The appropriation of the World Bank policies? Political commitment and sustainability of State reform programs in Argentina and Chile*

¿La apropiación de las políticas del Banco Mundial? Compromiso político y sostenibilidad de los programas de reformas estatales en Argentina y Chile

A apropiação das políticas do Banco Mundial? Compromisso político e sustentabilidade dos programas de reforma do Estado na Argentina e no Chile

In this paper the author compares the factors that influence state reform ownership of World Bank intervention. World Bank intervention is defined as the loans destined to public administration reforms since the beginning of the 90's and the different country strategies formulated by the World Bank during this period. The comparison contrasts two divergent cases, Argentina and Chile, with regards to the relation of each country with the Bank, and also concerning their financial and fiscal evolutions and the characteristics of their state apparatus. The paper demonstrates that the idea of ownership is limited in order to understand the performance of each country in relation to the technical and financial assistance given by the Bank. More relevant are the State structures and political trajectories in the ownership of the reform programs.

En este documento, el autor compara los factores que influyen en la propiedad de reformas estatales de la intervención del Banco Mundial. La intervención del Banco Mundial se define como los préstamos destinados a reformas de la administración pública desde principios de la década de los 90 y las distintas estrategias nacionales formuladas por el Banco Mundial durante este periodo. La comparación destaca dos casos divergentes, el de Argentina y el de Chile, en lo que respecta a la relación de cada país con el Banco, y también en lo que concierne a su evolución financiera y fiscal, así como las características de su aparato de estado. El documento demuestra que la idea de propiedad está limitada para poder comprender el rendimiento de cada país en relación con la ayuda técnica y financiera proporcionada por el Banco. Aún más relevantes en la propiedad de los programas de reforma son las estructuras del estado y las trayectorias políticas.

Neste trabalho o autor compara os factores que influenciam a propriedade da reforma do Estado na intervenção do Banco Mundial. A intervenção do Banco Mundial é definida como os empréstimos destinados a reformas da administração pública desde o início dos anos 90 e as diferentes estratégias de país formuladas pelo Banco Mundial durante este período. A comparação diz respeito a dois diferentes casos, Argentina e Chile, relativamente à relação de cada país com o Banco, e também no que se refere à sua evolução financeira e fiscal e às características de seu aparelho estatal. O estudo demonstra que a ideia de propriedade é limitada a fim de entender o desempenho de cada país relativamente à assistência técnica e financiera prestada pelo Banco. Mais relevantes na propriedade dos programas de reforma são as estruturas e trajetórias políticas do estado.

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1. Introduction

After the first reforms made in Latin America inspired by the Washington Consensus, a series of conceptual and instrumental revisions on the World Bank (WB) activities towards the region appeared in the mid 90’s. One of the most important issues faced by the WB during that period was the limitation of adjustment loans and its main associated mechanism, conditionality, to obtain institutional reforms (Collier, 1997; World Bank, 2005; Nelson, 1996). One of the “learning” specified in WB’s operational documents is the importance of governments’ commitment, not just to implement projects in the scheduled time, but also to sustain reforms once those projects with WB’s funding are completed.

The objective of this article is to compare through two national cases of WB intervention in the state reform sector, Argentina and Chile, the factors that influence those reforms ownership. Our main argument is that the ownership of reforms is not only a problem of political commitment to them, but that the appropriation of such reforms constitutes a problem linked also to two other analytical dimensions that are necessary to take into account.

First, the macroeconomic dimension, mainly the financial and fiscal situation of the State, highly influences government’s decision to take conditional financing for institutional reforms. It is possible to suppose in these cases that the severity of the financial situation either increases or diminishes the negotiation capacity of the government regarding the measures or reforms to adopt. Second, the state structure dimension, especially with regard to its connections with other actors, such as political parties and think tanks. We suppose that the existence of technical and administrative capacities allows the government to formulate its own reform agenda and to maintain it through their implementation stage.

We concentrate ourselves both on the WB loans destined to public administration reforms in these countries since the beginning of the 90’s, and on the different country strategies formulated by the WB during this period. The comparison seeks to contrast two divergent cases, with regards to the relation of each country with the WB -amount and composition of the loans portfolio-, and also concerning their financial and fiscal evolutions and the characteristics of their state apparatus.

2. The WB and the lessons on conditionality

In the previous stages to the 80s crisis, most multilateral financing was mobilized rather by loans of investment destined to the construction of public infrastructure. This was according to the development policy adopted by the WB and by the development community of that time (Bresser Pereira, 1995), and the substitution of imports policy endorsed by Latin American countries. On the contrary, from the 80s on, the World Bank adopted a new model of financing: the policy based loans, or adjustment loans, destined to foment policies of structural reform in developing countries (Mosley et al, 1991).
Nevertheless, during the 90s the critiques towards multilateral organisms on the “low effectiveness” of their programs, as well as the superposition in their functions, made the WB and the IMF start to reconsidering their mandates, their responsibilities and the instruments used (Whapenhans et al, 1992; Collier, 2000; Buira, 2003). The new norms on conditionality were focused on three main issues: to simplify conditionality, to increase its ownership by the countries, and to consolidate the IMF-WB relationship (World Bank, 2005; Köhler and Wolfensohn, 2000).

From these revisions, the WB’s strategy on its relationship with some countries went from a situation dominated by conditionality to another one that included legally-binding agreements in which the influence of the Bank seemed to lean much more on its capacity to spread ideas (Riggirozzi, 2007) and to influence the agenda-setting process (Stone and Wright, 2007; Weyland, 2004). It is in this context that the idea of reforms’ ownership acquires full sense, since one can suppose that in order to make such reforms sustainable, they would have to be produced and devised by the corresponding government, or at least it must perceived them as its own.

3. “Rescue” Operations: the WB and the programs of structural adjustment in Argentina and Chile

In the Chilean case, the experience with loans and programs of structural adjustment began before that in the Argentinean one. Furthermore, in Chile the adjustment package was organized on the basis of a neoliberal program that had already been implemented since the 70s by the military government of Pinochet under the advice of a group of technocrats known as the “Chicago Boys” (Fourcade-Gourinchas and Babb, 2002; Murillo, 2002).

The policies implemented by this economic team produced at that time, according to the World Bank, a relative fiscal stability, an effective public management, and a more flexible economy (World Bank, 2002). However, Chile did not escape to the “debt crisis” caused by the Mexican moratoria in 1982. It is in this context of crisis that the WB “entered” in Chile in order to finance the programs of structural adjustment characteristic of the Washington Consensus era (World Bank, 2002). Around 90% of the lending from the WB for 1985 to 2000 was disbursed between 1985 and 1993, when the access of Chile to the international financial markets was severely limited.

In Argentina the WB intervention was more conflictive. The WB began to recover its presence in Argentina since the assumption of the democratic government of Raul Alfonsin. A “Medium Term” program was delineated with proposals of sectorial and macroeconomic policies (Botzman and Tussie, 1991). Nevertheless, towards the end of the 80s the relations between the national government and the WB were deteriorated and no new loans were granted. This can be explained, partially, as a structural result of the failure to achieve control of the fiscal deficit and to implement reforms agreed with the WB (Machinea and Sommer, 1990).
The change of the Argentinean administration in 1989 took place in a context of strong economic crisis, characterized by a phenomenal inflation process. Since the inauguration of President Menem the negotiations that had been suspended before with the World Bank were restarted (Rinne, 2003). At the same time, policies of adjustment and fiscal reform were implemented – trade opening, privatizations, and decentralization of the economic activity – with the support of the WB.

Thus, besides the different trajectories of these countries it is necessary to consider that both programs of structural adjustment supported by the WB were mise en scène when two situations coincided: (a) an economic and financial crisis that “forced” the government to take the measures of structural reforms and to ask for financing and support from the WB; and (b) a political situation in which the government could make these reforms feasible.

4. Chile. Political agenda and State reform

As we have already indicated, Chile did not escape the “debt crisis” activated by the Mexican moratorium in 1982. Furthermore, this crisis indicated the practical limits of the orthodox neoliberalism, but more important, it had strong political effects concerning the reorganization of the opposition to the dictatorship (Santiso, 1998). In 1990 the Chileans chose their first democratic government since 1973, and these elections introduced, evidently, a substantial modification to the political regime (Valenzuela, 1997; Joignant, 1999; Garretón, 1995). Although the process of modernization of the public management in Chile acquired a strong impulse and a particular agenda with the arrival of the Concertación, the preoccupation on the efficiency of public institutions practically existed from the beginning of the Republic (Gongora, 1986).

One of the central features of the Chilean transition is the existence of a strong network of intellectual and technocratic groups embedded in the Chilean State structure. They play a key role in the progressive and gradual character, not just of the political transition, but also of the configuration of the policy agenda (Puryear, 1994; Silva, 1996; Huneeus, 2000). As Santiso and Whitehead (2006) put it, “the existence of counter-vailing powers and of cognitive institutions that provide the ‘protective umbrella’ for democratic counter-elites have been a fundamental aspect of smooth democratic transitions such as that of Chile”.

In the first period of democratic government (President Aylwin’s administration, from 1990 to 1994), State reform was not a priority given the political context and the importance of those issues linked to the democratic transition. Nonetheless, in this period appeared some isolated reform experiences, or pilots, that were more concerned with the actions of certain entrepreneurs on the interior of the State than with a structural policy for State reform (Waissbluth, 2005).

During this period the government consolidated the change of axis in the State reform process, going from an accent on fiscal stability to a preoccupation for the quality of State’s

1. It is a political coalition of center and center-left parties constituted by the Christian Democracy, the Socialist Party, and the Party for Democracy.
functions. One of the “alarms” was that the Government perceived that the increase of budget allocation on key areas of the State’s management did not produce visible improvements in the quality and amount of services being offered (Marcel, 2005). It was then under the leadership of the DIPRES (Direction of Budget) that the idea to construct performance indicators for the budget elaboration began to be developed, as well as a pilot arrangement to promote the strategic planning of public services (Armijo, 2002).

These advances were consolidated during President Frei’s administration (1994-2000), when the issue of the modernization of the State returned into the governmental agenda in an explicit way. Here, the Inter-ministerial Committee of Public Modernization adopted a quite pragmatic approach that consisted on promoting reform or modernization procedures where it was possible to develop pilot experiences that soon served to spread and expand the ongoing reform (Armijo, 2002). The dialogue constructed between the government and the organization of public sector workers, the National Association of Fiscal Employees (ANEF) generated an important agreement in 1998, and the ANEF allowed the introduction of a much more massive scheme of performance-based remuneration (Marcel, 2005). It is also worth to mention the formation of a Commission of State reform in the CEP, as an academic initiative arisen from the civil society.

Finally, during the administration of President Lagos (2000-2005) the State modernization policy was deepened, on the base of an extremely rigorous macroeconomic management. The cornerstone of the period was the agreement between government and opposition for State reform. It was stimulated by a crisis produced by a corruption scandal in the Ministry of Public Works (MOP) that was known as the MOP-GATE. Hence, in few months, fundamental political initiatives for the reform had been approved by the legislative branch; they included the law and system of acquisitions, the law of electoral financing, and the law of civil service reform, among others (Marcel, 2005; Waissbluth, 2005).

5. The WB and the reforms implemented by the Concertación

It is fundamental to consider here two remarks. First, the WB strategy of assistance for the country is adapted to the modifications that the Chilean political agenda has experienced. Second, the projects that the WB has developed in Chile are highly articulated with the local policy agenda, as a result of a very selective working strategy constructed by the government with the WB.

In fact, with the first democratic government, the strategy of the WB was concentrated in three pillars: a) macroeconomic stability, to support the economic growth; b) international opening of the economy, to increase productivity; and c) greater public expenses for health, lodging, education and social security (World Bank, 1995).

The political and economic changes of the early 90s coincided with a situation in which Chile needed less foreign lending. But the country still had large social gaps to bridge and it

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2. The Centre for Public Studies (CEP) is one of the most important Think Tanks of Chile, and is going to have in the reform of the State during the Government of the President Lagos a key roll in the technical configuration of the program of reforms (Braun, 2004).
also needed to improve its infrastructure. The Bank’s assistance strategies for 1993-95 and 1996-98 focused on developing human resources and transportation (World Bank, 1995). After that, the country assistance strategy (CAS) of the WB for Chile in 2002 reflected the momentum that State reform and modernization had gained in the governmental agenda (World Bank, 2002b; World Bank and I.A.D.B., 2005).

Concerning the financing, from the mid 90s the government decided to substantially reduce the amount of lending demanded to the WB, focusing his relation with the Bank in a series of activities of economic analysis and technical advice. In fact, the 2002 evaluation of the WB on its relation with Chile stated that “As Chile grows richer and the Bank’s involvement in the country declines, the Bank needs to consider ways to respond to Government requests for policy advice and economic and sector work” (World Bank, 2002). Thus, the WB and the government decided to accomplish a series of studies and technical assistances that allowed Chile to continue working with the WB in the evaluation of the public policies implemented by the government.

The articulation of WB projects with governmental policies has been organized from the identification of projects between both parts and especially from the definition of the reform agenda by the Chilean authorities. Moreover, the WB considers that Bank lending assistance to Chile stands out among the best in the Bank in terms of outcome, sustainability and institutional development (World Bank, 2002).

6. Argentina during the 90s: fiscal adjustment and the State reform

During the period that goes from 1990 to the end of 2001 the adjustment loans of the WB became an essential instrument for financing and technically advising the economic reforms implemented throughout this time (Lucioni and Dovskin, 2002). This meant an important augment in the operations as much in number as in volume (Lucioni, 2003). In this sense, the particularity of the Argentinean case is the sequencing of the process, since the public sector’s administrative reforms that began in this period were closely connected to programs of structural adjustment and had the objective of diminishing the structural fiscal deficit.

Administrative reforms in Argentina have been historically delayed, following a pattern of institutional discontinuity (Sikkink, 1993). With regard to the 90s, Rinne (2003) distinguishes two different models of administrative reform. In the first stage, the administrative reform was dominated by fiscal objectives, from measures of state downsizing which meant an attempt to reduce the deficit held by public accounts.

This stage was characterized by a management style that concentrated authority resources in the figure of the President, and the political isolation of the task force in charge of the reforms to control reform implementation, and to work with the technical and financial assistance of the WB for these projects (Repetto, 2001). Certainly, the Mediterranean Foundation played a key role in the provision of professionals, technical analysis and advice for the reforms to be implemented. Nevertheless, this think tank couldn’t generate the embedding
process regarding the State structures. Concerning the syndicalism, the government resorted to take profit of the division between the two main unions of public employees (ATE and UPCN). Since both were competitors within the public sector, the government chose the UPCN as partner (Repetto, 2001; Rinne, 2003).

A second stage of reforms coincided with the Menem’s second term, and the creation of the Chief of Cabinet of Ministers (JGM) that became a competing agency with the Ministry of Economy, because of its budgetary competences. In this sense, the Ministry of Economy (ME) lost the centralized control of the State reform process and furthermore, the ME would have “to share” with the JGM the position of governmental counterpart to the World Bank (Lardone, 2004).

One of the central mechanisms of this stage was the fusion of State agencies. The objective was always lessening the fiscal deficit through the reduction of the State apparatus. Nevertheless, this reform was doomed to become gradually weaker as long as the central administration was consolidating new structures. As soon as the fiscal urgencies left the critical periods, the control on the public sector relaxed (Rinne, 2003). Something similar happened with the SINAPA (Abal Medina and Nejamkis, 2002). Its main failure was the multiplication of forms of individual hiring that proliferated in the State to “avoid” the restrictions of the system (Ghio, 2002; Orlansky, 1999). As Ghio and Etchemendi (1998) indicate, the administrative reform appeared like a necessary and urgent policy in the context of the economic emergency situation, but this impulse lasted a couple of years, and its implementation became politically difficult once the fiscal urgency was surpassed.

7. WB lending to sustain Argentinean reforms

In this point we want to consider two issues: on the one hand, the evolution of the WB’s strategy based on the political changes of the country; on the other hand, the portfolio of WB loans that acquired a significant magnitude based on the agreed policies of reform with the government during this period.

After the frustrated attempts of reform of the 80s, that ended in a serious economic crisis and a change of government, “the Bank’s assistance strategy, after some hesitation during 1989/90 at the very start of Argentina’s structural reform process, gained momentum from 1991 onwards, pari passu with the Argentina’s stabilization program” (World Bank, 2000). Thus, during the early 90s the focus was public sector reform, privatization and financial sector adjustment. In 1995 the Bank made its first adjustment operations targeted at the provinces. The 1997 CAS and the 1998 CAS Progress report were very explicit in proposing a Bank portfolio focussed on provincial reforms and social development (World Bank, 2001).

3. Some others think tanks as the Foundation of Latin American Economic Investigations (FIEL) had some influence on the government reforms of this period, but always in an instable way (Uña and Garcés, 2007).

4. The Sistema Nacional de la Profesión Administrativa (SINAPA) was the new scheme of organization of civil service implemented during the Menem’s government.

5. See also Ozslak (1999).
But one of the main risks of the portfolio continued to be the need to provide financial assistance in the case of external shocks, as it actually happened in 1998 (World Bank, 1997).

As evaluated by the WB (World Bank, 2000), “the strong commitment by Argentina’s top political leadership was clearly the key factor in the successful restoration of growth and stability during the 1990s as well as in the economy’s ability to deal with external shocks”. But this was only true for the first generation reforms of the first part of the 90s decade. The evaluation of the Bank states that “there is one important institutional weakness, however, that both the Bank and the government have ignored in the period of review: the administrative reform of the Federal Government” (World Bank, 2000). The Country Assistance Review for Argentina of 1996 had already found that the Bank’s assistance outcome had been satisfactory starting in 1991, but that the institutional development impact had been modest and, above all, that the sustainability of the achievements remained in doubt (World Bank, 1996).

Even many of the reforms that had attained a significant degree of institutionalization -like the Currency Board that established the country’s foreign exchange regime, and the relationships between the federal and provincial governments that had progressed at a slow but firm pace- were clearly reverted after the 2001 crisis and the political changes that followed it.

8. Whose reforms? The ownership problem, state structure and political actors

We have demonstrated from the comparison between Argentina and Chile that the idea of ownership turns out to be a limited one in order to understand the performance of each country in relation to the technical and financial assistance given by the WB, in particular when this idea is only linked to a problem of political actors’ will and commitment. On the contrary, our comparative analysis ponders the weight of State structures and political trajectories in the ownership of the reform programs.

Certainly, one of the main differences between Argentina and Chile is the sequence and gradualism of the reforms. Whereas in the case of Chile the structural reforms of the Washington Consensus were already implemented with the support of the WB during the 80s, Argentina delayed them until the beginning of the 90s. In the Argentinean case, the fiscal and financial instability of the 90s implied that all the agenda of state reforms was subordinated to the objective of reaching fiscal surplus. Furthermore, it created further complications on the planning of medium and long term actions with the WB, since situations of financial emergency as the one of 1998 altered the programming of the Argentine government with the Bank and the management of the lending portfolio.

It is certain that the different financial and fiscal conjunctures give to the Governments different margins to manoeuvre in order to organize their policy options in relation with the WB. Nevertheless, the cases that were compared illustrated that other series of factors are affecting the government’s capacity to systematize a relatively stable policy agenda and to negotiate the support of the WB for such policies.
In comparative perspective, some important differences can contribute to explain the trajectories of these two countries in their relations with the financing of the WB. First, the configuration is different concerning the organizational conflict within the State. This includes the conflict between Ministries and the intergovernmental conflicts. In fact, the Chilean State has a much more centralized structure to control the decision making process. A critical finding of the comparison is that both cases seem to have journeyed inverse trajectories: whereas the Chilean Ministry of Hacienda went on concentrating competences at the expenses of other agencies like Mideplan (ex- Odeplan), in Argentina the Ministry of Economy loss control on the reforms with the creation of new agencies as the JGM.

Second, the Chilean State presents a structure of government officials with greater temporary stability and a certain degree of autonomy vis-à-vis politics, which in addition has evolved through the period analyzed towards a much more professionalized civil service system. On the contrary, the Argentinean state has a less modern bureaucratic organization, and the attempts to professionalize it during the analyzed period have been weakly and non systematic, and have lacked the political consensus needed to implement it. In this sense, the little information available allows us to hypothesize that the temporary stability of the Chilean government officials is higher that the Argentinean and that it has influenced on the possibility of managing long-term reform policies, which does not depend only on the government’s political support.

Another factor that seems to have influenced in the long term sustainability of the Chilean reforms agenda, and therefore the relation with the WB, is the existence of an arena of interaction between ‘experts’ and ‘politicians’. The difference between Argentina and Chile is not the existence of a diversified variety of professional, university research centres, and think tanks, but the type of relation that they establish with the State and the political system. A final key factor is the one pertaining to the relations between State and political actors, as we have shown that the agreements between government and opposition in Chile played a key role in the organization and sustainability of reform agendas, whereas in the Argentinean case political conflicts made more difficult the construction of stable coalitions around the proposed State reforms.

Prima facie, the fact that governmental policies were attuned to the policies of state reform stimulated by the WB, in a country with a lesser use of conditionality, could seem paradoxical. Nevertheless, from the factors identified in our comparative analysis it is possible to acknowledge that such a paradox does not exist, and that the ownership of the reforms, and therefore their sustainability, can be explained through those factors. This coincides with the discussions on the conditionality limitations in order to exert some influence on the processes of policy reforms.
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