

Systemic governance and development in Latin America

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The capacity of political regimes to formulate and implement policies in the common interest appears to be a crucial factor of development. Public institutions in Latin America are often characterized by a lack of common interest orientation. As a result, most countries of the region are ill-prepared to meet the challenges of global market integration and knowledge-based development. Two approaches have been particularly influential in linking institutions to economic development: the good governance approach, originally put forward by the World Bank, and the systemic competitiveness approach introduced by the German Development Institute. Drawing on insights from both concepts, this paper presents a framework for the assessment of reform blockades and propensities in given political systems. This is the “systemic governance” approach, and it focuses on the capacity to generate and implement decisions in the common interest at all levels of the political system. In order to promote second-generation adjustment reforms, the systemic character of governance has to be grasped.

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I

Introduction

From a political scientist's point of view, the most important obstacle to development lies in the fact that political institutions in developing countries are often unable to formulate and implement decisions that serve the common interest.¹ Because of this, public goods such as security and the rule of law, as well as basic goods and services such as education, health care or access to water, are not provided in a sufficient quantity and quality, and they often do not benefit those who need them most. The lack of security, legal protection and other public goods translates into high transaction costs and a low propensity to innovate—typical features of developing economies. In such an environment, positive externalities that arise from economic interaction are not used for the benefit of all, but rather internalized by a small group of actors, thus deepening the polarization of wealth and income. Also, the generation, provision and application of knowledge, an increasingly important feature of economic development, is hindered by weak public institutions.

This assessment applies to a majority of Latin American countries. With few, albeit important exceptions, the countries of the region seem to be ill-prepared to face the structural transformation from a resource-based to a knowledge-based economy. Speaking in general terms, so far there has been no “development premium” arising from democratization *cum* market liberalization. On the contrary, the opening of markets to global competition in the 1980s and 1990s has led to an increased dependency on natural resources or manufactured goods with low technological content, low input of qualified labour and short national value chains.

Although some regional economies have succeeded in conquering new markets or deepening value chains, the general picture is one of a persistent, not diminishing, competitiveness divide between Latin America and the industrialized world (including a number of East Asian countries), as illustrated by the region's steadily diminishing role in international trade.²

At the same time, economic growth has done little to ease income polarization. It appears that the social and economic costs of market opening in Latin America have been higher than necessary and the benefits lower than expected.

Recent political crises in Argentina and Bolivia underline what has become a *leitmotiv* of the development debate in Latin America: there is a pressing need for additional reform. It would be unreasonable to maintain, however, that the region had not experienced profound change, both economically and politically. Development is taking place, although development paths differ considerably from those mapped out by international experts. Facing major obstacles to change, reform-oriented governments tend to focus on lighthouse projects, hoping that the introduction of good governance in a small number of cases may have positive side-effects on many others. Some of these “islands of modernity” have even become international benchmarks for innovation.

However, it has proved extremely difficult to make reforms sustainable in the long term, and to promote change on a broader scale. Accordingly, the question is how such sustainability and scale can be achieved. In answering this, the role that existing political and administrative institutions play in the definition and implementation of development strategies has to be taken into account.

□ A first draft of this paper was written while the author was working as a research fellow at the German Development Institute (GDI) in Bonn, Germany. The views expressed herein are the author's and do not necessarily reflect those of any of the institutions he has worked in. The author would like to thank Tilman Altenburg of the GDI and Koldo Echebarria of the Inter-American Development Bank for their helpful comments on an earlier version of the paper.

¹ In the words of Kofi Annan, “without the rule of law, predictable administration, legitimate power and responsive regulation, no amount of funding, no short-term economic miracle will set the developing world on the path to prosperity” (cited in Santiso, 2001, p. 388).

² At the outset of structural adjustment, in 1980, the Latin American share of international merchandise exports was 5.4%, of which 0.9% was accounted for by Mexico. In 1990, the figure was 4.3% (Mexico, 1.2%). In 2001, the region accounted for 5.5% of global merchandise exports, of which 2.5% came from Mexico. This means that the region's recovery in world markets in the 1990s was entirely due to Mexico's strong performance within the North American Free Trade Agreement (NAFTA) (see: www.wto.org/english/res_e/statis_e/statis_e.htm#worldtrade, of 30 September 2003). Only recently has this trend been reversed, mainly because of rising global commodity prices.

This paper proposes a conceptual framework for assessing the institutional reform path available to political authorities in less than perfect settings. It does so by taking a closer look at two well-known approaches which have tried to tackle the complex relationship between institutions and development: good governance and systemic competitiveness. Analysing the actual performance of existing institutions at the meta, macro, meso, and micro levels makes it possible to describe the threats and opportunities they present for structural

change. By looking at the *systemic governance* of political regimes, this paper seeks to contribute to a more realistic approach to State modernization and development cooperation. Both policy makers and international donors have to realize that exclusion, marginalization and poverty, rather than the failings of specific development patterns, are systemic features in many developing countries. Consequently, this paper calls for a revision of the Washington consensus in the light of the findings presented below.

II

Institutions and development: good governance and systemic competitiveness

1. Good governance

The World Bank introduced the notion of good governance in the late 1980s in order to describe the requirements, mostly at the national level, of transparent and efficient public regulation and service delivery for market-oriented growth.³ The concept served as a guide to State reforms and development cooperation in the structural adjustment process, and has been a crucial reference point for institutional reform ever since. Although other international actors have different project portfolios and diverging views on some key aspects of State-society relations, it can be argued that the World Bank concept of good governance constitutes a “bottom line” vision shared by most international organizations. This vision embraces democratic and legitimate political institutions, an efficient and accountable public administration, the rule of law, human rights guarantees and effective public regulation of markets.

In promoting good governance, the World Bank has limited itself to issues covered by its mandate, thus leaving out, for instance, reforms to core political institutions such as parliaments or electoral regimes.

Today, World Bank activities focus mainly on judicial and administrative reform, the regulation and promotion of market competition, decentralization, anti-corruption measures, and fiscal reform. However, the Bank has made it increasingly clear that without common interest orientation of core political institutions and actors good governance cannot be achieved. This is one of the main messages of the *2004 World Development Report* (World Bank, 2003).

Since the mid-1990s the United Nations Development Programme (UNDP) has taken a somewhat different approach to good governance, stressing the importance of participatory political processes and articulate civil society organizations, and emphasizing the role of the State in the promotion of human rather than merely economic development (UNDP, 1995; UNDP, 1997, pp. 10-41). UNDP has identified four different dimensions of governance:

- Economic governance: a competitive and non-discriminatory market order conducive to economic growth.
- Political governance: participatory, democratic, legitimate, pluralist and accessible political institutions.
- Administrative governance: an efficient, transparent, independent and accountable public administration.
- Systemic governance: societal institutions that protect cultural and religious values, help to provide for freedom and security, and promote equal opportunities for the exercise of personal capabilities.

³ See World Bank (1992). Recently, Thandika Mkandawire, Director of the United Nations Research Institute for Social Development (UNRISD), has called attention to the fact that the term “good governance” as originally devised by African scholars had a much broader meaning than later suggested by the World Bank. See Mkandawire (2004, p. 380).

While the first three dimensions constitute “the formal institutional and organizational structure of authoritative decision-making in the modern state” (UNDP, 1997, p. 10), the fourth dimension highlights the embeddedness of the State in a wider context of social order. As can be seen, we borrow the term “systemic governance” from UNDP, although we use it as a truly comprehensive concept and not as a residual category for institutions which do not fall into one of the other categories.

However, putting the approach into practice has been difficult. International donors and civil society organizations in Third World countries have had trouble in promoting good governance in the face of governments which, while usually agreeing that particular institutions needed modernizing, have been less enthusiastic about calling into question the traditional, elitist functioning of the political process itself. The prevailing implementation pattern has thus relied on one-off reforms, all too often with only limited impact on the general governance of the partner State. This has led some authors to announce, maybe a little prematurely, the “demise” of the good governance concept.⁴ Critics claim that the approach:

- i) overemphasizes government downsizing and austerity while failing to address crucial issues of underregulation and public-sector weakness;
- ii) focuses almost exclusively on the failings of institutions with respect to good governance, neglecting the functions public institutions (even “bad” institutions) effectively fulfil;
- iii) concentrates on the internal functioning of individual public institutions, ignoring others and disregarding the embeddedness of institutions;
- iv) therefore, does not account for the propensity and capacity of existing political systems to adapt to changing framework conditions on the basis of a common interest perspective;
- v) accordingly, lacks a deeper understanding as to which societal actors may influence the promotion (or blocking) of governance reform, and does not have a vision of the strategic management of development;
- vi) lastly, inflates expectations by emphasizing the gains from reforms and suggesting linear progress, while omitting the costs of adjustment and the inherent risks of institutional change.

⁴ See Doornbos (2001). For the following criticisms, see also Moore (1993), Weiss (2000) and Mkandawire (2004).

Criticisms have been directed above all against the World Bank, which has reacted partly by broadening its focus and assuming a more political position, partly by sharpening its profile and bringing in other organizations as complementary actors.⁵ Through its Comprehensive Development Frameworks (CDF) and Poverty Reduction Strategy Papers (PRSP) in particular, the Bank has sought to put reforms in a broader context of pro-poor economic growth and improved governance. Whether these instruments will effectively bring about a change of view concerning key governance issues remains to be seen.⁶

2. Systemic competitiveness

Systemic competitiveness is a concept introduced by the German Development Institute in the 1990s with a view to achieving a better understanding of the challenges of economic development, competition and enterprise organization arising from globalization.⁷ Drawing on insights from ECLAC and the Organisation for Economic Co-operation and Development (OECD), it synthesizes debates on clusters and industrial districts, innovation economics, networks, neostructuralist approaches to the State, New Institutional Economics, etc.⁸ The fundamental question, as brought out by the concept, is not whether the State *or* the market should be strengthened, but rather how both types of institutions can interact in order to combine strengths and overcome specific weaknesses.

The concept of systemic competitiveness distinguishes four levels of interaction:

- i) the *meta-level* encompasses development-oriented values, a social consensus on the necessity and conditions of market-oriented development, and the capacity of a political order to formulate visions and guidelines for development;
- ii) the *macro-level* refers to a stable macroeconomic and macropolitical framework and general patterns of regulation that enable factor, commodity and capital markets to work properly (sound fiscal

⁵ See World Bank (2000, pp. 55-58 and 2001, p. 96).

⁶ Recent PRSP evaluations by both the World Bank and the International Monetary Fund (IMF) show that so far expectations have not been met. See: www.imf.org/External/NP/ieo/2004/prspgrf/eng/index.htm and www.worldbank.org/oed/prsp/index.html, of 20 October 2004.

⁷ This chapter draws mainly on Esser and others (1996) and Altenburg, Hillebrand and Meyer-Stamer (1998). See also Altenburg and Meyer-Stamer (1999).

⁸ See Fajnzylber (1988) on “international competitiveness” and OECD (1992) on “structural competitiveness”.

- policies, a market-friendly exchange-rate policy, open investment regimes);
- iii) the *meso-level* consists of task- or sector-specific institutions which provide specific public goods and services necessary for economic activity and promote development on sectoral or territorial terms;
 - iv) the *micro-level* focuses on intra-firm management to promote efficiency gains and innovation, and inter-firm networking that allows for the creation of positive externalities and spillovers between enterprises.

By integrating these four levels of interaction, the approach points to a new balance of power between State and market, whereby the former has to acquire new regulatory competencies in some fields and deregulate other areas, in order for the latter to work properly. The basic idea behind the concept is that it is not the individual firm that carries broad-based development and sustainable growth, but rather networks of enterprises and their interactions with other social actors in the context of integrated production systems. For these networks to build up and these interactions to occur, transaction costs are a crucial factor. They are especially high if markets are volatile, institutions weak and the macroeconomic setting unstable. The systemic competitiveness concept presents a number of ideas on how to lower transaction costs at different levels of State intervention.⁹

Unfortunately, the concept has less to say about the State's *capacity* to bring about the proposed changes, i.e., its ability to define and implement policies that serve the common interest. With regard to this, Altenburg and Meyer-Stamer recommend the strengthening of heterarchical, network-shaped forms of decision-making that integrate public and private actors: "We take it for granted that autocratic, hierarchical modes of governance are becoming obsolete. New forms of governance are emerging that are based on a new kind of interaction between State and social actors, typically in horizontal networks."¹⁰

This assessment does not relate well to today's reality in the Latin America region, nor does it take account of the prerequisites of effective public policy in general: the State's capacity for authoritative

decision-making and policy implementation is a key—and often absent—feature of governance for development. To be sure, networks and public-private cooperation are becoming increasingly important in the formulation and implementation of policies, since they allow for the inclusion of relevant actors at an early stage of decision-making, thus improving the quality of decisions and facilitating the implementation of policies. But if these "new forms of governance" are not embedded in a clear definition of the respective roles of public and private actors, along with a certain degree of State autonomy *vis-à-vis* powerful societal interests, they are very likely to impose additional stress on the governance of a political regime in terms of legitimacy, effectiveness and efficiency.¹¹

To sum up the argument, the concept of systemic competitiveness encompasses the functions States should assume in order to promote broad-based development. Also, in connecting to a number of related debates and approaches, it provides valuable insights into the logic and sequencing of institutional reform at different levels of the political system. On the other hand, its promoters do not examine how hierarchical forms of public decision-making operate in developing countries, and how they relate to network-like patterns of political interaction. As a result, the concept is quite demanding where State capabilities are concerned. Although a group of advanced developing countries may be able to meet the exigencies of systemic competitiveness, those situated towards the lower end of the scale will most certainly have a hard time doing so.

For this second group, which includes a majority of Latin American countries, the question is whether (and how) institutions with limited regulatory capacity and little autonomy *vis-à-vis* powerful societal interests can produce policies that serve the common interest. So far, this issue has hardly been touched upon by the international debate on development, although many agencies have acknowledged the need for further strengthening of the institutional structure.¹² Rather, a common approach is to assume implicitly that the State which is supposed to improve its governance by means of institutional change already has the capability to carry through these reforms in a sustainable way.

⁹ Altenburg and Meyer-Stamer (1999, pp. 7-16).

¹⁰ Altenburg and Meyer-Stamer (1999, p. 3). To be fair, one should mention that Meyer-Stamer (2001, p. 27) recognizes the need for heterarchical patterns of organization to be controlled by hierarchical forms of governance.

¹¹ Referring to this problem, Evans (1992, p. 139) calls for the State to have "embedded autonomy".

¹² One of the most interesting approaches to this topic is that of ECLAC (2000). As a matter of fact, civic rights cannot be exercised effectively without a minimum common interest orientation on the part of the State.

An alternative approach would be to explore the conditions under which States with a low level of autonomy and capacity do act in the common interest. As Olson (2000) has shown, common interest orientation *is* possible even in such a setting: political leaders do not have to be altruistic in order to pursue common interest policies, even without a sophisticated system of checks and balances.¹³ However, their rational self-interest is broader than Olson suggests in that it includes the interest of legitimizing and thus preserving a given order, along with that of serving their own interests through redistribution. Any government aiming to survive tries to legitimize its rule by invoking some kind of common interest. Normally, this implies a degree of public goods provision.

As a consequence, political regimes do not need to be perfectly representative in order to limit redistribution and provide public goods. Conversely,

even under representative rule political leaders will have an interest in advancing their own privileges. This means that the problem of common interest policies cannot be resolved merely by the establishment of a democratic order, as suggested by some contributions to the good governance approach: even though the vast majority of Latin American countries are governed by democratically elected authorities, it would be naïve to assume that leaders always pursued policies in the common interest. Rather, the pursuit of their own privileges (or redistribution, in Olson's terms) and public goods provision (or common interest policies) are two divergent options which have to be continuously rebalanced, taking into account the available resources and the institutional setting. In the following chapter we will see how these divergent interests translate into governance patterns at different levels of interaction.

III

Systemic governance

At the outset of the new millennium, most Latin American economies have switched from State-led to market-led development, but the concomitant adjustment of political and societal institutions has been slow, uneven and conflictive. The reform programme sketched out in the Washington consensus focused on macroeconomic opening and called for the liberalization of foreign commerce, the deregulation of markets and investment regimes, and the privatization of public-sector enterprises. Although reference was also made to modernizing public administration, strengthening the State's regulatory capacities, improving the rule of law and consolidating democratic regimes, these aspects only received due attention later in the 1990s, when it became increasingly clear that structural adjustment was coming up against problems rooted in the system of governance itself.¹⁴

Today, Latin America faces a twofold challenge: governments have to see through "second-stage"

adjustment reforms while at the same time laying the groundwork for knowledge-based development in the wake of economic opening and globalization.¹⁵ It is a key question for the next decade or so of Latin American development whether the second- (or third-) generation reforms required today will be implemented swiftly and thoroughly. Will the eventual shift from resource-based to knowledge-based development be more inclusive and at the same time less disruptive and less conflictive than the shift from State-led to market-led development has been? This question can be answered if we know what the basic lock-ins of the current institutional setting look like.

In this section we maintain that political systems in Latin America are characterized by a mix of "modern" and "traditional" institutions. We present an approach that helps us to better understand the resources these peculiar political orders generate for their respective societies. We call this approach "systemic governance" and define it as the capacity to generate and implement decisions in the common interest at all levels of the political system. In the following sections we take a

¹³ See Olson (2000, pp. 1-109). In Olson's terms, the common interest is an interest which aims at a Pareto-efficient distribution of welfare gains.

¹⁴ See, for instance, Haggard (1995); Edwards (1995); Haggard and Kaufman (1995, pp. 151-379).

¹⁵ See Naím (1994); Pastor and Wise (1999); Kuczynski and Williamson (2003).

closer look at the meta-, macro-, meso- and micro-levels of governance.

1. The meta-level

If development is a process that involves goal-oriented behaviour, then a society's development potential depends to a considerable degree on its capacity to set itself goals and pursue them. This applies to nations as well as to local communities. Social identities and goals are important prerequisites for mobilizing and focusing public and private resources in order to overcome development blockades. This is especially important at times of structural change and adjustment, when societies are obliged to leave traditional development paths and create new structures and routines. Strategic planning and goal setting can be described in terms of the political meta-projects societies propose for themselves. In this context, Stepan's distinction between offensive and defensive projects is useful.¹⁶

- *Offensive projects* have a foundational character. They aim at overcoming lock-ins resulting from path dependency. For example, European Union membership has been a broadly accepted offensive project for Eastern European candidate countries, allowing for sweeping changes in the regulation of economic and social affairs.
- *Defensive projects*, in turn, are formulated in reaction to a perceived threat to society. They aim at preserving (or reconsolidating) a given order. In Latin America, incoming authoritarian regimes formulated defensive projects against communist subversion in the 1970s and 1980s, mostly with quite negative consequences for economic and social development.

The basic function of political meta-projects is to legitimize public policies. If they attract public support they endow the State with autonomy *vis-à-vis* societal actors and with additional capacity to generate revenues (taxes, fees). In contrast, a government that is unable to formulate and "sell" a project will face difficulties in mustering the necessary political and material support to carry through structural reforms. At present, Germany seems to be a good example of this kind of problem.

It should be kept in mind, however, that political meta-projects are not a stable, long-term source of

legitimacy. Usually, they have a short or medium time horizon, which means that sooner or later those targeted by the project will ask for tangible results. If a project is successful, State interventions may be transferred into more institutionalized patterns, eventually forming a new regime with a proper basis of legitimacy. If a project fails, though, the regime will most certainly have to cope with legitimacy problems.

In Latin America, the main offensive project that came with State-led development from the 1950s to the 1970s was populism.¹⁷ Its argument was that taking control of the State from the vested interests of landed and financial capital was the key to a more equitable and "modern" distribution of resources, largely in favour of urban workers and the emerging middle class. The underlying motive of this project was rent seeking through the control of an active and interventionist State. Populism fitted well into pre-existing patterns of political integration and decision-making in Latin America. For instance, as benefits were distributed by the incumbents of political or administrative posts, the traditional personalist focus of Latin American politics was reinforced. However, as an approach to welfare policy it has been rather inefficient. Even before the rapid increase of poverty during the "lost decade" of the 1980s, Latin America had the least equitable distribution of wealth and income of any region in the world. Things have become worse, not better, since then.

Today, the unfulfilled promise of broad-based development through public intervention and distribution has been replaced by the equally unfulfilled promise of development through market activity. Triggered by the debt crisis of the 1980s, Latin America has experienced a truly dramatic shift in the way development and State-society relations are perceived. In countries with authoritarian regimes, the change to democracy constituted an important foundational project. In contrast to a number of East Asian and Central European countries, though, the market-led pattern of development has not been introduced successfully as an *offensive* project in Latin America. It is revealing that even the most prominent

¹⁶ See Stepan (1985, pp. 320-340).

¹⁷ Populism is defined for our purposes as a set of policies geared towards the integration of hitherto marginalized sectors of the population and based on an i) anti-class, ii) anti-status quo and iii) personalist-charismatic leadership approach (see Laclau, 1986, pp. 165-233, for an in-depth discussion of populism). To be sure, it is not suggested here that three decades of Latin American economic and political development can be summarized under the notion of populism.

“neoliberal” leaders in the region, Argentina’s Carlos Menem and Peru’s Alberto Fujimori, had previously been elected on the basis of a markedly “anti-neoliberal” discourse.¹⁸ There are two basic reasons why political leaders in Latin America have pursued market opening in practice without using it as an offensive meta-project:

- In countries like Argentina, Chile, and Brazil market-oriented reforms had already been initiated under authoritarian rule, with extremely high social and political costs. Accordingly, market liberalization was linked to authoritarianism and thus politically discredited.
- The results of structural adjustment with respect to growth, income distribution and social development have been poor.¹⁹ In the eyes of much of the Latin American public, market-led development is not a project in the common interest, but rather a straitjacket imposed by external forces.

At the same time, after an initial legitimacy boost derived from regime change, many Latin American democracies have had serious difficulties in improving their governance. Corruption, self-serving policies, lack of legal guarantees and of access to political decision-making, and bad administration have been obstinate features of political regimes, leading to widespread disillusionment with the democracy-cum-market model. As a reaction, in some countries (e.g., Venezuela, Ecuador, Peru, Bolivia) neopopulist positions have gained acceptance, with leaders promising to act upon both equity and governance deficits from outside the “political class”, and claiming a renewed role for the State in the development process.

In some countries, recent elections have brought to power leaders who have denounced the equity and governance deficit of structural adjustment without denying the necessity of market integration and economic opening. In conceptual terms, the emphasis on social, economic and cultural rights seems to be a key element of the new political discourse. Modern political constitutions, such as those of Colombia and Brazil, could very well serve as normative platforms for a rights approach to development. In practical terms, however, the elitist, personalist political style prevalent in Latin America has not yet been called into

question. Even under conditions of party-based political competition, as for instance in parts of Brazil, the focus is on persons and electoral cycles rather than on political meta-projects. Most Brazilian citizens expect Lula to change things for the better, not the *Partido dos Trabalhadores* that is in government.

Summing up the argument, it remains to be seen if a new meta-project is emerging in Latin America. Given the current record of lagging growth, growing polarization of wealth and income, a structural undersupply of public goods and services and, above all, a considerable deficit of institution-based legitimacy and confidence, rallying heterogeneous societies behind an overarching development project within the disciplines of market orientation and democracy is a truly challenging task. Without a feasible vision of development, though, Latin American political leaders will have a hard time mustering the resources needed for a radical change of rules. This calls for a piecemeal, incremental, negotiated and broadly communicated approach to structural reform, and not for sweeping changes decided upon by small elite groups.

2. The macro-level

Macropolitical institutions create the overall setting for the production of public goods and services. They stabilize expectations and contribute to economic development by lowering transaction costs. Basic rules for the functioning of markets and political decision-making are set at this level. Many Latin American regimes, however, appear to be unable to provide an effective macropolitical framework. State-led development resulted in a specific set of institutions, and this has not been dismantled completely in the process of market opening. As a result, governments face difficulties in formulating and implementing common interest policies. Strengthening political representation and competition through formal democratic channels seems to be a key to the effective promotion of common interest policies and further institutional reform.

How come democratization has not brought macropolitical stability and effectiveness? One explanation lies in the fact that political systems are characterized by “hybrid regimes”.²⁰ The term refers

¹⁸ In fact, the only neoliberal politician to be elected on an openly liberal ticket was Brazil’s Collor de Mello, who was able to take advantage of a highly polarized political landscape.

¹⁹ See Ocampo (2003) for the relevant ECLAC data.

²⁰ The concept of hybrid regimes was introduced by Karl (1995). Other authors have come to speak, for instance, of “delegative democracies”, “exclusionary democracies” or “defective democracies”. See O’Donnell (1996) and Merkel (1999) for a discussion of democratic subtypes.

to the coexistence of democratic institutions endowed with formally well-defined systems of checks and balances alongside a set of (often informal) institutions, such as clientelism and corruption, which largely determine the social distribution of resources. These informal institutions have flourished at times of State-led development, although they were mostly established a long time ago in the context of colonial feudalism. As a result, rent seeking constitutes a “layer of continuity” in the often rapidly changing institutional settings of Latin American political systems.

The debt crisis and the opening of markets have diminished opportunities for rent seeking in most countries of the region, although substantial transfers may have taken place during the transformation period, for instance in the context of privatizations. At the same time, the structures and agents of the old model have only reluctantly adjusted to the new distributional conditions of market-led development. Even today electoral posts tend to be regarded as vehicles for the pursuit of particular interests. Parliaments are often controlled by forces favourable to the status quo, which try to block or water down reforms. In quite a few countries (e.g., Argentina, Brazil, Colombia), backward regions, which are often strongholds of clientelism, are overrepresented in Congress.

Presidentialism, the prevalent political order in Latin America, has contributed to the consolidation of hybrid regimes:²¹ the contest for legitimacy between the executive and the legislative branches of government has generally resulted in a failure to achieve stable parliamentary majorities. The usual “game” has thus been for parliaments to pass laws piecemeal in exchange for negotiated material benefits each time. In a number of cases, those benefits have been distributed outside of formal budget procedures. Also, it is a well-known fact that Latin American parliaments lack the infrastructure and means to discharge their legislative and oversight functions effectively. Parliamentary deadlocks have triggered recurrent initiatives to side-step parliament, either through outright authoritarianism or by granting exceptional powers to the president.

Political competition focusing on access to rents instead of the provision of public goods has given rise to political parties with weak ideological ties, typically

formed around charismatic leaders. In many countries, furthermore, electoral regimes have been tailored to political personalism. For example, the Colombian electoral regime gives political parties a strong incentive to multiply the number of electoral lists (the so-called “*operación avispa*”), in order to gain additional seats in Congress. This means that local or regional political bosses (*caciques*) rarely negotiate common political positions, but instead start lists of their own. Unsurprisingly, efforts to change this regime under the successive presidencies of Samper, Pastrana and Uribe have failed to prosper due to lack of political support in Congress.

At the same time, new actors have emerged as rent seekers in the face of weak State regulation. Given the dependency on capital inflows of most Latin American countries, transnational corporations or local economic groups are in a strong position to negotiate their participation in privatizations and large investment projects. Using this leverage, companies have been able to reduce their risk and raise their benefits considerably. Generally speaking, Latin American governments still have a long way to go in creating a truly transparent and fair business environment.

Informal institutions are not unique to the Latin America region. They exist in every political system, including those of the industrialized countries. Informal institutions serve as the “grease” of political systems and public administration: they improve the informational basis for policy-making and implementation and provide the shortcuts needed to speed up the political process. They facilitate adaptation to changing environments, preventing excessively violent ruptures in political and societal regimes.

Under conditions of good governance, there is a clear hierarchy between formal and informal institutions: the latter complement the former. In cases of open conflict, formal institutions prevail, or else the formalization of informal institutions takes place.

In hybrid regimes, however, informal institutions do not complement, but at times rather contradict formal institutions: instead of helping to smooth institutional change they serve to postpone reforms, to impose additional adjustment costs on society in general and to prevent innovation in both the public and private sectors. This is so mainly for two reasons.

First, hybrid regimes operate on a two-tier basis of representation and distribution that limits their capacity to formulate and implement common interest

²¹ Presidentialism endows the executive with a legitimacy of its own, independent of parliamentary majorities. On this issue, see Mainwaring and Shugart (1998); Nohlen and Fernández (1998); Krumwiede and Nolte (2000).

policies. On the one hand, political leaders represent and are accountable to citizens who have voted for them; as incumbents of political or administrative authority they have an agenda of public goods provision. On the other hand, political leaders represent and are accountable to clients who support them with needed resources (capital to finance political campaigns, votes, access to elites or specific groups). At this level, holders of public posts have an agenda of rent seeking and distribution. If they fail to deliver, they lose political support and may eventually end up in jail or exile. Obviously, the common interest is not an important factor here, although some degree of redistribution to the poorer sectors of society takes place.

Second, the basic legitimation patterns of hybrid regimes work against market-oriented change. Since political support hinges upon clientelist relationships, the provision of jobs in public institutions is crucial and political leaders will be less interested in raising administrative efficiency by cutting employment. Also, investments will tend to have a time horizon that reflects the political cycle, and they will be geared towards specific groups rather than the provision of public goods to the general public. Finally, elitist and non-transparent patterns of decision-making are crucial features of hybrid regimes. Accordingly, there will be resistance to opening up the political process to citizen participation and public debate.

In the context of market-oriented reform, hybrid regimes have been most successful when they have been able to bring in shock reforms to implement measures that have proved to be inevitable, such as the liberalization of capital markets or currency regimes. Seeing through gradual, more comprehensive reform has turned out to be much more difficult. It appears that the elitist, authoritarian and status quo-oriented part of hybrid regimes may allow for changes if certain prerequisites are met: i) there is a hegemonic reform path with no “soft” exit option (e.g., access to additional funds) on hand; ii) changes are radical instead of incremental, meaning that they cannot be reversed easily (e.g., the opening up of financial markets or privatization), and iii) *statu-quo* groups can be compensated or repressed.

These prerequisites apply to first-generation reforms much more than to the current agenda of institutional modernization and capacity-building:

- i) The core reform path of the Washington consensus, consisting of liberalization, deregulation,

privatization and fiscal adjustment, was “the only game in town” at the time. There were no other adjustment strategies to hand that could claim to be equally all-encompassing and theoretically well-grounded. Today, different options exist with respect to institutional fine-tuning, decentralization and the degree of sectoral regulation and intervention.

- ii) Also, important measures could be implemented through shock policies, changing the rules of the game from one moment to the next without giving vested interests the time to mobilize. By contrast, there is no way of using shock methods to build up regulatory capacities, improve the quality of public goods and services or raise the efficiency of public administration.
- iii) Lastly, in some Latin American countries additional capital inflows derived from capital market liberalization and the privatization of public enterprises were used to alleviate the burden of adjustment for those groups aligned with the traditional model of State-led growth. To the extent that alternative sources of capital dry up, however, pressure for structural reform increases while at the same time the capacity for compensatory measures diminishes.

In general terms, the present situation of a majority of Latin American countries can be described as one of increasing pressure for structural reforms, combined with a decreasing capacity to side-step them. At the same time, democratization and decentralization have contributed to the gradual opening up of political regimes, leading to the emergence of new political forces and the disintegration or rearrangement of traditional organizations. This combination of fiscal pressure and political opening calls for changes in the way political regimes are legitimized. Political authorities all over the region are beginning to realize that political competition has to be organized differently under conditions of market-led growth than under conditions of State-led growth. Compared to access to rents, the provision of public goods by an efficient administration is gaining importance as a source of legitimacy.

3. The meso-level

Common interest policies such as the production of public goods and the promotion of development do not only depend on macropolitical institutions. In most

cases, sectoral institutions at the meso-level are required, too, in order to target policies properly. Recent development thinking grants the State a much more active, and interactive, role in the development process than was originally envisaged by the promoters of the Washington consensus. It is widely agreed today that first-generation reforms aimed at market-led development in Latin America concentrated excessively on macroeconomic adjustment, leading policy makers all over the region to underestimate the importance of meso-level reform.

Latin American governments have become increasingly concerned with filling the institutional gap inherited from the past.²² Institution-building can be observed in a large number of policy fields, each of which presents specific challenges and dynamics. This paper limits itself to discussing two cross-cutting issues that appear to be of particular importance. First, widespread progress with decentralization highlights the need for policy coordination between different levels of government (vertical coordination). Second, promotion of knowledge-based development calls for linkages between sectoral policies and cooperation between public and private actors (horizontal coordination).

State-led development resulted in a specific set of meso-level institutions. Although there is a considerable variety of institutional landscapes in the region, they appear to share some common features:

- State-led development enhanced the centralist logic of public policy already prevalent in many countries of the region, since it presumed that only the national State was able to orchestrate the necessary efforts in the fields of infrastructure, social policy, education and industrial promotion.
- Development was perceived as planned action. Countries in the region built up large planning agencies. More often than not, though, the implementation process suffered from a lack of monitoring and evaluation, from weak links to budgeting, and from overly rigid planning procedures, which did not take sufficient account of the interests and capacities of social actors.

²² See, for instance, case studies on Argentina, Chile, Venezuela, Mexico and Colombia in Naím and Tulchin (1999), especially the overview given by Naím on pages 15 to 32.

- Direct public-sector engagement in production was regarded as a means of overcoming market failure. Sectors such as energy, mining, steel, finance, machinery and shipyards were regarded as crucial. In countries such as Argentina, political ruptures and military intervention led to the formation of large military-industrial corporations.
- Economic development promotion consisted in a two-tier approach. One set of instruments were geared towards big and modern enterprises, normally managed by the economic affairs ministry and its field agencies or by national development banks. Another set of promotion tools were geared towards small enterprises and were often managed with a social instead of a productive focus. Taken as a whole, development promotion had a strong bias against small and medium enterprises (SMEs).
- With respect to research and development (R&D), the constraints of import substitution encouraged public funding in some strategic sectors of industry. Consequently, there was a certain degree of technological capacity-building, although the productivity gap with world markets continued to widen, due to the rent seeking that resulted from protectionism.
- Policy formulation and implementation suffered from sectoral segmentation, despite the rhetoric of integrated planning. The political logic of hybrid regimes gave those operating them strong incentives to avoid cooperation, in order to maintain (or expand, if possible) their own individual spheres of influence. As a result, even in cases where public institutions shared the same macropolitical orientations, there was little institutional fine-tuning and integration of sectoral policies.

This specific pattern of centralized meso-level regulation ceased to serve economic development with the opening up of markets, but it continued to fulfil functions of political reproduction. At the same time, governments at the national and, increasingly, the subnational level have had to assume new roles as regulators, promoters and coordinators of market-led development. Two important reference points for meso-level institution-building today are the decentralization of competencies and resources and the promotion of knowledge-based development.

a) *Decentralization*

With few exceptions, Latin American countries have made major progress with the decentralization of

competencies and resources. In fact, decentralization has been a key policy for reconciling the exigencies of market liberalization with those of State modernization in hybrid regimes. However, there is still a remarkable lack of policy coordination between government levels.

Market liberalization has had major repercussions for the competitiveness of enterprises and locations. Both firms and locations are much more exposed to competition today than they were before. To the degree that the central State has ceased to intervene, produce, subsidize and regulate, it has opened up space for public action at the subnational level. Consequently, international institutions emphasize decentralized institution-building, e.g., with respect to service provision and economic development promotion.²³

State modernization has endowed local and intermediate-level governments with new functions. In the last two decades, governments have increasingly transferred competencies and resources to municipalities and intermediate (department, province, state) levels, above all in areas such as education, health, local infrastructure and public services. Lower levels of government have become more important as partners for the private sector.

However, municipal and regional authorities have sometimes been hesitant to assume the challenges of development promotion. This is because there are still significant disincentives to a more active policy at the local and regional level. To begin with, lower levels of government often depend to a large degree on fiscal transfers from the State, in spite of fiscal decentralization efforts.²⁴ Also, central government agencies tend to maintain their sectoral grip on enterprise promotion and infrastructure provision, with negative consequences for the territorial integration of policies. Without the competencies and capacities to fulfil the tasks imposed on them, local and regional governments find it difficult to assume an active role in the vertical coordination of policies.

Obviously, decentralization does not always stimulate common interest orientation. Institutional patterns of State-led development, such as clientelism and corruption, may be reproduced at the local and intermediate level. However, certain aspects of decentralization, especially the growing intensity of political competition and the greater proximity of political authorities and public administration to their clientele, operate in favour of institutional modernization. Also, a spatial perspective on development facilitates the provision of relevant information to enterprises, the coordination of sectoral policies, the promotion of enterprise cooperation and the deepening of existing value chains locally.²⁵

b) *Knowledge-based development*

Market opening, often in combination with severe fiscal crises, has deeply affected existing innovation systems. On the one hand, the opening up of these systems to global competition has revealed a profound lack of competitiveness and productivity. On the other hand, public investment in these areas has suffered deep cutbacks, making it even more difficult for the respective institutions to cope with the new competition. This latter trend was reversed in the 1990s, with governments spending larger shares of their budgets on education.²⁶ Although this does not say much about the quality of education with respect to the requirements of knowledge-based development, it indicates that governments acknowledge the importance of investing in this area. At the same time, other than in Brazil and Mexico, no upward trend was observed in research and development (R&D) spending in the 1990s.²⁷

Under conditions of global market competition, however, even a knowledge-extensive development path calls for additional efforts to generate, provide and incorporate knowledge, in order to be sustainable. Broadening the growth base through rural development,

²³ The *World Development Report 1997* and *World Development Report 2002* (World Bank, 1997 and 2001) were particularly outspoken with respect to decentralization. The Inter-American Development Bank (IDB, 2001) and ECLAC (see Aghón, Albuquerque and Cortés, 2001) have also stressed the issue of decentralization.

²⁴ Excessive fiscal centralization, a typical feature of the State-led development pattern, lends itself to moral hazard: confronted with budget constraints, it may be more beneficial for a local government to renegotiate its participation in central government transfers than to step up its own revenue-raising or implement austerity measures.

²⁵ See Campbell and Fuhr (2004, pp. 11-52) for a discussion of decentralization in a context of innovation, State reform and market-led development.

²⁶ Average education spending in the region rose from 2.9% of GDP in 1990-1991 to 4.2% in 2000-2001. See ECLAC (2003, p. 27).

²⁷ The enormous R&D spending gap between Latin America and the industrialized countries becomes evident when we compare spending per capita. In 2000 Mexico spent US\$ 23.46 per capita on R&D, Chile US\$ 26.88 and Brazil US\$ 37.71. Spain, on the other hand, spent US\$ 188.42, Canada US\$ 514.76 and the United States US\$ 937.96. See <http://www.ricyt.org/indicadores/comparativos/06.xls>, 17 October 2003.

integrating SMEs into formal markets and global value chains, strengthening agro-industrial know-how (including specific exporting know-how) and promoting the sustainable use of natural resources are just a few of the challenges governments have to deal with today.²⁸

Innovation leading to the development of new products and the extension of local value chains is usually taking place as a systemic interaction of different knowledge fields and actors along the value chain, including providers and customers. In order to reap innovation rents, time-to-market is a crucial factor. Therefore, spatial proximity (allowing for localization economies), a modern communications infrastructure and low transaction costs in general are all crucial elements of innovation systems. These features favour locations that already possess comparative advantages in knowledge-intensive activities.

Yet gradual upgrading of locations is possible. In a number of meso-level areas Latin American governments have already initiated reforms, but work remains to be done. To give some examples, ties between universities, research centres, etc., and the private sector have to be strengthened in order to focus knowledge generation on the needs of enterprises and to stimulate technology transfer. Public monitoring and control of education and R&D has to be improved, so as to enhance the quantity and quality of the knowledge supply. Also, Latin America is lagging behind when it comes to funding for precompetitive research and tax incentives for R&D at the enterprise level. Many countries in the region still have to improve property right protection as a basic condition for the generation of innovation rents. Lastly, since knowledge incorporation is not the isolated work of individual firms, the promotion of inter-firm linkages (provider networks, producer associations, etc.) should receive more attention.

4. The micro-level

In the context of systemic governance, the micro-level refers to the organizational structure and the management of public administration and political institutions. If citizens or businesses throughout the region were asked to describe the public sector they have to deal with, the following features would

certainly come up again and again:

- public administrations regard citizens and enterprises not as customers but as petitioners;
- procedures are complicated and slow;
- the provision of fundamental public goods such as security and legal protection is inadequate;
- excessive hierarchization and centralization undermine efficiency and effectiveness;
- local administrations or governmental agencies do not have the authority or competencies to deal with important issues;
- governments do not have a common set of rules and procedures, making inter-institutional cooperation slow and fitful;
- budgeting is not transparent, so that citizens do not know what their taxes and fees are being spent on;
- careers in public administration depend on political backing, not on personal capacity;
- bribes and other kinds of extralegal favours are needed to get things done.

Again, this picture is not exclusive to Latin America, nor does it reflect ongoing changes in the region. In fact, some Latin American administrations are considered world pioneers of administrative reform. Brazil and Chile, for instance, offer examples of best practice in a number of fields such as participatory budgeting, customer orientation and the use of information and communication technologies in government. In the majority of cases, however, public administrations still constitute a negative factor in terms of competitiveness and governance. Why is this so?

Public institutions need an internal organizational structure in order to function properly. The organizational structure which emanated from State-led development is quite different from the one envisaged by the good governance and systemic competitiveness approaches. Rent seeking as a fundamental economic behaviour and clientelism as a basic political pattern engendered major lock-ins with respect to administrative reform: since control of State institutions meant access to rents, and political loyalty (even legitimacy) accrued from material benefits distributed through clientelist networks, public-sector staffing became a crucial element of both welfare policy and regime stabilization.

As a result, a typical feature of public administration in Latin America is overstaffing combined with a critical lack of human resources (since, sooner rather than later, the most competent employees migrate to the private sector) and an utterly inadequate

²⁸ This paragraph draws on Altenburg (2003). See also Von Haldenwang (2000, pp. 9-15).

infrastructure. This is especially true at the regional and local level, where career opportunities are even scarcer and equipment even more obsolete. Also, institutional memory is weak due to high turnover rates in the wake of political changes. This leads to the seemingly paradoxical situation of excessively rigid formal routines combined with a high dependency on case-by-case negotiations in everyday operations.²⁹

Reforms at the micro-level should aim above all at transforming the self-perception of public administration, in favour of a stronger orientation towards citizens and clients. So far, the opening of markets and the changing role of the State *vis-à-vis* society have modified the picture described only at a snail's pace. Indeed, the continuing provision of jobs in the public sector has been used as a device to soften the social impact of market liberalization and privatization. Regional and local institutions have been particularly keen to preserve this welfare function, since reproduction of clientelist relations starts at the local, eye-to-eye level and most of the costs of unemployment have to be shouldered locally.

Modernization efforts in public administration today are based on a set of normative premises that are broadly accepted in both developing and industrialized countries. These premises are often discussed under the general heading of "new public management" (NPM).³⁰ Rather than a detailed model for administrative reform, NPM refers to a set of instruments and normative guidelines extracted from the experience of innovative public administration, mostly in Anglo-Saxon and Scandinavian countries. Key elements are:

- a shift from management by rule to management by result, using the impact (outcome) of public

action on target groups as the main criterion for administrative quality;

- the internal decentralization of competencies and fiscal responsibility, in combination with the introduction of private-sector accounting methods and contract management;
- the mobilization of private capital for investment by means of privatizations, public-private partnerships (PPPs) and subcontracting;
- an emphasis on customer- and citizen-orientation, including new methods of participation, budgeting, demand assessment and personnel management.

If political, economic and fiscal framework conditions are tending in the direction of administrative reform and at the same time the normative guidelines of that reform seem to be widely accepted, why is it that the dynamics of micro-level reform are still rather low in Latin America? A main reason lies in the fact that market-led development does not by itself generate the public institutions needed for competitiveness. In order to introduce and consolidate modern management methods there have to be further changes in the incentive structure.

For example, instead of NPM-oriented reform, political leaders often prefer the "successful failure" of public institutions, namely a situation where the failure to produce public goods and services is accompanied by the successful alimentionation of particular client groups. Also, excessive centralization and overly rigid hierarchies within public-sector bodies discourage innovation from below. In such a setting, public-sector employees will most likely try to prevent changes unless they are invited to participate in the reform process and compensated for the frustrations, setbacks and additional efforts that usually come with administrative change. Lastly, without visible improvements in service delivery, public support for reforms will be low.

As a consequence, reforms are most likely to succeed if they: i) offer a prospect of political benefit to reform leaders; ii) allow for innovations from below, along with political leadership from above; iii) include proper personnel management right from the start of the process, and iv) are designed to produce at least some highly visible short-term results, in order to secure public support.

²⁹ Apart from the organization and working of public administration, there is also a micro-level dimension to political institutions in a narrow sense of the term. For instance, the poor performance of parliaments in Latin America can be traced back in part to the lack of technical support for individual members and to the deficient organization of parliamentary affairs. See Krumwiede and Nolte (2000, pp. 90-109).

³⁰ See Von Haldenwang (2000, pp. 25-30) and McCourt and Minogue (2001) for a review of critical approaches to NPM. Koldo Echebarría has called my attention to the fact that NPM is more than just a micro-level approach. This is certainly true: NPM implies fundamental changes in the relationship of public institutions with citizens and enterprises. In this sense, there is a meta-level dimension to micro-level reform.

IV

Conclusion

This paper has focused on common features of systemic governance in the Latin American region. In order to assess the reform propensity and orientation of individual countries, additional case-by-case analysis is needed. To give an example, the kind of systemic governance and institutional lock-ins generated by a country such as Ecuador with its strong dependency on public rents from oil exports will be different from those of, say, Honduras with its focus on maquila-type assembly for export based on cheap, low-skilled labour. However, to the extent that development is taking place within the parameters of market economies, there is a general need to strengthen the common interest orientation of public institutions.

Systemic governance in this context implies that the proper functioning of a political system, i.e., its ability to formulate and implement policies in the common interest, hinges upon political capacities at different levels. These levels have been examined separately, but in analytical terms they should be regarded as an integrated whole. Hence, the question arises as to which laws determine the interaction between levels. For instance, if meta-level institutions change, will there be predictable change patterns at the meso-level? This paper does not provide a final answer to that problem, but rather draws some tentative conclusions on the basis of the findings presented above.

Neither top-down nor bottom-up explanations of political change are wholly satisfactory. Experts who emphasize planning and vision as normative guidelines for political action would probably incline towards a model of change that started at the meta-level of systemic governance and proceeded downward. There is a point to this reasoning: development as goal-oriented behaviour needs some kind of idea concerning the status quo desired in the future. But then again, there is no clear-cut relationship between visions and reality. Political action often takes place under conditions that do not follow strategic reasoning. Pragmatism may at times be the only guiding principle on hand.

On the other hand, there are experts who favour a reform model that starts from modernization at the meso- or even micro-level. Visible improvements in one place are expected to stimulate reforms elsewhere,

thus generating a bottom-up process of change where “islands of modernity” gradually emerge together. The idea of “best practices” that can be learnt from, the widespread reliance on pilot projects as a means of innovation and the increasing number of international conferences where practitioners and social scientists present their showcases to each other bear witness to this approach, which we might term “inductive”. Yet there are major obstacles to this model of public-sector modernization: unlike enterprises, which *must* learn in order to survive in the market, public institutions may very well prefer to avoid learning, for the reasons outlined in the preceding section.

An alternative to the linear approaches touched upon above would be to think in terms of cross-cutting feedback circles. If societies leave traditional development paths, parts of the pre-existing institutional setting cease to be functional. Openly dysfunctional institutions create legitimacy problems: citizens begin to question the way things work, and political forces begin to look for institutional alternatives. This seems to be the case right now in quite a number of Latin American countries, given the poor record of the market-*cum*-democracy model in terms of economic, social and political integration.

If political systems succeed in enhancing their legitimacy through common interest orientation and improved performance at any of the four levels, they free up resources which can be employed for further system consolidation. In principle, the higher the level at which change takes place, the stronger the effect on the system’s legitimacy. The direction and dynamics of change, though, depend on the resources mobilized by social groups to punish performance deficits or to reward improvements.

This calls for an approach that does not focus exclusively on the final objectives of reforms, but keeps an eye on the processes leading to those objectives. Such an approach would promote public-sector capacity-building to enable States to act swiftly and sustainably on legitimacy problems. Also, it would strengthen representative decision-making and implementation, since representative democracy has proved to be the most suitable order for handling complex public policy issues. Lastly, it would promote interest articulation and mobilization by underprivileged groups

so that the performance deficits affecting the neediest could be put on the political agenda more effectively.

In contrast, an approach that pursues the modernization of individual institutions will most likely fail to produce sustainable improvements in governance. Itemizing particular measures, even creating a truly comprehensive list of necessary reforms, will not obviate the logical fallacies outlined in this paper.³¹ This is a major shortcoming of the good governance concept as discussed so far: fine-tuning and complementing the Washington consensus are a necessary but not sufficient approach to development and development cooperation.

The contours of a new development project are just beginning to emerge. The new emphasis on social, economic and cultural (i.e., collective) rights in development theory, as highlighted by the UNDP approach to good governance, has yet to be translated into political projects. In this context, extending effective citizenship to hitherto excluded social sectors is a key factor for change.³² When development cooperation is called upon to become more political, it is not only the level of intervention that is referred to. What is meant, rather, is that donors and governments alike should focus their programmes in a way that offers the prospect of sustainable legitimacy gains.

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³¹ This additive approach seems to characterize recent efforts to "complete, correct, and complement the reforms of a decade ago". See Williamson (2003, p. 18); Navia and Velasco (2003, pp. 265-303).

³² See ECLAC (2000).

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