The political economy of administrative reform in developing countries: working hypotheses and a framework for analysis

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Introduction: from downsizing to rebuilding

Over the past decades numerous developing nations have launched major state reform initiatives. The rush to reform state structures has been driven by large-scale economic changes that have placed tighter budgetary constraints on governments and that have made economic performance increasingly contingent on the ability to successfully deal with increased international competition in both product and capital markets. Structural economic changes have, in many cases, been accompanied -or closely followed- by processes of political democratization that have generated new sources of uncertainty as well as additional pressures and incentives for reshaping state structures.

Initial administrative responses to the challenges posed by fiscal stringency and economic internationalization tended to focus, overwhelmingly, on downsizing strategies that emphasized elimination of governmental functions, cuts in spending and investment, reductions in personnel, privatization, deregulation, and devolution of central state responsibilities to state or local levels of government. In a similar trend in the early stages of democratization political reformers strove to eliminate the repressive agencies and statutes of the state.

The often large costs of downsizing in terms of bureaucratic coherence, effectiveness, and efficiency produced, according to a recent overview, a "disintegrated state", "with demoralized and barely functioning state agencies" (Nelson 1994: 20,27). These costs, along with the novel pressures and demands placed upon governmental bureaucracies by increasingly competitive economic and political markets have led to a second generation of administrative reform efforts. This later type of reforms focus on building or rebuilding institutional and administrative capacities and encompass, among others: professionalization, co-management schemes, regulations on monopoly and trade practices, insulation, increased transparency and accountability, as well as attempts to move toward management practices based on customer orientation.

Recent and ongoing state reform experiments across developing countries share some broad commonalities. Most of these experiments have tended to focus heavily on downsizing and have tended to be remarkably uneven and fragmented. National reform efforts also exhibit, however, important differences. Variations have had mostly to do with the types of reforms placed at the top of the agenda as well as with government’s capacity to carry proposed changes through.

The systematic study of current state reform processes is important for two main reasons. Firstly, because their evolution and results are likely to have a decisive impact upon the distribution of power resources and thus upon both the type and the quality of emerging market-centered economies and democratic politics across a wide range of developing nations. Secondly, because standing as they do at the intersection between large-scale economic and political changes they provide a privileged window for analyzing the interaction between political and economic forces in triggering and shaping the process of institutional change.

The centrality of state reform for the analysis of economic and political reform in the developing world has not gone unnoticed in scholarly analyses. A number of studies exist that have come to this conclusion, but have done so with little in the way of a solid empirical base. In the past few years, a sufficient number of initiatives have been adopted to allow, now, for comparative empirical analysis and consequent refinement of existing theories and deduction. Administrative reform, linked explicitly to market-oriented economic reform, came earliest in Chile in the 1970s and 1980s. In the 1990s administrative reform became a high priority in the context of neoliberal reform and democratization in Korea, Brazil, Mexico, Argentina, and other developing and post-communist countries. The major goal of this project is to examine the politics of administrative reform, especially the more recent second wave of rebuilding, in order to generate middle range, comparative, empirically grounded, theories on the political economy of administrative reform.

Types of administrative reform

A first task is to devise a manageable conceptual framework for the great variety of changes. As a first cut, we propose grouping them into the following general categories. These types of reform are often proposed joint packages, but they should be distinguished analytically because the political conflicts and distributional consequences they generate can be quite different. Our list is not exhaustive because we focus on only the types of reform that can potentially redistribute power and resources in significant ways. We exclude a range of reforms that may increase efficiency or customer satisfaction (as in "debureaucratization") but that have little impact on power. Our list begins with those reforms most likely to affect the distribution of power.

Accountability. Specific measures include regular audits of particular agencies, congressional hearings, confirmation of appointments in the legislature, improvement of laws and procedures for punishing malfeasance, creation or strengthening of internal auditing agencies such as the Government Accounting Office in the United States or the Contraloria in Mexico. State officials in authoritarian regimes are often accountable only to their superiors. A major problem in new democracies is building institutions that make bureaucrats accountable both to elected representatives and to the citizens they are meant to serve. Major benefits expected from enhancing accountability are to make the bureaucrats less concerned with their own self-interest and therefore more honest and more sensitive to needs of citizens.

Insulation. Reforms in this category seek to enhance the autonomy of bureaucratic agencies through reforms such as earmarked budgets, statutory authority, and fixed terms for agency heads. The goal is usually to lengthen the time horizons of policy makers and generally depoliticize decision making. Central bank autonomy, for instance, is often touted as a progressive reform to take monetary policy out of the hands of politicians and thereby safeguard the value of the currency.
Decentralization. In most cases decentralization takes the form of devolving government functions, resources, and decision making from the central national government to state, provincial, and other local entities. The goals are various but in principle include making policy more effective in the sense of attuned to local realities; rendering implementation more efficient in cutting costs of delivery and communication; and enhancing a service orientation by putting bureaucrats close to consuming populations. Decentralization shifts power from national political arenas to regional and local politicians.

Professionalization. Many reform efforts seek to create meritocratic, career civil services, Weberman bureaucracies for short, where entrance and promotion are based on merit, employment is long term, and the pay is reasonably good (see Evans 1995; Nelson 1994). Specific measures in this category include: entrance examinations, revised procedures for promotion, protection from political firing, in-service training, and salary increases. Professionalization can enhance equality before the law (citizenship), tax collection, delivery of social services, and effective economic promotion. It can also inhibit clientelism and thereby enhance other forms of political representation.

Results-oriented administration. Results oriented administration, managerial bureaucracy, and management contracts are all hot issues in administrative reform the world over.3 Inspired partly by management techniques in the private sector, these reforms seek to reorient the efforts of bureaucrats away from process, procedure, and accompanying red tape toward outcomes and results. The introduction of evaluation and control strategies based on results tends to increase the managerial autonomy of administrative units and subunits, while simultaneously subjecting them to politically neutral performance criteria.

Downsizing. Even in the second wave of reform, the reduction of spending and personnel along with the streamlining of government functions continue to be important elements in the design of reforms primarily aimed at building or rebuilding state capacities.

Customer orientation. Reforms in this area seek to make bureaucracies more attentive to the needs of the citizens they serve and might include training courses, revision of promotion criteria, surveys, and strengthening consumer complaint procedures (see Osborne and Gaebler 1993).

Experts in public administration would generally endorse all these types of reforms. The emphasis in the literature on public administration on "optimal states" neglects the fact, however, that reformed state structures are not the product of "optimizing" strategies on the part of state reformers, but rather the result of protracted and intense political struggles. A central analytical challenge for this project is, precisely, to shed light on the power dynamics associated with different types of state reform efforts. For example, professionalization enhances insulation by eliminating the influence of politicians in hiring, promoting, and firing state officials. Professionalization may, however, simultaneously increase sensibility and vulnerability of bureaucrats to non-state actors, such as private investors -both foreign and domestic- or to international financial institutions.

The common analytical thread in approaching these various types of administrative reforms will revolve around the consideration of how they affect the balance of power among various groups including central and provincial authorities; bureaucrats and politicians; bureaucrats placed at different hierarchical levels; and contending social groups, such as holders of fixed and mobile assets. Accountability and insulation, for example, are not neutral reforms with respect to the distribution of power. The crucial issue is to specify shifts in accountability to, or insulation from, whom.

In conventional Weberian or modernization views, administrative reform in developed countries was uneven but by and large ran parallel to capitalist industrialization and ultimately pervaded the entire bureaucracy. Bernard Silberman (1993) criticizes this view on two counts: 1) rationality took different forms in different countries and 2) the impetus for rationalizing administration was predominantly political rather than socio-economic and functional. Our approach is similar in emphasizing political variables. And, we also do not expect convergence among the cases studied. The outcome of current processes of administrative reform in poor countries may be more enduringly uneven or partial. As reformers attempt to combine contradictory reforms and manage conflicting constituents they may settle on things like bifurcated states and zonal capitalism (see Winters 1996). Democracy and capitalism are the universal nostrums of the late 20th century, but the states backing them up may quite different from each other and from their predecessors earlier in the century.

The political economy of administrative reform

Rapidly integrating markets along with renewed electoral competition have fundamentally altered the context within which political leaders and state officials operate and together constitute the deepest driving forces behind the current rush to administrative reforms in a wide range of developing countries. Political economy perspectives on administrative reform are rare. Bringing a more encompassing focus, as well as the tools of political economy, to bear on the analysis of administrative reform constitute one of the main theoretical and conceptual contributions we hope the project can make.

From a bottom up, pluralist perspective, neoliberal reform and democratization empower several constituencies that in turn make different, sometimes competing claims on the executive bureaucracy. The major constituencies include: elected politicians, large domestic investors, foreign investors, generators and holders of foreign exchange, international financial institutions (World Bank, IMF, and regional development banks), social movements, as well as groups within the bureaucracy such as those responsible for taxation and budgets. These groups are propelled into the politics of administrative reform by combinations of pressures and opportunities created by the newly liberalized markets and politics.

So, for example, democracy offers politicians more opportunities to pressure for administrative reform at the same time it increases pressures on them to use the bureaucracy for electoral ends. For social movements, democracy provides opportunities to pressure for accountability while market reforms may sap their capacity for collective action. Fiscal and balance of payments crises enhanced the power of international financial institutions (IFIs) in the 1980s, though that power has been on the wane in the 1990s, especially in relation to state-building kinds of reforms (Nelson 1995). Lastly, for capitalists, democratization disrupts old patterns of articulation between business and government while market reforms increase their structural leverage and incentives to lobby for complementary administrative reforms.
Administrative reform is not of course purely the outcome of pluralist interplay between contending interest groups. Top bureaucrats and politicians are the major protagonists, especially in initiating reform, both for and against administrative change. From the point of view of political leaders and top bureaucrats, administrative reforms offer opportunities to manage new sources of uncertainty (as in volatile, internationalized capital markets) and build support coalitions. Moreover, though institutionalization is often only incipient in new democracies, institutional features such as the nature of presidentialism, party cohesion, and the electoral system have strong mediating influences on which groups are best able to pursue their new interests (see Haggard 1995).

The core task of this project is to attempt middle range, empirically based theorizing on the interaction of these contending preferences, constituencies, and power resources. Existing theoretical arguments are for the most part either quite macro and general or very micro in that they focus on only one type of reform without considering the relationship to other pressures for reform (but see Bradford 1992). The point of departure here is that administrative reforms are interdependent and are the result of political struggles involving politicians, state officials, domestic societal groups and international actors.

From a political perspective, Stephan Haggard (1995) has recently outlined a conceptual and analytical scheme that emphasizes the centrality of politico-institutional factors in shaping state reform. Haggard conceives of administrative reform as “a process of re-writing the contract between elected politicians and bureaucratic officials” (1995:12) whose outcome is strongly shaped by two main variables: the balance of power between the executive and the legislative and the nature of the party system, particularly degree of fragmentation and level of party discipline. Haggard’s focus on the conflictual interplay between bureaucrats and politicians and his stress on the importance of constitutional and institutional arrangements in shaping its results constitutes a promising point of departure. His scheme, though analytically suggestive, stands in need of empirical testing. As other politico-institutionalist approaches (e.g., Geddes 1994), moreover, an exclusive focus on politicians and bureaucrats neglects other constituencies whose interests and political activities may be intensified by economic reform. For example, in the context of confronting new international competition, business is often quite vocal in demanding transparent, non-clientelistic administration, especially in commerce (ports, customs, airports, etc.).

Others concentrate on economic pressures for or against administrative reform. Historically, and theoretically since Weber, capitalism and modern bureaucracy have flourished together. In the current, short-term focus, the issue is the effect of market oriented reform on incentives for administrative reform. Haggard and Maxfield (1996), for example, argue that financial liberalization creates pressures and constituencies for furthering financial opening as well as institutional reforms to reinforce the opening. However, the causal mechanism linking financial opening to institutional response is undeveloped. In relation to this issue, for instance a recent study (Mahon 1996) has problematized the direct link between capital mobility and institutional reform arguing that increased structural leverage makes institutional reform redundant. This project seeks to further this sort of analysis by illuminating all the links in the causal chain, in addition to providing full empirical substantiation.

Available empirical work on state reform experiments in a number of developing countries suggests the importance of looking at a third set of political strategic factors. The salience of strategic choices and calculations of state reformers in shaping the political costs of different types of reforms, though less formally articulated in the literature, appears to be an important ingredient in these experiments. The preferences and strategies of state reformists should figure more prominently, at least initially, in explanations of reform because the distributional implications of “technical” reforms in the public sector are often not apparent immediately to other political actors.

The following sections provide more detail on the common set of questions and hypotheses participants will address. The common questions are designed to generate comparable empirical accounts; the working hypotheses specify more precisely various political/institutional, economic, and strategic arguments.

Organizing questions

As a first step in developing a common theoretical and empirical agenda participants will be asked to address a core set of questions in order to generate an empirical topography of reform in each of the countries covered.

What types of administrative reforms have been launched in the case(s) in question, and how successful have they been in terms of achieving stated objectives?

What broad economic and political forces appear to be driving state reform in the case(s) examined?

What types of reforms generated the most conflict?

How much discretion and control do state officials and political leaders have over the process of state reform? Are they mostly reacting to pressures from domestic societal groups and/or foreign actors or do they tend to have an independent impact on the timing and “” of reforms pursued?

How have different reforms been packaged?

Have the ideological views of state officials and politicians been important in the formulation of state reform programs?

Working hypotheses

All participants in the project will consider the impact of economic, politico-structural, and politico-strategic factors in explaining various patterns of state reform. The following list includes some of the most prominent hypotheses available in the literature about the forces driving state reform experiments. These hypotheses are drawn from case studies, overviews, and theoretical arguments and have not been subjected to extensive comparative and empirical testing. The hypothesis are organized into three main categories depending on whether they primarily stress economic, political/structural, or strategic variables.
A. Economic factors

H.1 Fiscal crisis. Fiscal crisis strengthens central government actors at the expense of everyone else. Fiscal crisis favor reforms to reduce cost such as downsizing, productivity measures, decentralization, insulation, and professionalization, tending, thereby, to inhibit clientelism.

h.1.a. Decentralization, tends to privilege devolution of state functions to lower levels of government, without devolving resources.


H.3 International competition. Trade openness boosts the leverage of internationally competitive firms. The reforms favored are deregulation, new regulation (antidumping), tax administration, transparency.

B. Political structures and institutions

H.4 Bureaucrats versus politicians (Haggard 1995). The type of state reform pursued will be the result of the contest between elected politicians and bureaucrats and the outcome of such contest will tend to be strongly shaped by:

h.4.1 The degree of convergence between the executive and the legislative. Where cooperation prevails, coherent state reform programs are more likely. When division is salient, fragmented state reform efforts will result.

h.4.2 Level of party fragmentation. Fragmented party systems hinder state reform. Moves towards cohesive party systems may facilitate reform by providing legislative backing to presidential programs, but in the case of long-standing cohesive systems patronage may increase.

h.4.3 Degree of centralization of party control. The higher the centralization -provided there is no strong ideological opposition- the greater the chances for state reforms that strike an appropriate balance between efficiency and continued responsiveness to societal demands.

H.5 Party parity. Reforms aimed at increasing professionalization, in particular, will be strongly influenced by the electoral concerns of politicians. The smaller the number of parties and the more equal in terms of electoral support the greater the chances for successful professionalization initiatives (Geddes 1994).

H.6 Electoral coalitions. The base of support for reformist governments influence both the design of reforms as well as their success.

h.6.1 Strong rural support bolsters efforts to reform central administration and decentralization, but not reforms that might hurt rural representatives electorally.

h.6.2 Governments with strong labor support have greater leeway in reform measures, despite the costs to public sector unions.

C. Strategies and choices

Though tightly constrained by economic factors and politico-institutional arrangements, central state reformers can often significantly shape the course of reform experiments. Reformers usually confront situations in which administrative reforms have concentrated, intense short term costs, in electoral and legislative terms, and only long term and diffuse benefits. The strategic issues in reform are thus how to modify existing political cleavages, to alter perceptions of costs and benefits, and to blunt opposition and enhance support.

H.7 Packaging. Skillful packaging increases chances of success of reform. Linking contentious administrative reform to less contentious policies (stabilization) reduces potential opposition to administrative reform. Good packaging can: enhance public opinion support; delegitimize opposition by losing social groups; reduce the power of bureaucratic opponents within the bureaucracy; and allow external resources, or pressures, to strengthen reformist groups and agencies.

H.8 Timing and sequencing. Political calendars affect the agenda and success of state reforms. The closer to inauguration and initial honeymoon, the bolder can reforms be. Sequencing may also enhance the politically viability of administrative reforms, by dividing potential opponents as when postponing public employee cutbacks in electorally important regions (Gibson, 1996).

H.9 Ideas. Internationally popular world-views (such as that provided by the "Washington Consensus") allow reformers to frame questions and raise issues in coherent ideological ways. Those views also allow for the association of nonobviously linked reforms, such as trade liberalization and stabilization, or decentralization and democracy (Heredia 1996).

Conclusion

Our overview has been as inclusive and exhaustive as possible. Obviously not all governments attempt all types of reform and not all reforms turn out to have major distributional consequences for political and economic actors. These are empirical questions. Furthermore, not all of the hypotheses are likely to be relevant in any particular case. The goal is to set them up as competing hypotheses in order to generate, at the end of our collaborative project, a short list of the most powerful explanatory hypotheses. Generally speaking the project will attempt to assess the power of economic versus political variables, and structural versus agency factors.

NOTES

1 This paper is the organizing document for a serie of meetings to be held in 1997, beginning in March at Northwestern University. The project overall is under the coordination of Blanca Heredia, Kwang Woong Kim, and Ben Ross Schneider. We are grateful to Stephan Haggard and Guillermo O'Donnell for comments on earlier versions.


REFERENCES


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