

**NÚMERO 143**

DAVID ARELLANO GAULT  
EDGAR RAMÍREZ

**Performance Based Budget in the  
Latin American Context: An Analysis of the Recent  
Reforms on the Budgetary Systems of Brazil,  
Chile, Colombia, and Mexico**

**MARZO 2004**



**CIDE**

[www.cide.edu](http://www.cide.edu)

• Las colecciones de **Documentos de Trabajo** del **CIDE** representan un medio para difundir los avances de la labor de investigación, y para permitir que los autores reciban comentarios antes de su publicación definitiva. Se agradecerá que los comentarios se hagan llegar directamente al (los) autor(es).

• D.R. © 2004. Centro de Investigación y Docencia Económicas, carretera México-Toluca 3655 (km. 16.5), Lomas de Santa Fe, 01210, México, D.F.  
Tel. 5727•9800 exts. 2202, 2203, 2417  
Fax: 5727•9885 y 5292•1304.  
Correo electrónico: publicaciones@cide.edu  
www.cide.edu

• Producción a cargo del (los) autor(es), por lo que tanto el contenido así como el estilo y la redacción son su responsabilidad.

## *Abstract*

---

*The introduction of New Public Management ideas in the reform of Latin-American countries has been a process of learning, with successes and drawbacks. In the case of the implementation of perform based budgets, all the contradictions, tensions and dilemmas Latin American political systems have to face, become evident. Tensions between accountability and innovation, political or technical decision-making, participation or not of the legislative power in the definition of outcomes, and the impression that evaluation by performance has been added to an already complex flux of evaluation by procedures, are some of the evidences we explore in this paper in the cases of Brazil, Chile, Colombia and Mexico.*

## *Resumen*

---

*La implementación de ideas devenidas de la Nueva Gestión Pública en América Latina ha sido un proceso de aprendizaje, con sus éxitos, pero también con sonados fracasos, de los cuales se puede aprender también. En el caso concreto de la implementación de sistemas presupuestarios basados en el desempeño, una serie de contradicciones, que los sistemas políticos latinoamericanos tienen que enfrentar para su exitosa instrumentación, se han hecho evidentes.*

*Tensiones entre innovación y rendición de cuentas, entre el peso de decisiones políticas o técnicas en el diseño del presupuesto, en términos del papel que el poder legislativo debe tener en la definición de resultados e impactos, y la impresión de que el presupuesto por resultados no ha disminuido la carga del control por procesos sino que se ha añadido a ese control, son algunas de las evidencias que se exploran, en este artículo, para los casos de Brasil, Colombia, Chile y México.*



## Introduction

---

Throughout the 90's, many attempts to implement new approaches on the reform of public administration (some of these efforts are known as New Public Management) have been tried in several countries with different results. These attempts are based on the idea that improving government's performance might be accomplished by giving more autonomy to public administrators. Winning this autonomy would have a price to pay for the public organizations: to be evaluated by performance rather than by processes. Moreover, the government's accountability would be based on the citizens' level of welfare or satisfaction and on the results of public policies. The accomplishment of bureaucratic procedures would be considered in the second place, at best, under this new system.

The system known as Performance-Based Budget (PBB), assumes that the necessary flexibility in governmental organizations requires stronger systems of accountability based on results rather than procedures. To administer organizations through results has an important appeal to the public, which, perhaps, explains why PBB has had repercussions in many countries in the world.

PBB is a response to managers' complaints about being handicapped by rules and regulations, and the lack of flexibility in government. Managers complain about the restrictions imposed to them by the bureaucratic model because they have a small capacity for innovating and doing their job in turbulent environments (Wildavsky 1992). In this perspective, the managerial cry behind the PBB: "let the managers manage", arose demanding to reduce the bureaucratic constraints imposed on managers. PBB promises to generate innovative behavior among managers without losing the control of their behavior (Barzelay, 1992).

However, beyond the PBB promises, there is not universal definition of what a PBB is in practice. There are many potential applications of performance measurement in the design and implementation of a budgetary system. Performance budgeting and performance measurement are other names used to describe many different systems of budgeting through agencies' results (Broom, 1995). However, in general terms, performance based-budget proposes that outputs and outcomes must be considered in the processes of allocating and managing resources.

According to Joyce (1999) there are at least three ways of improving the budgetary process by performance measurement. First, agencies may use measures that are valuable for improving their management with a given level of resources. Second, governments or agencies may use performance measures as part of reports on their activities. Third, involves replacing traditional budgets with a system that gives program managers more flexibility in

managing their results but holds them accountable with measures of program results. In return, administrators would get greater discretion to *i)* allocate resources from one year to another, *ii)* handle the times of the managed resources, *iii)* generate and to retain incomes and savings, and *iv)* move resources among programs (Forsythe, 1993; OECD, 1993). In this paper we have more concern with the use of performance measures with traditional budgets, since it is closer to the model of PBB behind Latin American reforms.

A conception of budgeting based on results is not new. For example, the Hoover Commission in USA in 1949 proposed to do something similar. Nevertheless, it is accurate to say that compared to previous budgetary reforms, PBB has important innovations such as: *a)* the logic behind the definition of results and the measure of them based on strategic planning systems that go from the bottom of public agencies towards the controllers; *b)* PBB emphasizes the decentralization of control in the decision-making process, where the leaders of governmental organizations obtain flexibility and liberty to manage them in exchange for results; *c)* PBB changes accountability based on the monitoring of the fulfillment of norms and procedures through a responsibility to specific and measurable results.

Implementation of PBB in diverse countries has generated mixed results (Arellano *et al.*, 2000). The advancement in PBB implementation in such countries as the United Kingdom, New Zealand and Australia, allow us to observe some of the potential benefits of the implementation of PBB. Among these benefits we can find: *a)* improvement in the continuity in the work of agencies and reduction of uncertainty by establishing clear expectations for agencies and legislators; *b)* generation of more and better information for citizens and legislatures in respect to expenditures, costs, and the results of public programs; *c)* more effective mechanisms to define necessary resources for programs by means of the identification of critical processes and specific impacts on social and economic variables; and *d)* generation of links between planning, budgeting and evaluation.

In the next section of this paper we will present an analytical framework to understand budgetary reforms based on performance measures. After that, we will present the main programs related to performance-based budget reforms in Brazil, Chile, Colombia, and Mexico. Subsequently, we will introduce a discussion on the practical solutions which Latin American countries are facing theoretical problems on the implementation of performance-based budget. Finally, we will present a set of final considerations.

### ***Performance Based Budget: an Analytical Framework***

It can be said that the PBB takes into consideration the diagnosis provided by Niskanen (1972) and Ostrom (1972), regarding the nature of bureaucracies in democratic contexts. They asserted that managers are self-interested

individuals controlling public resources and information in a monopolistic form. Under these circumstances, democracies are designed to control the individuals' behavior but not to perform in an efficient way.

In the traditional logic of government, legislators act as stockholders who cannot clearly monitor managers' behavior, since they have interests in many agencies' performance, thus to handle all information about managers' behavior would be prohibitive for them. Therefore, the traditional mechanism for controlling bureaucracy is to impose rules on their behavior that have to be monitored by other agencies to which legislators delegate power for controlling public bureaucrats. In addition, the traditional mechanisms for evaluating public officers are concentrated on agencies' processes, activities, and outputs. However, managers have been constrained because these rules restrict their capacity to respond to citizens in an efficient and effective way in turbulent environments.

In the PBB model, legislators have more interest in governments' outcomes than in governments' outputs. Based on this idea, PBB includes two mechanisms for controlling managers. The first one is by aligning legislators' and managers' goals. Legislators transfer the focus of their evaluations from measuring managers' behavior and agencies' outputs to measuring agencies' outcomes. This new focus allows the creation of outcome-based contracts to suppress managers' opportunism. In this situation, contracts align the preferences of managers with those of legislators because payoffs for both depend on the same result; thus, these contracts create incentives to reduce the self-interest conflicts between legislators and managers.

The second proposition is to use reliable information systems that reduce the opportunistic behavior among managers. These systems would allow managers to realize that they cannot mislead legislators. One difference between these and the former information systems is that the new information systems allow legislators to focus on what is more important for their constituencies: the results of the government agencies. Paradoxically, this focus makes more ambiguous the responsibility for managers to achieve outcomes, because outcomes may be affected by factors produced by other agencies or simply by random factors.

In the logic behind PBB, outcome-based contracts are the main source for creating incentives for managers to improve their performance. There are two major incentives for managers in these contracts. One incentive is to respond to managers' complaints regarding the lack of flexibility to manage. Based on outcome-based contracts, managers have more autonomy to use agencies' resources with fewer restrictions to improve agencies' performance. Better agencies' performance is a second incentive for the manager because it improves managers' reputation. On the other hand, incentives for managers may be offered explicitly in the form of salary increases or performance-based bonuses.

These performance-based contracts are incorporated in the budgetary reform in PBB and serve to change the programmatic structure of the budget. New programmatic categories may arise as the agencies' mission and vision are integrated into the budgetary process. In this way, the measurements of results and performance are not only used to measure efficiency in the implementation of programs, but these become the base of the budgetary process, its approval, and its execution. In this sense, budgets acquire a new dimension: a budget must generate results and impact, and these impacts must define appropriations.

While the logic behind PBB is clear, in diverse countries, the implementation of this type of budget has faced different dilemmas. Among the most important dilemmas we can mention the following: *a)* it is not clear whether the appropriate budgetary response to a program with a poor performance is to reduce or to increase its appropriations; *b)* performance may depend on external factors not under the control of the agencies; *c)* PBB may provide incentives to report deceitfully; *d)* it is not clear how governments can define the means-ends chains accurately and how they can accurately defined the result-impacts chains; and *e)* budgeting is a decision-making activity characterized by political bargaining rather than a purely rational process.

Since implementation of PBB implies that various actors' interests may be affected as well as the fact that budgeting is not just a technical distribution of resources based on simple mathematical equations, these dilemmas are difficult to solve. As a result, each country has found different ways to resolve these dilemmas. In spite of these problems, the possibility to return to the previous budgetary system never has been considered in countries implementing PBB.

Next, we will present the main programs of Brazil, Chile, Colombia, and Mexico that we identify as attempts to move the budgetary processes toward PBB. In these Latin American countries, there are programs and policies that attempt to introduce changes to improve budgetary process. However, we will focus on those policies that more explicitly try to introduce changes in the direction of PBB and have had a major impact on both the governmental and the research agenda. Therefore, we will concentrate on those public programs that attempt to create institutions that provide the foundations of PBB by information systems, performance evaluation, performance-based contracts, public managers' autonomy, and economic incentives for managers.



## **Programs associated with PBB in Brazil, Chile, Colombia, and Mexico**

### *Brazil*

In Brazil, the main programs associated with the creation of a PBB do not have a distinctive name because those changes are included in broad reforms. These reforms are the administrative reform, the budgetary reform, and the reform of the planning process.

### The Administrative Reform

The basic definition of the model used in the Brazilian reform can be defined as managerial, which is different than the traditional model in bureaucratic administration (Dos Santos, 1997). This reform included constitutional changes and creation of new legal regimes to provide public services.

The constitutional reform of Brazil included the reform promoted by President Cardoso: the Plan for Reforming the State (PRS). The PRS divided the Public Administration into four different structures or nuclei (Bresser Pereira, 1995). The first one was the nucleus called Strategic, which included the main functions of the State. The second nucleus was formed by activities exclusives for the Brazilian State. The activities included in this nucleus were the main services provided by the State. In the third nucleus there were the nonexclusive services, in which the State can act jointly with the private sector. Some examples of these activities were non-basic education and public health. This nucleus would be transferred to the private sector by means of social organizations. The fourth nucleus included the production of commodities that would be provided by the market such as infrastructure. Only the strategic nucleus and the nucleus of exclusive activities would maintain tenure for their employees.

The second part of the reform was concentrated on the types of legal regimes that should be created to rule the provision of services. The first one was executive agencies. These new agencies would extend their budgetary discretion by using managerial contracts. Based on managerial contracts, the necessary resources would be allocated for the heads to be responsible for the fulfillment of goals. The second legal scheme created was social organizations, which included organizations of private sector not integrated in the federal administration. Finally, social organizations would act on the nucleus of nonexclusive services. In these agencies, managerial contracts would be signed to provide enough appropriations to fulfill their function.

Based on the desire to provide more flexibility for managers, managerial contracts became the prevalent form in the process of reforming the Brazilian

State (Dos Santos, 2000). Within the PRS, agencies' autonomy was required to achieve the proposed levels of efficiency. Managerial contracts played the leading role in increasing efficiency and effectiveness in Public Administration through the allocation of resources. Also, managerial contracts served as compromises between the Executive and agencies.

Social organizations also would be managed by results. A social organization would be a joint venture between the government and other private organizations. These social organizations would have financial and administrative autonomy that provides more flexibility. In response to the financial flexibility directors of these organizations would have greater to achieving goals.

Nevertheless, the managerial contracts became a mere formality and a mechanism to deceive the controls without guaranteeing better results. In terms of securing administrative and financial autonomy, in most of the cases, they have produced few results since they have established little or nothing more than had already been provided by the National Constitution to those agencies, (Dos Santos, 2000).

### The Reform to the Budgetary Process: the Law for Fiscal Responsibility

During 90's most of the Brazilian public organizations faced disorganization in their finances, because of a long inflationary period, an increase in the demand for public services, and a lack of fiscal discipline among public officers (Silberschneider, 2001).

The President sent to the National Congress a draft of the Law of Fiscal Responsibility (LFR). The core of LFR resided in the adjustment of the public deficit, also were included articles related to the efficiency and effectiveness of the cost of the government. In addition, norms to orient the financial management were established, to allow transparency in the management, and to permit social control (Martner, 2000; Silberschneider, 2001). Also, the LFR encouraged social control by giving transparency to public finance (BNDES, 2000).

### The Reforms to the Planning Process

Between December 1998 and March 1999 an inventory of all the actions in the federal government took place. This was the first stage of creating a budget based on the classifications of all the actions of the government. In October 1998, other advances in the budgetary reform took place: the promulgation of Decree 2,829. This decree gave the legal framework to incorporate all the actions of the government in a set of programs.

Within the Multiyear Plan (MP) each program was seen as a unit for management, which means an association between the plan and the budget. In the new MP, a constant flow of information was a basic aspect for evaluating results permanently. Key components in this process would be managers, a reliable information system, and the flow of resources for programs that would be in accordance with the obtained results. The annual evaluation would allow managers to evaluate their respective programs. In the theory behind this model, evaluation will be a fundamental input for the creation of the Law of Budgetary Guides, which provides the bases for designing the budget. Also, the role of Congress would be a key aspect in the evaluation, since it takes part in the approval of the LBG. In addition, Congress would use the information on performance measurement as an instrument in the annual discussion for allocating resources.

## Chile

### Performance Measurements (Indicadores de Gestión in Spanish IG)

In 1993, the Office of Budget started a program for improving the management of public services. The nucleus of the program was the development and practice of strategic planning in government. These projects would allow managing organizations by establishing performance goals. The program expected that these goals and indicators could be integrated in 'performance contracts' that incorporated incentives for good management. However, the lack of institutionalization makes the program subject to the political swings and the urgencies of authorities in each agency (Marcel, 1997). These weaknesses that reflected the political nature of the public administration grew with the change of government.

Thus, in 1994, some changes were promoted focusing only on the formulation of performance measurements. This plan required agencies to identify performance measures and goals to be incorporated in the 1995 Budget Law. It was not until the formulation of the 2000 budget that the performance measures gained importance (Guzmán, 2000). By 2001, 149 services with 275 indicators had been incorporated in the budget as annexes.

Despite the accumulated experience in the elaboration of indicators by agencies, their initial reports were inadequate, since they concentrated on the indicators of processes rather than those of results. In order to fulfill the basic technical requirements, for the formulation of the 2001 budget, the version of indicators presented by the agencies had to be reviewed and improved with the support of the Office of Budget. In some cases, it was not possible to measure

the performance of the services or the key outputs of some organizations because of the lack of appropriate information systems.

### Program of Evaluation of Governmental Projects in Chile (Programa de Evaluación de Proyectos Gubernamentales, PEPG)

This program has the objective to provide information for supporting the management in public programs and the analysis of results in the process of allocating resources. Every year 20 programs are evaluated under the responsibility of the Ministry of the Treasury and the Office of Budget. Panels integrated by experts in public administration evaluate those Programs. The experts' panels look for a technically reliable evaluation (Guzmán, 2000; Guzmán, 2001). In addition, the experts' panels help to provide a sense of independence to the evaluation process.

The analysis is based on the initial justification of programs. The evaluation of performance is based on the effectiveness, efficiency, and economy of programs. Many of the evaluated aspects of programs have given place to criticisms. Since, many social programs do not have clearly defined goals, which are the basis of the evaluation in the PEPG. In other words, many social programs do not have objectives, which is to a large extent why programs cannot be evaluated. In addition, most social programs are not easy to be evaluated by their economy and efficiency

Finally, the results of the evaluation are not conclusive, and therefore can only be treated as initial proposal for their analysis. For instance, in 2000, the Ministry of the Treasury, along with the corresponding institutions, analyzed those recommendations. These analyses were not formal, since it is not possible to establish commitments of another type between the Office of Budget and agencies.

### Programs for Improving Public Management (Programas de Mejora de Gestión, PMG)

In 1998, the operation of the PMG based on the law 19,553 took place. These programs tried to incorporate indicators and goals for management, associating their fulfillment to monetary incentives for the civil employees. At this first stage, the Head of each service proposed a PMG for years to follow to the Minister on whom s/he was dependent. Every objective must be represented with a performance measure. However, in most cases, agencies achieved their goals because those goals did not required an additional effort.

In 2000, the government considered it necessary to reform PIPM. Modifications were focused on improving the global management in institutions. At this point, PMG tried to be a managerial instrument with the objective of

developing strategic areas in public management (DIPRES, 2000b). The PMG includes a set of management objectives in each area. These objectives correspond to the stages of the program development. When the objectives are achieved, agencies can get monetary incentives for employees.

## *Colombia*

### National System of Evaluation of Results in Public Management (Sistema Nacional de Evaluación de Resultados de la Gestión Pública, SINERGIA)

SINERGIA has its roots in the Constitutional amendment of 1991, but it had not gained importance until recently. SINERGIA is a system that attempts to evaluate agencies by results based on the National Plan for Development. SINERGIA is implemented under the direction of the Department of Planning, which is under the direct supervision of the President. This system is an iterative process of self-evaluation, where agencies must elaborate an annual plan that includes the expected objectives and results. The expected results must be a link between the objectives of the agencies and the objectives of the National Plan for Development. Therefore this program is directed to two objectives, making clear goals and objectives for public administration and linking policies with the main goals of government.

The system includes two main instruments, an indicative plan, and the Strategic Evaluations incorporating the managerial compromises and the system of information

The indicative plan is an instrument for strategic planning according to the necessities of the SINERGIA. Within the system there are two types of indicative plans, the indicative plans of each agency that includes each agency, and the indicative plan of each sector comprising the indicative plan of the agencies within the sector.

The strategic evaluations are done by teams of expert consultants who concentrate their efforts on those programs that require serious amounts of investments, include important extensions, are innovative, and are suitable to be evaluated because of the available information. These evaluations are focused on some components of programs such as results, efficiency and efficacy, important processes, and problems of implementation. The main goal of these evaluations is to provide additional information on the performance of programs and improve appropriations of government.

Based on the strategic evaluations and the indicative plans, the National Direction of Planning produces an annual report for the National Congress, which includes an analysis of the degree of achievements of the National Plan

for Development. This analysis also includes the changes proposed to improve the performance of the programs and policies.

The main limitation of SINERGIA is that this system focuses on the macro-level of evaluation and does not include the individual level of performance. In addition, SINERGIA neither includes incentives related to performance evaluations nor introduces mechanisms to coordinate the work among agencies. This system has been implemented in a gradual manner. This program only covers 173 agencies, 16 sectors and 5 presidential programs. In addition, SINERGIA had not had strong influence on the National Congress and citizens, and even among academics and the public officers. In addition, the results of the evaluations provided by SINERGIA has not had any important impact on allocation of resources and appropriations.

## Mexico

### New Programmatic Structure (Nueva Estructura Programática, NEP)

NEP was introduced in the budget of Mexico in 1983. The new programmatic structure is one tool of the budgetary process, which requires data to make decisions or to pursue public policies. This tool has been the object of constant changes.

The NEP was created to put in a set of information without justification, classifying it in categories and programmatic components that are gotten up in the budget, and serves as basic instrument for the identification of the operative cost in accordance with the budget. The programmatic categories look for ordering and directing the allocations of public resources in their functional classification. Through the definition of the spheres of governmental action the programmatic components try to provide the information that allows measuring the results obtained with the public resources.

According to the Ministry of Finances, the NEP tries to generate a database adapted for planning, programming, budgeting, implementing, and evaluating public costs, which can introduce the basis for transforming the present budgetary system into a tool oriented toward results.

### Federal Integral System of Financial Administration (Sistema Integral de Administración Financiera Federal, SIAFF)

After serious efforts in technological and administrative issues of the system, and even changes among leaders, SIAFF started to function in January of 2003. SIAFF represents the first attempt by the federal government around a project

that integrates the budgetary administration, treasury, financial administration, and governmental accounting in a single system.

SIAFF represents the global vision of the public costs through the budgetary process because it provides information of the status of the cost at the levels of budgetary classification: from its approval in the National Congress, through the possible modifications during the implementation, to the procedures to pay the incurred costs.

### System of Evaluation of the Performance (Sistema de Evaluación del Desempeño, SED)

SED is a system that retakes the bases which provide the programmatic categories of NEP to incorporate them into a model of measurement of results, through indicators linked to the programmatic categories of programs, performance contracts, and projects of the budget. Its objectives are to strengthen the evaluation of the governmental management directed to results and the satisfaction of clients instead of the execution of activities. SED tries to provide support to those who make decisions, to promote the credibility of government, to improve allocation of resources, and to incorporate new technologies. In addition, SED makes an attempt to identify programs and projects that require evaluations to justify their existence.

Thus, this system suggests an integration of the following components: audits of the system, the surveys of population, the incorporation of information technologies, performance contracts, and the construction of strategic measurements.

### **Components of PBB Introduced in Brazil, Chile, Colombia, and Mexico**

We can identify two characteristics of these changes that are present in all these countries. First, these changes include different reforms, policies, and programs that are looking for the same goals but that do not include mechanisms for creating synergies among them. This situation stems from the fact that there are many agencies and interests involved in the budgetary process.

Second, all these reforms are implemented very gradually. The gradualist approach has both strengths and weaknesses. On the one hand, we can see that only few programs are included in the efforts of PBB. However, if the changes are implemented in a gradual way it may lose power in the public agenda because most of the society fails to see important results in the performance of public administration as a whole. On the other hand, when programs are implemented in a gradual manner, people in charge can improve the programs

using a dialectic approach; moreover, when programs are implemented in a massive form, most of the institutions become involved in mere bureaucratic procedures. The problems related to this gradualistic approach will be discussed more in depth in the next section.

Despite these similarities, each country has developed its own strategy and agenda for implementing its own reform. Thus, each country has done better or worse in each component included in our analysis. The components introduced in these Latin American countries are summarized in Table 1. In this table we can see that, in some way all these countries have introduced information systems to improve their budgetary processes. In all these countries, information systems attempt to link their planning systems with the actual performance of agencies. Moreover, although these countries are trying to evaluate performance by measuring outcomes rather than outputs, all of them are struggling with the same difficulty: how to measure outcomes accurately.

**T A B L E 1**

**COMPONENTS OF PBB INTRODUCED IN EACH COUNTRY BY THE BUDGETARY REFORMS**

COMPONENTS OF PBB	INFORMATION SYSTEMS AND TRANSPARENCY	PERFORMANCE EVALUATION AND ACCOUNTABILITY	PERFORMANCE CONTRACTS	INCREASED FLEXIBILITY	PROVISION OF MONETARY INCENTIVES FOR MANAGERS	CHANGES IN THE BUDGETARY PROCESS
<i>BRAZIL</i>	PLANNING AND BUDGETARY REFORMS	PLANNING REFORM	PLANNING REFORM	ADMINISTRATIVE REFORM	NO	REFORM TO THE BUDGETARY SYSTEM AND REFORM TO THE PLANNING SYSTEM
<i>CHILE</i>	PEGP IG	IG PEGP	PMG	NO	PMG	NO
<i>COLOMBIA</i>	SINERGIA	SINERGIA	NO	NO	NO	NO
<i>MEXICO</i>	SIAFF NEP	SED	SED	NO	NO	NEP

Since information systems and performance measurement appear to be based on what agencies are actually doing legislatures' goals appear to be highly influenced by agencies' goals. This situation is strongly related to the absence of an important role that the Congress should play in all of these countries. In these countries, the capacity of the Congress for maintaining agencies accountable and providing alternatives for creating different programs, performance measurements, or information systems is very limited. Then, if



Congresses do not have an important role in this process, PBB becomes just another instrument to control bureaucracy within the Executive Power.

Among these four countries, Colombia is the one that has not tried to create some type of performance contracts. However, performance-based contracts face the same problem, which prevented its implementation in other countries: the accountability vs. autonomy dilemma. We will talk more about this dilemma in the next section. In addition, more autonomy for Public Managers is present only in the Brazilian reform of public administration. However, even in this country, there is no clear evidence that this autonomy is a real delegation of authority to managers.

With respect to incentives for managers, the only country in this group that has provided some kind of monetary incentives for public officers to improve their performance by PMG is Chile. In addition, the problems related to this analytical component appear to be originated in the accountability vs. autonomy dilemma too. Finally, the budgetary system appears to be affected by these reforms only in two countries: Brazil and Mexico. Those two countries are looking for different ways to organize and present the budget incorporating the changes resulted from other reforms and programs.

Despite the differences in strategies adopted by each country suppresses the other by some elements. In the next section we will discuss what we think are the reasons of this problem.

### ***Discussion: Practical Solutions to Theoretical Problems in Latin American Countries***

There are two main points observed in these cases that we want to emphasize in this discussion. First, the difficulties to resolve the dilemma autonomy vs. accountability. One of the most important issues in the PBB model is the role of accountability. There are two main issues within this dilemma. On the one hand, the old idea that politics is undesirable within an administrative process. For example, the study of Pollitt, Birchall and Putman (1998) on the process of administrative decentralization in the United Kingdom shows how the process of liberation of the managerial forces has implied to displace the representative local authorities. Based on our analysis, the Brazilian administrative reform is the one that, in this sense, proved to be more advanced. However, The democratic “deficit” in PBB implementation becomes obvious when the reformers say that the key question is whether services are being provided efficiently and effectively rather than who provides them. On the other hand, accountability and autonomy for management appear to be in opposition. Accountability is concerned with the guarantee that an agent does what s/he is supposed to do. Autonomy is about providing actors with the opportunity to independently make their own decisions even with regard to

choosing their own objectives. Then accountability is not necessarily associated with innovation. Our analysis shows that Latin American countries have decided to give more preference to accountability, thus neglecting the innovative capacity of Agencies.

Accountability implies being able to respond to the demands or necessities, rather than administering expectations. Administrators must balance different types of accountability. The necessity to balance different types of accountability implies making explicit the plurality of interests involved in each process of change. There is insufficient explanation of this phenomenon in the normative theories of budgetary reforms. Public administrators have different types of accountability depending upon who they are dealing with. They should respond differently to appointed officials, legislative bodies and judicial courts. Associated with each actor there are different mechanisms to ensure accountability and different visions about what accountability should mean. This diversity is not reflected in the budgetary reforms.

PBB proposes that agencies must be responsible for efficiency and effectiveness but provides very little foundation to maintain external systems of accountability (Harris, 1995). The reforms in the four Latin American countries have ignored two basic questions: one is from whose point of view economy, efficiency and effectiveness are judged. Responding to this question implies introducing a basic criterion of public administration: equity. This criterion may be explicit, but hardly to be defined through mechanisms and techniques. The other critical question is how the information about the specific performance of an organization is translated in values related to the different expenses for different intentions?

The second point is related to the difficulties of making an integral reform including all the components of the PBB model. Our argument related to this point is that a full implementation of the PBB model implies transforming the structures of management and governance in public administration, to allow eliminating the traditional systems of control. Given that PBB provides possibilities to make financial decisions with a high degree of autonomy (which implies changing the rules of financial control with possible implications for the economy, and the relationship between agencies and legislatures - the changes presenting a major challenge) most of the countries have preferred gradualist strategies, which prevented them from bringing these reforms to the full implementation of the model.

The budgetary reforms have been criticized by their incapacity to consider the politics of budget (Joyce, 1993a Pilegge, 1992; Rubin, 1988, 1992; Schick, 1994; Wildavsky, 1964; 1992). All the reforms must respond to the question: who must receive the benefits of the budgetary reforms and in what proportion? In other words, a change in the budgetary policy implies a change in the political system. The literature on PBB ignores these components, even with non-political arguments (Harris, 1995). Thus, to answer the question why

Latin American countries have preferred a comprehensive reform to implementing PBB, it is important to understand that PBB not only implies changes in the behavior of bureaucracy but also in the behavior of other actors.

Then, the budgetary reforms toward a PBB in Latin American countries (and perhaps in some others) have not being consistent with the assertion that procedural and administrative changes will not necessarily change the political nature of the budgetary activity. The politics of budgeting still restricts administrators to adapt their behavior to the assumptions of the reform. In addition, it will not generate more discretion for public administrators. With bureaucratic procedures getting more complex, as the performance information is added in the report and requirements, the budgeting system becomes more complicated.

In general, in these cases we can see that PBB increases the number of rules, guides and requirements by those agencies that control the budgetary process. In other words the implementation of PBB can: *a)* add information to the traditional budget but not replace it, *b)* increase the number of budgetary instructions and rules for agencies to make their budget, *c)* add information for legislators to evaluate budget *ex- ante* and *ex- post*, but not replacing the traditional information; but *d)* maintaining the number of rules, regulations and procedures that the agencies must fulfill to execute their budgets.

The politics of the budgetary process, as was noticed by Wildavsky thirty years ago, cannot be relegated by managerial reforms that assume that it is possible to prevent political interferences on the budgetary activity. PBB reforms are condemned to assume that it is possible that some bureaucratic behaviors change, not being so clear such possibility for change in the behavior of controllers, and legislatures. This change of behavior is not assured in any of these actors given the political nature of its intervention. Moreover, without a clear perspective of the political implications of attaching governmental action to performance measurements, the political reaction of diverse actors would tend to be cautious to avoid that such technical commitments become a political weapon used against them generating more conflicts.

In other words, PBB implies the transformation of diverse relationships among policy executors and legislators. Making public organizations act based on results forces one to think in terms of accountability and autonomy: managers can have more autonomy as long as clear and measurable results exist to make them accountable. Given the difficulty to measure with clarity and precision the diverse impacts and results of governmental organizations, agencies' results have to be defined taking into consideration the influence of the political forces.

It is clear that budgets are political constructions, which in plural countries are linked to the political debates. However, the political dimension is not developed in PBB. Somehow it is assumed that once governmental organizations are managed by precise and unambiguous results, once a political discussion

becomes to be a technical one. This could be certain for some governmental projects, those that are straightforward; but in contemporary budgets, most of the public programs include an ample range of complex policies, ambiguous in terms of results and impacts.

For that reason, the implementation of these budgets implies an important transformation of the structures and political relations at different levels: *a)* between Representatives and Executive; *b)* between Representatives and control agencies; *c)* between Representatives and agencies; *d)* between governmental agencies and control agencies; *e)* between control agencies and the Executive.

### **Final Comments**

It seems a consensus among the idea that the reform of the public administration will become reality when the behaviors of the bureaucracies change. Another idea shared by some scholars is that it is needed to release to the bureaucracy from normative constraints, micro management, and controls that generate inefficiencies. In spite of these consensuses, it is not evident which are the most important factors for such type of reform.

Here we have discussed briefly some of these dilemmas based on the experiences of some Latin American countries. There are some operative dilemmas, for example: that constructing measurements of results is not a technical process, since this involves an important process of negotiation and discussion among stakeholders. However, serious dilemmas also exist because the budget is a political instrument in any democracy. The policy of the budgetary process, as Wildavsky (1964) noticed forty years ago, cannot be relegated by a managerial reform unable to eliminate the political interference on the budgetary process. PBB assumes that it is possible that some bureaucratic behaviors change, nevertheless the possibility of change behavior on the controllers in charge of managing the reform is not so clear.

In the Latin American experiences presented in this paper we find incomplete efforts implementing a PBB. Governments are faced with two main dilemmas: *a)* equilibrium required between agencies' autonomy and accountability and *b)* the balance between an implementation that allows getting results quickly and the how to include in the reform all the interests affected by this. Related to the former dilemma, these countries appear to decide on accountability disregarding autonomy as one of the most important goals of these reforms. Related to the last dilemma, these countries have chosen a gradualist approach avoiding, as much as possible, political confrontations within public administration that would eliminate the possibility of getting even marginal changes in the budgetary process.

It is necessary to develop a political economy of the budgets directed to results. In other words, it is necessary to understand that: *a)* these budgets add

new technical ideas, but they do not eliminate nor they will eliminate the political discussion on the role of governmental and its actions; *b)* the discussion on results, impact, and performance involves defining and ordering multiple preferences among heterogeneous actors, then, there is no technical solution for ranking preferences and defining results in any situation; *c)* PBB may be observed as a public policy, where the agendas of political and bureaucratic actors, the debates among political agents, the context of the discussion on the state and the public administration are contextual variable particularly important in an effort for introducing this type of budget.

## References

---

- Arellano, D., *et al.* (2000), "Nueva Gerencia Pública en acción: procesos de modernización presupuestal", *Revista Reforma y Democracia*, CLAD, Caracas.
- Barzelay, M. (1992), *Breaking Through Bureaucracy*, California, California U. Press.
- Banco Nacional de Desarrollo Económico y Social (2000), *Guía sobre la Ley de Responsabilidad Fiscal*, BNDES, Brasil.
- Bresser Pereira, Luiz Carlos (1998), "Uma reforma gerencial da Administração Pública no Brasil". *Resita do Serviço Público*, ENAP, año 49, núm. 1, enero - marzo.
- Bresser Pereira, Luiz Carlos; (1995), "La reforma del aparato de Estado y la constitución.
- Broom, Cheryle (1995), "Performance-Based Government Model Building a Track Record", *Public Budgeting and Finance*, Winter.
- Vicepresidencia de la República DNP: DEE Consejería Presidencial para el Desarrollo: Gestión Pública Orientada a Resultados, Documento CONPES 2790 Institucional, Santafé de Bogotá D.C., 21 de junio de 1995.
- Departamento Nacional de Planeación: Hacia una Gestión Pública Orientada a Resultados, SINERGIA., año, 1996.
- Dos Santos Luiz (2000), *Agencificação, Publicização, Contratualização E Controle Social. Possibilidades no Âmbito da Reforma do Aparelho do Estado*, Brasília, Departamento Intersindical de Assessoria Parlamentar.
- Dos Santos Luiz (2002), "Orçamentos por resultados, contratos de gestão e avaliação de desempenho. Perspectivas para o controle social e a transparencia da administração pública brasileira". Paper presented in the I Congreso Latinoamericano de Ciencia Política. Ediciones Universidad Salamanca. España.
- Forsythe, D.W. (1993), "Financial management and the reinvention of government", *Public Productivity and management Review*, vol. 16, núm. 4, pp. 415-423.
- Guzmán, Marcela (2000), "Programa de Evaluación de proyectos Gubernamentales". VIII Curso internacional de reformas económicas y gestión pública estratégica. ILPES/CEPAL.
- Guzmán, Marcela (2001), "Evaluación de programas e indicadores de Desempeño Transparencia y Mejoramiento de los Procedimientos para la Formulación del Presupuesto", Ponencia presentada en el congreso ILPES-MEP-Seminario funciones básicas de la Planificación, La Habana, Cuba.
- Harris, J. (1995), "Service efforts and accomplishments standards: fundamental questions of an emerging concept", *Public Budgeting and Finance*, vol. 15, núm. 4, pp. 18-37.
- Joyce, P.G. (1993), "The reiterative nature of budget reform: is there anything new in federal budgeting?", *Public Budgeting & Finance*, vol. 13, núm. 3, pp. 36-48.
- Joyce, Philip (1999), "Performance-based budget", *Handbook of Government Budget*, Roy T. Mayer (Editor). Jossey-Bass Publisher.
- Marcel, Mario (1997), *Indicadores de desempeño como instrumentos de la modernización del Estado*, DIPRES.
- Niskanen, W. (1972), *Bureaucracy and Representative Government*, Chicago, Aldine.
- OECD. (1993), *Performance Appraisal: Practice: Problems and Issues*, Paris. OECD.

- Ospina B., Sonia, *Evaluación de la gestión pública conceptos y aplicaciones en el caso latinoamericano*, V Congreso del CLAD, (Internet).
- Ostrom, V. (1972), *The intellectual crisis of American Public Administration*, Alabama, Alabama University Press.
- Pilegge, J.C. (1992), "Budget reforms", in Rabin, J. (ed.), *Public Productivity Handbook*, New York, Marcel Dekker.
- Pollit, C. *et al.* (1998), *Decentralising public service management*. Londres. GBC.
- Rubin, I.S. (1988), *New Directions in Budget Theory*, Albany, New York. State University of New York Press.
- Rubin, I.S. (1990), "Budget theory and budget practice: how good the fit?", *Public Administration Review*, núm. 40, pp. 179-189.
- Schick, A. (1994), "From the old politics of budgeting to the new", *Public Budgeting & Finance* vol. 14, núm. 1, pp. 135-144.
- Unidad de Política y Control Presupuestal, (1997), *Reforma al Sistema Presupuestario. La Nueva Estructura Programática*, México, D.F.: Secretaría de Hacienda y Crédito Público, Subsecretaría de Egresos.
- UPCP (1998), *Sistema de evaluación del desempeño a través de indicadores. Guía metodológica*, México, Secretaría de Hacienda y Crédito Público.
- Unidad de Política y Control Presupuestal (1999) *Reforma al sistema presupuestario (RSP). Avances 1998*, versión preliminar, México, Secretaría de Hacienda y Crédito Público.
- Secretaría de la Contraloría y Desarrollo Administrativo, Secretaría de Hacienda y Crédito Público (1998), *Guía para la definición de indicadores. Programa de Modernización de la Administración Pública 1995-2000*, México.
- Silberschneider, Wieland (2001), *A natureza da reforma da gestão fiscal no Brasil. Fundação João Pinheiro*, mimeo.
- Subsecretaría de Egresos (1997), *Lineamientos para la concertación de la Nueva Estructura Programática 1998*, México, D.F.: Secretaría de Hacienda y Crédito Público.
- Wildavsky, A. (1964), *The Politics of the Budgetary Process*, Boston, Little Brown.
- Wildavsky, A. (1992), *The new politics of the budgetary reform*. Glenview, Il, Scott Foresman.