

**PUBLIC MANAGEMENT POLICY AND  
ACCOUNTABILITY IN LATIN AMERICA:  
PERFORMANCE-ORIENTED BUDGETING IN  
COLOMBIA, MEXICO, AND VENEZUELA  
(1994-2000)**

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***ABSTRACT:** This article presents some of the theoretical and practical problems the design and implementation of public management policies (following the definition that Barzelay [2001] proposes) face in some countries. We specifically emphasize those factors that affect the expected results of performance-oriented budgeting (POB). There is an interesting polemic going on between some scholars and practitioners who think performance and efficiency should be the main values of government policies and others arguing for a greater role for accountability and democratic control. POB may be the solution for this policy dilemma, but there are political, legal, and organizational factors that make it difficult to achieve the benefits promised by these types of reform strategies. Moreover, the design and implementation of POB is especially difficult in developing countries due to some specific organizational and political constraints. The most important may be the difficulty of freeing public managers to make decisions in a context that urges more control and strengthened accountability rather than granting more discretion. This article explores the implementation of POB in three Latin American countries: Colombia, Mexico, and Venezuela.*

In the public sector, there seems to be an interesting policy dilemma in sorting out the contradiction between enhancing performance and flexibility attitudes on one side versus enhancing and strengthening accountability and control over public managers' decisions on the other. Authors such as Knott and Miller (1987) and Schick (1990, 1994) have identified this tension. Many commentators argue that government should be performance-based. The principal values that support this argument would be efficiency and effectiveness, since the main objective would be to free public managers

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from excessive control and make them accountable through performance and results. In order to accomplish this, continue the advocates of the performance-organization argument, public organizations need to increase levels of flexibility, leadership, and innovation. However, another group of commentators argues that government has to be controlled by citizens, and hence public officials must be accountable for their actions and the consequences of those actions. This argument mainly values accountability, legitimacy, legality, and the strengthening of checks and balances between congress and executive.

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

Moreover, POB followers support their arguments with strong technical analysis, very specialized in terms of how to develop a budget in public organizations. However, regardless of strong technical support, the implementation of this policy tool is not a simple task and appears to require particular political and social conditions. Some developed and developing countries have started using this powerful tool and have met with institutional and organizational constraints (Schick 1994; Melkers and Willoughby 1998). This article demonstrates how, in developing countries, these policy constraints can affect and in some cases neutralize the promise of POB as an NPM policy.

First, a brief description of NPM and its relationship with performance and accountability is presented. Different reform movements in government have been identified with NPM (Arellano-Gault et al. 2000; Behn 2001; Light 1997). Most of them have tried to improve performance and accountability at the same time, but performance has been the main value for most of these new reformers. The second section shows how POB can be seen as the solution to the dilemma. It discusses the idea of POB and attempts to analyze the advantages and disadvantages of this kind of policy tool. Attempting to measure performance is not an easy task. It can be very subjective and based on political negotiation and bargain instead of objective evidence.

The third section describes three cases of Latin American countries attempting to implement POB (Colombia, Mexico, and Venezuela). Each case is analyzed by understanding the institutional context, some specific policy characteristics such as legal and organizational reform and the role of budget control agencies, and the strategy that each country is following. Despite their great similarities in economic and political context, there are interesting POB differences among the case studies that show different challenges for POB implementation.

The Colombian government emphasizes investment expenditures; that is, money that is used for social projects and development. The president and the Congress are cooperating in the reform, but the executive is the most visible leader of the effort. In Mexico, government officials attempt to enact a more comprehensive reform. The Mexican reform is called the new programmatic structure-performance evaluation

system. It seeks to evaluate the implementation and design of the whole federal budget, and includes several stages. However, it is clear that in Mexico the reformers did not take the role of Congress into consideration in the design of the policy. Most of the effort comes from the executive and its rule-making power. Venezuela also has a more comprehensive reform. The objective is to integrate accounting techniques with performance evaluation. The main participant in the Venezuelan effort has been Congress. The reform began with a complete review of the entire legal corpus related to the budget and planning processes. This holistic and collaborative strategy has helped Venezuela to have a good legal basis for POB, but it has also taken a longer time to complete the transformation.

Finally, the fifth section contains some comments about POB as the solution to the performance and accountability dilemma as present in these three Latin American countries. Many reformers have seen POB as the way to solve this dilemma that seems to be critical for the success of public administration reform under NPM ideas. POB, then, needs to be seen as a socially-historically created creature. Seen as a public management policy, it is the result of many different political and economic trends and pressures. POB is only one of the policy tools to be used in big governmental reforms, and is one of the most difficult and expensive not only in terms of money, but also in terms of the necessity of building institutions that strengthen the values of mutual control between congress and executive, social participation, and effective governments (Arellano et al. 2000).

### **PERFORMANCE VERSUS ACCOUNTABILITY: A POLICY DILEMMA**

Every country would like to have a very effective government composed of high-performing agencies, accountable through a strong system of control that assures plurality and honesty. However, these are policy factors that pull organizational forces in contradictory ways: one, effectiveness, requires decision makers who enjoy flexible norms and procedures and are able to take risks in order to face contextual challenges. The other, accountability, requires strong controls, solid procedures, and constant surveillance of real bureaucratic behavior. Sometimes, there seems to be a direct tradeoff between them; when a political and administrative system wins some accountability it has to decrease its level of performance, and vice versa. NPM has emphasized both performance and accountability as desirable components of any governmental reform. Many countries have attempted to achieve both through their public management policies, and many of these national reforms have, at least in some sense, failed.

### **NPM and Performance**

Regardless of its name, some argue that NPM is not totally new. In fact, NPM can be considered as merely some of the same administrative recipes of the past, with a new presentation. In part, this position is based on the fact that there is no consensus among scholars regarding which principles comprise the so-called traditional public administration. Some scholars and practitioners think that, at least in some ways, the paradigm of traditional public administration has followed Max Weber's model of bureaucracy (1922). These commentators highlight such characteristics as apolitical

bureaucracy, hierarchical rules, stability, internal regulation, and professional competence, among others (Peters 1996).

On the other hand, other commentators have argued that there is no single traditional public administration paradigm, or at least this paradigm is neither the opposite of nor largely different from NPM and its ideas. Lynn (2001), for example, has argued that in many ways NPM and the idea of reinventing government is more similar to what we call traditional public administration than it is different, highlighting such characteristics as a dichotomy between politics and administration, the various principles of administration, a lack of accountability, etc.

NPM could also be seen as a poorly defined concept (Ricucci 2001). Nevertheless, there are some important characteristics that many scholars and practitioners have identified as part of this reform movement. Most of them agree that perhaps the most important characteristic is its emphasis on improving the performance of the public sector (Behn 2001; Light 1997; Kettl and Dilulio 1995).

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

It is not clear how well the economic theory assumptions regarding organizational and human behavior are applicable to the public sector in its concrete dynamic. Some scholars have found evidence of the impact of political control over the bureaucracy and its response to changes in policy (Wood and Waterman 1991). Keiser and Soss (1998) found that bureaucratic discretion depends more on environmental and external factors, such as partisan control of state governments, the values of state administrators, the funding decisions of elected officials, and the levels of demand placed on the bureaucracy, than on a simplistic assumption of bureaucratic capture (as in Niskanen 1971).

Thus, there is no clear map regarding how to achieve equilibrium between the necessary level of discretion in order to make rational and intelligent decisions and the necessary level of accountability required to maintain public control over bureaucratic action. Different positions exist. NPM holds that with the correct (positive and negative) incentives we can change the behavior of the bureaucracy, political appointees, and members of congress (Osborne and Gabler 1992; Barzelay and Armajani 1992).

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

The tide of reform appears to be international (Light 1997); however, it might not be applied extensively at the local level. It is interesting how Julnes and Holzer found that “although performance-measurement efforts have been around for a long time, they do not seem to have become part of what the public organizations do” (2001, 694). If performance measures should be part of what government does, it is necessary to pay

attention to such factors as political support, management support, and analytical support that impact the feasibility, cost, and value of performance-based management.

It would be difficult to say that society does not want a government that performs better and costs less, as the National Performance Review argued. Performance is a very important characteristic of a successful, modern government. People want more than a government that represents their interests in a democratic way. They also want a government that can give them the best possible level and quality of services. Performance has become one of the main measures of success in the public sector, and public management policies should seek to incorporate this value as fundamental.

### **Performance versus Accountability**

It is also clear that good performance is not the only thing that people expect from government. Equity, justice, and stability require a certain level of democratic control over political institutions, especially in a plural society full of groups and individuals with different legitimate perspectives, values, and interests. For this reason, some scholars defend accountability much more than the norms, controls, and procedures it entails. Accountability is one of the most important elements of a democratic government (Behn 2001; Rosenbloom 2001). Accountability can be seen in many different ways, but democratic control is implicit within it. Simon (2000) describes clearly that it is not necessary to reinvent government, but rather to enhance its capabilities to assure that the rules of the game are fair for society and that these rules are respected.

The public servant is not always public spirited and does not always work for the public interest or the general welfare (Moe 1984). Therefore, for accountability holders, accountability means punishment (Behn 2001). Their principal job is to detect problems in the behavior of public officials or public managers and try to be the first person who discovers that someone did something wrong. However, there is not only one kind of accountability. Accountability can have different dimensions. Behn (2001) has identified three types of accountability:

1. accountability for finance,
2. accountability for fairness, and
3. accountability for performance.

According to him, accountability for finance is the most obvious and the easiest to identify. It focuses on financial accounting—in other words, “on how the books are kept and how the money is spent” (7). Citizens want government to be fair to its employees, contractors, and clients. Accountability for fairness is related to people’s perception of equity in their relations with government. Behn says that the first two kinds of accountability have a very clear and well-defined process:

1. decide what values we want government to uphold;
2. create rules, procedures, and standards to establish what the organization should and should not do;
3. require the organization and its managers to keep a lot of records of what it did; and,

4. audit these records to ensure that the organization and its managers did follow the rules, standards, and procedures.

And, if control agencies discover that they did not do so, public managers are held accountable by being punished. On the other hand, in order to hold managers accountable for results, certain targets and goals must be defined with some precision. The question is how to ensure that the processes being followed are legal and just, while not at the same time creating an obstacle for performing well. According to Behn, the accountability rules for finance and fairness can hinder performance. The accountability dilemma is the trade-off between accountability for finance and fairness and accountability for performance.

Arellano-Gault (1999) presents this dilemma as the interaction of two within the theory of NPM. First, there is a tension between accountability and innovation. NPM proposes a more flexible and innovative administration that focuses more on outputs and outcomes than on inputs. To be accountable for outcomes can be very complex. Moreover, innovation implies a society willing to accept that public officials will take risks. Innovation and risk taking are related (Hood, Rothstein, and Baldwin 2000). Are societies prepared to accept risk-taking bureaucracies? Are we prepared to enable our public managers to make risky decisions, and therefore prepared not only for good results but for bad results that come from taking risk? It is difficult to have specific and detailed procedures and great bureaucratic discretion to innovate at the same time; they are in some sense contradictory (Behn 2001).

Second, most of our governmental agencies are good at managing programs. They know how to accomplish goals in terms of activities. They know how to spend money while following all applicable rules, procedures, and standards. Nevertheless, people cannot be sure that, even with all these processes, government agencies are solving their problems. It seems, however, that there is another theoretical and practical tension between program managing and problem solving (Arellano-Gault 1999; Gil-García, Martínez, and Cárdenas 2002). It is necessary that agencies find ways to resolve society's problems with the existing policies and programs they are managing or with other administrative tools. Even in innovative organizations this tension between performance and accountability can be found (Gil-García, Martínez, and Cárdenas 2002).

Any administrative reform must improve government operations, but it must also show it is capable of keeping bureaucracies accountable (Behn 2001; Lynn 2001). This is a lesson learned from experiences with government reforms that did not take the decisive role of legislatures and citizens into consideration (Kettl and Dilulio 1995; Light 1997). In many instances, reformers need to understand that red tape and micromanagement are products of the need to keep decision making under control in plural societies.

In theory and practice, accountability and performance work toward different goals, use different tools, and need different values to be accomplished. Therefore, these two governmental principles are not necessarily compatible in practice. However, there are several NPM proposals that ask governments to achieve both goals (Osborne and Gabler 1992; Barzelay and Armajani 1992). Thus, decision makers in modern

governments are facing public management policies with contradictory values and objectives.

### **PERFORMANCE-ORIENTED BUDGETING: AN EMPIRICAL SOLUTION OF THE DILEMMA?**

Performance management, and specifically the technique of POB, seeks to resolve the conflict between performance and accountability. POB establishes that we can hold public officials and managers accountable by specifying performance goals and objectives in terms of policy outputs and outcomes, and at the same time give them more discretion in the means they use to accomplish those goals and objectives.

#### **Performance-Oriented Budgets: Performance and Accountability?**

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

POB emphasizes policy outcomes. In other words, it is important to specify and discuss inputs in the budgeting process, but it is more important to establish goals and objectives in terms of outputs and outcomes and to link these goals and objectives with the different amounts of money specified in the budget. The reader should identify here a relationship with some of the big questions of public administration, because the outcomes are in some sense how public administration affects society (Kirlin 2001).

Most governments establish a set of rules, procedures, and standards for their daily work. These institutions have the important function of specifying people's expectations for how public officials will behave and handle the public resources. In order to hold managers accountable, it is necessary to be able to establish what society's expectations of their behavior are (Behn 2001). However, if these expectations are performance-based, specification is not easy. Much of the time, expectations are more related to a political negotiation process than to technical matters (Wildavsky 1992).

If budget reforms could be the policy instrument for achieving the aspirations of results-oriented budgeting, public managers need to be conscious that this kind of reform "requires change in routines and supporting beliefs of all participants in the system: central agencies, spending departments, and politicians" (Barzelay 2001, 252). These reforms are about changing the organizational structure and culture of the entire budgetary system.

The other main idea of POB is that performance measurements must be the basis for evaluating government performance as a whole, but also for agencies and individuals. There are two considerations about this element. First, the assignation of the budget for any given agency should depend on its performance evaluation last year. This sounds correct, because if a governmental organization did a good job one year, it is going to have more money for the next year. Their effort to perform well is going to be reflected in the budget distribution for the next year.

There is at least one important problem in this argument. Most of the time the agencies that have more problems in measuring their performance are the agencies that

deal with complex problems in very important social areas, such as education, health, or social welfare. Those that do measure easily and can show results more rapidly are agencies in which the principal activities are financial or very technical. It is clear that measuring and defining outcomes and outputs would be a very different process in different kinds of organizations.

In addition, in the real world this meritocratic situation is almost impossible, because budgeting decisions have to be made taking politics into account. As Wildavsky (1992) says, the budgetary process is a political process. Congressmen and other politicians are not going to let technocrats make decisions about the budgetary process. Politicians are not necessarily the main advocates of the poor, but elections and representative institutions can equilibrate interactions among different actors in society, assuring all voices are heard.

Another consideration is closely related to the first. If a government does not have good performance measures and it is going to distribute some incentives among different agencies and different individuals, this distribution could be very different from what the majority of society really wants. Even good performance measures do not necessarily reflect people's expectations and desires. In other words, it is impossible to have technical procedures for the re-assignment of the budget, because this process is constructed through the participation of the legislators who are the people's representatives in the policy-designing process.

## **METHOD AND RESEARCH DESIGN**

This article uses case studies as its research strategy. According to Yin (2003), multiple case studies research follows a replication logic instead of a sampling logic. In this sense, case studies are more like experiments. In order to have a more robust study, it is necessary to perform several literal or theoretical replications. Therefore, a good case study design should select cases that can be considered either literal or theoretical replications of the first case (Yin 2003).

Following this replication logic, this article analyzes POB initiatives in three Latin American countries. Of course, there are many differences between Colombia, Mexico, and Venezuela. The details of their political systems are different, the soundness of their public finances is different, and their demographic composition is different, among others. However, most Latin American countries have similar levels of economic development, political and democratic weaknesses, social problems, and cultural background. In addition, they all are attempting to implement POB at the national level, and they are getting similar results from facing similar problems.

Therefore, despite certain differences at a more detailed level, this study analyzes the three cases with a literal replication logic. It is assumed that due to their similar context Colombia, Mexico, and Venezuela would have similar problems and results. The specific design and implementation of their reforms might be different, but the general components of their reform and the outputs are expected to be very similar. Using a multiple case design instead of performing a single case study helps to make the research more robust.

Case studies can use different data-collection procedures. This research is developed mainly using analysis of documentation and face-to-face interviews. Documents related to the different initiatives were collected and analyzed. These documents are very rich



in details about the design of the POB reforms. However, documentation says very little about implementation and perceived impediments. Therefore, approximately seven interviews were conducted for each initiative. The interviewees were public officials that were leading or participating in the POB reform efforts. Semi-structured interviews were used to collect information about public managers' perceptions of the POB implementation processes and preliminary results. In addition to the analysis of documentation and the interviews, there was an opportunity for a one-week period of direct observation and interaction with important actors of each initiative.

## **PERFORMANCE-ORIENTED BUDGETING IN COLOMBIA, MEXICO, AND VENEZUELA**

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

### **Brief Introduction to the Cases**

#### *Colombia: National System for Outputs Evaluation of the Public Management*

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

#### *Mexico: New Programmatic Structure and Performance Evaluation System*

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

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

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

### **Institutional Context**

The institutional context is the first dimension to take into account. Public management policies, and hence POB policies, are designed for and implemented within social contexts. These contexts influence the way these budgetary reforms develop and also affect their impact on the structure and functions of government. Institutions are the formal and informal rules that shape or potentially shape the way a public management policy is formulated (Scott 2000; Barzelay 2001). Latin American countries share some common institutional characteristics such as various economic problems, weak democratic systems, and authoritarian or near-authoritarian regimes. This section describes some institutional characteristics of each country as they relate to the budgetary process (see table 1).

#### *General Context*

Colombia is a unitary and presidential republic. Its territorial entities are in some sense decentralized and have a certain degree of autonomy. The legislature is called Congress, and it is bicameral, consisting of the Senate and a House of Representatives. The president, the vice president, the various ministers, and the various chiefs of the administrative departments form the executive branch. There is a civil service in Colombia. However, high-level bureaucrats and political appointees tend to have a poor opinion of civil servants, leading to tensions between the two groups. Consequently, many ministries, including the treasury, have started contracting external advisors or consultants. Cooperation between political appointees and civil servants seems to be very difficult.

Mexico is a federal and presidential republic. The executive and legislative branches of government have institutional arrangements that encourage them to cooperate only in the policy decisions that benefit both branches politically. The division of power between the three branches of government (executive, legislative, and judicial), with certain autonomy and interrelated controls (checks and balances), leads to situations

**TABLE 1**  
Institutional Context of Colombia, Mexico, and Venezuela

<i>Context Component</i>	<i>Colombia</i>	<i>Mexico</i>	<i>Venezuela</i>
<i>General Context</i>	<ul style="list-style-type: none"> <li>▪ Unitary presidential republic</li> <li>▪ Quasi-federalism</li> <li>▪ Bicameral Congress</li> <li>▪ Three branches of government</li> <li>▪ Civil service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Federal presidential republic</li> <li>▪ Formal federalism</li> <li>▪ Bicameral Congress</li> <li>▪ Three branches of government</li> <li>▪ No civil service (civil service law passed recently in April 2003)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Federal presidential republic</li> <li>▪ Formal federalism</li> <li>▪ Unicameral Congress</li> <li>▪ Five branches of government</li> <li>▪ Civil service</li> </ul>
<i>Budgetary Process</i>	<ul style="list-style-type: none"> <li>▪ Executive initiative integrated by a central executive agency</li> <li>▪ Budget must be approved by both legislative bodies</li> <li>▪ Budget control by executive agencies, both houses of Congress, and an autonomous supreme audit institution</li> </ul>	<ul style="list-style-type: none"> <li>▪ Executive initiative integrated by a central executive agency</li> <li>▪ Budget must be approved by the National Assembly</li> <li>▪ Budget control by executive agencies and the National Assembly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Executive initiative integrated by a central executive agency</li> <li>▪ Budget must be approved by only one legislative body (representatives)</li> <li>▪ Budget control by executive agencies and both houses of Congress</li> </ul>

where it is difficult to cooperate in many policy arenas. Congressmen cannot be reelected for the next immediate period, and this situation causes a close political relationship between legislators and the president. In addition, there is no formal civil service in Mexico. Most of the high-level bureaucrats are political appointees. However, many public servants have accumulated experience in specific policy arenas through their professional careers.

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

### *Budgetary Process*

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

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

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

### **Legal and Organizational Transformations**

A second analytic scheme presents some important legal and organizational changes that the different reforms proposed. This is especially important because the policy strategy of each country was different from the others. They all have a different set of laws and relatively different social, political, and institutional constraints, and so made different policy decisions to facilitate the whole process. The specific environmental constraints shaped or changed the original policy components.

#### *Legal or Statutory Reform*

The Colombian Constitution of 1991 mandates that budget priority be given to the goals and objectives established by the national plan of investments. It includes the participation of Congress in the elaboration and evaluation of this plan. It establishes that the Department of National Planning has to design and organize a system of evaluation for the outcomes of policies and investment projects. It obligates government

agencies to carry out performance evaluations. Law 179 establishes the coordination between the Department of National Planning and the treasury (*Ministerio de Hacienda*) regarding the development and evaluation of the annual operative program of investments. It creates the national repository of programs and projects (*Banco Nacional de Programas y Proyectos*). It gives a certain level of autonomy to government agencies. On the other hand, Law 225 authorizes the National Political and Fiscal Council (*Consejo Político Fiscal*) to make decisions in cases of expenditures that last longer than the annual budget period. It mandates that state enterprises submit financial reports to the Department of National Planning and to the treasury.

**TABLE 2**

Legal and Organizational Transformations of Colombia, Mexico, and Venezuela

<i>Reform Component</i>	<i>Colombia</i>	<i>Mexico</i>	<i>Venezuela</i>
Legal or statutory reform	<ul style="list-style-type: none"> <li>▪ Constitutional and legal modifications</li> <li>▪ Clear participation of Congress</li> <li>▪ Performance measures are mandated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Executive programs and some regulations</li> <li>▪ No clear participation of Congress</li> <li>▪ Performance measures are mandated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Several laws and regulations</li> <li>▪ No clear participation of Congress</li> <li>▪ Performance measures are mandated</li> </ul>
Organizational reform	<ul style="list-style-type: none"> <li>▪ Selective decentralization</li> <li>▪ Clear link between performance and budget priority</li> <li>▪ Emphasis on results in terms of outcomes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Selective decentralization</li> <li>▪ No clear link between performance and budget priority</li> <li>▪ Emphasis on results in terms of outcomes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Selective decentralization</li> <li>▪ No clear link between performance and budget priority</li> <li>▪ Emphasis on integrating inputs and outputs</li> </ul>

In Mexico, the national program for financing development (*Programa Nacional de Financiamiento del Desarrollo - PRONAFIDE*) promotes an integral change in the classification of activities in the national budget. It establishes the use of strategic measures of outcomes. The modernization program of the federal public administration (*Programa de Modernización de la Administración Pública Federal - PROMAP*) argues for government with a service-oriented culture. The program emphasizes the importance of effectiveness and efficiency in the public sector. The new programmatic structure - system of performance evaluation (*Nueva Estructura Programática y Sistema de Evaluación del Desempeño - NEP-SED*) creates a new classification of government expenditures. It links organizational missions, actions, and budgetary functions in terms of outcomes and social impact, creating a new model of performance evaluation and establishing the use of strategic measures for evaluating agencies' performance.

The Venezuelan organic law of the General Control Office of the Republic (*Ley Orgánica de la Contraloría General de la República*) establishes that the federal executive has the responsibility to create an accounting system for the national public finances. The process continues with the responsibility of the treasury (*Ministerio de Hacienda*) to help in the creation of different ways to relate the different financial

systems in the government. They modified the whole corpus of legislation about or related to the budget process, such as the organic statute of the budgetary process, the organic law of the budgetary process, the law of financial public administration, etc.

### *Organizational Reform*

Colombia is attempting to develop a very clear linkage between income and expenditure, and has an integrated budget law within which it is possible to establish this linkage. The category of social public expenditures gives such expenditures budget priority. Agencies with very good results also have budget priority. The Department of National Planning can evaluate the programs or agencies if they consider it necessary. In the case of SINERGIA, objectives and goals have to be presented in terms of outcomes.

Mexico is looking for a better and clearer relation between the budget offices of the different agencies and the control agency (*Secretaría de Hacienda y Crédito Público – SHCP*). The discourse is to give more responsibility and capacity to the budget offices in the different agencies to ensure better results through the integration between institutional missions, the national planning, and the macroeconomic parameters.

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

## **Organizational Aspects of the Reforms**

As a third step, two more specific organizational aspects of the reforms are analyzed: the role of budget control agencies and the proposed level of autonomy for all other agencies or departments. We link these two factors with a synthesis that emphasizes some critical factors or uncertain issues. This last step in the analysis is especially important because the whole idea of performance, flexibility, and innovation is related to the interaction between these two kinds of agencies: the ones called controllers, and the other public agencies.

### *The Role of Budget Control Agencies*

In Colombia, the central control agencies (*Departamento Nacional de Planeación* and *Ministerio de Hacienda*) authorize expenses that last longer than the one-year budget period. These control agencies evaluate policies and investment projects, and to a certain extent some projects of functioning expenditure (*Gasto de Funcionamiento*). They also define the levels (satisfactory, minimum, and excellent) for each institutional strategic objective, and define the efficiency agreements in coordination with the other agencies (*Entidades*). When some agencies have financial problems, the control agencies establish a kind of performance agreement. As control agencies, they negotiate and elaborate the national strategic planning (*Programación Estratégica Nacional*).

**TABLE 3**  
Organizational Aspects of the Reforms of Colombia, Mexico, and Venezuela

<i>Organizational Component</i>	<i>Colombia</i>	<i>Mexico</i>	<i>Venezuela</i>
The role of budget control agencies	<ul style="list-style-type: none"> <li>▪ Establishing the general budgeting framework</li> <li>▪ Authorizing expenses that last more than one year</li> <li>▪ Establishing efficiency agreements with other agencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establishing the general budgeting framework</li> <li>▪ Defining the limits of expenditure</li> <li>▪ Negotiating performance agreements with other agencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establishing the general budgeting framework</li> <li>▪ Establishing the budgets of federal government agencies</li> <li>▪ Defining rules to evaluate budget implementation</li> </ul>
Autonomy of the agencies	<ul style="list-style-type: none"> <li>▪ Relative autonomy to establish their own objectives in effectiveness, efficiency, outputs, and social impacts</li> <li>▪ Elaboration of self-evaluations of their actions and outcomes of those actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Relative autonomy to propose their performance measures and negotiate them with SHCP</li> <li>▪ Elaboration of self-evaluations of actions and performance agreements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Relative autonomy to propose their budget and performance measures</li> <li>▪ Elaboration of self-evaluations of each project category and project</li> </ul>
Points of uncertainty	<ul style="list-style-type: none"> <li>▪ High level of bureaucratic discretion to negotiate goals and performance measures</li> <li>▪ Difficulties in integrating organizational and individual level performance evaluations (ex., role of the civil service)</li> <li>▪ SINERGIA does not include functioning expenditures</li> </ul>	<ul style="list-style-type: none"> <li>▪ High level of bureaucratic discretion to negotiate goals and performance measures</li> <li>▪ The legal framework does not create good incentives for bureaucrats to cooperate (ex., no civil service)</li> <li>▪ Focuses mainly on organizational level performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>▪ High level of bureaucratic discretion to negotiate goals and performance measures</li> <li>▪ The reform does not contemplate a restructuring of the civil service with incentives for performance evaluation</li> <li>▪ Focuses mainly on individual level performance evaluation</li> </ul>

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

In Venezuela, the central office of budget (OCEPRE) and the treasury negotiate and authorize all procedures about public debt. They define the elements to formulate the law of national budgeting. Both organizations define budgets for federal government agencies and for the regional and municipal governments. They authorize some of the modifications to the distribution of the budget within the agencies and define rules and deadlines for the different levels of evaluation of the budget.

### *Autonomy of the Agencies*

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

At this stage of the Mexican proposal, it is difficult to establish the level of autonomy that any given agency will have. There is no agreement about the new catalog of performance measures. The agencies will be able to propose their performance indicators and negotiate them with SHCP. Agencies will also negotiate their performance agreements with SHCP.

In Venezuela, the agencies elaborate proposals for their own budgets and their performance measures (*Indicadores de Gestión*). They elaborate a self-evaluation of each budget category and project. They negotiate results agreements with the Ministry of Planning and Development.

### *Uncertain Issues*

Colombian policymakers use the term “justice” in establishing goals and objectives. This situation allows a high level of bureaucratic discretion to set and negotiate those goals and objectives with the control agencies. SINERGIA does nothing about functioning expenditures. Reformers are trying to integrate personnel evaluation through their civil service with the institutional evaluation of SINERGIA, but this has been very difficult because many of the political appointees do not have a good perception of career public servants.

Without a formal civil service system in Mexico<sup>1</sup> it is not clear how the SHCP is going to provide incentives for public servants to become performance-driven decision makers. The ministry has no clear strategy to establish a performance measurement system (ex., how much autonomy the agencies will have). It is not clear where the incentives to launch this system will come from. Currently, the new system of budgeting is not considering important changes in the law in order to support the performance-oriented budget reform.

There are also some uncertain issues in the Venezuelan reform. For example, the role of the civil service is not clear. It seems that career servants are participating in the reform, and the reform does not contemplate a restructuring of the civil service system. In the Venezuelan performance agreements there are positive incentives for individuals, but they do not have, or at least it is not clear if they have, negative incentives at the agency level. It seems that the accountability system is driven by financial variables, but also by the criterion of fairness (Behn 2001).

## **Policy Strategy and Results**

Finally, the analysis focuses on the specific policy strategy of each country. This part of the analysis includes the degree to which each country strategy looks for legislative support and cooperation, based on the adjustment of the country's legal framework. It also attempts to see if the reforms were designed with the idea of



evaluating people or organizations (as in the POB concept). It is also important to know if reformers were thinking of the whole budget, or only of certain kinds of expenditures. The intention is to present the main strategies for trying to ensure a better policy scenario within their political system.

### *Policy Strategy*

Colombian budgetary reform pays more attention to investment expenditures—that is, to the money used for social development projects. They have a mixed strategy in which the president and the Congress have been cooperating in the reform, but the executive has been the main visible leader. They have achieved some of their goals in a relatively short period of time. The Colombian government is planning to extend the evaluation to the whole budget in five to seven years. The main idea is to improve performance, giving more flexibility for the creation of new projects. They also

**TABLE 4**  
Policy Strategy and Results in Colombia, Mexico, and Venezuela

<i>Policy Component</i>	<i>Colombia</i>	<i>Mexico</i>	<i>Venezuela</i>
Policy strategy	<ul style="list-style-type: none"> <li>▪ Budgetary reform pays attention only to the investment expenditures</li> <li>▪ Cooperation between the president and Congress</li> <li>▪ More selective and incremental approach to the budgetary reform</li> <li>▪ Clear incentives at the organizational level</li> <li>▪ Some incentives at the individual level</li> </ul>	<ul style="list-style-type: none"> <li>▪ Budgetary reform attempts to be comprehensive in nature</li> <li>▪ The president and executive agencies lead the reform</li> <li>▪ More comprehensive approach (incremental in some ways)</li> <li>▪ Clear incentives at the organizational level</li> <li>▪ Incentives at the individual level only for some political appointees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Budgetary reform is more integral and comprehensive (legal bases)</li> <li>▪ Cooperation between the president and Congress</li> <li>▪ A holistic approach to the budgetary process (incremental in some ways)</li> <li>▪ No clear incentives at the organizational level</li> <li>▪ Clear incentives at the individual level</li> </ul>
Preliminary general results	<ul style="list-style-type: none"> <li>▪ POB techniques can be seen as the means rather than the ends of the reform</li> <li>▪ Policy evaluation divided into three levels: individuals, agencies, and policies. Different central agencies are responsible for each of these evaluation processes, but accountability improved little</li> </ul>	<ul style="list-style-type: none"> <li>▪ The reform did not take into consideration the accountability side of POB</li> <li>▪ POB helps the executive get more political support, but it did not allow Congress or citizens to have more control over the executive agencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ The reform gives little consideration to the accountability side of POB, at least at the organizational level</li> <li>▪ POB allows a better link between the budget and the actions, goals, and outputs of the different programs and projects. It did not improve accountability</li> </ul>

encourage individual public servants to contribute to the success of the performance in their own agencies, assuring them a sufficient budget and the reuse of savings in their own agency.

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

In comparison to Colombia and Mexico, Venezuela has a more integral reform. Their objective is to integrate accounting techniques with performance evaluation. Despite the tensions between the executive and legislative branches, the Congress in Venezuela has been an active participant in the reform. Legislators start the effort with a complete review of the entire body of law related to budget and planning processes. This holistic and collaborative strategy has helped Venezuela to have a very good legal basis for reform, but it also has made the entire reform process take longer. It is interesting that their vision of implementing this system goes explicitly step-by-step, starting with a few of cases as their pilot test and extending the evaluation to all the agencies in about five years. Venezuelan reformers establish clear incentives for individuals, and even have what they call institutional incentives, which are monetary bonuses to public servants rather than to the agencies themselves.

### *Preliminary General Results*

SINERGIA was created as a way to evaluate public policies at the macro level. The first intention was to know to what extent the different policies established in the national plan of development were implemented. For this purpose, agency-level evaluations were presented as one of the most important innovations. Therefore, in the case of Colombia, POB techniques were more the means than the ends of the policy. Actually, there is an intention to make clear which agency is going to deal with each level of the policy. Surprisingly, the legal office (*Procuraduría*) is the agency in charge of the individual evaluation of public servants (micro level). The controller office (*Contraloría*) would have the responsibility of evaluating the different agencies and departments (mid level). Finally, the department of national planning would evaluate and oversee the implementation and impacts of the public policies and programs according to their consistency with the national plan.

In Mexico there is a perception, on the side of governmental officials of the treasury, that performance improvement through POB is feasible. However, the problem of keeping tight control of public agencies and bureaucracies was still more important. POB, as a policy, was not designed to be an instrument to strengthen executive accountability to Congress and society, but was to become a marketable mechanism that could generate political support and legitimacy for the executive branch and especially for the president. Its promises of performance improvement were used to sell the idea to several agencies. However, the issue of more autonomy for bureaucrats

and agencies was not important, and was even seen as something dangerous for some political appointees throughout the federal government.

In Venezuela, the budgeting process is performed using an information system called the integrated system of management and control of the public finances (SIGECOF). One of the purposes of this system is to establish a link between the budget and the actions and goals of the different programs and projects. The main idea is to develop a budget system that gives some autonomy to the agencies to operate their programs, but at the same time keeps the central offices as important players in the control activities.

### **SOME LESSONS TO TAKE INTO CONSIDERATION**

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

First, if governments follow the prescriptions of the POB they should:

1. establish the performance measurements,
2. evaluate the results in terms of outcomes, and
3. reassign the budget according to the results of each agency in the previous time period.

As the reader can see, following this formula strictly might force some governments to reduce the budgets of critical strategic activities such as education and health due to the difficulty these bureaucracies would have showing improvement in such complex policy issues.

Second, there is no best way to establish correct performance measurements. Government activities are not, at least in most cases, technical and well-defined issues, but politically defined social problems, and thus it can take a long time to identify the right performance indicators. Therefore, initially a performance system might be measuring some elements of an intricate network of interrelated impacts and results, but far away from objective and clear outcomes and outputs.

Latin American countries have taken different strategies to avoid some of the expected problems and constraints, but these strategies have changed some components of the policy and made the whole process really slow, perhaps because the budget process is more political and less technical than many people like to think. It is interesting to note how POB attempts to place the problem in the measurement of outcomes and the construction of incentives for agencies and people, but it is important to clarify that in public policy the problems and outcomes are constructed by people in multifaceted processes of interactions and negotiation (Wildavsky 1992). Therefore, there is still a problem related to who is going to define the policy problems and who is going to establish goals, objectives, and performance measures (Arellano-Gault et al. 2001). This whole effort might be worthless if people think that the ultimate purpose of

governance is not, or should not be, efficiency, but more important values such as equity or justice (Dobel 2001).

Government is very dynamic due to its political agenda and relationship with society, as well. In this sense, public administration is also facing new challenges. It is not only the problem of how to keep public officials and public managers accountable, but also the problem of having strong and accountable relationships with different nonprofits and private agencies that provide a great variety of services. The contracting relationship by itself is a challenge (Castellani 1997; Lipsky and Smith 1989), but the idea of performance and accountability in these kinds of new partnerships is a topic that needs more attention (Moe 2001).

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

Accountability could become an even bigger problem. In the traditional system, the inputs and some outputs are relatively clear. POB proposes to pay more attention to the outcomes and give more legal discretion to bureaucrats and public officials. As noted early in this article, it is more difficult to create good outcome measurements. Governments could end up in a situation in which they have neither good measurements of outcomes nor control over inputs and outputs.

People might think that the problem could be solved by keeping both systems together, as seems to be the strategy of Venezuela. However, the idea of having so many controls over the bureaucracy calls to mind Behn's (2001) comments that government can be transformed into a place where nobody wants to work or would dare to be innovative. Thus, in the remote case that a country could establish a perfect set of rules, objectives, and goals in terms of performance, it would face another problem. It is very difficult (and maybe not desirable) to abolish some institutions of accountability for finance and fairness, so managers in government would have the challenge of being aware of the different sets of rules. This might cause some very responsible and committed public officials to prefer to work in the private sector rather than try to take every possible precaution to avoid any mistake.

POB, in essence, disregards the role of legislative power because it assumes that the definition of outcomes and outputs is merely a technical issue. The farther away from political influence the better, seems to be the motto. However, in practice, the reform has been modified to include the legislature in the decision-making process. The three cases we studied show how this issue is very important and problematic. Reformers seem to see the accountability issue as only involving greater executive control over the bureaucracy. The whole design of POB pays more attention to the relationships of the budget's control agency with the other agencies and departments. The role of legislatures and their capacity for oversight are not always taken into consideration. Recently, legislatures in some countries have switched their attention to oversight because of changes in the conditions of the economic and political systems (Aberbach and Rockman 2000). To have a successful governmental reform, reformers should pay

more attention to the role of legislatures (Kettl and Dilulio 1995) because they are fundamental political actors that can and should participate in the definition of outcomes and outputs. This would necessarily reduce some possibilities of developing very flexible structures of decision making, but would make reforms more feasible.

Thus, in practice, it is very difficult to solve the dilemma between performance and accountability. In fact, even if government managers could do so, for many countries the solution would probably be undesirable. Government is a complex system of organizations that have interrelations with each other. A good performance by each agency would not necessarily mean a good performance by government as a whole. The interrelationship and the interaction among the different parts of government is crucial when talking about real performance. It is impossible to hide the political nature of this interrelationship. It seems important, then, to push for a holistic vision of performance and budgeting: to have public organizations concerned only about their own performance without noticing the synergies among agencies would be a big mistake. The Latin American cases show clearly that the implementation of POB is a complex technical endeavor, but that without a clear picture of the political feasibility required, a POB might lose its direction and mission.

#### NOTE

1. The law for civil service at the federal level passed in April 2003 and is expected to be fully in place by October 2005. See Arellano 2003.

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