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*Quality in Public Service Provision:  
The Experience of Sao Paulo State Government*

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## **Introduction**

This paper analyzes the policy to improve the quality in public service provision at São Paulo State Government, which has been carried out in Governor Mario Covas' Administration, since 1995, in the context of a broad administrative reform.

One of the main objectives of this analysis is to conceptualize the need for a public sector reform in São Paulo and to understand the nature of the agenda in order to discuss new approaches to achieve effective quality in public services.

In the first part, are presented the conceptual basis in which the concerns with the quality public service provision emerged in Brazil, emphasizing the main impacts of the new world economic order (the environment of the economic, social and technological changes), the principal features of State's crisis in Brazil such as the tendencies and issues regarding the international movement called "new public management", that have influenced Brazilian reforms.

The second part describes the regulations of the federal constitutional framework for the Brazilian administrative reform (The Constitutional Amendment Number 19/98), which has provided the basic guidelines to São Paulo State Government's reforms in the last years.

The third part covers an overview of the first moment of São Paulo State Government's reforms, which started in 1995, and has focused on measures to achieve the required fiscal adjustment.

The fourth part analyzes the new challenges to be faced by the São Paulo State Government in the 21<sup>st</sup> Century, to redirect the current agenda of administrative reform, aiming to move from current guidelines towards a new approach (capacity building) in order to strengthen the institutional capacity of governance. It is a matter to introduce the values of austerity, efficiency, transparency, ethics,

citizenship, accountability, quality in the public service provision and commitment to the changes demanded by the citizens, who deserve standards of living and working conditions comparable to the modern world.

Within this context of reconstruction of the State, the fifth part presents the principles, objectives, results and other issues in certain governmental programs, towards improving quality in public service provision.

The last section brings a general consideration that aims to offer a contribution to the administrative reform process currently under way in Brazil and in the State of São Paulo.

## **1. The context in which the concerns about the quality public service provisions emerge in Brazil**

The concerns with the quality of public service provision in Brazil, especially in the late 90's, emerge in a context pressured by two basic factors. The first one is the creation of a new world economic order, also called globalization, which the transformation basis refers to the changes in the production and organization of labor mode. The second factor is the own State's crisis in Brazil and its current process of reform, strongly influenced by an international movement called "new public management".

### **1.1. The New World's Economic Order**

The world scale production and the integration of markets make national frontiers into economics frontiers, consolidate the tendency of the world's economy to globalize and strengthen the oligopolistic concentration.

In this new arrangement of the world's capitalistic economic context, new relationships among the nations are established. This tendency becomes more evident when, for example, in 1997 and 1998, economic troubles in a few Southeast Asian nations quickly reverberated throughout the rest of the world. The globalization of the world economy became a *cliché* in the 1990's, but nevertheless proved to be an inescapable trend for nations everywhere – including Brazil. More mechanisms of accountability – global markets for goods, money, and securities, as well as supranational organizations like the International Monetary Fund, the World Bank, the Inter-American Development Bank, the European Union and the World Trade Organization – became external to national governments. National sovereignty, even for the world's remaining superpower (The USA), has eroded. (Kettl, 1998 and 2000)

Technological development is the main factor provoking these changes. Information Technology (IT – computers, software, telecomms and the Internet) intensifies and speeds up the communications and all kinds of financial economic transactions among national and international agents, in networks that, in seconds, cover the entire globe. Information Technology offers enormous potential for processing great quantities of information and reaching across fuzzy boundaries, and its value lies in its capacity to store and communicate information instantly, anywhere at negligible cost. <sup>1</sup>

The amplification of the capacity and speed of communication networks and the permanent and fast generation of new technology make the markets more competitive. At the same time that those facts lead to a search for *Total Quality*, as a differential in the competition, they improve and expand the consuming standards. *Customer Focus* generates and spreads these news standards of consuming and creates different markets.

The new technologies allow business to reorganize their production processes, and, as a result, turn it more efficient and increase their productivity index. New ways of production and organization of labor, in order to obtain more flexibility, replace the old *Taylorist / Fordist* paradigm of assembly line and scale production, demanding the workers to learn new skills. Therefore, then, there is a de-standardization of the work process, by the autonomization of small group producers (producing teams in factories, outsourcing of the non-core business, virtual offices, work at home etc.) that despite decentralization of the production, keeps the managerial forces concentrated.

As globalization makes competition more intense and promotes a reorganization of the production on the world's scale, it creates new challenges to the nations: It

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<sup>1</sup> Nevertheless the IT revolution has only just begun, both in terms of innovation and the adoption of new technologies...As yet, only 6% of the world's population is online; even in the rich world, the figure is only 35%. Only a third of American manufacturing firms are using the Internet for procurement or sales. (The Economist, Sep. 21<sup>st</sup> 2000)

pressures countries, first, to become competitive in the global arena and second, to protect citizens from the tendency of concentrates the resources in certain countries and among certain segments of the populations.

The new world's economic dynamic limits the capacity and the autonomy of national governments to plan their own economic developments, <sup>2</sup> and implies that transnational agreements <sup>3</sup> start to regulate the internal market. Under these circumstances the State, has to simultaneously adapt to external pressures caused by the internationalization of the economies and the markets, and answer the demands of the society.

The social demands also have changed in terms of quality and quantity: The new demands stop being a direct result of individual desires and start incorporating collective interests like the defense of the environment, the ethics of the public and private business, the consumer's rights and citizenship, among others, into a movement that is facilitated by the political process of democratization around the world. <sup>4</sup>

The societies in general have found new ways for joining interests that shift from the traditional political and institutional kinds of representation (parties, unions, parliament etc). In the meantime, new processes and organizations – often nongovernmental ones (NGO's) – have become more central to public policy. These deep changes have created a *governance crisis*, <sup>5</sup> stressed by a finance

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<sup>2</sup> However, the present trend towards reinforcing the jurisdiction of government planning results, largely, from a recent evaluation - in course on the international panorama - concerning some emblematic experiences: success of China that planned building a market and opening to foreign capital, opting for gradual State reform; the financial collapse of the Asian Southeast, that benefited fiscal adjustment, opening markets, and a predominance of the private sector and, finally, the Russian disaster. Hence the advance of a new trend that emphasizes the importance of the role of the State based on acknowledging insufficient action on the part of the government, as the cause for enormous problems existing today in many countries such as Thailand and Korea, among others.

<sup>3</sup> MERCOSUR, NAFTA, FTAA, EU, APEC, ASEAN, CARICON, MCCA etc

<sup>4</sup> In 1974, only 39 countries (one in every four) were independent democracies. Nowadays, 117 countries (almost two in every three) chose their Presidents in open elections. ([www.un.org](http://www.un.org), 1998)

<sup>5</sup> "The very vibrancy and success of contemporary groups contribute to a society that finds it increasingly difficult to formulate solutions to complex policy questions". (Loomis and Cigler, 1998)

and operational inability of the governments to provide appropriate public services. (Fundap, 1995)

## 1.2 - The State's Crisis in Brazil

The State's Crisis in Brazil can be defined in three dimensions: the first aspect, is a **fiscal crisis**,<sup>6</sup> characterized by an increasing disbelief in the government and by the negative public savings; the second aspect refers to a **crisis of the state interventionism**, that, in most of developing countries, corresponds to the drain on the industrialization model by imports substitution; the third aspect corresponds to a **crisis of the bureaucratic model of public management** (rational-legal domination), revealed by high costs and low quality of the services provided by the State. (Pereira, 1992)

In accordance with this diagnosis, efforts to reconstruct the State should include: the creation of conditions for recovering the public savings and reducing the fiscal deficit; redefinition of the ways of governmental intervention in the economic and social fields; and the implementation of a new management model that goes beyond the obstacles and constraints created by the bureaucratic public management. This process must be understood in the context of a redefinition of the State's role. By this new definition, the State stops being directly responsible for economic and social development (by producing goods and services) and start being a promoter and regulator of this development.

Besides the influence of this context, it must be highlighted, the crystallizing characteristics of the Brazilian public structures that emphasize rigidity, rules, regulations and centralization of activities, among other constraints.

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<sup>6</sup> Kee (1992) defines fiscal crisis as "a threatening budgetary problem or gap between revenues available and expenditure pressures, usually created by uncontrollable events, that enables and forces elected policy makers to impose a substantial tax increase on their middle-income constituents or to terminate the employment of a significant number of their employees, or both."

In spite of these excessive rules in the Brazilian public sector, based on the principle of the maximum guard of the State on the defense of the public interest, the Brazilian public administration has been, historically suffering an appropriation by particularistic interests and *clientelism*. Political patrons place their clients in positions in the bureaucracy not because of their merits, but to reward them for their political loyalty. These patrons also use their connections in the bureaucracy to reward private sector supporters with state contracts. The public mechanisms of social control that should avoid such “appropriation” are dysfunctional while being formal and posterior and some sectors of the State have been getting further each time more from the public interests.

That way of structuration and organization of the Brazilian Public Administration, inspired in the bureaucratic model, has its origin in the Vargas’ period (after the 30’s). The contemporary Brazilian Public Administration was consolidated by Juscelino’s Administration (1955-60) and afterwards by the military governments (1964-1985).

The Brazilian Public Administration followed a model closely connected to the *developing state* in the phases of the *populism* and the authoritarianism. In the last 50 years, the public administration has been reorganized aiming to reach the support of specific social groups and reinforcing the *Corporatist State*.<sup>7</sup>

Nowadays the Brazilian public sector, paradoxically, characterized by the excessive rigidity and by an emerging process of democratization, remains closed to the political, economic, social and organizational innovations, contributing, strongly, to a frame of “managerial failure.”

Many are the factors that help to explain the low efficacy and effectivity of the public apparatus. Some authors affirm that in developing countries, like Brazil, that does not have a consolidated professional bureaucracy, the organizations operate

according systems of low responsibility. The government does not have policies of responsiveness represented by an accountability system.

The inexistence of a responsibility system, or even its low effectivity, has, as a consequence, the low quality of the services that are rendered to the citizens. There is no transparency regarding who is responsible for what. Above all, the most serious problem is responsiveness to the population needs.

Other analysts, like Pereira (1997), see this issue in a different way. In their point of view, the problem is their own bureaucratic paradigm for public administration functioning (rational-legal domination), which emphasizes the control of the procedures instead of the control of the governmental performance.<sup>8</sup>

The first concern of the controller's offices (like auditing offices and accounting courts) is focusing on verifying the legality of the procedures that drive the public apparatus. Auditors examine if the procedures are in accordance to the laws and rules.

In this way, there is no commitment with the final result of the government action. That means it does not ask, for example, if the citizen is having his basic needs (in education, health, transportation, housing, safety etc.) well met. The only thing that is under control is the appropriation of the administrative process to the respective rules.

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<sup>7</sup> Starting in the 1930s, the Brazilian state followed an import-substituting industrialization strategy (ISI) and during the military regime adopted a state led growth strategy.

<sup>8</sup> The managerial form of administration is different from the bureaucratic one because it's based on business administration and emphasizes flexibility, results, *a posteriori* control, efficiency and quality. The strategy focuses "(1) a precise definition of the objectives that the public administration should attain within its unit, (2) ensuring the autonomy of the administration in the management of human, material and financial resources so that he can attain the contracted ends and (3) afterwards control and accountability of results". And, one more important point in this kind of administration is that it sees the citizen as a taxpayer and a client of its services. (Brazil, 1995)

If there are no rules to responsibility and if there is no accountability related to the effective result toward the population, it is obvious that the quality of the public services will be very low.

### **1.3 - The New Public Management**

The discussion and the debate of some governments and parts of the society willing to overcome the obstacles provoked by recent changes in the social, economic and technological contexts have been pointing to some solutions that, in general, don't show much differences among themselves.

The proposals in debate and the economic policy adopted by several governments have focused on the opening of the national economies to the external markets, the reduction of the functions and the new roles of the State, the deregulation of the private sector and the adoption of new ways of organizing the production processes and labor.

The redefinition of the models of the government intervention, such as the respective models of implementation, are referred to in the basic principles denominated "New Public Management". That is the name issued in international literature and in the official documents to designate the new entrepreneurial paradigm proposed for the functioning of the public administration <sup>9</sup>.

The "New Public Management" labels a series of innovations that propose alternatives to the bureaucratic model of public administration. It was adopted in the 80's, by the Organization for Economic Cooperation and Development - OECD countries, notably by the Westminster parliamentary systems - the United

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<sup>9</sup> See, the many *Surveys* and *Updates* about the *Public Management Developments*, issued by the OECD from 1990. There are many articles analysing and comparing New Public Management implementation in several countries, published in magazines like *Public Administration Review* (USA), *Journal of Policy Analysis and Management* (United Kingdom), *Public Administration e Public Money and Management* (United Kingdom), *Politiques et Management Public* (France), *Azienda Pubblica* (Italy) and *Política e Gestion Publica* (Spain).

Kingdom, New Zealand, Australia and Canada, as well as other nations like the Scandinavian countries and the United States. Common to reform movements in all these countries is the use of the economic market as a model for political and administrative relationships. (Kaboolian, 1998)

In basic form, the public sector reforms in New Zealand and Britain present common issues in terms of their principles. However, they differ, in some measure, in the techniques used by the reformers. In the first case, one can observe a radical movement towards public sector reengineering through the introduction of market mechanisms for the government agencies functioning. In the British case, the reform guidelines were focused on the radical privatization, market driven and modernization of government agencies.

In the United States, for example, the program for administrative reform in President Clinton's administration, called the National Performance Review – NPR, was launched in March 1993, and translates the new entrepreneurial paradigm proposed for the functioning of the American federal government's bureaucracy. "The goal of the NPR is to provide the American People with a more effective, efficient and responsive government – a government that works better and costs less". (<http://www.npr.gov>)

Actually, the NPR incorporates a diverse set of interventions directed toward the achievement of multiple objectives, such as downsizing, reduce administrative costs, reform administrative systems, decentralize authority within agencies, empower front-line workers, cultural change, improve quality of service and improve efficiency of agency work practices. In early 1998, the "National Performance Review" changed to the "National Partnership for Reinventing Government" and redirected its focus on an information-age government and even better customer service. (Kettl, 1998 and Thompson, 2000)

The main features of the “New Public Management” that appear with major or minor intensity, in the diverse experiences of innovations occurring domestically and abroad are:

- i. Decentralizing / devolution of activities and responsibilities of the federal government to subnational and local governments (Kettl, 2000 and Junqueira, 1993);
- ii. Redimension of the big bureaucratic apparatus, by initiatives of downsizing (Thompson, 2000 and Pereira, 1997)
- iii. Measuring government performance (Newcomer, K, 1997) / performance-based management (Kettl, 1998);
- iv. Customer service standards; (Kettl, 1998)
- v. Outsourcing, contracting out and contracting in public service delivery; (Behn R.D. and Kant, Peter A., 1999)
- vi. Market-driven management approach: “creation of internal markets in an attempt to reform the public sector from the inside”; (B.Guy Peters, 1996)
- vii. Liberation management approach: “which range from deregulating the internal management of public bureaucracies to decentralizing and streamlining various management procedures such as budgeting, personnel, and procurement” (B.Guy Peters, 1996)
- viii. Public-private partnership, (Fundap, 1995 and Jeger, 1996)
- ix. Privatization of state owned enterprises; (Savas, 1982)
- x. Creation, reorganization and strengthening the regulatory entities (or public authorities) of natural monopolies that are privatized. (Biazzi, 1999)

These emerging entrepreneurial proposals implicate, mostly, in the adoption of the new concepts – such as accountability and governance -, as well as a new approach of the relation of the Administration with the civil servants and the users of public services. This relation represents a change in the nature of State intervention in its relationship with the society, aiming to deregulate it and to make the society co-responsible for arranging the public interests. In part, it represents

an unconscious strategy to wire civil society ever more directly into public programs. (Kettl, 2000)

However, it is important to mention the need to make a careful assessment of its appropriation, in each case, in the various aspects of this public management model. While some of the proposals have proved efficient and effective, others can be considered, at least, highly controversial.<sup>10</sup>

Actually, the current political debate that strikes up on the role of the State and the updated problems faced by the governments tends to get out from the ideology (e.g. liberal versus conservative) in order to incorporate new issues such as ethics and citizenship. Lately, what it searches for around the world is not “less government” but another kind of government, which allows the citizens to participate more effectively in the actions that concern them. (Osborne, 1992) Thus, it is a matter to incorporate the social control in the public management. In short, these current trends – devolution and government-civil society partnership – implies in to strength and to clear up the new role of the State.

Applying to the Brazilian context, the main challenge the Government faces is in being able to create mechanisms that can guarantee the equilibrium among different levels of control and autonomy, and that facilitate the social and economic development. Considering these tendencies, the “New State” would be in charge of:

- i. Establishing guidelines and general parameters on relations with society;
- ii. Guaranteeing synergy in the actions that involve the state and the society, together or separately;
- iii. Incorporating more accountability, identifying opportunities and needs;
- iv. Attending to the flexibility of demands from the citizens;

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<sup>10</sup> The recent debate has questioned some fundamental characteristics and applications of the “new public management”, in which, it can be emphasized, for example: The separation between formulation and execution of public policy, the importing practices from private management and the implementation of standard reforms in different countries. In the United States case, an investigation of the NPR outcomes can be seen at Kettl (1998) and Thompson (2000).

- v. Evaluating the equity and fairness of government services;
- vi. Devolving to subnational governments and to private and nonprofit sectors, the responsibility for the execution of national policy.

The State in the 21st Century would tend to change from direct provider / producer to regulator / contract manager and provider of a last resort. However, according to Kettl (1998) "Coping with this role in a world where policy is at once more globalized and decentralized will require conceptual boldness in charting the new reality and the steps required to tackle it".

Finally, it is important to remind that the necessary conditions for a country, state or municipality to attract foreign investments and to promote economic and social development, are directly related to the quality of available infrastructure and essential public services. Nowadays, the nations that show inappropriate or insufficient results in these areas seem condemned performing a periphery role in the new world economic order.

A brief diagnosis of the Brazilian situation reveals that the infrastructure (energy power, telecommunications, transportation etc) is lacking and becoming obsolete. Public services, especially in the health and education sectors, are insufficient and often have low quality. Some economists call this situation "*Brazil Cost*" that means structural inefficiencies which pressure production costs up.<sup>11</sup>

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<sup>11</sup> In this context, the expression "Brazil cost" is being more and more used in economic circles. Without concrete measuring parameters or a precise definition, it is intended to include all items which determine the cost of the Brazilian production. However, no business association or public agency has assessed the costs and financial impact on the economy of those items, which negatively affect the competitiveness of the production. According to an article published in an issue of "Jornal do Brasil", last January, economists see the "Brazil cost" as all exclusively domestic expenses which end up by making Brazilian products and services more expensive and therefore less competitive in relation to similar items manufactured abroad.

## **2. The Brazilian Administrative Reform: The Constitutional Amendment Number 19/98 and Its Basic Guidelines**

The Constitutional Amendment Number 19, promulgated on June 4, 1998, introduced important innovations in the constitutional text, modifying the regime and providing principles and regulations for Public Administration, for public employees and political agents, to control expenses and public finances. Although many of these provisions may not be immediately applicable - as they depend on regulation - their implementation shall have a strong impact on state organization and management in the near future, notably in the following areas:

In the management of Human, Budgetary and Financial Resources:

- i. Suppression of the obligation to adopt a single legal regime for employees in the direct administration, government agencies (indirect administration), and public foundations;
- ii. Strengthening the restrictions with expenditures on personnel in cases of non-compliance with the limits established by the former Law 82/95 (Law Camata) and by the recent Supplementary Law 101/2000 (Brazilian Fiscal Responsibility Law), which implies a reduction in expenses with transitory government positions <sup>12</sup>, dismissal of stable <sup>13</sup> and non-stable <sup>14</sup> public employees, elimination of positions <sup>15</sup> and suspension of funds transfers from federal to state and municipal administration; <sup>16</sup>

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<sup>12</sup> In cases of non-compliance with the limits of expenditures with personnel established by Complementary Law, the Federal government, the States and Municipalities shall reduce by 20%, at least, the expenditures with advisory government positions.

<sup>13</sup> In addition to a reduction in expenses with advisory government positions, public employees admitted other than through a publicly competitive selection process who did not become stable by force of the Constitution of 1988, they shall be dismissed.

<sup>14</sup> Public employees with stability may be dismissed if the adjustment measures described in the two previous notes have run out. In this case, a public employee with stability who loses his/her position shall be entitled to a compensation of one month salary per each year of service.

<sup>15</sup> Positions considered redundant due to the compliance with the limits of expenditure set under the Complementary Law shall be eliminated, and they may not be recreated with same or similar attributions for the period of four years.

<sup>16</sup> Federal and state transfers of funds to the States, the Federal District and Municipalities will be suspended if they did not have promote an appropriate adjustment of expenditures related with personnel, after the deadline established in a complementary law is expired.

- iii. Prohibition of voluntary transfer of resources or concession of loans to States, Federal District, and Municipalities for payment of expenditures with personnel;
- iv. Establishing new limits, criteria, and procedures to fix remuneration of public employees, involving, for example: the requirement of a law for its definition or change; establishing a ceiling for the Federal, State and Municipal Government; remuneration perceived as subsidy for specific categories; setting remuneration and subsidies to the new ceiling, prohibiting "cascade-type" advantages, and a remuneration policy for public employees is a requirement;
- v. Requirement of three years and performance evaluation in order to acquire stability;
- vi. Installation of a periodic performance evaluation process of the public employees who may be dismissed as result of inadequate performance;
- vii. Definition of criteria and of special guarantees to employees whose activities is regarded as exclusive to the State in such a way as to preserve them from dismissal in the cases of excess expenditure and of inadequate performance;
- viii. Change the calculation criteria for the remuneration of redundant public employees which should be proportional to time of service;
- ix. Obligation to fulfill transitory (on-commissioned) functions exclusively with public employees who hold a permanent position, fulfillment of a minimum percentage of transitory positions with career public employees and the exclusive assignment of these positions and functions to the attributions of director, head of office, and advisor;
- x. Possibility of hiring foreigners in Public Administration as long as it is explicitly stated in the law;
- xi. Possibility of instituting additional or prizes as a bonus for current expenditures savings in each agency or office while a provision to apply these savings as resources in training programs or improved conditions of work in public services is also foreseen;

- xii. Provision of law related to requirements and restrictions to holders of public position which may provide access to privileged information;
- xiii. Possibility of increasing management, budgetary and financial autonomy of the agencies and offices of direct and indirect administration which have signed contracts with the public branch in the establishment of performance goals;
- xiv. Provision of new legal instruments for expansion of management autonomy in offices of the indirect administration, involving the statutes of the state owned and controlled enterprises, regulation of procurement and contracting procedures, distinct from that which rules direct administration, government agency, and public foundation;
- xv. Exclusion of the constitutional ceiling regarding salary scales in state owned and controlled enterprises that use their own resources for payment of personnel and current expenditures;
- xvi. Exclusion, in cases of dismissal of an employee from a state company for the exercise of an elective mandate, of the provisions which allow option for remuneration of position or job and counting of time of service to obtain benefits.

In the Organizational Structure of the State:

- i. Requirement for the creation of a Council for Policies on Administration and Remuneration of Personnel;
- ii. Required maintenance of government schools to train and improve public employees qualifications while being permissible to this end the signing of letters of understanding or contracts between federate offices, and it being established that participation in these courses is considered a requisite for career promotions of public employees.

In Decentralizing of Public Services Rendering:

- i. Possibility of associated management of public services among federate offices, involving transfer of public employees and public assets, as well as the creation of consortia to render public services.

In Publishing Official Acts:

- i. The obligation of periodic publishing of a salary scale with amounts of remuneration and subsidies in public positions and jobs.

In Users participation in Public Administration:

- i. Prevision of law for user participation in Public Administration involving: access to administrative records and information, representation against abuse or negligence of public employees and to file complaints related to the quality of services provided.

### **General Considerations**

The Constitutional Amendment Number 19, in reporting the principles and guidelines to a new kind of public administration, made as one of its main issues the creation of a new profile of the public civil servant, linking its functional evolution, its development in the public service or its dismissing from them, to its level of commitment with the quality, the productivity and the results of its job.

This means that the public civil servants, moreover, must be the agents of their own professional success. On the other hand, it is imperative that the elected officials and public managers start to implement a performance management model, setting targets that make it possible to coordinate the agency performance measurement with the appraisals for civil servants.

However, it is necessary to change the organizational culture of the public sector. The effective way to achieve this change is through implementing a policy for

intensive training of human resources, operationalized via programs for development and professional qualifications; empowerment of front line workers and organizational leadership, in a decentralized form, in all agencies of public administration.

In short, the main goal of the Brazilian's administrative reform, translated in the Constitutional Amendment Number 19, is to replace the bureaucratic model, by introducing guidelines, methodology and techniques of managerial form, emphasizing the search for productivity, quality, results, accountability and the responsibility and responsiveness of civil servants.

### **3. Initial Reforms in São Paulo State Government: Focusing on Fiscal Adjustments**

The economic and financial situation in São Paulo State Government, inherited in the early 1995 by the Covas' administration was tragic. The average delay in the payment of contractors and suppliers' bills was more than six months. More than 2,300 public works were paralyzed, with payments overdue. The public debt was growing explosively due to the high interest rates contracted and not paid.

Nowadays, maintaining those financing conditions, the government would be compelled to spend, around R\$ 1.8 billion per month, on interests' payments alone. This situation would make government management capacity unfeasible. Moreover, between 1987 and 1994, the budget deficit became chronic. It reached its highest level in 1993, when it represented more than a quarter (25,6%) of the government annual revenue. The total debt inherited by the current administration was more than R\$ 44.5 billion.<sup>17</sup>

Since the beginning, the Covas' administration has implemented a broad fiscal adjustment program – which has no precedent at the State – avoiding, in this way, administrative chaos and public services shock.

Starting from a 21.7% budget deficit in 1994, the government could close the first year (1995), with just 3% of budget deficit, and in the subsequent years, including 1998, with no deficit. This result was achieved without raising the tax burden and without turning to new credit operations. In the same way, state-owned and controlled enterprises that had accumulated losses were financially restructured. Nowadays, most of these enterprises present profit and they invest with their own revenues.

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<sup>17</sup> To figure out the amount of this debt, remember that the Vale do Rio Doce Company, the main privatized Brazilian state owned enterprise, was sold for an amount ten times less.

An important role in the financial restructuring of the public account has been played by privatization and concession policy. The São Paulo Government developed the greatest privatization program in Brazilian history and redesigned the State's functions. Through partnerships and privatization of companies and services, it has opened new prospects of extension and development of the infrastructure sector and has generated additional resources to invest in areas such as Education, Healthcare, Safety and Housing.

The creation of the State Privatization Program (PED) by State Law nº 9.361 of July 5, 1996 was the first step towards an improved role for the state. It is now performing more energetically its role of governor rather than public services provider. From then on, the state started to delegate activities to the private enterprise, since it may run and provide services with much more easiness and efficiency. It is important to mention that this program has had a huge impact on the modernization and development of the Brazilian economy as a whole.

Under strict inspection rules, the PED ensures the foundation for the state's development and investments to improve the population's standard of living. Since the creation of the PED, six companies of the electric energy sector,<sup>18</sup> one gas line, four hotels, one bathing resort and two grocery stores at the Ceagesp marketplace have been privatized.

In addition, twelve highway concession contracts have been signed. One contract in the area of metropolitan transports, and another related to the electric energy sector and another in the sanitation area. The concession program will allow for the creation of 50,000 new jobs.

Two hotels, five bathing resorts and 15 units of Ceagesp have been transferred to the City Hall. Likewise, the Northeast area of gas distribution (Comgas), a

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<sup>18</sup> Electric energy distribution companies (Companhia Paulista de Força e Luz - CPFL, Elektro); electric energy companies (Bandeirantes and Metropolitana); electric energy generation companies (Cesp Paranapanema and Cesp Tietê).

treatment station and between 15% and 20% of Sabesp's (Water and Sewerage Company of São Paulo) shares belonging to the State were sold. These operations provided a revenue of R\$ 17,704,344.000, from which R\$ 14,597,353.000 is a result from the sale of electric energy companies. Out of this total, 93.5% has been paid in cash and the remaining 20% in bonds issued by CPA - São Paulo Company of Assets Management.

According to the rollover agreement of São Paulo's debt, other assets such as the State Bank of São Paulo (Banespa) and the São Paulo Railroad (Fepasa) and Ceagesp have been transferred to the federal government. The operational area of Fepasa was transferred for \$2.65 billion, and it will be privatized later on. The Ceagesp has been transferred for R\$250 million and the São Paulo State Government sold 66% of its Banespa's shares, to the federal government, in November 1999, for R\$ 1,9 billion. <sup>19</sup>

Regarding the privatization and concession initiatives, it must be remembered that the Public Electric Energy Services Committee (CSPE), created by Supplementary Law n. 833/97, under the Electric Energy Department, is in charge of regulating, controlling and inspecting the quality of services, prices and rates of the companies that were privatized in this area. <sup>20</sup> In the highway sector, community committees follow the operation of concession holders.

Another important PED's initiative has been the de-immobilization of the government's real estate assets. The Management System for Government's Real Estate was created by Decree nº 39.980/95, modified by Decree nº 42.079/97. Through Real Estate Patrimony Counseling and all of the government agencies, a strategic area management system controls São Paulo's real estate, based on systematized information on-line. One of this policy's main goals is to contribute to

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<sup>19</sup> In November 20<sup>th</sup> 2000, The Banespa was finally privatized and sold to Banco Santander for R\$ 7.0 Billion.

<sup>20</sup> All the supervision and regulation of electric energy in the country is done by the National Agency of Electric Energy - ANEEL. To have the supervision authority over the privatized electric energy enterprises, the CSPE signed in April 14, 1998, an agreement with ANEEL .

the de-immobilization and reduction of the asset's burden, in order to make significant savings for the state treasury possible. This would produce additional revenues that could help to reduce the state public debt. (Cunha Filho, 1997)

Through the alienation, concession and permission of the available, sub-used, neglected, invaded or anti-economic real estates, the government reduces its role in managing those assets. This allows the government to concentrate on tasks that ensure the public welfare and increases the efficiency of the public services provided. Moreover, it allows for the private sector to take back investments on the transferred real estates.

Besides the privatization, concessions and sales of the state's assets, the government has established public-private partnerships in the social sector and changed the legal nature of some agencies by transforming them into a type of organization with greater autonomy. The State Government issued the Supplementary Law nº 846/98 that regulates the implementation of this model of *Social Organization*.<sup>21</sup>

This Law intend to render feasible significant gain in agility in management of human, financial, and material resources, as well as the quality of rendered services.<sup>22</sup> In the health sector, for example, there are already some hospitals that have been managed under this system. The Law n. 846/98 also allows agencies of the cultural sector such as the State Symphony Orchestra, the State Archive, the

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<sup>21</sup> Social Organizations (OS) are a model of public non-state organization, developed and instituted within the scope of the administrative reform of the Federal Government. This is a model in partnership between the State and the society in which the State furthers its activities, exerting strategic control over them, demanding the services necessary to attain specific objectives. The performance contract is the instrument that regulates the relationship of these organizations with the State. Social organizations enjoy much greater administrative autonomy than that possible within the State apparatus. From the point of view of management of resources, the Social Organizations are not subject to the norms that regulate the management of human, budget, and finance resources, procurement, and contracts in public administration. In that which refers to organizational administration in general, the obvious advantage of this model resides in establishing the mechanisms of target control, instead of those that are merely processing, as in the case of public administration. Brazil (1995).

<sup>22</sup> In spite of that, some authors as well as Behn (1999) advises to the complications in using performance contracting for social services.

Padre Anchieta Foundation (public educative television), the State Music Academy and the state museums to be transformed into social organizations.

There has also been a substantial reduction in the number of civil servants, motivated by the commitment of the state government with the Law that limits personnel expenditures to 60% of net current revenues.<sup>23</sup> So, in the last four years, due to downsizing, the mutual separation program<sup>24</sup>, the elimination of government positions and policy of not replacing of retired personnel, the state civilian work force shrank by 198,000 people (22.7%), from January 1995 to December 1998, and amounts, nowadays, to 674,009 public employees. In this way, the personnel expenditures were reduced from 80% of net current revenues, in the early 1995, to 63% of net current revenues at the end of 1999.

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<sup>23</sup> The Brazilian Fiscal Responsibility Law (Supplementary Law 101/2000) establishes public finance rules enforcing responsibility in fiscal management, under Title IV, Chapter II of the Brazilian Constitution.

<sup>24</sup> The Mutual Separation Program (PDV), has adhesion of more than 30.000 civil servants, between 1995 and 1996.

#### **4. The New challenges for the São Paulo State Government Reforms: Focus in Quality**

Considering the characteristics of the present context,<sup>25</sup> it must be acknowledged that the Government of the State of São Paulo has faced one of the most blatant problems in the State, characterized by the fiscal crisis. The Covas' Administration has negotiated a Program for Restructuring and Fiscal Adjustment on the Long Term with the Federal Government.<sup>26</sup> In the scope of this Program, the rollover agreement of São Paulo's debt was compatible with the possibilities of the State and with its own government strategy.<sup>27</sup> Moreover, as it was shown in the section 3, the State Government had the capacity to formulate and to implement a set of measures directed towards reaching the objectives and goals of this Program, with emphasis on those directed to the fulfillment of the provisions established by former Supplementary Law n. 82/95, and more recently, by Supplementary Law 101/2000 (Brazilian Law of Fiscal Responsibility).

This moment of adjustment, however, must be regarded as the start of a broader process. According to some authors, in the majority of cases, this process of reduction in size and in the range of State interventions, as well as fixing new functional frontiers with society, is the first stage of the reform. This stage, which

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<sup>25</sup> The author refer here to the present Brazilian context - in which the State of São Paulo is inserted - marked by a profound fiscal crisis by the drain on state strategy of intervention of the State and by an outdated mode of administering the State, characterized by rigidity of the procedures and by an excess of norms and regulations. Within this context, strong pressures emerge over the State demanding policies that are directed towards furthering a lasting fiscal adjustment, economic reforms directed at the market, reform of social security, of innovations in the instruments for social policy and of a reform in the State apparatus with a view to augment its capacity for implementing public policies. These trends are directly related to the foreign opening and economic liberalization.

<sup>26</sup> Actually, The Long Term Program of Restructuring and Fiscal Adjustment of the State of São Paulo is part of the Restructuring and Fiscal Adjustments Support Program of the States approved by National Monetary Council in 1995.

<sup>27</sup> This agreement (Refinancing Contract) was signed in may, 1997 according to the Federal Law 9,496/97. The debts the state owes to the federal government have been negotiated with very favorable conditions, limiting payments to 13% of the current net income and with a considerable instalment of R\$ 46.8 billion to be paid within 30 years, with interest rates of 6% per year.

according to Oszlak (1998) might be described as "surgical", in that it was brief and radical, is relatively simple, as to implementation and to relative success.

As a fiscal crisis makes up only one of the dimensions of the present crisis of the State, the great challenge for the Government is to surpass this first phase of structural adjustment and move into a second phase, of "post-operative rehabilitation", directed towards the reconstruction of the State itself.<sup>28</sup>

This challenge implies the need to redirect the present guidelines of State reform, that shall evolve from an essentially economic view, to an approach of capacity building. It is a matter of establishing a new basis for the organization of a more technological and culturally advanced State, which is able to formulate and implement programs of real economic and social impact. Conducting a process of administrative reform must occur within this context or be it, within a broad and integrated view of state Public Administration. Within the context of the restructuring of the State, there is a tendency to alter the role and functions of the Executive Branch in areas which concern inter and intra government relations with society.

So in this sense, the Covas' Administration faces a new set of challenges. The first one is to fight and overcome the consequences caused by the Brazilian current economic troubles. This adverse economic context, led to an agreement with the International Monetary Fund (IMF), in the beginning of 1999, and the commitment to continue implementing a rigid fiscal adjustment in the country, with undeniable

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<sup>28</sup> Although in the last decade, the ideology of the Washington Consensus may have prevailed as a reference for State reforms, the present trend - including international financing bureaus such as the World Bank - is to advance beyond this consensus, which means to recover and strengthen the capacity of the State to act on behalf of economic and social development. So that the markets will function, it is necessary that there be financial regulation, pro-competition policies, policies for transfer technology, and transparency of information. In addition to the emphasis on these instruments, the goals for development were themselves expanded to include other objectives such as employment, public health, education and environment. Hence the importance of developing strategies with a view to concomitantly reaches these objectives (The World Bank, 1997). As we enter the 21th Century there is a Growing New ("Santiago") Consensus crystalized at the Summit of the Americas, Santiago/Chile, April 1998.

repercussions on the São Paulo State Government.<sup>29</sup> An example of this impact is translated in the mandatory determinations of the recent Supplementary Law n. 101, issued in may, 4<sup>th</sup> 2000 (Law of Fiscal Responsiveness), that establishes public finance rules enforcing responsibility in fiscal management, and other provisions.

In this deeply restrictive context, the State Government must face the challenge of rethinking the administrative, fiscal and finance reform as a tool for the consolidation of the democracy. This means, it should revise the role and the functioning of the public institutions as ruling systems that can modify the behavior of the economic, political and social agents, in a way that enables them to present results for the new issues that may appear. That implies, as well, the need for better articulation with the new actors that act and interfere in the matters that are public management affairs.

The practice of public management at this second phase of the reform should benefit discernment of strategic themes, the capacity for decision building, building and broadening networks of internal and external contacts, and handling information. In other words, to manage the public sector, in this new focus, means at the same time, to administer values by identifying the demands of society - assuming a strategic position in face of economic and social problems, and to manage public policies, a counterpart to the mere notion of resource administration.

Within this perspective, the efficiency, efficacy, and effectiveness of sectorial agencies and entities depend largely on the quality of government management. In addition, the very performance of the private sector broadly reflects the government's capacity for strategic planning, articulation, negotiation, inducing, and furthering regarding public policy.

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<sup>29</sup> Even in a not favorable world economic panorama, São Paulo remain showing economic vigour. With US\$ 245 billion of GDP, the State is responsible for 36% of the Brazilian GDP (US\$ 718 billion) and for half of the whole Brazilian Industrial Production. ([www.saopaulo.sp.gov.br](http://www.saopaulo.sp.gov.br))

In the field of administrative reform, the State Government must develop an institutional capacity for understanding and giving answers to the current changes, which means to improve the quality of public management. So, it is very important that the Government adopts appropriate and flexible organizational structures, tools and managerial / entrepreneurial practices.

### **Human Resources Management**

Human resources management takes on a strategic role in this context, to allow the government to perform its new functions.

The fiscal adjustment policy, allied with the introduction of a new profile of public administration in the State of São Paulo provided an opportunity to start a process of “personnel adjustment” in the government apparatus. Considering the need to adapt the public administration to the new role of the State, and the substitution of the bureaucratic model for the managerial model,<sup>30</sup> it becomes necessary to develop a new profile of civil servants, to give employees more freedom to do their jobs, to strength the specialized staff (graduated and post-graduated employees), to find organizational leaderships and to reduce the operational staff by outsourcing appropriate activities.

In this way, it refers to the creation of a new professional category in the government, prepared to manage the contemporary public policy.<sup>31</sup> According to this perspective, the State Government should invest more in the Public Executive Career (created by the Supplementary Law nº 712/93), and opening periodic

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<sup>30</sup> Peters (1996) identifies four significant changes in the landscape of public management: increased policy role for civil servants; the decline of hierarchical and rule-based management; the changing nature of government from traditional bureaucracies to multilevel networks comprised of federal, state, local nonprofit and for profit organizations and the recent thickening of the layer of government .

<sup>31</sup> It is important, here, to emphasize the need to institute careers on a technical and management level for professionals able to formulate, implementing, follow up and evaluate public policies - as also to develop activities in planning and budget - in the various State agencies.

competitions for government professionals, as also for other jobs required to formulate, implement and evaluate activities of public policy established by the government.<sup>32</sup>

The change in the civil servants role, from a direct service deliverer to an indirect service broker has been demanding education and training, especially for upper and middle public managers.<sup>33</sup> However, public affairs education needs to broaden its perspective to the emerging tools of government action and to the transforming environment in which managers use them. (Ketll, 2000)

To induce changes in the culture and in the behavior of the public sector and to create new incentives compatible with the substitution of the bureaucratic model by the entrepreneurship paradigm – according to the guidelines of the Federal Government's Reform – the personnel remuneration system of the civil servants has been restructured through the adoption of new methods and techniques, that aim to stimulate quality and productivity in public service provision, as established by the Constitutional Amendment n.º 19/98, that determines the creation of a Permanent Program of Performance Appraisal.

So for that, the São Paulo State Government has already adopted a remuneration system that aims, mainly, to reward productivity, based on targets and results for the agency (or sector), for the division and for the civil servant.

The State Secretariat of Finance, in 1996, implemented a system that aims at the concession of Quality Incentive Reward (PIQ), covering, initially, around 5,000 civil servants. The PIQ is given based on the results of the appraisal of civil servants performance and has as its main goal to help the management of the divisions improve services rendered to internal and external customers of the Secretariat.

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<sup>32</sup> This career to be alike, in its conception, to the Expert in Public Policy and Government Management (Edital MARE n.º 11, de 16/10/98) of the Federal Government.

<sup>33</sup> In this way, it can be mention the especific courses to graduate public executives ofered by the School of Government and Public Management (Egap/Fundap) and by the School of Public Finance (Fazesp/Secretariat of Finance).

The Secretariat of Finance noticed that the results of the first process of appraisal were over estimated and with an unbalanced distribution, due to the fact that many supervisors tend to be benevolent in evaluating their employees. It is then, necessary to proceed in a statistical adjustment of grades, in order to not demotivate those that evaluate correctly. The appraisal process has to be modified in its concept, aiming to eliminate distortions.

Some authors are skeptical regarding the use of performance measurement in the human resources management. In the scope of a study about this issue in the U.S. Federal Government, Newcomer (1998/2000) observed that: “there are virtually no successful models, and research on incentives for performance among public managers offers little guidance on effective means for linking program performance with personnel rewards systems.”

## **5. The Implementation of the Main Programs to Achieve Quality in Public Service Provision at São Paulo State Government**

### **5.1. The Permanent Program of Quality and Productivity in Public Service**

On December 12<sup>th</sup>, 1995, by Decree n<sup>o</sup> 40.536, the Permanent Program of Quality and Productivity (PPQP) was created, at São Paulo State Government, aiming to ensure for the citizens an effective service for their needs, by the continuous and permanent improvements of the services provided, with reductions in the costs and gains in the productivity.

In this way, the program's actions aim essentially, to achieve the following objectives:

- i. To improve the quality of the public service provision;
- ii. To develop and to value the people that work in the several agencies;
- iii. To obtain the commitment and the involvement of the civil servants from all the positions and functions;
- iv. To finish with the wastes and mistakes;
- v. To improve technology and incorporate it into the services.

It is important to emphasize that this program does not intend to present a "closed" model or methodology. Each agency can choose between different approaches and managerial tools, such as Total Quality Management (TQM), ISO 9000 or the Brazilian Quality National Award <sup>34</sup>, since they follow the basic principles and guidelines from Decree n. 40.536/95.

The introduction of PPQP has produced significant changes in the citizens life: At the Public Attorney Office, the long waiting line that was there everyday, ended. At the Commercial Board of The State of São Paulo (Jucesp) the firms used to take 90 day long to get the business inscription number, nowadays they takes 48 hours.

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<sup>34</sup> It is similar to the U.S. President's Award for Quality and Malcom Baldrige Award.

At the Water and Sewerage Company of São Paulo (Sabesp) the time required to connect a new residential water service decreased from 180 days to 10 days and the time required to connect a new residential sewage line, decreased from 137 to 12 days. At the Gas Company of São Paulo (Comgas), it had taken 80 days to connect new residential gas services; nowadays it takes just 1 day.

Moreover, many government agencies like the Hospital das Clínicas (HC), the Institute of Food Technology (Ital), The Foundation of Popular Medicine (Furp), The Energy Company of São Paulo (Cesp) – before the privatization – and the Water and Sewerage Company of São Paulo (Sabesp) obtained the ISO 9000 certificate.

Over the last few years, the government has automated its offices. Nowadays, the citizen has more access to information, both by telephone or the Internet.<sup>35</sup> From school enrolments to on-line vehicle licenses up to medical appointments at the Cardiac Institute (Incor) and at the Central Institute of Hospital das Clínicas.

In order to intensify the relationship between the government and society, the government has created the Integrated Communication System, which broadcasts public document information, in addition to extending the services of the Diário Oficial, on the Internet home page. ([www.imprensaoficial.com.br](http://www.imprensaoficial.com.br))

However, is important to emphasize two important issues at this point. The first one is that the PPQP has shown that gains in quality and productivity have been made, mostly, at the indirect administration of the executive branch (public foundations and public companies) and especially at the state owned enterprises that were privatized later on. There are few cases of success in the state secretariats (direct

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<sup>35</sup> Nowadays, it's possible to access 52 public services on-line. Among them, it can be highlighted, for instance, the Eletronic Fiscal Homepage at [www.fazenda.sp.gov.br](http://www.fazenda.sp.gov.br). To support these initiatives the Government is launching a new project called e-government, that is similar to international experiences such as: *Access America*, (United States), *Open Government* (the United Kingdom), *A Vision for the New Zealanders* (New Zealand), *Un Canada Branché* (Canada) and *Société D'informacion Pour Tous* (France).

administration). This lack of success can be explained by the lack of autonomy and flexibility of those agencies to implement entrepreneurial initiatives.

The second issue refers to the “customer service” critique. Some scholars advocate that improved service can be more costly than traditional bureaucratic approaches, and it is not always as cost –efficient as simply ignoring customer satisfaction, at least in the short run. (Kelly, 1998) Others argue that paying too much attention to the customer in the public sector can reduce accountability to the elected officials (Kettl, 1993). Both of these issues must be considered in order to rethink the continuity and the incentives of this program.

## **5.2. The Time Saver Program (Poupatempo)**

The Time Saver Program (Poupatempo) is a sort of assistance center for rendering public services to the population which gathers in just one place representatives of agencies and offices of the Federal, State, Municipal administrations, of the Judiciary branch and of the energy power companies that were privatized,<sup>36</sup> offering over 250 services.

It has been created, according to the Supplementary Law No. 847/98 to extend the access of public services to people, with quality and efficiency, aiming to improve relationships between the public employee and the population, promoting people’s participation and reducing state’s red tape.

The first station (Pupatempo – Sé) was inaugurated in October 1997 in downtown São Paulo. In 6,000 m<sup>2</sup> of area, it concentrates 26 different agencies, attending to more than 11,000 people per day. Nowadays, there are five units, three in the capital and two in the countryside. In the next two years, 17 stations will be installed.

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<sup>36</sup> Example: The Internal Revenue Service, the Brazilian Postal Service, the Sao Paulo Gas Company, The Sao Paulo Energy Company , the Telefonica company, the Sao Paulo Police

All stations work 12 hours without a break, from Monday to Friday, and 6 hours on Saturdays. They also have a call center - Toll Free (0800) – that works from Monday to Saturday, from 6am to 10pm.

Until April 2000, the five stations (Sé, Alfredo Issa, Santo Amaro, Campinas e São José dos Campos) accounted for 16 million citizens directly attended and 2 million by telephone.

Looking for a Time Saver Station, the person can obtain, quickly and easily: identification card (ID) and driver's license, to pay bills, requests for water, gas and light connections and make requests and complains.

The Time Saver implementation provides, directly and indirectly, gains of efficiency and operational quality, translated in social and economic benefits such as to the citizens and as to the government.

The population's gains can be measure in saving time and money, such as the recognition of citizenship: saving time in lines and waiting for documents; saving money in transportation and intermediates payments. To those gains may be added the recovery of their citizenship, through the quality and efficiency of the service rendered, from the relationship with employees especially trained, from comfortable and cozy environment and, finally, by the participation in the system of evaluating the services provided.

Results of the Time Saver user satisfaction survey, in 1999, revealed that almost 97.5% of the interviewed evaluated the services provided by the Time Saver as excellent or good.

Among the government gains, greater efficiency of the services provided and the reduction of the costs, resulting from the increase in productivity are notable. Beside the scale gains, by concentrating the services in one place, it is possible to optimize the use of equipment and sharing the common costs among the agencies. But surely the State's greatest gains consist in the recovery of the legitimacy of the public agencies to the society.

Moreover, there is another contribution of this program: as the Time Saver has a high performance front-line, it has demanded and provoked improvements in the productive process of services generation that are provided out of that place (at the back offices from the agencies that are represented there), especially in order to carry out the commitment within the delivery service period.

However, the challenge for this Program resides in finding more qualified and motivated workers. To maintain the workforce in the current stations, the program has made an internal recruitment of civil servants, and the salaries paid at Time Saver are higher than the respective agencies' salaries, but there are not many available officials, with an appropriate profile, to fill the future stations and even to replace current staff.

### **5.3. The Law of Defense of Public Service's User**

As established by the Constitutional Amendment n. 19, on April, 20th 1999, the State Law nº 10.294 that was passed discusses the protection and defense of the public services users in the State of São Paulo. According to this Law, any user has the right to information, the right to quality and the right to supervise the public service provision.

The Law nº 10.294 also created The State System of Public Services User Defense (SEDUSP) in which is included the Ombudsmanship and Ethics

Committees. The Decree nº 44.074/99 rules the functioning of the Ombudsmanship and the Decree nº 45.040/2000 rules the Ethics Committees.

The SEDUSP has an objective, to create and to ensure:

- i. A direct channel of communication among the services providers and users, aiming to assess the level of users' satisfaction and to stimulate the presentation of suggestions;
- ii. A whole information program, allowing users to follow and to supervise the public services.

According to this Law, the Ombudsmanship is responsible for the assessment of the suggestions and complaints, setting in motion to the responsible authority, including the Ethic Committee, aiming to:

- i. Improve the public services;
- ii. Correct mistakes, omissions or abuses in rendering public services;
- iii. Investigate illicit administrative acts;
- iv. Protect user's rights;
- v. Ensure the quality of services rendered; and
- vi. Halt ineffective, unauthorized, illegal or unconstitutional practices.

The Ombudsmanship must present a biannual report and submit it to his supervisor who will present it to the Governor, followed by suggestions to improve the public services.

This government's initiative is very important because it shows the Executive Branch's concern in bringing the State near to the citizen, opening the opportunity to participate in the measurement of government performance and defining new criteria for a democratic public administration.

Nevertheless there is an issue that has been discussed in this case: it refers to the relative autonomy of the ombudsman. As they are civil servants, appointed to this

position, the performance of their task could fail, because it requires complete freedom in relation with the elected officials.

Differently from the ombudsmanship created by the Law nº 10.294, the Police's Ombudsman, created in 1996, doesn't have link with the Police Department. It is autonomous and its structure is broadly democratic. According the Law that it created, the Police's Ombudsman will be always nominated by the community for a two-year term. The State's Governor chooses this Ombudsman, from a list with three names, prepared by the State Council of Human Rights. Maybe this case should be a model to rethink the other ombudsmanship created by the Law of Defense of Public Service's User.

## 6. Final Considerations

The several initiatives in course at São Paulo State Government, that were presented on sections 3 and 5, follow in general lines, the principles of the federal government reform. These principles support on the transformation process made by the majority of industrialized countries as an answer to globalization pressures, as well as to demands for better quality in public service provision and demands for reduced public expenditures.

It's interesting to note that those initiatives emphasize two fields of institutional innovation: the first one, directed toward the reform of the economic institutions, involving the public and private sectors, searching for economic competition. And the second one, directed toward strengthening of the governance as a way to introduce political values, such as austerity, transparency, ethics and social responsibility in the governmental rationale, adding the objectives of efficiency and effectiveness in public management, for example.

According to many authors <sup>37</sup>, a third field of institutional innovation begins to constitute a tendency in Latin American societies, aiming to combat the *clientelism* and to establish a better relation among institutionalization and democracy. This field is associated with the changing of systems of intermediation and representation, involving organizational and institutional designs that join different ways of political representation and intermediation at government agencies. (Cunill Grau, 1997 and Loomis and Cigler, 1998)

These three fields of institutional innovation, however, cannot be considered dissociated. On the contrary, they must be treated as three faces of a more comprehensive process of reinventing government. According to Calderón (1998), the insertion in the world markets – the main target of the current economic adjustment - is governed by systematic competition, due to reorganization, not only

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<sup>37</sup> See, Calderón (1998) e Cunill Grau (1997)

of national economies, but the whole society. The systematic competition demands an “update” of the State in order to be one of the fundamental institutions of coordination of the various social processes.

On the other hand, the imperative of systematic competition, leads to the importance of social integration. This explains the essential role of the State as an agent responsible for ensuring social harmony. So for that, the Government must neutralize the negative market trends. As these changes demand more cooperation from citizens, they start to request more participation. Thus, one of the crucial aspects of current debate on State’s reforms consists in moving forward to incorporate the citizenship as the foundation of the democratic governance, in order to surpass the political backwardness regarding the current dynamic process of society changes.

Notwithstanding, the São Paulo State Government’s initiatives challenge traditional bureaucratic forms and, in spite of having the private sector and the market approaches, the international and domestic experiences of have shown that the government has an important role to play in the new economic order. In this way we can admit that even going radically against of the guidelines of centralization and obedience of norms and rules, the process of State modernization should preserve the role of bureaucracy and public management.

However, the public administration must follow new principles of functioning in which quality in public service delivery such as costs and efficiency concerning become a fundamental guideline of the best managerial practices in government agencies. In this way, it is important to consider the challenge of adopting a new approach for administrative reform, just as it was pointed out on section 4.

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