis, the Brazilian managerial reform of public administration advanced in the three dimensions which the ‘Plano Diretor’ proposed it should actuate: the institutional, the cultural, and the management dimension. New institutions were established, a new view of public administration emerged, and new management practices are beginning to be adopted”*.

The planning ministry program pointed out the necessary actions and start the establishment of partnerships with international institutions focused on the Modernization of Public Management.

The most relevant result of this action was the creation of the “Observatório da Nova Gestão Pública” or the “Observatory of the New Public Management” with the purpose of supporting the continuous improvement of management of Public Service by sharing information and better examples of the public management practices.

The Planning Ministry also promote an annual competition of innovations of Public Management – Premio Helio Beltrão - to reward and publish the best initiatives in Brazilian Public Management. This focused on rewarding about 20 examples annually of successful practices in public management.

According to the former minister Bresser Pereira, *“the approval of the constitutional amendment reforming Brasil’s public administration in Congress, and support its main institutions and policies ... sum up to a success story. A story that was successful because the reform counted with a clear and innovative design...”* But he also says *“the process just began. There is a lot to be done in this realm.”*

4 – Establishing Governance

Corporate financiers, whether individuals, firms, citizens, banks, governments or pension funds, need to be assured that their interests - their investment - will be well-managed and used as intended or planned in order to achieve the corporate goals.

With this assumption, it is possible to define what Corporate Governance means: One simple concept is that it concerns the relationship between managers, directors and the shareholders, and also the relationship between shareholders and the society.

As defined by Holly Gregory, Corporate Governance can encompass the combination of laws, regulations, listing rules and voluntary private sector practices that enable the corporation to attract capital, perform efficiently, achieve the corporate objective and meet both legal obligations and general societal expectations.

More broadly defining the role of corporate governance is to make sure that the company will achieve their objectives and increase the return on its assets by well management, with transparency, accountability, complying to the law and playing its societal role.

Investor protection turns out to be crucial because in many countries expropriation of minority shareholders is not yet subject to the law that increases the risk of the investment. This increases the role of the managers and good Corporate Governance mechanisms can serve to protect the investors against expropriation.

In Investor Protection and Corporate Governance, the author says that, in general, expropriation means that the “insiders” (in this case managers and controlling shareholders) use the profits of the firm to benefit themselves rather than return the money to the outside investors.

Gregory pointed out that in the last decade the governance reform attracted interest in many developing countries which lead those countries to an extensive process of reforms moving toward to prepare the “legal environment” to receive Foreign Direct Investment.

“The benefits of such reform would be to expand financial markets, to facilitate external financing of new firms, to move away from concentrated ownership, to improve the efficiency of investment allocation and to facilitate restructuring of financial claims in a crisis. “

Gregory concludes with the following: *“The integration of world capital markets makes such reforms more likely today than they have been in decades”*.

Good governance is based upon strengthen the acceptance and implementation of concepts as transparency, accountability and responsibility and the roles of these three concepts are essential.

The performance of government enterprises is tightly related with this issue. Through the state reform, good governance and its concepts were constantly enforced and are now part of the requirements for government officers.

A public decision affects the allocation of public expenditures and investments and reflects both how well (or otherwise) it will be applied and how the managers can be efficient in implementing it.

The reforms conducted by the Latin American governments were closely associated with the New Public Management School. Thus, its concepts on removing functions from the public sector, personnel management, financial management, customer orientation, empowerment, administrative deconcentration and political decentralization were broadly implemented.

Closely associated with the New Management School the customer orientation in the public service was largely implemented. It leads the government organizations and their employees to think about their relationships with the public as if they were operating in a market providing services to customers with alternative choices about where to receive those services.

In Brazilian public management this was not different as showed in Chapter 3 of this paper. The following text is part of the Brazilian PPA (Pluriannual Plan) and reflects the principles of the New Management School in its context:

4.1 The Brazilian Program - PPA

The management unit or program is a set of actions aiming at solving a problem. Each program is based on a problem or an opportunity and has an objective, resources, indicators to measure performance, and the annual goals to reach.

The role of the “program manager” (responsible for the program)

The role of the program manager is to assure the program's results under his responsibility and to disseminate the new managerial culture inside administration. The responsible person for the program has no formal authority. The program manager obtains support for his program in his own organization (the hierarchical structure), or in the Federal administration (there are programs in which actions are taken in many ministries), in the local governments, or even from partnerships (private, non-governmental or international).

The manager’s mission is to promote the administration’s transformation process – a manager is an agent of changes – by mobilizing resources and efforts from different partners, in harmony with society’s aspirations, through:

- ? Stimulus to motivation and cooperation;*
- ? Orientation towards efficacy and efficiency of the actions.*

The improvement of the quality in the services offered to citizens and also the change in public management, aiming at reducing costs and broadening the benefits for the citizen – The Entrepreneurial Focus of the New Public Management, are deeply accepted in Brazil mainly because it embraced good concepts in its essence.

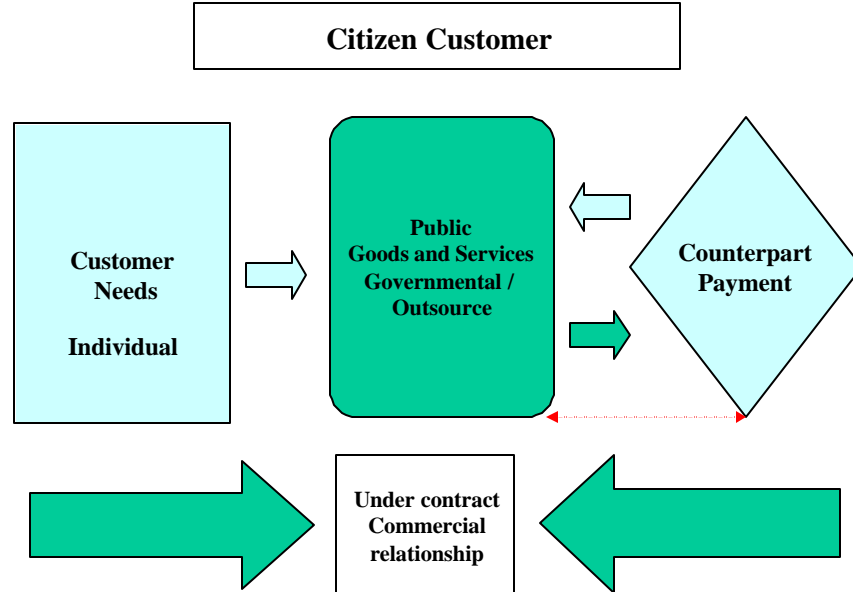
4.2 The Relationship with the citizen

State reform was a way to pursue sustainable growth, to enhance trade promotion and to increase the quality of life of the population. Every single change was carried out by people, through people and focused on people.

That is the reason I propose, just as a matter of analogy, that citizens are not just customers. The purpose is merely to establish a brief comparison, not arguing the Theory of State and others.

On one hand, the state is a provider of goods and services as in a commercial relationship. The government may provide the services itself in the case of Brazil where many services are still offered under contract by either public enterprises or outsourcing.

This kind of contract is based on either the client requesting a service and the other side, the enterprise. This has proven to be an effective commercial relationship.



The relationship between the government and the citizen as a customer, as emphasized by the New Public Management, is perfectly defined as the balance between the demand of the consumers and the services offered by the government. However, if we observe this relationship under the perspective of the investment it tends to be incomplete.

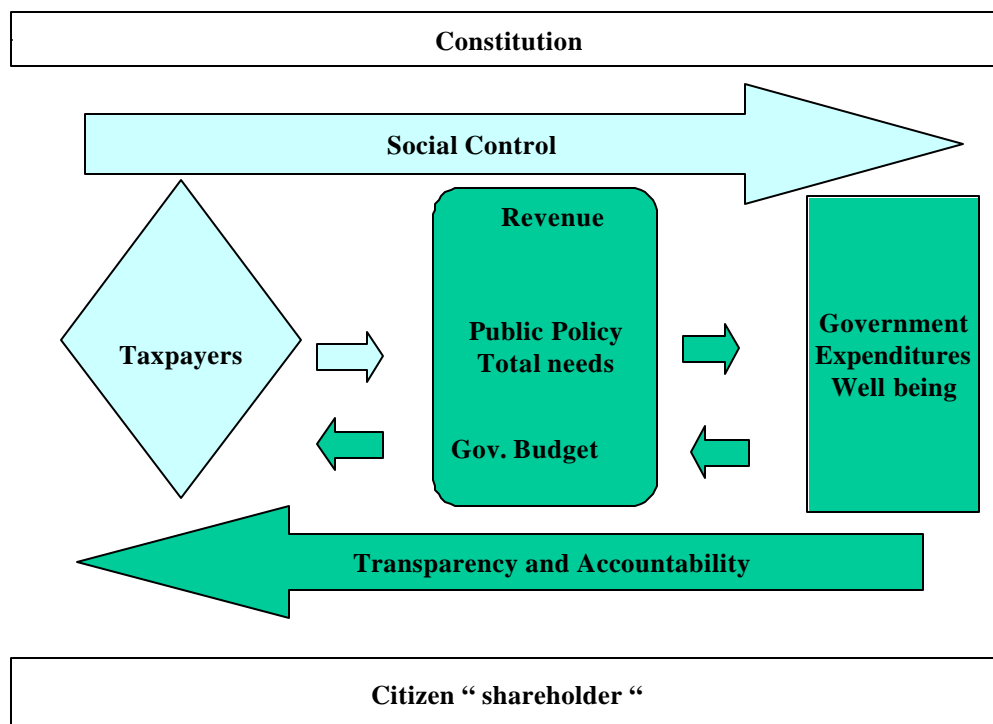
In a simple definition, the public companies are the government's agents to implement the public policy. Their main goal is to achieve and execute the projects specifically proposed for the society as shown in the government budget.

As in the case of Brazil, the federal government is in charge of the state-owned banks, the National Institute of Social Security, the public universities, the regulatory agencies and so forth.

On one hand we have the taxpayer "investing" its contribution - the taxes - in the government's administrative sphere.

The group of citizens - not specifically those requesting and benefiting from these investments - hope to receive their share of return on the investment they made to the government. Though they may not need their funds now, the public expects the government to make fair and reasonable use of their money, so that it is available in the future.

One such finding is the citizen as a shareholder. Let us consider the following diagram:



One can say this is merely a matter of semantics, but a more practical example can be noted. Some regions in Brazil, beginning in the state of Rio Grande do Sul, request societal participation in the preparation of the budget. The program is called 'Orçamento Participativo'. Here the citizens give input with regard to the

preparation of the budget of their municipality. They exercise control over the execution and implementation of the budget and hold the government agents accountable throughout the process.

In the same way it happens when parents elect the director of the neighborhood school and participate in the distribution of the school budget. In this way the ownership concept is evident.

What can one mean with this comparison? The citizenship concept is strengthened not only under citizen's perspective but that of the government.

Administrators must be prepared to be accountable to the citizens not as clients but as shareholders. For that they need to be ready to respond to the citizen in a transparent, coordinated and responsible way.

In addition, society has to be ready to exercise its control over public managers.

The answer of the society tends to be more effective in response to the disclosure of information. An example of that was the recent case of the American Red Cross presidential renouncement after being severely criticized by the public over handling of donations on behalf of victims of the attacks on September 11th. In any case, there was never any confirmation of misuse of funds. Yet the public had a right to question the allocation of these funds.

This point of view must rely on realistic assumptions, not romantic, to say it as said by Robert Keohane in his *Governance in a Partially Globalized World* :

We must begin with real people, not some mythological begins of higher moral capability. But we need also to recognize, and seek to expand, the scope for reflection and the normative principles that reflective individuals may espouse. We should seek to design institutions so that persuasion, not

merely interests and bargaining plays an important role. (...) Effective and humane global governance arrangements are not inevitable. They will depend on human effort and on deep thinking about politics.

5 – Public Servants

The role of the Public Managers within the presented context highly increased as well as their necessary skills in order to assure the return to the investment for the taxpayer. This means to increase the return on capital on increasing the knowledge and the trust on corporate employees. These measures can bring modern tools for the management process in public sector, training personnel on modern procedures and technologies, and work to consolidate and stabilize the new concepts on governance for the public enterprises.

As referred in the previous chapter, the Brazilian government has been proposing several cultural changes on the way the government drives the relationship between its enterprises and the society as well as the relationship within its institutions. One more time the focus goes to the human resources and the skills required to achieve the objectives.

In the Brazilian Government Pluriannual Plan the National School of Public Administration - ENAP is responsible for the program of Development of Managers and Civil Servants. Its strategic goals are provide information and knowledge in management as well as improvement of top managers and strategic managers.

As considered in the government plan, ENAP is in charge of preparing top managers, managers and civil servants for a better management and also to change the National School of Public Administration into a center of excellence in public management.

The management principles they adopt and are working on its improvement on Brazilian managers are consistent with the model proposed by the New Management School:

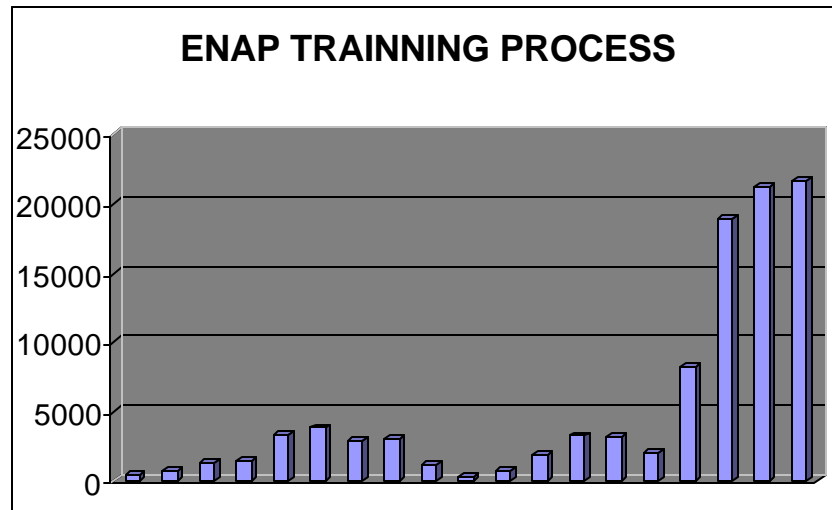
- ? Delegation / responsibility
- ? Team work
- ? Collegiate management
- ? Managerial Collegiate
- ? Multi-functionality

As a matter of fact, ENAP had a determinant role in the Brazilian public management policy. The school was created in 1980 as a public foundation linked to the Ministry of Planning, Budget and Management. Until the early 90's they focused their activities on identify and publicize knowledge and management technologies for the development of managers and civil servants at large.

After 1995 their role was deeply linked with the Ministry for the State Reform contributing for the constitution of proposals and its dissemination on the subject of State Reform.

They support the Ministry providing information and training, preparing civil servants and managers for change.

The data shows the Brazilian transition was strongly based on training, mainly those offered by ENAP:



1981 to 1999

Source- ENAP

Other programs linked to public management for the Brazilian government by ENAP covers the following issues:

- ? Self-management and management of public servant competencies and abilities
- ? Team management: ethical exercise and the leadership effectiveness
- ? Administration instruments focused on the results
- ? The government's agenda, the involved public policies, the institutional challenges of the public enterprises.
 - ? The new public administration
 - ? Management instruments
 - ? Projects management
 - ? Managerial and teams development
 - ? Human Resources
 - ? Financial resources
 - ? The purchases in the public sector
 - ? Public attendance and administrative support
 - ? Computer technology

Paul Light in “The New Public Service” says that the erosion of talent in the Public Service is a threat to democratic life because it affects directly an effective governance. Without talented and highly skilled servants, the government will be less able to provide the kind of response needed and expected by the citizens.

A Government ill-executed, whatever it may be in theory, must be in practice a bad Government, according to Alexander Hamilton in *The Federalist Papers*.

The purpose of this paper is not to discuss the Brazilian educational system rather to say that Brazil lacks schools of public management. With the exception of a few cases, the Brazilian universities do not prepare people to enter public service. Why not? This is an issue to explore.

6 – Conclusion

All of the changes in society and the economy had a sensitive impact on the expectations by citizens of the role of the government and the way the public sector have been managed.

Other generational reforms should be the next step to realign the relationships between the state, the market, and civil society. These reforms are needed to sustain and consolidate the growth, maintain the democratic institutions and the policy structure, repair market failures and prepare the public institutions to move rapidly towards efficiency on performing its role. There must be a deeper evaluation between institutions towards a better understanding of their complementarities and design reforms based upon the roles, the framework and the social needs.

With the changes during the 90's, many needs were identified, including the need for regulatory policy after the privatization process. These weaknesses have to be discussed and solved in a strong, transparent and broad debate between the public institutions, the market and the civil society.

The strength of the institutions depends on the success of this new generation of changes. It is a new debate looking for consolidation of the complementarities between the state, the market and the civil society that change the concepts about the "size of the state" towards the "well and qualitatively managed" state.

The public institutions reform is now facing the evaluation of its results and has to move towards sustainability based upon the trust and acceptance by the citizens. It is important to show effective policies and movements towards the sustainability of reforms, transparency and responsive fiscal management. Effective measures can engender the trust of state policy and enhance, as a consequence, the trust in the market thereby contributing to improve both.

Finally, the changes total have to be directed to a society based upon human resources. In his article "The Next Public Administration Revolution" Don Kettle says "Government isn't only an institution. Government is people". He points out three main lessons to learn from and challenges the American government after the terrorist attacks on September 11th. The conclusions he finds in evaluating the government procedures after the attack are as follows:

The first is how to strengthen the coordination of public programs and learn how to adapt to problems that fall outside the routine.

The second is about privatization and outsourcing and how to forge a public-private partnership – the right governmental policy matched by effective implementation through a contractor network and figure out how to structure and manage this partnership.

The third issue is the strategic thinking and its approach to public administration. When confronted with a new problem, the instinct has long been to reorganize instead of asking how best to solve the problem e. g. when facing a budget crunch, the instinct has been to downsize the number of public employees instead of asking what skills the government needs to get its jobs done.

“We need to get much smarter, much faster in how to match functional organizations with place-based problems.”

Well-coordinated and implemented investment in human capital is not a waste of money, whatever it be or whenever it occurs.

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