The challenges of Latin American government: Uruguay

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Introduction

Uruguay is characterized by having a consolidated democracy since the first decades of the twentieth century, based on a stable party system and strong social legitimacy. This trait led to the early establishment of a Welfare State that produced similar welfare levels to those in European countries. However, the country has not been able to consolidate a strong enough socioeconomic growth pattern to accompany the institutional and democratic development (Bértola et al, 2007).

Since the end of the financial crisis of 2002, Uruguay has experienced a unprecedented period of economic growth. While this has provided an opportunity to move to a higher level of economic and human development, the country still must overcome its characteristic vulnerability to the volatility of growth cycles. For this purpose, a key element is to deepen efforts to change its production structure, overly dependent on raw materials and static competitive advantages (Bittencourt et al, 2009). At the same time, it faces the challenge of strengthening and enhancing its matrix of social protection within its welfare state, to make it an institution capable of dealing with the emerging risk structure and functional for the needs of productive development of a small open economy like Uruguay.

These challenges require a strong public sector that interacts effectively with social actors. The greatest modernization of public management has occurred in the Public Companies due to their importance in goods and services provision, centrality for economic development and population’s well being. At the same time, legal reforms are being implemented to make public sector more efficient and facilitate strategic infrastructure investments for the development of the productive matrix. Such is the case of regulations and institutional capacity for enhancing state procurement and promoting public-private partnerships.

On the other hand, regarding the provision of social welfare services like health and education, the country has implemented reforms to strengthen the capacity to develop policies aimed at increasing the quality, equity and coverage of those benefits, though with different degrees of success (Mancebo y Narbondo, 2010).

But it is in relation to its central government that the Uruguayan State shows its most notorious weaknesses. Despite the fact that it has some institutional strength due to a long tradition of rule of law, the Uruguayan Central Administration faces chronic management deficits which may render the country unable to confront the above-mentioned challenges. The current Central Administration can be described as being only nominally Weberian in its structure, but dominated in fact by both partisan political and corporate (of the civil servants) logics.

On this basis, modernization attempts have been undertaken in the last 20 years, inspired by both neo-managerial and neo-Weberian-approaches.
However, except from a few cases in areas related to tax-collection, macroeconomics and debt management, most reforms have failed achieving substantial gains in administrative capacity, effectiveness or efficiency.

We argue here that the current pact between politicians and bureaucrats carries a number of negative consequences: high politicization of management decisions, serious management deficit as well as low responsiveness of the middle and lower staff levels. These phenomena may have scarce negative impact on policy design, but they do have in its implementation. So they result in lack of efficacy and efficiency for most of the Central Administration as well as they hinder new attempts of modernization.

Some of these phenomena are clearly apparent, while others are still absent from political and academic debate. Particularly, this article will focus on the severe management deficit of Central Administration, the obstacles for consolidating a high-level bureaucracy with leading capacities, the difficulty of implementing result-based management practices and to modernize the accountability mechanisms, among other issues.

We argue here that if these issues are not in the agenda as public policy priority, the Uruguayan Central Administration will never be able to properly play its central role as an agent of change of the productive structure and of improvement of the social security structure.

I. Basic Structural Features

I.A. Government Institutions

Like any other Latin American country, Uruguay has a presidential government. Notwithstanding that, three other "quasi-powers" have been created, apart from the traditional executive, legislative and judicial branches. These are three constitutional courts. The Electoral Court, which regulates electoral matters, the Accounting Tribunal, which controls legality in the usage of public funds, and the Administrative Tribunal, which controls legality of public sector organizations' decisions (Administrative Tribunal).

The structure of the state is unitary. However there is also a second, provincial level of government of 19 jurisdictions ("Departamentos") with executive and legislative branches elected directly by citizens. Besides, since 2010, a third level of local government is being developed in towns of at least 2,000 inhabitants.

<table>
<thead>
<tr>
<th>Exhibit I.1 Uruguay: basic government structures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National level</strong></td>
</tr>
<tr>
<td><strong>Executive:</strong> Presidency + 13 Ministerial departments</td>
</tr>
<tr>
<td><strong>Legislative:</strong> Bicameral. 30 senators elected from a unique, national jurisdiction + the Vice President, who chairs the Chamber. 99 Deputies elected from 19 jurisdictions (&quot;Departamentos&quot;) through proportional representation system.</td>
</tr>
<tr>
<td><strong>Judiciary:</strong> Directed by the Supreme Court. Its members are elected by the Legislative and require special majorities. &quot;Quasi-powers&quot;: Electoral Court, Accounting Tribunal, Administrative Tribunal. Its members are elected by the Legislative through special majorities on a non-partisan base.</td>
</tr>
</tbody>
</table>
In regard to government institutions, the most notable characteristic of Uruguay in the Latin American context is the age and stability of its democracy. According to Mainwaring, Pérez-Liñán & Brinks (2008: 60-61) Uruguay became the first Latin American country to establish a democratic regime (in 1915) and is the second (after Costa Rica) longest-lived democracy. During the last century the country suffered only three constitutional breakdowns (1933, 1942 and 1973) and the period of civil-military dictatorship between 1973 and 1985 was the only one when governments were not elected. Similarly, in the last 20 years Uruguay has always been, along with Costa Rica and Chile, at the top in quality of democracy indexes developed by Freedom House, Polity Project and Latinobarómetro (Chasquetti & Garcé, 2011: 2).

Such democratic stability can be explained, among other reasons, as the result of the virtuous interaction of three key sets of rules: those which govern the electoral system and political parties; those which regulate the relationship between branches of the state; and, finally, those which enable citizens to exercise direct democracy.

Legislation on elections and parties favors the existence of parties formed by highly institutionalized and autonomous fractions, which are sufficiently heterogeneous to enable good levels of representation. At the same time such legislation provides incentives for intra-party cooperation, thus generally preventing internal blockages. Until 1971 (last election before the beginning of the civil-military dictatorship) Uruguay had a two-party system consisting of the Nacional and Colorado parties. Since 1985 (end of the civil-military dictatorship) a moderate multiparty system exists with four parties represented in parliament. Three of them have reached the presidency (Colorado, Nacional and Frente Amplio) while a fourth, which has changed its name and constitution over the years (currently Independiente) has not made it yet.

Moreover, the Uruguayan presidential system gives the Executive tools that enable it to control the agenda and results of the legislative process. Among other constitutional prerogatives, the Executive has sole legal initiative on a number of critical issues (such as budget and public employment, taxes, etc.) and it can veto all or part of laws passed by Parliament¹. As a result, although only two out of six presidents elected between 1985 and 2009 were supported by a majority of the Parliament, blockages were unusual and presidents were generally successful in carrying out their legislative agenda (Chasquetti and Garcé, 2011: 7).

¹ However, Parliament can finally lift the veto if special majorities (three fifths of each chamber) are formed.
Finally, the Uruguayan Constitution includes mechanisms of direct democracy, allowing referenda on laws passed by the legislature, as well as to propose constitutional amendments. These mechanisms have been frequently used, with varying success, between 1989 and 2009. For example, in 1992 five articles of a law (No. 16.211) which had eliminated legal monopolies enjoyed by some SOEs were repealed by referendum. In 2003 another referendum prevented the state-owned oil company (ANCAP) from forming partnerships with private companies in order to exercise its monopoly on oil import and refining\(^2\). It can be argued that the frequent use of these mechanisms contributes to the stability of the representative system as the public assumes direct responsibility for highly controversial decisions that could lead to blockages in the legislature.

### I.B. Public Administration

Using Pollitt & Bouckaert concepts (2004: 42) the Uruguayan State structure can be described as unitary and centralized. The political and bureaucratic careers are relatively integrated, since bureaucrats’ opportunities of promotion often depend on their ability to gain the confidence of elected officials. Moreover, public servants have historically been the main source of advice for political decision makers\(^3\).

<table>
<thead>
<tr>
<th>Exhibit I.2. Characteristics of the Uruguayan Public Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State structure</strong></td>
</tr>
<tr>
<td><strong>Type of government</strong></td>
</tr>
<tr>
<td><strong>Minister / Mandarin relations (<strong>1</strong>)</strong></td>
</tr>
<tr>
<td><strong>Administrative Culture</strong></td>
</tr>
<tr>
<td><strong>Sources of policy advice</strong></td>
</tr>
</tbody>
</table>

**Source:** Adapted from Pollitt & Bouckaert (2004: 42). References: (**1**) The category refers to two aspects. First, if the political and bureaucratic careers are separated or integrated. Second, if the public employees were appointed or promoted (at least in part) because of partisan ties.

In the same line it can be argued that the Uruguayan state was conceived and developed as what Ziller (2003) calls "continental European model," which is based on the normative notions of the German *Rechtsstaat* and the French *principe de légalité*. According to this and other authors, such normative basis largely explains the role assigned to the state in society, the formal structure given to the public administration, the kind of culture which predominates among public servants and even some features of public policy processes. In turn, all these traits may influence the possible pathways and rates of public administration reform (Pollitt & Bouckaert, 2004: 52-57).

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\(^2\) Direct inquiries to citizens have covered a wide range of topics, from amnesty to officials who violated Human Rights during the dictatorship, to allowing Uruguayans living abroad to vote on national elections.

\(^3\) This point is discussed in greater detail below.
In particular, under this model the state is conceived as a tool to integrate society, primarily through law enforcement, so developing and implementing laws and procedures becomes a central concern of public bureaucracies\(^4\). Therefore, it could be expected that states of this type have greater difficulties changing, first, because public sector organizations’ functions and management can only be altered by modifying the laws that (often tightly) regulate them. Second, this is because public officials trained in this organizational culture are likely more reluctant to adopt results-oriented attitudes and practices than their counterparts in states with different organizational cultures (Pollitt & Bouckaert, 2004: 53).

Organizationally, the core of the national Executive is constituted by the President and 13 ministries (see Exhibit 1.3). Ministries are headed by Ministers who can define both strategic and operational objectives, to decide how these will be reached and to propose the annual budget. Public servants often have limited possibilities to exercise professional autonomy and their decisions are poorly protected from politicians’ intervention\(^5\). The use of financial and human resources is highly regulated and subject to procedural controls exercised by external agencies (National Civil Service Office – ONSC; Accounting Tribunal – TCR and Administrative Tribunal - TCA). The level of functional specialization of ministries is low: typically, each one comprises a wide range of areas of competence\(^6\) and is responsible for both policy making and the provision of services (with the notable exceptions of education, health and social security).

In a second level, there are 10 agencies\(^7\) and 9 state owned companies at an "arm’s length" from the Central Executive. Most SOEs were created during the first half of the twentieth century, when Uruguay’s development strategy was based on import substitution. Contrary to what happened in other Latin American countries, the state not only retained the property of these companies, but in many cases it preserved its monopolistic status (see Lora, 2001). This monopoly status is still true in areas such as non-mobile telephony, water distribution and sanitation, electricity distribution and marketing, as well as oil import and refining. However, in the last three decades other monopolies have been limited so public companies now compete in areas such as mobile telephony, internet and insurances.

\(^4\) Ziller opposes the Continental European model to the Anglo Saxon (Public Interest) model, where the state does not necessarily play such a central role in society, there is a greater degree of decentralization and autonomy between public organizations, and where strict adherence to laws and procedures – though still relevant – does not play the same central role as it does in Continental European states (Pollitt & Bouckaert, 2004).

\(^5\) For example, in many units (environmental regulation, customs, Prosecution, etc.) legal provisions prohibit Ministers to ignore or reverse professional’s decisions. However, the Minister usually appoints and can remove those professional units’ authorities, and he also controls budget allocations. So in case of conflict between political and technical levels the former is usually able to prevail in the medium term.

\(^6\) In example, the office of the Presidency regulates human resource management, coordinates policies, advances management best practices and electronic government across the rest of the public sector. It also promotes road safety, regulates energy, water and telecommunications markets, creates national statistics, and designs anti-drug and anti-money laundering policies, among other tasks.

\(^7\) We understand *agencies* as organizations: i. functionally unbundled from ministries, ii. which carry out public functions at a national level; iii. most of whose staff are public servants, iv. Which are primarily funded with state resources, or where the state remains liable for its financial condition, even if they generate their own resources; v. whose activities and procedures continue to be regulated by public law (Talbot, in Pollitt & Talbot, 2004: 5).
The ten agencies identified include the main public providers of welfare services: primary, secondary and higher education, health, social security, vulnerable or orphan children care, juvenile corrections and a provider of housing for low income families. The group also includes the water distribution and sanitation agency, a land re-distribution organization, the public ports’ administration and the Central Bank.

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**Exhibit I.3. Uruguay: Structure of the administration - National level**

<table>
<thead>
<tr>
<th>Description</th>
<th>Governance I</th>
<th>Governance II</th>
<th>Staff</th>
<th>Funding</th>
<th>External controls</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Presidency and Ministries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Ministerial departments + Presidency. The latter includes a wide range of bureaus regarding oversight of Ministries; promotion of best management practices and e-government; national statistics; national civil service office; road safety; regulation of energy, water supply services and telecommunications; anti-drugs and anti money-laundering; and international cooperation.</td>
<td>Hierarchically, directly controlled by the Minister</td>
<td>Ministers define operational goals and annual budget, which must be approved by the Legislative.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Core Executive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>For most employees, appointment, promotion and removal is regulated by statute (usually, one for each organization) other than general labor legislation. Therefore most of them are organized in career-based systems with higher job security than private firm’s personnel.</td>
<td></td>
<td></td>
<td>National Accounting Tribunal (TCR) controls legality of expenditure. National Administrative Tribunal (TCA) controls legality of administrative decisions.</td>
</tr>
<tr>
<td><strong>Arm's-length (or further) public bodies</strong></td>
<td>Agencies (*1) 10 non-for-profit organizations, including welfare service providers (primary and secondary education; health care;</td>
<td>Governed by boards. Most members directly appointed by Ministers / President (with consent from Senate), except for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ministers cannot alter annual budget or main operational goals of the organization without Parliament’s consent.</td>
<td></td>
<td></td>
<td>State is liable for financial condition. Some are mainly funded government budget, others by commerci</td>
</tr>
</tbody>
</table>

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(*1) Non-for-profit organizations include: primary and secondary education; health care; and welfare service providers.
<table>
<thead>
<tr>
<th>Child care; juvenile correctional services; pensions administration; housing; water and sanitation; the only public university; land redistribution; ports administration, Central Bank.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State-Owned Companies</strong></td>
</tr>
<tr>
<td>9 companies, including: banking; mortgages; insurances; oil; electricity; telecommunications; rail works; mail; airline. Some of these enjoy legally stated monopolies.</td>
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</tr>
<tr>
<td><strong>More Autonomous Public Bodies (Pollitt et al 2004)</strong></td>
</tr>
<tr>
<td>35 organizations covering a wide range of activities, including: scientific research; prevention of certain diseases; pensions administrators; promotion of innovation and productivity; promotion of IT in primary and secondary education, among others.</td>
</tr>
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</tr>
<tr>
<td>Government can only influence operational goals by instructing its appointees in the organizations' boards.</td>
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</tr>
<tr>
<td>Regulated by general labor legislation, as in private firms.</td>
</tr>
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<tr>
<td>State is liable for financial condition. Mainly funded by its own commercial revenues.</td>
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<tr>
<td>Most are subject to controls by TCR, at least regarding government funding (i.e. subsidies and/or taxes). None is subject to TCA control.</td>
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</tr>
</tbody>
</table>

**Source:** Elaborated by the authors based on Pollitt & Talbot (eds.) 2004; Gill, 2002; Rodríguez & Bello, 2011; various Uruguayan legislation and organization’s web pages. References: (*1) According to Talbot (in Pollitt & Talbot, 2004: 5).
It should be noted that most of these agencies correspond to what Pollitt et al (2005: 32-35) call "Traditional Boards" as opposed to "New Style Agencies", whose design is strongly influenced by New Public Management doctrines. For example, as shown in Exhibit 1.4, only in the case of health services policy making has been separated from the provision of services. The former task is developed by the Ministry of Health, while services are provided by an agency (ASSE).

Furthermore, in all these cases the Executive’s control over the agency is based primarily on two mechanisms: the presence of its representatives on the agency’s board, and the regulation of inputs for the agency (in particular, its budget). In other words, neither the Executive does not monitor or control the agencies’ outputs or outcomes, nor sets performance-based contracts.

In the same vein, although agencies' directors are empowered to set operational goals and strategies to achieve them, they are not granted much freedom to manage resources. Human resource management is as tightly regulated in agencies as it is in ministries. And only 4 out of 9 of such agencies have significantly more freedom to manage financial resources than ministries (See Exhibit 1.4). Finally, all agencies are subject to controls of legality of its administrative and financial procedures by the same constitutional tribunals (TCA and TCR) which oversee the ministries (see Exhibit 1.3).

These "traditional" organizational characteristics of Uruguayan agencies could be explained by its historical origin. Indeed, since the early development of the Welfare State the provision of social services was decentralized not towards sub-national Governments, but towards sectoral entities with national jurisdiction and significant levels of autonomy from Presidency and ministries. Thus, the "agencification" was a central feature of the construction of the Uruguayan State during the 20th century, prior to the mass dissemination of the ideas of the New Public Management.

Returning to Exhibit 1.3, in a second circle around the core Executive we find a group of More Autonomous Public Bodies (MAPB) which the Uruguayan legislation calls “Non-state Public Bodies” (NEPB). The group includes 35 organizations covering a wide range of activities. These cannot be considered agencies according to the definition chosen in this work because: i. its staff are not considered public servants; ii. They are not subject to the same regulations over financial management applicable to ministries and agencies; and iii. the State is not always liable for their financial condition.

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8 For example, the price and quantity of labour in each agency are set annually by the budget act (Constitución de la República, Art. 220 and 221).

9 Strong social security, education and health systems with clear universalistic trends were built during the first half of the 20th century. Despite this universalistic vocation, in practice the welfare system always reached first and more completely citizens that were inserted in the formal economy, with greater lobby capacity on the Government, leaving worse off to more vulnerable groups who were informally inserted in the economy. That combination of universalistic social-democratic vocation crossed in practice by stratified access to services, gave the Uruguayan Welfare State a corporate bias. These features have led some authors to denote the Uruguayan system as "Stratified Universalism" (Filgueira, 1998).
### Exhibit I.4. Uruguayan agencies - 2011 (*1)

<table>
<thead>
<tr>
<th>Year of Creation</th>
<th>Name / Description</th>
<th>Policy / Operations Split</th>
<th>Ministerial control / accountability</th>
<th>Freedom to manage Financial</th>
<th>Human</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>INC: land distribution</td>
<td>Input-based</td>
<td></td>
<td>Higher</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>OSE: water and sanitation</td>
<td>Political (through appointment of board members)</td>
<td></td>
<td>Higher</td>
<td></td>
</tr>
<tr>
<td>1958</td>
<td>UdelaR: University</td>
<td></td>
<td></td>
<td>Similar</td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>BPS: Administration of pensions and other welfare transfers</td>
<td>No</td>
<td></td>
<td>Higher</td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>BCU: Central Bank</td>
<td></td>
<td></td>
<td>Higher</td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td>ANEP: primary and secondary education</td>
<td>Input-based</td>
<td></td>
<td>Similar</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>INAU: vulnerable children care + juvenile correctional services</td>
<td></td>
<td></td>
<td>Similar</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>ANP: administration</td>
<td></td>
<td></td>
<td>Similar</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>ASSE: health services provider</td>
<td>Yes</td>
<td>Input-based + some performance information (*4)</td>
<td>Similar</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>ANV: housing for low income families</td>
<td>No</td>
<td>Input-based (*5)</td>
<td>Higher</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Elaborated by the authors based on various legislation and Gill, 2002. **References:** (*1) Classified according to Talbot (in Pollitt & Talbot, 2004: 5). (*2) Refers to the ability to borrow, lend and carry forward surpluses. (*3) Similar = Appointment, promotion and removal regulated by statue (other than general labour legislation); price and quantity of labour set up annually through national budget law. (*4) ASSE (public provider) and every private health service provider are obliged to inform Ministry of Health annually on a set of indicators (mainly about financial management and quality of services to users). (*5) In 2012 a contract between ANV and the Executive is expected to be signed, establishing some effectiveness and efficiency goals which ANV should meet in order to receive funds from the national budget.

These bodies enjoy greater political autonomy from Presidency and ministries than do agencies, because in many cases the Executive’s representatives are a minority in their boards. In addition, its directors or managers have much greater freedom to manage human and material resources, given that, as just noted, they are not subject to most regulations applicable to agencies and ministries.

MAPBs also emerged as a premature form of decentralization, in the 1920s, long before the mass dissemination of doctrines that call into question the traditional public administration. Initially these entities were created on the initiative of civil society, so that their representatives could carry out tasks of public interest, with State support but guaranteeing a high level of autonomy from partisan politics. At that stage its creation can be described as a centripetal movement, from society towards the State (Cagnoni, 1992: 29).
However, in the last three decades the rate of creation of MAPBs markedly accelerated, and the rationales for doing so changed significantly. 28 (80%) out of 35 currently existing MAPBS were created after 1985, in particular, 13 (37%) of them by the last period of government (2005-2009).

On the one hand it has been frequently argued that it was necessary to allow some public organizations to escape from the heavy regulations on human and financial management currently applicable to ministries and agencies (Ramos, 2009). In some cases these transformations were motivated by the wish to maintain certain public functions (particularly the promotion of productivity and scientific research) safe from the ups and downs of partisan politics.

Exhibit I.5. Current More Autonomous Public Bodies (PPNoE) by date of creation (till 2010)

![Chart showing the creation of PPNoE by date of creation](image)

**Source:** Elaborated by the authors based on various legislations. **References:** Total number of existing MAPBs (35) excludes CONAPROLE, which was created as a MAPB but is now a private company.

Finally, it is worth mentioning that at least since 2005 several laws promoting the use of contracts between state organizations have been enacted. These create principal-agent relationships by conditioning the delivery of budget funds to achieving certain performance targets.

The types of contracts used are varied, and include agreements between a ministry or Court of constitutional rank (“quasi power”) and a group of its employees; between a ministry and one of its sub-unit; or between the Executive and an agency or MAPB. However, the use of contracts is still incipient and their effect on the performance of groups of officials or organizations still hardly recognizable.\(^\text{10}\)

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\(^{10}\) For example, in 2011 there existed 5 contracts within ministries, 1 from between a Ministry and an agency, and 7 between the Executive and MAPBs. (Data provided by AGEV-OPP).
In short, it is clear that in Uruguay numerous important functions and policies were removed early from the purview of the ministries and assigned to agencies or even more autonomous bodies. As demonstrated, in most cases this functional decentralization preceded the dissemination of doctrines that criticized the traditional model of public administration.

In the same vein, Uruguayan ministries and agencies generally maintain low functional specialization, without separation of the functions of policy design and implementation, and tight regulations over financial and human resource management. The Executive and the Legislative control agencies and SOEs by appointing party members to their boards. Moreover, accountability systems are focused on controlling inputs and procedures rather than outputs and outcomes.

The creation of organizations which are more autonomous from the Executive and which are subject to more loose regulation over its resources (MAPBs) in order to carry out public functions has accelerated in the last two decades. However, the Executive’s ability to strategically direct, coordinate and obtain certain levels of performance from these organizations remains extremely limited.

II. Public Sector Personnel

According to the National Civil Service Bureau (ONSC, 2011) in December 2010 the Uruguayan public sector had 273,959 labour relations. Although these numbers are not strictly equivalent to people employed (because an individual may hold more than one simultaneous position) it can be said that that year the government employed 12.3% of the working age population (see Table II.1).

<table>
<thead>
<tr>
<th>Chart II.1. Public employees / Working Age Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uruguay (2010) (*1)</td>
</tr>
<tr>
<td>OECD 32 (2008) (*2)</td>
</tr>
<tr>
<td>Uruguay in OCDE’s ranking (From highest to lowest)</td>
</tr>
</tbody>
</table>

Source: Made by the authors. References: (*1) Calculation based on the number of working relationships with the state (not working individuals) according to ONSC (2011: 19) and projection of 14 to 65 years by INE (2008). (*2) Employment in government and public corporations as a percentage of the workforce in 2008, average for 32 OECD members by OECD (2011: 103).

That means Uruguay is below the average of OECD’s countries and would be in place 22 in a list which ordered these countries from highest to lowest regarding the portion of its workforce employed by the extended public sector.

Data on the amount of money paid as compensation for employees in all these organisations is not consolidated. The only internationally comparable indicator available refers to compensation paid to central government employees, which accounted for 6.8% of annual

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11 It Includes Ministries and agencies, the Legislative and the Judiciary, Local Governments, state owned companies and the Constitutional tribunals or “quasi-powers”. Following the Uruguayan budget terminology: “Inciso” 1 to 70 and 80 to 98. It therefore excludes More Autonomous Public Bodies.
GDP in 2010 (IMF, 2011: 30). Chart II.2 shows figures for Uruguay and five other countries for which the same indicator is available. Nevertheless, further research is required in order to develop more accurate comparisons.

<table>
<thead>
<tr>
<th>Country</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia (*1)</td>
<td>2.1</td>
</tr>
<tr>
<td>Chile</td>
<td>4.5</td>
</tr>
<tr>
<td>Israel</td>
<td>5.6</td>
</tr>
<tr>
<td>Uruguay (*1) (*2)</td>
<td>6.8</td>
</tr>
<tr>
<td>Costa Rica (*1)</td>
<td>7.2</td>
</tr>
<tr>
<td>Paraguay</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Source: Elaborated by the authors based on IMF Article IV Consultation Reports, available at http://www.imf.org/external/ns/cs.aspx?page=2&ID=51. References: Compensations paid in 2010 to central government employees expressed as % of GDP. Other countries were not considered because their indicators also included employees from local government and other more autonomous public bodies. (*1) Preliminary estimations for 2010 by IMF staff. (*2) Includes central government and Social Security Bank (BPS) employees.

As it would be expected from a Continental-European-inspired state (Ziller, 2003), the vast majority (95.5%) of Uruguayan state employees are subject to specific safeguards established by the Constitution and are governed by special rules other than those of general labour law. In fact, there are more than 40 different statutes, since each agency and public company is allowed to generate its own set of rules and its own pay scale \(^{12}\).

Notwithstanding that, for analytical purposes the working relationships with the state can be sorted into three categories, depending on the level of protection against dismissal granted to staff and whether or not they are arranged in career-based systems (see Table II.3).

Category 1, includes employees who enjoy very strong constitutional and legal guarantees, and it accounted for 58.2% of all labour relationships in 2010. Officials in this category can be dismissed only if the Executive accuses them of incompetence, serious omission to their duties or criminal offense. Moreover, the majority of the Senate must endorse the Executive’s decision (Constitution, Article 168). These employees are organized in career-based systems (one for each statue) that formally, and only formally, can be categorized as classic Weberian bureaucratic type \(^{13}\). They are classified according to ranks and grades associated with the formal education and functions of its members. Entry occurs only through the lowest grades of each rank, while promotions are determined by competition, considering merits and seniority.

In category 2 we place the staff recruited for an indefinite period of time, ideally, due to their training and/or technical capacity.

\(^{12}\) Even the Central Executive (ministries) has five different statues, since civilian employees, policemen, prison operators, military men and diplomats have its own set of labour rules.

\(^{13}\) This point will be argued in detail in the next section.
This included 29.3% of the working relationships with the state in 2010. On the one hand, they are classified and paid according to the same ranks and grades as members of category 1. On the other hand, they are able to enter at any point in the hierarchical structure, by decision of the head of the organization. These public servants do not have the right to make a career so there are no promotion mechanisms. Such promotions occur only when the superior offers them a contract for a role of greater responsibility and/or remuneration. In this sense, members of category 2 are much more exposed to their boss’ discretion.

Nevertheless, they can only be fired for incompetence, omission or criminal offense, through the same mechanism which applies to category 1. Their contract may not be renewed if the hierarch proofs that its function is no longer necessary. Both procedures are administratively and politically costly, so in practice these officials enjoy almost as much job security as those in category 1. In sum, we can say that employees in category 2 constitute informal position-based systems (even with high job security) overlapping the formal career-based systems.

<p>| Chart II.3 Features of employment in the Uruguayan public sector (selected years) |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|</p>
<table>
<thead>
<tr>
<th>Statue</th>
<th>Cat.</th>
<th>Features (in practice)</th>
<th>1996</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
<td>1</td>
<td>Very high job security + career system</td>
<td>208,959</td>
<td>79.2%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>High job security + position based system (in practice)</td>
<td>33,386</td>
<td>12.7%</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Similar job security of private workers + position based system</td>
<td>21,475</td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>No</strong></td>
<td>Total</td>
<td></td>
<td>263,820</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations based on ONSC, 2011 and Ramos, 2009. References: Category 1: “Budgeted” personnel. Cat 2: “Hired permanent.” Cat 3: Seasonal labourers and any other public officials. In the case of the Central Executive (Presidency and Ministries) are considered legal definitions in force until December 2010, some of which were amended by Law 18,719.

In contrast, category 3 (12.5% of the total in 2010) includes a wide variety of labour relationships, whether or not controlled by special statutes, ranging from politically appointed staff who leave government when their political masters leave their posts, to interns and seasonal workers. These relationships have in common job security similar to those of private employers and are part of position-based systems, without the right to administrative careers.

Regarding remuneration, as it was already mentioned there are as many pay scales as statues, adding up to more than 40 in the whole public sector. Generally speaking, public servants in SOEs and agencies are better paid than their colleagues in Ministries.

In the Central Executive most category 1 and 2 jobs are regulated by the Central Executive Statue (except for the military, policemen, prison operators and diplomats). As these employees are formally organised in a career-based system, their payments are supposed to be related to the grade they occupy in the bureaucratic ladder. Notwithstanding that, a recent study found that their compensation to grade accounts for only 20% to 40% of ministerial employee’s salaries (ONSC, 2010: 161).
In fact, the National Civil Service Bureau recognises 16 criteria other than grade for assigning compensations to civilian employees at the Central Executive. These have been developed unsystematically and are applied differently even among different sub-units of the same Ministry (ONSC, 2010: 162). For example, the ratio between the highest and the lowest salary in grade 4 at the Ministry of Economy (Treasury) is 5.19 to 1 (ONSC, 2010: 76). Even more worryingly, such differences are rarely related to employees’ productivity, since only a handful of ministerial sub-units have put in place effective performance-based remuneration schemes. All in all, a number of conclusions can be drawn regarding Uruguayan public personnel.

First, considering the extended public sector (i.e. ministries, agencies and other powers and quasi-powers) most public employees (91.2% in 2010) are tenured or enjoy strong protections against dismissal. Second, the large number of statutes and pay scales allows room for substantial differences in remuneration and working conditions among officials with similar levels of responsibility, even within a single organization (e.g. a ministry). Moreover, horizontal mobility for staff between or within organizations is seriously limited. As a result, Uruguay has never developed what Pollitt and Bouckaert (2004, 76) define as a “unified national public service system”.

Third, human resources at the Central Executive are hired, remunerated and promoted through a complex, patchy and partially incoherent combination of career-based and position-based mechanisms. Individual capabilities and merit are rarely assessed, and mainly through rudimentary and opaque mechanisms. Therefore, as a whole these arrangements do not provide a clear set of incentives linking individuals’ contribution to organizational goals to remuneration or opportunities for advancement.

Finally it is worth highlighting that current human resources management system in the Central Executive does not allow for creation of a differentiated technical-professional group in charge of occupying the highest hierarchical positions and to work as an interface between political authorities and lower rank officials. The following section argues some of these statements in greater detail and analyses its consequences on the functioning of the machinery of government.

III. Politics of Bureaucracy

III.A. Links with political parties
The Uruguayan public sector bureaucracy has been closely linked to political parties since its first establishment. In particular, the distribution of positions at the first and second level of management of the Central Executive, the agencies and public enterprises in an almost proportional sense to the votes obtained, was one of the main mechanisms used to ensure the peaceful coexistence of the two historical parties, (Colorado and Nacional). More recently, the Frente Amplio has appealed to this mechanism to distribute power among factions.

Such use of the state machinery positions as bargaining chips to establish balance of power between and within the parties meant, often, the prevalence of political interest over technical rationality in the design and implementation of policies, and the patronage use of public resources for party representatives embedded in it (Filgueira et al, 2003; Narbondo & Ramos, 2002).
However, more recently this patrimonial logic is not characterized either by the massive entry of officials in a political-patronage manner or by the bulkiness of the number of formal political appointments within the administrative apparatus. It is characterized instead by the use by political hierarchies of the executive branch of informal mechanisms for personnel appointment in positions that involve a higher status or remuneration, parallel to the formal career structure.

The phenomenon of informality significantly affects the quality and professionalism of the entire administration, but mainly creates strong disincentives to good performance in the bureaucracy as a consequence of the absence of clear rules to order the relationship between politicians and senior public managers.

As previously anticipated, according to current definitions of Senior Civil Service (Halligan, 1995), in Uruguay it is not possible to distinguish a group of public servants falling within this category, since there is no formal or informal recognition of their existence. Under the command of the Minister and Deputy Minister, the steering of units with responsibility for the management and provision of services (i.e. police stations, Labour Inspection, Social Services units) as well as those of development and definition of substantive policy (i.e. Industry or Housing Authority, etc.), are exercised by political positions of trust outside the career bureaucracy. For such positions no explicit requirements or training is required, leaving the appointment to the President and/or competent Minister’s discretion.

The second level of management is more complex and heterogeneous. The Central Executive in Uruguay has had the figure of the Division Director, as the top of the administrative career, but these did not necessarily have technical expertise or a particular emphasis towards achieving organizational objectives. It is even common to find that the position of the official does not match the hierarchical level or it is exercised by other legal figures. Such is the case of technicians, who carry out functions of priority and high specialization, being appointed at the request of the political authority, or assistants who are also employed directly by the Ministers who did not obtain the statue of public officials. At this level it can also be found the figure of the “High Specialization” (Alta Especialización). These functions were provided by open public tender, but they were not always created to fulfil management functions but also counseling or specializations in certain subjects.

Thus, the proliferation of these different legal forms is a common feature of Uruguayan government. This alluvial accumulation is sometimes thought to insert political logics, in other cases managerial logics, but usually they end up overlapped without consolidating any logic of comprehensive change. In this context it is not surprising to found deficiencies in the professional management of public policies, as some studies have showed in this area (Reid and Scott, 1994; Zuvanic & Iacovello, 2010).

Paradoxically, the high politicization of senior and middle managers of public bureaucracy does not necessarily imply a high degree of responsiveness from the bureaucrat to the politician. Some authors (see Zuvanic & Iacovello, 2010) have even developed the hypothesis that the Uruguayan public administration (especially the central executive), faces a problem of lack of responsiveness of the bureaucratic machinery against the political strategies of the Executive leaders.
In order to explain this phenomenon it is first necessary to mention that the first bureaucratic level, as it is strongly permeated by political criteria for appointment does not necessarily have the expertise to manage complex organizations. Moreover, a lack of recognition of career officials’ technical knowledge at the time of nominating people in key positions of leadership and management corresponds to the strong politicization of the higher levels of public administration (Zuvanic & Iacovello, 2010).

But mainly, high and medium levels of bureaucracy often have no instruments to make the bureaucratic machinery respond. This has to do with an institutional system with high protection of the bureaucrat, perverse evaluation mechanisms, and difficulties in generating good strategic planning systems which order the structure of incentives to staff. Related to this it is also possible to mention a lack of political sensitivity about the need to implement performance management systems.

III.B. Links with Civil Society

Since the end of the twentieth century, Uruguayan public bureaucracy has always had a large social base of recruitment at all levels. This means that unlike what happened in other Latin American countries it cannot be said that there is, or has been, predominance of the upper classes or elites formed in privileged universities for admission to public service. This produces a relatively significant level of autonomy of the state apparatus regarding higher socio-economic sectors (Evans, 1996). In other words, these groups can not directly insert their demands into the state agenda, but must go through the bureaucracy and political parties, both with strong middle class representation.

Similarly, and notwithstanding what is stated above, since the first decades of the twentieth century the Uruguayan government machinery has enabled the formal presence of representatives of organized groups of civil society. This is directly noticeable, for example, in the management of Non State Public Bodies and in various consultative forums established to obtain the views of these groups about public affairs. During the first half of the twentieth century these spaces of participation for civil society were predominantly corporatist, for example, establishing the representation of groups of employers and workers.

As expected, the sectors with less power of organization or with less force to make their voices heard, have had less stable links with the bureaucracy, and are more dependent on the government’s willingness to hear their proposals and claims. However, from the 1990s onward, with the inclusion of new issues on the public agenda, such as gender, human rights or the environment, some of these groups come to have greater relevance as political actors. In this way organized groups of civil society, potentially weaker, have managed to permeate the state structure to expand its focus beyond the issues of the old corporate logic.

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14 However, the left-wing sector has been doing roundtables with civil society on issues such as the reform of the Education Act, Social Security Reform, Land Law, and Law on National Defense. For the definition of productive investment with high impact on the environment, citizen hearings are held to listen to those people affected and to provide information on the project.
Moreover, following the international trend, since the early 1990s the Uruguayan organized civil society has created new participatory spaces and forms of engagement with the state bureaucracy as a consequence of its provision of public services. These modalities have opened up possibilities for innovation in the design and implementation of policies while they also create new relationships of cooperation and competition between bureaucracy and civil society (Serrano, 2005). In the Uruguayan case such participation is especially significant in social policy. As an example it is noteworthy the extensive process of outsourcing made by the Instituto del Niño y el Adolescente del Uruguay (INAU), resulting in a majority of the population being now assisted by different types of partnerships with social organizations.  

### III.C. Politics of Bureaucracy

In Uruguay it can be said that the bureaucracy exercise its political power in the Ministries primarily through what Peters calls "the availability of not unworkable means" (Peters, 2010). That is the ability of the bureaucracy to condition the vision of policy makers about the feasibility and possible ways of implementing their ideas and projects. This capacity of the bureaucracy lies in its mastery of technical and administrative routines, setting a particular case in the problem of asymmetric information between principal and agent.

It should be said however, that in the case of Uruguay this capacity does not derive from the bureaucracy’s prestige or respect about its professional autonomy on the part of politicians as it can be expected for a body of officials such as the German or French. In this paper we pointed out how, through informality, the meritocratic civil service is disregarded, and therefore politicians do not rely on the administrative machinery to design and implement government policies.

Despite this, the established bureaucracy, with rules that protect their acquired rights and security of tenure, has developed knowledge and legal tools to block the will and management of Executive leaders to develop policies, what is known as "Bureaucratic politics" (Peters, 2010). Example of the ability of the civil service to promote their interests, is the widespread creation of extra-budgetary funds obtained from fees and prices of procedures and services to citizens, shared between the own staff (Reid & Scott 1994). An example for Uruguay was the successful resistance of officials to establish public (within and outside the state) competition to occupy "high-conduction" positions in the state. Such openness was only possible where a strong political will was present. For other groups of positions however, the corporate interests of the staff prevailed over the political initiative.

In short, we face what is known in the literature on executive leadership as a situation of "politicized incompetence" (Campbell, 1986). This phenomenon occurs when policy makers distrust of the bureaucracy and respond by politicizing it, but they also fail to institutionalize forms of management to break bureaucratic resistance. In these cases, Executive leaders tend to be perceived as hostages of the machinery and therefore trust their advising and policy management to parallel teams instead of the formal Ministries’ structures.

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15 In 2010, of 68,000 children and teenagers in care of INAU, 87% were assisted by social partners (NGOs and others) and only 13% in state services (INAU, 2010).
In the case of Uruguay, as mentioned, it works through the recruitment of reliable staff, advisers and technicians outside the career system or co-opting officials who are assigned with functions that do not correspond to their formal positions. At the same time, we can distinguish differences in the ability of bureaucracy to defend their corporate interests according to their location in the state apparatus. At the central level, groups with greater lobbying power are those who, for example, develop strategic functions such as tax collection, labor inspections, etc.

But it is in the public companies and decentralized entities of social policies delivery, characterized by intensive use of skilled labor (doctors, nurses, teachers, administrators), where the public bureaucracy reaches sufficient power to determine the direction and intensity of policies and even reforms. In both cases (public companies and welfare policy agencies) that power is based on strong unions. In the areas of education and health, such power is enshrined in the formal representation of unions in the organization’s management bodies and the strong autonomy (especially budgetary) for the Executive. In similar vein, the unions of public enterprises officials have played a central role in the creation and support of broader anti-reform coalitions, successfully resisting attempts to de-monopolization and privatization. For this purpose they were able to promote the use of instruments of direct democracy and have been key players in order to mobilize the public towards the abrogation of laws passed by the legislature.

IV. Accountability

In Uruguay, the main processes of accountability in the public sector have been historically developed through internal and independent means of control, based on legal or administrative instruments, reflecting the aforementioned Continental-European and Weberian state-building tradition. To characterize the various types of accountability and its emphasis on Uruguayan public administration we use Romzek’s typology (1996) who distinguishes four main types of accountability: hierarchical, legal, professional and political. Each type varies depending on the degree of direct control ("low" in the case of less control and greater procedural discretion for public servants, and "high" in the opposite case) and sources of control ("internal" in cases where control is done within the organization and "external" when done outside). Uruguay has various external mechanisms of administrative and financial control that applies to ministries, agencies and some Non Estate Public Bodies. In particular we refer to the procedural control mechanisms of financial resources use and decisions adopted by the Accounting and the Administrative Tribunal, respectively. It also applies to the financial management control of the ministries and agencies, exercised by the Ministry of Economy.

<table>
<thead>
<tr>
<th>Exhibit IV.1. Types of accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grade of Control</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Low</td>
</tr>
</tbody>
</table>

Based on Romzek (1996)

In the case of the health sector it must be added that professional qualifications in some medical specialties are subject to very limited quotas which strengthen their bargaining power.
There are also mechanisms of political accountability exercised through Parliament, either through informal means (political parties) or through formal procedures of control and penalties that rule the relationship between the Executive and the agencies, or between the Executive and the Legislature. Ministerial responsibility, typical of parliamentary systems, also characterizes the singular Uruguayan "semi-presidentialism". The Parliament has not only power to form commissions of inquiry when it is deem necessary, but the Senate, through the request for its permission, has control over the selection of some key political appointees in the executive branch, the removal of public officials, and supervision of autonomous agencies and local governments (Ramos 2009). So, at least in a "formal" manner, a system of check and balances exists between the executive and Parliament, which maintains the internal accountability system.\footnote{This does not mean that the legislature has all the capacity or information to exercise effective control of all administration affairs.}

However, parliamentary accountability faces the inherent difficulties derived from the complexity of modern public administration structures. As stated earlier, the traditional format of public policy governed and regulated by a Ministry has given way to new ways of implementation and management external to the Executive (particularly NEPB) that carry-out functions with low levels of accountability. Thus, the typical tools of parliamentary control become ineffective, undermining the capacity of evaluation and control of the Legislative. Moreover, the Parliament and its committees lack the resources and technologies to develop effective control (Chasquetti & Garcé, 2011).

Hence, Uruguay has historically privileged hierarchical and legal mechanisms of control, typical of Weberian state models which are characterized by their emphasis on procedural control and adherence to established rules over the decision-making capacity of public servants. In this manner, a series of policies, institutions and procedures were developed aimed at strict control of public functions. However, political instruments of control have also been present, mainly through parliamentary mechanisms. In the case of professional accountability, it can be mainly linked to particular sectors, such as those developed as a result of the expansion of welfare services (teachers, doctors, etc.) even though it also involves an important component of hierarchical control.

But beyond the still very present historical formats of accountability in Uruguay, one consequence of reform processes based on New Public Management is the change in the forms of accountability. NPM-type reforms tend to replace the "classical" forms of hierarchical and legal accountability. The advent of new management techniques – contracts, result-based management and budgeting create new challenges for public administrations since these mechanisms involve a greater emphasis on outcomes accountability and a fundamentally "prospective" character over a "retrospective" one focused on control procedures.

Unlike traditional means this type of accountability is not based on legal or regulatory provisions governing the public administration.

\footnote{This does not mean that the legislature has all the capacity or information to exercise effective control of all administration affairs.}
The other side of the personnel management flexibilization strategies, and decentralization of structures and the public organizations management that undermine the old hierarchical, legal and political accountability forms, is the strengthening of managerial accountability. In Uruguay, with its gradualist style reform, although some steps have been taken in terms of performance accountability (performance-based commitments, development of performance indicators, reports, etc.) these are still very incipient and under-used as accountability mechanisms.18

All in all, it can be said that even though the Uruguayan State has stable and reliable mechanisms for accountability, these have not been adapted to the more demanding needs of modern public management, focused on greater performance accountability. This problem is becoming evident as many organizations begin to operate with increasing autonomy19.

Central agencies bear a strong responsibility on the current lack of mechanisms for performance accountability. It is worth highlighting that Presidency’s Planning and Budgeting Office has been very slow in developing capabilities to monitor and evaluate Central Executive’s performance. Although there had been some previous efforts, particularly for promoting output-based planning and monitoring, it was only during Vázquez administration (2005-2009) that a specific unit was created in order to assume these tasks (AGEV). Nowadays, AGEV systematically helps ministries to develop and communicate strategic plans, output-based budgeting and monitoring schemes (mainly through process, output and outcome indicators). However, the quality of these plans and indicators as well as its actual impact on ministries' management practices is still unsatisfactory. Moreover, in 2011 AGEV launched a policy evaluation programme although the results have not yet been published. On the other hand, by the end of Vázquez Presidency the Minister of Economy and Finance (Treasury) created its first budgeting unit (UPN). Along with AGEV, UPN promotes budgeting for results. It has also started developing specific capabilities to analyse expected efficacy and efficiency of new policy alternatives that other Ministries want to be funded by the national budget.

However, during the last two presidencies (2005-2009 and 2010-2014) differences have frequently arisen between Presidency and the Treasury regarding their role in deciding national budget allocation. And this in turn undermines AGEV and UPN coordination and effectiveness in promoting performance-based management and accountability. A third central unit, Presidency’s National Civil Service Office (ONSC) has largely remained untouched these modernization efforts.

A particular note deserves the analysis of the social methods of accountability, - understood as access to national or local level information by citizens or the media.

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18 As an example it can be noted that at least since 1999, work has been done in the publication of information about planning and performance of ministries and some agencies. The quality of this information has been improved slowly, and since 2010 those reports are attached as part of the annual national budget law. Similarly, over the past 5 years the establishment of contracts has been favored which determines the delivery of funds against the achievement of certain pre-agreed performance targets. The mechanism applies among different organizations, as between the direction of an organization and all or some of its officials. In 2011, 4 ministries, 1 agency and 2 PPNE established this type of contracts, which was planned to expand in 2012.

19 E.g. those listed as “more autonomous bodies” in Exhibit I.3.
In the case of Uruguay, it has not developed a national public consultation system\textsuperscript{20} or instances of mandatory accountability.

Yet, mechanisms have been slowly generated to facilitate citizen’s access to information (open data) through the use of information technologies (i.e. Public Expenditure Budgets, Environmental Reports, etc.). An important milestone in this area is marked by the passage of the Access to Public Information Law in 2008\textsuperscript{21} that regulated the right of habeas data in relation to information held by government\textsuperscript{22}.

**Exhibit IV.2**

<table>
<thead>
<tr>
<th>Country</th>
<th>Public Perception of State’s Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>47</td>
</tr>
<tr>
<td>Argentina</td>
<td>45</td>
</tr>
<tr>
<td>Mexico</td>
<td>45</td>
</tr>
<tr>
<td>Brazil</td>
<td>48</td>
</tr>
<tr>
<td>Chile</td>
<td>57</td>
</tr>
<tr>
<td>Uruguay</td>
<td>60</td>
</tr>
</tbody>
</table>

*Source:* Latinobarómetro (2010). Responses to question: How transparent do you consider the state/country? 1 = not transparent at all, 100 = completely transparent.

However, this process is still cumbersome and there are no real sanctions for public organizations that do not provide the information requested in a timely manner. So, usually the access still depends largely on the "grace" of the bureaucrat (Scrollini, 2008).

In summary, although with difficulties in adapting to new logics of performance accountability or developing effective mechanisms for social accountability, the establishment of solid and stable administrative processes in the public administration puts Uruguay as a country with high levels of transparency in the Latin American context and so is perceived by the public as shown in exhibit IV.2. However, there are still significant deficits towards the modernization of the processes of accountability in the country which are still slow, very bureaucratic and not necessarily tied to a performance or public responsiveness logic. Therefore, neither the positive new legal instruments, nor the good press enjoyed by the speeches in favour of transparency, have managed to permeate yet the tradition of "secrecy" of the Uruguayan public sector.

\textsuperscript{20} There are, however, some local experiences particularly in the Government of Montevideo.

\textsuperscript{21} Law Nº 18.381. Although it was passed in 2008, it was not regulated by the Executive Branch until 2010.

\textsuperscript{22} Another important point to consider is media freedom. In terms of access to information by the media, Uruguay ranks at position 37 among 178 countries in the media freedom index, and the third among Latin American countries (RSF, 2010). This shows a relatively favourable position in terms of democratization and access to information with respect to the region.
V. Reform and change
Early diagnoses and proposals for reform of the public administration of the modern Uruguay were developed during 1950's and 1970's\(^{23}\). On general terms, these works were an effort to identify and overcome many dysfunctions and deviations of the Uruguayan case in relation to the then prevailing paradigm of the traditional public administration. In particular, those analyses pointed to clientelism and some bureaucratic pathologies, such as ritualism, lack of focus on results, etc. However, the arrival of the dictatorial period (1973-1985) postponed any possibility of a thorough reform of the State until the re-establishment of democracy.

The first period of democratic government after the dictatorship was characterized by a major effort towards national pacification and restoration of the democratic institutions such as the Parliament and political parties. The most noteworthy events regarding public administration were the restitution of 11,000 public servants who had been dismissed for political reasons during the dictatorship, and the reinstatement of the National Civil Service Office (ONSC).

Significant public sector reform happened during President Lacalle’s (*Nacional* party) term, between 1990 and 1994. Reforms of this period were marked by the precepts of the so-called "Washington consensus" paradigm, focused on the reduction of public spending and the privatization of public enterprises (Narbondo et al., 2002). A good part of the reform agenda was then aimed at ending public monopolies on key areas of the economy, forcing SOEs to compete with private operators. However, the change was not as deep as its proponents wanted it to be. On the one hand, the balance of power between parties required seeking inter-party agreements which proved hard to achieve, thus slowing the pace of the process. On the other hand, trade unions and other social organizations managed to block some of the most radical aspects of the reform, in particular those related to the privatization of key SOEs. As a result, neoliberal postulates on state sector reform were more gradually and less radically implemented in Uruguay than in the vast majority of Latin American countries. Nevertheless, backed by the strong political claim for “de-bureaucratization”, some NPM-inspired ideas were implemented. This was the case for decentralization of activities and more flexible modalities of personnel recruitment which were intended to gradually reduce the number of tenured public servants. Moreover, these reformers managed to reduce the relative number of public employees, to streamline some front office processes as well as to reduce significantly public expenditure (Narbondo et al., 2002; Fuentes, 2007).

The second generation of reforms was driven during President Sanguinetti’s second term (1995-2000, *Colorado* Party). This attempt was certainly more comprehensive than the previous one since changes in public administration were linked to important changes in the structure of the Welfare State\(^{24}\). The reformers sought to overcome some inconsistencies on the model of public administration accumulated in previous years as well as to modernize the State structure in order to meet perceived new demands from markets and society (Filgueira et al., 2002).

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\(^{23}\) The most significant are the Hall report (published in 1954); the work of the Commission on Investment and Economic Development (CIDE, 1966); and the Oszlak report, (Oszlak, 1989. Originally published in 1972).

\(^{24}\) The reform formally began in 1996 through the adoption of the annual budget act that created the CEPRE (Executive Committee on the Reform of the State) as a new Presidency’s office in charge of driving the changes.
In particular, the social security system was transformed in order to alleviate chronic financial deficits as well as to allow for the participation of private pension administrators. There were also significant changes on primary and secondary education (curricula, teachers’ training, compulsory initial education), though public agencies remained the main providers of these services, still under a highly centralized system. (Mancebo, 1999; Lanzaro, 2004; Busquets, 2010).

In the core Executive (ministries), reformers targeted bureaucratic rigidities, excessive centralization of decision-making and inefficiency as the main problems to deal with. In line with NPM assumptions, these reforms argued that the State should outsource the provision of public services to companies, social organizations and local governments, and concentrate itself on the core functions of policy formulation, monitoring and market regulation.

Accordingly, the number of public servants was further reduced (by approximately 10,000). Furthermore, in an attempt to orient public organizations towards results, some high-level positions within ministries were assigned based on merit, on temporary, contractual basis (unlike tenured positions) (Filgueira et al, 2002). In the same vein, some managerial techniques were implemented, such as planning and monitoring schemes –including the definition and quantification of public “products”.

Much has been said about the results of this wave of reforms both from political and administrative perspectives. It is clear now that there was limited success in streamlining ministries’ organizational structure and avoiding duplication of efforts by reducing the number of organizational units within them. Moreover, although the number of public servants was reduced, as its promoters sought, most cuts were not guided by analysis on what capabilities should be preserved. Very valuable staff abandoned the administration, resulting in weakened ministries.

Regarding the intention to introduce performance management, results were also meager. Personnel in contract-based positions were not allowed any freedom to manage. Planning and monitoring schemes were limited and did not benefit from enough political support, so they were adopted as new bureaucratic rituals and without really transforming the way ministries were managed. Finally, many activities which were previously undertaken by ministries were transferred to agencies and MAPBs, but this was not accompanied by strengthening ministries’ ability to steer such policies (Narbondo et al., 2002). Therefore, it can be concluded that reforms in the core Executive initiated between 1995 and 1999 failed to solve the major weaknesses which had been targeted by its proponents while at the time created new ones.

With the arrival of Jorge Batlle (2000-2005, Colorado Party) to the Presidency under the effects of a deep economic crisis, State reform significantly slowed down. However, some transformations still occurred during this period. First, deregulation and partial privatization of public companies was deepened, and offices intended to regulate and ensure competitiveness in certain markets (telecommunications, energy, water supply, among others) were created. Second, as part of a process of reform of State’s structures, a set of provisions was enacted generating various impacts on the capabilities of the core Executive.
For example, some public services were outsourced and the Inland Revenue Office (DGI) was modernized. In the same line, the prohibition of entry to the public service, which had had entered into force in 1995, was extended until 2005, while a new, position-based hiring mechanism was created. Despite these measures, efforts to address key historical problems of the public administration can be described as weak, at best (Ramos, 2009).

State sector reform gained momentum again in 2005, when the first leftist government in the history of the country took office. President Tabaré Vázquez (Frente Amplio) called for it as “the mother of all reforms”, to illustrate the importance of this issue for his administration.

The initiative was marked by a strong interest in strengthening the Welfare State structure. In this line, the Ministry of Social Development was created, and a far-reaching reform of health services was implemented which positively impacted underprivileged sectors. In addition, the tax system was also reformed to make contribution more progressive and units in charge of developing macroeconomic policy were strengthened. Finally, collective wage bargaining, which had been suspended in 1991, was reinstalled both for the public and private sectors.

The Vázquez's administration promoted a significant number of initiatives for reforming the core executive (Narbondo et al., 2010, OPP, 2009) including: organizational restructuring of ministries, transformation of the career-based system, political and administrative decentralization, development or improvement of information systems which could enhance decision-making and management, the beginning of Executive-wide monitoring and evaluation policies, deepening and accelerating the implementation of e-government through the creation of a specialized unit (AGESIC), as well as creating one-stop shops and streamlining front-office services.

Many of these initiatives were clearly influenced by modern public management concepts such as performance-based management, evidence-based policy and client-focused service. Notwithstanding that, and different to what occurred with the reforms in the Welfare structure, it cannot be said that Vázquez's administration followed a comprehensive or well-planned agenda for change. Transformations were mainly unsystematic, incomplete and ad hoc (Narbondo et al., 2010). This was particularly true regarding key areas such as organizational restructuring of ministries and changes in the human resources regime.

For example, there was a strong attempt to modernize the personnel management regime of the core Executive introducing neo-Weberian arrangements. The existing career-based system and its associated wage scale were modified, and performance-based senior management positions were introduced at the top of the bureaucratic hierarchy (Alta Conducción). However, such attempts failed completely.

25 The legislation was meant to last until 2015 but it was revoked in 2005.
26 We qualify this attempt of reform as "neo-Weberian" because there was no intention to remove the career system but to make it more flexible by introducing some managerial logics. For example, new senior managers were supposed to be selected (primarily) from within the public service (traditional public administration feature), but their stay in the new position was subject to accomplishing certain performance goals (managerial feature). If they failed to do so they were not supposed to be dismissed but sent back to a position of lower wage and responsibility, so they remained tenured (as in traditional public service regimes).
The new administrative career was enacted but never implemented. In addition, only a handful of the new senior manager positions were staffed and mechanisms to evaluate their performance were never developed. Moreover, the following administration (elected in 2010, also from the Frente Amplio party) gave a U-turn by removing the vacant positions and increasing the number of politically appointed employees in senior management and senior policy adviser positions.

It is clear then than the relationship between politicians and high-level bureaucrats is still mainly dominated by patrimonialism and party patronage. A new pact between these two groups is required in order to professionalize the higher bureaucracy, allowing them some degree of professional autonomy while empowering politicians through effective performance-based control and steering mechanisms27.

A similar statement can be made regarding the incorporation of modern public management tools such as information systems for financial and human resources management, performance-based contracts and budgeting for outputs or outcomes. Although there has been some progress, there is not a sufficiently deep and broad political and institutional commitment to move towards performance-based, strategic management. Such lack of political and bureaucratic support causes attempts to incorporate these practices have made only timid progress. In fact, most of the times those tools and practices are assumed only as new empty-of-purpose bureaucratic rituals by organizations which are still strongly oriented to procedures rather than to results.

This tendency is aggravated on one hand by the organizational weakness of ministries, and on the other hand, by the lack of consensus on what the agenda, strategy and pace of reform should be among the central units which are expected to promote it: Presidency’s Planning and Budgeting Office, National Civil Service Bureau and the Treasury.

In short, so far Frente Amplio’s administrations have been successful in reconfiguring and strengthening the social welfare matrix. On contrast, they have been unable to consolidate a systematic process of reform of the public administration in terms of enhancing its capacity to properly manage resources as well as improving accountability to the Parliament and citizens. This has not been possible even under a context of parliamentary majority and broad social support.

In order to analyze the development and impact of these reforms, we must also frame them in the social and political context within which they operate. To start with, the hegemonic imaginary among citizens is characterized by a strong reluctance to the idea of reducing the state apparatus, which prevailed in other countries of the region during the 1990s. Some more recent attempts of reform and modernization can still be linked in this imaginary to the neoliberal reform discourse which was rejected in the past.

27 Some exceptions to this rule can still be found, as in the case of the Director of Inland revenue, who is accountable before the Minister of Finance.
In addition, institutional variables must be also taken into account, such as the characteristics of Uruguayan presidentialism, which provides few opportunities for by-passing the Parliament (at least in major reforms); a large number of actors who can veto policies, such as party fractions with significant autonomy, strong corporatist interests (i.e. professional and trade associations), highly politically mobilized public sector unions; and the lack of technocratic groups with strong autonomy with respect to political parties which could develop their own reform agenda, as it has happened in other jurisdictions (e.g. Chile or New Zealand) (Panizza, 2002).

All in all, it could be argued that since 1985 the Core Executive has undergone various gradual, discontinuous and often contradictory reform processes, but a new paradigm (neither neo-Weberian nor managerial) has not yet been adopted.

VI. Conclusions

We stated in the Introduction that in the present historical juncture Uruguay has good chances to move to a higher stage of economic and human development. However, to achieve that goal it must face two interrelated challenges. On the one hand, it must transform its productive structure to make it less dependent on static comparative advantages. On the other, it must reconfigure its welfare state to allow reverse preoccupant trends of social fragmentation, inequality in access to opportunities and human capital relative decline. We understand that the state must play a central role in the consolidation of these processes, and therefore its modernization in general, and the improvements in its management capacity in particular, must be addressed as a priority of the public agenda.

In the preceding sections an overview of Uruguay's public sector was provided. It was said that it maintains governance schemes, organizational structure, financial management and accountability mechanisms typical of the first half of the twentieth century. Not surprisingly, this tends to generate process-oriented organizations with serious difficulties towards improving their performance and adapt to new requirements.

It was also clear that the government and most public agencies and companies have a model of human resource management that only appears Weberian-bureaucratic. In fact one cannot speak of a unified civil service, let alone a specialized senior civil service. Beyond the existence of a Weberian type regulatory framework, meritocracy was never consolidated in practice due to the use of multiple legal mechanisms that enable broad political discretion in the recruitment, assignation of responsibilities and rewards within public organizations.

The political authorities are wary of a civil service that they have kept weak, and try to consolidate their control by generating political or personal loyalties. While officials rely on the high guarantees of their job security and the knowledge of the levers and pulleys of the state apparatus to maintain their income levels and working conditions, even at the cost of a sub-optimal performance of their organizations.

In the past 25 years some important reforms have been processed with diverse intensity and success. In particular, modernization of public enterprises (including, but not limited to restriction of certain monopolies), social security reform, changes in educational, health and taxation systems as well as financial system regulation. Although timidly, social accountability and access to public information have also been improved.
However, in the core Executive and Agencies only some improvements in the capacity for containment and analysis of public expenditure, and transparency in the public service recruitment and quality of information have materialized. Essentially, the ways to manage human and financial resources have not shifted to a model of performance management and true professionalization of civil service. Neither central units in Presidency and the Treasury have been adequately strengthened and clearly mandated to lead these reforms.

Theoretically, both managerial and neo-Weberian paradigms of administrative reform aim at strengthening state capabilities and modernizing public management while increasing accountability and transparency. Both are oriented towards improving decision-making processes and, consequently, enhancing the quality of policies while at the same time an organizational culture favorable to managing for results.

Along this article it became clear that some virtuous traits of the Uruguayan democracy can also show a dark side, since them frequently turning into obstacles for State sector reform processes, no matter what is its orientation. We specifically referred to two set of factors. First, the electoral and party system obliges the Executive to build wide inter-party consensus through intensive negotiations in order to advance significant transformations. Second, there are multiple non-partisan actors which are powerful enough to block or hinder reform attempts.

We also mention other facts which hinder change. In section two we argued that existing rules make public personnel reluctant to change. And in sections two and five we collected evidence to show that the hegemonic imaginary of Uruguayan political parties includes the idea that the machinery of government can only be controlled and steered by the appointing party (and fraction) loyalists to top administrative positions as well as co-opting tenured personnel. Human resources management practices in the last 25 years have been consistent with this hypothesis.

For all these reasons the road to modernization of public management in Uruguay is sinuous and plagued with obstacles. These must be considered along with another fact that is valid for public administration reform in any country: building state capabilities imply significant short-term costs concentrate on a handful of actors who, consequently, will probably strongly reject them. In turn, benefits are usually diffuse and can only be fully appreciated on the long run, so their advocates hardly ever can take the political credit for them. In consequence, incentives for party leaders to embark on such enterprises are often rare and weak. As a corollary, without this kind of leadership it is highly improbable that reforms can be deep enough.

No matter what group of administrative doctrines would inspire it, any future attempt of modernization of public management in Uruguay seems to have two alternative scenarios. The negative scenario assumes that there will be no explicit, strong and continuous political support to administrative reform from top party leaders. This being the case, there will probably be more partial and discontinuous modernizing impulses promoted by eventful coalitions of second or third line politicians, national academics and technocrats, sometimes under the auspices of international institutions (e.g. UNDP, IADB, etc.). But for the majority of core Executive organizations chances are that such impulses will not go beyond the unsystematic, mechanical and ritualistic application of some modern management techniques.
Deep, positive transformations will only keep occurring in organizations and sub units which are key for the acceptable working of the State and existing productive structures: i.e. macroeconomic regulation, tax and revenue offices, and others which support prevailing economic activities. At least this has been the case for many managerial reforms in Latin America, which were implemented with the intention of creating “efficiency oasis” and were hardly ever generalised to the rest of the state sector (Ramírez, 2009; Nickson, 2002).

On the contrary, the optimistic scenario assumes that some top level political leaders can make state sector performance a priority of the public agenda. And, more importantly, that they go beyond this rhetoric level and commit themselves to building management capability and orienting it towards verifiable results. In our vision, this should imply redefining the pact between politicians and public personnel, so that the former start relying on performance information and professional capabilities rather than in sheer party or personal loyalty as mechanisms for governing public organizations and getting the results they seek. Otherwise, public service and particularly senior management will never be professionalized. Moreover, if reform processes are to be profound enough, and generalized to the whole Executive as well as sustainable beyond government changes, these leaders will have to build ample pro-reform alliances including other parties, public personnel and key civil society actors. As a consequence, for this kind of reform to occur it is essential that the structure of incentives and the hegemonic imaginary currently operating over party leaders are altered in favor of reform.

Understanding how such alterations in existing incentives and imaginary could be triggered would require a whole new piece of research. We will limit ourselves to mention some precursors of reform which are frequently mentioned by specialized literature. These include pressure from multilateral credit institutions; strong citizen’s dissatisfaction with certain policies or services; lobby by private (usually corporate) interest groups whose economic results are threatened by public sector’s poor performance; political crises derived from catastrophic events, corruption scandals, etc.; and the generation of a new discourse which raises public support for the reform’s objectives.

However, even when many of these circumstances appear simultaneously they are not a sufficient condition for ensuring long-term sustainability of the reform. As Hall (1993) points out, it is necessary to go beyond the mere sum of incremental adjustments to the existing model and to achieve a real change of paradigm on how citizens conceive and what they require from the state.

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