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THE PROCESS OF REFORM IN LATIN AMERICA: A REVIEW ESSAY

by

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PREFACE

Even in the midst of a global crisis, Latin America and the Caribbean economies find themselves in relatively robust economic conditions. But this is not the time for the region's governments to rest on their laurels. Indeed, Latin America must seize this window of opportunity to design and implement good public policies. The greatest of the long-term objectives of Latin American states is development: economic growth and structural change that is more rapid, more sustainable and more inclusive.

In view of both the more immediate and the longer-term policy challenges facing Latin America, the OECD Development Centre and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) took the decision to devote the 2012 Latin American Economic Outlook (LEO) to the theme of "Transforming the State for Development". The report will be presented at the XXI Ibero-American Summit of Heads of State and Government in Asunción, Paraguay – the theme of which is the same as this year's LEO.

The bulk of this year's LEO is devoted to the content of the needed reforms: changes in policies regarding public finances, education, infrastructure and innovation. But an equally important question is how such reforms are implemented, the issue discussed in this background paper.

The authors survey the past several decades' worth of experiences of reform in Latin America. They find that the quality of reforms is affected by the interaction of various players such as the three branches of government, civil society groups, and the media. The outcome of that interaction depends upon the capacities of each of those players and the institutional rules of the game in the distinct phases of the "reform cycle".

The overriding objective of this Working Paper, and of the LEO for which it was written, is to encourage bolder and more development-oriented reform efforts in Latin America. The region cannot afford to squander this historic opportunity.

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October 2011

RÉSUMÉ

Ce document contribue à la littérature sur le processus de réforme en Amérique latine. Nous étudions les aspects d'économie politique et le processus de formulation des politiques dans ce que nous identifions comme les cinq étapes critiques du « cycle de vie » d'une réforme: la Planification, le Dialogue, l'Adoption, l'Exécution et la Soutenabilité. Ce document étudie la variété des acteurs majeurs impliqués et des obstacles rencontrés à chaque étape du processus de réforme. Les explications quant à la réussite ou l'échec des expériences de réforme doivent donc rendre compte de la dimension temporelle des réformes. De même, les décideurs de politiques peuvent augmenter les chances de succès de leurs plates-formes de réforme en accordant attention à ce modèle stylisé d'acteurs et d'obstacles. Nous analysons également en détail les acteurs qui interagissent au cours du cycle de réformes, et examinons l'évolution de leur pouvoir et capacité au cours des dernières décennies en Amérique latine.

Classification JEL: B49, D72, D78, H11, P16, O19.

Mots clés: Amérique latine, capacité de l'état, économie politique, formulation de politiques, institutions politiques, réforme

ABSTRACT

This paper contributes to literature on the process of reform in Latin America. We study political economy aspects and the policy making process of reforms in what we identify as the five critical steps through the "life cycle" of a policy reform: the Planning, Dialogue, Adoption, Implementation, and Sustainability stages. This paper illustrates that the most important actors involved and the major bottlenecks vary at different stages of the reform process. Explanations for successful or failed reform experiments must therefore adequately account for this temporal dimension of reforms. Similarly, policy makers may increase the chances of success of their reform platforms by paying due attention to this stylised pattern of actors and bottlenecks. We also consider in some detail the actors who interact during the reform cycle, and review their changing strength and capacity in recent decades in Latin America.

JEL Classification: B49, D72, D78, H11, P16, O19.

Keywords: Latin America, policy making process, political economy, political institutions, reform, state capacity

I. INTRODUCTION

This paper analyses the process of policy reform in Latin America. In particular, it focuses on three aspects of reform: *i)* the principal actors in the reform process and the interactions among them; *ii)* the context affecting the policy making process; and *iii)* the "reform cycle" itself, a stylised sequence of phases of a policy reform. Because the success or failure of policy packages is highly context-dependent, the success of any institutional reform requires not only that certain technical criteria be met, but also that reform efforts be adapted to the institutional and political context. There is no universal "best practice" and the institutionalisation of reasonably good policies is and will continue to be idiosyncratic and path-dependent.

Most of the research related to reforms in the region has studied political-economy aspects (*i.e*. the impact of the social and economic context on the approval of reforms) or the policy making process of reforms (*i.e.* the behaviour and role of actors and institutions and their impact on the policy outcome). The contribution of this paper is to combine these approaches, by analysing the context and the interactions between agents and institutions during the different stages of reform. In so doing we propose a stylised "life cycle of reform," the phases of which are Planning, Dialogue, Adoption, Implementation, and Sustainability.

Understanding the success or failure of reforms in the region depends critically upon the temporal dimension introduced in our life-cycle approach. To begin with, in most countries in Latin America, the executive has an overwhelming influence over the policy making process ("*presidencialismo*"), its asymmetrical bargaining power often jeopardising institutional checks and balances. The lack of co-operation and co-ordination among actors in the different stages of the process of reform can and often does distort the quality of policies.

The problems associated with reform are not limited to the effects of presidentialism. This research provides further assessment of the perils that beset policy reforms at the different stages of the reform cycle in Latin America. In particular,

- First, time-constrained and election-minded political incumbents, as well as a lack of technical capacity for *ex ante* policy evaluation, can distort policy planning and design in the initial phase of reform. We suggest that these obstacles can be overcome by developing independent evaluation agencies in the bureaucracy and through a more active participation of political parties in this phase; these changes increase the likelihood of co-ordination among actors and that the reform will be stable, efficient, coherent and "public-regarded."
- Second, corruption and party decentralisation render the policy vulnerable to private interests in the dialogue phase. An adequate compensation of potential

losers from the reform, extensive media coverage, and a greater mobilisation of influential international organisations will help build political support for reform.

- Third, a lack of political support for reform, coupled with a high level of party fragmentation and polarisation and a weak judicial structure will threaten the quality of the policy during the adoption phase.
- Fourth, weak legal-political institutions will render the implementation of the policy vulnerable to common-pool problems, imperfect information and powerful veto players that widen the already-ample "implementation" gap in the region. We offer several recommendations related to institutional reforms that might improve the quality of reform outcomes.
- Finally, poor *ex post* policy evaluation and a lack of accountability render policies unsustainable and undermine the legitimacy of Latin American governments. We recommend increasing the technical expertise in independent, *ex post* evaluations, and exposing the results to render actors accountable for their actions during the policy making process.

The challenge of reform in Latin America goes beyond improving the delivery of public services. It includes the objective of legitimising states in a part of the world where democratic practices are still being perfected. Indeed, there is a need to improve the efficiency of public policies, such as in education, infrastructure and innovation. To be legitimate, reforms must pay attention not only to the efficiency of policies but also to their quality and equity. Different development levels in the region require reforms suited to each country. Moreover, because particular historical events or critical political junctures have significant effects on the policy making process, policies may be path dependent and thus previous decisions and existing institutions may limit the scope for change. For these reasons, our purview is not limited to the relatively narrow issues of the "modernisation of the state" agenda, focused on professionalisation of the civil service, improving the efficiency of public administration, among other concerns. Our interest includes these issues but extends to the problems of policy making in sectors most relevant to development and legitimacy. In some ways, it is this second set of factors that distinguish debates surrounding reform in developing countries and emerging economies from the debate in developed countries.

The effect of public development policies on the policy making process can only be fully understood with a systemic approach. Different reform sectors should be observed as systems, rather than consider their different elements in isolation. Indeed, disconnected debates may be counter-productive for the implementation of fundamental reforms.

The remainder of this paper is organised as follows. Section II introduces the reform process, and briefly presents the generations of reforms in Latin American countries. Section III provides a simple typology of the major actors and the interactions among them in the policy making process. Section IV assesses the impact of the economic and political context on the planning and adoption of reforms. Section V, the core of this paper, studies the phases in the life cycle of a reform. In particular, it analyses key considerations to take into account in the stages to improve policy effectiveness. Finally, Section VI concludes and provides policy recommendations.

II. REFORM IN LATIN AMERICA: CONCEPTS, HISTORICAL BACKGROUND AND FACTS

"Reform" is a broad concept. A reform could be a "major" change in policy – like drastically reducing tariffs and other barriers on imports, as many governments in the developing world have done in recent decades. Reform might also signify the creation of new institutions, new styles of leadership, and new social relations (Alesina *et al*., 2006; Blanco, 2006). Moreover, even minor policy measures may have significant political, economic and social consequences. And though it may seem redundant to point this out, reforms might be successful or unsuccessful in achieving their stated objectives, they might have unintended good or bad consequences, and their objectives themselves might not be universally desired.

While the notion of reform encompasses all of these large and small, effective and ineffective, good and bad policy experiences, we are particularly interested in the conditions that favour reforms that are good for growth and development. Not every conceivable type of reform is systematically addressed in this paper: Most of the reforms studied here concern tax, fiscal responsibility, decentralisation, public administration, and changes to the party system. Some Latin American countries are arguably entering into a historical period of reforms that have the effect of institutionalising good practices, keeping fiscal deficits and inflation low, and reducing the size and riskiness of public debt during the boom years of 2003-07. But the beneficial effects of those good practices – *e.g*. the region's resilience in the face of the 2008-09 global financial crisis (OECD, 2009; OECD, 2010b) – could be undone in any given country if a new administration with a different economic platform took power. The increased independence of central banks in many countries and the elaboration of fiscal rules are examples of institutionalisation of good practices that safeguard macroeconomic performance from poor leadership.

Institutionalising "good" practices in this way depends upon *state capacity*. State capacity could be understood crudely as the size of the government.[1] More subtly, state capacity might indicate the effectiveness of the policy processes associated with the public sector. The tax-to-GDP ratio might be a proxy of both conceptions of state capacity: the relative size of public resources, but also the effectiveness of the state in collecting taxes. The appropriate size of the state and the quality of management of policy processes and public employees are determinant for an improvement of the economy's development prospects in turn.

1 Recent economics literature distinguishes between "legal" and "fiscal" state capacity. While the former encompasses what Acemoglu and Johnson call "contracting institutions" and "property rights institutions", the latter regards the state's capacity to raise revenues from the society and is typically measured by the GDP share of total taxes (Cárdenas, 2010).

An additional dimension of state capacity is the avoidance of co-ordination failures and the institutionalisation of mechanisms to ensure a longer time horizon. To tap unexploited opportunities for development, a comprehensive "whole-of-governance" approach is essential.

The last decades have been a period of profound political and economic changes for Latin American countries. After the bankruptcy of the import-substitution model and the debt crisis in the 1980s, most Latin American governments embarked on a process of market liberalisation, often referred to as the Washington Consensus reforms or the first-generation reforms. These growth-promising reforms, undertaken by both left-wing and right-wing governments, included both fiscal and monetary measures to guarantee the solvency of the State, to control inflation, to open economies to trade, to liberalise financial systems, and to privatise state enterprises.

The Washington Consensus was a package of orthodox reforms for liberalising Latin American markets. First, the reforms sought to establish fiscal discipline and eliminate the governments' recourse to the inflation tax to finance budget deficits. Reorganising public expenditure priorities (primarily towards health and education) and implementing tax reforms intended to improve tax administration in Latin American countries. Second, liberalising interest rates and exchange rates was intended to render the economy more competitive. Third, opening domestic markets to international trade by reducing import tariffs, for instance, would make the countries benefit from their comparative advantages. Finally, eliminating barriers to direct foreign investment, privatisation, deregulation, and securing property rights sought to eliminate the distortions caused by state intervention in Latin American economies.

Despite significant variation, the region as a whole experienced an intense process of economic reform with varying results. Some countries in the region, such as Argentina, Bolivia and Mexico undertook more trade, financial liberalisation and privatisation in the first half of the 1990s decade than the East Asian countries managed between 1960 and 1990 (Rodrik, 1996). Similarly, structural reforms increased considerably from 1985 to the late 1990s (Lora, 2001).[2] However, the market-oriented reforms in Latin America produced varying results. Although orthodox policies adopted in some countries succeeded in reducing unsustainable inflation and public debt levels, challenges remained in the region. In particular, low GDP per capita growth, high income inequality, and alarmingly high poverty levels gave way to social fatigue (Londoño and Székely, 1998; Iglesias, 2004).

Analyses of the failure of the Washington Consensus reform package in Latin America point to the importance of the regulatory policy and institutional framework for economic performance.[3] This finding gave place to a wave of institutional reforms in the late 1990s-2000s.

2 The region's structural reform index jumped from 0.34 in 1985 to 0.58 at the end of the 1990s (Lora, 2001). This index describes and measures the quality of structural reforms from the standpoint of their efficiency and neutrality for sixteen countries in Latin America. On a scale from 0 to 1, the total structural policies index is the average of the indexes of five areas (trade policy, financial policy, tax policy, privatisation, and labour legislation).

3 An explanation of how the institutional weakness in developing countries affects the design of a regulatory framework is offered by Estache and Wren-Lewis (2009). The authors argue that limited regulatory capacity, limited accountability, limited commitment, and limited fiscal efficiency must be explicitly taken into account by reformers in developing countries

These "second-generation reforms" were seen as complementary to the previous "first-generation reforms" reforms, and as capable of effectively accelerating economic growth and achieving other development goals. Without changing the basic political and institutional structure, there were multiple reforms with no unique orientation that increasingly took into account context-specific market and government failures (Rodrik, 2008). These reforms came in "waves" (Lora, 2007), beginning with fiscal reforms in the early 1990s, followed by pension reforms in the mid-1990s, and fiscal responsibility reforms in the early 2000s. In contrast to the first-generation reforms, which consisted of merely eliminating or simplifying government intervention, second-generation reforms were, in essence, more complex, uncertain and difficult to implement and they involved a higher diversity of actors in the policy making process (Lora, 2007; Edwards, 2001). Thus, the chances of success depended not only on the consistency and refinement of their technical details, but also on the probability that the policy making process and in particular the interactions between actors would lead to key features for a successful public policy.

More recently, Latin America has undergone a third wave of state reforms influenced by the so-called "Beijing Consensus". This "silent revolution" in Latin America (Lora, 2007) is characterised by the emergence of what Cornejo-Ramírez (2005) calls a "new way of conducting politics". The role of the state has been redefined, seeking not only to generate and provide efficient services to its citizens but also to balance social interests. The Beijing Consensus has emerged as an alternative approach to economic development for developing nations, using "economics and governance to improve society" (Ramo, 2004). Hence, Latin American states now seek to achieve productive upgrading to enhance international competitiveness, and social inclusion to address the problem of income concentration (Kirby, 2009). To achieve these economic and social goals, the new leaders must commit themselves to economic pragmatism and they must acknowledge that policies are highly context-dependent (Santiso, 2006; Hausmann *et al*., 2006). This change represents a turn, in the words of Hirschman, to the "political economy of the possible".

The recent focus on context and the way of making policies has given rise to a literature that sustains that, rather than focusing on *what* to reform, the study of the question of *how* to reform (*i.e.* the policy making process) is imperative. Accordingly, it is the characteristics[4] of policies, and not the specific contents of policies and titles of institutions, what determines the economic and social outcomes of policies (see IDB, 2005; Stein *et al*. 2008; Ardanaz *et al*., 2010).

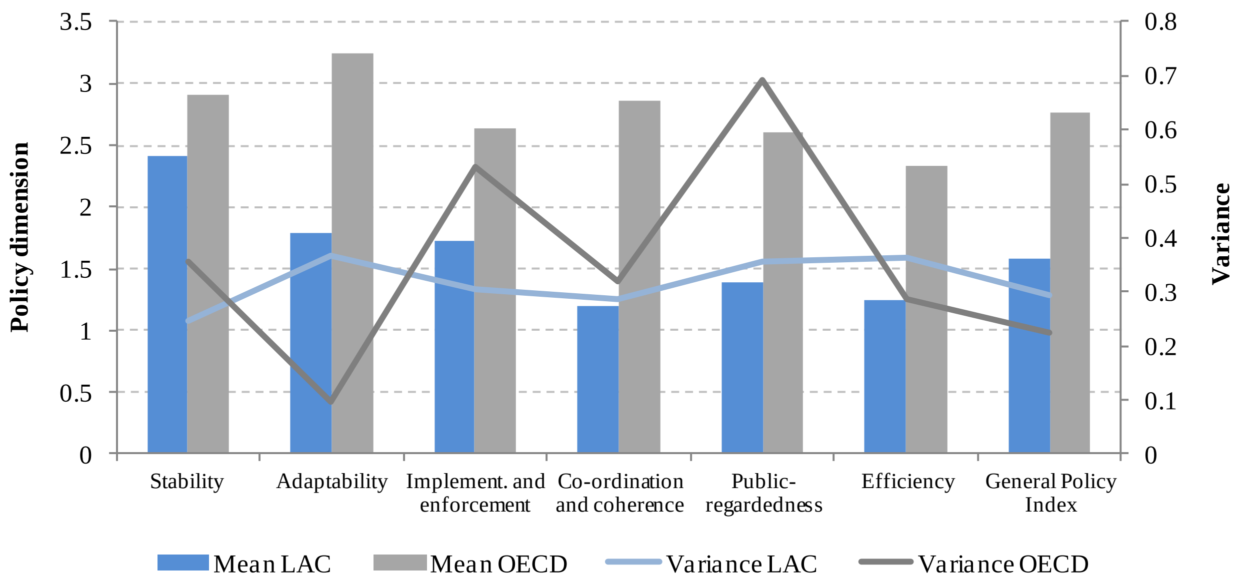
This recent literature has shown that Latin America does not rank highly in indices of policy quality. The regional policy index from Berkman *et al*. (2008)[5] is 1.6 and thus well below

4 These policy characteristics are policy *stability*, *adaptability co-ordination implementation* and *enforcement*, *public-regardedness*, and *efficiency* (IDB, 2005).

5 This type of indicator – and governance indicators in general– has received significant criticism on the account that *i)* it is based on the assumption that sources' measurement errors are uncorrelated; *ii)* its country rank scores are not comparable over time; *iii)* it allows for a large sample bias; and *iv)* it is not transparent (Arndt and Oman, 2006). Berkman *et al.* (2008) address these issues and argue that taking value averages of the "soft" institutional indicators over a period of time smoothens out the measures

the OECD countries, whose average is 2.8. The maximum value in the study is Finland (3.5) and the minimum is Mexico (1.9). In Latin America, the lowest component of this index is the co-ordination and coherence of public policies showing non-co-operative political interactions present among different agencies within the central government, between agencies in the central government and sub-national authorities, and among agents operating in different stages of the policy making process. Additionally, when comparing with OECD economies, the major difference is this component of the policy index (Figure 1).

Figure 1. **"Policy quality" in Latin American and the Caribbean versus OECD countries**



Note: A higher value of the policy dimension is interpreted as a better quality of the policy. The interval of policy indices is between 0 and 4. LAC includes the following 18 Latin American and Caribbean countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. OECD are the following 33 countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

Source: Authors' calculations using data from Berkman *et al*. (2008). The different dimensions of the policy index are composed of data and survey questions extracted from the Fraser Index of Economic Freedom, the Global Competitiveness Report, Profils Institutionnels, the Bertelsmann Transformation Index, Columbia University's State Capacity Survey, and the Economist Intelligence Unit (see Berkman *et al*. (2008) for a detailed explanation).

There is an important heterogeneity in the policy outcomes in Latin America. Chile ranks the highest in the region (approximately 2.95), similar to OECD countries like Slovenia and Ireland. With the exception of the *public regardedness* index, Chile is ranked higher than the average of OECD countries in the components of the policy index. In contrast, Paraguay and Guatemala (0.8 and 1.0, respectively) are at the low end of the distribution.

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and reduces the influence of the country's economic conditions, thereby providing a better picture of the state of institutions and related policy outcomes.

III. ACTORS IN THE POLICY MAKING PROCESS OF REFORMS

This section presents the main actors in the process of reforms (*i.e.* executive, legislative, judicial, political parties, civil service servants, sub-national governments, business, unions, media, and international institutions). Before analysing the interaction between these agents, institutions and contexts in the main stages of the policy making process of reforms (*i.e.* Sections IV and V), we present their role in the process and their characteristics in Latin American economies.

In a nutshell, the political economy literature has agreed that public policies suffer two handicaps that prevent them from achieving the "ideal" characteristics of Scartascini, Stein and Tommasi's checklist.[6] First, imperfect information is an obstacle in building political support for reform. Since the costs of reform are immediate, concentrated, and obvious while its benefits are delayed, widely dispersed, and many of its beneficiaries do not even know that they will benefit, there is a bias towards the *status quo*, even if the project of reform is known to enhance social welfare (Williamson, 1998). Second, time constraints hamper the quality of the policy. As the present and following sections show, an incumbent will only experience reform if there is a sufficient time interval to allow the public to perceive the benefits of the reform program. Otherwise, incumbents will avoid undergoing a reform that –albeit possibly socially beneficial– may hurt their favourability and undermine their chances of being re-elected.

III.1. The executive branch: presidents and cabinets

Partially a consequence of the strong presence of *presidencialismo*, the executive branch plays a significant role in the process of reform, setting the reform agenda and exerting a strong influence over other actors in the policy making process in Latin America. In general, policy makers in the executive branch have a professional duty to do their best to inform the public about the nature of the benefits of a given reform (Williamson, 1998). In this sense, policy makers help reduce the bias towards the *status quo* and against the reform.

Changes in the electoral rules make a substantial difference in how governments are run and in the behaviour of political incumbents (Banerjee and Duflo, 2011). Latin American countries have experienced significant changes in the electoral rules over recent decades. Today, approximately two-thirds of Latin American political regimes allow a president to run for a second term, either immediately following the first one or after a set period of time.[7] Also, the

6 This section is indebted to the "Policy Making Process" (PMP) approach of Scartascini *et al*. (2010) and IDB (2005), which we try to extend to the mechanics of reform.

7 As of June 2011, the following countries in Latin America allow immediate re-election: Argentina (1994), Bolivia (2009), Brazil (1997), Colombia (2005), Dominican Republic (2002), Ecuador (2008), and

average length of the president terms has been reduced from 5 to 4.7 years (Lora, 2007). This affects the policy making process in the region, since a democratically-elected president does not behave in the same manner when she is allowed to be re-elected. In general, presidents where re-election is allowed are interested in boosting their chances of being re-elected through the use of public policies, whereas those whose legislation bars presidential re-election may instead focus on restraining their successor's scope of action (Lora and Scartascini, 2010).

When re-election is possible, political cycles are traditionally associated with fiscal expansion and a reduction in the rate of devaluation. Considerable literature has supported the existence of a rational political budget cycle, showing how political incumbents artificially expand the economy prior to elections, seeking to attract voters either by postponing exchange rate devaluations, and/or boosting public spending. Regarding the monetary policy, the literature suggests that prior to Central Bank reform, the period immediately after an election was characterised by both higher inflation rates and sharper depreciations in Latin America (Stein and Streb, 2004; Stein *et al*., 2005). Notwithstanding, some scholars argue that the Central Bank reforms that many Latin American economies experienced between the late 1980s and early 1990s have been effective in reducing political manipulation of the exchange rate (Cermeño *et al*., 2010). Regarding fiscal policy, recent studies find that electoral cycles deteriorate the fiscal balance in Latin American countries[8] as a result of governments' reluctance to increase taxes (Amorim Neto and Borsani, 2004) or their incentive to increase primary expenditure (Nieto-Parra and Santiso, 2008a).[9] This perverse effect is considerably greater in Latin America than in more developed countries, such as OECD economies, possibly due to weaker political institutions.

Cabinets also play an important role in policy making. Cabinet ministers are the principal source of policy expertise, pushing the president's agenda through the legislature and being the leading force behind policy implementation. Also, cabinet formation determines the number of political parties in government, the relationship between them, and the ease with which policy can be changed. The structure of the cabinet itself may allow for co-ordination and flexibility in policy making. Finally, the stability of tenures allows ministers to build relationships of co-operation and accountability, to gain essential expertise and to reach inter-temporal agreements (Martínez-Gallardo, 2010). Indeed, governments with greater cabinet stability have more ability to diminish government spending (Amorim Neto and Borsani, 2004).

Although there are some common trends, there is wide variation in the role of cabinets in the policy making process in Latin America. Ministers, and especially finance ministers, play a very predominant role in the policy making process. Cabinet politics matters for policy performance in Latin America, insofar as cabinet instability reduces ministers' commitment to

Venezuela (1998). Moreover, the following countries allow non-immediate re-elections: Chile, Costa Rica, El Salvador, Haiti, Nicaragua, Panama, Peru, and Uruguay. In the following four countries, re-election is forbidden: Guatemala, Honduras, Mexico, and Paraguay.

8 See, for example, Amorim Neto and Borsani (2004), Nieto-Parra and Santiso (2008a), Eslava and Drazen (2010), and Barberia and Avelino (2011).

9 Notwithstanding, comparing the 2005-2006 electoral cycle with respect to prior electoral cycles in Latin America, Nieto-Parra and Santiso (2008a) argue there has indeed been a slight improvement of fiscal management around elections.

long-term policy outcomes and creates undesirable shifts in policy. A low level of cabinet stability prevails in most countries in the region. At the one end of the scale, Venezuela, Peru and Ecuador stand out with unusually large and unstable cabinets, which reduce their policy performance to levels below the mean. At the other end of the scale, Uruguay, Costa Rica and Mexico enjoy high levels of cabinet stability, and thus score high in the policy index (Martinez-Gallardo, 2010; IDB, 2005).

III.2. The legislative branch

Legislatures are critical institutions in the effective functioning of a democracy and in the policy making process. Legislatures are expected to represent the needs and wishes of citizens in the policy making process. Not only do they identify the problems and formulate and approve laws to address them, but they also oversee the implementation of policies by monitoring and investigating government activities to ensure that they are efficient and consistent with the legal framework. Their checks and balance role is therefore crucial for the proper functioning of a democracy.

The role of the legislature in Latin America varies among countries. How the legislature interacts in the policy making process has an important impact on the nature of policy outcomes, as legislatures with greater capabilities play a more constructive role in the policy making process. Indeed, legislatures that have more legitimacy, more experienced legislators, and well-developed committee systems will tend to be more constructive and proactive, whereas legislatures with weaker capabilities will tend to play a limited (and occasionally obstructionist) role in the policy making process (Saiegh, 2010).

Indicators do not show encouraging results for the legislature in Latin America. Legislatures in the region are characterised by "operational, administrative, and resource problems that limit the fulfilment of their legislative, representative, and oversight responsibilities" (Santiso, 2004, p. 49). This, coupled with a deficit of representation and accountability, has lowered the levels of confidence in the congress among Latin American citizens.[10] Indeed, while the general public has a more favourable view of congress in Uruguay (62%), Venezuela (49%), Costa Rica (47%), and Brazil (44%), citizens remain highly sceptical in countries like Peru (14%), Guatemala (17%), Nicaragua (21%), and Ecuador (24%).

In general, the legislative branch in Latin American lacks expertise. In Argentina, Costa Rica, and Mexico, legislators have low levels of experience and low rates of immediate re-election to the congress (Santiso and Whitehead, 2006; Stein and Tommasi, 2008).This is unfortunate because shorter terms render legislators more vulnerable to electoral pressures, thus reducing the quality of policy performance. In contrast, the level of education of Latin American legislators varies widely among countries: while Peru and Colombia enjoy the highest percentage of legislators with higher education, less than half the legislators in Dominican Republic has a university degree (García and Mateos, 2000). Additionally, the degree of specialisation of legislators[11] has a direct impact on policy effectiveness. In Latin America,

10 In 2010, only 34% of Latin Americans trusted the congress (Latinobarómetro, 2010).

11 The degree of specialisation of legislators is measured by the number of committees on which each legislator can serve.

Colombia and Brazil have the most specialised committees, while Argentina, Dominican Republic, Guatemala, and Paraguay have too many members serving on their committees (Saiegh, 2010).

Despite variation, legislatures remain relevant to policy outcomes. In some countries, such as Argentina and the Dominican Republic, legislatures seem to play a limited role in the policy making process, possibly due to the excessive power of the executive and/or the lack of professionalisation of their members. The result is thus a legislation of low quality, poorly drafted, and easily reversed. On the other hand, Uruguay has the highest-quality legislature in the region. Other legislatures, particularly in Brazil, Chile, and Colombia, play an active –albeit still limited- role in shaping the policy agenda and developing policy proposals. This limitation may be due to the excessive powers of the executive (such as the Brazilian case), and/or the alignment of legislative majorities with the executive (as is the case in Chile). Between the two extremes, Costa Rica, Honduras, and Mexico appear as having a medium-capacity, "rubber-stamp" legislature (Saiegh, 2010). In this case, policies are decided exogenously, mainly in the governing party, and the executive enjoys a great influence over the legislative.

III.3. The judicial branch

As part of the second-generation reforms, many countries in Latin America have adopted important changes in their judicial branch over the last years. These reforms have sought to increase the role of the judiciary in the policy making process and experts agree that Latin American judiciaries have generally become stronger, more independent, professional, and accountable (Magaldi de Sousa, 2010). The judiciary can take on four different roles in the policy making process. The judiciary can veto new legislation, shape legislative content, enforce the implementation of existing rules, and act as an alternative representative of society in the policy making process.

Variations in judicial activism across Latin America reflect the importance of institutions. Most of the countries have undergone an intense process of judicial reform. They have simplified their procedure codes to broaden access to justice, and approved reforms that enable alternative mechanisms for conflict resolution. Institutional reforms including the strengthening of the courts' managerial and administrative capacity, creating specialised bodies such as judicial councils, training judges, and using information systems that enhance the efficiency of the sector have been less successful. Other unsuccessful reforms in the judiciary include efforts to increase the branch's independence and autonomy by reducing political interference in judges' elections, increasing their wages and tenure of office, boosting the budget, and creating specialised bodies in charge of budget administration and judge selection and promotion. Finally, some countries have given more power to their Supreme and Constitutional Courts. In sum, there is great heterogeneity in both the initiatives of judicial reform and the achievement of the desired objectives.

Latin Americans are sceptical when evaluating judicial independence from influences of members of government, citizens, or firms, possibly as a consequence of the low level of judicial activism in some countries. Among a total of 139 economies, Argentina, Bolivia, Ecuador, Guatemala, Nicaragua, Panama, Paraguay, Peru, and Venezuela fall into the bottom 20% (World Economic Forum, 2010). These countries also fall within the "narrow" category of judicial activism, having limited judicial review powers and being controlled by the executive in the policy making process. On the other hand, Chile, Costa Rica, and Uruguay are in the top 20% of the World Economic Forum report sample and, according to Magaldi de Sousa (2010), these countries enjoy judiciaries that are actively engaged in the policy making process and play three or all four of their potential roles.

III.4. Political parties and party systems

The degree to which political parties effectively influence the policy making process depends on a series of characteristics of both political parties and party systems, such as political party and party system institutionalisation; political party and party system nationalisation; partisan polarisation, fragmentation, and presidential legislative support; and the relevance of programmatic versus clientelistic politics for the functioning of the political system (Jones, 2010).

A crucial characteristic of party systems is their level of institutionalisation. Institutionalised party systems tend to be programmatic, meaning that parties compete electorally based on their policy reputations, proposals and programmes, rather than on personal appeal (Mainwaring, 1998). This allows for more stable party systems that facilitate higher levels of democratic accountability and voter identification, as well as greater policy consistency over time. In Latin America, Dominican Republic, Nicaragua, and Uruguay have the most institutionalised party systems in Latin America (Jones, 2010). In these countries, parties have deeply entrenched roots in society, the population considers parties and elections to be legitimate, and parties are organised. On the contrary, in Ecuador, Guatemala, Peru, and Venezuela, party systems are weakly institutionalised. In such countries, parties tend to be disorganised and only shallowly rooted in society, and they lack legitimacy.

The degree of nationalisation of political parties and party systems, that is the extent to which a party receives similar levels of electoral support throughout the country, significantly affects the functioning of a democracy (Jones and Mainwaring, 2003).[12] *Ceteris paribus*, in highly nationalised party systems national factors are more important in forging voter-party relations, and a greater public-regardedness is fostered, as legislators speak and act with a common national orientation. Thus, nationalised party systems channel public policies towards the national common good, whereas weakly nationalised party systems mostly satisfy particularised local interests. In Latin America, Costa Rica, Paraguay, and Uruguay have the most nationalised party systems, whereas Argentina, Brazil, and Colombia have the least nationalised ones (Jones, 2010).

Party fragmentation and polarisation significantly affect the policy making process through their impact on executive-legislative relations. The level of fragmentation in the legislature affects the size of the presidential legislative contingent and the number of partner with whom the president must form some type of legislative coalition to govern effectively, if and when her party lacks a majority of the seats of the legislature. The degree to which the president finds these coalitions feasible depends on the level of ideological polarisation in the

12 A "nationalised" party is generally national in scope and tends to speak and act with a common national orientation. On the contrary, a party with a low level of nationalisation tends to be divided according to regional or sub-national issues and focus upon them (IDB, 2005).

party system. Indeed, when there is low legislative fragmentation, and hence a large presidential legislative contingent, the level of legislative polarisation should not affect effective governing on behalf of the president. On the contrary, when there are high levels of legislative fragmentation and moderate to small presidential legislative contingents, combined with moderate to high levels of ideological polarisation, efficient policy making may be inhibited and reform will be delayed.[13] Indeed, the high levels of fragmentation are believed to have made it harder for the president to have structural reforms approved. This is the case of Colombia after the 1991 Constitution (Olivera, Pachón and Perry, 2010). In El Salvador and Nicaragua, they combine modest presidential legislative contingents and high levels of polarisation. Additionally, the level of centralisation affects the legislative's responsiveness to the president and to the central party leadership. The Bolivian, Guatemalan, and Nicaraguan presidents should expect the most responsive co-partisan legislators thanks to the high centralisation of power in the political parties, while presidents in Argentina and Brazil might not share the same luck (Jones, 2010).

Finally, the form of interparty interaction is equally important in the policy making process. As mentioned before, in programmatic systems, political parties compete against each other based on policy proposals and are judged by voters mainly based on policy outcomes, whereas, in clientelistic systems, they compete based on the distribution of selective incentives to voters. Using a proxy measure of clientelism (corruption), Jones (2010) shows that Chile, El Salvador, Nicaragua, and Uruguay fall primarily into programmatic politics, while politics in Bolivia, Colombia, Dominican Republic, Guatemala, Panama, Peru, and Venezuela is essentially clientelistic. In sum, he argues, Latin America can be characterised by a clientelistic policy making.

III.5. Bureaucracies and civil service systems

The bureaucracy is particularly important in the policy making process because it is in charge of preparing, executing, controlling, and evaluating public policies. It can act as a brake on arbitrary actions, be a safeguard of legal certainty, it can prevent the capture of public policies by corporate interests, and it can be a key for effective and efficient government action (Zuvanic *et al*., 2010). However, the effectiveness with which it does so is subject to certain conditions being met: legal certainty can only be guaranteed by an impartial and transparent bureaucracy, and inter-temporal agreements and accountability are fostered by a professional bureaucracy.

Bureaucracies have played an ambiguous role and they have had a weak capacity to execute public policies in Latin America, probably as a consequence of their low levels of professionalisation and stability. Despite the important role that bureaucracies play in the effective functioning of democratic systems, in Latin America they have commonly been perceived as an employment system or a resource in the hands of politicians and corporate interests. In general, the basic principles of civil service systems in most OECD countries, such as non-partisanship, professionalism and merit, seem to be lacking in the bulk of public employment in Latin America. A history of patronage and politicisation of public administration

13 This hypothesis is suggested by the war of attrition model in Alesina and Drazen (1991), discussed in section IV.

in the region has undermined the effectiveness of public policies in general, and development policies in particular. In reaction to this, some countries, like Brazil, Chile, Mexico, and Peru, have started reforms aimed at building a professional senior civil service, but major challenges still lie ahead.

There are a series of trends in bureaucracies in Latin America. In some countries, especially Brazil, Chile, and Costa Rica, employees are being selected based on meritocratic principles. This improves the tasks of preparing, implementing, and controlling public policies. However, in other countries, merit-based practices coincide with traditions of political patronage, such as in Argentina, Colombia, Mexico, Uruguay, and Venezuela. Finally, in Bolivia, Dominican Republic, Ecuador, Paraguay, Peru and Central American countries (except Costa Rica), there is a strong politicisation of decisions on selection, promotion, and dismissal (Zuvanic *et al*., 2010). In sum, promotion practices in Latin America are based more on length of service than merit, understood as performance. Finally, dismissal of career officials is very difficult and may sometimes reflect political "purges".

The civil services in Latin America have relatively undeveloped management systems and lack real wage policies. This makes it more difficult to guarantee internal and external equity of remuneration. Brazil and Chile have ordered systems of management with relative internal equity, as well as processes aimed at improving wage competitiveness and evaluation processes that take into account group and institutional management. Hence, they have more developed and co-ordinated systems of performance management, wage structure, and incentive system. In contrast, Argentina, Colombia, Costa Rica, Mexico, Uruguay, and Venezuela maintain strong internal inequities and very low competitiveness of the managerial salaries compared with similar occupations in the private sector. In Latin America, the countries with the lowest functional capacity are Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Peru (Zuvanic *et al*., 2010). These countries have multiple, unrelated and unco-ordinated pay criteria and no systematic or transparent information on remuneration, with high levels of inequality and no performance evaluation criteria. This results in a serious lack of motivation and sense of inequality in the civil service.

III.6. Sub-national governments

The importance of sub-national governments in the policy making process has increased as a result of decentralisation in Latin America. Since the mid-1980s the region has generally experienced a process of political and fiscal decentralisation. The first stage of decentralisation focused mainly on strengthening the democratic role of local authorities. As a result, mayors and regional authorities (*e.g.* federal governors) are elected in a majority of countries in the region. The second stage consisted in a gradual trend towards and increased share of public expenditure executed at sub-national level. Public expenditure executed by sub-national governments increased in the past years, from 3.3% of total public expenditure in 1990-94 to 5.4% in 2000-06 (OECD, 2009). This stimulated political demand for other dimensions of institutional reform that are part of the decentralisation process, such as a more diversified provision of public services (Lora, 2007).

The efficiency of sub-national governments depends on the incentives they face and the formal and informal rules that shape their engagement in the policy making process. Sub-national governments can affect the national policy making process through different channels, depending on their incentives and on the formal and informal rules of their engagement in the policy making process (Bardhan and Mookherjee, 2000; Dayton-Johnson and Bardhan, 2002; Cox and McCubbins, 1999). Under unfortunate circumstances,[14] policy makers face perverse incentives including a lack of inter-temporal co-operation, policy volatility, and party fragmentation. Moreover, some scholars have observed that an increase in the power of sub-national authorities as a result of decentralisation leads governors to give excessive attention to local and regional issues at the expense of national-level public goods. This has created a "problem of the commons", tempting sub-national governments to over-extract resources from the centre to favour regional constituencies, thus over-spending, over-borrowing, and compromising national macroeconomic stability (IDB, 2005; Monaldi, 2010). Because the particular configuration of institutions affects the type of incentives facing sub-national governments, the effectiveness of policy delivery will be enhanced by improving the co-ordination between national and sub-national levels of government (OECD, 2007; OECD, 2009; Monaldi, 2010).

The fiscal commons problem may arise from a high vertical imbalance (*i.e.* the difference between sub-national expenditures and regionally-generated revenues), weakening the budget constraint and inducing governors to invest time and resources to affect national policy making (Monaldi, 2010). Such is the case in many Latin American countries. Indeed, decentralisation of fiscal powers in the region has proven insufficient vis-à-vis decentralisation of expenditure: the scope of sub-national tax policies in the region remains relatively modest and limited to a small number of taxes. A lack of public interest in developing local taxes, due to high political costs and accountability issues associated with local taxing, has been the main obstacle in overcoming this. Nevertheless, Argentina, Brazil, and Colombia have given the highest fiscal powers to sub-national governments, and Brazil is the only country with sub-national value-added taxes.

In addition to the fiscal structure, political institutions also affect the influence of sub-national authorities in national policy making. Indeed, the incentives governors face account for the substantial differences in the role and influence of sub-national authorities that exist across the region. In Argentina, for example, governors are important actors, influencing their provinces' legislative delegation and bargaining with the president to barter congressional votes in exchange for resources. This fragmented and volatilised the country's policy-making process, with particularly negative effects on fiscal performance (Monaldi, 2010, p. 178). Fiscal instability has also emerged in countries like Brazil, where governors had a perverse influence over macroeconomic reforms in the 1990s. The role of governors in national policy making is also prominent in Mexico and Venezuela. In contrast, their influence remains low in Colombia, compared to the federal countries. In the rest of the region, the influence of governors is low or nonexistent, meaning regional authorities play only a minimal role in national policy making (Monaldi, 2010).

14 A detailed analysis of the institutional conditions that maximise the influence of governor in national policy making can be found in Monaldi (2010).

III.7. The private sector

The private sector is a key participant in policy making. Not only does it have vested interests in policy outcome (both in policy content and in the longer-term "outer features" of the policy making process), but it also has the most resources to invest in politics. Indeed, business actors affect the policy making process both indirectly, such as through their ability to move capital,[15] and indirectly, by investing in political activities that range from "business associations, to financing parties and candidates, to networking with government officials, to outright bribery" (Schneider, 2010, p. 221).

Business participation in the Latin American process of reform varies widely over time, across policy areas, and across countries. According to Schneider (2010), there are three main interrelated dimensions of business' influence in the policy making process. First, business participation can be collective and organised or dispersed and individual. Second, business input can be formal and open (*i.e.* representation in government boards and consultative committees led by the executive) or informal and largely opaque (i.e. networking with government officials or congressmen). Finally, business input varies according to the channels of influence that predominate in mediating business participation: deliberative or consultative councils, corporatist tripartite bargaining, lobbying, campaign and party finance, networks and appointments to government positions, and of course, outright corruption.

In most countries in Latin America, business groups have been significantly and increasingly influential in the policy making process.[16] Business' financial contribution to political campaigns increases the party's probability of victory, and empirical evidence suggests that lobbyists in Latin America also profit from direct benefits granted by the winning party. Hence, it is rational to expect that business groups contribute to several parties at once, as a sort of electoral insurance (Portugal and Bugarin, 2007).

III.8. Labour unions

The first-generation reforms negatively affected the labour movement in Latin America. Economic liberalisation may have contributed to erode union influence throughout the economy and policy, as well as threatened unionised workers' jobs; particularly public-sector employment and nonwage subsidies (Murillo and Schrank, 2010). In that context, it is not surprising that

15 Capital mobility is an important indirect channel through which businesses participate in policy making, serving as a constraint and narrowing the range of policy options that policy makers consider as they try to keep and attract capital (IDB, 2005). Future macroeconomic policies announced by presidential candidates during campaigns affect investment banks' recommendations, illustrating both the relationship between elections and capital markets, and the need for politicians to consider the economic effects their behaviour have during electoral processes (Nieto-Parra and Santiso, 2008b).

16 In Colombia, business groups have a strong influence over the policy making process because they contribute to a large portion of domestic production (the four most important economic groups together summed up to over 12% of GDP in 1998,) and labour, and they are one of the most important sources of private contributions to political campaigns (Rettberg, 2001). Additionally, Colombian business groups own the media, enabling them to influence public opinion and other actors in the policy making process, including business associations (Eslava and Meléndez, 2009).

organised labour's share of the Latin American labour force declined from 25% in the early 1980s to 16.3% by the mid-1990s (IDB, 2003).

Notwithstanding, the labour movement continues to play a dual role in Latin America's process of reform. Unions defend the material and political interests of their members through industrial action (*i.e.* collective bargaining, strikes, and slowdowns) and political activity (*i.e* lobbying, lawsuits, and mass mobilisation). They also offer their public- and private-sector interlocutors a potentially powerful ally in the pursuit of more encompassing and enduring inter-temporal agreements (Murillo and Schrank, 2010). Moreover, organised labour has formed the backbones of the movements that brought presidents such as Luiz Inácio Lula da Silva (Brazil, 2003-10), Néstor Kirchner (Argentina, 2003-07), Cristina Fernández de Kirchner (Argentina, 2007-present), and Evo Morales (Bolivia, 2006-present) to power, and it has played a key part in the impeachment or ouster of their predecessors.

Unions' willingness and ability to influence the process of reform are circumscribed by their structure and size. The centralisation of unions (the number and nature of peak associations[17]), and their capacity of collective bargaining (at the local, firm, or industry level) will impact organised labour's ability to influence the policy making process. Only encompassing organisations with authority to negotiate and enforce nationwide agreements are capable of avoiding both free-riding by their members and challenges from rival unions (see Murillo and Schrank, 2010; Levitsky and Way, 1998, p. 183).

Organised labour's reactions to economic reforms vary by issue area and by country. Unions will save their limited resources for reforms that are broad in scope (i.e., affecting a large part of their members) and high in intensity, such as labour law reforms. Unions can influence the policy making process thanks to the support from both local and foreign labour-backed parties. The former trajectory is the norm in traditionally labour-mobilising inclusionary polities in South America (*e.g.* Argentina and Venezuela), whereas the latter is more common in the traditionally exclusionary polities of Central America (*e.g.* Dominican Republic and El Salvador), where vulnerable unions compensated for their impotence at home by searching for alliance partners overseas (Madrid, 2003; Murillo and Schrank, 2010).

In privatisation and trade liberalisation reforms, unions may seek compensatory measures in exchange for support in the policy making process. Some leaders in the region, such as in Argentina under President Menem, in Venezuelan under President Pérez, in Mexico under PRI administrations and even recently in Brazil, attribute lucrative government jobs to labour unions' leaders in exchange of political support. In other cases, members may decide to voice their concerns in strikes, such as the ones led by public service providers in Bolivia, Dominican Republic, El Salvador, Honduras, Nicaragua, and Peru.[18]

17 Peak associations are organisations of organisations (or umbrella groups) that attempt to aggregate the interests of their affiliates and members. A highly centralised peak labour association would therefore include most of the country's unions and union members as affiliates or members.

18 Between 2003 and 2005, there were more than 100 nationwide strikes of health service providers in more than a dozen different Latin American countries, protesting against privatisation, austerity, and low wages. Policy makers responded to their appeals by raising wages, abandoning (or at times

III.9. The media

In the policy making process, the media can help "set the policy agenda, accelerate the pace of decision-making, change the incentives for policy support, and increase the costs of rent seeking" (Hughes, 2010). The role of such competitive media is held to be so important for the checks-and-balances system of democracy that they have come to be called the "fourth estate", along with the executive, the legislature, and the courts (Djankov *et al*., 2003).

The importance of the media as a political actor has led Latin American incumbents to anticipate future media behaviour while strategising policy decisions and the way they will be presented to the public. There are three concrete ways in which politicians try to control the news and the media: strategic communication, news management, and cooptation and control (Hughes, 2010; IDB, 2005).

First, "strategic communication" techniques have been used since the 1980s as a means to develop and communicate a message that promotes a political goal, which can be either to promote a public policy or, more often than not, to obtain elected office. Following US experience, in Latin America during the past three decades, politicians are guided by *consultores políticos* (political consultants) and *asesores de imágen* (image consultants). Second, "news management" is used as a complementary strategy to insert messages in the news coverage and influence journalists' interpretative frames when presenting news. Third, co-optation and control is increasingly being used by Latin American politicians for state propaganda. Since the beginning of the new millennium, presidents have reinforced their direct communication with the public, allegedly to prevent mass media from "distorting" the relationship between them and the public.[19] Hence, presidents are increasingly producing content and governing "*en vivo y en directo*",[20] as this presidential communication model is quickly becoming a public management tool widely used by many Latin American presidents.[21] It must be noted that, as the technology

postponing) privatisation, creating new institutions for interest intermediation and, in a number of important cases, stepping down (Scavino, 2005).

19 These strategies contrast with other, illegal techniques that some governments have used to co-opt and control critical media outlets or individual journalists. First, McMillan and Zoido (2004) illustrate how Montesino bribed newspapers and television channels to control the media between 1998 and 2000, introducing government advertising to get Fujimori reelected for a third term in the 2000 presidential elections in Peru. Second, the 2007 Colombian wiretapping scandal by the *Departamento Administrativo de Seguridad* concerned, among others, journalists known to be highly critical of the Uribe administration.

20 Between 2002 and 2007, Brazilian ex-president Lula had at least 2000 public speeches, while Venezuelan leader Chávez made, between 1999 and 2009, more than 1 923 presidential addresses on TV. In Colombia, ex-president Uribe's more than 300 *consejos comunales* (community councils) would typically last up to 12 hours, while Ecuadorean president Correa made 233 addresses in 2009 (Guevara, 2010).

21 Until August 2010, Chávez's televised programme *Aló Presidente* had aired 363 times since 2009, averaging 5 hours per episode, while Lula's *Cafe com o Presidente* radio programme had aired almost every Monday morning since 2003. Similarly, Correa's *Enlace Ciudadano* had aired 108 times, while Guatemalan Alvaro Colom's *Despacho Presidencial* radio programme (inspired by Uribe's *consejos comunales*) had been aired 58 times since its first appearance since 2009. Finally, social networks have also been used by Chávez and other Latin American presidents, and continue to be employed even

used for these purposes becomes more sophisticated, the incidence of news communication in the policy making process increases.

As the media increasingly influence Latin American politics and the public agenda, the relationship between the media and the governments in many Latin American countries has become the subject of profound debate among civil society organisations, the state, and the media themselves. The concentration and consolidation of large media groups during the last decade has led Latin American incumbents to perceive the media as a dangerous political actor that threatens to thwart their ability to govern.[22] In a different way, the neutrality of the media in Latin America has also been questioned by the public, even as citizens continue to rely upon the media to learn about national affairs. Indeed, while an overwhelming majority of Latin Americans know about politics through the media,[23] almost three in four consider the media to be frequently influenced by "*los poderosos*" and a majority believes the media take sides during elections.

III.10. International organisations

International support during the process of reform is fundamental. Because reforms are inherently very fragile at the outset, strong external support –in the form of both intellectual help and foreign aid– is essential (Sachs, 1994). In this sense, the co-operation between domestic reformers and international organisations is often of strategic importance in settling down motivations and launching a reformist project in many countries (Lim, 2010).

As it is detailed in section V, international organisations help quantify the costs of the *status quo* and the potential benefits of reform, and communicate these to stakeholders and the public (OECD, 2010b). International support in facilitating evaluations and international dialogue may help strengthen the case for change (OECD, 2010a). This can be achieved by facilitating cross-country policy learning by highlighting other countries' best policy practices and identifying desirable reforms. Peer reviews and benchmarking can also stimulate reform debates. In doing so, international organisations generate knowledge, citizen awareness and support through the sharing of knowledge and information, policy evaluation, and the promotion of co-operation among national administrations.

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after their term has finished (for example, Uribe's daily use of Twitter has been widely documented) (Guevara, 2010).

22 Examples include Brazilian ex-president Lula complaining the media only published "*noticias ruins*" (bad news), Bolivian leader Morales being determined to pass a law that would ban the media from "lying" about his administration, Colombian ex-President Uribe accusing journalists of being "frivolous", "cynical" and "miserable", and Venezuelan leader Chávez considering the media to be "enemies of the revolution".

23 In 2010, 78% of respondents in Latin America said they learn about political affairs through television, 48% by radio, 35% from newspapers, and 16% over the internet (Latinobarómetro, 2010).

IV. THE ROLE OF CONTEXT AND ENVIRONMENT

In addition to the behaviour of actors and institutions, the context in which a reform is introduced significantly affects the policy making process. As the political economy literature has been devoted to studying since the nineties, contextual factors are acutely important in the process of policy making. Hence, this section summarises key findings regarding the way economic and social context factors (*i.e.* the economic cycle, the sequencing and speed of reforms, and the legitimacy and credibility of policy makers) impact the policy making process, with consequences for the institutionalisation of "good" practices in Latin America.

IV.1. The crisis hypothesis

Economic downturns may spur reform. Bates and Krueger (1993; cited in Edwards, 2001) purport that economic stagnation or continued deterioration are pre-requisites for reform effort. In general, the literature offers four possible mechanisms through which a crisis may trigger reform. First, a crisis increases the costs of delaying reform, forcing the incumbent to bear disproportionate costs and undertake reform.[24] Second, crises have disruptive distribution effects that facilitate reform. This means crisis can destroy rent-seeking coalitions that typically veto policy reform, and/or deteriorate the *status quo* to the point where previous adversaries turn in favour or reform. Third, crises generate pressure for political incumbents to change policies that are considered to be failing. Insofar as it pressures politicians to change the institutional framework under which governments make policies, a crisis may result a "window of opportunity" that enables to undergo reforms that seemed hitherto impossible.[25] This has been the case of many OECD countries in general, and South Korea in particular.[26] Finally, the

24 Alesina and Drazen (1991) present a model in which two groups (*e.g.* two political parties) must decide when to reform a country with an inflation crisis and fiscal imbalance. Albeit both groups will benefit from stabilisation in the long term, they would rather avoid bearing the initial short-term costs of initiating reform. Thus the process leading to stabilisation becomes a "war of attrition" where each one intends to wait the other out, hoping the other group will concede. The incumbent or the group that must bear the initial cost of reform will typically be the weakest (*i.e.* the one with the highest costs). This leads to an inefficient delay in stabilisation due to a political stalemate over distribution.

25 In the words of Rahm Emmanuel, President Obama's first Chief of Staff, "you never want a serious crisis to go to waste".

26 In South Korea, the 1997 economic crisis provided a window of opportunity for the Kim Dae-Jung administration, and the government launched large-scale reforms measures in four areas of the economy: the financial, labour, corporate, and public sectors. At the end of 1997, the newly elected president made a formal agreement with IMF, which gave Korea bailout money but also required

"window of opportunity" hypothesis is strengthened by the fact that the sense of urgency instilled by the crisis legitimises the use of "special politics" (Tommasi and Velasco, 1995). This has allowed many reformist governments in Latin America to package different kinds of reform in the name of curing the crisis situation.

Latin America provides several examples of crises begetting reforms. Testing for Latin American countries between 1985 and 1995, Lora and Olivera (2004) find strong econometric support for the hypothesis that crises make reforms more viable. Indeed, during the 1980s macroeconomic crises that ended in hyperinflation and debt defaults spurred orthodox, first-generation policy reform. Bresser Pereira (1993, p. 57) argues that, during this decade, populist leaders in Argentina, Bolivia, Brazil, Peru, and Venezuela adopted non-populist policies because the "crisis in these countries was so deep that even the costs of sticking to populist policies became higher than the costs of adjustment". Similarly, the end-of-millennium crisis triggered fiscal responsibility laws that combined numerical spending and/or budget balance targets with measures to increase transparency (Hallerberg and Scartascini, 2011). Empirical evidence reinforces the argument that things have to get very bad before they get better in Latin America.

On the fiscal policy-making front, some advances in have been significant since the 2000s. Well-designed structural balance fiscal rules (adopted in Chile in 2001 and in the process toward approval in Colombia today) and fiscal responsibility and transparency frameworks (*e.g.* Argentina in 1999, Brazil in 2000, Colombia in 2003, Mexico in 2006, and Peru in 1999) have been adopted in many of the largest countries in the region (Carranza *et al.*, 2011). On the financial policy-making front, Latin American countries improved the regulation and supervision of financial and capital markets in the aftermath of the banking crises of the past decade (Argentina in 2001, Bolivia in 1999, Colombia in 1999, Dominican Republic in 2003, Ecuador in 1998, Peru in 1999, and Uruguay in 2002). The lessons of previous crises may have been very expensive, but they have been learnt in terms of better – and counter-cyclical – prudential regulation. Regulators in Brazil, Chile, Colombia, Mexico and Peru have committed to the full implementation of the Basel standards, and have already put in place most of the necessary statistical systems for measuring market and credit risk. Aditionally, some regulators in the region, such as Colombia, Peru, Chile and Uruguay, have introduced measures to smooth any cyclical deterioration in the quality of banks' balance sheets in time of crisis through the inclusion of savings in good times (OECD, 2010b). These reforms helped to prevent most Latin American countries from being severely affected by the recent global crisis.

In Colombia, empirical evidence supporting the crisis hypothesis has been documented in Lora and Scartascini (2010). The magnitude of the fiscal and financial crises between 1999 and 2002 was crucial in achieving the approval of decentralisation, pension, and tax reforms, and to build support for the 2001 constitutional reform. Similarly, Alvaro Uribe Vélez took office in the midst of fiscal and security crises, allowing the new government to obtain the needed legislative support to pass a wealth tax decree (1838 of 2002) allegedly to finance the administration's "Democratic Security" policy, a reform concerning the decentralisation process, and a fiscal responsibility law. Similarly, in Argentina, fiscal reform processes have been triggered by both

structural reform in multiple sectors. External forces such as the IMF's demand for structural reform and the experience of an economic crisis undoubtedly made long-awaited reforms possible (Lim, 2010).

economic (*i.e.* the 1989-91 hyperinflation and the 1998-2002 recession) and stabilisation shocks (*i.e.* the Convertibility Law, the 2002 devaluation and the *peso*ification of contracts) (Bonvecchi, 2010).

Although the crisis hypothesis has become conventional wisdom, empirical validation has proven difficult. The variety definition of crises and the difficulty of measuring their impact on reforms have led to inconsistent evidence as to whether crises trigger, halt, reverse, or have virtually no effect on the different types of reform. For example, when analysing the major reforms in Colombia on the political, narcotics, and economic fronts in 1990s, some scholars have argued that the reforms were not stimulated by an economic crisis, and thus conclude that crises are neither a necessary nor a sufficient condition for reform (Williamson and Haggard, 1994). Other scholars argue that Colombia was, nevertheless, undergoing "severe political and institutional breakdown" during this period (see Steiner, 2000; Edwards, 2001); an ample definition of a crisis that nonetheless validates the crisis hypothesis in this case. Hence, the effect of crises on the pressure to reform may vary according to the "type" of crisis the country faces. Hallerberg and Scartascini (2011) find that while debt crises make reform likely, banking crises on their own reduce the pressure for fiscal institutional reforms. Additionally, it has been documented that crises do not systematically beget structural reforms.

IV.2. The order and speed of reform

There is a debate regarding the optimal sequence and speed to bring about reforms. Indeed, both dimensions are essential in successfully implementing reform. A lack of co-ordination may lead to bad sequencing, and may in fact jeopardise the process of reform. This was the case with Korea's education autonomy reform (Lim, 2010). In recent decades scholars have studied whether, regarding the order of reforms, political leaders should endeavour to push as many reforms as possible at once (*i.e.* big bang approach), or introduce them one after the other (*i.e.* unbundling strategy). Similarly, regarding the speed of reforms, the question is should reforms be implemented quickly in a concentrated time frame (*i.e.* shock therapy) or should they be spread over an extended period (*i.e.* gradualism)?

Regarding the sequencing of reforms, there are strong arguments for "bundling" reforms into a comprehensive package. Bundling reduces political constraints, facilitates obtaining political support for fundamental reforms, and makes it easier to address distributional issues (OECD, 2010a). This is because radical reforms may gain larger support from the population, insofar as agents' losses from one reform can be more than compensated by gains from others. In that context, reforms should be implemented simultaneously and swift to avoid costly inefficiencies. Bundling might be preferred in the Latin American context, where there are a number of veto players whose support is critical for reform. Indeed, in countries with deeply engrained distributive conflict and with powerful interest groups endowed with *de facto* veto power are well-advised to bundle reforms in order to "offer something to everyone" and avoid time inconsistency (Tommasi and Velasco, 1995). In addition, bundling avoids dealing with citizens' hyperbolic preferences, where people do not support reform-minded politicians in order to avoid the short-term costs of reform (Olofsgård, 2003). Hence, the big bang approach may serve as a commitment device, making reform reversal unlikely, very costly or virtually infeasible (Przeworski, 1991).

In general, the Latin American first-generation reforms followed a "shock therapy", "bitter-pill" strategy. During the 1980s and 1990s, Latin American leaders enjoyed political support for reforms seeking to put an end to hyperinflation, and followed a "heroic" and radical approach to liberalise markets (Harberger, 1993). The Bolivian (1985), Peruvian (1990), and Argentinean (1991) shock-treatment stabilisation packages are clear examples of this radical approach.

However, the bad perception of Latin American citizens towards the Washington Consensus strengthened a more gradual approach in the region. Incremental approaches may be preferred in some circumstances. Some scholars argue that because radical reform is the first-best reform strategy, supportive arguments of gradualism rely on the presence of distortions during the adjustment process or on distributive concerns (Tommasi and Velasco, 1995). In fact, in the presence of important distortions in rigid markets or serious uncertainty issues, a gradualist approach is preferred to introduce unpopular reforms in majority voting systems. A first argument for gradualism is that, because gradualism has the advantage of allowing for trial-and-error and mid-course adjustment, it reduces experimentation costs. When society implements only one reform at a time, it is able to evaluate its consequences and thereby decide whether to implement the second reform or return to the *status quo*. In this sense, a gradual strategy saves on reversal costs, and facilitates social acceptance of the whole reform process, insofar as it reduces the costs of transition. Second, if support from a majority is insufficient, then unbundling can be used as a "divide and conquer" strategy: it can pitch current majorities against future ones, thereby splitting opposition force (Wei, 1997). Third, an incremental reform approach has smaller short-term costs, as it makes fewer demands on scarce policy making and administrative resources (OECD, 2010a). Finally, an incremental approach may better suit politicians that have a vested interest in the electoral calendar, since the results of gradual reforms can be felt sooner than comprehensive reforms.

Latin America's second-generation reforms have followed an unbundling strategy that has frequently undermined the integrity and temporal consistency of the sector reform process. This has been a product of incumbents' reform strategy, which has relied on taking advantage of political space available to push for changes in the desired direction, with the hope that, in the future, there will be an interest to continue and extend the process of reform (Lora, 2007). This has been particularly the case with structural reforms in Latin America, which require a cumulative effort over time. Frequently, Latin American governments reach power insisting on the failure of past efforts and promising a fresh start "from scratch", over and over again, by neglecting their predecessors' work. This phenomenon, dubbed *fracasomanía* (the failure complex) by Hirschman (1975) to describe policy making in Latin America in general, has led to the incomplete adoption of many reforms, and partially explains the failure in policy making in the region. In sum, the optimal sequence of reforms depends on both economic and political criteria (Navia and Velasco, 2002). Also, whether reforms are comprehensive or incremental, some transitional arrangements may be needed.

Regarding the speed of reforms, some scholars argue in favour of a shock therapy, purporting that welfare maximisation is obtained by removing all distortions simultaneously (and with the assumption of competitive equilibrium). Additionally, policies with significant redistributive consequences must be implemented as quickly as possible, lest special interest groups reverse them. Using the metaphor of an emergency room, Sachs (1994) argues that going at full speed is the best strategy, and that it is the only one available to reformers. Supposing it takes some time for actors to realise if they are going to win or lose from reform, and to form a powerful opposition against reform in the latter case, by moving quickly an incumbent can prevent the opposition from effectively blocking or reversing the reform (Olofsgård, 2003). Indeed, rapid reform can weaken interest groups by changing the set of viable coalitions with respect to the *status quo*. Moreover, fast introduction of reforms is important for the credibility of the policy.

Timing is useful to carry out "reform-mongering" strategies. According to Hirschman, cited in Haggard (1991), ambiguity, obfuscation, and timing of initiatives are strategic elements in exploiting moments of high popular support. This moment of high popular support frequently occurs during the first few months after a new government has been inaugurated. Indeed, the governments' capacity to enact reforms is concentrated largely in the first 100 days in office (Navia and Velasco, 2002), giving rise to what has been termed as the "honeymoon" period. In Latin America, presidents have historically been very productive during this period and recent empirical evidence continues to support the idea that reforms are more likely at the beginning of government periods (Lora and Olivera, 2004). This pattern has also been observed in other regions.[27] Indeed, if a policy agenda is not enacted in the early period of an administration, it will have a lower probability of being adopted.

IV.3. Legitimacy and leadership in reform processes

Legitimacy is required for successful policy outcomes. Nowadays, it is not enough for a government to originate in a democratic process; it must "constantly re-legitimate itself as representative of the people on an ongoing basis" (Blanco, 2006, p. 232). A government with low legitimacy will suffer from a lack of willingness on behalf of citizens and firms to comply with the law.[28] This leads to citizen resistance to paying taxes, which may generate budget constraints, and to less compliance with legal obligations, meaning more corruption and less voting (World Bank, 2010b). This vicious circle of mistrust, low legitimacy and low fiscal morale explains why a higher – though not excessive – level of trust in government is both healthy and indispensable for Latin American democracies to function properly.

There is a very low level of trust in governments in Latin America. Despite a considerable progress in the past decade,[29] less than half of Latin Americans trust the government, and, at the bottom list, only a quarter of citizens surveyed said to trust the government in Guatemala and Peru (Latinobarómetro, 2010). This leads to an increasingly low fiscal morale, as Latin Americans are three times as likely to justify tax evasion than their OECD counterparts, and only a third of

27 In particular, while studying the Korean process of reform, Lim (2010) observes that an administration is the most powerful in its first year, during which it embarks upon its mission and announces its vision to the public.

28 A detailed explanation of the difference between trust and legitimacy can be found in World Bank (2010b).

29 In 2002, only one in four Latin Americans trusted the government. This percentage has been systematically increasing ever since, reaching 45% in 2010 (Latinobarómetro, 2010).

them consider tax evasion to be "always" bad vis-à-vis almost two-thirds of respondents in OECD countries (Daude and Melguizo, 2010; Latinobarómetro, 2010). Business executives are also highly sceptical towards the ethical standards of politicians (World Economic Forum, 2010). Out of 139 countries, Argentina and Venezuela rank the lowest, and Brazil, Dominical Republic, Ecuador, Guatemala, Nicaragua, Paraguay, and Peru are all in the bottom 20%. Only Chile, Costa Rica, and Uruguay have a relatively high level of public trust in politicians. Hence, a public sector reform is needed in Latin America to build states that deliver upon development needs.

Recent literature has underlined the key role of leadership in reform processes. Whether by an individual policy maker or an institution charged with carrying out the reform, leadership is critical. Some studies conclude that government cohesion in support of reform may matter even more than the unity of opposition parties or parliamentary strength (OECD, 2010a). Indeed, leadership on behalf of the president or the minister enhances credibility and thus the effect of policies on the final economic and social outcomes. Indeed, as Rodrik (1995) posits in reference to trade policy, it is not trade liberalisation per se, but *credible* trade liberalisation that is the source of efficiency benefits. Thus, a strong sense of leadership will render the reform credible and, as economic and social agents perceive this and adjust their responses, the policy will have a significant effect on development outcomes.

V. THE LIFE CYCLE OF THE REFORM PROCESS IN LATIN AMERICA

As mentioned in Section II, recent research suggests that public policy outcomes should be analysed through the prism of the policy making process.[30] To analyse this process, this paper uses a different approach: the "life cycle of reform". In that context, we identify five critical stages in the reform process: planning, dialogue, adoption, implementation, and sustainability. Figure 2 summarises this cycle showing the main activities, actors, and bottlenecks in the different stages of reform.

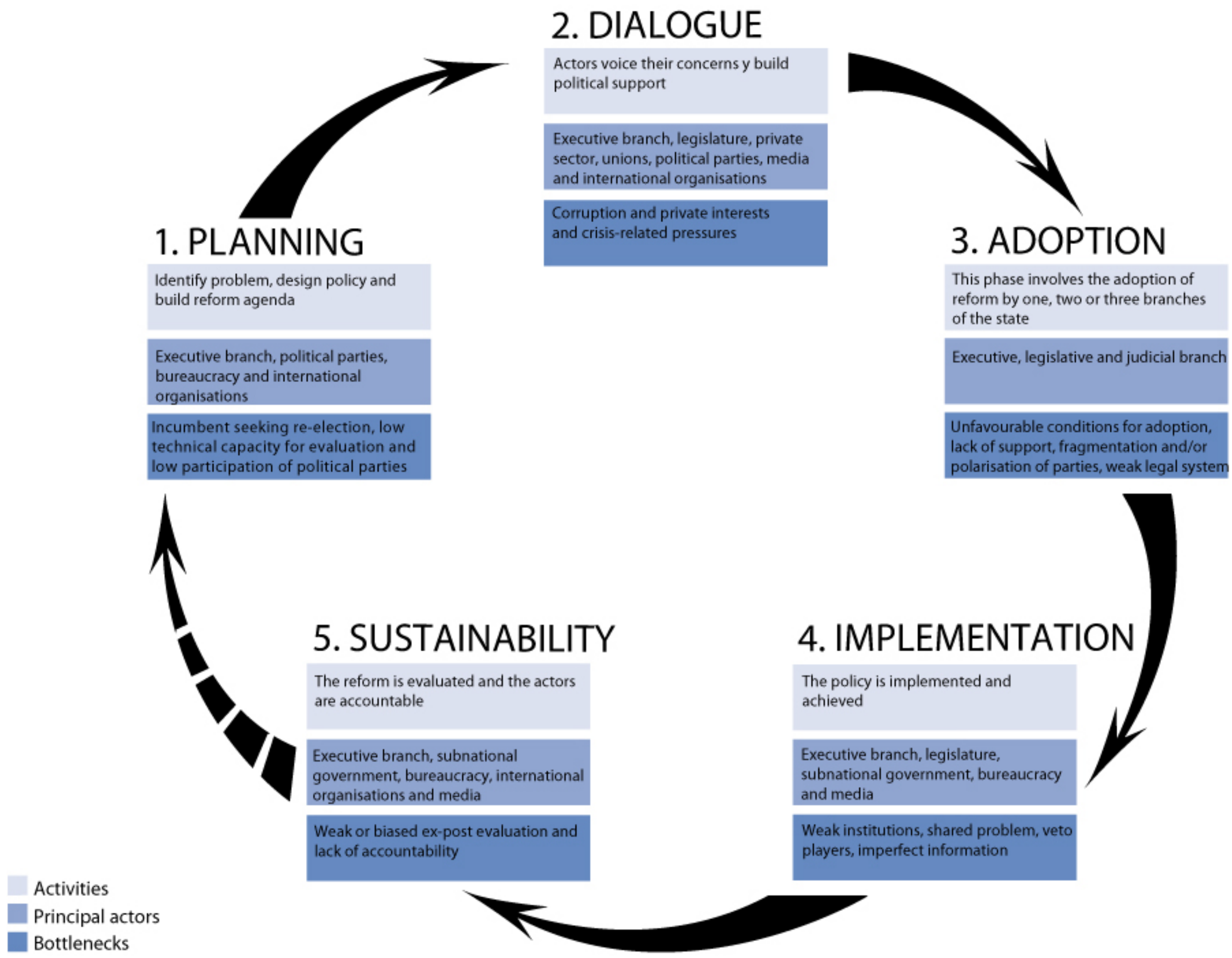
Although these phases do not always –or even usually– unfold in precisely this sequence, it is analytically useful to distinguish them in this way (OECD, 2010a). In fact, these stages often unfold concurrently and there may be some overlapping or leapfrogging of phases, depending on the type of reform in question. However, reviewing each stage in the policy making process enables a more thorough understanding of the bottlenecks and challenges present, the relative importance of different actors at different stages, as well as the measures available to address these issues.

The first phase, called the "planning" phase, identifies the problem, designs the policy and builds the reform agenda. The president and her cabinet, the political parties, the bureaucracy, and international organisations actively participate in this phase. After the policy is designed and the reform agenda is set, the policy continues into a "dialogue" phase, in which multiple actors express their concerns about the proposal of the reform. In this second phase, actors attempt to build sufficient political support to continue into the next phase, the "adoption" phase. As its name suggests, this stage involves the adoption of the reform by all three branches of the State (although the degree of their participation depends on the type of reform). If the context of the reform (*i.e.* the timing, the sequencing, and the attitude of the incumbent) is favourable, the policy is adopted and, thus, it must be implemented and enforced. The fourth stage, the "implementation" phase, involves the president and her cabinet, the legislature, the sub-national government, and the bureaucracy, who seek to make the adopted reform a reality, in practice. Finally, to sustain the reform, it must be evaluated appropriately (for instance, by the executive, the legislative, and international organisations), and the results must be transparently assessed and evaluated (for instance, by international organisations and the media). In order to preserve legitimacy, the actors involved in the reform process must be made accountable, and

30 See IDB (2005), Tommasi (2006), Stein and Tommasi (2008), Berkman *et al*. (2008), Scartascini *et al*. (2010), Ardanaz *et al*. (2010).

this will depend on the quality of the checks and balances. If the ex-post evaluation deems corrections as necessary, another reform must be planned and the reform cycle will start again.

Figure 2. **The Stylised Reform Cycle: Stages, Major Actors and Bottlenecks**



Source: Authors.

V.1. The planning phase

In the planning phase, the problem is defined and the policy agenda is built. In theory, this stage should involve a meticulous design of public policies, addressing information gaps and evaluating legal and political framework to approve reforms.

In Latin America as in many parts of the world, policy planning tends to be a creative but disorganised process drawing upon multiple sources of information, especially from the executive, the political parties, the bureaucracy, and international organisations (see Figure 2). Presidents and cabinets play a preeminent role in setting the policy agenda and formulating policy proposals. In fact, cabinets (and the bureaucracies they head) have a "near-monopoly in the design of policy, only occasionally receiving input from political parties and/or interest groups" (Martinez-Gallardo, 2010). This limits the quality of the planned reform. For instance, from a political economy view, incumbents can be particularly subject to time constraints.

If politicians are rational (*i.e.* seeking re-election), incumbents will undergo a process of reform if –and only if– the benefits of reform outweigh the initial costs of reform (Williamson, 1998). Because reforms usually have short-term costs and long-term benefits, an incumbent that uses her political capital to initiate reform is likely not to see its fruits during her administration. This is especially the case for structural reforms; the time lags involved in education and tax reforms, for example, might be measured in decades.

Two corollaries can be inferred from this observation. First, incumbents are likely to enjoy greater freedom of political manoeuvre within their first 100 days of office, when difficult decisions may be blamed as the legacy of the outgoing government (Williamson and Haggard, 1994). This phenomenon has been dubbed the "honeymoon hypothesis" and, as mentioned in the previous section, it has supporting evidence in Latin America. Second, reforms can often be inefficient. Indeed, pressures created by economic crises or by electoral calendars tend policy makers to act and make decisions quickly. This changes the criteria for ex-ante policy evaluation and increases the speed of the policy making process to detrimental levels (Hughes, 2010). As a result, policy makers may choose short-term "popular" measures over long-term efficient ones. The poorly designed policy or purely symbolic action thus hinders the efficiency of the reform.

Additionally, the literature suggests that cabinets in Latin America are not as active in debating, co-ordinating, and deciding over policy reforms as they are in OECD economies. Only recently have Latin American presidents been seeking to upgrade their co-ordination agencies to have strong technical capabilities, in order to increase ex-ante evaluation of reforms. Examples include the recent creation of the technical expert group in the Chilean presidency's *segundo piso*, as well as its efforts to create a delivery unit, *Unidad de Cumplimiento de Prioridades Presidenciales*, and a policy evaluation unit. Similarly, former Colombian president Uribe sought to increase control over the administration's monitoring system SIGOB, and former and current Mexican presidents Fox and Calderón worked in strengthening the Presidency's capacity to identify and monitor key presidential programmes' indicators (World Bank, 2010a). Since the outcome of past reforms can inform the planning of future reforms, this kind of information is crucial. In particular, policy designers must develop appropriately technical documentation that clearly establishes the objectives targeted by the reform in mind. This enables the ensuing ex-post evaluation during the sustainability stage, that tests if the reform was successful or not in achieving its objectives.

Despite the dominant role of the executive, other actors play a role during the planning phase. First, insofar as the legislative branch represents the interests of the citizens, it contributes in the design of policies by expressing the needs of the people and ensuring that these are represented in the policies. The legislature's involvement in the planning phase is influenced by the country's political party system. Indeed, political parties affect policy planning and design, both directly and indirectly, by crafting policy proposals before and after elections and through their influence over the legislature and the president. This is particularly true before an election period, during which the political parties, through their presidential candidates, announce their reform agendas.

Political parties' involvement in this initial phase is only moderate in Latin America. As mentioned in Section III, the generally low levels of party institutionalisation, coupled with the high levels of fragmentation and polarisation, have created clientelistic, weak and short-lived political parties in the region. As expected, this reduces the parties' capacity to represent the public interest and to discipline presidents and legislatures. Indeed, recent Latin American presidents have frequently not represented the traditional parties in their countries; this attests to the low level of party institutionalisation, compared to party systems in OECD countries. There is a common trend in Latin American party systems, as new parties are recently founded by the presidents and/or their political movement. Uribe's *Partido de la U* (Colombia, 2005), Chávez's *Partido Socialista Unido de Venezuela* (Venezuela, 2007), Correa's *Alianza País* (Ecuador, 2006), Morales' *MAS* (Bolivia, re-founded by Morales in 1997), and the Kirchners' *Frente Para La Victoria* (Argentina, 2003) are noteworthy recent examples. Such parties will tend not to be programmatic, offering inadequate design in the policy proposals, which in turn have a higher chance of being inconsistent over time.

Additionally, Latin American parties rarely have enough resources at their disposal to allow them to compete in the formulation of public policy (Martinez-Gallardo, 2010). And when they do, the policies tend to be vulnerable to private interests and inefficient policy design. Hence, the policies designed by political parties are not necessarily public-regarding, and can favour local interests. In this sense, party systems in Latin America tend to thwart an adequate and much-needed planning and design of public-regarded and efficient policies that favour the common interest.

Finally, international organisations and think tanks help disseminate information on different country experiences to convey the useful policy lessons and offer policy makers recommendations when designing policies during this phase.

However, careful design and preparation in advance of reforms is undoubtedly a necessary but not sufficient condition for a good reform to succeed (Lim, 2010). Building support for reform is a necessary condition and the dialogue phase can be useful in that context.

V.2. The dialogue phase

In the second phase, an inclusive and comprehensive dialogue among different actors takes place. It is particularly in this stage where the process of reform involves a progression of bargains and exchanges among political actors. In order to harmonise divergent interests, a high level of communication among different actors involved is mandatory. Societal demands and civil participation are equally necessary, and high coverage by the media provides space for public debate and deliberation. High and efficient levels of communication are needed not only to persuade voters and stakeholders of the need to undertake reform, but also to warn them of the costs of non-reform. Indeed, incumbents must communicate the long-term objectives of reform, especially to convey swing voters and maximise political support. Listening to stakeholders' concerns can improve the quality of policy, as well as prospects for reform adoption.[31]

31 In the words of Alejandro Foxley, former Chilean Minister of Finance, "economists must not only know their economic models, but also understand politics, interests, conflicts, passions – the essence of

The wide range of actors playing in the dialogue phase (see Figure 2) makes it a particularly disorganised process, subject to numerous exogenous influences. Indeed, not only is there information coming from multiple actors in the policy making process, but the nature and complexity of the subjects also vary widely, as does the methodology used to identify and design such policies.[32] Business participation in the policy making process will influence support for reform through deliberative or consultative councils, bargaining, lobbying, campaign and party financing, networking and, in some cases, outright corruption (Schneider, 2010). Often the private sector will contact congressmen and civil servants, presenting their view on the reform project through position papers, direct conversations and/or presentations. Similarly, labour unions intervene in this stage, representing the material and political interests of their members.

The dialogue phase is used to build political support for reform. The literature has supported the argument that a strong executive may increase the needed political support for reform (see Dollar and Svensson, 2000; and Nelson, 1993). Cabinet ministers may guide the president's agenda through congress, participating in debates of the executive's proposals and arguing in favour of them.

The legislature intervenes at this stage, sometimes by summoning ministers to appear before them and explain, defend, or clarify law initiatives (Martinez-Gallardo, 2010). These initiatives, called *comparencias* or *citatorios*, may be used by ministers to justify and push the reform agenda.

Political parties may also help consolidate legislative support for the reform, given there is a high degree of power centralisation. Indeed, a centralised party system guarantees a high level of responsiveness to the president (and to the central party leadership), and thus influences not only the extent to which she can count on the support of her co-partisans in the legislature but also the nature of legislative coalitions.

The importance of the legislature-party relations has reinforced efforts to enhance party discipline in Latin America. In Colombia, a reform adopted known as *ley de bancadas* in 2003 established party disciplinary measures explicitly aimed at strengthening party organisations in Congress and reducing incentives for legislative indiscipline once the seat has been occupied. As Cárdenas and Pachón (2010) observe, this reform had a potentially significant impact on legislative practice: not only did it increase collective efforts in Congress, but also the

collective life. For a brief period of time you could make changes by decree; but to let them persist, you have to build coalitions and bring people around. You have to be a politician" (quoted by Feinberg in Williamson, 1994).

32 This is also the case in other emerging regions, for instance in Korea. In this country, the use of empirical methodologies, or evidence-based approaches, in the discussion of institutional reforms in general, and SME credit guarantee reform in particular, offers valuable lessons. Indeed, South Korea's reform of the SME credit guarantee in 2005 used a unbiased approach during the dialogue phase of the policy making process. Reformers invited as many stakeholders as possible during the policy making process to set forth their views, but only positive analyses were accepted in the process of fact finding (Lim, 2010). Indeed, normative assertions were not appreciated until the detailed policy changes were drafted. This method proved to be effective when the heterogeneity of opinions and interests resulted in a stalemate situation.

government coalition successfully approved its most important projects and greatly reduced the number of projects withdrawn for a lack of support. Additionally, the number of changes in party affiliation fell significantly.[33]

Interest groups, such as the private sector and labour unions, actively participate in this stage of the policy making process. The private sector makes sure its own initiatives are represented in the governments' political agenda, by intervening directly in the drafting of policy proposals during the dialogue phase (Lora and Scartascini, 2010). As for labour unions, when they do not completely block the reform, they demand some form of compensatory measures and side payments.[34] This is especially the case when the reform in question affects only a relatively small portion of labour unions, thus making it easier to compensate the potential "losers" and mitigate opposition to the reform. As mentioned in Section III, union compensation is particularly frequent during privatisation and trade liberalisation processes.

Recent experiences in OECD countries show that, in most circumstances, it pays to engage those who will be directly affected by reforms. Compensation seems to create greater trust among the parties involved, after which expected losers will be less reluctant to reform. This has not always been the case in some Latin American countries, where compensatory resources are not always offered to those affected by the reform, and when compensation has been offered, it is not necessarily channelled to targeted actors. These concessions to the potential losers need not compromise the essentials of the reform nor compromise its overall aims (OECD, 2010a). The extent and nature of the compensation is of fundamental importance, since failure to compensate may reinforce opposition to reform, and excessive compensation may result costly or even undermine the effects of the reform itself.

Civil society has increasingly become an influential actor in this stage of the policy making process. Indeed, countries in Latin America have experienced a dramatic increase in the power of protest and social movements, both in number and in terms of their impact on national policy making (IDB, 2005). In countries like Argentina, Bolivia, Ecuador and Peru, street protests have become a very salient and meaningful way to affect policy making, whereas in Chile and Brazil these movements are less influential (Machado *et al.*, 2011). Social movements may be pro-active, seeking to be agenda-setters and changing public policy, or they may be reactive, intending to block a reform.[35] While spatial constraints prevent us from offering a detailed analysis of the degree to which social movements influence national policy making, their

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33 In the period between 2002 and 2006, 67% of senators and 40% of representatives changed their political affiliation, whereas between 2006 and 2008 only one member of congress changed party (Lora and Scartascini, 2010).

34 There are two main arguments supporting the need for compensation. First, compensation may be necessary for the reform to be "fair". Indeed, if the group affected by the reform is vulnerable, then there is a political appeal to compensate for the costs imposed unto them. Second, will compensation may be deemed necessary if the affected group has the political power to block the reform. However, this is often not the case for the most vulnerable groups (Olofsgård, 2003).

35 The 2000 Cochabamba protests against the privatisation of the water works in Bolivia is an illustrative example of the power some social movements may have to veto policies.

presence attests to the crucial importance of having a proper dialogue and the needed compensation prior to policy adoption.

In addition to building political support through compensation and side payments, governments may employ news management strategies to highlight the importance of carrying out a particular reform. Indeed, policy makers –through their influence on news coverage– control the frames that structure news stories, thereby defining the policy environment and conferring legitimacy on certain actors and policy proposals. In this sense, a positive coverage of a reform helps to build public support, increases incentives for long-term co-operation and avoids a bias towards a *status quo.*[36]

Additionally, the media will play a dual role in this phase. It can bring light to issues that policy makers have not considered or viewed as urgent and, as mentioned above, it can set the interpretative frame to present the policy in a way that builds public support for reform (Hughes, 2010). Indeed, scant news coverage during this phase can make reform stall for a lack of urgency (IDB, 2005). In practice, however, the media – which, as detailed in section III, strongly influences public opinion – will distort the efficiency of policies. In fact, because the media tend to portray events in terms of crises, this pressures policy makers to "act quickly and visibly and to adopt symbolic measures, rather than to develop long-term solutions" (IDB, 2005, p. 101). This is especially the case with negative coverage of news.

Finally, information sharing may be fostered by international development agencies and think tanks to help build support for reform. These institutions disseminate information that may pressure policy makers to undertake reform. For instance, the Programme for International Student Assessment (PISA), which compares the performance of students of Latin American economies with respect to other emerging and OECD countries, can help and support policy makers to undertake a much-needed structural education reform.

V.3. The adoption phase

In the third phase, the policy is adopted (or not). Reform will be adopted only if its targets and agendas are clearly defined, its procedures and strategies receive public support and there is commitment from the political leadership (Lim, 2010).

The type of reform will affect both the nature and the number of actors and arenas involved in phase. In general, three main actors interact in this stage and their role depends on

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36 In Fernández and Rodrik (1991), every reform has winners (*i.e.* those who gain from reform) and losers (*i.e.* those who must assume the costs of reform). The problem is that, due to imperfect information, the distribution of the gains and losses of reform is uncertain and cannot be determined ex ante. Consequently, the individual specific uncertainty over the outcome of reform can lead a majority of the voters to expect to lose from reform ex ante, even though a majority of the population may possibly gain from reform ex post. Under incomplete information, this "non-neutrality" in the way that gains and losses from the reform are distributed will thwart political support for reform, generating a bias in favour of the status quo. Similarly, Rodrik (1994) observes that resistance to reform can generally be expected to increase with the "political cost-benefit ratio", meaning the relationship between the redistributive impacts of a reform and the efficiency gains it yields. Thus the greater the degree of redistribution implied by a reform, the harder it will be to realise.

the type of reform (*i.e.* if the reform is a new constitution,[37] a constitution amendment, a law or a decree, and so forth): the judicial branches, the legislative and/or the executive. In that context, at the "adoption phase" the legislative and the judiciary branches can support or contest executive's interests.

The legislative branch is a central actor in this phase, since it must vote in favour or against the reform. As we have seen before, in this phase, party discipline, party fragmentation, and party polarisation significantly influence the congressmen's behaviour when deciding to approve a policy or not. Country experiences have shown this phase to be particularly subject to negotiations and political pressures, which may potentially distort the final outcome of the policy adopted.[38] Thus, inefficient and private-regarding policies may be the result of this institutional weakness in Latin America.

The courts can veto reforms if and when they do not grant their agreement to enact a policy change. Thanks to their recently-gained independence and enhanced participation in the policy making process, this has often been the case with Latin American countries. For instance, the Constitutional Court in Colombia vetoed in 2010 a referendum that would have allowed then-President Uribe Vélez to run for a third re-election term. It also vetoed the aforementioned health-sector emergency decrees drafted by Uribe in December 2009, judging them unconstitutional. In order for the courts to efficiently exercise their powers, judicial independence is fundamental.

The context and environment factors (mentioned in section IV) play a crucial role at this stage. In particular, the sequence of reforms, which it is related to the reform agenda of a government, and the timing of reforms, which depends on political and economic aspects, affect considerably this step.

Gradualism may be the best strategy to adopt reforms if there are important distortions in rigid markets and the immediate consequences of the bundled reform package are correspondingly very difficult to predict. Indeed, if there are pre-existing distortions in one or several markets that cannot be removed at the time the reform plan is announced, gradualism is preferred (Martinelli and Tommasi, 1993). Hence, gradualism is considered a second-best reform strategy, in the presence of pre-existing distortion in markets.

Insofar as the adoption phase affects the priorities of policies among the different actors involved in the policy making process, choosing the appropriate timing to pursue with a reform into the adoption phase will have a significant effect on whether it is adopted or not. If the incumbent in the executive considers the political support is insufficient, or that context

37 In the last three decades, Latin America has experienced an intense period of constitutional reform. Some countries adopted entirely new constitutions, like Bolivia (2009), Brazil (1988), Colombia (1991), Ecuador (1998 and 2008), Paraguay (1992), Peru (1993), and Venezuela (1999). Other countries introduced significant constitutional amendments, like Argentina (1994), Costa Rica (1989), and Mexico (1992).

38 Studying budget processes in Colombia, Cárdenas, Mejía, and Olivera (2010) observe that between 1970 and 2005 the most intense and significant negotiations took place during the adoption phase, because the total budget had not been predetermined and could be modified at any moment during the debate in Congress.

conditions are inconvenient, then the reform is put in a "drawer" until conditions change and the next administration deems it appropriate to continue with the process of reform. As we have mentioned in previous sections, such can be the case, for example, during a crisis situation or a sudden event that begets political support for reform. In this sense, we share former Chilean Minister Alejandro Foxley's view that an economic reform is much like surfing,[39] as it pays for an incumbent to prepare ideas for reform in advance and, only after a long process that includes agenda setting, technical design and consensus building, "jump" into the political ocean and look for the right reform wave.

V.4. The implementation phase

Even the most well-intended and well-planned-out policies may not have an impact if they are not implemented properly (Banerjee and Duflo, 2011). Notwithstanding, the implementation phase is the most complex and uncertain part of the policy making process. There is frequently a disparity between intention, or what is announced as a reform, and what is actually executed, also known as the "implementation gap", Grindle (2009). Indeed, unless policies are explicitly applied on a programme level, they will remain "*letra muerta*" (World Bank, 2010a).

As depicted in Figure 2, the implementation phase in the policy making process involves the executive, the legislature, the sub-national government, the bureaucracy, and the media.

Presidents and cabinet ministers are central to the implementation phase. Regarding the former, Latin American presidents are invested with *potestad reglamentaria*, a rulemaking aid whereby they are given some flexibility in shaping the specific content of policies (Martinez-Gallardo, 2010). Cabinets play a central role in this phase by heading the agencies in charge of executing the laws approved in congress during the earlier phase of the policy making process. Additionally, cabinets are said to be the principal source of policy expertise. Indeed, finance ministries are well endowed with technocrats that greatly contribute to articulating expertise and politics (Santiso and Whitehead, 2006; Lora and Scartascini, 2010). Cabinets, technopols[40] and other similar cognitive institutions responsible for a particular policy domain are vested with the defence of the collective interest and, in this sense, may overcome incumbents' time constraints. By making sure that policies have a long-term perspective and are public-regarding, these technopols act as agents of restraint, tying the hands of politicians who are subject to myopic and private-regarding incentives for reform (Bates, 1994). In this sense, these institutions may function as "institutional masts" to which incumbents are attached to resist the proverbial sirens' song (Santiso and Whitehead, 2006),[41] a function that proves crucial during this phase.

39 This anecdote was shared by former Chilean Minister of Finance Andrés Velasco during the Opening Ceremony at LACEA in Medellin (November 11, 2010).

40 The term "technopol" was coined by Jorge Dominguez and Richard Feinberg in 1992. A few years later, John Williamson (1994, p. 12) observed that a successful technopol would combine two types of skills: first, the skill of a successful applied economist, capable of judging what institutions and policies are necessary in specific circumstances in order to achieve economic goals; and, second, the skill of a successful politician, capable of persuading others to adopt such policies.

41 In particular, cabinets and similar cognitive institutions can play an important role in reducing incumbents' incentives to implement expansive fiscal and monetary policies during an election year (Nieto-Parra and Santiso, 2008a).

Independence from the ministries enables them to mitigate the political volatility and confrontation among the interests groups involved in the process of reform. Ideally, these bodies must be empowered to conduct open discussion, using expert mediation and social consultation to produce a social accord on reforms, and monitor their implementation.

The legislative branch oversees the implementation of policies by monitoring, reviewing, and investigating government activities to ensure that they are transparent, efficient, and consistent with laws and regulations (Scartascini *et al*., 2010).

At this stage, sub-national actors can exert influence by obstructing, delaying, or reshaping national policies. As mentioned before, fiscal policies are particularly subject to a common pool problem, as a lack of internalisation of the national budget restriction leads sub-national governments to over-spend from the common-pool resources. The possibility of the central government bailing the governors out[42] further softens their budget constraint, thus increasing regional profligacy. As a result of this potential impact on national stability, sub-national governments have a certain bargaining power that thwarts the co-ordination of policies during the implementation phase. In addition to the fiscal commons problem, the negotiations between governors and the national executive may also generate difficulties in coordinating policies during this stage (Monaldi, 2010).

Finally, the media exerts a dual role during this stage. First, the media may exert a monitoring function, increasing the visibility of player moves and decreasing pay-offs for secrecy. In fact, media monitoring in Latin America has frequently resulted in media scandals involving corruption, particularly during the implementation phase (Hughes, 2010; McMillan and Zoido, 2004). Additionally, the media help to promote the appropriate design of policy enforcement, by pinpointing the flaws of the policy in its implementation phase.[43]

Imperfect information, the presence of powerful interest groups, and a weak legal-political institutional infrastructure explain why policies can improve in Latin America. Unanticipated obstacles consistently emerge after the designers and supporters of new policy initiatives declare victory after the reform has been adopted. These unpredictable obstacles thwart the intention and the effect of the policy, widening the implementation gap (Grindle, 2009). Vested interests are at the root of this phenomenon, as they significantly affect the policy making process during this stage, especially when reforms require long chains of action and multiple actors to be executed effectively. Indeed, if the “losers” have enough political power to block or distort the reform in the policy making process, then reforms will not be efficient and may, in fact, increase existing inequalities. For instance, when implementing tax reform, the rich

42 The chances of the national government bailing the sub-national government out are high, because a region’s default is costly for the central government. In this case, the national power’s warning to abstain from a bail out is not credible.

43 Colombia presents an illustrative example. In late 2009, the media’s coverage of the collapse of the health sector pushed the Uribe administration to take action by declaring a social emergency. On 23December 2009, Uribe issued 14 emergency decrees to control the alarming situation. However, immediately after presenting these decrees, the media published experts’ opinions against the decrees, warning the remedy could well be worse than the disease. The president amended the decrees in the beginning of 2010, publicly admitting that they had been inadequate and hastily planned.

will typically try to block the reform while the poor, unaware of the benefits of redistribution, remain disperse and unorganised.[44] If the rich are politically powerful and succeed in blocking the reform, then redistribution will be avoided and inequality may rise.[45] Indeed, some authors argue it is this perverse dynamic what explains the wide gulf between *de jure* reforms and *de facto* implementation in the region (Acemoglu *et al*., 2008; Grindle, 2009).

Complex reforms and hostile contexts widen implementation gap. First, a policy's characteristics may cause problems during this phase. If a reform is complex, requiring long chains of action and multiple actors, then the chances that the implementation process might go wrong increase. This is often the case with structural reforms, such as fiscal, education and infrastructure policies, and explains why they have been procrastinated by governments in many Latin American countries. Second, the economic, political and social contexts might widen the implementation gap if they are hostile to change. This is frequently the case in many countries in Latin America, as conflict and resistance are inherent to the majority of efforts to introduce and maintain new policy initiatives (Grindle, 2009).

The wide implementation gap in Latin America stresses the need to undergo serious institutional changes in the policy making process. In this sense, the literature has offered several recommendations. Grindle (2009) believes simplifying the policy will enhance the efficiency of its implementation, as might be achieved by reducing the degree of state intervention. A second strategy is to include the implementers in the first stage (*i.e.* the planning stage) of the policy making process. Indeed, if those having a deep understanding of the ways in which political, administrative, and business issues affect the execution of policies take part in the policy design process, their knowledge and experience can embed the policy in a realist implementation context and greatly contribute to enhance the overall policy making process (Grindle, 2009). Finally, an increased participation of technopols, or economic technocrats who assume positions of political responsibility, is of vital importance.

V.5. The sustainability phase

In the final phase, the policy is sustained (or not). The following five actors are central in this stage: the president and her cabinet, sub-national governments, the bureaucracy, international organisations and the media.

From a political standpoint, the most difficult part of a reform program is sustaining the reforms "until they have a chance to bear fruit and thus generate political support from the potential beneficiaries" (Williamson, 1994, p. 20). For this, the president and her cabinet, as well as sub-national governments and the bureaucracy, must continuously evaluate if the reform has achieved the objectives targeted in the planning phase. Over time, such ex-post evaluations, comparing the ex-ante objectives of the reform with its ex-post impact, allow for a proper

44 Supposing tax redistribution affects the rich and benefits the poor.

45 Olofsgård (2003) and Rodrik (1996), among others, argue that a more unequal income distribution makes it harder for the government to implement reform. There are two reasons behind this: first, more equality makes policy making less influenced by the presence of special interest groups; and second, with higher equality, the government can concentrate its efforts in growth-enhancing policies instead of redistributive policies that may encourage fierce opposition by some groups.

reassessment of the success and fitness of the reform. By assessing if the reform adequately addresses the needs in the changing economic and political environment, identifying the bottlenecks present in the different stages of the reform process and the possible alternatives to overcome them, the evaluation enables incumbents to enhance policy adaptability and efficiency.

In evaluating reforms, the actors involved in the policy making process must be made accountable of the effectiveness and efficiency with which the reform achieved its objectives. Indeed, careful thinking and rigorous evaluations help greatly in designing systems aimed at keeping corruption and inefficacy in check. This might seem self-evident but, in Latin America as in many other places, it is not how policy usually gets made (Banerjee and Duflo, 2011).

It is essential that this ex-post evaluation be performed by independent agencies. Quality control must be performed by an external agency (such as an international organisation, a think-tank, a NGO or an university), by a central agency overlooking ministries, legislators and the civil service[46] and agencies and that helps design their projects and/or programmes, or by a special committee consisting of various stakeholders (Lim, 2010). Strengthening the institutional framework surrounding these agencies guarantees their independence from influential actors, buffering the political pressure and other undesirable influences over the reform process. Furthermore, the media must increase its participation in this stage, holding incumbents responsible for their policies and exposing the need to reassess the reforms. This does not only enhance the overall quality of the reform, but it also boosts public trust in governments (World Bank, 2010b).

Finally, in some cases, such an evaluation may suggest that an additional reform adjustment or modification is necessary. Consequently, the reform must be meticulously planned, and the reform cycle begins once again in the planning stage.

46 In most Latin American countries, these include but are not limited to the *fiscalía*, *procuraduría* and *contraloría*.

VI. CONCLUSIONS

Our interest in the reform cycle is motivated by the need to better understand the factors underpinning reforms that improve the prospects for long-term growth and development in the region. Rather than focusing exclusively on *what* to reform, this paper explores the question of *how* to reform, that is, the need for a systemic approach that emphasises the institutional framework and the process of policy making in studying of the process of reform in Latin America. Building upon existent literature, this paper analyses the interactions among the multiple actors that intervene in the policy making process, and the context in which the reform takes place. Additionally, this paper argues that, in spite of its limitations, the process of making policies is best analysed in the light of the different stages of reform. For this purpose, a particular emphasis has been awarded to the analysis of the different stages of the ideal reform cycle, namely planning, dialogue, adoption, implementation, and sustainability.

The "planning phase" is where the actors identify the problem, design the policy and build the reform agenda. However, in Latin America, this stage tends to be a creative and disorganised process. Partly due to the region's *presidencialismo*, presidents and their cabinets have a near-monopoly in formulating policy proposals and designing reforms. Notwithstanding, the relatively low levels of co-ordination and debate in the region can be upgraded by promoting a greater participation by technical agencies, political parties, and international organisations. Technopols, take an increasing part in the policy making process in Latin America, significantly improving ex-ante evaluation and policy expertise in this stage. In addition, a more active participation of political parties helps guarantee policies are public-regarded and stable, enhancing the overall quality of the policy. Finally, international organisations contribute in pin-pointing the bottlenecks of reforms and, by disseminating information on different country experiences, convey the right policy lessons and recommendations.

Once the policy is designed and the reform agenda is set, the policy continues into the "dialogue phase". Ideally, an inclusive and comprehensive dialogue takes place, providing a space for public deliberation and debate that shapes political support for reform. The legislature will intend to reflect the citizens' wishes in the reform, and their position for or against a reform will be influenced by the party system. This has fostered efforts in several Latin American countries to enhance party discipline in recent years. Moreover, multiple actors with vested interests express their concerns about the reform in question during this phase. In Latin America, business groups and labour unions use different channels to present their views on certain reforms, although the mechanisms they use to do it vary amply. Incumbents will generally try to build political support during this phase. For this reason, compensation for the "losers" is often necessary. Recent administrations take advantage of the influence of the media over public opinion, and employ "strategic communication" and "news management" techniques to boost public support for reform. Excessive pressure to reform can affect the policy quality, as policy makers resort to acting quickly and visibly, rather than developing long-term and efficient reforms. Frequent scandals exposed by the media continue to illustrate the vulnerability of reforms in Latin America, as they are particularly subject to private interests during this stage.

The economic and social context and the organisation of the reform agenda are key elements in the "adoption phase". Indeed, a policy will be adopted only if there is sufficient political support and the context of the reform is favourable. Reforms are adopted by the three powers of the State, although the specific participation of the different branches depends on the type of reform in question (*i.e.* if the reform is a change of the constitution, a law, a decree, and so forth). The context of the reform (*i.e.* the timing, the sequencing, and the attitude of the incumbent), affects the chances of the policy being adopted. In general, the Latin American experience confirms that economic contexts affect the chances of policy adoption. In general, crises beget reform and a "bundling" approach facilitates correct policy adoption. In addition, leadership and legitimacy on behalf of policy makers are central for policy approval. If the timing is off, the reform is put in a "drawer" until a next administration deems it appropriate to pursue with the policy into the next stage of the reform process.

If the policy is adopted, it must be implemented and enforced in the "implementation phase". While the executive is in charge of executing the policies approved, the legislature monitors, reviews, and investigates government activities to thoroughly oversee the implementation of policies. However, this stage is particularly subject to imperfect information, powerful interest groups, and weak legal-political institutional structures that distort the quality of the policy and widen the gulf between what is announced as reform and what is actually executed. This has created a large "implementation gap" in the region, urging Latin American countries to make significant efforts to improve political institutions. An unprofessional and unstable bureaucracy will make policy enforcement very difficult while, vulnerable to a common pool problem and a soft budget constraint, sub-national governments do not correctly implement national policies, often obstructing, delaying or reshaping them. Not only does this distort the co-ordination and coherence of the policy, but it also escalates the national deficit. This can be avoided by improving the co-ordination between national and sub-national in the region, and improving the political institutions to provide the right incentives and limit the power of governors in national policy making. As a usual watchdog, the media helps to expose bad policy implementations, holding actors accountable for their actions.

Finally, the reform must be "sustained". From a political standpoint, sustaining a policy is difficult because it challenges policy makers to maintain the policy until it has borne fruit, lest it be reversed by the following administrations. To sustain the reform, it must be evaluated appropriately to assess if it achieved the objectives it targeted. Independent ex-post evaluations are increasingly being offered by technopols in the bureaucracy and international organisations. Moreover, ex-post evaluations enable a better accountability, thus being fundamental to preserve legitimacy in the government throughout the policy making process. If the result of such evaluations deems that a policy correction is necessary, then policy makers are advised to plan and design the policy reform, and the reform cycle will start over again.

Most of the research related to reforms in the region has studied political economy aspects (*i.e.* the impact of the context and socio-economic conditions on reforms) or the policy making process of reforms (*i.e.* interactions between actors and institutions and their impact on the outcome). This paper combines the insights from both approaches. We analyse the context and the interactions between agents and institutions during the different stages of reform which comprise "the life cycle" of reform. As a topic for future research, it would be relevant to use this framework to analyse the way in which the different stages of the reform cycle have unfolded in particular reforms in Latin America. This would illuminate on the applicability of the stylised reform cycle in practice, and how it enables us to pinpoint and understand the bottlenecks and challenges in each stage of reform.

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