

# THE STRUCTURAL PUBLIC GOVERNANCE MODEL

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## ABSTRACT

*To grow, nation states need a capable and efficient state organization. Independently of choosing a market or state led growth strategy, an effective or capable state is essential to guarantee the rule of law and to act as main instrument of a national growth strategy. On the other hand, in the global economy, the provision of the social and scientific services required by modern societies at low cost is key in assuring the country's international competitiveness. What type of public administration reform achieves these goals? Is public management reform instrumental to it, or should developing countries first complete classical civil service reform, and only after that engage in a more ambitious reform? This article opts for the first alternative, arguing that the best way to advance civil service reform is to move ahead. Second, it presents the 'structural public governance model' of public management reform that was originally conceived in the 1990s in and for Brazil based on the British experience. It is a managerial model because it makes public managers more autonomous and more accountable, and because it reduced the gap between the public and the private labor market; it is structural, because it involves major changes in the structure of the state, particularly the set up of autonomous executive and regulatory agencies and the contracting out of social and scientific services. The model of public management reform presented here is neutral in distributive terms as well as in terms of the size of the state organization in so far as it can be and is being adopted by center left as well as center right political coalitions. Reforms adopting basically the structural governance model here described are being actively being implemented in the developed countries since the 1980s. In the 1990s, some developing countries also engaged in public management reform. The model cannot be exported, but it can be imported by developing countries provided that they keep the ownership of it, i.e., that they put the reform high the national agenda, and that they adapt it to the local conditions, giving special attention to the formation of a small but competent and well paid senior civil service that will share with politicians the major roles in the strategic core of the state.*

## INTRODUCTION

Economic development is possible only when a nation-state can count on an effective state. Private entrepreneurs will provide most of the investment, but a capable state will be crucial in creating the institutional and economic conditions for capital accumulation and growth. Today it is common knowledge that institutions are central to promoting economic development. The state itself is the central institution in modern societies; it is an organization that gives rise to normative institutions. Besides being capable of democratically constructing an adequate legal framework for the achievement of society's goals, the state or public administration must be effective and efficient in

providing the services that voters demand of it. If these assumptions are accepted, some questions arise concerning the organization and management of the state. In this article, my questions will be: What kind of organization or public administration makes for a capable state? Just a professional civil service? Or are contemporary ideas related to public management reform – specifically, to what I will call the ‘structural public governance model’ – also part of the package even for developing countries?

For this kind of question there are no simple or definite answers, but, since they are loaded with ideology, a candid discussion of them may clarify the issues. If what is needed is just a Weberian type of bureaucracy, consisting of well-selected and well-trained professionals acting without discretion in law enforcement, and a hierarchical and centralized organization with defined lines of authority, there is no need for this article. But if, besides a professional civil service, modern states require senior civil servants to have more discretion and to be more accountable for their decisions, and the organization of the state to be more decentralized and involve all sort of partnerships, we have a problem that is worthy of an article.

Center-left academics tend to believe that public management reform is intrinsically neo-liberal and hostile to the social state, probably because this type of reform began in the United Kingdom in the mid-1980s when a conservative government was in power, and also because some of its first proponents were conservative in political terms. Is this true? Or, as I will argue, is public management, on the contrary, a neutral instrument which can be used by a conservative administration that wants to dismantle the social state but also by a progressive administration that is concerned with a more equal distribution of income in society? Again, since this reform was originally adopted by developed countries, is it inapplicable to developing countries? Should they faithfully observe the sequencing rule – first complete civil service reform and only then tackle public management reform? I will argue here that the sequencing rule is misguided, and that there is no reason why civil service reform should not be combined with public management reform. This, for instance, is the experience of Brazil, a country that since 1995 has been involved in progressive public management reform at federal, state and municipal levels.<sup>1</sup> But I will not discuss specific reforms in this article. Rather, I will present a specific model of public management reform – the structural public governance model – and, on this basis, I will discuss its possible progressive or conservative character, and its appropriateness to developing countries.

I call this model of public management reform the ‘structural public governance model’ in so far as it includes structural reform of the state organization, in addition to major changes in the process of managing personnel and achieving objectives. Public management reform is the second major administrative reform experienced by the modern capitalist state. In its first version, the modern state was absolutist, and adopted a patrimonial administration. In the second part of the nineteenth century, the more advanced capitalist countries undertook the first major administrative reform – civil service or bureaucratic reform.<sup>2</sup> This represented immense progress. Yet, after Word

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<sup>1</sup> The reform in Brazil began when the newly called Ministry of Federal Administration and Reform of the State (MARE) got approved by the Presidential Committee of the Reform of the State the *White Paper on the Reform of the State Apparatus* (MARE, 1995).

<sup>2</sup> On that reform, besides Max Weber’s classical works, see particularly Silberman (1993).

War II, the countries that were using the state as an instrument to promote economic development realized that public administration needed to be more flexible. In consequence, state investments were channeled to state-owned enterprises, and some agencies were created endowed with some degrees of autonomy. These were attempts to make the state organization more flexible and, for that reason, more effective in promoting economic development. Yet it was only in the 1980s that it became clear that such developmental attempts would only make sense if they were accompanied by a new form of managing the state organization: new public management. With this, a second major reform of the state apparatus was beginning. The first countries to recognize this necessity and embark on public management reform were the United Kingdom, Australia and New Zealand.

There are many accounts of the new public management that emerged from the reforms in these three countries, which were soon followed by others, including Brazil. The modern literature on new public management, or just public management, is substantial. In this article I will define the structural public governance model, based on the Brazilian experience of public management reform since 1995, when a social democratic administration took office, and on the British experience, which served as the principal reference for Brazil's. The structural public governance model is an historical model because it uses an historical method, drawing from the experience of countries that undertook the reform, and seeks to generalize from its main characteristics. Yet it is also a normative model because it is impossible not to be normative on questions that involve political theory and public policy – specifically the reform of the state organization.<sup>3</sup> It is a model of public management reform which should be considered by other developing countries as a tool for their economic growth. It is a structural model because, as we will see, it is not limited to management strategies but involves more than organizational changes: it implies changes in the state structure, because all kinds of public-private partnerships are involved, because the social and scientific services that society requires the state to provide are contracted out to non-state organizations. It is a governance model because it involves other actors besides the government itself in the governing process.

## **THE ORGANIZATIONAL ASPECT OF THE STRUCTURAL PUBLIC GOVERNANCE MODEL**

The structural public governance model includes an organizational aspect and a management or accountability aspect. On the one hand is the problem of how to structure or organize the state services, what the strategic core of the state should do, what to delegate to agencies, and which services to contract out; on the other hand is the question of how to manage the whole system – a matter of process rather than of structure.

The organizational aspect of the structural public governance model deals not with the role of the state but with its structure. In the nineteenth century, Marx said that the state

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<sup>3</sup> For the Brazilian reform, see Bresser-Pereira and Spink, eds. (1998), Bresser-Pereira (2004). For the reform in the OECD countries, see Pollitt and Bouckaert (2000).

was the 'executive committee of the bourgeoisie'. At that time he might well have been right, but in contemporary democracies the state is, rather, society's main instrument of collective action: it is the basic tool that national societies use to achieve their political goals. Business elites continue to have a major influence, but the middle class and even the poor have a say. Together, and despite the conflict between them, they constitute the nation, and the more developed a country or nation-state is, the more able the nation is to use the state as an instrument to achieve its political objectives (social order, liberty, well-being, justice, and protection of the environment) in a competitive global economy. In modern democracies the role of the state is ultimately decided by the voters and the politicians they elect. They will decide whether the state should secure social rights in terms of education, health care, culture, and social security, as well as how the government will support national economic development. Yet they probably will not get involved directly in the more technical discussion of how the state should be organized. Once having decided politically on the role of the state, citizens will need to give the state an efficient structure consistent with that role. The structural public governance model that I will present aims to achieve this requirement, with the advantage that it is relatively neutral in ideological terms: it will work for a social democratic state, but also for a neo-liberal one. Yet, to be efficient and general, the model does not limit itself to the state apparatus. Its structural character requires a larger horizon, encompassing the different critical activities that are performed by the state and by other social actors in a modern nation-state, and the basic types of ownership and corresponding organizations that characterize modern societies.

First, we have four distinct types of ownership and corresponding organization: (a) state ownership, (b) public non-state ownership, (c) corporatist ownership, and (d) private ownership. The distinction between public and private is not based on the type of law to which the organization is subject (public or private law), but on the organization's objectives: if the objective is profit, it is private; if it is the public interest, it is public; if it is the defense of group interests, it is corporatist. In order to distinguish state from public non-state organizations, a second criterion – in this case a legal one – is required. If the employees of a public organization are subject to civil or private law, the organization is public non-state – it is public because not-for-profit and oriented to the public interest, but not part of the state organization; if it is subject to public or administrative law, if its employees are 'statutory civil servants', we have a state organization – and such an organization is part of the state apparatus. According to this second criterion, universities like the University of California, despite being called 'state universities', are not state but public non-state organizations, because their employees are not public servants whose salaries are decided at government level and guaranteed by the state. Among public non-state organizations, it is necessary to distinguish service organizations, which provide principally education, health care and social assistance, from political advocacy or social accountability organizations, although some of them, such as Oxfam, perform both roles. The distinction between public non-state and corporatist organizations is important because the former are supposedly concerned with the public interest,<sup>4</sup> while the latter, of which trade unions

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<sup>4</sup> Many 'supposedly' public non-state organizations are, in fact, private since they effectively sponsor private interests. This is just one distortion among the many in all social systems.

and professional associations are the best examples, explicitly defend group interests which may or may not coincide with the public interest. Among public non-state organizations, the social accountability or political advocacy organizations (also called *stricto sensu* ‘non-governmental organizations’ - NGOs), together with corporatist ones, form the modernly called ‘organizations of civil society’. If we add to them the public non-state service organizations, the sum of this non-profit organizations form the ‘third sector’ (also called the ‘associative sector’ or the ‘social sector’).

Second, the organizational aspect of the structural public governance model distinguishes several basic forms of activity involving production and the exercise of power which are carried out in a modern society: (1) the specific activities of the state involving the exercise of state power and the management of state resources or of tax revenues, which require a further distinction between (1.1) the core activities of policy formulation and (1.2) the implementation of policies still requiring the use of state power; (2) the activities of social advocacy or social accountability; (3) the provision of social and scientific services which society decides that the state is responsible for, such as health care, education, scientific research, and cultural promotion; (4) the defense or promotion of corporatist interests; and (5) the production of goods and services for competitive markets.

**(Table 1 insert here)**

Given these two basic classifications – of forms of ownership and of activities – the model suggests the types of organizations which are supposed to perform the different activities. The exclusive activities of the state, involving the use of state power and policy formulation, will be performed by secretaries or departments at the strategic core of the government where politicians and senior civil servants work together. The implementation of policies still involving state power will be the responsibility of administratively autonomous executive and regulatory agencies. The latter will also have some political autonomy in so far as they are supposed to regulate prices and quality in oligopolist industries ‘as if’ the respective market was competitive: in principle, they are not supposed to define other policies, which will remain the prerogative of elected officials. Social and scientific services supported by the state, like hospitals, museums, universities, and research centers, will be delivered by public non-state organizations. If they are contracted out by government they are (or should be called) ‘social organizations’;<sup>5</sup> if they are principally financed by the private sector, ‘charities’ is probably the best word to characterize such service organizations. Finally, producers of goods and services for the market are supposed to be privatized, except when they are natural monopolies, as in the case of urban water supply.

Table 1 summarizes the organizational aspect of the model. It implies a set of decisions: some are self-explanatory, other involve major debate. For instance, why contract out social and scientific services to non-profit service organizations rather than letting them be delivered directly by the state? Because they are non-exclusive activities of the state

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<sup>5</sup> The expression ‘social organization’ was used in the Brazilian Public Management Reform of 1995–98 in a federal and several state and municipal laws.

(activities that the other three sectors can also execute), and will be more efficiently performed by autonomous social organizations under contract and duly made accountable to society and to the government. Why not contract them out to private enterprise? Because the information asymmetries that pervade the markets for such services are huge, and because major human rights issues are involved. In any case, while in sectors such as university education or hospitals the advantages of contracting out to social organizations are clear and reform should be expedited, in other sectors, such as basic education, change will have to be gradual. While we have an example of extremely successful use of public non-state organizations in the US university system, no country supplies a similar example in the area of basic education. There is no doubt that reform will work in the direction of more flexible public non-state systems, but such reform will need to be piecemeal.

Thus, the structural public governance model involves state, public non-state, corporatist and private organizations. Since these organizations are increasingly interdependent, forming all kinds of networks, public management models are often identified with public-private-third sector partnerships. The expression is not wholly adequate because it plays down the state, as if it was not endowed with the powers which led Max Weber to define it as 'the monopoly of legitimate power'. Yet the concepts of partnership and network are useful to underline that the state is not supposed to perform directly all the roles or responsibilities that voters and the law attribute to it. As governments have been able to contract out construction and other auxiliary services to business firms, they can contract out the delivery of social and scientific services to public non-state organizations without renouncing their responsibilities.

This contracting out or outsourcing has interesting consequences in terms of the size of the state apparatus. If one defines the size of the state by the number of people directly hired, the state will be small: the state will just hire high-level senior civil servants, recruited among the best young talent at society's disposal, well trained, well paid, and from whom will be required not only an appropriate republican ethos but high standards of competence. Yet, if the size of the state is defined by the tax burden or total state expenditures in relation to GDP, it may remain large if society decides to continue having a social or welfare state. The state organization contracted out service delivery only, and retained responsibility for their finance and performance.

What is the logic behind such division of roles between the state and society in the supply of basic social and scientific services, with the state financing and controlling the services, and public non-state service organizations providing them? The state has such a strategic role in society that it should retain only those activities which are specific or exclusive to it – activities which involve state power, such as policy-making, defining the major institutions organizing the whole society, and guaranteeing security for its members. These roles are monopolistic and need on the one hand to be performed by high-level personnel, and on the other hand to be fully accountable to society. While the services themselves must be offered efficiently, these are strategic roles performed directly by government and must be effective and of high quality. These roles relate to ideas and decisions, not products and services, which is why they require some of the best talents of each society. This is also why, despite the use of high-level personnel, the actions taken within the state organization require a costly system of accountability. Although the social and scientific services are not exclusive to the state, society may

(and, in my view, should) finance crucial social and scientific services that society decides to make freely or quasi-freely available to all. The acting of financing the service organizations and of making them accountable to the state is also an exclusive activity of the state, in so far as the civil servants performing this role are using tax revenue resources. In contrast, implementing the policies and supplying social and scientific services financed by the state, do not need the direct involvement of statutory civil servants. Although also complex, these are substantially simpler activities. Their outcomes may be more objectively quantified and compared. In certain cases, the activities may be subject to an accounting process based on administered competition for excellence. Both facts reduce the control costs involved. On the other hand, these service activities require a flexibility that the state organization does not have, whatever the management practices it adopts. Thus, they may be more efficiently delivered by public non-state service organizations.

### **THE MANAGEMENT ASPECT AND THE NEW FORMS OF ACCOUNTABILITY**

Besides the organizational aspect, the structural public governance model that I am discussing has a specifically management aspect. The objective is to make the administration more flexible and the managers more motivated. Most of the ideas originated in the management practices developed during the twentieth century by private organizations. The management aspect emphasizes 'client-citizen' oriented action, and two of its three specific accountability mechanisms – administration by objectives and administrative competition for excellence – were borrowed from business administration. This should not be misunderstood. The principles that orient public management continue to flow from political theory and political science rather than business management. The objective is the public interest, not profits; the coordination system is administrative and legal, rather than performed by the market. And the third specific accountability mechanism – social accountability performed by political advocacy organizations – is exclusive to the public realm. Following Ranson and Stewart's (1994) concerns, we are speaking of a 'management for the public domain', not for the private one. When one speaks of citizen-client orientation in this context, there is no reduction of the citizen to a consumer, but a fuller recognition of the citizen's rights.

To express in a nutshell the managerial character of the model, I would say that public management reform seeks to make civil servants more autonomous and more accountable: more autonomous from strict regulations and direct supervision, and more accountable to the strategic core of the state and to society. Another way of putting it would be that public management reform is a process of decentralization – of delegation of authority to lower levels, while making the strategic core of the state stronger and social accountability mechanisms more effective. Yet the decentralization does not go all the way: a central characteristic of public management reform is to separate policy formulation, which remains centralized, from execution, which is decentralized. Still another way of explaining public management reform is to think not in terms of government but of governance. The English term 'government' is often confused with 'state', but even in other languages, where such confusion does not arise, it is useful to distinguish 'government' from 'governance'. Government, as an entity, is formed by the

top decision-making bodies of the state; as a communications flow, it is the decision-making process of public officials (politicians and senior public servants). Governance involves also a process, but a larger one, as it conveys the idea that public non-state organizations or organizations of civil society, business firms, individual citizens, and international organizations also participate in the decision-making process, although the government remains the central actor.

Since public management reform represents a further step in relation to civil service reform, it adopts a new form of control or accountability. While the three classical bureaucratic forms of accountability are exhaustive regulations, direct hierarchical supervision, and auditing mechanisms, the three typical managerial forms are management by outcomes or objectives, administered competition for excellence, and social accountability. The three new forms do not overturn the classical ones but only partially replace them. Management by results is a form of decentralization: the supervisory secretary defines the objectives and the performance indicators with the participation of the agency or of its manager, who is assured the administrative autonomy – personal and financial – to achieve them. Administrative competition for excellence does not mean market coordination of public services but compares the standards or benchmarks achieved by different public organizations that deliver the same service in different regions. The difference in relation to management by objectives is that the standards or performance indicators emerge from the effective accomplishments of the different agencies or services rather than from a management contract, which would have to define such performance indicators somewhat arbitrarily, based only on previous experience. Social accountability means the use of civil society organizations, including councils of citizens, to keep public services and public officers under control.

Under public management reform, decentralization is achieved by the transfer of service provision to agencies and social organizations. Policy formulation remains centralized, but the central authority is able to delegate powers in so far as it is able to use managerial accountability mechanisms effectively. While bureaucratic control mechanisms imply a centralized organization, managerial accountability mechanisms are consistent with decentralization – a decentralization that does not mean reducing but increasing managerial control over outcomes. This is true because this type of managerial decentralization is just a provisional delegation of authority: the central manager retains the option of reversing it whenever it is not working.<sup>6</sup> It is quite different from the political decentralization involved in transferring fiscal resources from the central state to the provinces or local municipalities. Such an option may also be good for large nation states, but is not easily reversed. Often it is rather the outcome of a political demand rather than of a government strategy. For that reason, the issue of the federal versus the unitary state should not be confused with public management reform.

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<sup>6</sup> A common mistake is to suppose that it reduces the control of the central authorities over the state organizations, in so far as public management reform involves decentralization. On the contrary, their power, including the power of the authorities in the finance ministry that control expenditures, actually increases, because objectives are attained with smaller costs. They relinquish some direct controls to obtain a greater indirect control.

Public management involves strategic planning. While in bureaucratic administration planning is limited to the law and regulation, without individual cases or possible responses from adversaries being taken into account, managerial planning involves a detailed definition of the processes to be followed and of the strategies to be adopted, depending on the responses. Thus, public management reform does not imply less managerial work but often more, despite involving decentralization. This is so true that one distortion that may easily arise is that of excess and costly planning. But, if this mistake is avoided, the efficiency gains from public management reform will be substantial.<sup>7</sup>

Public management extensively uses information technology, which is able to deliver enormous labor savings besides allowing for large economies in the state's purchasing activity. Yet one should not identify public management reform with the use of information technology. Independently of the type of administration – managerial or bureaucratic – such a major innovation would be used by the state. In the case of managerial accountability mechanisms, well-used information technology makes further decentralization viable.

Only within a democratic framework is it possible to accept the high degree of autonomy assigned to managers in public management reforms. While bureaucratic public administration was created within a liberal but not democratic state, and was concerned with strict controls, public management reform is unthinkable without democracy. The autonomy that the public manager assumes, the possibility of making decisions instead of just executing the law, is checked *a posteriori* by managerial accountability mechanisms, particularly by the social accountability mechanism involving pressure for more transparency and an increased investigative role on the part of the media. Given that public management reform presupposes democracy, and that the values related to the autonomy of civil servants are well integrated in society, their formal tenure or stability can be made more flexible, more similar to that which exists in the labor market.<sup>8</sup> Their pay may and should be also more flexible, reflecting their performance. It should also be higher because the salaries of public managers would be competitive with salaries of the private sector, in so far the private and the public labor market cease to be separated (while the wages of non-skilled public servants would tend to equalize with the correspondent jobs in the private sector).<sup>9</sup> They will be made accountable through public management accountability mechanisms rather than through

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<sup>7</sup> In the managerial reform of the British National Health Service undertaken initially by the conservative administration this problem arose, but eventually it was reasonably overcome as the continuation of the reform by the labor administration (which, while in opposition, criticized it) show.

<sup>8</sup> In Brazil there was no flexibility of entrance examinations because the country had not achieved the reasonable degree of equalization of the public and private labor markets which is required for such flexibility to work well..

<sup>9</sup> In bureaucratic administrations, like the French or the Brazilian one, salaries of public managers tend to be smaller than salaries of private ones, while wages of low level public servants tend to be higher than their counterpart in the private sector. With public management reform, this difference gradually disappears.

bureaucratic ones. Finally, in the managerial system, the republican civil service ethos, so important for this type of job, will be better assured than in the bureaucratic one, because public managers will be few in number, well-paid and highly prestigious.

This possibility is challenged by many, particularly by adherents of public choice theory, which, transferring to the public sphere the economists' view of the behavior of businessmen competing in the market, see civil servants as ignoring the public interest. They would just make trade-offs between rent-seeking and occupation of higher positions in the bureaucratic hierarchy (which could be endangered by the rent-seeking), as politicians would just make trade-offs between rent-seeking and the desire to be reelected. This is a smart assumption when one wants to give mathematical precision to the political sciences: political actors' behavior would be as predictable as economic agents' behavior in the market. Yet such a simplifying assumption grossly misconceives political and bureaucratic behavior, which, unlike economic behavior, is motivated not only by private interests but also by the public interest.<sup>10</sup> Given the different expectations involving the behavior of businessmen on the one hand and of politicians and civil servants on the other, the social legitimacy involved will differ as between the two areas. While the businessman may legitimately be guided by private interests, the public official cannot, because society does not accept such an approach. Thus, given the demands of society, it is reasonable to expect from a small group of prestigious civil servants, chosen from among the brightest young people of each society, that they will be able to establish and conform to high standards of republican behavior.

As I asked in relation to the type of structure, I now ask, in relation to this form of administration: what is the underlying logic? Why give public officials more autonomy and make them more accountable? First and foremost, because we are speaking of public managers with entrepreneurial qualities whose motivation depends on their autonomy. Motivation in the state as well in private organizations does not depend only on economic incentives, or on the republican ethos: it depends also on the satisfaction of a basic need of entrepreneurial personalities, a need to achieve. Competent managers are achievement-motivated. They want power to do things, and they need autonomy to do them. Second, because more autonomy means the possibility of adapting actions to complex and changing conditions – conditions that strict regulations cannot predict. If the risks involved in such higher autonomy are minimized by new forms of accountability, its efficiency advantages are obvious.

## **IMPORTING INSTITUTIONS FOR ECONOMIC DEVELOPMENT**

The structural public governance model, like all ideal types, is not fully present in reality, but in one way or another it is being developed by most rich countries, except Germany, France, Spain and Japan. Some questions follow. Does the model reduce the influence of civil servants who, in the patrimonial administration of the absolutist state,

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<sup>10</sup> This does not mean that the assumption of full rationality is acceptable for economic behavior: it just means that in this area, depending on the level of abstraction, it may make sense.

share power with the dominant aristocratic class, and, in the bureaucratic administration of the liberal state, were allied to the entrepreneurial class, and played a major role in formulating and implementing national strategies of growth? If the answer to these questions is negative, would this model of state reform have, as a trade-off, the effect of concentrating income or increasing inequality? And, if this question also receives a negative answer, is the model applicable to developing countries?

The first question is central, because reforming the state organization makes sense only if it contributes to enhancing state capacity – and, if it does, it will increase the prestige and influence of the public officials, both politicians and senior civil servants, who manage it. The assumption behind this claim is that, historically, economic development was possible only after the first industrialized countries realized their ‘national revolution’, that is, the building of capable states. The state, as the nation’s instrument of collective action, is a prerequisite for economic growth, initially because it offers secure internal markets to entrepreneurs, and generally because the existence of a state (organization and institutions) enables a nation to achieve its main political goals, particularly economic development. A nation is essentially a society or a group of people sharing a common destiny and using the state as their key instrument of collective action. Historical experience shows that only a nation-state formed out of a strong or cohesive nation and a capable state is able to devise and follow a national strategy of economic growth.

Public management reform, understood in terms of the structural public governance model, is essentially aimed at increasing the state’s capacity to guarantee social and republican rights without incurring the inefficiencies that characterized the twentieth-century bureaucratic welfare state. The idea is not to replace the social state by an ‘enabling state’, as neo-liberal thinking proposes; it is not to consider the social state ‘paternalistic’ in so far as it establishes safety nets, and to replace it by a form of state that ‘empowers individuals to compete in the market’. People must indeed be prepared to compete, but they also need protection, require security – particularly the weaker and the less able. It is true that, in some cases, policies adopted in the name of public management reform weakened the state instead of making it stronger. This was the case in New Zealand in the 1990s, during a few years of conservative administration after the Labour Party started the reform. But the conservatives lost the subsequent election, and the reform was resumed on reasonable terms. The central economic idea of reforming the state is to make better use of tax revenues – to provide better services at lower cost – or, in other words, to make the state organization more efficient in the use of money that is always relatively scarce.

The reform does not discuss how the government can be more legitimate – this is a question of political or democratic reform – but it indirectly contributes to the legitimacy of the political system as a whole. It is interested in knowing how governments, how elected and non-elected public officials at the strategic core of the state take the decisions that improve governance, but its specific realm is the organization and management of the state. On the one hand, it proposes a criterion for the division of labor among state, public-non state, corporatist, and private organizations; on the other hand, it suggests policies to make public managers more motivated and more efficient by making them autonomous and accountable. In the competitive capitalist world in which we live, efficiency is required everywhere. Thus, there is a saying – ‘do not throw good money after bad’ – which is often used to reject

paying taxes and financing needed social services. A state organization which undergoes public management reform becomes more efficient and, for that reason, more capable and more legitimate.

With public management reform, senior public servants working principally in the strategic core of the state become also more respected. Since they are used to classical bureaucratic principles, civil servants usually start by distrusting new ideas. Yet reform will be successful only if it can count on their support and initiative. In fact, most public management reform in the last 20 years was effective when senior civil servants realized that such reform represented an opportunity for competent civil servants – when they understood that the old bureaucratic practices were weakening the state and demoralizing the civil service, and decided to engage in reform. In modern capitalist societies, a state organization is legitimate, and its personnel respected, when it is an effective instrument for economic growth. It was the practical confirmation of this that made it possible for the original public management reforms in the United Kingdom, Australia and New Zealand in the 1980s to spread to most developed countries in the following decade.<sup>11</sup>

Once we accept that public management reform strengthens the state, increases the legitimacy of the democratic regime, and promotes economic growth, the next question is whether this is achieved at the cost of more social inequality. Given that the reform reduces the number of non-managerial jobs in the state bureaucracy, and assumed that these low level jobs tend to be better-paid than the correspondent jobs in the private sector, some concentration will occur. On the other hand, as it allows the state to devote those resources to increasing social services, it works in favor of redistribution. It is important to notice that, since the 1970s, we have lived in a time of income and wealth concentration – of rising inequality in all capitalist countries. This has been mainly a consequence of the information technology revolution, which increased the demand for skilled labor while reducing the demand for non-specialized work, and of the neo-liberal ideological wave, which after the 1970s pushed for a reduction of the welfare state, or the indirect wage. Public management reform was viewed by many as an element of this process, but the fact is that it increased the capacity of the state to provide efficiently social services which, being basically universal, contribute to social equality. In fact, public management reform is neutral in distributive terms. It may be used either to reduce or to increase direct and indirect wages. Yet, in so far as it increases state capacity, it also legitimizes increases in the state's social expenditures, and so makes it more probable that a country that adopts it will be better able to assure social rights.

Our third and last question: wouldn't public management reform be too ambitious for developing countries? Shouldn't they follow the sequencing process that is so dear to

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<sup>11</sup> The survey by Pollitt and Bouchaert (2000), confirmed in the 2004 edition of the book, is definitive on this subject.

international organizations such as the World Bank?<sup>12</sup> Should they not first complete civil service reform, and only then get into public management reform? The response that immediately comes to mind is to agree provided that my interlocutor also agrees that the country should first complete the nineteenth century mechanical revolution, and only after that engage in the information technology revolution... If this answer is too impatient on my part, another way of putting the problem is to argue that, if the country lacks a sufficiently professional Weberian bureaucracy, this is no reason for not beginning public management reform: both reforms may be implemented at the same time. Developed countries already had competent senior civil services, and could proceed from that position.

The fact that the sequencing hypothesis is often mistaken does not mean that developing countries should copy strictly the public management reforms adopted by developing countries. They will have to consider the specificities that they face, they will have to admit that clientelism or pork-barrel practices will be more widespread, that society will be less cohesive and that its moral standards will be lower. In the case of the 1995 Brazilian public management reform which was based on the British model, for instance, several adaptations were introduced by the local reformers. The role of senior civil servants at the strategic core of the state received more attention, their salaries were increased, yearly public entrance examinations were established for all state careers<sup>13</sup>, and the role of auditing was not underestimated, although auditors were asked to pay more attention to outcomes than to procedures. Training of senior and middle-level civil servants received priority. In other words, there is no reason why a developing country cannot continue to build its professional public administration while, at same time, it starts to implement public management reform.

One of the major advantages that developing countries enjoy, besides the possibility of copying technologies, is the capacity to 'import' institutions. International organizations insist on exporting institutions and reforms, but such exports often fail because they are not adapted to local conditions. Importing institutions is quite different, because it implies ownership of the institutions being imported by nationals who will be able not only to adapt them to local conditions but also to commit people – other senior servants and society in general – to the new rules of the game. Commitment to new institutions does not follow automatically from ownership of the reform by nationals, but it is a condition for it. What is certain is that institutional reforms – and public management is nothing more than a set of institutions – are effective only when, besides being well designed and adapted to real conditions, they are ingrained in the social texture.

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<sup>12</sup> Still in 1998 the World Bank understood administrative reform as downsizing the state organization and completing civil service reform. At that time, its staff was just beginning to understand what was meant by public management reform, but still did not support it, based on the sequencing argument.

<sup>13</sup> Previously, only the diplomacy and the military careers had yearly entrance examinations.

## CONCLUSIONS

I began this article by asking what kind of public administration reform in developing countries would contribute to economic development and the achievement of the United Nations' MDGs. After describing a model of public management reform which I called the structural public governance model, I argued, first, that it made the state more capable and more efficient in so far as it adopted a particular structure of division of labor between the state organization itself, public non-state, corporatist and private organizations, and adopted a managerial strategy which, by making senior civil servants more autonomous and more accountable, motivated them and allowed them to be more efficient. Second, I argued that, in so far as the state is the key instrument of collective action at a nation's disposal for promoting its economic development, making it more capable certainly would make governments more effective in defining, along with society, a national strategy of growth. Third, I rejected the sequencing thesis, maintaining that, if a developing country had not completed its bureaucratic or civil service reform, there was no reason why it could not continue with this reform while gradually implementing public management reform.

Developing countries can be divided into middle-income and low-income categories. I have no doubt that middle-income or intermediate developing countries are able to import institutions and profit from that. What is dangerous for them is to accept uncritically exported institutions which often do not take account of their national interests. In relation to the poor countries, however, the problem is more complex, and more doubts than certitudes are the advisable attitude. More than other countries, they need above all else to build a strong, capable state, because a reasonably well-structured and relatively corruption-free state is a condition for their profiting from the aid that they receive from rich and middle-income countries. The whole program that the United Nations organized to channel aid to poor countries is based on the assumption that some of those countries have already met such minimum conditions. The UN Millennium Project's main document (2005) asserts that 'it is the responsibility of countries themselves to strengthen their own government systems'. It divides poor countries into those headed by 'rapacious government leadership' and those provided with 'well intentioned governments', and proposes that developed countries direct 0.7 % of their GDP to aid the later group of countries.<sup>14</sup> In any case, they have no alternative but to try to build state capacity for them. To achieve that, they should resist financing growth in any way with additional international indebtedness, because growth comes out of domestic not foreign savings.<sup>15</sup> And they should be critical of the recommendations and

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<sup>14</sup> UN Millennium Project (2005): 113-114. The Millennium Project was commissioned by the United Nations Secretary-General in 2002 to develop a concrete action plan for the world to abolish the grinding poverty, hunger and disease affecting billions of people. It is an independent advisory body headed by Jeffrey Sachs. See also Sachs (2005).

<sup>15</sup> On the critique of growth *cum* foreign savings strategy in the last years, see Bresser-Pereira and Nakano (2002).

conditionalities that usually come together with aid. With these caveats, the structural public governance model, well adapted to their realities, will be a good institution to import.

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**ISSN** ISSN 1662-1387