

NÚMERO 130

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**Public Management Policy and Accountability in
Latin America: Performance-Oriented Budget in
Colombia, Mexico and Venezuela**

JUNIO 2003



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Abstract

This article presents some theoretical and practical problems of the design and implementation of Public Management policies (Barzelay, 2001), specifically some factors that affect the expected results of Performance-Oriented Budgeting (POB). It seems that there is an interesting polemic going on between some scholars and practitioners that think performance and efficiency should be the main values of government policies and others arguing for a greater role for accountability and democratic control. Performance-Oriented Budgeting is presented as the solution for this policy dilemma, but there are some political, legal and organizational factors that make it difficult to achieve the good results that the New Public Management promises. The design and implementation of this kind of policy is especially difficult in developing countries where many kinds of constraints seem to be more complex and powerful. This paper explores POB in three Latin American countries: Colombia, Mexico and Venezuela.

Key words: *Public Management, Performance, Accountability, Budget, Latin America.*

Resumen

Este artículo presenta una serie de problemas prácticos y teóricos que se presentan en el diseño e implementación de políticas clásicas de la Nueva Gestión Pública (Barzelay, 2001). Particularmente enfatiza aquellos factores que afectan los Presupuestos orientados hacia resultados (POB en inglés). Puede observarse una interesante polémica entre diversos estudiosos y analistas que piensan que la eficiencia y el desempeño debieran convertirse en los valores principales de las políticas gubernamentales, mientras que otros arguyen que es más importante fortalecer las medidas de rendición de cuentas y de control democrático sobre el gobierno. Los POB se presentan como una solución a esta polémica, pero en la práctica existen algunos factores organizacionales, políticos y legales que hacen difícil obtener los resultados que promete esta política de la NGP. El diseño e implementación de estos presupuestos es especialmente difícil para países en desarrollo que son afectados por restricciones todavía más complejas y poderosas. Este documento explora los POB en tres países de Latinoamérica: Colombia, México y Venezuela.

Palabras clave: *Administración pública, desempeño, rendición de cuentas, presupuesto, América Latina.*

Introduction

In the public sector, there seems to be an interesting policy dilemma in sorting out the conflicts between performance and flexibility on one side versus accountability on the other. Authors such as Knott and Miller (1987) and Shick (1990, 1994) have identified this tension. Many commentators argue that government should be a performance-based organization. The principal values of this argument would be efficiency and effectiveness. To accomplish making government performance-based, public organizations need flexibility, leadership, innovation, and many other capabilities. However, another group of commentators argues that government has to be controlled by citizens, and hence public officials must be accountable for their actions and the consequences of those actions. This argument mainly values accountability, legitimacy, legality, checks and balances, etc.

As we can notice, there is a tension between these two different positions. While it would be difficult to imagine a political system that has completely resolved this dilemma, some scholars identified with the New Public Management (NPM) think that performance-oriented budgeting (POB) can accomplish the enormous challenge of resolving this tension in practice. Commonly, POB advocates hold that a budget driven by results helps to keep the control over bureaucracies and resources, by establishing clear goals and objectives for the impact of public policies, while simultaneously providing flexibility and the opportunity of bureaucrats to innovate, by deregulating the administrative processes and freeing bureaucrats from excessive control and micromanagement.

However, the application of this policy tool is not a simple task, and would appear to require particular political and social conditions. Some developed and developing countries have started using this powerful tool and have met with institutional and organizational constraints (Arellano-Gault *et al.*, 2000; Shick, 1994; Melkers and Willoughby, 1998). This paper attempts to demonstrate how, in developing countries, these policy constraints can affect and, some times, neutralize the promise of the POB as a NPM policy.

In the first part of this paper, we present a brief description of the NPM and its relationship with performance and accountability. Different reform movements in government have been identified with the NPM (Arellano-Gault *et al.*, 2000; Behn, 2001; Light, 1997). Most of them have tried to improve performance and accountability at the same time, but performance has been the real main value for most of these new reformers.

The second part shows how POB could be seen as the solution to the dilemma. It discusses the idea of POB and attempts to analyze the advantages and disadvantages of this kind of policy tool. Attempting to measure performance is not an easy task. It could be very subjective and based on

political negotiation and bargain instead of “objective” evidence. The consequence of the definition problem, in the public, sector could be more flexibility at the expense of democratic control.

In the third section of the paper, we describe three the cases of three Latin American countries attempting to implement POB. We analyze each case by understanding the institutional context, some specific policy characteristics such as legal and organizational reform and the role of budget control agencies, and the strategy that these countries are following. We can notice interesting differences among our case studies.

Colombia is paying more attention to the investment expenditures, that is, to the money that is used for social projects and development. They have a mixed policy strategy in which the President and the Congress are cooperating in the reform, but the executive is the most visible leader of the reform effort.

In Mexico, government officials are trying to enact more integral reform. Their reform is called the “New Programmatic Structure - Performance Evaluation System.” It seeks to evaluate the whole federal budget and its implementation design, and includes several stages. However, in Mexico it is clear that, in the design of the policy, the reformers forgot about Congress. Most of the effort comes from the executive and its rule-making power.

Venezuela has also a more integral reform. Their objective is to integrate accounting techniques with performance evaluation. The main participant in the Venezuelan reform effort has been Congress. They began the effort with a complete review of the entire legal corpus related to the budget and planning process. This holistic and collaborative strategy has helped Venezuela to have very a good legal basis for POB, but it has also made Venezuela take a longer time to complete the process.

In the last section of this paper, we comment and reflect on the performance and accountability dilemma in Public Management policies, about POB as the solution to this dilemma, and about the findings in our three Latin American case studies. We find that many reformers have seen POB as the way to solve two policy problems and match two concepts that, in the traditional theory and practice of public management, are seen as contradictory.

POB, as a Public Management policy, has been the result of many different political and economic trends and pressures. POB is only one of the different possible policy tools to be used in big governmental reforms, and is one of the most difficult and expensive, not only in terms of money, but also in terms of democratic values.

Performance vs. Accountability: A Policy Dilemma

Performance and accountability are two governmental values that many would desire for their own countries. However, they are policy factors that “pull” organizational forces in contradictory ways. Sometimes, we believe that there

is a direct tradeoff between them, and hence believe that when a political and administrative system wins some accountability it has to decrease its level of performance. The New Public Management has emphasized both performance *and* accountability as desirable components of any governmental reform. Many countries have attempted to achieve both through their Public Management policies, and many of these national reforms have, at least in some sense, failed.

New Public Management and Performance

The New Public Management (NPM) is not something totally new. In fact, some think that NPM is merely some of the same administrative recipes of the past, with a new presentation. In fact, there is no consensus among scholars regarding what the principles of what we call traditional public administration actually are. Some scholars and practitioners think that, at least in some senses, the paradigm of traditional public administration has followed Max Weber's model of bureaucracy (Weber, 1922). These commentators highlight such characteristics as apolitical bureaucracy, hierarchical rules, stability, internal regulation, professional competence, etc. (Peters, 1996).

On the other hand, other commentators have argued that there is not one single traditional public administration paradigm, or at least this paradigm is neither the opposition to nor is largely different from NPM and what it is trying to do. Lynn (2001), for example, has argued that in many senses NPM and the idea of reinventing government is more similar to what we call traditional public administration than it is different, highlighting such characteristics as a dichotomy between politics and administration, the various principles of administration, a lack of accountability, etc.

NPM could also seem to be a poorly defined concept, and some scholars, as Riccucci (2001), think that students of public administration did not fail to adequately challenge it. Other authors, such as Jones and Thompson (1999), believe that there is a large area of overlap between business management and public management. Despite the differences in scope, there are some important characteristics that many scholars and practitioners have identified as part of this reform movement. Most of them agree that perhaps the most important characteristic is its emphasis on improving the performance of the public sector (Behn, 2001; Light, 1997; Kettl and Dilulio, 1995).

Many of the principal ideas of NPM are based on economic theory. The whole idea of transforming government by changing the incentives for bureaucrats comes from the principal-agent model and the economics of organization (Moe, 1984). However, there are some authors that think the assumption that bureaucrats do not want to cooperate and work together to pursue a public interest is false (Dilulio, 1994).

It is not clear how well economic theory transfers to cases in the public sector. Some scholars have found evidence of political control over the bureaucracy and its response to changes in policy (Wood and Waterman, 1991). Keiser and Soss (1998) found that bureaucratic discretion depends more on environmental and external factors, such as partisan control of state governments, the values of state administrators, the funding decisions of elected officials, and the levels of demand placed on the bureaucracy.

Thus, we do not have a clear map regarding how to achieve equilibrium between the necessary level of discretion in order to make rational and intelligent decisions and the necessary level of accountability required to maintain public control over bureaucratic action. Different positions exist. NPM holds that with the correct incentives (positive and negative), we can change the behavior of the bureaucracy, political appointees, and members of Congress.

Many recent governmental reforms have adopted these ideas, and are searching for better performance in government by following such economic principles as shrinking the structure and expenditures of government, privatizing certain public services, enacting more automated service production and distribution, and building an international agenda more focused on general aspects of public management, policy design, decision styles, and intergovernmental cooperation (Hood, 1991).

The tide of reform appears to be international (Light, 1997), however it might not be applied extensively at the local level. It is interesting how Julnes and Holzer (2001) found that “although performance-measurement efforts have been around for a long time, they do not seem to have become part of what the public organizations do”. If we really think that performance measures should be part of what government does, it is necessary to pay attention to such factors as political support, management support, and analytical support that impact the feasibility, cost, and value of performance-based management (Wholey, 1999).

It would be difficult to say that we do not want a government that “performs better and costs less” as the National Performance Review argued. Performance is a very important characteristic of a successful modern government. We do not want only a government that represents our interests in a democratic way. We also ask for a government that can give us the best possible level and quality of services. Performance has become one of the main measures of success in the public sector, and Public Management policies should seek to incorporate this characteristic.

Performance versus Accountability

Good performance is not the only thing that people expect from government. They also expect to have certain level of democratic control over it. Some

scholars see accountability as one of the most important factors of any democratic government (Behn, 2001). This is not a new argument. “Mill recognizes that perhaps the gravest problems of bureaucracy within representative government are control, accountability and responsibility” (Warner, 2001, 409). Simon (2001) describes clearly that we do not need to reinvent government, but to enhance its capabilities to assure that the rules of the game are fair for society, and that these rules are respected.

Accountability can be seen in many different ways, but democratic control is implicit within it. As Rosenbloom (2001) has stated, “if we review the history of different governments we can understand why people considered accountability as at least one of the main values”. The public servant is not always public spirited and does not always work for the public interest or the general welfare (Moe, 1994).

In most cases, for accountability holders, accountability means punishment (Behn, 2001). Their principal job is to detect problems in the behavior of public officials or public managers and try to be the first person who discovers that someone did something wrong. Accountability is a part of the democratic thought. “Public Administration schools have always recognized that in American governance and liberal democratic thought, accountability remains institutionally based and mediated through law, oversight, and election” (Dobel, 2001, 167).

It would be difficult to say that there is only one kind of accountability. Accountability is a concept with different interpretations and dimensions. Behn (2001) has identified at least three types of accountability: 1) accountability for finance, 2) accountability for fairness, and 3) accountability for performance. He says the first one is maybe the most obvious and the easiest to identify. It focuses on financial accounting, in other words, “on how the books are kept and how the money is spent” (Behn, 2001, 7).

Accountability for fairness is more related to our perception of equity in our relations with government. We want government to be fair to its employees, contractors, clients, and citizens. Some rules embody and define what we, as a society. Behn (2001) says that the first two kinds of accountability have a very clear and well-defined process: 1) decide what values we want government to uphold; 2) create rules, procedures, and standards to establish what the organization should and should not do; 3) require the organization and its managers to keep a lot of records of what it did; and 4) audit these records to ensure that the organization and its managers did follow the rules, standards and procedures. And, if we discover that they did not do so, we hold them accountable by punishing them.

This process for the third kind of accountability is not as clear. “Government is not only supposed to use money prudently and to treat everyone fairly; it is also supposed to accomplish public purposes” (Behn, 2001, 9). Accountability for performance needs certain targets and goals, but the

ways of establishing government's relationship with citizens are not rules, procedures, and standards. Actually, this set of institutions can be an obstacle for performing well. In the words of Behn (2001), the accountability rules for finances and fairness can hinder performance. Indeed, the rules may actually thwart performance. The accountability dilemma for Behn (2001) is the trade-off between accountability for finances and fairness and accountability for performance.

Arellano-Gault (1999) presents this dilemma as the interaction of two dilemmas within the theory of NPM. First, there is a tension between accountability and innovation. NPM proposes a more flexible and innovative administration that focuses more on outputs and outcomes than on inputs. Different organizational forces push to accountability in a democratic government. It is difficult to have specific and detailed procedures and great bureaucratic discretion to innovate at the same time, they are in some sense contradictory (Behn, 2001).

Second, most of our governmental agencies are very good at managing programs. They know how to accomplish goals in terms of activities. They know how to spend the money while following all applicable rules, procedures, and standards. But we are not really sure that, even with all this process, they are solving people's problems. It seems, however, that there is another theoretical and practical tension between program managing and problem solving (Arellano-Gault, 1999; Gil-García, Martínez and Cárdenas, 2002). We need agencies that can find a way to resolve society's problems with the existing policies and the programs they are managing or maybe with other administrative tools. Even in organizations that can be identified as innovative we can find this tension between performance and accountability (Gil-García, Martínez and Cárdenas, 2002).

Accountability and performance are not necessary compatible. In theoretical and many times in practical terms, they are working towards different goals, using different tools, and need different values to be accomplished. Constructs such as reinventing government (Osborne and Gabler 1992) or the post-bureaucratic model (Barzelay and Armajani, 1992) hold that government should go in both directions. Besides, nowadays it is more common to hear about big, large-scale national governmental reforms (Light, 1997) and not about specific and focused changes. Thus, we are facing Public Management policies with contradictory values and objectives.

On the other hand, all reforms need not only demonstrate that they can do things better, but also how the new capacity can affect the public purposes and democratic accountability established in the legal and constitutional framework (Behn, 2001; Lynn, 2001). This is not only a normative prescription. This is also what we have learned from practical experiences of governmental reforms that did not take into account the role of legislatures and citizens (Arellano-Gault *et al.*, 2001; Kettl and Dilulio, 1995; Light, 1997). As Rosenbloom (2001) says,

“reformers need to see the history and find how most of the red tape and micromanagement that they want to disappear were put in place in the 1940s and later, largely to protect values such as equal opportunity, justice, diversity and democracy”.

Performance-Oriented Budget: An Empirical Solution of the Dilemma?

Performance management, and specifically the technique of performance-oriented budgeting, seeks to resolve the conflict between performance and accountability. Performance-oriented budgeting establishes that we can hold public officials and managers accountable by specifying performance goals and objectives in terms of policy outputs and outcomes, and at the same time give them more discretion in the means they use to accomplish those goals and objectives. It is neither clear who establishes those policy outcomes nor how they are established nor if we are going to abolish or change most of the rules that constrain the capacity of public managers to make more flexible decisions by using deregulation and other technical tools.

Performance-Oriented Budgets: Performance and Accountability?

Despite the complexity of joining performance and accountability in theory, there have been practical efforts to combine these two characteristics in some governmental reforms. Some authors think that the budget is the main process in government, and so if we want a really important and successful reform, we need to do something with our budgeting process (Arellano-Gault *et al.*, 2000).

Performance-oriented budgeting emphasizes policy outcomes (Arellano-Gault *et al.*, 2001). In other words, it is important to specify and discuss inputs in the budgeting process, but it is more important to establish goals and objectives in terms of outputs and outcomes and to link these goals and objectives with the different amounts of money specified in the budget. We can see here a relationship with some of the big questions of public administration, because the outcomes are in some sense how public administration affects society (Kirlin, 2001).

Most governments establish a set of rules, procedures, and standards for their daily work. These institutions have the important function of specifying our expectations for how public officials will behave and handle the public resources (Behn, 2001). If we want to hold people accountable, we have to be able to establish what our expectations of their behavior are (Arellano-Gault *et al.*, 2000; Behn, 2001). However, if these expectations are performance-based, specification is not easy. Much of the time, expectations are more related to a

political negotiation process than to technical matters (Arellano-Gault *et al.*, 2001; Arellano-Gault, 1999).

If we believe that budget reforms could be the policy instrument for achieving the aspirations of results-oriented budgeting, we need to be conscious that this kind of reform “requires change in routines and supporting beliefs of all participants in the system: central agencies, spending departments, and politicians” (Barzelay, 2001). We are talking here changing the organizational structure and culture of the entire budget system.

The other main idea of performance-oriented budgeting is that performance measurements must be the basis for evaluating government performance as a whole, but also agencies and individuals (Arellano-Gault *et al.*, 2000). We have two considerations here. First, the assignation of the budget for any given agency should depend on its performance evaluation last year. This sounds great, because if a governmental organization did a good job one year, it is going to have more money for the next year. Their effort to perform well is going to be reflected in the budget distribution for the next year.

There is at least one important problem in this argument. Most of the time the agencies that have more problems for measuring their performance are the agencies that deal with complex problems in very important social areas, such as education, health, or social welfare. If we believe in and apply what performance-oriented budgeting says about this, we could give more and more money to the agencies that are not dealing with the majority of the population (Arellano-Gault *et al.*, 2001). Where would be the equity or justice for the society as a whole?

Besides, in the real world this meritocratic situation is almost impossible, because these decisions have to be made taking politics into account. As Wildavsky (1993) says the budgetary process is a political process. Congressmen and the other politicians are not going to let technocrats to take the budgetary process in their hands. This does not mean to talk about politicians as being the main advocates of the poor, but elections and representative institutions are our ways to moderate the interactions among different actors in society (Wildavsky, 1993).

The second consideration is related to the first. If we do not have good performance measures and we are going to distribute some incentives among different agencies and different individuals, this distribution could be very different than what the majority of society really wants. In other words, we cannot have technical procedures for the re-assignation of the budget, because this process is constructed through the participation of our legislators who are our representatives in the policy-designing process.

Performance Oriented Budgeting in Colombia, Mexico, and Venezuela

In this section, we are going to briefly describe various administrative reforms of Colombia, Venezuela, and Mexico as public management policies. These are not going to be complete case studies. We are going to describe only the main characteristics of the budgetary reforms in terms of three general comparative schemas. This analysis is based on previous work developed by a Mexican research team specializing in NPM in Latin American countries (Arellano-Gault *et al.*, 2000; Arellano-Gault *et al.*, 2001; Arellano-Gault, Ramírez and Gil-García, 2001; Arellano-Gault, 2002; Gil-García, 2003; De Haro and Gil-García, 2003). It is also important to emphasize that our real subject is not the implementation of these reforms. The purpose of this paper is to present a description and analysis of the policy design and strategies that the different countries are following to achieve the goals of their NPM policies.

The institutional design is going to be the first dimension to take into consideration. Public management policies, and hence POB policies, are implemented in different contexts. These different contexts impact the way that these budgetary reforms develop and also affect their impact on the structure and functions of the government. Institutions are the formal and informal rules that shape or potentially shape the way a public management policy is formulated (Barzelay, 2001). In this case, we are talking about Latin American countries that share some common institutional characteristics such as various economic problems, weak democratic systems, and authoritarian or near- authoritarian regimes. In the following sections we describe some specific institutional characteristics of each country as they relate to the budgetary process.

In a second schema, we are going to present some important institutional and organizational changes that the different reforms proposed. This is especially important because the policy strategy of each country was different from the others. They all have a very different set of laws and different social, political, and institutional constraints, and so, they all made different policy decisions to facilitate the whole process. The environmental constraints shaped or changed the original policy components in all cases.

As a third step, we are going to pay attention to three organizational aspects of the reforms: the role of budget control agencies, the proposed level of autonomy for the other agencies or departments, and some points of uncertainty or possible problems in the reforms. This third step in the analysis is especially important because the whole idea of performance, flexibility, and innovation is related to the interaction between these two kinds of agencies.

In a fourth comparison point, we will focus on the specific policy strategy of each country. This will include the degree to which each strategy included winning legislative support and the adequacy of the country's legal framework.

We also wish to see if they designed their reforms with the idea of evaluating people or organizations (as in the performance-oriented budgeting concept). We want to know if they were thinking in the whole budget or only in certain kinds of expenditures. The whole idea is to present their main strategies for trying to ensure a better policy scenario in their actual political system.

Colombia: National System for Outputs Evaluation of the Public Management

After the new enactment of a new Colombian constitution in 1991, the country made some changes in the rules and laws governing the budget process, aimed at increasing the process's clarity and accountability. By 1997, they had begun an ambitious program that they called the National System for Outputs Evaluation of the Public Management (*Sistema Nacional de Evaluación de Resultados de la Gestión Pública - SINERGIA*). The main objective of this system is to evaluate the performance of the governmental agencies in terms of outputs and outcomes. Its main focus is on the investment expenditures (*Gastos de Inversión*).

Institutional Design. Colombia is a unitary and presidential republic. Its territorial entities are in some sense decentralized and have a certain degree of autonomy. The legislature is called Congress, and it is bicameral, consisting of the Senate and a House of Representatives. The President, the Vice-President, the various Ministers, and the various Chiefs of the Administrative Departments form the executive branch. There is a Civil Service in Colombia. However, high-level bureaucrats and political appointees tend to have a poor opinion of civil servants, leading to tensions between the two groups. As a result, many ministers have started contracting people as external advisors or consultants. Cooperation between political appointees and civil servants seems to be very difficult.

The Budget process in Colombia is very similar to other countries. The Ministry of Treasury (*Ministerio de Hacienda*) presents a budget proposal to the Economy and Budget Commissions in the Senate and the House. The Bank of the Republic (*Banco de la República*) has to sound off on the budget. The budget bill has to be approved by both houses of the Congress, which can both ask for modifications to the budget presented by the executive branch and establish the final amounts. There are four mechanisms of budget control: 1) Economic, Financial, and Administrative Control; 2) Output Control; 3) Political Control; and 4) Fiscal Control. These different types of control involve the participation and interactions of executive agencies, both houses of the Congress and some independent public organisms such as the *Contraloría General de la República*.

SINERGIA was created as a way to evaluate public policies at the macro level. The first intention was to know to what extent the different policies established in the National Plan of Development were being implemented. For

this purpose, agency-level evaluations were designed and presented. Therefore, in the case of Colombia, performance-oriented budget techniques were more the means than the ends of the policy. Actually, there was an intention to make clear which agency was going to deal with each level of the policy. The Attorney Office (*Procuraduría*) should focus on the individual evaluation of the public servants (micro level). The Comptroller Office (*Contraloría*) would have the responsibility of evaluating the different agencies and departments (middle level). Finally, the Department of National Planning would evaluate and oversight the implementation and impacts of the public policies and programs according to their consistency with the national plan.

Legal or Statutory Reform. The Constitution of 1991 mandates that budget priority be given to the goals and objectives established by the National Plan of Investments. It includes the participation of Congress in the elaboration and evaluation of this plan. It establishes that the Department of National Planning has to design and organize a system of evaluation for the outcomes of policies and investment projects. It obligates government agencies to perform performance evaluations.

Law 179 establishes the coordination between the Department of National Planning and the Ministry of Treasury (*Ministerio de Hacienda*), regarding the development and evaluation of the annual operative program of investments. It creates the National Repository of Programs and Projects (*Banco Nacional de Programas y Proyectos*). It gives a certain level of autonomy to the government agencies.

On the other hand, Law 225 authorizes the National Political and Fiscal Council (*Consejo Político Fiscal*) to make decisions in cases of expenditures that last longer than the annual budget period. It mandates that state enterprises submit financial reports to the Department of National Planning and to the Ministry of Treasury.

Organizational Reform. They are looking for a very clear relationship between incomes and expenditures, and they have a unique budget law within which they can establish this. They defined the category of “Social Public Expenditures,” and gave such expenditures budget priority. Agencies with very good results also have budget priority. The Department of National Planning can evaluate the programs or agencies if they consider it is necessary. They establish that, in the case of SINERGIA, the objectives and goals have to be presented in terms of outcomes.

The Role of Budget Control Agencies. In Colombia, the central and control agencies (*Departamento Nacional de Planeación y Ministerio de Hacienda*) authorize expenses that last longer than the one-year budget period. They evaluate policies and investment projects, and in some sense they also evaluate some projects of functioning expenditure (*Gasto de Funcionamiento*). They define the levels (satisfactory, minimum, and excellent) for each institutional strategic objective. They establish the “Efficiency Agreements” with the other

agencies (*Entidades*) and when the other agencies have financial problems, the control agencies establish also a kind of performance agreement. They negotiate and elaborate the national strategic planning (*Programación Estratégica Nacional*).

Autonomy of the Agencies. The agencies have enough autonomy to make their decisions, and the control agencies and Congress evaluate them in terms of those decisions. Each agency defines its objectives in terms of effectiveness, efficiency, and outputs, or in terms of social impact. The agencies elaborate a self-evaluation of their actions and the outcomes of those actions in terms of the performance measures that they established before.

Points of uncertainty. They use the term “justice” to establish the goals and objectives. This situation brings a big level of bureaucratic discretion to set and negotiate those goals and objectives with the control agencies. SINERGIA does not do anything about functioning expenditures. They are trying to integrate the personal evaluation through their civil service with the institutional evaluation of SINERGIA, but this has been very difficult because many of the political appointees do not have a good perception of career public servants.

Policy Strategy. Colombian budgetary reform pays more attention to investment expenditures, that is, to the money that is used for social projects of development. They have a mixed strategy in which the president and the Congress have been cooperating in the reform, but the executive has been the main visible leader, and they have achieved some of their goals in a relatively short period of time. They are starting with this investment expenditure and they are planning to extend the evaluation to the whole budget in 5 to 7 years. They have more incentives in the works for the agencies as whole entities, in the form of authorizations of new projects and more money for the next year. They also have some incentives for individual public servants that contribute to the success of the performance in their own agencies.

Mexico: New Programmatic Structure and Performance Evaluation System

In 1995 the federal government started a big process of administrative reform that tried to change the governmental apparatus in various ways. One of the main parts of this reform was the transformation of the budgetary system by the introduction of a new programmatic structure and a system of performance evaluation (NEP-SED). The effort was led by the federal executive and the Ministry of Treasury (*Secretaría de Hacienda y Crédito Público*). The effort neither sought nor received legislative support, choosing instead to enact reform through the executive’s rule-making powers.

Institutional Design. Mexico is a federal and presidential republic. The executive and legislative branches of government have institutional

arrangements that encourage them to cooperate only in the policy decisions that benefit both branches politically. The division of power between the three branches of government (executive, legislative, and judicial) with certain autonomy and interrelated controls (checks and balances) leads to situations where it is difficult to cooperate in many policy arenas. Congressmen cannot be re-elected for the next immediate period. In Mexico there is not a formal civil service. Most of the high level bureaucrats are political appointees. However, many public servants have accumulated experience in specific policy arenas through their professional careers. All these factors make Mexico and other Latin American countries different institutional settings from the Westminster system of many other developed countries.

In Mexico, the budget process starts with initiatives by the different agencies that are integrated by the Ministry of Treasury. The budget bill has to be passed only by the House of Representatives (*Cámara de Diputados*); the Senate is left out. In practice, legislators can pass, delay, and modify the budget. After the budget is passed by the House of Representatives, the different agencies work with it and detail the expenses for each program. Congress has an oversight function and legislators can order audits to the programs that they consider necessary.

The performance improvement side of POB was seen as feasible in Mexico, but the executive branch did not think that the accountability side could be implemented easily. POB, as a policy, was not designed to be an instrument of executive accountability to Congress and society, but to become a marketable mechanism that could generate political support and legitimacy for the executive branch and especially for the president. Its promises of performance improvement were used to sell the idea to several agencies. However, it was clear that the institutional constraints in Mexico could make very difficult to implement this policy with all its components.

Legal or Statutory Reform. The National Program for Financing the Development (*Programa Nacional de Financiamiento del Desarrollo-PRONAFIDE*) promotes an integral change in the classification of activities in the national budget. It establishes the use of strategic measures of outcomes.

The Modernization Program of the Federal Public Administration (*Programa de Modernización de la Administración Pública Federal - PROMAP*) argues for government with a service-oriented culture. It emphasizes the importance of effectiveness and efficiency in the public sector. It starts talking about decentralization as a way to improve performance in government.

The New Programmatic Structure-System of Performance Evaluation (*Nueva Estructura Programática y Sistema de Evaluación del Desempeño - NEP-SED*) creates a new classification of government expenditures. It creates links between organizational missions, actions, and budgetary functions in terms of outcomes and social impact. It creates a new model of performance evaluation. It establishes the use of strategic measures for evaluating the agencies'

performance. It introduces the use of citizens' surveys and performance agreements as ways to evaluate the performance of agencies.

Organizational Reform. Mexico is looking for a better and clearer relation between the budget offices of the different agencies and the control agency (*Secretaría de Hacienda y Crédito Público-SHCP*). They give more responsibility and capacity to the budget offices in the different agencies to ensure better results. They are looking for integration between institutional missions, the national planning, and the macroeconomic parameters. They start designing a better planning tool that permits citizens to control government activities in terms of results.

Role of the Budget Control Agencies. The SHCP is Mexico's budget control agency. It establishes the macroeconomic framework, defines government incomes and expenditures, defines the rules of the different procedures and the process as a whole, defines the limits of expenditures, is currently promoting several training programs to implement the NEP-SED, has the responsibility to negotiate performance agreements, and presents the budget to Congress.

Agency Autonomy. In this stage of the proposal, it is difficult to establish the level of autonomy that any given agency is going to have. There is not an agreement about the new catalog of performance measures. The agencies are going to be able to propose their performance indicators and negotiate them with SHCP. Agencies are going to negotiate also their performance agreement with SHCP.

Points of Uncertainty. Without formal civil service system, it is not clear how the SHCP is going to provide incentives to public servants for applying the logic of performance. They need to think more about how to establish a performance measure (how much autonomy, how much accountability, etc.). It is not clear where the incentives are. There are almost no legal changes that can support and strengthen the performance-oriented budget initiative.

Policy Strategy. Mexico is attempting to enact integral budget reforms. Their reforms, referred to as the New Programmatic Structure-Performance Evaluation System seeks to evaluate the whole federal budget and its implementation design includes several stages. However, in Mexico it is clear that the reformers forgot about Congress. Most of these efforts come from the executive, through rule-making powers. Perhaps as a result of the comprehensive scope of the reform, they are taking a long time to get their first results. They have incentives for the agency level that are related to the idea of performance agreements. The negative individual incentives are clearer for the political appointees who can get fired if they cannot accomplish what they negotiate in their performance agreement.

Venezuela: Integrated System of Management and Control of the Public Finances

In 1995 Venezuela began an ambitious effort to create a federal financial information system (*Sistema Integrado de Gestión y control de las Finanzas Públicas-SIGECOF*). With the help of the World Bank they began to design a different budget system based on accounting practices. Because of the nature and size of the project they needed to first promote several changes in different laws. This has made the process very slow, but they have built an interesting and well-integrated information system along the way.

Institutional Design. Venezuela's constitution establishes it as a social and democratic state based on rights and justice. Venezuela is divided into states, a Capital District, and some Federal Territories. Municipalities are regulated by a specific law (called the *Ley Orgánica*). The new constitution transformed the structure of the political system. Now, there are five branches of government. In addition to the traditional three branches (executive, legislative, and judicial), two other branches were created: the Citizen Branch (*Poder Ciudadano*) and the Electoral Branch (*Poder Electoral*). The legislature is called the National Assembly (*Asamblea Nacional*), which is unicameral (the House of Representatives; there is no Senate or other "higher" house). The Citizen Branch consists primarily of the Republican Moral Council, the decisions of which are implemented by Office of the People's Attorney (*Defensoría del Pueblo*), the Fiscal Office (*Ministerio Público*), and the General Controller of the Republic (*Contraloría General de la República*). Normally, the legislative, citizen, and executive branches participate in the budgeting process.

The budgeting process starts at the Office of Central Budget (*Oficina Central de Presupuesto*). This office establishes some rules to be used by the different agencies in proposing their specific budgets. In developing these budgeting rules, the Office of Central Budget follows the general policies established by the president and managed by the Central Office of Coordination and Planning (*Oficina Central de Coordinación y Planificación*). Each agency develops a budget proposal that is revised and integrated by the Office of Central Budget. The integrated proposal needs to be passed by the National Assembly, which can modify it. Once approved by the National Assembly, the executive branch develops a set of rules about how to manage and actually expend the budget.

The whole process is performed using an information system called "Integrated System of Management and Control of the Public Finances" (SIGECOF). One of the purposes of this system is to establish a link between the budget and the actions and goals of the different programs and projects. The main idea is to develop a budget system that gives some autonomy to the agencies to operate their programs, but at the same time, keeps the central offices as important players in the control activities.

Legal or Statutory Reform. The Organic Law of the General Control Office of the Republic (*Ley Orgánica de la Contraloría General de la República*) establishes that the federal executive has the responsibility to create an accounting system for the national public finances. The process continues with the responsibility of the Ministry of Treasury (*Ministerio de Hacienda*) to help in the creation of different ways to relate the different financial systems in the government.

They modified the whole corpus of legislation about or related to the budget process, such as the Organic Statute of the Budgetary Process, the Organic Law of the Budgetary Process, the Law of Financial Public Administration, etc.

Organizational Reform. Governmental reform in Venezuela seeks what is called “normative centralization and operative decentralization”. Reformers propose a clear definition and separation of the functions of the control agencies (*Oficina Central de Presupuesto-OCEPRE*) and the different agencies. Venezuela is trying to establish an integrated information system with all the financial information the different agencies generate. This system is going to generate information for decision-making support and also information for the daily work of all the different agencies.

Role of the Budget's Control Agency. The Central Office of Budget (OCEPRE) and the Ministry of Treasury (*Ministerio de Hacienda*) negotiate and authorize all procedures about public debt. They define the general procedures for the formulation of the Law of National Budgeting. They establish the budgets of the federal government agencies and for the regional and municipal governments. They authorize some of the modifications to the distribution of the budget in the agencies. They define rules and deadlines for the different levels of evaluation of the budget.

Autonomy of the Agencies. The agencies elaborate proposals for their own budgets and their performance measures (*Indicadores de Gestión*). They elaborate a self-evaluation of each budget category and project. They negotiate Results Agreements with the Ministry of Planning and Development.

Points of Uncertainty. There are some points of uncertainty in Venezuelan reform. For example, the role of the civil service is not clear. It seems that career servants are participating in the reform, and the reform does not contemplate a re-structure process of the civil service system. It is not clear if we are talking about another kind of POB, because in their performance agreements they have positive incentives for individuals, but they do not have, or at least is not so clear if they have, negative incentives in the agency level. They are trying to keep and reorganize the accountability system for finance and fairness (Behn, 2001), and at the same time to implement performance-oriented accountability.

Policy Strategy. Venezuela has a more integral reform. Their objective is to integrate accounting techniques with performance evaluation. Despite the

tensions between the executive and legislative branches, the Congress in Venezuela has been an active participant in the reform. Legislators start the effort with a complete review of their entire body of laws related to budget and planning process. This holistic and collaborative strategy has helped Venezuela to have very good legal basis for reform, but it also has made the entire reform process take longer. They are starting with a few of cases as their pilot test and they are going to extend the evaluation to all the agencies in about 5 years. They have clear incentives for individuals, and even what they call “institutional incentives” are in fact monetary bonuses to public servants rather than to the agencies themselves.

Some Lessons to Take into Consideration

Following the policy approach, we can argue that, even if there is a theoretical way to derive the potential benefits of Performance-Oriented Budgeting, due to the actual political, economical, and legal constraints that every country faces, it is almost impossible to have all those benefits in the reality, even if the practical and theoretical problems that are internal to POB are somehow overcome. This has been especially true in the Latin American countries, due to some of the more complex and structural problems of performance and the lack of a clear framework for democratic accountability. Implementation of POB in Latin America appears to be an almost impossible challenge.

Probably as a result of the specific institutional constraints of Latin America, most countries enact only the first stages of POB. They are worried about creating a good set of performance measures and good incentives for individuals, but they are not explaining in detail how they plan to link the results of the whole evaluation with the assignation or appropriation of the next national budget. There are interesting insights to be gained here.

First, if we follow the prescriptions of the POB we should: 1) establish the performance measurements, 2) evaluate the results in terms of outcomes, and 3) reassign the budget according to the results of each agency in the previous period of time. As we can see, following this formula strictly can force us to reduce the budgets of critical strategic activities such as education and health.

Second, there is not a “best” way to establish the correct performance measurements. We are not talking, at least in most of the cases, about technical and well-defined issues, but about politically defined social problems, and thus it can take us a long time to identify the “right” performance indicators (Arellano-Gault *et al.*, 2001). There are therefore period of time in which we measure what we do not want to measure.

As we saw, Latin American countries have taken different strategies to avoid some of the expected problems and constraints, but these strategies have changed some components of the policy and made the whole process really slow, maybe because the budget process is more political and less technical

than many people like to think. It is interesting also how performance-oriented budget tries to place the problem in the measurement of outcomes and the construction of incentives for agencies and people, but it is important to clarify that in public policy the problems and outcomes are constructed by people in complex processes of interactions and negotiation (Wildavsky, 1993), so we still must deal with the problem of who is going to define the problems and who is going to establish goals, objectives, and performance measures (Arellano-Gault *et al.*, 2001). We can think also that this whole effort is worthless because the ultimate purpose of governance is not, or should not be, efficiency, but more important values such as equity or justice (Dobel, 2001).

Government is dynamic because the nature of society is dynamic as well. Now, public administration is facing new challenges. It is not only the problem of how to keep our public officials and public managers accountable, but we have also the problem of having new relationships with different non-profits and private agencies for providing a great variety of services. The contracting relationship by itself is a challenge (Castellani, 1997; Lipsky and Smith, 1989), but the idea of performance and accountability in those kinds of new partnerships is a topic that needs to be very well discussed (Moe, 2001).

As we can see, in practical terms, POB as a NPM policy cannot accomplish both its performance and accountability objectives. On the side of performance measurements, we have seen that in many cases those measures are, and have to be, the result of political negotiations between budget control agencies, the rest of the agencies, and in some cases key legislators. The promise of an objective and technical definition of these performance measurements is almost impossible to achieve, at least in settings like some Latin American countries.

Accountability could become an even bigger problem. In the traditional system, the inputs and some outputs are relatively clear. POB proposes to pay more attention to the outcomes and give more legal discretion to bureaucrats and public officials. As was said early in this paper, it is more difficult to have good outcome measurements. We are going to be in the position of not having good measurements of outcomes and also not having control over inputs and outputs.

We might think that we can solve this problem by keeping both systems together, what seems to be the strategy of Venezuela. However, the idea of having so many controls over the bureaucracy calls to mind Behn's comments (2001) that government can be transformed into a place where nobody wants to work. So, in the remote case that we could establish a perfect set of rules, objectives and goals in terms of performance, we would face another problem. It is very difficult and maybe not desirable to abolish our institutions of accountability for finance and fairness, so managers in government would have the challenge to be aware of the different sets of rules. This might cause some

very responsible and committed public officials to prefer to work in the private sector and not to try to take every possible precaution to avoid any mistake.

POB often fails to include the legislature in the reform process. Reformers seem to see the accountability issue as only involving greater executive control over the bureaucracy. The whole design of Performance Oriented Budgeting pays more attention to the relations of the budget's control agency with the other agencies and departments. The role of legislatures and their capacity for oversight are not taken into consideration. Recently, legislatures in some countries have switched their attention to oversight because some changes in the conditions of the economical and political system (Aberbach and Rockman, 2000). To have a successful governmental reform, reformers should pay more attention to the role of legislatures (Kettl and Dilulio, 1995).

We can say that it is very difficult to solve in practice the dilemma between performance and accountability. However, we can say also that, even if we could solve it, the solution would probably not be desirable for many countries. Government is a complex system of organizations that have interrelations with each other. We need first to understand how these interrelations affect performance and accountability. There is not a unique or best solution for this dilemma in practice. We need to analyze in more detail what is happening in the different countries that are attempting to implement this kind of reform. New Public Management recommends having reforms with these two important ingredients, but it is not clear how we can get the benefits and avoid the problems of such recommendation.

In theory, these two elements are taking us to different places. Their main values, characteristics and tools are not necessarily convergent, and in some cases they are contradictory. In the practice, as we have seen in the development of this paper, solutions as POB that seem to achieve the goal of joining these two components, have to face complex economical, political and social constraints. So, it is not clear if we are going to find a type of governmental reform that can get the benefits from a better performance and a clearer accountability at the same time. At least we have the idea that POB could be a part of the solution, but we need to discuss much more the details of its implementation and the strategies that countries need to be successful.

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